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**PROCUREMENT UNDER WORLD BANK-FINANCED PROJECTS:
FY05 ANNUAL REPORT**

**OPERATIONS POLICY AND COUNTRY SERVICES
JANUARY 23, 2006**

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ABBREVIATIONS AND ACRONYMS

ACS	Administrative Core Service
AFD	Agence française de développement
AFR	Africa Region
AFT	Africa Technical Department
AFTPC	Quality and Knowledge Operations Support of Africa Technical Department
AsDB	Asian Development Bank
BCSA	Behavioral change and social accountability
BIMILACI	Biennial Meeting of the International Lending Agencies and Consulting Industry
BIS	Baseline indicators system
CAS	Country Assistance Strategy
CDR	Council for Development and Reconstruction
CEMU	Economic and Monetary Community of Central Africa
CFAA	Country Financial Accountability Assessment
CMU	Country management unit
CO	Country office
COMESA	Common Market for Eastern and Southern Africa
COSO	Committee of Sponsoring Organizations of the Threadway Commission
CPAR	Country Procurement Assessment Report
CSA	Consulting Services Assessment
CSM	Consulting service manual
CSO	Civil society organization
DfID	Department for International Development
EAP	East Asia and Pacific Region
EC	European Commission
ECA	Europe and Central Asia Region
E-GP	Electronic Government Procurement
ESFA	Education Sector Fiduciary Assessment
ESSP	Education Sector Development Project
EU	European Union
FIDIC	International Federation of Consulting Engineers
FM	Financial management
IAPSO	Inter-Agency Procurement Services Office
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IDF	Institutional Development Fund
IFA	Institutional Fiduciary Assessment
ILO	International Labor Organization
IRS	Internationally recruited staff
INT	Institutional Integrity Department
IPR	Independent Procurement Review
IPPR	Independent Procurement Performance Review
JBIC	Japan Bank for International Cooperation

KfWDB	Kreditanstalt für Wiederaufbau Development Bank
LCR	Latin America and the Caribbean Region
LEGPR	Central Procurement Legal Team
MBD	Master bidding document
MDB	Multilateral development bank
MIS	Management information system
MNA	Middle East and North Africa Region
MOU	Memorandum of understanding
NCB	National competitive bidding
NGO	Nongovernmental organization
OECD-DAC	Organisation of Economic Co-operation and Development-Development Assistance Committee
OPCPR	Procurement Anchor
OPCS	Operations Policy and Country Services
OPR	Operational Procurement Review
OPRC	Operations Procurement Review Committee Activities
PAD	Project Appraisal Document
PAS	Procurement accredited staff
PCC	Procurement country coordinator
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFMA	Public Financial Management Assessment
PREM	Poverty Reduction and Economic Management Network
PRSC	Poverty reduction support credit
PPR	Procurement Post Review
PQ	Prequalification document
QCBS	Quality and cost based selection
RFP	Request for proposals
RMT	Regional management team
RPM	Regional procurement manager
RSSN	Regional Systems Support Network
SAR	South Asia Region
SBD	Standard bidding document
SWAp	Sectorwide Approach
TTL	Task team leader
UNCITRAL	United Nations Commission on International Trade Law
UNEP	United Nations Environment Programme
WAEMU	West African Economic and Monetary Union
WB	World Bank

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I. INTRODUCTION

1. The FY98 Procurement Strategy set four objectives that still guide the efforts of the Procurement Sector: (a) improve fiduciary compliance by placing greater emphasis on up-front project work and strengthening post reviews, (b) increase the focus on the development impact of procurement in order to build clients' capacity and help them establish sound procurement systems, (c) strengthen the Bank's internal capacity to manage the procurement function, and (d) enhance partnerships and improve outreach. This report, the sixth annual measure of progress against these objectives, focuses on advances in the quality of implementation and discusses the FY05 roll out of new products. New Guidelines for the procurement of goods and works and for selection of consultants were issued in May 2004 as part of the simplification and modernization initiative undertaken by Operations Policy and Country Services (OPCS). The new Guidelines set the course for much of FY05 work because they required that the full range of bidding documents, manuals, and training materials be updated, that Bank staff be trained on the new products and policies, and that the changes be communicated effectively to partner countries. Also in FY05, new products were introduced to improve impact, effectiveness, and monitoring of results in support of capacity development and public procurement reforms in partner countries.

2. **Organization of the FY05 Annual Report.** Following this introduction, Section II discusses FY05 project- and region-specific activities across the Bank's six Regions—Africa (AFR), East Asia and Pacific (EAP), Europe and Central Asia (ECA), Latin America and the Caribbean (LCR), Middle East and North Africa (MNA), and South Asia (SAR). Section III examines Procurement Sector perspectives with respect to staffing, policies and tools, harmonization, and institutional initiatives.

II. PROCUREMENT PROGRAMS AND OUTLOOK

3. Regional procurement work supports project teams in the design and implementation of projects and in carrying out management and oversight responsibilities related to procurement. This work reflects the traditional fiduciary role played by procurement staff in project lending and supervision. A second, and growing, area of responsibility for procurement staff is broadly termed country-based work and relates to improving the capacity of partner country staff and the development of better performing procurement systems within the country through assessment of systems and the design, support, and monitoring of procurement reform initiatives. The high degree of decentralization of procurement staff to country offices has improved implementation in both areas of work.

A. Project-Based Activities

4. Project-based activities primarily relate to World Bank fiduciary compliance responsibilities in investment projects. The new Guidelines issued May 2004 introduced

changes to modernize and simplify procedures and provide for greater flexibility in support of improved project implementation. The changes to the Guidelines take advantage of the strengthened presence of procurement staff on operations teams following the guidance issued in FY04 that increased the authority of operations line managers working closely with assigned procurement staff.¹ The stated objectives of this guidance were to (a) increase ownership of project staff; (b) align risk with development effectiveness; (c) strengthen line management responsibility; (d) improve the balance between preparation and supervision; and (e) improve timeliness and effectiveness.

5. ***Fiduciary Oversight and Compliance.*** In FY05, Regional procurement teams continued their efforts to improve operational responsiveness and development effectiveness with regard to fiduciary oversight and compliance activities for 1,282 active investment projects, representing a total commitment of \$93 billion. The Regional Procurement Managers (RPMs) worked on implementation and to streamline project-related activities through the use of new tools, training, and guidance for Regional operations and procurement teams. A summary of these activities follows.

1. Lending

6. In FY05, 278 new operations (118 IBRD and 160 IDA) in 103 countries were approved, with a total commitment of \$22.3 billion. In addition to lending, 35 Institutional Development Fund (IDF) grants were approved. As noted, FY05 was the first year in which the newly revised Procurement Guidelines were implemented. Operations procurement teams provided timely advice on project designs, conduct of procurement capacity assessments both at the project and country levels (depending on the type of the lending activity), preparation of the required procedures and simplified schedules in Loan/Credit Agreements and Project Appraisal Documents (PADs), and they conducted project launch procurement workshops.

2. Supervision

7. In FY05, 1,282 active investment projects with a total lending amount of \$93 billion were under implementation. Procurement supervision responsibilities in project implementation included prior and post reviews of the contract documents and activities throughout the project and contracting cycles.

8. ***Contracts Subject to Prior Review.*** To mitigate procurement risk for high-value contracts, Bank procurement staff carry out prior review of certain borrower procurement decisions for procurement above the agreed prior review threshold. During FY05, some 6,740 contracts valued at \$7.6 billion were prior reviewed. Table 1 shows the decline in the value and number of prior-reviewed contracts from FY98 to FY05, and that while the dollar value of prior reviews has remained consistent over the past five years, FY05 saw a significant reduction in the number of contracts subject to prior review. (The FY05 figure

¹ "Guidance on Management of Fiduciary and Safeguard Procedure," October 20, 2003, on the integration of procurement staff into operational teams and the elimination of prior clearance of appraisal documents by specialized managers, placed responsibility and accountability in the line manager.

was 15 percent less than that of FY01 which was itself the lowest number in the past five years.) These figures confirm the continuously increasing prior review threshold levels for new projects.

Fiscal year	Amount (US\$ Million)	Number of Contracts
1998	11,009	10,840
1999	12,367	9,575
2000	8,140	8,523
2001	7,538	7,902
2002	7,432	7,997
2003	7,348	8,135
2004	7,654	8,049
2005	7,577	6,740
Total:	69,063	67,760

9. **Procurement Post Review.** As Table 2 indicates, 1068 projects (80 percent of the total lending operations portfolio) were subject to procurement post review (PPR) in FY05. And the Regions increased efforts to follow-up on the findings of these reports and, where applicable, used the PPR as a tool to strengthen borrower capacity. These activities effectively impacted project implementation. Table 3 provides the post review progress of the Regions since FY02, when post review received greater attention because of the gradual increase of prior review threshold levels, and shows the consistency of the effort Bankwide in recent years.

Item\Region	AFR	EAP	ECA	LCR	MNA	SAR	Bankwide
Projects in portfolio	371	246	324	291	118	167	1,517*
Projects not subject to post review**	6	117	203	46	18	59	449
Projects subject to post review	365	129	121	245	100	108	1,068
Projects post reviewed*** (accumulated)	148	111	112	116	54	39	580
Projects post reviewed (accumulated %)	41%	86%	93%	47%	54%	36%	60%
<p>* Total number of active projects in portfolio, including development policy operations and trust funds. ** Projects 100 percent subject prior review, or projects with insufficient contracts for post review. *** Data including projects under independent procurement review.</p>							

FY\Region	AFR	EAP	ECA	LCR	MNA	SAR	Bankwide
FY02	45	75	74	45	50	65	57
FY03	49	88	59	33	25	63	53
FY04	53	88	79	62	57	37	63
FY05	41	86	93	47	54	36	60

10. **Independent Procurement Reviews (IPRs).** As part of monitoring project fiduciary compliance, IPRs complement the prior review and regular post review procedures, and inform Regional management of the quality of the Region's fiduciary work on procurement. During FY05, IPRs were conducted for 50 projects in 14 countries (see Table 4), an increase over the 11 countries covered in FY04. While carrying out new IPRs, Regional and country procurement teams undertook follow-up activities on the results of previous IPRs.

Item\Region	AFR	EAP	ECA	LCR	MNA	SAR	Bankwide
Countries in portfolio	37	14	28	31	11	8	129
Countries scheduled and reviewed	4	0	3	5	1	1	14
Number of projects reviewed	21	0	10	10	5	4	50

11. **Operations Procurement Review Committee Activities (OPRC).** The OPRC provides an important contribution to the fiduciary oversight role of the procurement function through review and clearance of the most complex and high value contracts financed through Bank loans. During FY05, OPRC reviewed 58 cases (up from 52 each in FY03 and FY04), valued at approximately \$3.7 billion.

Region\FY	Value in US\$ Million			# of Contracts/Cases		
	FY03	FY04	FY05	FY03	FY04	FY05
AFR	371	515	406	7	12	10
EAP	789	803	623	9	5	16
ECA	317	216	442	15	10	11
LAC	331	1,320	290	7	6	3
MNA	74	433	618	3	3	7
SAR	1,304	1,023	1,311	9	14	11
Regional	2	15	0	2	2	0
Bankwide	3,188	4,325	3,690	52	52	58

12. **Complaints.** An important element in ensuring compliance with the procurement process is the ability of bidders and consultants to submit formal complaints and to have their complaints addressed. In FY05, 301 complaints were received by the Bank, substantially fewer than in recent years (see Table 6). The assigned procurement staff and RPM offices followed up with the relevant borrower implementing agencies to ensure that the complaints were addressed in a timely manner.

Region	FY03	FY04	FY05
AFR	42	58	36
EAP	115	51	22
ECA	51	59	32
LCR	19	13	9
MNA	12	20	33
SAR	209	247	169
Total	448	475	301

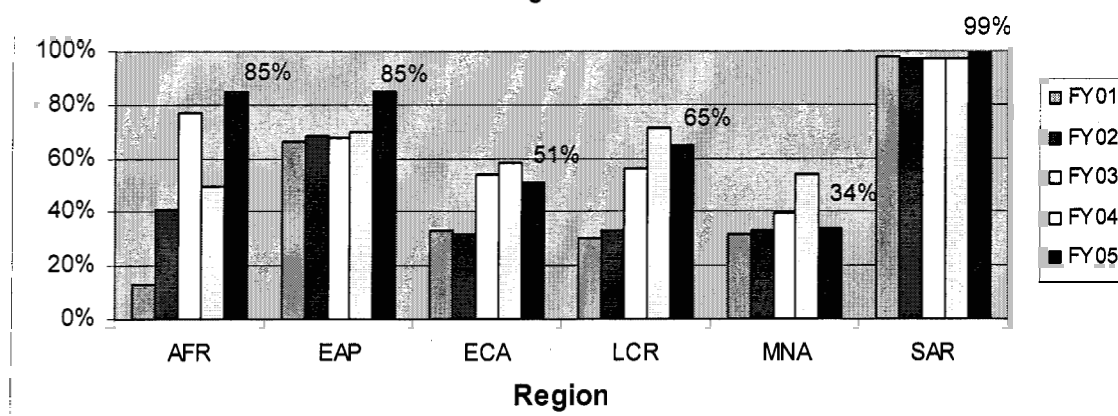
13. **Misprocurement.** Bank policy is to cancel any portion of the loan allocated to the goods, works, and services that has not been procured in accordance with the procedures set out in the Loan Agreement (misprocurement). Most misprocurement cases have been detected through the post review process, underscoring the importance of PPRs. In FY05, misprocurement was declared in 22 contracts in six countries, for a total value of \$1.20 million, compared to FY04 and FY03 misprocurement cases valued at \$17.57 million in five countries and \$60.8 million in 10 countries, respectively.

Region	Country	No. of Contracts	Contract Value	How Identified
AFR	Chad	9	\$39,655	Post review
	Tanzania	1	\$39,200	Post review
	Mauritania	9	\$27,752	Post review
EAP	Indonesia	1	\$203,636	Complaint and post review
	Timor Leste	1	\$121,287	Post review
SAR	Nepal	1	\$104,950 & Euro 541,332	Prior review

14. **Decentralization.** Procurement work is increasingly undertaken by country-based procurement staff (see Table 8 and Figure 1). This has facilitated increased client services and access, and maintenance of current knowledge of country governance systems.

Decentralization Data	AFR	EAP	ECA	LCR	MNA	SAR	Bankwide
FY04 Decentralization %	50	70	58	71	54	97	64
Active Projects	343	214	285	265	99	146	1,352
Delegated to COs	173	150	164	189	53	141	870
FY05 Decentralization %	85	85	51	65	34	99	72
Active Projects	371	246	324	291	118	167	1,517
Delegated to COs	317	210	165	190	40	165	1,087

Figure 1: Decentralization Progress of Procurement Function During FY01 - FY05



B. Region-Specific Activities

15. The growth in use of newer Bank instruments and approaches, such as programmatic lending, development policy lending, poverty reduction support credits (PRSCs) and sectorwide approach (SWAp) activities, has underscored the importance of the developmental function of procurement and the need to approach procurement from a country perspective. Along with performing fiduciary responsibilities (a task that has been aided by having procurement staff more integrated with sector and project teams), Regional procurement teams continued in FY05 to support country-based activities and harmonization efforts with multilateral and regional development banks and partners. A summary of each Region, LEGPR (central procurement legal team), and OPCPR (Procurement Anchor) with respect to their resources and FY05 Region-specific activities follows.

1. AFR

16. Among other things, this review of the FY05 work of the Regional procurement team covers decentralization, country procurement reforms and Country Procurement Assessment Reports (CPARs), and capacity building, harmonization and regional initiatives.

17. **Decentralization.** During FY05, procurement staff based in country offices (COs) and in Washington, D.C., continued to provide assistance to the project teams in all phases of the project cycle and continued to work on helping to build national procurement systems. The enhanced decentralization of the procurement function started in FY02, with the creation of four country procurement hubs, with procurement hub coordinators having responsibilities (including mentoring and coaching of CO procurement staff) for a group of countries. In FY05, seven new CO procurement staff joined the AFTPC family, and two hub coordinators returned to Washington. Currently, 30 local procurement staff (23 of whom have been granted limited procurement accreditation) work in 23 COs. Washington is served by 11 procurement staff (see Figure 2), split into six hubs (four hub coordinators are located in Washington, and one each in Mozambique and Uganda). In FY05, 87 percent of clearances were delegated to CO procurement specialists (see Figure 3). Decentralization has enhanced Regional procurement support to project teams and helped integrate procurement specialists (PSs) in project teams, enabling procurement staff to conduct quality checks on project documents, while receiving support and guidance from hub coordinators or the RPM Office as needed.

Figure 2

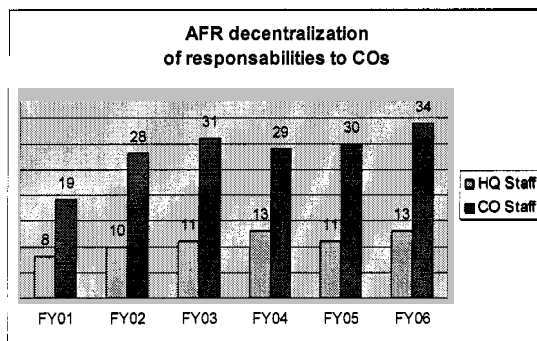
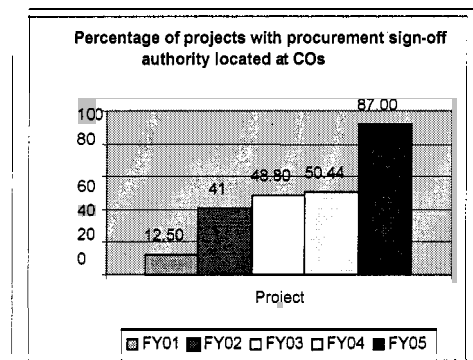


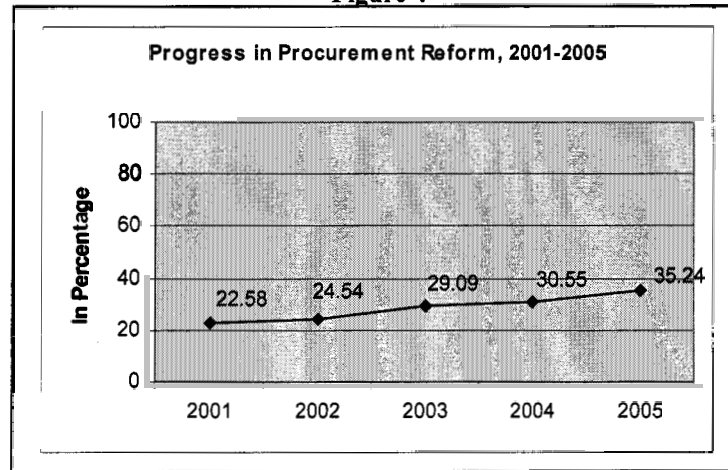
Figure 3



18. **Country Procurement Reforms.** There are active country procurement reform efforts ongoing in 34 Sub-Saharan countries, for a total FY05 funding of \$5.27 million through IDF grants (5 IDFs in FY05), through PRSCs (Benin, Burkina Faso, Cape Verde, Ghana, Tanzania, and Uganda), or through a project component. Beginning in FY05, reform progress in two countries (Burkina Faso and Cameroon) is being measured against the Baseline Indicators System (BIS), the Organisation of Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) methodology that provides a tool to governments to assess the quality of national public procurement systems and to monitor their performance. The objective has been to develop country awareness of the importance of using mutually agreed standards and benchmarks and to launch BIS monitoring and evaluation (M&E) activities in a further five countries. (Measured against a precursor to the BIS developed in AFR, the Region has seen steady progress on the country procurement reform front on the basis of the implementation of CPAR follow-up action plans, as indicated in Figures 4 and 5.) Integrated regional procurement reform will remain an important activity of AFTPC because of the strong impetus it is expected to give to the national procurement reform process supported by CPARs and capacity building. AFTPC

has explored the possibility of broadening the support for national procurement reform to the Economic and Monetary Community of Central Africa (CEMAC).²

Figure 4



Note: Percentages refer to progress against reform objectives.

19. **Capacity Building.** Country office procurement staff received training in Bank operations and specialized fields of procurement (a Health procurement workshop was held in Malawi) and attended the Fiduciary Week organized in Ethiopia by the Procurement and Financial Management Clusters. In addition, procurement seminars, such as the ones in Morocco (October 2004) and Ghana (June 2005), were held together with borrower and procurement staff, which proved to be a useful cross-fertilization and training formula, especially for dissemination of the new Procurement Guidelines published in May 2004 and the recommendations of the Paris Declaration on performance measurements. During FY05, procurement workshops for clients were delivered on a regular basis (focusing on investment operations and sector-specific procurement issues such for infrastructure, health, and education). Some countries and two subregional organizations—West African Economic and Monetary Union (WAEMU) and Common Market for Eastern and Southern Africa (COMESA)—are in the process of installing sustainable procurement training programs. Regional training centers in Ghana and Tanzania (both Anglophone) and in Senegal (Francophone) continued to train borrower procurement staff. In FY05, CO procurement staff conducted procurement clinics in 11 countries, reaching some 440 participants and fostering understanding of Bank procurement procedures and cooperation.

20. **Harmonization and Regional Initiatives.** Sector Wide Approaches (SWAPs) in many countries in sub-Saharan Africa such as, Malawi, Ghana, Tanzania and Zambia, have enabled the application of harmonized procurement procedures accepted by government and all donors. In addition, as part of harmonization, AFTPC and AFDB have launched programs to support procurement reforms in the regional organizations WAEMU and COMESA and their member countries. In particular, the Bank in FY03 granted an IDF to the WAEMU Commission to review the status of national procurement reforms in the eight member countries³. The IDF closed in December 2005 and enabled the preparation of regional

² Cameroon, CAR, Chad, Republic of Congo, Gabon, and Equatorial Guinea.

³ Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo

procurement regulations and strengthened procurement proficiency, capacity and transparency within WAEMU in public procurement. A second IDF, under preparation, will provide funding for the monitoring of the implementation of the procurement reforms and harmonization of the national procurement legislations and practices in Member-States, the identification of a national strategy for capacity building in each Member State in conformity with the overall regional objectives, the establishment of regional mechanisms and the training in regional procurement mechanisms. A similar approach is adopted for COMESA⁴. An IDF grant was approved to support and guide the legislative process through the preparation of tools for harmonizing public procurement rules, regulations and procedures and to improve national procurement systems and strengthen the capacity of COMESA Member States in public procurement.

21. ***Impact of Integrated Team Efforts on Project Management.*** In addition to the increase in PPRs conducted compared to recent years, procurement and project performance have improved in FY05 with the integration of procurement staff into project teams.

2. EAP

22. Among other things, this review of the FY05 work of the Regional procurement team covers decentralization, country procurement reforms and CPARs, harmonization, and capacity building.

23. ***Decentralization.*** EAP continues to be among the Bank's most decentralized Regions, with 29 of its 34 procurement staff (85 percent) based in countries offices and with the fiduciary function decentralized to CO procurement staff for around 90 percent of projects under implementation in the Region. Projects for which the procurement fiduciary function is retained in Washington are usually those which finance highly technically complex procurement, requiring a regular interface between engineering and procurement staff, which can best be achieved when both are co-located. Procurement staff are organized into five hubs:

- China and Mongolia: hub in Beijing
- Philippines: hub in Manila
- Indonesia: hub in Jakarta
- Cambodia, Lao PDR, Thailand, and Vietnam: hub in Hanoi
- Pacific Islands, Papua New Guinea, Timor-Leste: hub in Washington, D.C.

Each hub is led by an internationally recruited staff (IRS) as Procurement hub leader and is staffed by well-qualified national procurement staff, some of whom have earned partial or full procurement accreditation from the Procurement Sector Board.

⁴ Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

24. ***Fiduciary Review.*** In addition to its regular procurement fiduciary activities, which form a part of Bank supervision, EAP conducted a more detailed Fiduciary Review of four Bank-financed projects in Cambodia, jointly with Financial Management (FM), Department of Institutional Integrity (INT), and Operations colleagues. The Fiduciary Review, which is a newly-developed instrument, comprises:

- an in-depth review to identify how and at which stages of the project cycle fraud and corruption may occur, and ways to enhance the design of fiduciary measures to minimize them
- a thorough review of procurement, financial management, and implementation documentation (in this instance, on 119 contracts drawn from the four projects)
- interviews with project staff, contractors, consultants, and beneficiaries
- site inspections of completed facilities and contracts
- a review of the extent of disclosure to civil society and handling of complaints.

Key findings and lessons learned from the Fiduciary Review were published and have been shared with the Government at a joint Government-Bank workshop in Phnom Penh in September 2005. In addition, based on what was learned from this review, the Bank has developed enhanced, integrated fiduciary arrangements for procurement and financial management, which are now being applied to Bank-financed projects in Cambodia.

25. ***CPARs and Public Procurement Reforms.*** In FY05, CPARs were completed for Thailand and Vietnam and an Operational Procurement Review (OPR) was completed for Samoa.

26. ***Monitoring for Results.*** During FY05, the EAP RPM Office, with support from OPCPR, launched a series of initiatives to raise awareness among partner countries of the importance of monitoring for results in public procurement. This effort included workshops in five countries (Cambodia, Lao PDR, Philippines, Thailand, and Vietnam) emphasizing the managerial side of procurement and presenting a variety of topics, including the following:

- The importance of moving from transactions to systems in managing procurement at both the national and agency levels
- Positive outcomes obtained by countries that have taken a performance-based approach to public procurement
- Piloting of the Baseline Indicators System
- The importance of information on public procurement management and the need to build on existing sources
- Implications of this approach for future reforms in public procurement.

- The effort also included four IDF grants to:
 - ✓ Promote E-Government Procurement in China
 - ✓ Strengthen Internal Audit Units for Effective Procurement Monitoring and Enforcement in the Philippines;
 - ✓ Strengthen Implementation Monitoring and Evaluation of the Improved Public Procurement System in Lao PDR
 - ✓ Strengthen Implementation and Monitoring and Evaluation of the Public Procurement System in Vietnam.

27. **Harmonization.** Harmonized approaches to procurement have been followed throughout the Region, with particular progress made in Cambodia, Lao PDR, the Philippines, and Vietnam. In the process, the Bank has strengthened its partnerships with the Agence française de développement (AFD), Asian Development Bank (AsDB), Japan Bank for International Cooperation (JBIC), and Kreditanstalt für Wiederaufbau Development Bank (KfWDB), particularly around documents for National Competitive Bidding (NCB) and Request for Proposals (RFP).

28. **Cambodia.** In Cambodia, the Government and the multilateral development banks (MDBs)—primarily the World Bank and AsDB—have worked on harmonizing the procurement procedures for externally financed projects. This effort has led to the preparation of the Procurement Manual for Externally Financed Projects. The AsDB and the Bank are in the process of reviewing the Five Standard Procurement Documents (NCB-Goods, Shopping-Goods, NCB-Works, Shopping-Works, RFP-national consultants, and Contract Agreement-national individual consultant) prepared by the Government for intended use on all externally financed projects in Cambodia (although the documents include provisions to allow their use also on government-funded procurement). Support is also being provided for improving national procurement rules and regulations on the basis of international best practice and country-specific needs, which would further promote harmonization of procurement procedures between the Government and its external development partners.

29. **Lao PDR.** The Bank has strongly supported Government efforts to improve procurement legislation, which led to the passage last year of a new procurement decree and implementation rules and regulations consistent with international best practice. As a result, there is close alignment between the procurement procedures of the Government and the Bank, and Lao PDR is one of the few countries in which the Bank no longer requires an NCB-Annex (side letter) in its legal agreements. The Bank has also supported the development of a harmonized national procurement manual and standard bidding documents, whose preparation is now in the final stages.

30. **Philippines.** The Procurement Harmonization Program agreed to by the Government, the AsDB, JBIC, and World Bank (WB) that started in January 2003 and was captured in the CPAR Update Report, has completed implementing rules and regulations procurement in

projects (September 2003) and harmonized bidding documents for works, goods, and consulting services (August 2004). Ongoing activities include pilot-testing of the harmonized procurement manual (to be completed in early 2006) and development of training and certification for procurement professionals (to be completed by June 2006). With AsDB, JBIC, and the Bank accounting for more than 90 percent of the official development assistance (ODA) portfolio, the harmonization and simplification of procurement procedures has led to significant capacity enhancement, transparency, economy, and efficiency gains and has contributed to furthering the procurement reform agenda of the Government, whose aims include prevention and deterrence of corruption at the implementing agency level.

31. ***Vietnam.*** Procurement harmonization has been vigorously pursued in Vietnam by the Government and the “Five Banks” (AFD, AsDB, JBIC, KFW, and WB). Progress has been made on three priority actions: (a) supporting Government preparation of procurement legislation and implementation of the recommendations of the CPAR; (b) developing harmonized procurement documents for National Competitive Bidding; and (c) developing common reporting formats. The Bank has recently provided significant support to the Government in upgrading its procurement legislation to a law status and in establishing a complaint mechanism. The Bank commitment to harmonization has also been exemplified by a SWAp in support of the Education for All (EFA) program of the Ministry of Education and Training. On the basis of an annual work plan, disbursements of Bank and other donor funds are made directly to a foreign exchange account in the name of the Ministry of Finance and then converted to local currency and pooled with Government funds. The expectation of the SWAp is that the funding by IDA and other donors will have greater impact on the whole program, instead of being limited to the individual projects that would be financed under traditional specific investment loans. Potential risks for using country systems have been identified during appraisal and a series of actions has been incorporated in the Legal Agreement to mitigate the identified risks.

32. ***Capacity Building.*** During FY05, EAP conducted 91 borrower training events, dealing with Basic Procurement, the new Procurement Guidelines, Procurement Planning, and Project Launch, as well as a Fiduciary Review of procurement contracts and detailed discussion on the correct use of the Quality and Cost Based Selection (QCBS) method. Among the events are the following:

- The Regional procurement team visited Cambodia in June 2005 to discuss with the Government implementation of the Public Financial Management Reform Program and co-sponsor a Joint World Bank-Government Workshop on Monitoring and Improving Procurement Outcomes, which drew some 100 participants.
- Client Connection Training on Procurement Functionality was provided through a videoconference with Filipino implementing agencies (40 participants)
- A training event on the “Integrated Approach to Procurement of Health Sector Goods” was held in Bangkok, attended by borrowers from SAR and EAP countries, as well as from Iraq.

- As part of the effort to provide learning opportunities to EAP procurement staff and to assist staff in developing sound judgment on procurement matters, the EAP RPM office also launched a new initiative called EAP Procurement Case Studies.

33. **Information Dissemination.** In FY05, EAP invested substantial resources in enhancing the design and developing the content of its internal procurement website, to deliver greater utility to regional procurement and operations staff. New developments include the following:

- copies of the current procurement legislation and standard procurement documents (including standard bidding documents and forms of contract) of all borrowing member countries in the Region were posted on the website
- all Regional procurement policies, procedures, and instructions were consolidated into a single portal
- a comprehensive set of Procurement Tools and Best Practices, such as sample forms of agreement and technical guidance notes, on how to conduct different types of procurement was disseminated
- a new Knowledge and Learning Zone, which provides regional colleagues with answers to “frequently asked questions” on procurement and a number of procurement case studies suitable for self-learning or for delivery of procurement training for Bank staff and borrowers, was disseminated
- information on procurement of the Region’s hubs against Bankwide service standards for procurement, as stipulated in BP 11.00, was disseminated.

3. ECA

34. Among other things, this review of the FY05 work of the Regional procurement team covers decentralization, country procurement reforms and CPARs, capacity building, and harmonization.

35. **Decentralization.** ECA has 32 GE+ professional procurement staff, 15 of whom (47 percent) are stationed in COs. The Region also benefits from 13 “associated staff” (mainly CO-based Administrative and Client Support, or ACS, staff) that are not mapped to the RPM but who spend the majority of their time on procurement-support activities. The “net figures” indicated above are identical to those reported in FY04, but the Regional mix of IRS/LRS (locally recruited staff) has changed over the past year. In FY05, the Region lost one Grade GH position (Washington-based IRS) and three GG positions (two field-based IRSs and one LRS); the loss of these higher level staff is being offset to an extent by an increase of three GE LRSs stationed in different country offices. This staffing shift conforms to the Regional staffing strategy that is prompted by budget constraints, country office closings, and changes in country portfolios. The decentralized staff are located in 13 different countries, with at least one PS in each of the eight Country Management Units (CMUs) except ECCU7, where declining portfolios are prevalent as most countries have

joined the European Union. In a “quasi-hub” arrangement, the CO-based IRSs are each given oversight responsibilities to monitor and mentor the 11 LRS in neighboring field locations. In addition, one retiree (formerly an IRS Senior Procurement Specialist) is filling the PS post in the Georgia office, fulfilling the same role as hub leader in that CMU, albeit in a full-time consulting staff status. With staffing levels presently close to the FY08 targets for the Regional Strategic Staffing Plan, significant changes in staff levels or mix for the near term are not anticipated. During FY05, there were 18 Procurement Accredited Staff (PAS) in the Region.

36. ***CPARs and Public Procurement Reforms.*** In FY05, the Region successfully completed the first-ever Joint Procurement Assessment with the European Commission (EC), in Romania. The resulting report was delivered in May 2005 to the Government, which is now preparing action plans to improve its procurement function. The Region also hosted a joint workshop with the EC on fiduciary and safeguard policies in April 2005, in Washington D.C. Among the participants at the workshop were senior EC officials and Bank staff who have worked extensively on EU fiduciary and safeguards issues. One of the main focus areas for the workshop was laying the groundwork for cooperation and possible joint World Bank/EC financing of project work in the EU accession countries. On the fiduciary side, the workshop materials included a comprehensive overview of the relevant EU requirements, which the Regional procurement (and FM) team will continue to update on a regular basis. FY05 also saw the introduction of a new “ECA-developed” diagnostic instrument, the Institutional Fiduciary Assessment (IFA), designed to support a SWAp in the Croatian Education sector. Dubbed the Education Sector Fiduciary Assessment (ESFA), the exercise was a combined financial management and procurement diagnostic that served two purposes: (a) to assess the financial management and procurement arrangements of the institutions implementing the country’s education policies and programs, with a view to making recommendations to improve the performance of those institutions; and (b) to determine whether the World Bank can place fiduciary reliance on the financial management and procurement arrangements of those institutions for purposes of implementing the proposed Bank-financed Education Sector Development Project (ESSP).

37. ***Harmonization.*** During FY05, harmonization activities centered on work for Croatia (in its efforts leading toward EU accession) and with Central Asian countries. In Croatia, following a joint FM/Procurement team mission, a draft report was completed in July 2005 and presented to the government in which the Bank made recommendations to address the capacity building needed by Croatia to (a) meet basic fiduciary criteria for EU accession, and (b) establish or strengthen existing institutions and their fiduciary systems to absorb post-accession EU funds and contribute to a smooth integration process. In April 2005, the Regional procurement team hosted a forum in Tashkent, Uzbekistan, bringing in expertise from the Legal staff in Washington, D.C., as well as procurement expertise from around the region to meet with key officials from Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. The primary objective of this “Joint Fiduciary Forum of CIS Countries” was to bring together the public procurement officials of the four countries to foster regional cooperation and to provide them with a platform to exchange their knowledge and experiences over public procurement reforms.

38. **Capacity Building.** During FY05, the RPM unit continued its efforts to provide local training opportunities for borrower staff. Nearly 700 staff were trained in seven countries at major outreach events sponsored by the procurement team or at numerous smaller procurement training activities conducted at project launches or similar “project-level” events. Regional procurement staff served as guest lecturers at the International Labor Organization training facility in Turin, Italy, and at business briefings in Turkey, as well as presented an information technology procurement presentation in Indonesia at the invitation of EAP in a cross-regional cooperative effort. The procurement team also sponsored joint sessions involving borrowers from ECA countries visiting with government officials in India to share experiences in the creation of e-procurement at the country level.

39. **Other Activities.** The Regional procurement team is changing in line with the challenge identified by Regional management as “climbing toward the northeast quadrant” (i.e., in reference to a graphic matrix showing the new paradigm for fiduciary work, moving from micro-fiduciary work at the project level toward policy dialogue and capacity building at the institution and country levels). The changing staff mix described earlier in this report is one aspect of this movement, with a gradual shift of junior PSs (often LRS in the field) being trained and empowered to carry out much of the transactional reviews that will always be a part of the fiduciary function, thus freeing-up time for more senior staff to work in substantive policy dialogue with borrowers in a capacity-building role. The FY08 strategic staffing strategy for ECA’s procurement team includes the goal of doubling the capacity-building activities of staff, currently estimated at 20 percent of the team’s efforts, to a 40 percent/60 percent balance with traditional “transactional activities.” The work described above with EU counterparts, and with development of new diagnostic tools in preparation for SWAp operations, are two cutting-edge activities typical of the Region’s new approach to its work. Other signs of the shifting focus are evidenced in the following FY05 activities:

- In conjunction with the Public Procurement Authority of Turkey, and with the participation of OPCPR staff, the procurement team conducted a joint study on BIS for the assessment of the structure of national public procurement system.
- In a continuing effort to upgrade skills of the CO junior procurement staff to enable them to take on a greater share of portfolio management, for the second year the Regional Procurement unit hosted 12 staff in Washington for an intensive eight-week course of instruction in all phases of procurement. Class sessions were typically held for at least six hours each day, with primary instruction given personally by the RPM.
- The Region conducted three IPRs in FY05, two of which were focused on the portfolio of IDA countries, and the third on the quality of the procurement processing by Regional procurement staff.

4. LCR

40. Among other things, this review of the FY05 work of the Regional procurement team covers decentralization, country procurement reforms and CPARs, harmonization, and capacity building.

41. ***Decentralization.*** The LCR procurement team is organized in six procurement teams, one for each CMU, each headed by a Senior or Lead IRS PS. Sixteen operations staff (58 percent) are decentralized on a business-case basis to seven country offices, six of them serving as hubs for the CMUs. Further decentralization is expected through the recruitment of additional local staff. In the Region, 21 PAS provided procurement support/input for projects in which they serve as task team leaders (TTLs).

42. ***CPARs and Public Procurement Reforms.*** In FY05, LCOPR delivered four CPARs, in Colombia, Costa Rica, Ecuador, and Peru, which were complemented with CPAR follow-up activities in all countries with recent CPARs. Also, two consolidated fiduciary assessment reports were conducted as pilots, in Guatemala, and Jamaica, fully integrating the findings and recommendations of the CPARs and Country Financial Accountability Assessments (CFAAs). As a result, all active countries have up-to-date CPARs. The integrated approach to preparing CPARs and CFAAs and the partnerships with other key development partners adds significant value to the product as well as to the dialogue with the country. Finally, several State Procurement Assessment Reports were carried out in Brazil and Mexico.

43. ***Harmonization.*** All six of the cited ESW products were prepared jointly with the Inter-American Development Bank (IDB). The unique partnership with IDB started several years ago and was formalized by a Memorandum of Understanding (MOU) signed by the Regional Vice President and IDB's Executive Vice President in 2001 to foster close cooperation between the two institutions. Cooperation has been most active in fiduciary work at the project and country levels, with the resulting reports prepared in close coordination with the respective CMUs, the Public Expenditure Review (PER) TTL, and Poverty Reduction and Economic Management (PREM) colleagues to ensure full consistency with wider public sector reform programs. Harmonization efforts go beyond the aforementioned pilots to the preparation of many cofinanced projects, such as the Limabus project in Peru, where common standard tender documents have been agreed with IDB and the borrower. Collaboration extends to critical new endeavors such as e-procurement. Looking forward on the basis of FY05 work, the Bank and IDB have moved ahead using their joint assessment guidelines, and are currently assessing the platforms in Brazil, Chile, and Mexico. These three have all been approved for use under Bank-financed projects to various degrees: Compranet in Mexico is fully-certified, Chilecompra in Chile has been cleared for shopping for off-the-shelf goods and framework contracts, and Pregão in Brazil for shopping and NCB for off-the-shelf goods. Furthermore, the Bank and IDB have agreed on a plan to assess jointly all countries in Central America and some Caribbean and Andean countries.

44. ***Capacity Building.*** In FY05, the Regional procurement team conducted 78 training activities in 20 countries, with a total of 4,164 participants. Training was delivered to internal and external participants, although the bulk of the training was directed to external audiences such as the employees of government/implementing agencies working with Bank-financed projects. The length of the training activities ranged from one day to five days. Topics included selection of consultants, procurement of goods, performance indicators, institutional indicators, new Procurement Guidelines, basic and advanced procurement, and SAP Form 384 certification. "One-off" activities included Procurement Issues in

Infrastructure, IT Two Stages, and Progress Report on State Review, and Technical Specifications and Quality Assurance under International Competitive Bidding (ICB). Other significant FY05 activities included the Procurement International Conference organized in Peru, in June 2005 for the presentation of the Peru CPAR Update Results and Action Plan. Among the 1,200 participants were staff from 53 public agencies from local, departmental, and the central government units of the government and representatives of private sector procurement agencies from Argentina, Bolivia, Chile, and Mexico.

45. ***Responsiveness to Clients.*** The Procurement family in LCR has undertaken measures to respond more quickly to client demand by hiring staff at the field level, decentralizing some procurement decisions, and establishing new systems to support internal and external clients. Two of the largest country offices (Brazil and Mexico) have established a tracking system to measure performance and produce statistics that would allow assessing compliance with service standards. The cluster is currently extending such tracking systems to all procurement teams and country offices, and is also working to share the information eventually with external clients through the Internet.

46. ***Other Key Activities.*** Harmonization, sector programs, and free trade agreements are important new drivers creating incentives for accelerated reform efforts and opportunities for increased use of improved national procurement systems. To foster this trend, the Region's procurement team provided input on public procurement reforms in all new Country Assistance Strategies (CASs) and PRSCs, and was closely involved in all programmatic loans, such as education and health SWAs in Honduras and Nicaragua.

5. MNA

47. Among other things, this review of the FY05 work of the Regional procurement team covers decentralization, country procurement reforms and CPARs, harmonization, and capacity building.

48. ***Staffing and Decentralization.*** In FY05, the RPM office continued its efforts to streamline and integrate the procurement function into operations teams, and worked with the Regional Management Team (RMT) to develop a sustainable support mechanism for the procurement needs of the Region. Four newly recruited local procurement staff for the Egypt, Lebanon, Morocco, and West Bank & Gaza country offices and an Extended Term Consultant (ETC) in Iraq and another in Iran started work in the second or third quarters of FY05. By end-FY05, decentralization was achieved for 50 percent of the GE+ procurement staff and the decentralization of procurement authority to COs was achieved for 40 projects representing 34 percent of the total lending portfolio. A significant change in procurement service delivery was better alignment of the procurement support to the growing Bank commitment to client support, reform of public institutions, reinforcement of public sector governance, and country-focused support. To this end, in FY04, MNACS restructured the existing procurement support group and created country procurement teams headed by Procurement Country Coordinators (PCC) for each country. In FY05, such teams were established for the 11 active countries in the Region.

49. ***CPARs and Public Procurement Reforms.*** During FY05, a CPAR was completed for West Bank and Gaza. OPRs were completed for Iran and Iraq. Except for Lebanon, these complete the whole set of CPARs/OPRs for the Region's countries. Follow-up on the completed CPAR Action Plans resulted in preparing IDF grants for public procurement reforms in Djibouti, Morocco, Tunisia, and West Bank & Gaza,⁵ while Bank support for public procurement reforms continued in Morocco, Tunisia, and Yemen. Achievements for Yemen included preparation of the "National Procurement Manual" and (through the use of an IDF grant and support from the Dutch government) its dissemination and complementary training of a pilot roll-out for civil servants.

50. ***Public Procurement Reforms.*** The country procurement teams and the RPM office also provided procurement input and support in other country-related activities, including participation in CPPRs for Iran, Morocco, and Tunisia, and in the Tunisia CAS (including its implementation follow-up). Other country-related activities included working on the possible Regional pilot in Morocco for use of country systems.⁶ During FY05, the review of the country public procurement systems in Morocco was completed, including the primary evaluation of the baseline indicators of the procurement framework and the resulting paper was reviewed in June 2005. This document was also submitted to Moroccan counterparts. The next step is to review the actual performance of selected sectors/projects and ultimately make the recommendation on full or partial use of country systems in Morocco if the pilot program goes forward. At the request of Government of Lebanon (GOL), the procurement team examined the country's institutional arrangements for public procurement, particularly the Council for Development and Reconstruction (CDR), and provided recommendations to GOL.

51. ***Coordination, Integration, and Harmonization.*** The CPAR was a collaborative effort with other donors, including DfID, EU, and Iran (although budgetary-related issues hampered this process). Follow-up work continued on the "Harmonization of Public Procurement Project," in which the Bank is helping Algeria, Mauritania, Morocco, and Tunisia to work more closely together. To this end, in FY05 the RPM office led a joint Bank/Development Gateway Foundation identification mission to Tunisia and Morocco and initiated an IDF request in support of the Tunisian and Moroccan project components.

52. ***Capacity Building.*** In FY05, the procurement team was involved in extensive client capacity building activities in Washington and in all 11 countries with active portfolios.⁷ These included hub training activities in Algeria, Iran, Lebanon, Morocco, Tunisia, Yemen, and Washington.⁸ With support from ILO, the RPM office also provided extensive procurement training for Iraq portfolio project officers. The training activities included 32 procurement workshops and seminars involving 1,090 participants. MNA is also exploring

⁵ The IDF Secretariat cited this IDF proposal as model for IDF grant proposals.

⁶ The Bank is considering piloting the use of country systems in procurement for select countries; to this end *Increasing the Use of Country Systems in Procurement* (R2004-0204, November 8, 2004) was prepared by OPCPR and discussed at an informal meeting of the Board. Based on comments received from the Board, the paper is currently under review.

⁷ Capacity-building activities for Iraq were carried out in Amman, Jordan.

⁸ These events included training on Bank Procurement Guidelines; Procurement of Goods, Works, Selection of Consultants; Project Management Training; Project Launch; Procurement in Community-Driven Development (CDD) Operations; Training of Trainers; Operations Procurement-384 Certification; and the role of ACS staff in operations procurement. These events drew more than 1,800 participants.

the use of local academic institutions for procurement training for local officials and project implementation unit staff, and options including identification of a subregional institute for Maghreb countries are being investigated. In FY05, an IDF grant for Iran was approved that in part will support capacity-building activities through a local learning institute, and work on identification of a suitable local institute continues. The aforementioned IDF grants for public procurement reforms in Djibouti, Morocco, Tunisia, and West Bank and Gaza also have capacity-building components that cater to government officials in charge of public procurement. Finally, the MNACS procurement team held its first retreat, in April 2005 in Morocco, in response to the growth in the Region's procurement team (about 30 percent of team members have joined recently) and the shift in the business model from sector to country-based support. The retreat served as a platform for a combination of procurement training, interaction between team members, COSO team-building exercises, discussions on the new country-based business model, and development of an action plan on work program priorities.

53. ***Other Activities and Initiatives.*** A range of initiatives and activities responded to day-to-day opportunities and responsibilities for the Region's procurement staff, as described in the following paragraphs.

54. ***Partnership and Outreach.*** With the objective of providing the private sector with deeper understanding of all aspects that would lead to increased prospects for securing business in projects funded by the Bank, the procurement team conducted business seminars in France (three cities), Germany, Iran, Jordan, Spain (three cities), and United States for more than 300 participants. These seminars targeted contractors, suppliers, and consultants and were aimed at creating a greater awareness among private sector companies of the procurement policies and procedures of the Bank and business opportunities in MNA activities financed by Bank loans.

55. ***Unscheduled Activities.*** Unexpected workloads and the impact of large and complex projects presented challenges for the procurement team. During FY04 and FY05 these cases included the Iraq program, Egypt Airport project procurement activities, and Iran Bam earthquake project; as well, information communications technology projects in Algeria and Tunisia required substantial procurement resources and placed a strain on the available procurement resources for other activities. It is hoped that the FY05 move to a Work Program Agreement model will provide a more structured program in FY06 that will not require major alteration during the year.

56. ***Independent Procurement Performance Review (IPPR).*** During FY04, the RPM office commissioned MNA's first Independent Procurement Performance Review (IPPR) to assess the Region's fiduciary performance; the results of the review were presented to the RMT in July 2004. The IPPR included a comprehensive review of 32 active projects across all sectors covering 124 contracts (110 of which were subject to prior review). It assessed TTL, PS, and PAS performance in preparing the procurement provisions of the new projects and capacity and risk assessment as well as in clearing procurement documents through a full compliance review, including the project teams' records management practices. The IPPR revealed that operations teams in some cases had issued procurement clearances without having the necessary procurement accreditation.

This inadvertently resulted in the sanctioning of the borrowers' lack of compliance with the procurement provisions in the Loan Agreements. This situation arose in part because of the Region's past lack of sufficient procurement resources. Implementation is expected to improve with the increased procurement resources available; however, full implementation will require a concerted effort among operations managers, TTLs, and the RPM office. The RPM office will use the results of the first IPPR as a baseline for measuring future performance improvements.

57. ***New Tools.*** In collaboration with MNSRE, the procurement team produced new bidding documents for Design-Build-Operate projects in solid waste management, which were placed on the Bank's internal and external websites in May 2005.

58. ***Challenges Going Forward.*** Among the challenges still facing the MNAPR are the change in the Regional lending portfolio; upstream involvement of procurement staff at project design stage; IPR, PPR, and IPPR follow-up at the unit level; use of country procurement systems in Bank-financed projects; service standards, enhanced project planning and procurement document management; procurement training for sector units; and staff development.

6. SAR

59. Among other things, this review of the FY05 work of the Regional procurement team covers decentralization, country procurement reforms and CPARs, harmonization, and capacity building.

60. ***Decentralization.*** SAR continues to enjoy the highest level of procurement staff decentralization in the Bank. Of 20 GE+ professional staff, 17 [85 percent] are stationed in country offices. During FY05, the Regional Procurement Manager in the India CO retired; his position was filled in Washington and a new position of Hub Coordinator was created and filled in New Delhi.

61. ***CPARs and Public Procurement Reforms.*** CPARs and other procurement diagnostics or reform efforts are under way in seven SAR countries.

62. ***India.*** A CPAR dissemination workshop was held to follow-up on the recommendations of the CPAR. Workshop findings were communicated to the Government of India, where they were well received. The next steps have been agreed in a meeting between SAR management and the Department of Economic Affairs of the Ministry of Finance. The most significant progress at the state level has been in Karnataka. The Government of Karnataka (GOK) is implementing an agreed action plan based on the recommendations of the CPAR. Several amendments to the Karnataka Transparency in Public Procurement Act, 1999 were issued to improve the procurement rules. GOK requested assistance for capacity building and an IDF grant to build institutional capacity for procurement training in the state was approved. Several entities of the state have introduced e-tendering in their organizations and GOK is taking steps to have a common e-tendering platform for the state as a whole. GOK has also taken steps to create an electronic database on the performance of the contractors, to facilitate speedy evaluation of tenders and award of

contracts, and is in the process of hiring the services of a consultant to prepare a road map for preparation of the database of procurement information for the entire state. In addition, several States have approached the Bank to assist in their efforts to initiate an e-procurement platform; this offers an opportunity for the Bank to foster procurement reforms more widely in the country. An international e-GP conference was organized in New Delhi in March 2005, with a view to sharing e-GP experiences across the Region. Several states are interested in introducing e-procurement in Bank-funded projects. The MDB guidelines are being shared with them before adoption. A Regional e-readiness assessment is being initiated to assist the process.

63. **Nepal.** The draft Procurement Law and procurement regulations have been prepared, and are expected to be enacted in December 2005. An IDF grant continues to support the government's reform efforts.

64. **Bangladesh.** The Public Procurement Reform Project made Bangladesh the regional pioneer in public procurement reform, and most of the policy reform actions are completed or nearing completion. The Central Procurement Technical Unit, the nodal procurement policy body, has a fully functioning website [www.cptu.gov.bd] and has commissioned a management information system (MIS), initially linked with four agencies, to track and monitor procurement performance.

65. **Pakistan.** At the federal government level in Pakistan, new procurement rules were adopted in 2004, but efforts to implement and disseminate the rules have largely been disappointing. Earlier in 2005, the RVP brought the inaction of the federal government in this very important area to the attention of the Prime Minister's Advisor on Finance as a part of the portfolio review process. In addition, the Public Procurement Regulatory Authority received funds under the Public Sector Capacity Building Program to implement an Entity Improvement Plan intended to lead to procurement reform training and development of staff in that organization as well as in other government departments. A Public Financial Management Assessment (PFMA) was conducted in Punjab province in association with FM. The results of the assessment were shared with the provincial government at a workshop, and served as an agenda for the reform work to be undertaken in that province. Procurement reform issues figured prominently as a cross-cutting issue in the third Punjab Education Development Policy Credit, and will also be included in two other development policy loans (DPLs) under preparation for that province in the irrigation and municipal services. In addition, an IDF grant is being prepared for the Government of the North West Frontier Province to provide assistance for improvements and amendments in the Procurement Law adopted in that province. In the Province of Sindh, where there has been a hiatus in the Bank's engagement with the provincial government on issues of governance reform, new credits being prepared in the Irrigation and Education portfolios present opportunities for advancing the procurement reform agenda.

66. **Afghanistan.** Afghanistan is the first country in the Region to adopt a Procurement Law. The Public Procurement Law of Afghanistan was supported by a Bank-funded project, and was approved and officially gazetted in October 2005. In terms of policy, the three main features of the law are: (a) the creation of a Procurement Policy Unit and an Appeal Mechanism; (b) the introduction of a common organization of the procurement function in all

ministries and government departments; and (c) the introduction of procurement methods and procedures in line with international standards. The Procurement Policy Unit, located in the Ministry of Finance, will lead efforts with respect to implementation of the Law. Because of inadequate capacity in the central and subcentral public procuring entities, all procurement under donor funding and the national budget is carried out with the assistance of a central procurement facilitating agent funded under a Bank project. However, the Bank has designed a plan that will enable transfer of procurement management responsibilities to the procuring entities. An extensive procurement reform and capacity improvement strategy has been agreed with the Government and the process of selection of a consultant for this assignment has been initiated. An assessment of country procurement procedures, legal framework, and the performance of those responsible for applying these procedures has recently been completed as part of the broader review of Afghanistan's public financial management (PFM). The draft PFM report, including a dedicated section on procurement, has been shared with the Government and will be finalized shortly.

67. **Maldives and Bhutan.** No CPARs are envisaged for Maldives and Bhutan. However, the Royal Government of Bhutan (RGOB) has asked for assistance for a coordinated donor approach toward universal reliance on country-owned systems. SARPS conducted an exploratory mission rather than a full assessment using specific benchmark indicators, to determine RGOB willingness to engage in a dialogue with the Bank over procurement reform, and, as an initial step, to provide a better understanding for the Region of the current state of Bhutan's procurement system, with a view to gauging the usefulness of such an engagement. Procurement reforms in Maldives are being introduced through an IDF grant. In addition, an Operations Manual for the Tsunami Relief Trust Fund that is in line with Bank Guidelines has been prepared by the Government.

68. **Capacity Building.** In FY05, a Regional strategy paper on capacity building was prepared with the assistance of a firm of consultants funded through the Danish Trust Fund. The genesis of the paper were twin recognitions: (a) that procurement training programs currently supported by the Bank in SAR, as elsewhere, have failed to provide the full range of capacities needed for the creation and development of efficient national procurement systems; and (b) that a fundamentally different approach to the key areas of procurement reform and capacity building was required, emphasizing the shift from the transactional to the strategic, from the reactive to the proactive, from prescriptive compliance to sustainable reform, and from training based on Bank's Guidelines to institution-building that focuses on good procurement practices. The primary objectives of the strategy were (a) to investigate the state of procurement reform in the Region with a view to confirming the perception articulated above and, where such perceptions were confirmed, (b) to identify and deliver an improved framework within which reformed procurement capacity building can take place. The initial survey was conducted in Pakistan only, and was limited to four illustrative target entities from a range of sectors and levels of government. The survey confirmed that, at least in Pakistan, procurement capacity building efforts were limited to rule-based training and did not address the practical needs of procurement officers. The next step will be to conduct training in the identified pilot entities and to measure the results.

69. **Other Activities.** Several training events were organized covering Bank procurement policies and procedures, new Bank Procurement Guidelines, Client Connection, and other

such initiatives of the Bank. These were attended by participants from government, project offices, and private sector enterprises. The Region conducted training that covered fiduciary issues in project launch and implementation. For example, the SAR Procurement Hub conducted a joint workshop, together with FM, in Bhutan, attended by some 50 RGOB officials. In Nepal, a training program for 210 government officials was funded through the IDF grant for Public Procurement Reform. In Sri Lanka, as CPAR follow-up, the National Procurement Agency conducted training programs for about 95 officials of the Tender Board, Technical Evaluation Committee members, Secretaries of various line ministries, and some 50 MDB staff, including project directors of AsDB, JBIC, and World Bank-financed projects. The programs were financed through an IDF grant for Strengthening Procurement Capacity. In Sri Lanka, a workshop was held involving 30 staff from 13 universities across the country. In Bangladesh, the Central Procurement Technical Unit developed a critical mass of about 30 national trainers, and provided training to over 550 government staff from 167 organizations during FY05. Also during FY05, Bank procurement staff provided training courses to about 300 staff from agencies of several Bank-financed projects and facilitated/conducted workshops for about 200 participants, mostly municipality chairpersons, officials of line ministries, and municipal engineers.

70. ***Other SARPS Initiatives.*** Several other Regional efforts either fostered collaborative approaches or introduced new elements to projects.

- ***SWAPs.*** A number of SWAPs were introduced in SAR. In India, the Sarva Shiksha Abhiyaan (education) program is proceeding well, and three SWAPs in the Health and one SWAP in the Rural Water sectors are under negotiation. A number of community-driven development (CDD) projects were successfully implemented in India and Sri Lanka. And SAR decided to include review on a sampling basis of compliance with the agreed procurement procedures and physical verification of assets in the Terms of Reference (TOR) for independent project auditors.
- ***Collaborative efforts.*** In view of the Bank's increasing involvement in infrastructure projects, particularly in the highways sector, a two-day workshop on procurement issues and capacity building of implementing agencies across India was organized to foster collaborative efforts. Over 100 delegates from central government, state governments, and national/international contractors and consultants participated in the workshop. The Bank accepted key recommendations that emerged and implemented changes/modifications that resulted in greater competition and cost reductions. In line with workshop recommendations, procurement of eight civil works packages related to the National Highways Authority of India and valued over the equivalent of \$50 million per contract, totaling \$450-500 million, has been carried out in harmonization with other donors, such as AsDB. The awards could be finalized very quickly, saving substantial time and cost. As a follow-up to the workshop, SARPS is working to make the Dispute Review Board mechanism more effective in India.
- ***Lotus Notes-based Procurement Document Tracking System (PDTS).*** The SAR Procurement Hub in Delhi introduced a new PDTS to track the life cycle of a

procurement document—from receipt in the Bank until response from the Bank. On the basis of its successful piloting with projects in the Infrastructure portfolio in India and implementation in other lending operations in India, the PDTs will be implemented in other countries in the Region during Q2 of FY06, and subsequently in Washington.

- **E-GP.** SARPS is carrying out an “Electronic Government Procurement (e-GP) Readiness Assessment Study” and developing e-GP strategies and road-maps for e-GP implementation in SAR countries. The objectives of this study are to determine the countries’ level of readiness to make a transition to e-GP in a sustainable manner, and to develop an e-GP strategy and an implementation plan, recognizing the risks associated with the level of technological capacity, organization, and expertise within the public and private sectors in each country. Since the Bank is providing assistance toward e-Government projects in several countries, the proposed study would be necessary to form the basis for inclusion of e-procurement in those more encompassing e-Government projects. The TOR for the assignment are being reviewed, and once finalized the process of selection of consultant will be initiated.
- **BCSA.** A Behavioral Change and Social Accountability (BCSA) component was designed and incorporated in the proposed Bangladesh PPRP II to address areas such as compliance monitoring, further institutionalization of procurement capacity, and development of an e-procurement system, with behavioral change communication and social accountability to complement the reform effort and to improve the service delivery of the government as a whole. The actual oversight/monitoring of public procurement performance by selected civil society organizations/nongovernmental organizations (CSOs/NGOs) in collaboration with the government would be addressed through a concurrent study on “monitoring and evaluation.” Work to improve access to information on procurement transactions is taking place. There appears to be a strong willingness to collaborate on the part of officials, donors, NGOs, and project leaders. The upcoming election scheduled at end-2006 may provide opportunities for officials to signal their willingness to improve procurement and nongovernmental actors may have greater ability to have their voice heard.

7. LEGPR

71. In FY05, the LEGPR team, comprising the Chief Counsel, two Senior Counsel, and one Paralegal, delivered an extensive program of activities while continuing to provide legal advice on operational procurement issues to the procurement staff. LEGPR’s contributions to policy activities included implementation of the new Procurement Guidelines through, among other things, assistance in revising standard bidding documents and preparing simplified legal agreements incorporating these new guidelines, and work on the potential use of country systems in procurement. LEGPR participated actively in the working groups on public procurement of United Nations Commission on International Trade Law (UNCITRAL), the multilateral Heads of Procurement, and working groups of the IDB, EU, and OECD. LEGPR also offered direct support to public procurement institutional reforms,

reviewing procurement laws and regulations of partner countries, and assisting the Regions in their assessments (CPARs) of national procurement systems. In addition, it provided training to Bank staff and borrowers in legal, institutional, and commercial aspects of procurement.

72. ***Anticorruption Work.*** In its active role in anticorruption-related activities, LEGPR, along with LEGAD (the Legal VPU's Corporate Administration Practice Group), prepared the implementing documentation of the reform of the Bank's sanctions process following Board approval of significant reforms to the existing process. It also continued to provide substantive and administrative support to the Sanctions Committee, as its Secretariat, in debarment proceedings against bidders, contractors, and consultants alleged to have engaged in corrupt or fraudulent activities in connection with Bank-financed projects.

8. OPCPR

73. As the Anchor for the procurement sector, OPCPR continued its central role in support of the Procurement Sector Board and provided technical and capacity-building support to the Regions. To better focus on business demands and promote teamwork, OPCPR staff formed three working teams on Policies and Tools, Country Work, and Systems and Support. Each of the three teams developed joint and individual work programs based on staff specialties, skills, and existing responsibilities and demand from Regions.

74. ***Policies and Tools Team.*** This group supported the Procurement Sector Board and the procurement family in the rollout of the new Procurement Guidelines. The team delivered a significant work program in FY05, including updating existing SBDs to align them with the new Procurement Guidelines and translating existing SBDs into Spanish and French. A number of Guidance Notes on how to comply with revised Procurement Guidelines were issued, including ones on e-bidding requirements for MDB loans, grants, and credits; the use of OBA schemes in infrastructure concessions; and a Technical Note on procurement of HIV/AIDS products. The team helped develop new tools, such as a section for a Concepts and Proposals Note on output-based disbursements from the procurement standpoint, sample bidding documents for procurement of performance-based management services for infrastructure services, and (jointly with other MDBs) master bidding documents for procurement of plant design, supply, and installation. The team also revised the SBDs for Works and User's Guide per the harmonized master documents that had been approved earlier by the Heads of Procurement of the MDBs.

75. ***Country Work Team.*** This team continued its work to develop an enhanced approach to improving public financial management through its participation in the internal World Bank Public Expenditure Working Group and the multidonor Public Expenditure and Financial Accountability (PEFA) Steering Committee. With the help of the team, an internationally accepted instrument for monitoring performance in public financial management (including procurement) was elaborated and tested. Team members participated in defining indicators for procurement performance, taking part in in-depth discussions with partner countries on the indicators and field testing the indicators, as well as providing internal World Bank discussion and training sessions on their application. The resulting PEFA PFM Performance Indicators have been widely accepted by the international donor community and partner countries alike and have begun to form the basis for the Bank's

work in this area. The team also provided support to Regional initiatives in improving country procurement systems.

76. **Systems and Support Team.** In line with the modernization and simplification agenda of the Bank, the Systems and Support Team continued to support the design and implementation of an operational framework to provide value-added tools and services to procurement operations. The Regional Systems Support Network (RSSN) is the core of this framework. The overarching goal of the network is to create a sustainable systems environment that provides partner countries and Bank staff with the necessary online tools to process and monitor procurement activities through a safe and efficient electronic environment. Since May 2005, the RSSN has been working with OPCPR on developing/enhancing procurement systems Bankwide. The RSSN is composed of Regional groups that, in coordination with OPCPR, are responsible for enhancing the Bank's project procurement function through the electronic integration of procurement processes in Client Connection, Operations Portal, and other related systems.

77. **Business Outreach.** In FY05, the request for procurement seminars and briefings inside and outside the Bank has increased following the FY04 revision of the Procurement Guidelines and the trend toward use of country procurement systems. OPCPR has contributed to increasing the transparency of the Bank's procurement policy and guidelines in special discussions and seminars with representatives of governments, private businesses, Executive Directors' offices, and Bank staff.

III. PROCUREMENT SECTOR PERSPECTIVES

78. FY05 saw several significant achievements in procurement modernization and simplification, harmonization, specialized technical support (e-procurement, public procurement reform, performance-based procurement), and development and provision of training seminars and workshops for internal and external clients. Areas of OPCPR activity included support for the development and launch of the Client Connection and Project Portal systems, the launch of completely revamped internal and external websites, and the issuance in FY04 of revised Procurement and Consultant Guidelines, Standard Bidding Documents, and instructions on different procurement-related activities.

A. Staffing and Professional Development

79. Senior Management has strongly supported and the Procurement Human Resources Committee has actively contributed to strengthening procurement capacity to carry out procurement responsibilities in operations effectively. In FY05, the recruitment of 17 procurement staff was processed for 13 country offices. Of the 17 newly hired staff, 11 were hired as Procurement Analysts and five as Procurement Specialists. There were 17 terminations of procurement staff and four transfers within the Bank. Table 9 shows the staffing status in FY05.

Table 9. Procurement Resources, End-June 2005

Category	AFR	EAP	ECA	LCR	MNA	SAR	INF*	OPCPR	Bankwide
<i>Washington-based staff</i>									
RPA F+ staff	7	5	12	7	6	2	1	10	50
Procurement	4	0	3	3	2	1	0	1	15

analyst									
Procurement assistant**	4	3	4	0	1	0	0	1	13
Total	15	8	19	10	9	3	1	12	78
<i>Country office staff</i>									
F+ staff	18	21	10	8	6	13	0	0	75
Procurement analyst	8	5	5	6	0	0	0	0	25
Procurement assistant**	4	4	2	2	0	2	0	0	13
Total	30	30	17	16	6	15	0	0	113
Procurement staff in Washington and COs	45	38	36	26	15	18	1	12	191
Procurement-accredited staff									

* INF—IBRD Telecom & Information.

**The numbers do not include other ACS staff that provide procurement support to the Procurement Network and the Regions.

80. **Professional Development.** The Professional Development Subcommittee of the Procurement Sector Board continued to implement the strategy in encouraging exchange of staff within the Bank and between the Washington office and country offices. Among training activities conducted in FY05 were the following:

- **Core procurement courses.** During FY05, besides the Regional procurement forum, a retreat, training courses, seminars, and workshops delivered to the Bank procurement staff as described in Region-specific activities noted above, OPCRC organized 33 core procurement courses, with a total of 93 training days. Courses included Basic Procurement, Advanced Procurement, Procurement of Goods, Selection of Consultants, Introduction to Client Connection Website, and 384 Certification. The training was collectively delivered to 499 participants.
- **Training on specific topics.** Various training activities were sponsored and facilitated by OPCPR in FY05 on specific topics including institutional procurement on consulting services, HIV/AIDS procurement, e-GP strategy and implementation, new bidding documents, integrated approaches to procurement of health sector goods, and so forth.

81. **Revisions/Maintenance.** To effectively reflect and implement new Procurement Guidelines, most procurement bidding documents (SBDs) were updated and translated, as discussed in the following paragraphs. Various related procurement policy and procedures were revised accordingly in FY05. The 2004 English edition of SBD, Prequalification Document (PQ), and RFP documents were partially updated. The remaining documents will be updated in FY06. Revision of SBD for Works consistent with MDB-harmonized Master document was completed in FY05.

82. ***New Developments.*** Sample generic SBD and PQ documents and sector-specific technical notes for management contracts, Guidance Note for Structuring Output-Based Aid Schemes in infrastructure concessions, and Guidance Note to Government Staff, Bank Staff, and Staff of Other International Agencies conducting procurement of HIV/AIDS products were completed, and training for their use was provided. Translations were undertaken of key documents, such as the Spanish and French versions of the updated 2004 English editions of SBD, PQ, and RFP.

83. ***Consulting Services Assessment (CSA).*** Country CSA is a new tool designed to complement or to form part of the CPAR, which traditionally puts limited focus on procurement of professional consultants. The CSA assesses government performance in assessing and using high-quality professional consultants, and in creating sustainable conditions for professional national consulting businesses. Three CSAs were conducted, for Colombia, Pakistan, and Vietnam. The reports were well received by their users and the consultant communities of the partner countries, and have proven useful where the consulting professions are having sustainability problems and the government is dissatisfied with the quality of the services it receives.

84. ***Consulting Service Manual (CSM).*** The second edition of the Consulting Service Manual was completed and is with the editor. It not only accommodates the new Consultant Guidelines, it also updates users on issues such as transparency, capacity building, conflicts of interest, and so forth.

85. ***E-Bidding Requirements for MDB Loans, Grants, and Credits.*** This guidance note is an update of the previous Electronic Procurement Assessment Guide. Developed as a joint effort with AsDB and IDB, the note provides a fully harmonized guide to assess electronic procurement systems of borrowers for use under Bank-funded operations and defines a minimum set of requirements for the use of electronic means for competitive bidding, according to the Bank's revised Procurement Guidelines of May 2004. Following requests from several countries in ECA, LCR, and SAR, the Bank is in the process of assessing the e-procurement systems of these countries on the basis of the new e-bidding guide.

86. ***Other E-Bidding Notes.*** Two more guidance notes with regard to electronic procurement are under preparation to define the requirements for electronic reverse auction systems and electronic purchasing (e-catalogues) systems that are adequate for Bank-funded procurement. The two guidance notes are another example of the joint harmonization efforts with AsDB and IDB.

87. ***Other Activities.*** OPCPR directed a Bankwide review of experiences with procurement of anti-malaria drugs and commodities and provided technical support to the global study on emerging manufacturers of vaccines sponsored by the Bank on behalf of the Global Alliance for Vaccines and Immunizations.

C. Technical Support

88. At the request of operations units and partner countries, and in collaboration with RPM offices, sectors, Networks, country offices, and other partners, OPCPR provided technical support and advice, including the following:

- ***Implementing Country Consulting Service Assessment.*** With support from the Regions, an OPCPR specialist traveled to country offices (notably Colombia, Pakistan, and Vietnam) to provide guidance on conducting a new assessment in area of procurement.
- ***Health sector procurement.*** OPCPR provided expert advice to Regional staff and implementing agencies of some two dozen countries in all six Regions on issues related to health procurement. This work ranged from participation in project appraisal missions, capacity assessments, and annual performance reviews, to directing discussions with donor agencies under pooling arrangements. As regards pharmaceuticals procurement, technical support was provided to nearly two dozen countries in the Africa, South Asia, and East Asia and Pacific Regions, in the form of participation in missions, provision of advice, and desk review of documents.
- ***E-GP.*** Increasingly, e-GP has been a substantial component of CPARs, not only in EAP, LCR, and SAR, but also in ECA, on the basis of the new procurement directives of the European Commission, which require an appropriate legal framework supporting the application of online public procurement systems. In Romania, for example, the Bank conducted an extensive e-GP review as part of the Joint Procurement Assessment with the European Commission. In countries such as Armenia, China, and Vietnam, IDF grants have helped assess the current situation in terms of online public procurement, devise a strategic e-GP implementation plan, and undertake actions with regard to e-GP legislation, capacity building, and application development. In addition to IDF grants, ICT/e-Development projects offer the opportunity of providing e-GP support as a project component (including Armenia, Indonesia, Sri Lanka, Ukraine, and Vietnam).

89. ***Clearances.*** In FY05, hundreds of clearances were provided for the selection and use of consultants at the request of non-Regional units (for example, the HD Network), and presentations on the related procurement policy and procedures were provided at request of the central or sector units.

D. Harmonization with Multilaterals

90. In FY05, the Procurement Network actively pursued collaboration and harmonization with global partners, as outlined in this section.

91. ***OECD-DAC and World Bank Joint Roundtable.*** Activities initiated in 2003 in cooperation with the OECD-DAC and other partner organizations and developing countries culminated in the completion of a good practice paper that incorporated work on capacity development, mainstreaming of procurement, and development of tools for benchmarking procurement systems and monitoring and evaluation of performance. The work was

delivered in the final Roundtable meeting held in Johannesburg, South Africa, in November 2004. Participants committed themselves to using the good practice tools and information to further the development of public procurement systems. At the Second High-Level Forum on Harmonization, Alignment, and Results held in Paris in March 2005, donors and international organizations committed to the development of targets that would support development effectiveness and increase harmonization and results. The Paris Declaration recognized the importance of the procurement work undertaken by the Roundtable initiative and developed two performance targets for procurement systems and for increased donor reliance on the use of country systems as performance improves. The procurement targets are linked to public financial management targets in the Paris Declaration. In addition, the Procurement Sector in the Bank has taken the tools from the Roundtable initiative and is in the process of developing the procedures for moving towards implementation and use of these tools at the country level.

92. ***OECD-DAC Joint Venture for Procurement.*** The Bank will continue to participate with the OECD-DAC under a newly created Joint Venture for Procurement. The Bank will co-chair this Joint Venture and will work together with the Joint Venture for Public Financial Management to implement the Paris Declaration. The FY06 work program for the Joint Venture for Procurement is under development but includes Regional workshops to introduce the effective use of performance measurement and monitoring tools and to share good practice experiences with regard to effective procurement reform. The participation of countries and organizations in the Joint Venture for Procurement will expand to include all those signing the Paris Declaration. A key element in the Joint Venture's proposed work program includes the development of an assessment guide that will provide for greater clarity and consistency in the application of performance measurement and benchmarking of country systems. This new assessment guide will respond to some of the concerns that have been raised regarding the Bank's internal proposals for assessing and increasing reliance on country systems, as well as address issues related to the two procurement related targets that are part of the Paris Declaration which relate to tracking procurement reform progress in client countries and the response by donors to increase reliance on better performing systems.

93. ***Master Bidding Documents (MBDs).*** In FY05, the Procurement Sector Board continued to play a leading role in working with regional development banks, the private sector, and other partners. MBDs of Goods and Works, Prequalification, and Request for Proposals were discussed, compiled, and published. OPCPR provided key professional support in these accomplishments. The Bank has already initiated development of MBD of Procurement of Plant-Design, Supply, and Installation and Procurement of Small Works in collaboration with the regional development banks.

94. ***Harmonized General Conditions of Contract for Works.*** On March 11, 2005, James W. Adams, Vice-President OPCS, and Richard A. Kell, President of the International Federation of Consulting Engineers (FIDIC), signed an agreement that gives the Bank and its borrowers a nonexclusive license for the reproduction and translation of harmonized general conditions of contract contained in the Bank's Standard Bidding Documents for Procurement of Works.

95. ***Dialogue and Partnerships on Consulting Services.*** In FY05, there was continued dialogue with the professional consultant community and the various MDBs on consultant policy issues. In addition, the Biennial Meeting of International Lending Agencies and Consulting Industry (BIMILACI) was organized. OPCPR's lead procurement specialist also attended the FIDIC annual meeting to present a paper on CSA methodology.

96. ***Sustainable Procurement.*** Partnerships with peer institutions continued in FY05, including the completion of a successful pilot training environmentally and socially responsible procurement (ESRP) in Ghana in partnership with United Nations Environment Programme (UNEP) and Inter-Agency Procurement Services Office (IAPSO). Follow-up to this pilot includes converting the training modules into an e-learning version so that the information will be readily available to interested staff and clients around the globe. Other harmonization efforts included participation in the annual MDB sustainable procurement working group, whose membership includes AsDB, IDB, UN agencies, and NGOs.

97. ***Electronic Government Procurement (e-GP).*** Under the leadership of the Heads of Procurement (HOP), the MDBs' e-GP Working Group continued to harmonize its approach to the application of technology in the area of public procurement, and its work drew in new participation from the African Development Bank, the Nordic Development Fund, the European Bank for Reconstruction and Development, and the European Commission. The Working Group also officially launched the joint e-GP website www.mdb-egp.org. This electronic portal is supported by five multilateral development institutions and presents a knowledge-sharing platform with the objective of assisting developing countries to design and implement e-GP programs. The website includes an e-GP toolkit with a set of notes on how to review a country's e-GP environment, develop an appropriate e-GP implementation strategy, and use appropriate standards and technology. An interactive database on e-GP practices adopted by governments worldwide and an online discussion forum complement the joint online knowledge base. Additional programs of e-GP harmonization include the joint assessment of e-GP country systems in ECA (with the EC), LCR (with IDB), and SAR (with AsDB) and a series of e-GP learning events (e.g., the Third International Conference on Electronic Government Procurement, held in the Philippines in October 2004 and the International e-GP Conference, held in India in March 2005).

98. ***Health Sector Goods Procurement.*** As noted earlier, OPCPR directed the development of training material related to the newly published Technical Guide for the procurement of medicines and related supplies for treatment and prevention of HIV/AIDS. In FY05, six specialized training courses were delivered in AFR, LCR, and MNA, in partnership with the World Bank Institute, World Health Organization, Global Fund to Fight AIDS, TB and Malaria, UN agencies, French Technical Cooperation, Management Science for Health, and the Clinton Foundation, among others. In addition, the annual delivery of the Health Sector Goods Procurement course took place in the International Training Center of the International Labor Organization in Turin, Italy.

E. Institutional Initiatives

99. From risk models to capacity building and sustainable procurement, from tracking tools to websites, the Procurement family was active in FY05 in fostering a range of critical institutional initiatives.

100. ***Increasing the Use of Country Systems for Procurement.*** Subsequent to the March 8, 2005 informal Board discussions on a paper on *Increasing the Use of Country Systems in Procurement*,⁹ the paper was submitted for internal and external consultation. The paper provides the rationale for greater use of country procurement systems in the context of the procurement sector strategy, identifying the main issues in moving to broaden the use of country procurement system for international competitive bidding and international selection of consultants, and discusses how Management proposes to address these issues. The consultations involved extensive dialogue with Executive Directors and posting of the paper on the Bank's website from April 4 to July 29, 2005, for external consultations. In addition, the Bank participated in roundtables and/or conferences in Washington (two meetings), Berlin (two meetings), Frankfurt, London (two meetings), Paris, Copenhagen, and Amsterdam to discuss this proposal. Many comments on the paper have been received. The paper underscores that the baseline for acceptable country system standards is that defined in the Bank's procurement policy and proposes a framework for piloting the use of country systems in Bank-supported projects. Management is in the process of revising the proposal to take account of the comments received and is also reaching out to key stakeholders to ensure that there is a common understanding of Management's proposal. As this process is still very much underway, it is not possible to be overly specific on when the revised document will be presented to the Board for further discussion.

101. ***Sustainable Procurement (SP).*** The SP initiative consists of a key partnership between Operations and Corporate sustainable procurement. The Operations and Corporate programs coordinate to ensure that the Bank applies SP principles to its own work before it attempts to extend them to our project lending. Last year's accomplishments for project lending include revised bidding documents specific to Pest Management, new socially responsible clauses on harmful child labor and forced labor in our bidding documents for Works, and relevant draft guidance notes (*Including Environmental Aspects in Procurement Processes; Including Accessibility in Infrastructure; Pest Management*) and discussion papers (*National Experiences with Green Procurement; Eco-labeling Standards and Their Relevance for WB Borrowers; Improving Working and Living Conditions in Construction*). FY06's approved work program is focused on finalizing the draft guidance notes, developing Green Building (in partnership with the Infrastructure Network) and Universal Design Guidelines (in partnership with the General Services Department and the Infrastructure Network), inputs to CPARs, and finalizing and mainstreaming last year's piloted ESRP training into e-learning modules.

102. ***Retrospective Report on Capacity Building in Procurement.*** A retrospective study is under way to examine all the instruments that finance capacity building in procurement, to assess impact.

⁹ *Increasing the Use of Country Systems in Procurement* (R2004-0204), November 8, 2004.

103. ***Client Connection and Procurement Tracking Tool.*** In September 2003, the Bank launched the Client Connection website, making available to country clients a powerful tool for project implementation and transparency. Client Connection is another milestone in the Bank's efforts to move information closer to clients and it represents another output of the simplification of business processes by providing clients access to information related to all of their loans, credits, grants, and trust funds through the use of a password-protected website. By registering for Client Connection, staff in project implementing agencies can submit procurement documents electronically and in real-time to the Bank for review (each document submitted through Client Connection is automatically filed in IRIS in the appropriate project folder). Project implementing agency staff can also submit procurement notices for publishing in UN Development Business and in dgMarket. Furthermore, they can view on-line the financial information related to their projects. In turn, Bank staff can issue no-objections/interim responses to clients through the Operations Portal. This functionality allows Bank clients and staff to accurately track the status of procurement actions subject to the Bank's prior review. Information on training and guidance materials have been placed on Client Connection for use by project implementing agencies and on the internal procurement website for use by Bank staff. Individual "Country Office Champions" for Client Connection have been assigned to promote the website and register the clients. In addition, Procurement Champions have recently been assigned to ensure that clients are aware of the procurement functionality and the benefits it brings, that they have adequate training, and that their views and suggestions for improvement are heard by the Client Connection management team.

104. ***Information Dissemination.*** OPCPR's web team has updated the unit's web presence both internally and externally, including adding the new Regional Systems Support Network information, the French- and Spanish-language new and revised bidding documents, and information on procurement arrangements in SWAps; and condensing and harmonizing guidance on the preparation of the procurement plan, contract award, and procurement notice submission.