

**PROCUREMENT UNDER WORLD BANK-FINANCED PROJECTS:
FY09 ANNUAL REPORT**

**June 7, 2010
Operations Policy and Country Services**

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AsDB	Asian Development Bank
AFR	Africa Region
AFTPC	Africa Region Procurement Unit
AML/CFT	Anti-money laundering/combating the financing of terrorism
CAS	Country Assistance Strategy
CGAC	Country Governance and Anti-Corruption
COMESA	Common Market for Eastern and Southern Africa
CPAR	Country Procurement Assessment Report
CRPD	Company Risk Profile Database
DIR	Detailed Implementation Review
EAP	East Asia and Pacific Region
EC	European Commission
ECA	Europe and Central Asia Region
e-GP	Electronic government procurement
ESW	Economic and sector work
FM	Financial management
FY	Fiscal year
GAAP	Governance and Accountability Action Plan
GAC	Governance and Anti-Corruption
HoP	Heads of Procurement
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IDF	Institutional Development Fund
IFC	International Finance Agency
INT	Integrity Vice Presidency
IPR	Independent Procurement Review
LCR	Latin America and Caribbean Region
MAPS	Methodology for Assessment of Procurement Systems
MDB	Multilateral development bank
MDTF	Multi-donor trust fund
MNA	Middle East and North Africa Region
MoF	Ministry of Finance
MOU	Memorandum of understanding
MPD	Master Procurement Document
NCB	National competitive bidding
NPPA	National Public Procurement Agency (Indonesia)
OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-Operation and Development
OP/BP	Operational Policy/Bank Procedure

OPCPR	Procurement Policy and Services Group
OPCS	Operations Policy and Country Services
OPRC	Operations Procurement Review Committee
PEFA	Public Expenditure Financial Accountability
PFM	Public financial management
PMU	Project management unit
PPP	Private-public partnership
PPR	Procurement post review
P-RAMS	Procurement Risk Assessment and Management System
PR/FM	Procurement/Financial Management
PSB	Procurement Sector Board
RETF	Recipient-executed trust fund
RPM	Regional Procurement Manager
SAR	South Asia Region
SBD	Standard bidding document
SEPA	Procurement Plan Execution System (Spanish)
TTL	Task team leader
UCS	Use of country systems
UN	United Nations
WBI	World Bank Institute

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EXECUTIVE SUMMARY

1. The Procurement Sector's strategic focus, articulated in FY08, is to improve good governance and aid effectiveness in client countries and ensure that the fiduciary responsibilities of the Bank are being met. This strategy has four key elements: (a) focusing on client countries and the contributions that good procurement practices make at the country level to good governance; (b) developing and maintaining innovative procurement processes, procedures, documents and tools to support staff and clients; (c) working closely with international partners; and (d) developing the skills and capacity of staff to deliver the Bank's programs to clients.

A. Country Work

2. In FY09, the Procurement Sector delivered eight economic and sector work (ESW) products focused on procurement, collaborating internally with Financial Management (FM) and Poverty Reduction and Economic Management (PREM) colleagues and involving donor partners most of the time. Most recent procurement ESW incorporate the use of the Methodology for Assessment of Procurement Systems (MAPS) tool introduced in 2006 by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) where the Bank played a leadership role.

3. *Use of Country Procurement Systems.* The use of country systems (UCS) piloting program¹ has been under implementation since FY09. Funds were distributed to the Regions to support the assessments required for candidate countries to become participating countries, and eight countries completed the Phase I assessment process in FY09: Brazil, Colombia, Ghana, Morocco, Panama, Philippines, Rwanda, and Senegal. OPCPR prepared a Progress Report² for the Board summarizing lessons and issues, and providing suggestions on improving the implementation of the piloting program; the Board approved recommendations to move countries forward in the piloting process as long as agreed actions for addressing gaps were identified and/or implemented, and to extend the timeline for the piloting program by approximately one year to the end of FY11.

4. *Institutional Development Fund.* The Institutional Development Fund (IDF) has been effectively used to support procurement reform activities in client countries. In FY09, eight new IDF projects totaling US\$630,000 were approved, complementing the

¹ *Use of Country Systems in Bank-Supported Operations: Proposed Piloting Program* (R2009-0036/3), approved April 24, 2008.

² *Piloting Program in Use of Country Systems: First Progress Report* (SecM2009-0513), October 5, 2009.

108 IDF activities valued at US\$8.47 million already under implementation. It was agreed to use IDF funds on a priority basis as a source of financing for the activities identified in UCS candidate countries to support their procurement capacity development needs; this change will be reflected in new guidelines to be issued in FY10.

5. ***e-Government Procurement.*** To help countries launch or implement aspects of electronic government procurement (e-GP), the Procurement Sector teamed with the World Bank Institute and the Global Information and Communication Technologies group to design and deliver a series of workshops to Albania, Jordan, Kenya, Moldova, and Tanzania; more countries will be added as interest and demand grow. Other financial and technical support activities the Bank has provided included: (a) developing e-GP roadmaps and agendas in specific countries; (b) setting core data standards to ensure inter-operability among e-GP providers and related systems; (c) assessing and supporting online tendering platforms to ensure operational sustainability; and (d) assisting with the development of electronic tendering systems to strengthen the use, efficiency, and transparency of these systems.

B. Policies and Tools

6. ***Policies.*** Part of the mandate of the Procurement Policy and Services Group in OPCS (OPCPR), the anchor unit, is to develop policy and related guidance for staff. In FY09 OPCPR substantially revised Operational Policy/Bank Procedure (OP/BP) 11.00, *Procurement*, and posted it for use by staff on an interim basis; the statements will be finalized following consideration and approval of the proposed revisions to the Bank's Procurement and Consultants Guidelines in early FY11. After a broad consultation process, OPCPR collaborated with the Fragile and Conflict-Affected Countries unit and the United Nations to prepare and issue *Guidance Note on Rapid Response to Crises and Emergencies: Streamlined Procurement Procedures*, with simplified agreements, fiduciary safeguards, and templates.

7. ***Procurement Tools and Initiatives.*** OPCPR continued to support Bank operations by developing and improving tools to simplify procurement and help to capture and share the information needed to assess and address risk and monitor performance. For example, it enhanced the complaints database, incorporated a post review module into the Operations Portal, and developed e-learning modules for all the new applications in the Operations Portal. In addition, it completed and rolled out the new Procurement Risk Assessment and Management System (P-RAMS), which will be linked to a number of existing data capture systems and will become part of the Bank's Operational Risk Assessment Framework (ORAF) as of July 1, 2010.

8. ***Standard Bidding Documents.*** In FY09 OPCPR posted the new *Sample Health Goods Agreement between the World Bank and UN Agencies* and a significantly revised *Procurement of Information Systems, One and Two Stage* document. General conditions of contract (GCC) for large civil works, request for proposals (RFP), and simple technical proposal for the selection of consultants were also posted. In addition, OPCPR maintained and updated the Bank's standard bidding documents (SBD).

9. ***Sanctions Reform.*** With the Integrity Vice Presidency (INT), General Services Department, the Legal Vice Presidency, IFC, and MIGA, OPCPR participated in a major initiative to review and revise the Bank’s sanctioning policies and procedures. Key actions affecting procurement included, inter alia: (a) the approval of early temporary suspension, under which firms and individuals are ineligible to be awarded contracts while the full investigative procedure is completed; and (b) the creation of a Company Risk Profile Database (CRPD) that identifies firms and individuals “of interest” to INT, alerting staff to the need for additional due diligence before clearing awards to such firms or individuals.

C. Fiduciary Oversight and Compliance

10. OPCPR collects and monitors performance information and regularly reports on it to the Chief Procurement Policy Officer (CPPO) and the Sector Board. The following FY09 information covers areas that affect the workload for Procurement Sector staff:

- In FY09, the Bank approved 301 new lending operations—234 investment lending and 67 development policy lending operations—with a total commitment value of US\$46.4 billion, almost double the US\$24.7 billion lent in FY08. The new commitments channeled through investment operations have resulted in additional workload to procurement staff.
- Decentralization of procurement authority to staff based in country offices increased slightly Bankwide from 76 percent in FY08 to 77 percent in FY09.
- In FY09, 7,705 contracts, with a value of US\$9.7 billion, were subject to prior review. Post review was conducted on 93 percent of the projects subject to post review. The remaining seven percent reflect a series of dynamic circumstances that affect post review requirements throughout the project implementation cycle. Such factors may include, inter alia: (a) changes in the procurement plan, (b) the number and type of contracts procured during a given year and the methods of procurement used for such contracts, and (c) changes in the procurement risk, which may alter the frequency and intensity of supervision efforts.
- The Operations Procurement Review Committee (OPRC) reviewed 129 cases with a combined value over US\$11.4 billion. The thresholds for mandatory review were substantially increased during FY09, resulting in a 9 percent decrease in the number of cases brought to OPRC, although the combined value increased by 12 percent. More non-mandatory cases were also submitted due to complex issues and non-standard processes.

11. ***Advice and Support to the Regions.*** Technical advice and support to the Regions provided by OPCPR during FY09, in particular for the preparation and supervision of emergency and risky operations, included, among other activities: (a) participating with staff from the Fragile/Conflict Affected Countries unit and the United Nations to prepare and issue a guidance note on the application of streamlined procurement procedures on rapid response to crises and emergencies; (b) delivering targeted staff training workshops on how to best utilize streamlined procedures for emergency operations; (c) participating in the Bank-wide implementation support operation to Southern Sudan under a multi-

donor trust fund, including the delivery of procurement training to counterparts; (d) collaborating with other Bank networks on the preparation of a guidance note for the procurement of H1N1 vaccines by Bank client countries.

12. ***IDA-14 Control Review.*** As a result of the IDA-14 internal controls assessment, OPCPR committed to a series of critical actions to tighten fiduciary controls and advance the Bank's ability to capture, manage, and act on fiduciary information relating to procurement. This extensive effort included: (a) development and/or improvement of internal procurement systems and related processes; (b) strengthening follow-up mechanisms for procurement staff in order to maximize the effectiveness of the Bank's fiduciary function; and (c) updating procurement policy to incorporate, inter alia, risk management, fraud and corruption issues, and complaint handling.

13. ***Recipient-Executed Trust Funds.*** During FY09, the Procurement Anchor added specific identifiers to project data so that information could be more easily extracted on recipient-executed trust funds (RETFs). This enabled a more accurate reflection of post reviews of RETFs. Data from five of the six Regions showed a total of 337 projects. Post review of contracts under these projects ranged from 42 percent to 100 percent. The new OP/BP 11.00 provides guidance to staff on handling RETFs.

D. Collaboration with International and Internal Partners

14. ***Harmonization under the Heads of Procurement.*** The Heads of Procurement (HoP) of the multilateral development banks (MDBs) meets every nine months, and its working groups meet more frequently if necessary to discuss procurement policy, guidance notes, and Master Procurement Documents (MPD) that form the agreed work program. The World Bank has taken an active leadership role in the HoP and leads several of the working groups. Key HoP activities in FY09 included: preparation of a harmonized RFP document for the selection of consultants; revisions to the GCCs for large civil works; cross-harmonization and adoption of the final Master Procurement Documents for civil works; cooperation on the use of new forms of contracts such as framework agreements; creation of a virtual network to exchange information on capacity building events and sharing of training materials; creation of a Working Group to harmonize the MDB's public-private partnerships (PPP) procurement procedures. The next meeting of the HoP, in June 2010, will be hosted by the World Bank in Washington, DC.

15. ***Cooperation with the OECD-DAC.*** Cooperation with the OECD-DAC has provided the opportunity to expand harmonization between MDBs and bilateral donors. Since 2003 the Bank has continued to provide leadership and to hold one of the co-chair positions in the group that is now the Task Force on Procurement, under the Global Partnership on Country Systems. The Task Force aims to deliver inter alia, before the High Level Forum in 2011, work on conducting political economy assessments, involving civil society in monitoring procurement, and adapting existing assessment tools to the environments of small, fragile, and post conflict countries.

16. ***Collaboration with the Integrity Department.*** Under a memorandum of understanding between OPCS and INT, the Procurement Anchor collaborated with INT

on (a) a joint protocol to provide guidance to staff on roles and responsibilities of, and interactions between, INT and operational staff in handling fraud and corruption allegations related to procurement; (b) guidance note on using INT's Company Risk Profile Database before giving a "no-objection" to a borrower's procurement actions; and (c) the Procurement Red Flag tool, which will help staff recognize potential fraud and corruption in the procurement process.

E. Staffing and Capacity Development

17. Staffing numbers in the Procurement Sector remained stable at about 200 staff, with a slight increase in staff in country offices and a corresponding decrease in Washington-based staff. During FY09, the 3-5-7 rotation exercise affected GH-level staff initially and then GG-level staff; the Sector sought to minimize impact by working closely with Human Resources to identify vacancies and offer staff the opportunity to select a good fit option before implementing the mandatory rotation. All staff on the rotation program, except for one, rotated.

18. **Capacity Development.** The Sector continues its effort to provide all staff with the procurement knowledge they need at a level consistent with their role and responsibilities. FY09 saw the planning, design, and organization of the FY10 Fiduciary Forum delivered in early March 2010, and the development of several courses for rollout and delivery in FY10. Under the guidance of a newly recruited procurement specialist in the Procurement Anchor, implementation of the new capacity development strategy involved continued delivery of special-topic workshops and expanded work with the OPCS learning team to develop the new fundamentals course on procurement for task team leaders (TTLs). In addition, a new procedure is being developed to accredit TTLs to assume more responsibility for lower-value procurement and free specialized procurement staff to focus on resolving more complex issues that arise in operational procurement.

F. Procurement Sector Initiatives

19. FY09 saw progress on several initiatives that were introduced in the FY08 Annual Report. Agreements, including the Fiduciary Principles Accord, were signed with several UN Agencies, and staff guidance was provided on how and when to apply these agreements. The Bank also provided guidance to staff on the use of framework agreements. Work on environmental and socially responsible procurement received renewed attention in FY09, with a focus on diversity and on universal accessibility. Two studies were commissioned on public-private partnerships (PPP) to guide work by the PPP Working Group under the HoP. Finally, the Procurement Anchor continues supporting Regions in implementing the UCS piloting program in procurement.

20. **Collaboration with the FM Sector.** The Procurement and FM Sectors continued to work together under the leadership of the OPCS Operations Director. Several products resulted from the collaboration between the two Sectors: the successful FY10 Fiduciary Forum, a consolidated note on handling fiduciary issues as part of trust fund management, and a section on handling procurement and procurement specialized audits in the FM Audit Guide.

G. Regional Summaries and Annexes

21. The final section of this report summarizes a range of Regional activities in FY09, highlighting work that goes beyond the normal operational support Regional staff provide. This year's report also includes a new Annex A, which provides a more focused perspective on procurement reform and capacity development, looking at this work from several different viewpoints: progress as a result of Country Procurement Assessment Reports, cooperation and partnership with other organizations, commitment to UCS, and support for the growth of e-procurement. As in previous years, Annex B provides data on procurement that are additional to, and complement, the data in the body of the report.

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I. INTRODUCTION

1. The FY09 Procurement Annual Report focuses on the Procurement Sector's strategic contributions to achieving the Bank's institutional objectives and provides information on and analysis of data on contracts, countries, and Regions. Procurement data are normally closed out at the end of the second quarter of the following fiscal year, and the collection and analysis of the data push the final preparation of the report and its presentation to the Audit Committee well into the year. Although this report is a retrospective summary of FY09 activities and initiatives, it also provides information on how activities are being implemented in the current fiscal year.

2. ***Procurement Sector Strategic Focus.*** The Procurement Sector's strategic focus, articulated in FY08, is unchanged: to improve good governance and aid effectiveness in client countries and to ensure that the fiduciary responsibilities of the Bank are being met. The Sector's strategy has four key elements: (a) focusing on client countries and the contributions that good procurement practices make at the country level toward good governance; (b) developing and maintaining procurement policy and tools to support staff and clients in maintaining quality and monitoring performance through fiduciary oversight and compliance monitoring; (c) working closely with other international partners to harmonize policies and facilitate good procurement at the country level; and (d) developing the skills and capacity of Procurement staff to deliver the Bank's programs to clients.

3. ***Organization of the FY09 Annual Report.*** This FY09 Annual Report is organized around the elements of the strategy. Following this introduction, Section II discusses country work, providing details of capacity development activities and updates on the use of country procurement systems. Section III presents information on the work on policies and tools, focusing on how such instruments contribute to enhancing quality and the Bank's ability to monitor performance; and Section IV discusses fiduciary and oversight compliance activities. Section V addresses the Sector's harmonization and partnership activities, Section VI describes staffing and capacity development activities, and Section VII provides information on specific areas of focus in the Procurement Sector during FY09. Finally, Section VIII highlights Regional activities during FY09. Annex A responds to the Audit Committee's request for specific information on accomplishments at the country level with regard to procurement reform and capacity development activities supported by the Bank,¹ and Annex B provides additional data and charts on procurement, focusing on accomplishments over the past five years.

¹ See Audit Committee minutes of October 7, 2008.

II. COUNTRY WORK

4. During FY09, the Procurement Sector continued working at the country level on development and reform in the areas of national procurement systems and public sector governance, including procurement economic and sector work (ESW) and governance and anti-corruption (GAC) programs. It also continued its efforts to expand the use of country procurement systems under a piloting program.²

5. **Economic and Sector Work.** In FY09, the Procurement Sector contributed to eight ESW reports (see Table 1). To provide clients with integrated reports containing strategic action plans to improve the systems that make up public financial management and public sector governance, the Sector took a collaborative approach, involving both external donor partners and internal partners, specifically the Financial Management (FM) sector and the Poverty Reduction and Economic Management (PREM) network. This resulted in a decrease of stand-alone Country Procurement Assessment Reports (CPARs). OPCPR also participates as a member of the Public Expenditure Financial Accountability (PEFA) steering committee and is in the process of revising the primary indicator in PEFA covering procurement to better reflect information resulting from CPARs and the OECD-DAC benchmarking.

Table 1. Procurement ESW Reports Delivered to Clients in FY09

<i>Region</i>	<i>Country</i>	<i>Type of ESW report</i>	<i>Date of delivery to client</i>
Country Procurement Assessment (CPAR)			
ECA	Armenia	CPAR	5/1/2009
MNA	Saudi Arabia	CPAR	6/29/2009
Integrative Fiduciary Assessment (IFA)			
ECA	Tajikistan	IFA	6/29/2009
LCR	Colombia	IFA	6/30/2009
SAR	Pakistan	IFA	12/1/2008
	Pakistan	IFA Update	6/16/2009
Other Procurement ESW			
MNA	West Bank and Gaza	Procurement Study	1/16/2009
SAR	India	Policy Note	2/11/2009

Note: The Saudi Arabia CPAR was completed as part of a technical assistance project.

6. **OECD-DAC Benchmarking Tool.** In FY09, the Sector continued using the Methodology for Assessment of National Procurement Systems (MAPS)³ as a procurement benchmarking tool in the preparation of CPARs and other ESW. The MAPS benchmarking tool has been applied as part of Bank assessments in over 40

² *Use of Country Systems in Bank-Supported Operations: Proposed Piloting Program* (R2009-0036/3) was approved on April 24, 2008.

³ The MAPS, introduced in 2006 by the Development Assistance Committee of the Organisation for Economic Co-Operation and Development (OECD-DAC), is widely accepted as a useful tool for assessing national procurement systems.

countries (see Table 2). It provides for several application methodologies, including (a) joint assessments done through a group of donors supporting the country; (b) self-assessments by the country; and (c) external assessments by donors to identify risks to funds that are subject to the country's procurement system.

Table 2. Countries Applying OECD-DAC Benchmarking Tool

<u>AFR</u>	<u>EAP</u>	<u>ECA</u>	<u>LCR</u>	<u>MNA</u>	<u>SAR</u>
Botswana	Indonesia	Albania	Brazil	Morocco	Afghanistan
Burkina Faso	Lao PDR	FYR Macedonia	Colombia	Kuwait	Pakistan
CAR	Mongolia	Georgia	Mexico	Jordan*	Nepal
Congo Rep	Philippines	Kyrgyz Republic	Panama		Sri Lanka
Côte d'Ivoire	Solomon Is.	Turkey	Paraguay		India (2 states)
Cameroon	Thailand	Azerbaijan	Peru		Bangladesh*
Ghana	Vietnam	Armenia	Costa Rica*		Bhutan*
Lesotho					
Nigeria					
Rwanda					
Senegal					
Tanzania					
Zimbabwe*					

* Began applying the MAPS tool in FY09.

A. Use of Country Procurement Systems

7. Implementation activities for the use of country systems (UCS) began in FY09 after the Board approved the piloting program in April 2008. Funds earmarked for the piloting program were distributed to the Regions for use in UCS candidate countries, which each Region nominated after ascertaining the country's interest. Interest in being part of the UCS piloting program was strong, so many countries and organizations were identified as candidates. The approved methodology consists of two phases: in the first, phase the MAPS is completed; and in the second, the Bank carries out an equivalence review to determine whether the country's implementation of principles and use of documents and practices are equivalent with those of the Bank. The Procurement Unit in OPCS (OPCPR) plays an important support role in reviewing reports for quality and consistency and in supporting Bank country teams in identifying key areas where remedial action or mitigation measures are needed to achieve the standards established for the piloting program.

8. **Progress during FY09.** During FY09, Phase I reports, and in some cases Phase II equivalency reports, were submitted for OPCPR review for Brazil, Colombia, Ghana, FYR Macedonia, Morocco, Panama, Philippines, Rwanda, and Senegal. Table 3 summarizes the status of the implementation process by country, and Box 1 summarizes implementation by Region. At the end of FY09, OPCPR began preparing a Progress Report for the Board, covering the status, issues, and lessons emerging from the first year

of implementation of the approved methodology.⁴ The following summarizes the key points in the first Progress Report:

Table 3. Status of UCS Implementation (through April 2010)

<u>Region</u>	<u>Country</u>	<u>Action/status</u>	<u>Timing</u>
AFR	Senegal	Submitted to OPRC	April 2010
AFR	Rwanda	Submitted to OPRC	Jan 2010
AFR	Ghana	Review of assessments by OPCPR	April 2010
AFR	Burkina Faso	Review of assessments by OPCPR	April 2010
AFR	Mauritius	Assessment submitted for review by OPCPR	March 2010
EAP	Philippines	Review of assessments by OPRC Awaiting Government Action Plan	Aug 2009
EAP	Mongolia	No activity	N/A
EAP	Laos	Country not ready	N/A
EAP	Vietnam	Country not ready	N/A
ECA	Turkey (postponed)	N/A	N/A
ECA	FYR Macedonia	Review of assessments by OPCPR. No projects in the pipeline	June 2010
LCR	Brazil	Submitted to OPRC	April 2010
LCR	Panama (postponed)	Stage I and II assessments to be updated following new law	TBD
LCR	Colombia	Stage I	TBD
MNA	Morocco	Review of assessments by OPCPR	TBD
MNA	Jordan	Commitment from government and OECD-DAC assessment undertaken	April 2010
SAR	India Sector (Power Grid)	Review of assessments by OPCPR	April 2010
SAR	India-State (Andhra Pradesh)	No activity	N/A
SAR	Bhutan	Stage I and Stage II assessments reviewed by OPCPR 4 projects in the pipeline	April 2010
SAR	Pakistan-State (Punjab)	No activity	N/A

- Although UCS is a key initiative of the Bank, there are conflicting messages surrounding the use of country procurement systems, especially with regard to the Bank's continuing focus on detecting and fighting fraud and corruption.
- The financial crisis diverted focus away from the UCS initiative in FY09 as the Bank and countries focused on other urgent priorities.
- Some countries and Bank country teams see the incentives for UCS as weak or counterproductive.
- The standard set by the Bank for Stage I assessments using the OECD-DAC MAPS benchmarking tool was seen as being too stringent and providing little flexibility for country variations.

⁴ *Piloting Program in Use of Country Systems: First Progress Report* (SecM2009-0513), October 5, 2009.

- Implementing the methodology takes more time and resources than originally estimated, resulting in a need to request an extension for the piloting program.
- The additional resources needed to address capacity issues and implement mitigation measures in candidate countries were not available.
- Candidate countries did not have appropriate projects in their portfolios for testing UCS at the project level.
- The need to increase the role and the contribution of the International Technical Advisory Group (ITAG) was recognized.
- Institutional expectations would continue to require management as all UCS participants and stakeholders adjusted to the implementation process.

9. *UCS Actions and Recommendations.* The Progress Report found that all countries assessed required capacity development, primarily in the area of human capacity, and that the Bank and other donor organizations would need to make a long-term commitment to address capacity issues. OPCS committed to seek priority usage of Institutional Development Fund (IDF) resources for the UCS pilot countries and also committed the Bank to cover UCS in the participating countries' Country Assistance Strategies (CASs). OPCS also agreed to seek stronger support of the UCS piloting program from Management, including components in the FY10 Fiduciary Forum to clarify and strengthen messages from Management. The report presented two key recommendations for Board consideration:

- Move countries forward in the piloting process even if they do not meet all required standards, as long as an agreed action plan for addressing gaps is put into place. These gap-filling efforts will be agreed upon under a long-term country capacity development strategy, through interim measures to be implemented at the project level, or through conditions in the Loan Agreement.
- Extend the timeline for the piloting program for one year.

In an informal discussion on the Progress Report,⁵ the Board concurred in principle with the recommendations but asked that the process be properly formalized and Board approval obtained. The Progress Report was circulated for Board approval of the recommendations on an absence-of-objection basis. Board members submitted questions and requests for supplemental data during the review which was completed in January 2010.⁶

⁵ Informal Discussion on November 10, 2009.

⁶ See Board minutes dated January 15, 2010.

Box 1. UCS Implementation in the Regions

- **AFR.** The Rwanda report for Stages I and II was submitted for OPRC review in January 2010, with the recommendation that Rwanda be a pilot country after addressing the identified gaps. The Senegal report is being finalized for submission to OPRC in the third quarter of 2010. The Burkina Faso and Ghana teams have completed the Stage I reports, which OPCPR is scheduled to review in early 2010. The Mauritius report for Stage I was submitted to OPCPR for review in 2010.
- **EAP.** A Bank review team visited the Philippines in August 2009 to discuss the remaining gaps identified in the Stage I assessment and set a strategy that could lead to presenting the country to the OPRC as a pilot by the end of FY10.
- **ECA.** In FYR Macedonia, Stage I and II assessments are being finalized to reflect the Government's comments and feedback from the Bank's review team. An action plan was discussed with the Government. The assessment report is expected to be finalized and submitted to OPCPR for review by June 2010, but it may take some time before a pilot project is approved and implemented. Poland was also submitted for late consideration as a candidate country in early 2010 after Turkey withdrew from the program; the assessment process will begin in late 2010.
- **LCR.** A number of LCR countries expressed interest in participating in the UCS piloting program. Review of assessments conducted during FY09 will determine whether any of the three countries considered (Brazil, Colombia, and Panama) will become a part of the pilot.
- **MNA.** Because of the Government's sustained focus on procurement reform efforts in the recent past, Morocco was identified as a candidate for the UCS piloting program and is moving quickly through the qualification process. The Government's objective is to further align its practices with international practices to expand the use of its own national procurement system in donor-funded operations.
- **SAR.** Following the nomination of Bhutan as a UCS candidate country, the Bank and the Ministry of Finance carried out a joint assessment of the country's public procurement system. India's power sector, much of which is funded through the state-owned company Power Grid, was identified as a sector candidate; the assessment and review of the documents used by Power Grid for procurement were completed in late June 2009, and a review was scheduled for the third quarter of 2009.

B. Use of the Institutional Development Fund

10. The IDF provides grants to finance upstream capacity-building activities that are closely linked to the Bank's policy dialogue and country assistance strategy. Grants can also serve as leverage for broader donor support for addressing deep-seated institutional issues. The IDF grant facility is the primary source of funding for initial and follow-up procurement reform activities. Another source of funding for procurement reform is through Development Policy Lending (DPLs), however this has been indirect and has not been specifically tracked. During FY09, IDF grants funded capacity development and procurement reform efforts in all Regions, with 108 activities amounting to US\$8.47 million under implementation. These activities ranged from audits, implementation support, and technical advisory services to the development of training programs and other capacity-building activities (see Box 2 for examples). Eight new IDF projects amounting to US\$630,000 were approved during FY09, for activities ranging from strengthening the capacity of procurement systems and working on procurement law reform to modernizing public procurement systems and strengthening regulatory frameworks. Use of the IDF grant facility to fund UCS-related capacity development activities on a priority basis will be reflected in new guidelines to be issued in FY10.

Box 2. Examples of IDF Grants Supporting Procurement Capacity Development

- **Bhutan.** An IDF grant for US\$0.48 million has been provided to strengthen the government's public procurement policy division, institutional and regulation reform, capacity building, and access to information and public awareness.
- **Djibouti.** An IDF grant supports the enforcement of the new legal framework for public procurement, which reflects international good practice. The Code was approved by the National Assembly on May 25, 2009. The country's Standard Bidding Documents and procurement capacity building "toolkits" are now in place as key capacity building blocks. Furthermore, procurement reform activities financed by the IDF grant have paved the way for Djibouti's future convergence toward UCS.
- **Caribbean.** An IDF grant is supporting the Caribbean governments in effectively implementing the key recommendations of the FY07 Organization of Eastern Caribbean States (OECS) Policy Note on Project Fiduciary Management: to develop and sustain institutional capacity in financial management, procurement, and project management to enable the countries to effectively implement capital projects in support of their development agenda. Thus far, the grant has supported a review of the updated harmonized procurement legislation and drafting of a procurement manual. It also financed public procurement harmonization workshops fostering knowledge sharing and coordination among the legal drafters of the OECS countries. Country-specific public procurement training has been delivered in three OECS countries (and is planned for the three others).
- **Colombia.** An IDF grant is supporting the Government of Columbia in effectively implementing the key recommendations of the OECD-DAC benchmarking tool: to develop and sustain institutional capacity. The grant will provide funding for developing regulations, in line with the recently adopted procurement law, covering the selection of consultants, methods for procuring civil works and goods, the creation of a new unified bidder registration system, and strengthening of the Public Procurement Commission's implementation role.
- **Georgia.** The Government of Georgia, through the State Procurement Agency, received an IDF grant of US\$295,000 for electronic government procurement (e-GP). The activities under this grant were: (a) to review the Public Procurement Law for any gaps that may hinder the introduction of e-GP and propose solutions; (b) develop feasible institutional mechanisms for carrying out e-GP; and (c) assess the strengths and weaknesses of existing institutions to carry out e-GP functions, training, dissemination, and public awareness activities.
- **Lebanon.** Following recent elections and the formation of a new government in Lebanon, an IDF grant is under preparation to (a) assess the status of public procurement in Lebanon, and (b) create a strategy to improve public procurement.
- **Maldives.** The newly elected Government of the Maldives is using an IDF grant to pursue procurement reform. A new Public Finance Act forms the basis for new procurement regulations and standard bidding documents.
- **Nepal.** The Government has undertaken procurement reform, using an IDF grant to establish the Public Procurement Monitoring Office, whose main responsibility will be to monitor the implementation of the new Procurement Law.
- **Nigeria.** The Ekiti Procurement Reform Initiative IDF's objective is to strengthen the capacity of the Ekiti State Due Process Department (ESDPD) to institute procurement processes and practice to promote accountability and efficient use of public resources.

C. Governance and Anti-Corruption

11. Country-level capacity development and reform of institutions that effectively and systematically address governance and anti-corruption (GAC) issues are key components of the Bank's GAC Implementation Plan. Many such activities specifically address

procurement capacity development and reform. OPCPR will be participating in a new initiative involving PREM to better integrate procurement reform into governance initiatives. A key area that contributes to better governance and greater transparency to mitigate the risk of corruption in procurement is the use of e-procurement to conduct public bidding.

12. ***e-Procurement.*** The Procurement Sector continued to contribute to procurement reform and the GAC agenda by supporting Regional programs that promote the use of electronic means in the area of public procurement. The Electronic Government Procurement (e-GP) core team—comprising staff in the Regions, the Procurement Anchor, and the Global Information and Communication Technologies department—continues to increase awareness of the importance of e-GP in procurement reform and to provide support to countries. The Procurement Anchor teamed up with the World Bank Institute (WBI) and the Global Information and Communication Technologies department under the Government Transformation Initiative to design a series of e-GP workshops, piloted in April and May 2009 with the delivery of thematic workshops to the governments of Albania, Jordan, Kenya, Moldova, and Tanzania. The workshops were well received and will be replicated with more countries in the future. Box 3 gives examples of how e-procurement reform supports GAC implementation at the country level.

Box 3. e-GP Initiatives Contributing to GAC

- ***AFR.*** Many countries in Sub-Saharan Africa—Burkina Faso, Cameroon, Côte d’Ivoire, Ghana, Malawi, Rwanda, Senegal, Sierra Leone, South Africa, Uganda, and Zambia—have put in place public procurement websites that increase transparency and enables a wide range of stakeholders to contribute to monitoring government procurement. AFTPC worked closely with WBI on the e-Procurement agenda for Kenya and Tanzania. The Country e-Procurement Readiness surveys were carried out in both countries and resulted in an action plan for the implementation of e-Procurement by the two governments. Both countries have high ownership in leading the agenda forward.
- ***EAP.*** The Bank has provided financial support and technical expertise to several countries in the development of their e-GP systems. China has continued developing its strategic national policy for e-GP and its implementation. In Mongolia, the Government works with KOIKA (a South Korean agency) in developing and implementing its e-GP system. In the Philippines, the first phase of the Philippines Government E-Procurement System pilot program was successfully completed, establishing a significant online marketplace for government procurement opportunities. The Bank has approved an IDF grant to develop a second phase of the system to enhance key features.
- ***ECA.*** Armenia’s Public Sector Modernization Project includes the implementation of an e-GP component; the Bank has assisted the Government in contracting a qualified firm to develop and implement an e-tendering system.
- ***LCR.*** All of the Bank’s LCR clients have implemented e-procurement, ranging from systems that only publish procurement information to systems that are fully transactional. The Region continues to provide assistance to strengthen the use, efficiency, and transparency of these systems, and thus of public procurement.
- ***SAR.*** Afghanistan has implemented a piloting program using e-GP for shopping procedures. Bangladesh’s Procurement Monitoring Information system includes e-GP features that are being expanded and improved into a nationwide system. In India, the Bank has been supporting e-GP initiatives at the central, sub-national, and project levels. The Bank’s e-GP strategy for India been drafted and the Bank has assessed Bangalore Water Supply and Sewerage Board’s e-procurement system. Two more assessments are planned for FY10.

III. POLICY, TOOLS, AND INSTITUTIONAL INITIATIVES

13. During FY09 the Sector continued to improve institutional initiatives begun in FY08 that affect procurement policy and require system-based tools to support their execution: carrying out the GAC policy, the Sanctions Reform program, rapid response to emergencies, and engagement with the private sector through public-private partnerships.

14. **OP/BP 11.00.** Operational Policy and Bank Procedure (OP/BP) 11.00, *Procurement*, were revised during FY09 to include the following:

- Coverage of new initiatives such as use of country systems and rapid response to crises and emergencies;
- Revised decision matrixes identifying general responsibilities and accountabilities for procurement work and decision-making authority;
- Revised thresholds for a range of procurement responsibilities and actions;
- A policy framework for the UCS piloting program;
- Detailed guidance on handling allegations of fraud and corruption in procurement, including the handling of complaints;
- Incorporation of recommendations from the IDA14 Controls Review, including the use of the complaints database and the procurement post review system; and
- Clarifications on the review process and documentation requirements of the Operations Procurement Review Committee (OPRC).

The revised OP and BP were not issued in final form but were posted for interim use by staff. They will be finalized following the consideration and approval of proposed revisions to the Procurement and Consultants Guidelines that were discussed with the Audit Committee in early 2010⁷ and are scheduled to be completed by early FY11. The revisions to the OP and BP also addressed key corrective measures in the IDA-14 action plan: to incorporate risk management, fraud and corruption issues, and complaint handling, among other subjects.

15. **Rapid Response to Crises and Emergencies.** In FY09, OPCPR participated with staff from the Fragile/Conflict Affected Countries unit and the United Nations to prepare *Guidance Note on Rapid Response to Crises and Emergencies: Streamlined Procurement Procedures*, which was issued in June 2009. This is an example of Procurement Anchor staff working closely with other groups and partners to ensure that procurement policy is properly reflected in special types of operations. In the case of rapid response, procurement considerations included the following:

⁷ Audit Committee meeting of March 18, 2010

- Provision of a range of simplified procurement arrangements that offer greater speed, flexibility, and simplicity to the procurement process, such as rapid capacity assessments, use of UN Agencies and standard forms of agreement, and simplified procurement and consultant selection procedures.
- Provision of fiduciary safeguards to minimize the risk of fraud and corruption with regard to the abuse of simplified procurement procedures and to false delivery and certifications.
- Inclusion of key templates for Bank staff to adopt: procurement capacity assessment and procurement plan, terms of reference for procurement agents, and sample request for quotations.

16. ***Procurement Tools and Initiatives.*** During FY09, OPCPR continued to improve its procurement systems, following up on the system enhancements started in the previous year and also as part of its response to the IDA-14 review findings.

- ***Procurement complaints system.*** Enhancements to the complaints system included: (a) updating pick lists with new attributes (e.g., “nature of complaint” and “resolution of complaint”), (b) an alert feature for pending complaint cases, and (c) automated case management reports for Regional Procurement Managers (RPMs). These enhancements allowed necessary updates to key case management reports.
- ***Procurement Risk Assessment and Management System.*** After a series of improvements to the original design of the system, the dynamic risk model now officially called the Procurement Risk Assessment Management System (P-RAMS) was tested for global roll-out. Feedback from usability testing sessions called for enhancements in the system’s reporting functionality and a few improvements to the navigation in selected screens. The development team in OPCPR and Information Solutions Group (ISG) created five new reports to meet the end-user requests, and development and retesting were done through the end of the fiscal year. OPCPR also hired a consulting firm to develop a detailed communication strategy for the global launch of P-RAMS, including showcase materials, literature, e-learning materials, and a piloting program framework. P-RAMS is designed to link a number of existing data capture systems and to eventually be linked to the Bank’s Operational Risk Assessment Framework (ORAF) system, which is still under development. P-RAMS will be used in all UCS pilot projects to support continuous monitoring of risk and performance.
- ***Post review module.*** In FY08 OPCPR had completed a post review module that provides a central repository for post review reports and gathers recommendations and risk ratings that can be fed manually into project supervision reports for follow-up. In the first half of FY09, OPCPR launched the module in the Operations Portal and initiated a six-month pilot program in the LCR and EAP Regions to test its functionality, ease of use, and value-added to project teams. Reflecting feedback from the pilot, in August 2009,

OPCPR issued to staff a revised guidance note for conducting post reviews and independent procurement reviews, providing updated guidance on responsibilities and on combating fraud and corruption, as well as updated templates and worksheets.

- ***Simplification of Form 384.*** As part of continuing efforts to simplify the processing of procurement information, OPCPR completed the new Form 384 module online; ISG has also completed the system requirements and coded the application. Released in May 2009 in the Operations Portal, the system allows users to enter procurement contract award information in one simple website. It also integrates the anti-money laundering (AML) system into the Form 384 workflow and strengthens the AML control by allowing users to create procurement contracts only if the AML check is negative.
- ***Anti-money laundering/combating the financing of terrorism functionality.*** With the release of the Form 384 module in May 2009, the anti-money laundering/combating the financing of terrorism (AML/CFT) control was fully integrated in the Operations Portal, streamlining and strengthening procurement processes. The AML/CFT system can also be used as a stand-alone product that provides teams with a simple query mechanism to check suppliers that have been awarded prior review contracts, contracts subject to post review, or contracts executed by the Bank.
- ***Development of e-learning software.*** During FY09, OPCPR completed the development of e-learning software for its new applications in the Operations Portal—the post review system, Form 384, and the AML/CFT system. The e-learning systems streamline capacity building, providing staff—especially those in country offices—with opportunities to learn how to operate the new systems and to receive 384 Certification through an online program that automatically updates the Learning Management System (LMS).

17. ***New Procurement Documents.*** Any policy changes affecting the implementation of procurement in the contracting process must be reflected in the standard and sample documents provided by the Bank to support procurement under Bank-financed projects. In FY09, the following documents were posted:

- In July 2008, the *Sample Health Goods Agreement between the World Bank and UN Agencies* incorporated the following key features: technical requirements for supplies and projected quantities; schedule of UN Agency standard handling fees for procurement of supplies; elements to be included in cost estimates; and templates for payment requests, acceptance documents, and financial utilization reports.
- In August 2008, *Procurement of Health Sector Goods* was updated to include fraud and corruption provisions.
- In December 2008, *Consultant Standard Request for Proposal* was revised to include modifications to the fraud and corruption clauses.

- Also in December 2008, *Procurement of Information Systems, One and Two Stage* was revised to include modifications to the fraud and corruption clauses; allowing subcontractor agreements; non-applicability of domestic preference; requirement to seek the Bank’s prior approval when a bidding document does not specify Adjudicator; revised technical requirements to encourage the use of microprocessor benchmarking rather than the use of brands; and revised and simplified Manufacturer’s Authorization Form.

18. ***Sanctions Reform.*** During FY09, OPCPR participated as a member of a consolidated working group—along with the Integrity Vice Presidency (INT), Operations Policy and Country Services (OPCS), General Services Department (GSD), Legal Vice Presidency, IFC, and MIGA—in reviewing and revising aspects of the Bank’s sanctioning policy and procedures. Many of the issues reviewed dealt with interpreting language and cleaning up the policy documents. However, several key actions directly affected the procurement process:

- The introduction of early temporary suspension allows the Bank to place firms and individuals on the temporary suspension list at an earlier point in the sanctioning process if there is sufficient evidence to obtain a debarment of at least two years. This change reduced a difficult period of uncertainty for borrowers and procurement staff by making such firms ineligible to receive Bank-financed contracts while the full investigative process is completed.
- The creation of the Company Risk Profile Database (CRPD) enables INT to list firms and individuals of high interest to INT (in most cases those under active investigation) and allows staff to query the database before giving a “no objection” to awarding a contract to the firm. Using this facility, staff can request additional due diligence on such firms or individuals and can obtain additional information as to why INT placed the firm or individual on the list.

IV. FIDUCIARY OVERSIGHT AND COMPLIANCE

19. To monitor the Regions’ performance and compliance with key procurement fiduciary responsibilities, the Procurement Anchor conducts quality control reviews throughout the year. Regional teams report semiannually on their procurement activities to the Chief Procurement Policy Officer and the RPMs. If the information indicates a possible problem, the data are analyzed to determine if the issue is regional or if it cuts across all Regions. The RPM handles Regional issues, and the Procurement Sector Board (PSB) reviews institutional issues to determine the best course of action—perhaps the development of a guidance note or a new learning program, or a change in the procurement systems or the procurement policy. This section discusses the key data OPCPR collected, tracked, and analyzed during FY09, and the related actions taken.

20. ***Lending Portfolio.*** In FY09, the Bank approved 301 new operations (67 IBRD and 234 IDA) with a total commitment of \$46.4 billion. Of these operations, 234 were

investment lending and 67 were development policy lending operations. The number of active operations decreased slightly from 1,617 in FY08 to 1,559 in FY09. Figure B1 and Table B1 in Annex B show the distribution of FY09 lending by Regions and the lending portfolio by leading borrowers.

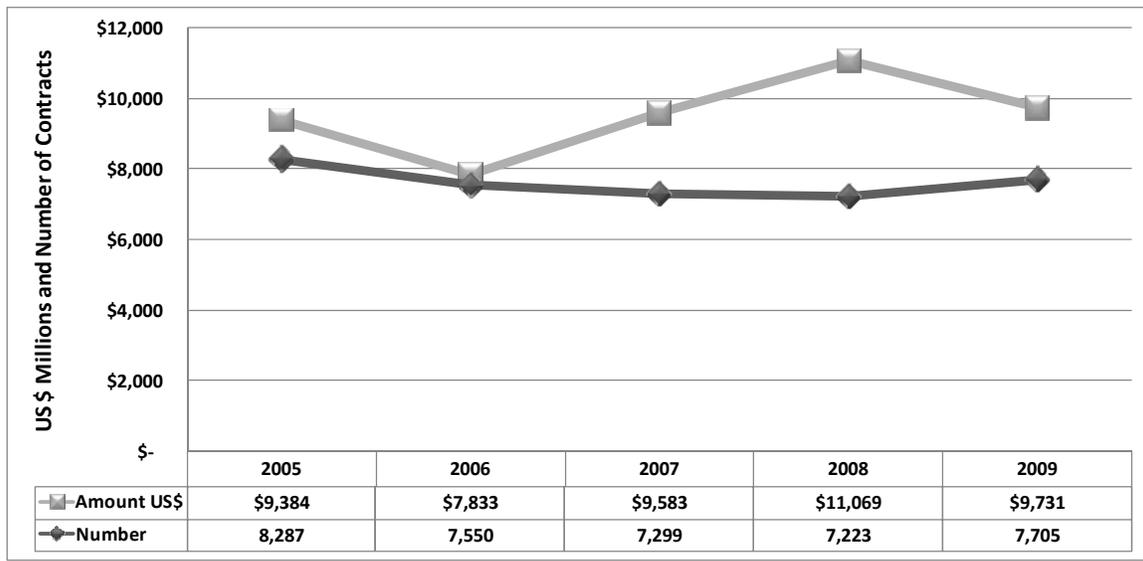
21. **Procurement Decentralization.** During FY09, the level of decentralization of procurement authority to staff located in country offices increased in EAP, LCR, and MNA, and decreased in AFR and ECA, and remained constant in SAR (see Table 4). The Bankwide average for decentralization remained constant in FY09 at about 75 percent.

Table 4. Procurement Decentralization Trends, FY05-09

<u>Decentralization</u>	<u>AFR</u>	<u>EAP</u>	<u>ECA</u>	<u>LCR</u>	<u>MNA</u>	<u>SAR</u>	<u>Bankwide</u>
FY05 decentralization %	85%	85%	51%	65%	34%	99%	72%
Projects in portfolio	371	246	324	291	118	167	1,517
Delegated to COs	317	210	165	190	40	165	1,087
FY06 decentralization %	92%	87%	56%	65%	56%	98%	77%
Projects in portfolio	416	268	326	291	113	187	1,601
Delegated to COs	384	232	184	190	63	183	1,236
FY07 decentralization %	89%	94%	62%	55%	57%	98%	76%
Projects in portfolio	394	228	327	281	102	171	1,503
Delegated to COs	350	214	204	155	58	168	1,149
FY08 decentralization %	90%	95%	61%	55%	41%	100%	76%
Projects in portfolio	411	235	313	286	98	182	1,525
Delegated to COs	370	224	190	158	40	182	1,164
FY09 decentralization %	85%	98%	50%	81%	64%	100%	77%
Projects in portfolio	440	247	454	253	222	223	1,839
Delegated to COs	373	241	228	205	141	223	1,411

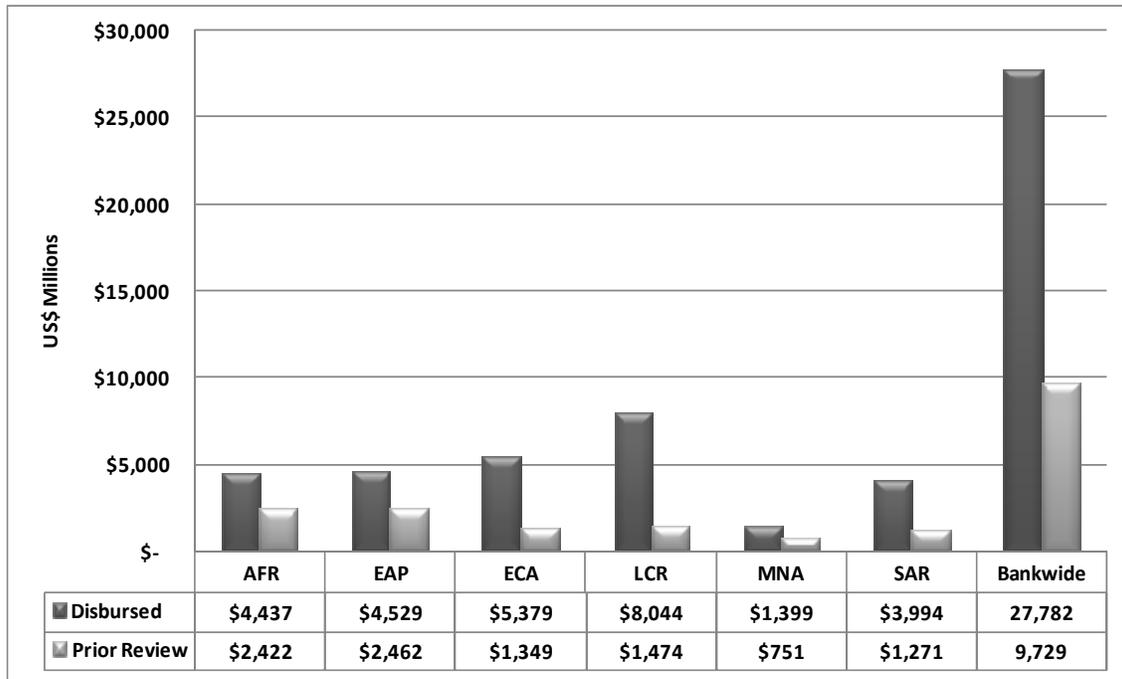
22. **Prior Review Contract Award Data.** Major contracts prior-reviewed by the Bank and awarded under Bank-financed projects are collected through the Form 384 system and published in an external website. The reports can be used to analyze trends across a number of attributes, such as fiscal year, Region, procurement method, and supplier name and nationality. On average, each year the Bank prior-reviews 7,500 major contracts financed under Bank-supported investment operations. OPCPR intends to monitor the impact of increased lending due to the financial crisis on the number of major contracts prior reviewed by the Bank in FY10 and FY11. Figure 1 shows trends on value and number of contracts subject to prior review for FY05-09.

Figure 1. Procurement Prior Review Contracts, FY05-09



23. **Prior Reviews.** In FY09, Bank staff prior-reviewed 7,705 contracts, 7 percent more than in FY08; at the same time, the value of the prior-reviewed contracts decreased by 12 percent. It is important to remember, however, that contract award information can remain dynamic for several years as contract amendments, particularly under large civil works projects, can change aggregate totals. In addition, since the preparation of the Form 384 can lag by three to six months, fiscal year totals change as the Form 384 information is captured and processed in the system. For example, the reported FY08 figures—4,598 prior-reviewed contracts for a total dollar value of US\$8.2 billion—increased significantly during the FY09 reporting period. This variance is common, and Management needs to consider it when using these data to track overall trends in prior review. The Bank takes a risk-based approach to allocating staff time for review and oversight of procurement under Bank-financed projects, focusing staff attention on high-value contracts; this approach is reflected in the prior review data.

24. **Prior Review as a Percentage of Disbursement.** The value of the contracts reviewed represented 35 percent of the Bank's disbursement, a slightly lower ratio than the 42 percent average in FY08. Figure 2 shows the FY09 data, by Region, on prior review of contracts in relation to disbursements (this information facilitates managers' informed decision on whether the percentage is sufficient for fiduciary oversight). Variations among Regions relate both to the capacity of countries in the Region and to the types of projects under implementation in the Regions. For example, disbursements under development policy lending do not involve prior review, and disbursements under projects involving community-driven development components or highly decentralized procurement of low-value goods, works, and services involve limited, if any, prior review. As Figure 2 shows, the ratio of prior review to disbursement levels is particularly low in ECA, LCR, and SAR; follow-up with these Regions confirms that the ratios are consistent with the types of projects in their portfolios.

Figure 2. FY09 Prior Review Contract Value and Disbursement, by Region

25. **Leading Suppliers.** Table 5 lists the top 10 supplier countries for FY07-09 and shows that contracts awarded to these countries represented 57 percent of all contract awards for the reporting period. This ratio again underscores the success of firms from borrowing countries in competing effectively for Bank-financed contracts and demonstrates that there is a continued opportunity for qualified firms in borrowing countries to win contracts under large infrastructure-type projects. Additional data drawn from the Form 384 database are provided in Annex B.

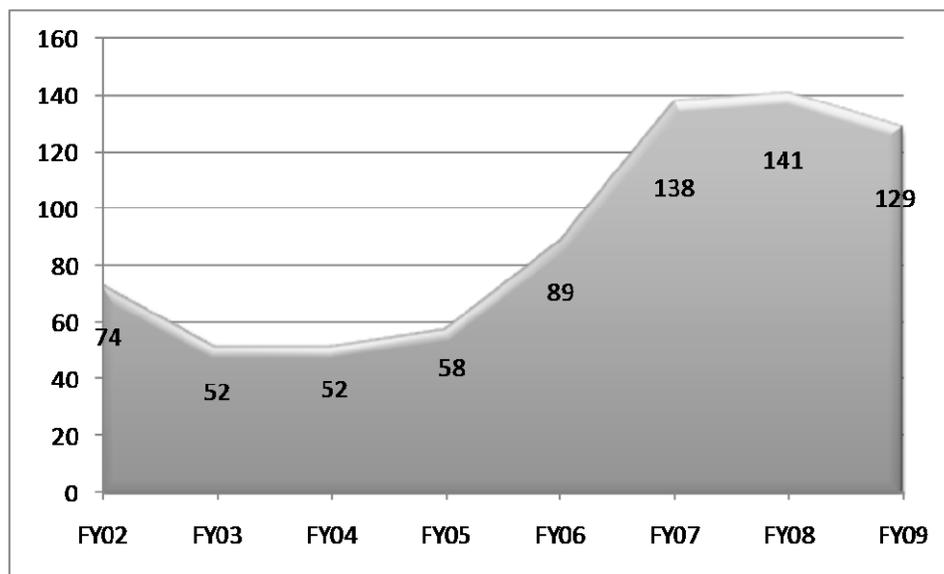
Table 5. Top 10 Supplier Countries by Major Bank-Financed Contract Amount

<u>Rank</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>
1	China	China	China
2	India	Germany	India
3	Brazil	India	Argentina
4	Russia	Italy	Brazil
5	France	United Kingdom	Vietnam
6	Germany	Argentina	Italy
7	Denmark	Russia	Turkey
8	UN Agencies	Turkey	Russia
9	Pakistan	Indonesia	Nigeria
10	Turkey	France	Iran
% Total	55	67	57

Note: “UN Agencies” is a group of several United Nations Agencies that receive supply contracts, which primarily cover vaccines and other drugs and orders from the Inter-Agency Procurement Service Organization catalogue.

26. **Operations Procurement Review Committee.** The OPRC continues to play a key oversight role by reviewing and clearing the highest-value and most complex contracts financed under Bank-supported operations. At the RPM's request, OPRC is also available for review of complex cases, regardless of their value. During FY09, OPRC reviewed 129 cases (a 9% decrease in volume from FY08; see Figure 3) with a combined value over US\$11.4 billion (a 12% increase in value from FY08). The decrease in volume of cases reflects the adjustment in January 2009 of the monetary thresholds for OPRC review, which had not been revised since 1992 and therefore affected the number of cases submitted to the OPRC for the remaining half of FY09. The new OPRC thresholds apply to contracts costing (a) US\$50 million or more for civil works; (b) US\$30 million or more for goods; (c) US\$15 million or more for consultancy services; (d) US\$5 million or more for all direct contracting and single-source contracts with firms; and, (e) US\$1 million or more for single-source contracts for individual consultants. The expected decrease in volume of cases due to the increased OPRC thresholds was partially offset by an increase in cases requiring interpretation of policies regardless of contract value.

Figure 3. Number of Contracts Reviewed by OPRC, FY02–09



27. **Procurement Post Review.** During FY09, procurement staff conducted procurement post reviews (PPRs) on 790 projects, representing 93 percent of the projects subject to post review—a one percent increase in review coverage from FY08. The remaining seven percent reflect a series of circumstances that may affect post review requirements throughout the project implementation cycle, including, inter alia: (a) changes in the procurement plan; (b) the number and type of contracts procured during a given year and the methods of procurement used for such contracts; (c) changes in the procurement risk, which may alter the frequency and intensity of supervision efforts. PPRs are an integral part of Regional procurement staff work, helping staff strengthen client capacity building through follow-up work to address issues noted. In some instances, misprocurement cases have been identified through the post review process.

During FY09, the implementation of the new post review system has improved the institution's ability to electronically capture all post review records and to provide a risk rating as part of the findings of the post review exercise. Procurement specialists will use this risk rating when assessing the risk of the project implementing agency, to help determine and justify variations in supervision intensity or the number of post-reviewed contracts. Box 4 summarizes some of the key features of the post review system, and Table 6 shows the FY09 post review figures by Region.

Box 4. Features of the Procurement Post Review System

The Procurement Post Review system allows for the electronic capture of post review reports and the rating of risks against two indicators. Main features include:

- Secure electronic access through the Procurement Tab in the Operations Portal;
- Electronic capture, search, and retrieval of all post review documents produced by the Regions throughout supervision;
- Supply of reporting information necessary to substantiate the risk assessment performed in P-RAMS and to update, when applicable, the Implementation Status and Results report during supervision; and
- Reports for individual indicators aggregated by projects, Regions, or Bankwide.

Table 6. Procurement Post Reviews Conducted in FY09, by Region

<i>Item</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>Bankwide</i>
Projects subject to post review ^a	190	124	152	201	68	129	740
Projects post-reviewed ^b	137	105	150	201	68	129	685
Percentage of projects post-reviewed	72%	85%	99%	100%	100%	100%	93%

^a All investment projects (IBRD/IDA) in FY09 portfolio, excluding projects requiring 100% Bank prior review and projects with insufficient contracts for post reviews.

^b Data include projects under independent procurement reviews.

28. ***Procurement Post Review on Recipient-Executed Trust Funds.*** Post review information on recipient-executed trust funds (RETFs) continues to be collected manually. However, the Procurement Anchor has worked during FY09 to add specific identifiers to the project data available in the institutional systems so that the Regions can more easily extract active RETF instruments from those systems and reduce manual compilation. Table 7 represents the information collected through this process; while not complete, it indicates the volume of PPR work associated with RETFs. The information was analyzed by the Procurement (PR) and FM Sectors to contribute to the development of a policy on PR/FM support to trust funds. This new policy, issued in July 2008,⁸ defines the role of the Bank in identifying, accepting, and administering trust funds. The

⁸ See OP 14.40, *Trust Funds*.

policy further specifies that the execution of a trust fund by the grant recipient includes procuring goods and services, negotiating contracts, making payments, submitting progress and financial reports, and performing other implementation activities, as under a Bank-financed project.

Table 7. Initial Data on PPR of Recipient-Executed Trust Funds (FY09)

<i>Item</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>Total</i>
1 # projects in portfolio ^a	102	147	46	26	16	337
2 # projects with contracts 100% subject to prior review	18	10	6	4	0	38
3 # projects with insufficient contracts for post review ^b	63	26	20	20	0	129
4 # projects subject to post review ^c	21	111	20	2	16	170
5 # projects post-reviewed ^d	11	47	20	2	16	96
6 Percentage of projects post-reviewed ^e	52%	42%	100%	100%	100%	-
7 # contracts reviewed	58	691	63	8	65	950
8 Total value of reviewed contracts (US\$ million equivalent)	\$2.6	\$23.5	\$4.3	\$0.04	\$24.5	\$54.9

^a Total number of trust fund projects in portfolio in FY08.

^b Includes project that are new or nearing completion.

^c Total of item 2 and 3 subtracted from item 1.

^d Data includes projects under independent procurement review.

^e Ratio between the numbers in item 5 and item 4.

29. **Independent Procurement Review.** During FY09, 29 independent procurement reviews (IPRs) were conducted in 23 countries, covered 50 projects, and entailed the review of 2,159 contracts (up from 16 countries, 41 projects, and 807 contracts in FY08). IPR findings help identify generic issues in the portfolio, provide guidance to task teams on implementation arrangements and risk mitigation measures, and provide feedback to counterparts in implementing agencies. IPRs are contracted by the Regions using funds made available for that purpose.

30. **Misprocurement.** The number of contracts and the value of declared misprocurement vary from year to year and are a function of such factors as the experience of implementing agencies and the nature and complexity of projects under implementation., Information maintained by RPM offices indicates that in FY09 misprocurement was declared for 170 contracts, worth US\$20 million, in ten countries; of these contracts, 100 were post-reviewed under a single project in Brazil. PPRs and specialized reviews such as IPRs remain the main means for identifying misprocurement; some is also discovered as a result of complaints from bidders and consultants (detailed data on misprocurement declared in FY09 are shown in Table 8, and additional comparative data on misprocurement declared in FY06-FY09 are included in Annex B). No particular trends have been noted over previous fiscal years.

Table 8. Misprocurement Declared in FY09

<u>Region</u>	<u>Country</u>	<u>No. of contracts</u>	<u>Contract value (USD)</u>	<u>How identified*</u>	<u>Related to fraud & corruption?</u>	
AFR	None	0	-	n/a	n/a	
EAP	None	0	-	n/a	n/a	
ECA	Moldova	1	7,595,581	Prior Review	No	
LCR	Colombia	2	2,300,000	Complaint	No	
	Panama	1	49,991	IPR	No	
	Nicaragua	3	2,339,003	Post Review	No	
	Dominican Rep	3	555,404	Post Review	No	
	Brazil	100	1,800,000	Post Review	No	
	Argentina	2	5,900,000	Prior review	No	
	SAR	Nepal	1	400,000	Prior Review	Yes
		Bangladesh	35	969,194	Post Review	Yes
India		22	100,400	Prior and Post Review	Yes	

31. **Complaints.** Since the Bankwide rollout of the Complaints Database in FY06, the system has been enhanced frequently to improve the Bank's ability to process and capture data, analyze the basis for complaints, and track the timely resolution of complaints. During FY09, 412 complaints were registered in 58 borrower countries. Approximately 50% of complaints registered are subsequently rejected after review. The Bank is involved in resolution of approximately 25% of complaints received and another 10% are referred to INT as they involve allegations related to fraud and corruption. Review of complaints has also led to specific actions implemented or recommended by the Bank, including misprocurement, re-bidding, and cancellation of the bid. Table 9 provides information on the number of complaints received over the past six years. The number and nature of complaints are monitored to enable each Region to determine whether corrective action or training is needed.

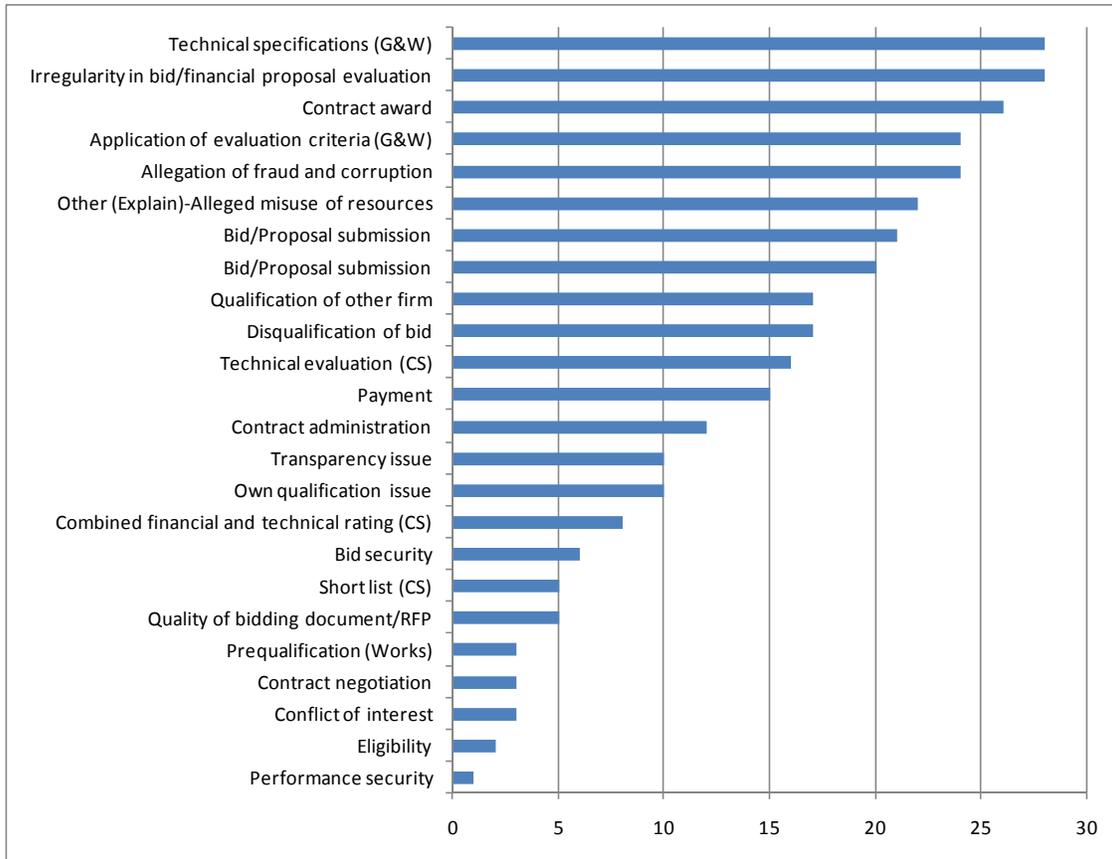
Table 9. Numbers of Complaints, by Region, FY04-09

<u>FY</u>	<u>AFR</u>	<u>EAP</u>	<u>ECA</u>	<u>LCR</u>	<u>MNA</u>	<u>SAR</u>	<u>Total</u>
04	56	53	66	9	20	256	460
05	38	22	32	7	36	148	283
06	76	87	69	31	30	95	388
07	52	71	89	19	22	93	346
08	50	51	97	9	19	106	332
09	57	60	81	109	18	87	412
Total	329	344	434	184	145	785	2,221

32. **Complaint Trends.** The nature of complaints submitted in FY09 showed moderate changes in comparison to FY08. The most common concerns are (a) "technical specification for goods and works," (b) "irregularity in bid/financial proposal evaluation," and (c) "contract award." Figure 4 provides information on the most frequent basis for

complaints submitted in FY09, and Annex B provides additional data drawn from the Complaints Database (see Table B8).

Figure 4. Nature of Complaints in FY09



33. **Payment Issues.** The past few years have seen growing interest in the issue of timely payment for contracts awarded under Bank-supported operations. A new facility added to the Complaints Database in FY06 enables the Bank to monitor and report on the handling of complaints and disputes regarding payment under contracts. Annex B provides detailed information on FY09 payment issues.

34. **Responsiveness to Clients.** The Procurement Sector regularly tracks data on the time it takes procurement staff to respond to clients, comparing that information with the Bank's standard response time on procurement-related documents (7 days). Regional Management Teams use this information to ensure that procurement staff are providing timely service to borrowers and to the task teams that staff serve within the Bank. Table 10 shows a consistently quick response time in all Regions, with a Bankwide average of less than three days.

Table 10. Procurement Business Response Time Indicators (FY09)

<u>Region</u>	<u>Average response time (days)</u>	<u>Percent meeting standard service time</u>
AFR	2.8	95
EAP	3.4	92
ECA	2.0	93
LCR	3.5	96
MNA	1.6	98
SAR	2.0	93
Bankwide average	2.5	94

35. **Review of Investment Lending Projects.** During FY09, the Procurement Anchor continued to support the review of high-risk projects identified through the Regionally managed Managing Risk in Investment Lending process. OPCS reviews the projects that are in the highest risk category before they are presented to the Board. Similarly, the Procurement Anchor reviews projects processed as emergency operations under OP 8.00, *Rapid Response to Crises and Emergencies*, including some of the specialized programs that are handled on an emergency basis, such as H1N1 influenza projects. These reviews are intended both to add value from a quality perspective and to ensure compliance with a range of policies in the procurement area, including meeting conditions for processing a project under OP 8.00. During FY09, the Anchor reviewed and commented on 100 such projects.

V. HARMONIZATION AND PARTNERSHIPS

36. In FY09, the Procurement Sector continued to provide leadership in the area of harmonization and partnerships with external agencies, engaging with bilateral donors and UN organizations through a number of channels. In addition, the Sector continued working with other Bank units on a range of procurement-related issues.

A. Heads of Procurement

37. The Heads of Procurement (HoP) from the multilateral development banks (MDBs) meet as a group every nine months. Various working groups under the HoP also meet regularly to prepare the documents that are agreed upon as part of the HoP's harmonization work program. The following summarizes the FY09 activities of the HoP:

- The draft Harmonized Request for Proposals document for Consultant Selection was presented by the working group and accepted by the HoP. All MDBs will seek to use this document for engaging consultants, with minor differences in definitions of "corruption," venues of arbitration, and treatment of indirect taxes. As a next step, the working group has agreed to begin drafting a Guidance Note for Borrowers.
- The final version of the Master Procurement Document (MPD) for civil works was adopted.

- The MDBs agreed to cooperate on the use of new forms of contracts such as framework agreements and turnkey contracts for project procurement. All MDBs will peer-review a World Bank draft guidance note and bidding document on framework agreements and turnkey contracts.
- In November 2009, the HOP accepted the Harmonized Standard Bidding Document (SBD) for off-the-shelf goods and less complex information technology (IT) systems.
- Regarding cooperation among MDBs on regional procurement training and capacity building, the HoP decided to create a virtual network of each MDB's point persons who would exchange information on relevant material and events.

38. ***Core Labor Standards.*** Following the June 2008 meeting of the HoP, two core labor standards used only by the Bank and IFC—addressing workers' organizations and nondiscrimination and equal opportunity—were added to the two core labor standards (prohibiting forced or compulsory labor and harmful child labor) that were already part of the harmonized general conditions of contract that form part of the MPD for Works. The revised SBD for Procurement of Works will come into effect during 2010, making all four core labor standards compulsory for large works.

39. ***Public-Private Partnerships.*** The HoP created a Working Group (co-chaired by World Bank and the Inter-American Development Bank) to harmonize the MDBs' public-private partnerships (PPP) procurement procedures. This group commissioned work on preparing a guidance note to address procurement issues in sovereign guaranteed and non-sovereign guaranteed loans. Within the World Bank, an internal PPP monitoring group was constituted with staff from OPCPR, Infrastructure, Global Partnership on Output-Based Aid, and the Public-Private Infrastructure Advisory Facility. Drawing on the findings of a survey, work was initiated to (a) develop an information note to provide background information for TTLs on PPP and the aspects that influence procurement in these types of projects; and (b) develop a guidance note for procurement staff involved in such projects, detailing how World Bank guidelines apply to PPP transactions.

B. OECD-DAC Task Force on Procurement

40. In FY09, following the High Level Forum on Aid Effectiveness in Accra, Ghana, the OECD-DAC reorganized the various groups under the Working Party on Aid Effectiveness into "clusters" organized around key elements of the Accra Agenda for Action. The Joint Venture on Procurement was incorporated under Cluster B, Country Systems, and was renamed the Task Force on Procurement. The membership of the group remained essentially unchanged: bilateral donors, UN organizations, client country representatives, the European Commission (EC), and the MDBs. The World Bank—which has traditionally held one of the co-chair positions in recognition of the leadership role it plays in setting international good practices in the area of procurement and its ongoing commitment to procurement capacity development activities in client countries—continued to provide one of the co-chairs of the Task Force. The Task Force's core working group met in October 2008 to review the FY09 work program.

During this meeting, the core group agreed to expand its membership to include representatives from all of the MDBs and several bilateral donors, as well as to include more representation from partner countries. As one of the lead donor organizations, the Bank volunteered to assume responsibility for specific deliverables:

- To collaborate with the Australian Agency for International Development (AusAID) on procurement assessments and reform initiatives in small, fragile, and post-conflict states.
- To work with the WBI on an initiative to improve the capacity of civil society organizations to contribute to monitoring procurement activities in countries.
- To participate in peer-reviewing deliverables led by other Task Force participants.

Deliverables under the Task Force on Procurement are timed to be available for the next High Level Forum in 2011. The first meeting of the full Task Force membership was set for May 3-5, 2010, in a session to be jointly hosted with the Government of Kenya. At this meeting, initial draft deliverables were to be reviewed to ensure that the products reflected partner country comments and experiences.

C. Other Collaborations

41. ***Environmentally and Socially Responsible Procurement.*** During FY09, OPCPR began work with the Sustainable Development Network (SDN) and other collaborators to develop strategies for incorporating environmental requirements in public procurement. A study will be launched in FY10 to examine national procurement laws that have integrated environmental considerations into public procurement; identify good practices and potential legal, institutional, and operational barriers to the use of effective green procurement; and propose recommendations to improve the Bank's policy and standard bidding documents for Bank-funded projects.

42. ***Collaboration with Integrity Department.*** Following up on a Memorandum of Understanding (MOU) signed by OPCS and INT in FY08, the Procurement Anchor collaborated with INT during FY09 on a series of activities:

- The creation of a joint protocol between OPCS and INT to provide guidance on the roles of, and the interactions between, operational staff, Regional management, and INT regarding (a) the reporting of allegations of fraud and corruption that are related to procurement; (b) the INT case intake, prioritization, and investigation process; (c) the review of requests for no-objection for procurement transactions when there has been an allegation of fraud and corruption, and related follow-up with borrowers; and (d) the post investigation process.

- After the release of the CRPD,⁹ the Procurement Anchor worked with INT to produce the CRPD Guidance Note to explain how Bank staff should use the database before giving no-objections to borrowers' recommendations for awards, prequalification, and short-listing of firms during the implementation of Bank-funded projects.
- The procurement content for the Red Flag Tool was completed jointly with INT at the end of FY09, and the online prototype for piloting the tool will be completed by the first quarter of FY10. The tool is intended to help Bank staff identify possible cases of fraud and corruption by identifying if a red flag is associated with one or more existing schemes that may manifest during certain phases in the project and procurement cycles. The tool will incorporate the instruction of the joint OPCS/INT protocol and will allow staff to record cases of fraud and corruption in the system and thus increase the institution's knowledge base in this area. The tool is also a way to share with other colleagues findings related to fraudulent and corrupt practices across projects.

VI. STAFFING AND CAPACITY DEVELOPMENT

43. In FY09, the PSB focused on assessing capacity and ensuring that staff continued to be exposed to opportunities for development.

44. *Staffing Resources.* The number of Procurement Sector staff remained constant in FY09 at 209 (see Table 11). The Sector demonstrates greater decentralization with 54 percent of staff based in country offices (see Table 12). Movement of staff among Regions continues to be primarily on the basis of competitive selection, generally involving promotion; however, this was affected by the new Human Resources policies on mandatory rotation whose implementation began in FY09. Procurement staffing is augmented by approximately 200 procurement accredited staff who are closely monitored under the PSB's accreditation procedures, which requires PASs to renew their accreditation every two years.

Table 11. Number of Procurement Staff by Region/Unit, FY09

<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>OPC</i>	<i>INT</i>	<i>Bankwide</i>
48	43	37	25	13	33	9	1	209

⁹ The CRPD is a database created by INT to help Bank staff identify companies and individuals that may pose a risk of fraud and corruption in Bank-financed projects. The database enhances Bank staff's ability to access information that was previously not systematically available. It provides information on companies and individuals that are of interest to INT.

Table 12. FY09 Procurement Staffing by Grade and Station

<u>Grade</u>	<u>Country office appt.</u>	<u>Washington appt.</u>	<u>Total</u>	<u>Country office %</u>
GD	10	11	21	48
GE	25	13	38	66
GF	47	8	55	47
GG	29	40	69	37
GH	3	22	25	12
GI	0	1	1	0
Total	114	95	209	

Note: This chart covers only staff mapped to the Sector and under OPCS or RPM supervision.

45. **Staffing Concerns.** The overall number of Procurement Sector staff—which has remained stable—has not kept pace with the increased workload demands on Sector staff, especially during the financial crisis, when the Bank’s lending increased significantly. The implementation of the UCS piloting program has also added a new dimension to the staff workload, although the program did provide some monetary resources to help offset the impact of additional requirements. The PSB holds regular meetings of its HR Subcommittee, which is chaired by OPCS’s Director, Operations Services. During FY09, meetings, the Sector worked on the following issues:

- Identifying and updating the pipeline of high-potential staff.
- To comply with Bankwide guidelines on length of stay in units, offering voluntary rotation in advance of the mandatory rotation scheduled in FY09. Mandatory rotation was initiated for H-level staff in FY09, when one person was rotated from ECA to SAR. A GG-level rotation was scheduled to begin in FY10, and all staff identified as falling within the mandatory rotation were again given the opportunity to voluntarily seek placement in a Region/position of their choice in advance. The PSB facilitated this activity by freezing positions to provide space for the rotations.
- Overcoming difficulties in attracting staff from outside the Sector and outside the Bank. In particular, the issue of advanced degrees was extensively discussed. A clarification emerged in FY10 that will enable greater flexibility to accept experience and demonstrated capacity at a higher grade.
- Addressing capacity building and training to develop a broader set of skills for staff. In particular, setting up a cross-Regional and cross-sector committee to plan, organize, and deliver the Fiduciary Forum in FY10.

46. **Procurement Specialist Staff Development.** Development of procurement staff capacity remains largely an on-the-job activity undertaken through the oversight of the Regional Procurement Management Teams. Training is delivered when procurement staff gather for activities such as Regional retreats or when the RPM or his/her staff travel to country offices. In addition, most of the Regions use a form of “hub” management that places a number of country offices under the responsibility of an internationally hired

senior or lead procurement staff. These hub coordinators are responsible for overseeing the quality and performance of the staff in their hub, and they use their frequent visits to country offices to provide guidance and procurement training to staff. In Regions where the time difference allows, videoconferences are regularly arranged to provide staff an opportunity to share experiences with their colleagues, to become informed on key messages from Management, and to discuss issues of common interest. To enhance staff capacity development, most Regions augment their training programs by providing locally-hired country office staff an opportunity to work in Washington, DC for developmental assignments of varying lengths. During such assignments, staff also have the opportunity to attend training courses that are generally not available in the country offices.

47. ***Knowledge and Learning Strategy.*** After completing a series of revisions to the new knowledge and learning strategy in FY09, the Procurement Anchor focused on three main areas of improvement:

- Redesigning the existing procurement core curriculum courses to take advantage of online learning technologies as well as face-to-face and blended formats that include a mixture of online learning and in-class participation. The new Basic Procurement course was shortened from five days to three to accommodate the schedules of operational staff. This module is also being developed into a blended e-learning/one-day face-to-face workshop available to decentralized staff.
- Creating staff accreditation programs for simple procurement methods. The objective is to provide operational staff sufficient knowledge to be partially accredited so that they can more efficiently supervise simple procurement transactions. This course is expected to be delivered by late FY10 or early FY11.
- OPCPR has completed a year-long curriculum for the delivery of monthly half-day clinics focusing on various aspects of procurement. These clinics, to be available to country office staff through video connection, will include such topics as Supply & Installation Procurement, Procurement under Emergency Operations, Procurement Risk Assessment, Procurement under Public-Private Partnerships, Major Public Procurement Legal Systems in the World, OPRC case studies, and Public Procurement System Assessment. These workshops will be recorded and available on the Intranet for all staff.

Once these programs are fully implemented and Bank staff's most urgent needs for capacity building in procurement are met, the focus of the Procurement Sector will be on the following activities in the coming years:

- Developing and agreeing with other MDBs and international partners on a capacity-building strategy for borrowers.
- Developing a course on public procurement system assessment and reform dialogue to raise staff capacity in the use of country procurement systems.

- Updating and delivering advanced procurement training to fully accredit staff in procurement. The Bank will also seek to renew its partnership with external training partners in procurement capacity building.

48. ***Outreach Program.*** During FY09, the Anchor made procurement presentations to delegations from both Part I and Part II countries—outreach to meet the demand from private sector industry to learn about and discuss the Bank’s procurement policies and procedures. Most of the presentations were made in Washington, DC, but others were delivered off-site, including a presentation at the International Financial Institutions Boot Camp in Winnipeg, Canada, and outreach briefings to private sector liaison officers from various embassies. The presentations included an explanation of the Bank’s lending operations, the main principles of the Procurement and Consultant Guidelines, and business opportunities under Bank-financed projects and through Corporate Procurement, which is managed by GSD. Discussions during the presentations often centered around eligibility to participate in Bank-financed procurement, Bank review of borrower procurement actions, progress in the use of country procurement systems, vendor registration with GSD, and ways to deal with fraud and corruption and with complaints under Bank-funded operations.

VII. PROCUREMENT SECTOR INITIATIVES AND COORDINATION WITH THE FM SECTOR ON COMMON INITIATIVES

49. The PSB and the FM Sector Board meet together (chaired by the Director, Operations Services, who oversees the Anchors for both Sectors) to discuss issues of common interest and reach consensus on a joint approach or solution to the issues. During FY09, the two sector boards undertook work to identify the common framework that guides both sectors and to provide for individual elements of focus for each sector. This structure recognizes that while Procurement and FM share objectives on fiduciary and development activities, their contributions and focus may differ.

50. ***Procurement Sector Initiatives.*** This section discusses FY09 progress in implementing initiatives that were identified in the FY08 Annual Report, and identifies additional initiatives that have emerged.

- The Sector conducted consultations with professional organizations and countries to identify the most relevant changes that could improve the Bank’s Consultant Guidelines. One change that emerged from this work was the decision to allow countries in the UCS piloting program to use various selection methods, as long as they were consistent with international good practices and acceptable to the Bank. The Bank limited the use of such methods in the UCS program to consulting services requirements estimated to cost less than a monetary threshold set for each country. The consultations also contributed to the revisions to the Guidelines that were prepared in FY10.
- Following up on the Fiduciary Principles Accord signed with UN Agencies in October 2008, work continued in FY09 to prepare templates with a range of

UN Agencies that support Bank-financed projects and to provide training and guidance to staff to support the use of the new templates and the Accord.

- The Sector participated in the Bank-wide implementation support operation to Southern Sudan under a multi-donor trust fund, including the delivery of procurement training to counterparts.
- The Bank provided guidance on trust fund framework agreements, including in the revisions to the Guidelines prepared in FY10.
- Under the MOU concluded between INT and OPCPR in FY09, activities included (a) delivery of joint training activities that will continue to be provided to staff; (b) the creation of the CRPD and a guidance note for staff to help them use this new tool; (c) the creation of a website on Red Flags, to be linked to P-RAMS to enable staff to use the Red Flags website when conducting agency-level assessments; and (d) the issuance of a protocol that establishes guidance on roles, responsibilities, and timelines for handling suspected fraud and corruption in operations.
- The Sector continues revising the Sanctions Reform and Anti-Corruption Guidelines. Many revisions require coordination with external organizations or, when policy changes are needed, discussion with the Audit Committee and approval of the Board. This work continues with a focus on cross-debarment the Bank—particularly other MDBs’ recognition of debarments made by Corporate Procurement under GSD-managed policies. The Bank is also moving forward on the use of settlement agreements that enable INT to settle with a firm or individual and to agree to various actions, including periods of ineligibility for contracts and payment of fines.
- Under the Bank’s harmonization initiatives, environmentally and socially responsible procurement continues to be a focus area, with particular interest in diversity and universal accessibility. In FY09, the Bank participated in issuing a new harmonized Request for Proposal document after agreement with the MDBs through the HoP working group. Work continues in the area of PPPs; the Bank has prepared two guidance notes that will serve to unify work in this area under the HoP working group.
- The Bank continues implementing the UCS piloting program. The Bank has held consultations with all the MDBs to explain the piloting program to them, but to date no other MDB has launched a similar initiative. In the meantime, the Bank is sharing its experiences and lessons learned. The MDBs are represented in the International Technical Advisory Group (ITAG), which advises the Bank on implementation of the UCS piloting program.

51. ***Coordination with Financial Management.*** The Procurement Sector has undertaken several activities in coordination with the FM Sector. In particular, the two Sectors worked closely together to identify issues and make recommendations with regard to the handling of both Bank-executed and recipient-executed trust funds. The

major concern was the drain on PR/FM staff in trying to provide support and appropriate levels of fiduciary oversight in the face of a growing use of trust funds. A consolidated note was prepared and provided to the trust fund management group in FY09 and was incorporated into revised policy. In addition, in FY09 the FM Sector developed, and posted on its website, a guide for conducting audits. The Procurement Sector contributed to this guide, particularly with regard to auditing procurement and conducting procurement-focused audits.

52. ***Fiduciary Forum Working Group.*** Late in FY09, the two Sectors identified the core working team to organize and deliver the FY10 Fiduciary Forum. This event took place in March 2010 and was rated as highly successful by the more than 500 participants attending.

VIII. REGIONAL SUMMARIES

53. This section provides summaries of each Region's work during FY09. Major thematic areas include governance and anti-corruption (GAC), harmonization and simplification, e-government procurement, independent procurement reviews and post review activities, country-related analytic work, and capacity development.

A. Africa Region

54. The AFR portfolio increased from FY08 to FY09 with approximately 440 projects in 47 countries, making it the largest in the Bank. The Region's procurement unit (AFTPC) cleared 2,000 contract awards totaling approximately US\$2.5 billion (about 20% more than in the previous year). AFR is highly decentralized: 92 percent of the procurement staff are located in country offices, and about 85 percent of the projects are handled from country offices.

55. ***Public Procurement Reforms.*** Countries in Sub-Saharan Africa have made important progress in creating the legal and institutional infrastructure to support efficient procurement systems. Increasingly, procurement reforms are anchored in the PFM and GAC agendas. Overall, there is moderate but continuous progress in reforming national procurement systems. AFTPC monitors progress in these reforms through the "Observatory" tool, which was introduced in 2001. Observatory clearly shows that countries are building on progress in the legal and institutional frameworks to focus on the next stage—implementation and compliance monitoring (e.g., Burkina Faso, Cameroon, Ghana, Madagascar, Mali, Mauritania, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Uganda, and Zambia). Other countries are just establishing their public procurement systems (e.g., Chad, Congo, Democratic Republic of the Congo). In general, countries made only slow progress in the areas of capacity building, enforcement of the legal and regulatory framework, and compliance monitoring.

56. ***UCS Piloting Program.*** AFR has identified an initial pool of candidate countries for the UCS piloting program: Burkina Faso, Ghana, Mauritius, Rwanda, and Senegal.

57. **Spending Quality.** The Brookings Institution's Transparency and Accountability project financed a report, *Improving the Quality of Public Spending in Sub-Saharan Africa*, that used a sample of countries to synthesize (a) cross-cutting strengths and weaknesses of procurement systems; and (b) the characteristics of, and lessons learned from, successful or failed reform programs. The report concludes that in spite of significant progress in creating the legal and institutional infrastructure for public procurement, the systems are underperforming because of lax enforcement and lack of incentives to induce behavioral change.

58. **Country Progress.** The following summarizes some country accomplishments:

- **Republic of Congo.** In a short time, the Republic of Congo has made significant progress in meeting the HIPC conditionality for procurement. The country has drafted a new procurement code, which adheres to international best practices, has developed major implementation texts, and has nominated the members of key institutions (review system, regulatory body, board of the dispute review committee).
- **Republic of Senegal.** Senegal has considerably improved its procurement regulatory and institutional framework and capacity management. It has adopted and begun using several additional key implementing regulations and national SBDs that were based on the Bank's SBDs. The Public Procurement Regulatory Authority, an autonomous, independent, and tripartite¹⁰ structure, is fully operational and responsible for creating policy, handling complaints from bidders, carrying out independent audits, and designing a national capacity-development strategy.
- **Malawi.** In FY09, with the Bank's support, the Government established a procurement professional body. The Government is building capacity by training staff in both short courses and long-term degree programs in Procurement and Logistics at the University of Malawi. Efforts are under way to identify grant funds to assist with short-term training and strengthening of the procurement professional body.
- **Ethiopia.** The Bank provided technical assistance that accelerated the rate of disbursement and improved the relationship with the client under the Ethiopia Public Sector Capacity Building Project. As a result, procurement capacity was built in Ethiopia's Ministry of Capacity Building, the project funds were disbursed ahead of schedule, and the Government requested a follow-up project on the basis of excellent relations with the Bank and strong capacity to implement Bank-financed operations. This model of procurement capacity building will be replicated in other large projects in the Ethiopia portfolio.

¹⁰ The Authority's Regulatory Council comprises representatives from the private sector, civil society, and the civil service.

- **Zambia.** Following the enactment of the new Public Procurement Law No 12 of 2008, the Public Procurement Regulations that will enable use of the new law have been formulated and will be in use in 2010. The Act contains the essential tenets of a modern public procurement legal framework and generally conforms to the aspirations and principles in the Common Market for Eastern and Southern Africa (COMESA) Directive. In 2009, the new law has seen the transformation of the Zambia National Tender Board into the Zambia Public Procurement Authority

59. **Governance.** Governance and anti-corruption are at the top of AFTPC's agenda. The team's clear responsibilities related to GAC are shown in the RPM office responsibility matrix on the AFR procurement website. As one of the clients of INT, the office of the Regional Vice President, which includes the RPM, has monthly discussions with INT in which all pending cases and new cases of possible fraud and corruption are discussed. Joint activities with INT have been launched in Kenya and are planned for Mozambique to strengthen country systems to fight corruption. Examples of country GAC work include:

- **Tanzania.** To strengthen the anti-corruption agenda, the country has developed a National Anti-Corruption Strategy and Action Plan and has created key government institutions responsible for combating corruption: the Prevention and Combating of Corruption Bureau and the National Audit Office.
- **Rwanda.** Rwanda has been internationally acclaimed for setting governance high on the public agenda and launching a robust program to prevent, detect, and eradicate any forms of corruption. The Government has established an Advisory Council for Anti-Corruption that includes the Ombudsman, Rwanda Police, and Rwanda Supreme Court, with the mandate to foster the continuous exchange of information and secure collective effort in fighting corruption. In the area of public procurement, the Regulatory Body for Public Procurement is establishing a department to investigate cases of corruption in procurement.
- **Mauritius.** Governance is a high priority for the Government, and it has made significant progress in establishing mechanisms to support integrity and transparency in the public procurement system. In 2009, the country improved its Transparency International Corruption Perception Index ranking to #42 (out of 180 countries), and it is now the second-ranked country in AFR after Botswana. An Independent Commission against Corruption has been established, and its 2008 annual report identifies 1,212 complaints and 702 cases under investigation. The Procurement Policy Office and the Commission have prepared a Code of Ethics for officials involved in public procurement.
- **Senegal.** A Procurement Investigation Unit has been established within the Public Procurement Regulatory Authority to create the conditions for (a) efficiently and competently reviewing potential violations of national procurement regulations, and (b) ensuring that corrupt practices reported to

the justice system are processed in a timely and effective manner. In addition, the Procurement Regulatory Authority has used its procurement website to put in place a secure mechanism for reporting fraudulent, corrupt, and unethical behavior that is contrary to the principles of the national code of ethics for public procurement.

60. ***Scaling Up Impact in Capacity Building.*** In addition to capacity building at the project and country level, the Bank is supporting procurement training programs delivered by the four regional training centers in AFR (each training 350-400 persons a year). The Bank's support is in the form of technical assistance to build capacity and prepare and update curricula, as well as the provision of trainers (Bank procurement specialists) to deliver courses on Bank procurement. The Bank has also leveraged the activities of regional economic organizations such as COMESA in the area of capacity building in public procurement for member states—for example, an IDF grant to COMESA has produced the following outcomes:

- A generic capacity-building strategy and supporting materials—including the seminal materials for a training-of-trainers course and a change management course for senior public officials—have been developed and their quality assessed by the Bank.
- Government officials have learned about the major efficiency, fiduciary, and integrity principles that are inherent in procurement practice.
- The applied knowledge of practitioners has been strengthened through case studies and the sharing of experiences in various workshops.

61. ***Partnership with the African Development Bank.*** In October 2008, the Bank's procurement hub coordinators met with the African Development Bank's (AfDB's) senior procurement staff in a meeting jointly chaired by the Acting Director of the AfDB's Procurement and Fiduciary Services Department and the Bank's AFR RPM. This meeting aimed at taking stock of progress in implementing joint procurement activities in the matrix agreed between the two Banks in March 2008 and agreeing on further areas of cooperation. Both Banks have continued to work within the partnership framework. Over the 2008-2009 period, the two Banks used regular interaction and coordination meetings to share experience in decentralizing procurement functions, leading AfDB to adopt the same field organization as the World Bank, with five procurement hubs. In addition, the Banks have worked on common training materials, conducted joint assessments and outreach workshops for the business community, and collaborated in organizing the High Level Forum on Public Procurement Reform in Africa (Tunis, November 2009).

62. ***e-Procurement.*** AFTPC worked closely with WBI on the e-Procurement agenda in Kenya and Tanzania. Country e-Procurement Readiness surveys were carried out in both countries, and their Governments then adopted action plans for the implementation of e-Procurement. Both countries exhibit strong ownership of the agenda.

63. ***Procurement Tracking System.*** At the Regional Vice President's request, a Procurement Cycle Tracking System (PROCYS) has been developed to allow a systemic and comprehensive approach to tracking all stages of the procurement cycle, measure users' responsiveness, and monitor aggregate trends (country, sector, role) to identify bottlenecks and support Management actions. PROCYS enables the electronic workflow of procurement documentation under Bank credits and grants, allowing procurement staff to electronically receive, review, respond to, and track documents, responses, comments, and clearances, and facilitating the work of task teams.

64. ***Rapid Response.*** AFR has the largest portfolio of projects under OP/BP 8.00, *Rapid Response to Crises and Emergencies*. These rapid response projects led to effective results on the ground as they helped to (a) avert a meningitis epidemic in Burkina Faso by promptly financing vaccines; (b) reintegrate combatants in Burundi, Côte d'Ivoire, Democratic Republic of the Congo, and the Great Lakes region by creating opportunities for training and providing support to local governments; (c) address financial crisis issues in Democratic Republic of the Congo; and (d) provide procurement support for the establishment of the Zimbabwe Multi-donor Trust Fund (MDTF). In addition, a procurement capacity rapid assessment for Zimbabwe was carried out in April 2009, based on the country's self-assessment using the OECD-DAC methodology. The rapid assessment highlights the status of procurement and areas requiring improvement as the Bank and other donors reengage in Zimbabwe and consider the extent to which its national systems may be used, under both the US\$100 million Zimbabwe MDTF and the \$7.0 million Zimbabwe Global Food Crisis Response project, which is supporting the procurement and distribution of seed maize to needy farmers in the FY09 agriculture season.

65. ***Procurement Post Reviews and Independent Procurement Reviews.*** In FY09, AFTPC post-reviewed 72 percent of the projects (excluding trust funds)—less than planned, because of both staff turnover and the significant increase in the IDA portfolio, which could not be addressed by recruiting consultants in the short term. Therefore, for FY10 the intention is to recruit extended-term consultants (ETCs) to ensure that the PPR targets are met. In addition, the Region has conducted IPRs in Burkina Faso, Mozambique, Senegal, Sierra Leone, and Sudan.

B. East Asia and the Pacific Region

66. The procurement function in EAP is highly decentralized, with 96 percent of the procurement staff located in country offices, which are organized into six procurement hubs: Beijing (covering China and Mongolia), Hanoi, Jakarta, Manila, Phnom Penh (Cambodia, Lao PDR, Malaysia, Myanmar, and Thailand), and Sydney (Pacific Islands, Papua New Guinea, and Timor-Leste). Each hub is overseen by an internationally-recruited Procurement Hub Leader. The procurement function is managed by the RPM, who is based in Washington, DC, and supported by a small professional staff of two internationally-recruited personnel. This section discusses EAP's procurement achievements under six themes: (a) public procurement reform; (b) e-Government procurement (e-GP); (c) governance and anti-corruption (GAC); (d) harmonization and simplification; (e) use of country systems (UCS); and (f) capacity building.

67. **Procurement Reform.** The following summarizes the most significant public procurement reforms that took place in EAP during FY09, by procurement hub:

- **Jakarta Procurement Hub.** The National Public Procurement Agency (NPPA) is Indonesia's regulatory body in charge of the procurement reform agenda. The public procurement system is facing significant challenges in its regulatory and implementation aspects, including lack of professional procurement management and weak procurement capacity in implementing agencies, especially at the provincial and district levels. The Agency is addressing these challenges by developing a legislative and regulatory framework on two tracks: preparation of a new procurement law and revision of the current presidential regulation.
- **Beijing Procurement Hub (China and Mongolia).** Several procurement reforms were supported during FY09:
 - Legislative reform to improve enforcement and regulation of China's Tendering and Bidding Law continued making good progress. New regulations have been drafted and submitted to the State Council for public review and comments.
 - A review of China's Model Bidding Documents for Goods and Works, to be applied under national competitive bidding (NCB) procedures, has been completed. The harmonized bidding documents will be used for NCB procedures on projects financed by both the World Bank and the Asian Development Bank (AsDB).
 - The Bank has maintained a regular dialogue with the Government of Mongolia, encouraging a reversal of 2007 legislative changes to the Public Procurement Law, which are not aligned with good international public procurement practice.
- **Phnom Penh Procurement Hub (Cambodia, Lao PDR, Malaysia, Myanmar, and Thailand).** The following procurement reforms were supported during FY09:
 - **Cambodia.** An improved legal framework for public procurement was put in place through the enactment of a new procurement sub-decree and the implementation of rules and regulations, including SBDs. Implementation of the new national procurement framework will require the Government to issue and mandate the use of the SBDs, conduct training workshops, establish an institutionalized procurement capacity-building program, and put in place a system for monitoring procurement performance and outcomes
 - **Lao PDR.** Following the enactment of the improved legal framework for public procurement, the Ministry of Finance (MoF) officially launched the national Standard Procurement Manual and SBDs. A

new national public procurement website publishes salient information on procurement legislation, bidding opportunities, and contract awards.

- **Thailand.** The Bank has provided technical assistance to the Government to identify ways to further streamline the procedural requirements of the e-auction system introduced in 2005, rationalize its use, and recommend further development of e-bidding across the Government. The Bank also established a dialogue with the National Anti-Corruption Commission and signed a memorandum of understanding laying out the foundation of cooperation and support for good governance in public procurement in Thailand.
- **Hanoi Procurement Hub.** The Bank continued to provide technical leadership to the dialogue between the Government and the Six Banks (AsDB, AFD, JICA, KFW, Korea Exim Bank, and the World Bank) on developing the legal framework for public procurement in Vietnam. As co-chair of the Procurement Thematic Group of the Partnership Group of Aid Effectiveness, the Bank also led the dialogue between donors and the Government on the minimum required standards for the UCS for procurement. An independent assessment of Vietnam's public procurement system, using the OECD-DAC benchmarking tool, shows that Vietnam meets only 3 of the Bank's 17 requirements to be considered as a potential pilot country for UCS. While Vietnam's Procurement Law and its associated degree represent progress, the national procedures still fall short of international good practice.
- **Manila Procurement Hub.** Procurement reform in the Philippines included the revision of Implementation Rules and Regulations, after consultation with development partners and with civil society, bidders, private sector, local government units, and government procurement practitioners. The revised rules and regulations will (a) incorporate the procurement rules of the foreign lending institutions, and (b) reduce the total number of unacceptable provisions in the NCB procurement in Bank-financed projects to five from the eight originally defined in the 2008 CPAR. The Bank has also financed the hiring of an international procurement legal consultant to advise the Government's Public Procurement Board on developing an independent mechanism for the review of bid protests. The absence of such an independent bid protest mechanism was identified in the CPAR as one of the major weaknesses of the Philippines' public procurement system.
- **Sydney Procurement Hub (Fiji, Kiribati, Pacific Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu).** The following procurement reforms were initiated during the fiscal year:
 - **Papua New Guinea.** During 2009, the Central Supply and Tenders Board completed draft SBDs, which the Bank is reviewing with a view to their being promulgated in 2010.

- **Timor-Leste.** The Planning, Financial Management, and Capacity Building Project is conducting a review of the legal framework for procurement in Timor-Leste, including the draft Procurement Law that the Council of Ministers is considering.

68. **e-Government Procurement.** The Bank has been actively involved in providing financial support and technical expertise to several EAP countries in the development of their e-GP systems. In Indonesia, the NPPA is leading the development of an e-GP agenda in the country. The major challenges in establishing a sound e-GP system are (a) developing a roadmap; (b) setting the roles and responsibilities of different stakeholders; (c) ensuring minimum inter-operability between existing and new systems developed by different stakeholders and local and national levels; and (d) setting core data standards for the various e-GP providers to comply with. The MoF is seeking the Bank's further assistance to achieve the goals.

69. **Governance and Anti-corruption.** The Bank continues working to reduce the fiduciary risks to the Bank's portfolio in EAP countries by giving increased attention to procurement-related governance issues; many such measures have been incorporated into project design and supervision. In Indonesia, where concerns remain over corrupt and collusive practices, the Bank is proposing changes on sanctions through its review of the draft presidential regulation on public procurement. In Mongolia, where the Bank is concerned about potential increases in corruption due mainly to legislative changes to the Public Procurement Law, it is encouraging the MoF to address legislative deficiencies and promote greater transparency in the procurement of high-value infrastructure contracts. In Cambodia, an independent procurement agent continues to carry out procurement under Bank-financed projects for all except very small-value contracts.

70. **Harmonization and Simplification.** The following activities took place under the harmonization and simplification agenda:

- **China.** The Bank and AsDB have developed harmonized policies to address the challenges they face in applying their respective Procurement Guidelines in China, including on the treatment of unreasonably low bids for civil works contracts.
- **Indonesia.** The Government of Indonesia established a working group that includes NPPA, Ministry of Planning, World Bank, AsDB, and AusAid. The group's agenda includes conducting a gap analysis between national regulations on public procurement and guidelines of major donors, and monitoring procurement performance in the country.
- **Mongolia.** The Bank and AsDB are collaborating in reviewing the possibility of Mongolia's participating in the UCS piloting program.
- **Philippines.** The Bank has been leading the technical dialogue between donors and the Government to update the harmonized Philippines Bidding Documents to reflect improvements made in the revised IRR. The exercise will be completed in 2010.

71. **Use of Country Systems.** While the Region initially proposed several countries, only one (the Philippines) is currently active as a pilot country for UCS. The Philippines has participated actively with the OECD-DAC Joint Venture on Procurement for several years and has used the OECD-DAC benchmarking tool to devise and monitor a country procurement reform strategy. The Stage I assessment submitted in May 2009 is an update to the most recent CPAR, which includes the OECD-DAC assessment.

72. **Capacity Building.** In FY09 the Bank conducted an informal series of procurement capacity building workshops and training courses for borrowers; the following summarizes the most significant:

- **Cambodia and Lao.** The Bank provided 33 training courses, attended by more than 980 government staff across the project portfolios in Cambodia and Lao PDR. In addition, the Bank pursued a dialogue with the governments on plans for developing institutionalized national procurement capacity building programs through twinning arrangements between local and international training institutes.
- **China.** During the year, the Bank conducted 51 procurement training workshops, ranging from basic to advanced procurement, for implementation agencies. At the request of the National Development and Reform Commission, a two-day procurement workshop was held in Ningbo to share procurement lessons learned from the implementation of projects in China.
- **Vietnam.** The Bank delivered 30 workshops and clinics attended by 1,321 participants.
- **Philippines.** The IDF grant “Professionalization of Public Procurement Practitioners and Functions” is progressing well. The Bank’s procurement team conducted one- to three-day procurement briefing and orientation workshops for over 900 participants from different government agencies, contractors, and consulting firms. The team also delivered procurement courses organized by the Asian Institute of Management to 22 private and government sector representatives from Germany, India, Lao PDR, Mongolia, the Philippines, and Vietnam.

C. Eastern Europe and Central Asia Region

73. In FY09, the ECA procurement team continued to provide a wide range of fiduciary services supporting Regional task teams, take the lead in or provide inputs into analytic and diagnostic sector work, and deliver extensive training and outreach programs to staff and borrowers. This work was based on the cross-cutting themes of GAC, capacity building, and moving toward UCS. The RPM office is organized around four main pillars to oversee fiduciary functions and guide Regional procurement staff in the implementation of cross-cutting themes: (a) sector and diagnostic work, fiduciary assessments, capacity building, and UCS; (b) fiduciary function oversight, quality control, and quality assurance; (c) GAC, training, and outreach; and (d) administration and management of the Regional group (of about 40 procurement staff and consultants).

74. *Use of Country Systems.* Turkey and FYR Macedonia were identified as candidates for the UCS piloting program.

75. *Harmonization and Regional Coordination.* The RPM, together with the Chief Procurement Policy Officer, visited the EC in April 2009 to revive the Region's collaboration with the EC in the area of procurement policy. Each party provided an update on its work in procurement, including anti-corruption policies, UCS in procurement, and procurement procedures in projects funded by the Bank and EC. The discussion concluded that while differences remain on aspects of eligibility, use of procurement procedures, evaluation of bids, consulting services, two-stage bidding, and negotiated procedures, they can be resolved on a case-by-case basis as previously agreed.

76. *e-Government Procurement.* In the area of e-GP, the Region continued to provide support to countries as part of ongoing projects or stand-alone initiatives. A major part of the GPF fund approved for Albania has been allocated to the improvement of the country's e-tendering system. After an initial assessment of the e-GP situation in Albania, the Bank and the Public Procurement Agency discussed and agreed on an action plan that includes the results of the e-GP learning series under the Government Transformation Initiative. Counterparts from Albania and Moldova attended six day-long learning sessions by videoconference that presented e-GP expertise from leading countries to help them to better understand the role of e-GP in strengthening country procurement systems and to identify the key issues and next steps of their e-GP agendas.

1. Capacity Building

77. In FY09, the ECA procurement team completed eight planned borrower's training and business outreach events for approximately 508 participants (see Table 13).

Table 13. ECA Borrower's Training and Business Outreach Events (FY09)

<i>Location</i>	<i>Date</i>	<i>Training</i>	<i>Participants</i>
Budapest, Hungary	September 17, 2008	Budapest Seminar on Business Opportunities in IFI-financed Projects	50
Belgrade, Serbia	November 20, 2008	Programs, Projects & Business Opportunities for Companies	60
Ankara, Turkey	January 12 – 16, 2009	Joint Procurement and Financial Management Capacity Development Workshop	115
Skopje, Macedonia	April 7 – 10, 2009	Seminar on Procurement of Goods and Works and Selection of Consultants under IBRD Loans and IDA Credits	100
Bishkek, Kyrgyz	April 13 – 17, 2009	Central Asia Regional Procurement Capacity Building Workshop	79
Issyk-Kul, Kyrgyz	April 21 – 24, 2009	The Fifth Central Asia Public Procurement Forum	41
Tashkent, Uzbekistan	April 28, 2009	Business Seminar under World Bank-funded Operations	42
Moscow, Russia	May 26 – 27, 2009	IT Procurement and Consulting Services	21

78. ***Staff Training and Capacity Building Events.*** A Joint ECA/MNA Procurement Retreat was organized both for team-building and networking, and to address high demand for individual staff learning, improvement of professional skills, and quick re-tooling to keep pace with new agendas and challenges (such as GAC and UCS) and new products (such as public-private partnerships, fee-for-service, design-build approaches, and performance-based contracts). Procurement staff consider “cross-fertilization” and sharing best practices and “what works and what doesn’t” to be among the most effective and practical tools in professional learning. In addition, in May-June 2009 the RPM’s office organized an intensive course in Washington, DC, on the procurement of goods, works, and consultancy contracts; it was attended by six staff from country offices and six Washington-based staff.

79. ***Initiatives to Improve the Quality of Fiduciary Work.*** As part of the Operational Policy and Services Department, the ECA procurement team works closely with the other two teams (Quality Unit and FM team) to provide quality assurance for all Regional operations. In ECA, quality assurance and the quality control function rest with the RPM and his office. The RPM’s office conducts a weekly review of upstream products and discusses Risk Identification Worksheets to provide guidance to the task teams, including on corruption risks and mitigation measures. A retired ECA RPM has been retained on a consultant contract to review all OPRC cases, mentor field-based staff in reviewing procurement documents, and deal with complicated complaints cases.

80. ***Independent Procurement Reviews and Procurement Post Reviews.*** ECA uses IPRs and PPRs as quality-monitoring and trouble-shooting tools. In FY09, the Region carried out an IPR of Serbia and Montenegro, covering 10 projects and 77 contracts, focusing on identifying Red Flags and assuring transparency in the procurement process. In FY09, the ECA procurement team covered 99 percent of active projects with PPRs, IPRs, and fiduciary reviews, reviewing about 736 contracts. The RPM’s office continued to monitor post reviews on all active projects under supervision.

81. ***Innovative Approaches to Portfolio Supervision.*** In FY09, ECA carried out a review of IT contracts in Albania, combining a desk review of the procurement procedures and practices at the Ministry of Education and at PIUs with physical inspection of deliverables in five contracts signed under four projects at 12 sites. In Romania, a limited Country Portfolio Fiduciary Review was conducted on four projects identified by the country unit. A Comprehensive Fiduciary Review in Kyrgyz and Tajikistan looked at the entire lending and project portfolio; the task was led by the ECA procurement unit and included FM, disbursement, and technical (engineering) specialists.

2. Governance and Anti-Corruption

82. The GAC 101 workshop was rolled out after successful pilots—one each in the field and Washington, DC—in September and October 2008. Ten workshops each in Washington and country offices reached approximately 575 staff (245 in Washington and 330 in the field). ECA Management has made this course mandatory; face-to-face delivery will be supplemented by the development of an on-line module so that staff who have scheduling issues can take the course online.

83. ***Fiduciary Module.*** A complete training module (including training and handout materials, and case studies) was prepared and piloted in December 2008 and then repeated in a face-to-face classroom environment in Washington, DC and in the Region (two offerings within the same week to cover field-based TTLs and operational staff); 40 Washington staff and 44 field staff attended. Entrance and exit questionnaires showed that the objective was achieved. Since interest on the part of TTLs and operational staff remains high, and since it is important for the TTLs to maintain their fiduciary knowledge, the Region proposes to offer this module every six months.

84. ***Country Governance and Anti-Corruption (CGAC).*** ECA allocated the GAC Learning Grant of \$30,000 to the Tajikistan country team as Tajikistan became a new CGAC country in FY09. The funds were used for the Country Team CAS Workshop in Dushanbe in May 2009. In April, a CGAC Forum attracted the participation of all but one current and future CGAC/GAC-CAS countries (the Albania country team could not participate because of a scheduling conflict) to exchange experiences and plan for the challenges in the year ahead. Finally, a brown bag lunch on “GAC in the Transport Sector” was held in April 2009.

D. Latin America and Caribbean Region

85. In LCR, client countries continue to focus on government procurement as a key instrument to promote economic and social development, sound public expenditure management, and transparency in the public sector. The Region continues to support procurement reform by providing technical assistance and maintaining an active policy dialogue.

86. ***Harmonization.*** The objectives of the partnership initiatives between the World Bank and the Inter-American Development Bank (IDB) are (a) strengthening collaboration between the institutions and increasing the impact of development initiatives, and (b) supporting the development of national procurement systems, and developing procurement capacity in client countries. As reported earlier, results of these initiatives include an agreement for both institutions to implement the Procurement Plan Execution System (SEPA) in a number of their client countries, prepare joint CPARs and other assessment tools, and peer-review OECD-DAC procurement indicators assessments. To date, both Banks have implemented SEPA in a number of countries (and projects).

87. ***Governance and Anti-Corruption Agenda.*** The Region continues to implement the GAC agenda through an integrated approach that includes a comprehensive portfolio risk management strategy, assistance to countries in strengthening national systems within broader public sector strategies, and increased attention to procurement-related governance issues to reduce fiduciary risks to the Bank’s portfolio.

88. ***The Procurement Plan Execution System (SEPA).*** SEPA is an innovative, web-based system developed in FY07 to address the issues of procurement planning and management. It is proving to be a useful tool in increasing transparency and accountability and has been introduced in 12 countries—Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Mexico, Panama, Paraguay,

Peru, and Uruguay, (with 216 projects already on-line). The Region plans to continue implementation in FY10.

89. ***Procurement Reform.*** The LCR procurement team has been actively providing advice to the clients on procurement reform activities in most countries in the Region. For example, the Bank assisted the Government of Costa Rica by providing technical advice on the development of a National Strategic Procurement Plan and the application of OECD indicators. In Panama, the Region provided high-level technical advice on strategic procurement issues and assisted the Government in the application of the National Strategic Plan, launched by the predecessor administration but embraced by the new administration as the basis for continuing procurement reform.

90. ***Analytic Work.*** In FY09, LCR delivered an Integrative Fiduciary Assessment (IFA) for Colombia (National Level Public Financial Management), and worked on a number of products to be delivered in FY10.

91. ***Experience with the Rapid Response Policy (OP/BP 8.00).*** The RPM's Office is providing guidance to ensure consistency of responses to emergency conditions and is training procurement specialists to provide adequate advice. The Region has also designated a focal point for rapid response to procurement-related matters, to ensure adequate managerial attention to such projects. In addition, the procurement unit has built capacity to strengthen the presence of procurement staff in this area.

92. ***Post Reviews and Independent Procurement Reviews.*** In FY09, the Region achieved its target of 100 percent post reviews and carried out five IPRs and began a sixth. The reviews point to the need to improve process management in the projects that are using SEPA.

E. Middle East and North Africa Region

93. This section presents the work of the MNA procurement team by country.

94. ***Iraq.*** Strengthening Iraq's public procurement system is a key component of the public financial management (PFM) reform process. The Government has identified two factors as major contributors to abuse and inefficiency: (a) a patchwork of old and new rules and regulations, and (b) a lack of coordination among the various bodies involved in the procurement process. The PFM Action Plan and the new Procurement Law call for streamlining and harmonizing the procurement process by adopting consistent Government-wide and sector-specific SBDs and procedures, and by establishing a regulatory agency to oversee their uniform implementation. The Bank is providing financial and technical assistance to Iraq on its PFM Action Plan and its development of a National Poverty Reduction Strategy through two IDF-financed projects that aim to (a) improve allocation, execution, transparency, and accountability in the mobilization and use of all public resources; and (b) strengthen budget formulation and execution, improve public financial reporting, strengthen public procurement, and develop capacity in PFM, at both the central and the governorate levels. In this regard, the Government's Inter-Ministerial Working Committee, working with the World Bank's procurement team and legal advisers, completed the draft of the new Law of Public Contracts (Procurement

Law), which is now in the process of being ratified according to standard government protocols.

95. **Jordan.** As part of the increasingly important GAC agenda, the Ministry of Planning and International Cooperation requested the Bank to assist in the self-assessment of the public procurement system using the methodology and benchmarks developed by the World Bank and OECD-DAC. The self-assessment will be performed in a week-long workshop, and the assessment will then be submitted to OPCPR as the first stage of the UCS piloting program.

96. **Egypt.** In early FY09, the procurement unit (MNAPR) initiated discussions with the General Authority for Government Services (GAGS)—the MoF agency responsible for public procurement policy—to identify areas where the World Bank can provide effective technical assistance to support the Government’s procurement reform agenda. As the result, the Bank was requested to support GAGS in performing a gap analysis between the existing Executive Regulations and the best practices of UNCITRAL, and to suggest revisions to bring the Regulations into compliance. Once finalized, the Regulations (implementation statues of the Procurement Law) will require dissemination and capacity-building efforts within the Government to ensure successful adoption and proper implementation. These efforts would later be supplemented by technical assistance to create a procurement capacity building program to modernize Egypt’s public procurement for public service officials. In addition to supporting the country procurement work in Egypt, the Bank assisted GAGS in hosting a three-day regional OECD workshop in Cairo in April 2009 in which staff from OECD, DfID, and OPCPR participated. MNAPR also organized two well-attended workshops in Cairo that focused on lessons learned from the FY08 IPRs to build the procurement capacity of project management units (PMUs) in the Egypt supervision projects portfolio.

97. **Yemen.** Procurement reforms in FY09, which were first initiated under an IDF grant, continued to be mainstreamed into the country’s PFM agenda and helped achieve the approval of the Executive Regulations (implementation arrangements of the Procurement Law of July 2007) through a Cabinet Decree in February 2009.

- A Bank-executed technical assistance program supported the High Tender Board in updating the National Procurement Manuals (first prepared in 2006) to conform to the newly promulgated By-Laws/Executive Regulations and in preparing training modules for nationwide training of a tender committee to support civil servants in the Government procurement function in carrying out their mandate in a more accountable and transparent manner. This initiative is slated to receive additional support in FY10 from the Project Preparation Advance for the PFM Project.
- The HTB was restructured in mid-2007 and is now the apex autonomous body for awarding Government contracts. In parallel, procurement policy formulation and oversight has become the mandate of the newly established High Authority for Tender Control—which the reform champions within the Government had called for throughout FY09.

- In conjunction with the RPM's visit to Yemen in April 2009, the MNA procurement team held an IPR follow-up workshop for PMUs and participants from the High Tender Board and Ministry of Planning, who provided timely and useful feedback on the quality and level of knowledge transfer provided by the workshop.

98. **Djibouti.** A results-based workshop was held in Djibouti to disseminate the FY08 PPR findings as part of knowledge exchange and client capacity building efforts, mainly for participating PMUs in the Human Development sector. Responding to demand from TTLs, a scaled-up version to discuss FY09 PPR findings is planned for FY10.

99. **West Bank and Gaza.** Although the Palestinian Authority has confirmed its commitment to move forward with public procurement reform (which the Bank is supporting through two development policy grants), changes in the Government have delayed the ratification and enactment of the public procurement law and regulations and prevented successful completion of the procurement reform activities recommended by the 2004 CPAR. The Palestinian Authority had committed to passing the new procurement law in mid-2009 and then initiating a program to implement it. However, the law is languishing in the Council of Ministers. In addition, several changes were introduced to the law since the Bank last reviewed it in January 2009.

F. South Asia Region

100. The respective roles and responsibilities of SAR's country procurement teams and the RPM's Office have been defined in complementary notes to the Region. The Region plans to achieve its overarching objective of streamlining the decentralization of its procurement function by achieving full integration of the country procurement teams into the work of country and task teams, and delegating decision-making authority to the project level. Varying levels of procurement capacities among SAR countries represent a unique challenge, and frequent requests for assistance with innovative bidding and contracting strategies to support development opportunities require teams to comprehend risks and adapt decisively to circumstances.

101. **Procurement Reform.** In light of the implementation of public reform laws/rules, SAR has intensified its focus on procurement reform in most countries, recognizing the tangible impact such reform has on portfolio performance and development objectives. These strategic efforts have been reinforced through CASS and ESW and coordinated with related policy work.

- **Afghanistan.** The enactment of the country's revised procurement law provided the basis for issuing new procurement regulations and detailed procedures. Revised SBDs for the ministries' procurement of goods and works were added subsequently in March 2009. Regulations and procedures for the selection of consultants, procurement planning and notification, and advertising of bidding opportunities are being added.
- **Bangladesh.** The Government is implementing Public Procurement Reform II, which deals with monitoring the procurement performance of key sector

ministries and agencies. Several donor organizations in Bangladesh are collaborating to assist the Government in financial management and procurement. The Bank is administering the Strengthening Public Financial Management Improvement Program under the multi-donor trust fund.

- **Maldives.** The Government of Maldives went through a major democratic transformation in 2009, with presidential elections being held for the first time. The new regime is keen to promote good governance under its newly set up democratic leadership. Despite the country's spiralling into a serious financial crisis, the government has stayed course on its procurement reform program. A comprehensive set of procurement regulations and standard bidding documents were developed during FY09, together with a capacity building program which is planned to be implemented in FY10 with additional IDF support. The procurement team also assisted the government counterparts in preparing its report on the relevant procurement indicator (P19) for the PEFA exercise which was carried out in as a precursor to the proposed IMF standby loan.

102. **Use of Country Systems and Capacity Development.** In FY09, SAR supported countries in a number of ways:

- **Afghanistan.** The Government continues to emphasize the need for procurement training in public service, using the Bank-financed Public Financial Management Reform Project to hire consultants as trainers and finance technical assistance to procurement controllers and other senior Government officials. The benefits of this procurement training are being evaluated.
- **Bangladesh.** Under the second phase of the procurement reform project and in addition to 1700 staff trained in phase one, about 500 Government staff have received three weeks of training in the procurement of goods, works, and services. This large-scale capacity development initiative is being conducted by FINEUROPO-SOFRECO and the Engineering Staff College of Bangladesh.
- **Bhutan.** Under the Institutional Capacity Building for Procurement Project, Government staff have completed course work in public procurement at ASCI and NIFM (India), while MoF staff working on policy issues are being trained by the Bank in risk mitigation, procurement reform, and internal capacity building.
- **Pakistan.** The Bank conducted a project-specific training session for the staff of the Sindh Education Project and district procurement staff. Subsequently, the staff of several other Bank-financed projects were provided individual training on Bank Procurement Guidelines and SBDs.
- **India.** the Bank: supported the Ministry of Commerce in drafting the e-GP Framework for India and the Procurement Assessment Reports for pilot in

three states and one central ministry (Ministry of Health); supported the government of Uttar Pradesh in implementing State-wide e-GP initiatives by sharing best practices and building capacity through participation in workshops; conducted an assessment of the e-procurement system of Bangalore Water Supply and Sewerage Board.

- *Sri Lanka.* In partnership with the Bank, the Government has taken initial steps to institute procurement planning, monitoring and the use of SBDs for NCB and Shopping in all line ministries.

103. ***Governance and Anti-corruption.*** With regard to the Health Sector projects in India that were part of the Detailed Implementation Review (DIR), the steps listed in the DIR Action Plan and the additional guidance provided by the Governance and Accountability Action Plan (GAAP) are leading to improvements on the ground. The transparency of the procurement process for drugs was improved by making bidding documents readily available on the website of the Ministry of Health & Family Welfare. In many cases, private sector procurement agents, rather than public sector procurement agencies, are in charge of procuring drugs and medical supplies, which are subject to pre-dispatch inspections by reputable agencies. Wherever possible, suppliers are subject to prequalification. More stringent contract management has been put in place, including sanctions against suppliers that fail to meet performance standards. The Ministry has installed a new Procurement Information Management System for better control of purchases and inventory. At the same time, the Bank has intensified its due diligence on health sector documents by scrutinizing indicators of fraud and corruption. In Nepal, the GAAP has so far focused on the technical quality of recently procured medical equipment and a comprehensive risk assessment of the country's portfolio with respect to issues of GAC. In Sri Lanka, a governance and accountability action plan was developed under phase two of the Gemidiriya program, based on a comprehensive governance risk analysis that was undertaken. All SAR countries are taking steps to assess their own GAC-related risks and vulnerabilities, following the methodology developed under the India DIR.

ANNEX A

RETROSPECTIVE ON PROCUREMENT REFORM

1. This section provides a retrospective review of procurement reform, focusing on the last five years and how the Bank has contributed to these activities in our partner countries. The review looks at reform from several key perspectives as follows: (i) progress made as a result of Country Procurement Assessment Reports (CPARs) and follow-up action plans; (ii) key capacity-building activities across the Regions; (iii) the Bank's leading role in cooperation with the Organisation for Economic Co-operation and Development - Development Co-operation Directorate (OECD-DAC) and other Multilateral Development Banks (MDBs)/Organizations; (iv) the Bank's participation in the Use of Country Systems (UCS) initiative; and (v) the growth of e-procurement. As nearly all countries have improved their public procurement systems and all Regions have supported this work, the following only provides a few specific examples.

2. *Progress as a Result of Country Procurement Assessment Reports (CPARs).* The CPAR was introduced by the Bank in the late 1980s as a tool to help assess the impact of country specific procurement practices on Bank-financed projects. It evolved over the years to become a development focused tool to help countries reform their procurement system. By 2005, all of the Bank's active borrowing countries had undergone one or more CPAR. Each CPAR includes an action plan that is drawn from the findings of the assessment and forms the basis for dialogue with the country counterparts to set a strategy or plan for reform. The CPAR is a dynamic tool and it is still used by the Bank, the MDBs, and other donors to support the development of better performing procurement systems. However, in some Regions, economic and sector work has shifted to conducting specific studies that can provide information and incentives for countries to continue their work in the area of procurement reform.

3. Over the last five fiscal years (FY05-09), a total of 70 Economic and Sector Works (ESWs) related to procurement were delivered to borrowers, including 24 CPARs and related updates, 35 Integrated Fiduciary Assessments (IFAs), and 11 specific procurement studies, covering 55 countries across all Regions of the Bank. With the implementation of CPAR follow-up action plans, all Regions reported experiencing steady progress on country procurement reforms as measured against their reform objectives since FY01. Reforms resulting from the CPAR process generally focused on legal and regulatory reforms and on creating organizational structures to support the creation of regulations, manuals, bidding documents, and other tools needed to support capacity development and address compliance.

4. Improvements in procurement as a result of reform initiatives are seen in improved governance and public sector management across all Regions. As a result of the CPARs, procurement reform initiatives are now addressed in Country Assistance Strategies (CASs), Poverty Reduction Support Credits (PRSCs), and policy papers.

5. Due to increased collaboration with Financial Management, many procurement reforms are now anchored in the public financial management agenda. As a result of

recommendations contained in the Independent Evaluation Group (IEG) report in FY07 on Country Financial Accountability Assessments (CFAAs) and CPARs, OPCS agreed to work on developing a more integrated approach to public sector and public financial management reform, including procurement, that would result in having a country-based strategy that prioritized and sequenced the action plans arising from individual ESW such as the CFAAs and CPARs. Relying on funds such as Institutional Development Fund (IDF) grants and using DPLs, Public Financial Improvement Programs were initiated in many countries. Some specialized projects began to emerge with very specific procurement reform initiatives highlights.

Box A1. Examples of Specialized Procurement Reform Initiatives

- **Bangladesh.** Bangladesh was the first country to receive a project financed by the Bank and dedicated to procurement reform and capacity development activities (PPRP I). PPRP is now in its third iteration and continues to implement recommendations first agreed upon under the CPAR. To date, this project has financed the development of the legal framework; the creation of an oversight agency; the creation of a sustainable capacity development training program that started with identification and training of a core of 25 trainers; and the preparation of bidding documents and manuals.
- **Bhutan.** Following a CPAR in Bhutan, a procurement reform was initiated in 2007 which has resulted in the creation of an oversight unit which was able to update and significantly revise the financial regulations for procurement in the country. The reform also resulted in the development of a long-term strategy to create and maintain procurement capacity by recognizing procurement as a specialized category in the civil service and through partnering with the university in Bhutan to incorporate procurement into the curriculum.
- **Uganda.** In FY05, Uganda accepted the first of a series of PRSCs that included very specific procurement actions as part of the results matrix. Multiple donors participated in the PRSC and met regularly with the Government to review progress and continue to identify key actions to further the procurement reform process.

6. **Key Capacity Building Activities.** Capacity building and development of programs to promote borrower capacity have been implemented across the Regions. The Bank has long-standing programs with training institutions around the world to provide training on procurement under Bank-financed projects. Beginning in 2002, these institutions began expanding their capacity to deliver training on Public Procurement Systems drawing on good practices as identified in existing international documents such as the European Commission (EC) Directives on Procurement, United Nations (UN) Model Law on Procurement, and the World Trade Organizations's (WTO) Government Procurement Agreement. The Bank continues to work with these institutions by providing materials and in some cases, staff resources to deliver training. As a result of a 2004 Quality Assurance Group (QAG) review of CFAAs and CPARs, more emphasis has been placed on coordination with donor partners in conducting assessments and supporting coordinated action plans, including an increased focus on building client country capacity and procurement systems. Efforts increased in 2004-2006 with greater coordination between the Bank and donor partners at the country level in analytic work and reform initiatives. Donors cooperated to provide needed capacity development and workshops where countries shared experiences and learned how to apply benchmarking tools and how to progress in addressing institutional weaknesses through capacity

development. For example, the ECA Region organizes the Central Asia Procurement Forum to foster cross-country dialogues for procurement reform and has organized these regional events each year since 2006. ECA has increased its collaboration efforts with the EC to reflect the interest of countries in its region to align their procurement reform efforts to meeting the requirements of the EC. The growing emphasis on UCS focused more attention on capacity development activities for procurement. The Procurement Roundtable began in 2004 as a joint World Bank/OECD initiative resulting from the growing interest in procurement capacity development. This initiative, still underway under the current Task Force on Procurement, led to the creation of several capacity development tools most importantly, the “Methodology for Assessment of Procurement Systems” (MAPS) tool introduced in 2006 and now used by MDBs, bilateral donors, and partner countries to identify country needs and develop a coordinated plan for capacity development across a full spectrum of procurement related activities. Box 2 provides details on a few capacity building initiatives that are currently underway.

Box A2. Procurement Reform and Capacity Building

- ***Africa Region.*** AFR continues to be involved in national procurement reforms in most countries in the Region. The reform agendas are derived from CPARs and/or Public Expenditure Management and Financial Accountability Review (PEMFAR), conducted in concert with the Government and the donors and supported by specific IDFs or project components. Procurement reforms are systematically reflected in CAS, PRSCs, and policy papers. The majority of the countries in AFR now have established national procurement systems (the legal and regulatory framework and the institutions). In many countries, the Bank is supporting activities such as: (i) disseminating the public procurement laws and regulations among various stakeholders; (ii) developing procurement curricula in existing learning institutions; (iii) training of trainers programs; and (iv) procurement accreditation/certification systems while the broader civil service reforms are meant to address critical areas such as: retention policy, staff incentives, career growth opportunities
- ***Brazil.*** Cooperation with Minas Gerais state, on procurement modernization, started in 2004 with the DPL, and the policy dialogue on procurement reform intensified over the past years through non-lending technical assistance (NLTA) funded by LCR, an IDF grant, and the sector-wide approaches’ (SWAp’s) technical assistance component. The Bank provided technical assistance and significant advisory services throughout the implementation of the reform program. More recently, under the SWAp operation, work started on the development and commissioning of an inventory management system. The IDF grant supports implementation of the state electronic invoicing system, and design and implementation of a management information system (MIS) of civil works contracts, becoming operational in FY09.
- ***Bhutan.*** The Bank has taken the lead in providing Government with technical assistance in procurement reform. Asian Development Bank (AsDB) and United Nations Development Programme (UNDP) are also contributing technical assistance, while Danish International Development Agency (DANIDA) is providing financial support. The Ministry of Finance has established its Public Procurement Policy Division (PPPD).
- ***India.*** The Bank conducted an extended procurement workshop in Bhopal for six livelihood projects that are currently being implemented. The workshop participants were able to develop a community procurement manual for the six livelihood projects and as a model for future use. In the Indian State of Bihar, reforms to improve the quality of governance, financial management, procurement, and administrative capacity have been initiated. Bihar’s revised State Financial Rules now mirror the Financial Rules of the Government of India, which were enacted in 2005.
- ***Maldives.*** During FY09 the country went through a major democratic transformation, with presidential elections being held for the first time. The new regime, in its manifesto titled “The Other Maldives”,

promotes democratic leadership, and improved governance. Procurement reform actions supported by an IDF grant include the development of procurement regulations (validated under the Public Finance Act). An Arbitration Bill was also finalized and submitted to Parliament for approval.

- **Mexico.** As the Government continues to implement reforms, in line with recommendations of the CPAR action plan, the Bank provided technical assistance on a number of actions related to formulation of procurement policies, legal, and regulatory provisions. Mexico now regularly seeks the Bank's advice and input and has shared its own experiences to build capacity in the Region.
- **Pakistan.** By leveraging PRSCs and DPL, significant improvements in the regulatory framework have been achieved at the Federal level and in the provinces of Sindh, Punjab and NWFP, which includes setting up of regulatory authorities, procurement rules and regulations. These interventions have helped in maintaining a continued engagement on public procurement reform issues.
- **Peru.** In FY08, the Government of Peru jointly hosted with the Bank, the Inter-American Development Bank (IADB) and the OECD-DAC, a regional gathering to introduce the use of the MAPS tool for assessment and identification of capacity development needs in the area of procurement. The Bank continued building on the analytical work developed with a study in 2008 to determine the efficiency of the procurement system and its ability to support the Government's stimulus plan. The Bank also assisted the Government in the development of a National Strategic Procurement Plan, which forms the cornerstone of the ongoing procurement reform. As a result of the Peru conference, many countries in the LCR use the MAPS tool as a way to assess and manage their own reform initiatives with only strategic and minimal support from donors.
- **Sri Lanka.** Despite the closure of the National Procurement Agency by the Government in early 2008, the Bank has continued the procurement reform dialogue in Sri Lanka. Sri Lanka and the Bank have agreed on an action plan that would be supported by an IDF Grant. Procurement reform is part of the governance aspect of the CAS.
- **Syria.** As a result of a CPAR, capacity development support is being provided to (i) further develop the procurement legal and regulatory framework; (ii) establish a public procurement office to provide oversight, guidance, and capacity building; (iii) align procurement operations with best practices; and (iv) promote integrity and transparency.

7. Other examples of capacity development work undertaken by the Bank or in coordination with donor partners include: a series of initiatives and workshops in five countries (Cambodia, Lao PDR, Philippines, Thailand, and Vietnam) to raise awareness of the importance of monitoring for results in public procurement; a joint workshop with the EC on fiduciary and safeguard policies; and regional workshops in Indonesia, Egypt, and Peru during which countries shared experiences and learned how to apply benchmarking tools and how to address institutional weaknesses through capacity development. AFR continued work with the African Development Bank (AfDB) begun in FY08 to develop a set of common training materials and to conduct joint workshops. A joint initiative between SAR and EAP included the AsDB and helped launch the first Asian Regional Workshop to address common issues concerning the implementation of procurement reforms. These activities have provided many opportunities in all Regions to continue to share lessons and discuss common issues. This type of cross-sharing is now fully recognized with the continued growth of South/South cooperation which clearly recognizes that countries sharing directly with each other is often more productive than the donor-driven initiatives that have dominated the past.

8. **OECD-DAC Procurement Joint Venture and other Harmonization Initiatives.** Following the issuance of the Paris Declaration in 2005, the OECD Working Party on

Aid Effectiveness began to oversee the creation of joint ventures to bring together donor and partner country participants in technical areas covered under the Paris Declaration. The Joint Ventures for Procurement provided a forum for donors and partner countries to coordinate and harmonize work in procurement reform at the country level. Membership in the Joint Venture includes bilateral donors, UN organizations, client country representatives, the EC, and other MDBs. The World Bank has always participated actively in the procurement initiatives, co-chairing the Joint Venture and taking a lead in developing and implementing the use of the MAPS benchmarking tool as a means of assessing and measuring progress in procurement reforms. As noted in the Annual Report, more than 40 countries have used the MAPS tool. The Bank has made this tool a cornerstone assessment for its use of country procurement systems piloting program.

9. Harmonization efforts in the Regions extend beyond the work under the OECD-DAC. Other initiatives include the FY05 first-ever Joint Procurement Assessment with the EC in Romania to help prepare action plans to improve the country's procurement function and ensure that all action would support the country's candidacy for membership in the European Union (EU). Also in ECA, the Joint Fiduciary Forum of Commonwealth of Independent States (CIS) Countries brought Bank procurement and legal experts together with public procurement officials from the four participating countries (Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan) to foster regional cooperation in the Region and provide a platform to exchange knowledge and experiences concerning public procurement reforms.

10. ***Heads of Procurement.*** The Bank has a long tradition of meeting with the other MDBs on a regular basis to discuss issues common to all and to seek a harmonized approach to policies and documents used in the programs financed in countries. This work has resulted in many products that have simplified the variations between institutions in procurement under projects financed by the International financial institutions (IFIs) and worked to harmonize policies around principles of good practice which are the basis for procurement reforms in the borrowing countries. This work has contributed to harmonized documents and in the production of guidance notes and assessment tools. It also underlies the growth of cooperation and coordination that enables joint activities at the country level and helps to leverage the limited funds available for capacity development by allowing the institutions to align around common objectives at the country level. Work currently underway will produce additional guidance on environmental and socially responsible procurement and on the use of public private partnerships, among other initiatives.

11. ***Use of Country Systems.*** UCS was introduced as a new initiative first in FY05 and has since become a Board-approved piloting program. Procurement reform and capacity development are at the center of this piloting program with the main incentive for countries being an increased reliance on the country's procurement system if it has been assessed to be of sufficient quality and promotes principles and practices that have been determined to be equivalent to those of the Bank. CPARs, IFAs, specific sector and sub-national assessments, and the OECD-DAC benchmarking tool are used to evaluate the levels of capacity and performance for countries to be considered for the piloting program. Under the on-going piloting program, assessments have been completed on 12

countries and have validated the many reforms completed or underway in the candidates for the UCS program. In particular, the Bank has been most successful in supporting the development of the legal/regulatory framework in our borrowing countries.

12. Legal and legislative reform has occurred in many countries throughout the Regions. These included the adoption of new procurement laws, revisions to existing laws, new policies and procedures, and the creation of standard documents that conform to the country's legal requirements. Similarly, legislative reforms supported procurement reform and further increased transparency with the development and adoption of new procurement guidelines, procurement manuals, and complaints handling and review mechanisms. Table A1 lists some of the countries that completed legal and legislative reforms since FY05.

Table A1. Legal Reforms FY05-09

Legal Reforms (FY05-FY08)					
	FY05	FY06	FY07	FY08	FY09
AFR	Cameroon, Ethiopia, Ivory Coast, Sierra Leone	Cape Verde, Madagascar, Malawi	Burundi, Cameroon, Gambia, Lesotho, Rwanda, Uganda	Benin, Burkina Faso, Burundi, Guinea Bissau, Mali	Burkina Faso, Republic of Congo
EAP			Philippines		
SAR	Afghanistan, India, Nepal, Pakistan	Afghanistan, Bangladesh		Afghanistan, Bhutan, Pakistan	
LCR			Colombia, Panama	Colombia	
MNA				Djibouti, Iraq, Yemen	Djibouti
Legislative Reforms (FY05-FY08)					
	FY05	FY06	FY07	FY08	FY09
AFR	Cameroon	Ethiopia, Madagascar, Malawi, Sierra Leone		Benin, Burkina Faso, Rwanda	Republic of Congo
EAP			Cambodia, China, Lao PDR, Philippines, Thailand	China, Indonesia, Lao PDR, Thailand, Tonga	
MNA					Morocco
SAR				Bangladesh, Sri Lanka	Afghanistan, Maldives

13. Most of these reforms were the direct result of IDF grants to support procurement reform initiatives. In FY06, IDF grants were used to support national reform agendas in Yemen (MNA), reform for new laws and procedures throughout EAP, and legal reforms with new procurement laws throughout SAR. These reforms also reflected increased harmonization efforts with donors in FY08, with donors in EAP to develop new procurement legislation and guidelines and with donors in MNA (Djibouti) to adopt new procurement laws, manuals, guidelines, and standard bidding documents. In FY09, a total of 108 activities were under implementation using IDF grants, including audits, implementation support, technical advisory services for the delivery of training programs, and other activities.

14. ***e-Procurement.*** The use of e-procurement to support public procurement reform has increased since FY05 to be an integral component in many reform initiatives. This includes publically accessible websites that provide increased access to information on procurement, as well more advanced e-procurement systems that automate the public bidding process. Beginning in FY05, SAR addressed technological reform in India with an e-procurement platform as an opportunity to foster procurement reforms more widely across the country. Similar reforms have been underway in LCR and have advanced to the point where several countries have cutting-edge e-procurement systems under implementation. A particular feature of e-procurement in countries from LCR is the use of electronic auctioning which has been shown by countries using this to save money primarily for common use items that are readily available in the marketplace. By FY07, electronic government procurement (e-GP) was part of most reform initiatives for its high potential to increase transparency and compliance and to strengthen country procurement systems. The benefits of e-procurement served as a key component of procurement reform in the Philippines, Bhutan, India, and Bangladesh. The Bank, along with donor partners participating in the e-procurement working group of the Heads of Procurement of the MDBs, produced an e-readiness assessment tool that is now commonly used in countries as part of CPARs or independent initiatives to introduce e-procurement in our partner countries. The greatest progress evident to date is the use of technology to make procurement information widely available within countries. This has enabled the growth of stakeholder interest in monitoring procurement performance and continues to contribute to improved performance by governments.

15. The use of technology is also supporting reform initiatives with the development of a management information system to track and monitor financial management including procurement performance. The benefits of these increased uses in technology to support procurement systems were noted in better transparency and demand for such technologies in reform programs. Nigeria saw the benefit of this in FY07 when survey results of private sectors participating in public procurement showed growing satisfaction with the increased use of e-procurement to promote transparency and efficiency. Afghanistan similarly noted increased bidder participation in FY08 following the publication of bidding documents and contract awards on the country's procurement website. As connectivity grows within developing countries, the use of technology to support the procurement process continues to expand. This is clearly an area where the Bank and other donors will continue to contribute expertise and organize ways to share experiences across countries. Annual events are now organized which bring together units within the Bank, the MDBs, client countries, and countries who have used e-procurement and other technology systems to support improved performance in procurement.

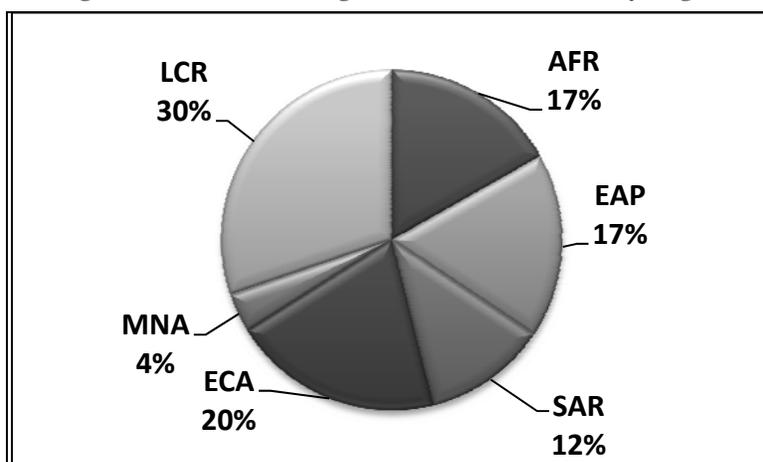
16. The Bank continues to intensify its focus on procurement reform across all Regions, as it recognizes the tangible impact on the performance of its portfolio performance and development objectives. It also recognizes the importance of reforms as a key instrument to promote economic and social development, transparency, and good management of public expenditures. Such strategic initiatives are continuously supported and reinforced through active policy dialogue, the provision of timely technical assistance, and coordinated with related policy work.

ANNEX B

ADDITIONAL DATA ON PROCUREMENT

1. Figure B1 depicts the Regional IBRD/IDA lending commitments for FY09 (\$46.4 billion for 301 new operations).

Figure B1. FY09 Lending Commitment Amount by Region



2. Table B1 shows the top 10 borrowers for new FY09 IBRD/IDA lending operations. This shows that of the US\$ 46.4 million in new commitments for FY09, US\$ 26 million (56.2%) was allocated to the ten top borrowers across 73 operations (equivalent to 25% of new operations in FY09).

Table B1. Ten Largest IBRD/IDA Borrowers

<u>Borrower</u>	<u>Number of Projects</u>	<u>Commitments</u>	
		<u>\$ Millions</u>	<u>% of Total Amount</u>
Indonesia	9	4,225	9.1
Brazil	12	3,604	7.8
Mexico	7	3,423	7.4
Poland	2	2,550	5.5
China	13	2,360	5.1
India	9	2,242	4.8
Kazakhstan	1	2,125	4.6
Turkey	5	2,075	4.5
Argentina	7	1,840	4.0
Pakistan	8	1,610	3.5
Total	73	26,054	56.2%

3. Table B2 details the major Bank-financed contracts in FY09 by number and value of contracts distributed, in procurement categories and Regions. This information is generated through the Form-384 reporting, which captures those contracts subject to the Bank's prior review. OPCPR monitors this data for accuracy and provides specific information to Executive Directors or other interested stakeholders upon request. The information is also available in an external Web site accessible to the public.

Table B2. Prior Review Contracts by Region and Category

FY09 Prior Review Contracts by Region and Procurement Category								
Proc Category	AFR	EAP	ECA	LCR	MNA	SAR	Bankwide	%
<i>Amount (US\$ Million)</i>								
Civil Works	1,380	1,691	708	950	567	505	5,801	59%
Goods	650	619	500	367	157	545	2,837	29%
Consultant Services	396	154	144	161	33	225	1,112	11%
Total	\$2,426	\$2,463	\$1,352	\$1,477	\$757	\$1,276	\$9,750	
<i>Number of Contracts</i>								
Civil Works	326	629	282	251	135	237	1,860	48%
Goods	537	449	558	262	144	222	2,172	24%
Consultant Services	1,212	433	907	692	150	336	3,730	28%
Total	2,075	1,511	1,747	1,205	429	795	7,762	

4. Tables B3, B4, and B5 show the top 10 countries of registration awarded for goods, works, and services for FY05-FY09 for contracts subject to prior review. It should be noted that data entered on the basis of country of registration for firms receiving contracts can result in some unexpected outcomes. A single large contract award can affect the order of the top suppliers. In Afghanistan, for example, partnership agreements between the Borrower and locally registered development organizations such as BRAC resulted in a high ranking for Afghani suppliers, as illustrated in Table B5. It should also be noted that 'UN Agencies' is a consolidation of all contracts awarded to such agencies.

Table B3. Top Ten Supplier Countries for Goods and Equipment (FY05-09)

<u>Rank</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	India	Russia	Germany	China	China
2	China	China	China	India	India
3	UN Agencies	India	India	Spain	UN Agencies
4	Russia	Germany	Russia	Brazil	Turkey
5	Germany	Turkey	Turkey	Argentina	Vietnam
6	Mexico	UN Agencies	Egypt	Russia	Pakistan
7	France	Netherlands	Korea	Vietnam	Russia
8	Turkey	France	UN Agencies	Italy	Mexico
9	Spain	Italy	France	France	Switzerland
10	Brazil	Iran	Ukraine	Indonesia	France
% of Total	62	57	64	64	61

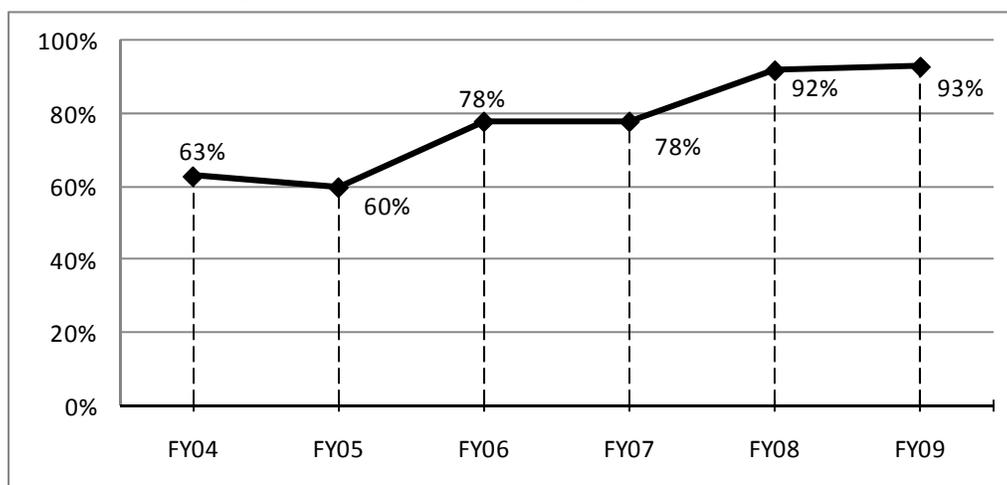
Table B4. Top Ten Supplier Countries for Civil Works (FY05-09)

<u>Rank</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	China	India	China	China	China
2	India	China	Italy	India	Argentina
3	Argentina	Brazil	Argentina	Brazil	India
4	Egypt	France	United Kingdom	Argentina	Brazil
5	France	Denmark	India	Italy	Vietnam
6	Brazil	Pakistan	Germany	Vietnam	Italy
7	Congo (DRC)	Vietnam	Japan	Indonesia	Nigeria
8	Croatia	Switzerland	Vietnam	Romania	Iran
9	Saudi Arabia	Argentina	Romania	Russia	Turkey
10	Yemen	Spain	Brazil	Turkey	Russia
% of Total	72	71	66	78	69

Table B5. Top Ten Supplier Countries for Consultant Services (FY05-09)

<u>Rank</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	UN Agencies	Germany	United States	United States	Afghanistan United
2	Mexico	United States	Afghanistan	Germany United	Kingdom
3	Germany	Canada	Indonesia	Kingdom	United States
4	France	Russia	United Kingdom	France	Indonesia
5	United Kingdom	Congo (DRC)	Russia	Italy	Germany
6	United States	Indonesia	France	Congo (DRC)	France
7	Congo (DRC)	UN Agencies	UN Agencies	Canada	Brazil
8	Russia	Brazil	Canada	Russia	Bangladesh
9	Australia	Netherlands	Germany	Indonesia	Congo (DRC)
10	Canada	France	Brazil	Australia	India
% of Total	51	51	49	49	46

5. Figure B2 shows that in FY09, the Bank's post reviews covered, proportionally, a similar amount than that of FY08, noting a 1% increase in the percentage of post review covered in FY09 as compared to FY08.

Figure B2. Post Review Coverage Trends (FY04-09)

6. Table B6 provides a summary of independent procurement reviews (IPRs) conducted in FY09. The number IPRs increased by 63 percent compared to FY08. The value of reviewed contracts decreased slightly as compared to FY08.

Table B6. Independent Procurement Review

Item \ Region	AFR	SAR	ECA	LCR	MNA	EAP
Reviewed Borrower Country	Burkina Faso, Mozambique, Senegal, Sierra Leone	India	Montenegro, Serbia	Argentina, Brazil, Chile, Colombia, Honduras, Mexico, Panama, Peru, Uruguay	Egypt, Iran, Iraq, Morocco, North Sudan, Yemen	None
Number of reviewed projects	10	3	10	14	14	0
Number of reviewed contracts	285	106	77	1,453	222	0
Value of reviewed contracts (US\$ '000)	\$107 Mil	\$105 Mil	\$148 Mil	\$47 Mil	\$164 Mil	\$0

7. Table B7 shows data on misprocurement for FY06-09. It also provides information on the main activities that contribute to identification of misprocurement. The dollar amount of declared misprocurement varies widely from year to year.

Table B7. Misprocurement Declared in FY06-09

FY	Number of countries	Number of projects	Number of contracts	Contract amount (US\$ equivalent)	How identified
2006	10	25	150	76,410,673	Prior review, PPR, IPR, complaints, supervision, INT investigation, government audit
2007	9	9	130	36,830,385	PPR, IPR, complaints, supervision, INT investigation
2008	6	8	40	7,108,403	PPR, Prior review, complaints, supervision
2009	9	17	173	15,496,500	Post review, prior review, complaints, independent procurement review

8. Table B8 shows detailed information on payment issues as captured by the Complaints Database. Of the 15 complaints, 13 were subject to prior review. The distribution of such complaints across procurement type was relatively even, with four cases under the procurement of civil works, six cases under the procurement of goods, and five cases under the selection of consultants.

Table B8. Payment Issues in FY09

Region	Borrower Country	Proc. Type	Proc. Meth	Subj. To Prior Rev.	Resolution Result
AFR	Regional	Civil Works	ICB	YES	Discussion w/ Albstar & Berlin not yet finalized.
	Ethiopia	Civil Works	ICB	YES	Borrower invalidated the complaint; Bank upheld Borrower's Decision
	Regional	Goods	ICB	YES	Borrower presented evidence that the payment was made
ECA	Hungary	Civil Works	NCB	YES	Referred to Arbitration
	Romania	Civil Works	ICB	YES	Complaint settled between contract parties
	Romania	Consultant Services	INDV	YES	The complaint is now handled by the National Court
	Russian Federation	Goods	ICB	YES	Complaint settled between contract parties
LCR	Turkey	Goods	ICB	YES	Complaint settled between contract parties
	Croatia	Goods	ICB	YES	Payment was made
	Colombia	Consultant Services	QCBS	YES	Payments paid to the consultant
SAR	India	Consultant Services	QCBS	YES	No response from party
	Bangladesh	Consultant Services	QCBS	YES	Complaint settled between contract parties
	India	Consultant Services	SHOP	YES	Other (Explain)-The issue was amicably resolved.
	India	Goods	SHOP	NO	Complaint dropped by complainant
	Bangladesh	Goods	SHOP	NO	Payment was made