GOOD PRACTICES IN PROCUREMENT, DISBURSEMENT AND FINANCIAL MANAGEMENT

FOR

COMPETITIVE GRANT PROGRAMS

IN ECA COUNTRIES

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There is increasing use of Competitive Grant Programs in agricultural support services and environmental projects in Eastern Europe and Central Asia (ECA). These programs enable governments to address priority research and extension activities and to jumpstart the agricultural reform process. Grants allocated competitively to private and public research and development institutions are intended to foster innovation and efficiency. To assist countries in developing successful competitive grant programs, the Bank, under the aegis of the “Regional Initiative on Reforming Agricultural Knowledge Systems in Eastern Europe and Central Asia”, has organized several training workshops. These provided a useful forum for the exchange of ideas and experiences, identification of common issues and constraints, and possible solutions to improving the design and implementation of competitive grant projects.

This “good practices” paper focuses primarily on the fiduciary aspects of competitive grant programs. It is intended to serve as a guide for the effective implementation of small competitive grant programs, and specifically covers areas of procurement, disbursement and financial management. It has been developed in response to the request by participants at the workshop held in Turkey in January 2001 where it emerged that there was an immediate need for simplified procedures. These procedures need to be based on economy and efficiency for procurement, disbursement and financial management of small value grants in the ECA context while facilitating smooth implementation. The “good practices” have been prepared to assist grant recipients, staff of Project Implementation Units and World Bank Team Leaders involved with competitive grant projects in ECA.

The guidelines provided in this paper have been developed by drawing on the experiences and lessons learned in implementing competitive grant programs not only in ECA countries but also other regions of the Bank, including Latin America and Africa. It is one in a series of training manuals and guidelines developed for Competitive Grant Programs in ECA under the umbrella of the Regional Initiative on Reforming AKS in ECA. It served as a basis for the regional workshop held in Baku, Azerbaijan, from November 13 through 16, 2001. The findings and recommendations developed at this workshop assisted in the finalization of this paper.

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GLOSSARY

AKIS  Agricultural Knowledge and Information System
CAC  Central Asian Countries
CGB  Competitive Grants Board
CGP  Competitive Grant Program (or Project)
CGS  Competitive Grant System
ECA  Eastern Europe and Central Asia
ECSSD  Environmentally and Socially Sustainable Development
ITQ  Invitation to Quote
LOA  World Bank Loan Department
OM  Operational Manual
MIS  Management Information System
M&E  Monitoring and Evaluation
NGO  Non-Governmental Organization
PAD  Project Appraisal Document
PCU  Project Coordination Unit
PIA  Project Implementation Agency
PMR  Project Management Report
PMU  Project Management Unit
SAR  World Bank Staff Appraisal Report
SOE  Statement of Expenditure
EXECUTIVE SUMMARY

Over the past few years, the “Competitive Grant System” (CGS) has become an increasingly popular tool for funding priority activities in applied research and extension (environment and agricultural support services in some cases) in the countries of the World Bank’s Eastern Europe and Central Asia (ECA) region. This is primarily because a CGS provides a mechanism to rapidly meet research, extension and development needs and to “jumpstart” the agricultural reform process in order to improve the performance of the agricultural sector. It is clearly advantageous over the routine “block” funding of public national agricultural services as it provides an opportunity to: (i) use competition to improve the quality and effectiveness of applied research; (ii) draw on the entire national (and sometimes regional/international) capacity for applied research and extension, including Universities, NGOs and the private sector; and (iii) ensure that the funding of priority activities is adequate and timely.

For these reasons, there is growing interest in and applicability of CGSs in the ECA region, and the Bank, under the aegis of ECSSD’s "Regional Initiative on Reforming Agricultural Knowledge Systems in ECA” is actively supporting the design and implementation of Competitive Grant Programs (CGPs) in various ECA countries, including Azerbaijan, Georgia, Kazakhstan, Macedonia, Romania and Turkey. The Regional Initiative organized interactive training workshops in Hungary (May 1999), Romania (June 2000) and Turkey (January 2001) that provided a forum for the sharing of experiences with CGPs, identification of common, issues, constraints and solutions to designing and successfully implementing CGPs. These workshops covered a broad range of issues, including policy, governance, project management, peer review, financial management and monitoring and evaluation. Training Manuals and Guides were developed specifically for the region, drawing on the experiences of countries where CGPs are in place.

While these efforts have been very successful in providing overall guidance to national programs in initiating and implementing CGPs, at the Turkey workshop, participants expressed concerns with the financial management, disbursement, auditing and procurement aspects of CGPs. It was pointed out that Project Implementation Agencies lacked clear understanding of the Bank’s guidelines for procurement and financial management of small grant projects. This was demonstrated, for example, by the application of the same procurement rules to the purchase of small items such as pencils as to a large piece of capital equipment. In addition, CGS-funded sub-projects are often implemented at remote locations where communications are difficult and slow and by organizations with limited financial management and accounting capacity. Participants indicated that the nature of the CG sub-projects often called for the purchase of small items that could be procured locally in the rural areas and that under these circumstances, application of formal Bank requirements of competitive bidding, submission of formal receipts to Project Management Units, etc. was difficult. They feared that a rigid interpretation of the Bank’s financial management and procurement guidelines ran the risk of stifling efficient implementation of CGS-funded sub-projects. In light of this, the workshop participants requested that the Bank develop appropriate guidelines that would facilitate implementation of small sub-projects under CGPs through a cost-effective and “doable” system.

1 Also called “Project Management Units” (PMUs), Project Implementation Units (PIUs) or “Project Coordination Units” (PCUs).
This document is in response to the above request and it seeks to detail simple financial management and procurement practices, especially for small value goods and services. It recognizes the urgent need to respond to the fiduciary concerns of the World Bank, national programs and PIAs so that CGPs in the ECA region can be implemented efficiently and are able to achieve their objectives of rapidly meeting the priority needs of a country.

The World Bank financial management, disbursement and procurement procedures were originally prepared for large investment projects, and although these have been subsequently simplified and standardized, they are sometimes not appropriate to allow effective and speedy implementation of small grant programs. Experience demonstrates that efficient and effective implementation of a CGP-funded sub-project depends to a large extent on timely procurement of small items and adequate and dependable funding of sub-project expenditures. This document addresses these issues by outlining specific financial management, disbursement and procurement guidelines based on efficiency and economy and develops simplified procedures, emphasizing certain minimum requirements, that may be applied to CGP-financed projects to ensure smooth functioning during the implementation phase of a sub-project. The adapted instructions for financial management and procurement are based on trust, that all parties are committed to faithfully implementing their contractual obligations. The guidelines emphasize that PIAs, under supervision of CGP Boards, take major responsibility for overseeing proper implementation of CGP-funded sub-projects, with only selective post-review by the Bank.

The paper is organized into four chapters: Chapter I - “Introduction” provides a brief overview of the growing interest and applicability of CGPs in the ECA region. It spells out concerns with the fiduciary aspects of CGP implementation and lessons learned with CGPs in other regions of the Bank; it also discusses some generic implementation constraints and their possible solutions.

Chapter II: “Disbursement of Funds under CGP-Financed Sub-Projects” details good practices for disbursement of grant funds. Since the value of sub-projects funded under CGPs could range from less than US$10,000 to over US$200,000, the document presents different scenarios to illustrate appropriate disbursement procedures for sub-projects of high and small values. It recommends disbursement in suitable tranches, with the number of tranches and amount of each tranche to be determined on a case-by-case basis, depending upon the nature and value of the sub-project. Tranche payments should be made on the basis of pre-determined “milestones” that demonstrate progress of grant activities according to the agreed contract. A payment schedule sample, detailing number of tranches, amount of each tranche and description of milestone is described in this section.

Chapter III: “Financial Management and Auditing under CGP-financed Sub-Projects” provides guidelines on the flow of funds, documentary requirements related to opening and maintaining bank accounts, retention of financial records, etc. It lays down the procedures for auditing as well as for the closing out of competitive grant sub-projects.

Chapter IV: “Procurement under CGP-Financed Sub-Projects” provides guidelines on arrangements for procurement of goods, works and related services and defines procedures for selecting, contracting and monitoring consultants required for CGP-funded projects; these guidelines are also intended as a training tool for staff involved with the implementation of CGP-financed projects. The suggested guidelines are based on the principles of economy and efficiency in project implementation, opportunity to compete for all eligible bidders, and the importance of transparency. For small value projects, the manual lays down certain minimum World Bank procedural requirements and recommends supervision only periodically through ex-post reviews.
Finally, several “Annexes” provide sample forms and templates for procurement procedures, reporting requirements, etc. that may also be used for training purposes.
I. INTRODUCTION

(a) Importance of Competitive Grant Programs in ECA Region

The Competitive Grant System (CGS) is increasingly being used by the World Bank as a tool for meeting the priority agricultural service needs of a country and promoting institutional reforms. The CGS provides a mechanism to rapidly and efficiently meet the research, extension and development needs of a country and provides a good opportunity to “jumpstart” the agricultural reform process in advance of in-depth Agricultural Knowledge and Information System (AKIS) reform. A CGS is clearly advantageous over the traditional institutional environment as it opens up the delivery of research and extension needs to all potential providers, both public and private, and promotes networking and collaboration. A CGS, that is utilizing a new source of funds, either domestic or external, can quickly improve the focus and use of resources with far less disruption than an attempt to redirect core-funded operations.

A successful Competitive Grant Program (CGP) in a particular country is dependent on a number of factors including: (i) identification of realistic and focused priorities; (ii) a well trained Board and Secretariat staff; (iii) an independent and transparent peer review process; (iv) proper accountability; (v) efficient and effective fiduciary procedures, including financial management, procurement and auditing; and, (vi) a well-defined monitoring and evaluation system.

The number of countries using CGPs for funding applied research and extension has been steadily growing and currently projects with CGPs either as self-standing projects or as project components, are under implementation in Romania, Georgia, Macedonia, Turkey, Armenia, Croatia and under preparation in Azerbaijan, Albania, Croatia (second project), and Kazakhstan. Given the growing interest and applicability of CGS in the ECA region, under the aegis of ECSSD’s "Regional Initiative on Reforming AKS in CAC", interactive training workshops were held in Hungary (May 1999), Romania (June 2000) and Turkey (January 2001), to provide a forum for the exchange of experiences, identification of common issues and constraints, and the development of solutions to designing and successfully implementing CGPs. These workshops covered issues on policies, governance and management, peer review processes, collaboration, networking, financial management and administration, monitoring and evaluation, and included the development of Training Manuals.

These workshops have been very successful in providing overall guidance to national programs in initiating or implementing CGPs. However, during the workshop in Turkey, country representatives expressed concerns with the procurement, financial management, disbursement, and auditing aspects of CGPs. Some participants informed the workshop organizers that many of the procurement and financial officers of the respective “Project Implementation Agencies” (PIAs) lacked clear understanding of the application of World Bank’s formal guidelines for procurement and financial management, and were unable to reconcile national laws and regulations with World Bank guidelines in implementing CGPs. They believed that the financial management and procurement officers were often "overdoing it" (applying the same rules to the purchase of pencils as to that of heavy capital equipment). In light of this, they requested guidance on the fiduciary aspects of implementing CGPs, including disbursement schedules and procedures, the flow of funds, criteria to trigger the release of funds, accounting, auditing, procurement, etc. Recent feedback, for example from Bank-supported CGS implementation in Romania, confirms these concerns.
Unfortunately, in many Bank-financed projects involving CGPs, a rigid interpretation of the World Bank’s regulations for project implementation indeed runs the risk of stifling efficient implementation. With experience, it has become evident that the World Bank procurement and disbursement procedures and processes, as described in various manuals and guidelines, are usually not completely applicable to these new tools of investment. It is therefore necessary to define an adapted and revised set of guidelines that would allow efficient and effective implementation of small grants under CGPs so that the basic objective of a CGS – rapidly meeting the priority needs of a country – are realized and fiduciary obligations are respected.

In response to these concerns, this good practices paper on Procurement, Disbursement and Financial Management for CGPs has been developed. The guidelines laid out in the following sections were discussed at a training workshop held under the umbrella of the "Regional Initiative on Reforming AKS in CAC" in Baku, Azerbaijan from November 13 – 16, 2001; they were, with modifications, endorsed by the workshop participants.

(b) CGS Experiences in Other Regions – Lessons learned

This paper also draws from the experiences of other countries that have designed and implemented CGPs. In addition to ECA itself, both in the Bank’s Sub-Saharan Africa and Latin America regions, a wealth of experience and documentation exists for the implementation of CGS-funded projects. In addition, some of the lessons gained in “community-based contracting” also seem relevant for the implementation of CGP-funded sub-projects, especially concerning “small-scale” procurement and financial management. Some of the “lessons learned” may be summarized as follows:

• In almost all cases, the existing World Bank guidelines were found to have sufficient flexibility to accommodate the overarching requirements of effective and efficient project implementation, and the Bank’s (and national) fiduciary obligations.

• In most successful projects, there had been considerable effort to provide for a rational interpretation of the “official” guidelines through the preparation of a detailed set of instructions (or Operational Manual) not only for the PIA but importantly also for the staff involved with the institutions and organizations implementing grant-funded sub-projects. Instructions to the latter group often included many examples. If such guidelines or operational procedures are referred to in the Project Appraisal Document (PAD) and, importantly, the Development Credit Agreement (DCA), it helps prevent CGS-funded sub-projects being hamstrung either by a “narrow” interpretation of the Bank’s guidelines or by pre-existing national rules and regulations.

• An assessment of procurement, administrative and financial management capacity of potential beneficiaries of grants was often part of project preparation and used as a basis for drafting the procurement/financial management instructions, and for assessing training requirements.

• In most projects involving many small grants, it was found that training not just of PIA staff but also of grant beneficiaries in procurement and financial management was an essential component of project preparation and implementation.

• Sound procurement depends as much on who does it, as it depends on the number of competing bids/offers; where feasible, all important procurement decisions should be made by a team, rather than an individual.
• Efficient and transparent financial management and accounting can be ensured by incorporating in the CGP contract a specific agreed disbursement schedule that is linked to important “implementation milestones”. Regular and satisfactory progress reporting remains essential, followed up by the normal audit procedures. It is useful to explicitly state these procedures in a “Project Implementation Manual” and/or a CGP Operational Manual.

• Multiple beneficiary involvement in decision-making concerning project-financed procurement and financial management can be an important guard against irregularities.

• The key to a satisfactory process and a successful outcome is “to strike a balance between designing a project which is implementable (not too bureaucratic), and achieving strict accountability”.

(c) Some Generic CGS Implementation Issues and Recommended Solutions

(i) The “PAD”, the “DCA”, the “Guidelines” and the “PIA.” For all Bank-assisted projects, a PAD or similar document is prepared which outlines the essential characteristics of the project, the implementation arrangements, and the expected outcomes. The legal understandings between the concerned Government and the World Bank are laid out in the “Loan Agreement” (LA), “Grant Agreement” (GA) or the DCA. In these documents, there are specific references to the procedures for procurement of goods and services through the proceeds of the Loan/Credit/Grant, with references to the official World Bank Guidelines, and the rules for fund disbursement, accounting and auditing. In most cases, it is not possible to describe in detail the CGP or its implementation arrangements either in the PAD or in the Legal Agreements. It is important to realize that the World Bank’s Guidelines in reality are quite flexible as long as the principles of economy and efficiency in project implementation, opportunity to compete for delivery of project-related goods, work and services (getting the best price for a quality job), and transparency are respected. However, in practice there is always a danger of a narrow interpretation of the procedures (“overdoing it” to be on the safe side). An additional complication may be that national laws, regulations and procedures for procurement, disbursement accounting and audit in connection with activities that involve public finance can be quite complex and this is especially the case in some ECA countries.

For these reasons, it is essential that the CGS implementation procedures are described separately and precisely in an Operational Manual (OM), and that they are specifically referred to in the Legal Agreement and the PAD. This makes the flexibility of the guidelines explicit and clear for all to understand. Since in Bank-financed projects the rules laid down in the Legal Agreement prevail (even over national regulations), the arrangements specified in the OM, by implication are “the last word”. It must also be clearly understood that the OM is an “evolving” document that incorporates “lessons learned” during implementation. The implementing agency of the concerned Government can make recommendations for OM improvements, which upon endorsement by the Bank become part of the formal understandings concerning project implementation.²

(ii) The “Counterpart” Funding Issue. In all World Bank-assisted projects, the Bank normally finances only a portion of the total project cost (depending on the country situation, often anywhere from 50% to 90%). This is based on the Bank’s essential requirement of a Government’s commitment to the goals of the project and its implementation, which is made evident by a specific allocation out of the

² The DCA or LA generally accommodates such changes by including in references to the Operational Manual the statement: “…as revised from time to time”.
national Treasury. Thus, according to many Legal Agreements, there are at least two (sometimes there may be additional donors contributing), sources for funding of the agreed project budget: (a) World Bank (for example 75%), and (b) the Government (for example 25%).\(^3\) In most cases this actually means that when a particular purchase of goods or services is made, these contributions from the World Bank and the Government need to be made simultaneously available to the supplier. Unless an exception is provided in the legal project documents, the logical interpretation will be that in order to pay for expenditures in connection with CGS-funded projects, grant recipients need to be able to access both these sources of funds simultaneously, essentially for each individual expenditure. Given the uncertainties concerning the actual availability of the Government contribution at the widely dispersed locations where CGS-funded projects are implemented, and the often cumbersome accounting procedures, it would prove extremely difficult in most countries, to ensure a dependable flow of funds for effective implementation of research projects under these conditions. Such an arrangement would likely defeat core CGS objectives and an alternative solution is therefore essential.

Although it is recognized that proof of long-term sustainability of funding through a Government contribution is also an important objective of CGSs, it is thought that at least during a first-phase project this is not an essential requirement. Therefore, in Bank-assisted AKIS and environmental projects that involve CGP, the Legal Agreements as well as the CGP Operational Manuals must be formulated so that the requirement of a formal Government contribution to the CGP component(s) of projects be omitted as long as there is a participant or beneficiary contribution of an agreed minimum percentage. Except for the beneficiary contribution, the “financing percentage” of CGP component(s) of a Bank project and all related expenditures should be set at 100%. The overall Government’s contribution to project cost may be maintained at the desired level by proportionally increasing the required counterpart funding for the “non-CGP” components of a project. Other regions in the Bank have already set precedents in following this approach in projects with CGP components and it is therefore recommended to introduce this in ECA as well.

**(iii) “Two-stage” invitation for proposals for CGP sub-project proposals.** Frequently, in response to the first advertised invitation for CGP sub-project proposals, a very large number of responses are received which often overloads the review and approval system and may lead to inappropriate selections. To redress this, a “two-stage” bidding process should be adopted. The CGP Secretariat should initially request only a brief (maximum two pages), “concept note” of the more elaborate project proposal to be submitted later. These would then be screened by the appropriate Secretariat specialists on the basis of conformity with the recognized national or regional priorities, agreed proposal format, scientific quality, institutional capacity and CGS budget limitations. In the “second stage”, detailed proposals are then requested from "pre-qualified" project teams which are formally reviewed by peer review panels before submission to the Board for grant approval. The outline format for detailed proposals is to be included in the CGP Manual and may cover: (a) the core objective(s) and how these relate to the national priorities; (b) a reference to existing knowledge; (c) the nature and importance of the problem at which the project is directed; (d) an indication of the capacity of the collaborating institution(s); (e) a description of the expected results and the quantitative impact including numbers of likely beneficiaries; (f) provisions made for technology dissemination; and, (g) estimated total budget, its sources and the required CGP support.

It is important to make an assessment of the procurement, administrative and financial management capacity of potential beneficiaries of CGS grants, part of the sub-project preparation and

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\(^3\) In many CGPs, there is in addition, reference to an eligibility criterion for bidding for sub-projects that requires a minimum contribution by the participating institutions, generally in the range of 20% (either in cash or in kind).
approval process. In many CGP-funded projects, it has been found that training of grant beneficiaries greatly improved the effectiveness of project implementation. The proposed two-stage process is ideally suited to meet these needs; it provides opportunity for capacity assessment and for arranging a one or two day training course to the representatives of the project teams that have been “pre-qualified” after the concept note screening. Such training should include: (a) the basic objectives of the CGP, including the types of support and restrictions especially in capital expenditures; (b) the agreed national priorities; (c) the CGP sub-project approval process (peer review, CGP Secretariat budget negotiations and Board approval); and, (d) the consequences of inappropriate or corrupt contract implementation. The guidelines for preparation and the required proposal outline, as well as the draft grant agreement format are also discussed, as are procedures for disbursement and the applicable procurement and audit rules. Such training will greatly improve the quality of proposals, eliminate unnecessary confusion and enhance quality of implementation. It is useful to invite new Board members to participate in the initial training sessions as well. If the need arises, in some cases, providing CGP funding support for proposal development itself may also be considered.

Regarding the CGP Operational Manual, the initial year of implementation of the CGP in each country should be designed as a pilot phase (only a relatively small number of projects to be approved and “lessons of experience” continuously being incorporated). Even later, although the guidelines should be quite detailed and specific, the manual should be continuously revised and updated as experience is gained.

(iv) **Stakeholder Involvement.** There has been in most cases in CGP sub-project design and preparation, an attempt to evaluate and take account of the interests and priorities of the potential clients and beneficiaries of the outcomes and impacts of the proposed CGP-financed sub-projects. However, often there are also projects that seem largely “proposer-driven”. It is important for the peer reviewers as well as the CGP Secretariat to continue to ensure that national and local priorities are addressed and that the project objectives are fully shared and endorsed by the intended clients. The Secretariat, where appropriate, should request the sub-project director to be accompanied by a client stakeholder representative in the discussions concerning the proposed sub-project. Also important is the need to provide for continued stakeholder input into guiding CGP-financed projects during implementation. This can be done by ensuring stakeholder representation in a “Project Steering Committee” or other bodies created for sub-project oversight and guidance. Finally, any changes in national priorities for agricultural services need to be reflected in the CGP priorities and guidelines. For example, at present, in many countries there seems to be an increasing national concern about the possible negative ecological impacts of intensive agriculture; this may need to be recognized in the CGP priorities.

(v) **Flow of funds.** In order to ensure an efficient start-up and the unimpaired implementation of CGP-funded research projects, it is important that a smooth and timely flow of funds is arranged in accordance with the contractual work plan, budgets and the agreed disbursement schedules. Since CGS-funded sub-projects are often implemented at remote locations where communications are slow and by organizations with limited financial management and accounting capacity, it is not feasible to use a formal accounting system as the basis for disbursements to replenish the sub-project account and ensure continuity in sub-project implementation. Although provision for this could be built into the contract agreements, there is also the need to take account of the current rapid inflation in several ECA countries which is affecting the purchasing power of funds, once they are exchanged into the local currency. It will be necessary to agree on arrangements for funds disbursement that recognize: (i) the crucial need for dependable and uninterrupted funding of the project activities; (ii) the risks of inflation; and, (iii) the need for appropriate accounting and auditing procedures. It is therefore recommended that the actual disbursement schedules be linked to the achievement by the concerned sub-project to specific dated
accomplishments or “milestones”. In order to facilitate such disbursement procedures, it is important that
the CGP sub-project proposals identify important time-bound milestones in implementation, which upon
having been certified as achieved are used as “triggers” for subsequent disbursements. Regular
verification through field supervision and sub-project monitoring and evaluation (M&E), followed by
formal audit, are essential for this approach to work.

(vi) CGP sub-Project Oversight and M&E. Satisfactory implementation of a CGP and even the
longer-term viability of the concept itself depends in large measure on the quality of supervision of
project implementation and this is particularly important in the early stages when both the Secretariat and
the CGP recipients lack experience. It is therefore critically important that approved projects are closely
monitored and that any problems encountered, such as in the adequacy and continuity of funding,
smoothness of procurement arrangements, etc. are quickly resolved, and also, that feedback from the
ongoing sub-projects is incorporated into the CGP procedures and the Operational Manual.

Given the large number of CGP-supported projects that are expected to be under implementation
at any given time, it is not possible for the CGP Secretariat to be involved in the detailed day-to-day
management and implementation of these projects, including the procurement of capital items, services of
consultants, materials and supplies. These activities should be undertaken by the sub-project teams in
good faith. There must be a high level of trust and respect between the sub-project teams and the PIAs
that the sub-project teams will faithfully implement their projects according to the signed contracts. At the
same time, it will be critically important for the Secretariat/PIA to closely monitor project implementation
(financial and technical) which could be in the form of examining progress reports and through regular
field visits. In some cases, a firm or consultant can be used to assist in detailed supervision of randomly
selected projects and to provide feedback to the Secretariat/Board. In order to ensure that these tasks are
well-executed, it is highly desirable for the Secretariat/PIA to design and use a Management Information
System (MIS) specifically designed for the CGP; such a MIS should ideally be prepared before
implementation starts.

It is also essential that monitoring and evaluation guidelines with clear objectives and indicators
for the CGP as a whole and for individual sub-projects, are developed and implemented from the outset.
Where necessary, consultants may assist the Board/Secretariat to design a simple M&E system. However,
the Secretariat/Board representatives should make at least one visit to each of the approved sub-projects
during the first six months after contract signature, to review progress on the ground and if necessary,
agree on required modifications in the implementation arrangements. During the first year of
implementation, follow-up reviews of sub-projects in the field should be organized at least once every six
months.

(vii) Performance and Impact Indicators. Many of the applicants for CGP sub-projects appear
to have great difficulty in summarizing their project proposals in a “log frame” fashion and to determine
a set of useful and realistic indicators of the outputs of the different project activities. This is of critical
importance to both the sub-project directors and to the CGP Secretariat because such “milestones” are
essential to monitor if a project is progressing according to the agreed schedule, and importantly, to
trigger the release of additional funding for project implementation. Special training is therefore often
required to ensure that the indicators cover all important project activities, are specific in quantitative and
qualitative terms, and are time-bound. They should be included in the contract between the Board and the
sub-project director to serve as a basis for monitoring project progress and achievement. Another area
where problems are frequently encountered in the drafting of sub-project proposals is concerning the
benefit/cost estimates. Training in these areas should be included in the routine training of potential
applicants for CGP funding (applicants which have been invited to prepare a full application after having
been screened on the basis of the “project concept document”).
II. DISBURSEMENT OF FUNDS FOR CGP-FINANCED SUB-PROJECTS

(a) Disbursement Procedures

Given the relatively small size of the Competitive Grants and the difficulty in predicting the amounts of the grants that will be disbursed in any particular future period, it is unlikely that disbursements from the Bank for competitive grants will be made on the basis of quarterly Project Management Reports (PMRs). Rather, it is anticipated that disbursement procedures will follow traditional procedures outlined in the Bank’s Disbursement Handbook, with due attention to accelerating disbursement and simplifying documentary requirements to the extent possible, while ensuring adequacy of controls maintained by the PIA over the proper use of Bank funds.

(b) Disbursement Categories

In order to simplify accounting at the PIA and sub-project levels, all sub-project expenditures should be charged to a single disbursement category in the withdrawal schedule of the legal agreement between the Bank and the borrower. This category could be called, for example, “Sub-projects” with this term defined in the legal agreement to “include goods, works, services, training and operational/management costs related to sub-projects approved in accordance with the established criteria”, or other appropriate language. Given that the basis of disbursements from the PIA to a grant recipient will be a schedule of payment instalments based upon specific sub-project milestones as set out in the sub-project grant agreement, it would not be possible to analyze further amounts disbursed to a grant recipient and link them to standard disbursement categories for specific types of inputs (goods, works, services, etc.).

(c) Disbursement Percentages

To simplify disbursement procedures, only Bank funds (loan, credit or grant proceeds) should be used to finance sub-project grants; no counterpart funds should be used. Thus, it is only Bank funds that will be disbursed to any grant recipient and these disbursements will be made against a signed sub-project grant agreement which will cover a fixed percentage of total sub-project costs. The fixed percentage will be calculated such that any locally-levied taxes or duties, as well as any local contributions (cash or in-kind) will not be financed from Bank funds; it is anticipated that the fixed percentage will usually be around 80%. Given that the Bank will finance 100% of the grant and despite the fact that the grant will only finance approximately 80% of the sub-project, the disbursement percentage for grant payments under the competitive grant scheme for the purposes of the legal agreement between the Bank and the borrower will be 100%. Therefore, 100% is the disbursement percentage which should be written into the legal agreement between the Bank and the borrower.

Example:

<table>
<thead>
<tr>
<th>Total Sub-Project Cost:</th>
<th>100,000 LCU (local currency units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Amount Financed by the Bank:</td>
<td>80,000 LCU (representing 80% of total costs)</td>
</tr>
<tr>
<td>Amount of Grant Agreement:</td>
<td>80,000 LCU with payment instalments as follows:</td>
</tr>
<tr>
<td>Payment Instalment No.</td>
<td>Amount (LCU)</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>1</td>
<td>10,000</td>
</tr>
<tr>
<td>2</td>
<td>20,000</td>
</tr>
<tr>
<td>3</td>
<td>20,000</td>
</tr>
<tr>
<td>4</td>
<td>25,000</td>
</tr>
<tr>
<td>5</td>
<td>5,000</td>
</tr>
</tbody>
</table>

The Bank would disburse 100% of each Payment Instalment under the sub-project grant agreement, for a total of 80,000 LCUs representing 80% of the total sub-project cost.

(d) Special Account Mechanism

In view of the requirement for ready access to cash in the field and the importance of timely disbursements to grant recipients, a single Special Account will be established for each CGP in a bank acceptable to the World Bank and will be managed by the PMU. The Bank’s Operational Policies set out the criteria against which to determine the acceptability of the bank in which the Special Account will be held. The amount of the initial deposit into the Special Account will be set at an amount sufficient to cover the World Bank’s share of 4 months’ of estimated expenditures, provided that the said sum does not exceed 10% of the total loan amount. Special Account authorized allocations in excess of 10% of the loan may be made on a case-by-case basis with the approval of the Loan Department.

Use of De-centralized/Subsidiary Special Accounts

In Section 6.7 of the Bank’s Disbursement Handbook, Borrowers are given the possibility of, with Loan Department approval, converting special account funds for a period of not more than 30 days and transferring these funds to another account managed by the borrower for use in meeting local currency expenditures. Under the Loan Department’s Guidelines for ‘Disbursements Under Investment Projects: Special Account 90-Day Advance Procedure’, subject to certain minimum safeguards aimed at preventing and/or detecting irregularities, advances (in local currency) for periods of up to 90 days may be made from the special account and transferred to decentralized (or subsidiary) special accounts at the sub-project implementation sites. In line with this flexibility, the project documentation should state the rationale for using a de-centralized special account mechanism and make the case that use of the de-centralized special account procedure meets the parameters set out in the above-mentioned Guidelines. The World Bank’s Loan Department (LOA) must clear the use of the de-centralized special account approach. Where utilized, this de-centralized flow of funds mechanism requires close supervision, monitoring and internal audit from the central PMU. A copy of the Guidelines outlining the parameters for granting use of this mechanism is attached in Annex 15.

(e) Disbursements to Grant Recipients

Grants will be disbursed only to banks that are acceptable to the PMU and to bank accounts (sub-project bank accounts) in the name of the grant recipients that have been opened and are utilized by the grant recipients solely for the purpose of their grant on terms and conditions satisfactory to the PMU, including appropriate protection against set-off, seizure and attachment. Payments out of the sub-project bank accounts shall be made exclusively for eligible expenditures of the sub-projects as determined in the relevant sub-project grant agreements. The funds held in the sub-project bank accounts may not be
invested in any financial instruments such as stocks, bonds, options or any other dividend-, interest- or capital-generating instruments nor may the funds be loaned or used as security for any activities unrelated to the sub-project, unless otherwise permitted in the sub-project grant agreement.

Grant recipients will be advised of the foreign exchange and inflationary risks that they may face by holding their grant funds in their national currency-denominated bank accounts and, with prior agreement of the PMU, they will be permitted to hold their grant funds in foreign currency-denominated bank accounts to be able to mitigate such risks.

The grant will be disbursed in suitable tranches, as determined by the CG Board at the time of implementation of the grant proposal and as specified in the contract. The amount of the first tranche should normally not exceed 20% of the amount of the grant being awarded. However, if start-up expenditures for the recipient, including procurement of required goods and services, are high, the recipient may request a higher percentage of grant funds in the first tranche, based upon the items to be procured and/or the nature of the works involved. Unless otherwise specified, the first tranche payment will be made immediately upon CG Board approval and signing of the contract by all parties. Second and subsequent tranche payments will be made on the basis of pre-determined milestones that demonstrate progress of grant activities. The milestones and amount of each tranche disbursement will be determined at the time of preparation of the contract between the recipient and CGB and these will be included in the contract. The number of tranches and the amount of each tranche will be determined on a case-by-case basis, depending upon the amount of the grant and the nature of the sub-project. For example, small grants (less than US$10,000 equivalent), or projects under six months duration, may have only two disbursements for reasons of economy and efficiency - for example, 90% of the grant may be disbursed at the time of signing the grant agreement and the final 10% of the grant will be disbursed upon receipt from the grant recipient of the sub-project’s completion report.

Annex 15 shows in diagrammatic form, the typical flow of documentation and funds relating to the disbursements of a competitive grant scheme.

(f) Some Examples of Disbursement Scenarios

<table>
<thead>
<tr>
<th>Sub-project A: To study market potential of organically produced vegetables.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration of sub-project: Four months.</td>
</tr>
<tr>
<td>Amount of grant: US$10,000</td>
</tr>
<tr>
<td>Suggested disbursement procedure: In such cases, where the nature of the sub-project does not lend itself to pre-determined milestones or to the time-bound procurement of goods and services, a simple disbursement method can be established at the time of developing the contract. The beneficiary may receive 90% of the funds upon signing of contract and the balance 10% will be paid by PMU upon the satisfactory completion of grant activities by the beneficiary and the submission of the sub-project’s completion report.</td>
</tr>
</tbody>
</table>
**Sub-project B: For the construction of a bio-digester.**

After the turn-key cost of the bio-digester has been determined, the beneficiary will be paid as follows:

- 20% upon the signature of the grant agreement;
- 30% when half of the works have been completed;
- 40% when the bio-digester has been constructed and becomes successfully operational;
- 10% after a warranty period of three months.

The tranche payments will be made on the basis of certificates of completion as issued by a competent engineer who will be designated in the sub-project grant agreement. The final payment will also require the sub-project’s completion report as well as a certification from the appropriate environmental authority.

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**Sub-project C: On-farm trials with improved varieties and agronomic practices.**

The project would conduct 25 on-farm trials each year for a period of 3 years and analyze and extend the results. This will include extension activities, such as field days, publications to disseminate recommendations, etc. The work will entail purchase of equipment, including a pick-up and planter.

**Amount of grant:** US$100,000

**Suggested disbursement procedure:** Given the nature of the sub-project, disbursements will be made in several tranches against established milestones. A Payment Schedule will be developed and included in the contract against which disbursements will be made by the PMU. For example:

**Payment Schedule**

Upon signature of the contract, 20% or US$20,000 equivalent would normally be advanced to the beneficiary. However, given the need for purchase of heavy equipment to start work, the beneficiary may request an additional amount (assumed at US$10,000) to facilitate purchase of the equipment. A reasonable estimate for such purchase expenditures (following the procurement guidelines detailed in Chapter IV of this paper) should be made by the beneficiary.

<table>
<thead>
<tr>
<th>Tranches</th>
<th>Date</th>
<th>Description of Milestone</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tranche 1</td>
<td>Oct. 1, 200</td>
<td>Signature of contract</td>
<td>US$30,000</td>
</tr>
<tr>
<td>Tranche 2</td>
<td>Oct. 1, 200</td>
<td>Satisfactory progress report</td>
<td>US$ 20,000</td>
</tr>
<tr>
<td>Tranche 3</td>
<td>Oct. 1, 200</td>
<td>Satisfactory progress report</td>
<td>US$ 20,000</td>
</tr>
<tr>
<td>Tranche 4</td>
<td>Oct 1, 2000</td>
<td>Satisfactory progress report</td>
<td>US$ 20,000</td>
</tr>
<tr>
<td>Tranche 5</td>
<td>Jan 1, 2001</td>
<td>Satisfactory project completion report</td>
<td>US$ 10,000</td>
</tr>
</tbody>
</table>
In accordance with the conditions of the contract, the PMU will allocate funds regularly as the main and counterpart organizations undertake activities according to the agreed work program schedule and reach certain specified milestones.

The grant recipient shall notify the CGB in writing of any anticipated delays in achieving the established milestones and the reasons for them. The CGB will recognize that work plans are frequently revised. At any time during the grant period, the grant recipient may request that the PMU revise the "Payment Schedule" to better reflect the current work plan and milestones.

The PMU may withhold scheduled payments in the event that the grant recipient’s expenditure reports show a large cash balance in the grant account, or may delay the next scheduled grant payment(s). At any time during the grant period, the grant recipient may request that the CGB reschedule grant payments to better meet the grant recipient's cash flow needs.

If a grant sub-project fails to meet its contract obligations it may be cancelled and the participating organizations will be obliged to return un-utilized funds to the PMU. The funds thus returned would be available for the CGB to reallocate to new grant projects.

Expenditure of grant funds must adhere to the specific line items in the grant recipient's approved budget. Transfers among line items of the approved budget are restricted to a cumulative total of 20% of the item. If a transfer in excess of this restricted level becomes necessary, or the grant recipient wishes to establish a new line item, the grant recipient shall promptly request authorization from the CGB by letter.

Only incremental operating costs incurred for execution of the sub-project will be financed by grant funds and existing operating costs of the grant recipient may not be financed by grant funds. In addition, such grant funds will finance the grant recipient’s recurrent costs for a sub-project on a declining basis.

All interest generated by grant activities shall be applied to the project funded by the grant or other similar activities conducted by the grant recipient.

In certain cases the PMU may make direct payments to a vendor of goods or services selected by and on behalf of the grant recipient. Example: A grant sub-project being implemented at a remote location without automobile dealerships requires the purchase of a vehicle and requests the PMU to acquire the vehicle. In such cases, payments will be based on information provided by the grant recipient and will be considered as part of the grant. The PMU will send notice of such payments to the grant recipient who will be required to record such payment in their accounts as an expense eligible under grant funding and as a decrease in the amount of future tranche disbursements or a reimbursement to the PMU for the expense paid.

*Capital Assets.* For all capital assets purchased with grant funds, the sub-project will be responsible for maintaining with responsible insurers, or other provisions satisfactory to the PMU for the safeguarding of the assets, insurance against such risks and in such amounts as shall be consistent with appropriate practices.
III. FINANCIAL MANAGEMENT AND AUDITING OF CGP SUB-PROJECTS

(a) Record Retention/Access To Records

Although grant tranches will be disbursed on the basis of sub-project milestones, the borrower, PMU and ultimately the grant recipient have a responsibility to ensure that grant funds are used only for the purposes for which the grant was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations. It is in this context that the PMU will require the recipient of each sub-project grant to maintain a financial management system, including records and accounts, adequate and in a format acceptable to the PMU to reflect the operations, resources and expenditures of the sub-project and to prepare annual sub-project financial statements for each calendar year of the sub-project. The grant recipient's financial management system must clearly identify all receipts and expenditures of the sub-project and distinguish these from the grant recipient's other receipts and expenditures. Such records shall include accurate, current and complete disclosure of the grant sub-project income and expenditures and shall include appropriate documentation (including purchase orders, invoices, receipts, justifications for vendor selections, etc.) to substantiate all costs incurred by the grant recipient in the execution of the sub-project.

The project representatives at the decentralized locations will be given a maximum of three months to submit their accounting to the central PMU for the utilization of the special account funds received from the center. In case of grants where disbursements are linked to agreed milestones, this will not influence further disbursements. Their accounting will consist of a copy of the bank statement for the account in which the project funds are held, a progress report showing physical achievements, and, at a minimum, a summary of expenditures by category in SOE format.

Financial books, records, grant project financial statements, any substantiating documents such as original bills, invoices, receipts, etc., and any other records pertinent to the grant project, shall be retained by the grant recipient for a period of at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the loan/credit/grant was made. The grant recipient shall, at such time as the PMU shall reasonably request, furnish to the PMU or agent thereof all such records relating to the grant sub-project. Such maintenance of records will assist in periodic financial supervision as well as auditing.

(b) Auditing

The PMU will make regular on-site visits to grant recipients to monitor and supervise the sub-project activities from both a technical as well as financial management perspective and also to verify milestones and progress. The objective of the PMU’s financial supervision will be to ensure that the grant funds were used by the grant recipient only for the purposes for which the grant was granted. The PMU’s visits will be conducted by small groups of experts typically comprising one independent observer, one specialist and an accountant. Such monitoring would be done on a random basis at the discretion of the PMU.

A separate audit of each grant sub-project will not be required but rather all sub-projects will be included within the overall audit of the project being financed by the Bank and implemented through the
PMU. Grant recipients are expected to co-operate fully with the project’s auditor as appointed by the PMU and will make available to the auditor whatever records, documentation and other information is requested by the auditor in connection with the audit of the project, including the financial books, records and financial statements of the grant recipient relating to the grant sub-project.

If by virtue of national legislation a grant recipient is required to undertake an audit of its grant activities, a certified copy of the audit report must be sent to the PMU within one month of completion of the audit. Sub-project grant funds cannot be used to pay for such an audit.

(c) Documentary Requirements

(1) Basis of Disbursement

(i) From the Special Account to the sub-project accounts

The bases for disbursement from the main Special Account to the local, decentralized sub-project bank accounts are the agreed schedule of payments outlined in the underlying sub-project grant agreements. For direct payments made by the central PMU from the main special account to third party contractors on behalf of the sub-project grant recipients, the Bank’s customary documentary requirements (submission or retention, in the case of SOEs) for invoices, purchase orders, etc. remains the same.

(ii) From the Bank Loan/Credit/Grant Account to the Special Account

The Bank will normally require monthly, or at the latest, quarterly, replenishment application submissions, accompanied by a reconciled Special Account bank statement, showing opening and closing balances, as well as all activity on the account during the period under review. Statements of Expenditure (see below) will provide details of the sum(s) requested.

(2) Statements of Expenditures (SOEs)

The Bank’s normal SOE form (form 1903, page 3) is not conducive to claiming replenishment of instalment payments made on the basis of achievement of project milestones as is required for sub-project grants. It is therefore recommended that payments made through the Special Account in respect of sub-project grant financing agreements, be claimed on the Bank’s Free Format Statement of Expenditure (Bank form 1903, page 4) which does not require detailed expenditure data. Rather the aggregate amount claimed for replenishment to the Special Account will be itemized, based on specific sub-projects and indicate at a minimum, the following information:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Sub-project Name</th>
<th>Sub-Project Grant Total</th>
<th>Of which, cumulative amount disbursed</th>
<th>Current Period Amount Claimed</th>
<th>Amount on Deposit in Decentralized Special Account (if any)</th>
</tr>
</thead>
</table>

All other types of expenditures including payments made by the PMU to 3rd party suppliers (non-sub-project types of expenditures), all such expenditures related to contracts not requiring prior review would be claimed on the basis of the Bank’s regular Statement of Expenditure Contract Detail (Form
1903, page 3) and the required supporting documents would be retained at the PMU for review by auditors and Bank missions.

In case of grants were disbursements are linked to agreed milestones, this will not influence further disbursements.

(3) Receipts.

All efforts should be made to obtain written receipts for any payments. However, in remote project locations where such practices do not exist, receipts for payments of less than the equivalent of US$25 may not be necessary.

(d) Close-Out Of The Grant

If a grant recipient fails to meet its contractual obligations in respect of the sub-project, the grant may be cancelled and the un-utilized funds must be refunded to the PMU. If it is determined that the grant recipient has resorted to illegality in the execution of the grant activities, the PMU will cancel the grant and un-utilized funds must be returned to the PMU. If grant funds have been used by the recipient for activities that do not fall within the scope of the sub-project, the grant recipient will be obliged to reimburse the CGB or PMU.

Upon receipt of the final financial and progress reports from the grant recipient, the PMU shall initiate procedures to close out the grant. At least ten percent of the final grant payment will be retained by the PMU until the completion grant project report has been received from the grant recipient. Close-out procedures include obtaining and approving all required financial and progress reports, disbursing any outstanding grant payments, and ensuring that any unexpended grant funds are refunded to the PMU. All grant requirements remain in full force and effect until the grant recipient receives a close-out letter from the PMU indicating that all obligations have been satisfied.
IV. PROCUREMENT UNDER CGP SUB-PROJECTS

(a) Introduction

Goods, works and services being purchased under World Bank-financed projects are procured in accordance with the following procurement guidelines:


These guidelines are included by reference in every World Bank project loan, credit or grant agreement and are legally binding on the parties to these agreements. The main purpose of these guidelines is to inform all concerned who carry out projects financed in whole or in part by a loan, credit or grant from the World Bank, including the International Development Association (IDA), about arrangements of procurement of goods and works and related services, and define procedures for selecting contracting and monitoring consultants required for such projects; these guidelines are also intended as a training tool for project staff. The guidelines describe all procurement methods and their procedures for all types of projects. For a specific project, only those methods and procedures of the guidelines apply which are considered appropriate for the project and that are included (or referred to) in the legal agreements, either specifically, or implicitly (e.g. by reference to a “Project Implementation” or “Operational” Manual).

The guidelines referred to above are based on the principles of economy and efficiency in project implementation, opportunity for all eligible bidders to compete, and the importance of transparency. In order to ensure that these principles are respected, the Bank requires the use of competitive procedures, such as international and national competitive bidding, advertisement of consulting opportunities, and even mandates the use of standard bidding documents for this purpose. The guidelines deal in some detail with the procedures to be followed in international competition.

The use of international or national competitive bidding may not be the most appropriate methods of procurement to achieve economies of scale and desired efficiency for small-value items of goods, works and services included in small grants. The Bank agrees in such cases to the application of simplified procedures in achieving the objective of economy and efficiency, such as commercial practices, “national shopping”, etc. For these situations, the Bank lays down certain minimum procedural requirements to ensure economy and efficiency, and supervises the relevant procurement processes only periodically through ex-post reviews.

For implementing activities financed under GCPs, in agricultural research and extension under which mostly very small value (e.g., less than US$10,000) items of goods, works and services are purchased, yet simpler purchasing procedures are usually applied because such projects are often

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4 Under a CGP, research proposals on specified subjects are invited from the national agricultural scientific community and awards are made on a competitive basis.
implemented at remote locations with tight implementation calendars. The next section deals with these procedures in detail.

(b) Procurement Under Competitive Grants

There is great variation in the procurement capacity of CGP recipients. It is therefore useful for the entity charged with CGP implementation, the PIA, (PMU/PIU/PCU), to assess the beneficiaries’ capacity to conduct procurement (Annex 1). Such an assessment then can be used to determine at the time of grant agreement negotiations, the extent of assistance and oversight needed in procurement, if any, by the beneficiary and/or any required training. Even for small sub-projects, if substantial procurement of goods and services will be involved, it is important to request the beneficiary to prepare a dated “procurement plan” (see Annex 2), as part of the final proposal submitted for approval (in some cases, the procurement plan may be prepared with assistance of the PMU after project approval for funding).

For the efficient use of small grant-related procurement methods and wherever feasible the beneficiary of the grant should take, if necessary in consultation with the PMU/PIU/PCU, the following steps:

(i) In connection with an approved small grant project, establish a Register of Potential Suppliers, Contractors and Consultants, if such a register does not already exist. A list of local suppliers, contractors and consultants who might serve the project, should be prepared. Information about their experience, staff, references, financial situation should be collected either through personal contact with them or through mail. This information should be evaluated using a simple common benchmark (for example, years of experience, number and quality of its staff (engineers, accountants, surveyors, etc., etc.) and references (i.e., the contact information of the firm’s recent clients), the annual turnover, etc.). The firms that meet the minimum requirements should be listed.

(ii) Create a Unit Price Reference Database. Information on unit prices for goods, works and services likely to be required in the grant funded project area should be collected. This information can be collected through direct contacts with local shopkeepers, contractors and consultants (mostly individual experts) as well as their clients. This information should be placed on a database and used when conducting purchases with small grant funds. This is a task for the selected beneficiary which may also seek assistance from the PIA.

The steps to be taken for procurement of goods, works or services, estimated up to US$ 10,000 equivalent per purchase (this figure may vary from project to project), are detailed below. Please note that in order to expedite procurement some of the steps listed may be taken in parallel. The ceiling to which these simplified procurement procedures may be applied, which is assumed at US$10,000 equivalent in this Manual, requires to be specified separately in the World Bank-financed CGP documentation. Procurement involving costs in excess of US$10,000 equivalent should be executed by the beneficiary in close consultation with the PMU. An example of procurement in connection with small purchases in the context of a CGS-funded project is given in Box 1 (page 24). For purchases estimated to cost US$ 10,000 or more per purchase (or above whatever other ceiling that has been specified in the project documents), the applicable procurement methods described in the section on “National Shopping” (page 23), may be used. In case of specialized equipment or other items only available from international suppliers, “International Shopping” should be applied and specifically requested by the CGP beneficiary through the PIA.
(c) “Shopping” or “Comparison of Prices” (for goods contracts less than US$ 10,000).

It is important to mention here that the steps below and in item (c) should be followed by the recipient on a selective basis which would depend upon the value of each procurement. For example, for the purchase of office supplies estimated to cost US$200 the recipient need not obtain written quotations. The recipient may simply obtain the prices from the stationery shops by phone and select the one offering the least expensive and best quality. However, when selecting the steps to be followed, it is expected that the recipient will ensure that the principle of economy and efficiency is respected and that every effort is made to get the best value for the money.

**Steps to be followed:**

- If possible, establish a small procurement decision committee
- Determine the type and units of the required equipment and their delivery time
- Prepare list of suppliers (for this purpose use the register of suppliers, if available)
- Obtain information about the availability of the required goods either by phone or in person (shop around) from the suppliers
- Record information about the suppliers in an exercise book, include prices, etc.
- Obtain brochures and lists of prices if available from the suppliers; if not obtain prices by phone or in person
- Consider the quality of goods, whether items are readily available, if good after sales service is available, how much the final cost will be, etc.
- Compare the prices with the unit price reference database, if available (see paragraph b (ii))
- Negotiate the prices if higher than the unit price reference database, or in the absence of such a database, higher than “market prices”
- Prepare a brief evaluation report showing the names of the suppliers from whom the prices were obtained, and justifying the selection of a supplier based on the quality and availability of goods and the price
- Submit the evaluation report, along with the brochures, etc., obtained, to the committee or the official authorized to approve the recommendation for contract award (the sample in Annex 3 may be used)
- After approval, prepare a procurement order (see Annex 4) and purchase goods from the selected shop/supplier;
- Pay the suppliers and issue a “Note for Goods Received” (Annex 5)
- Prepare and execute a payment voucher (Annex 6) and obtain written receipt from the supplier
- Keep all documents, including list of suppliers, receipts, etc. on file for possible review by the PIA and/or World Bank

(d) Comparison of Prices (for works estimated at less than US$ 10,000 equivalent each)

**Steps to be followed:**

- If possible, establish a small procurement decision committee
- Prepare documents customarily prepared for such works (such as simple specifications, bill of quantities, etc)
- Determine required completion time
Prepare list of contractors (for this purpose use the register of suppliers, if available)

If possible, send the documents relating to the works, to several contractors in order to obtain a minimum of three written quotations

If it is not possible to obtain written quotations, invite at least three contractors from the list one by one, interview them, and obtain their prices

Record all information in an exercise book

Use the unit price reference database, if available, to check the prices

Prepare a brief report showing the names of the contractors from whom the prices were obtained, including a comparison of the prices, completion time, etc, and justifying the selection of one of them

Submit the report to the procurement committee or the official authorized to approve the recommendation for contract award

After approval of the report, sign a contract with the selected contractor

Obtain written receipts for payments from the contractor

Certify that works have been completed satisfactorily

Keep all documents, including list of contractors, receipts, etc. on file

(e) **Selection of consultants (for contracts less than US$ 10,000 per contract)**

Steps to be followed (for consultant contracts that are estimated to cost more than US $ 10,000 equivalent, PIA assistance should be sought by the CGP beneficiary):

- Prepare a job description if an individual is to be selected as a consultant, or terms of reference if a firm is to be selected
- Prepare a list of potential individuals or firms (if possible at least three) and collect CVs (Annex 7). Use the register of consultants, if available
- Issue a letter of invitation (Annex 8), and based on the responses, select the best candidate individual/firm
- Contact the selected candidate
- Negotiate the contract terms and conditions
- Prepare and sign a simple contract (Annex 9)

(f) **Direct Contracting or Sole Sourcing**

In case of the procurement of proprietary items, such as licensed materials, required items available only from the manufacturer, extension of an existing works contract for additional works (estimated to cost up to 20% of the original contract value), in case of emergencies (where there is no time to wait for comparing prices, etc.), this method can be used. The justification of this method must be documented and kept on file. This method can also be used when there is only one supplier, contractor or consultant in the grant-funded project area and neighboring areas and when it has been determined that getting quotations from other localities will add no value and will result in higher cost because of transportation, etc. In such cases, reasonableness of the price quoted by the single supplier must be certified and kept on file.
(g) Financing “Operating Costs”

Operating costs represent expenditure incurred on account of project implementation for salaries, project related auditing services, communications, utilities, office supplies and maintenance, fuel and vehicle operations and maintenance, travel, per diem, training workshops, including renting of training equipment, conference rooms, etc. Operating costs are incurred in accordance with a periodic (normally annual) budget. In case of grants, the operating expenditure budget should be elaborated during negotiations between the PIA and the selected beneficiary. The procurement methods discussed above may be used in relation to the operating costs if considered appropriate. The beneficiary’s own purchasing practices if it has any may also be applied as long as the principle of efficiency is respected. For example, while for the purchase of a low-cost railway ticket, no competitive procedure is expected to be applied, for the purchase of an expensive air ticket for international travel for the purpose of the project, it is assumed that the beneficiary will inform itself of the airfares from different travel agencies, airlines, etc., and will decide upon the best airfare.

(h) National Shopping (NS)

This method is used for off-the-shelf items of goods or standard specification commodities available from several sources of supply within the country at an estimated cost in excess of US $ 10,000 equivalent.

Steps to be followed:

♦ Prepare technical specifications
♦ Prepare list of suppliers broad enough to generate good competition but to yield at least three quotations, as required. Such a list may be prepared based on the past experience, consultation with chambers of commerce, Internet, or direct market research
♦ Prepare Invitation to Quote (ITQ) using the sample in Annex 10
♦ Send the ITQ to the suppliers on the list
♦ Make sure that the requirement of obtaining a minimum of three responsive quotations has been fulfilled
♦ Receive quotations by a deadline, open them and evaluate them
♦ Prepare an evaluation report using Annex 11 and make recommendation for award of contract
♦ Submit evaluation report to the official authorized to approve the contract award recommendation
♦ Finalize draft Purchase Order (Annex 12), including Terms and Conditions of Supply and send to the selected supplier
♦ Keep the process confidential until the contract has been awarded
♦ Receive and inspect goods and make payments according to the Purchase Order
♦ Keep all documents on file

The structure of the Competitive Grant Board and its procedures should be such that there is no conflict of interest between the Board members and the recipients of the grants. In practical terms, this would mean that a Board member may not participate in any discussions in which an institution which he/she has any affiliation is an applicant or potential beneficiary.
(i) Private Sector Grant Recipients

Grant recipients from the private sector may apply their own purchasing practices that they use for their own purchases. However, in such cases, the PIA must review carefully the capacity assessment form in Annex 10 to be completed by the potential beneficiary. The purpose of the PIA’s review is to ensure that the recipient has acceptable purchasing practices and that there is no need to request it to follow the procedures presented in this manual.

(j) Taxes

The World Bank funds cannot be used for paying taxes of any type. Normally, the grant-funded activities are tax exempt but in case there is no tax exemption, the beneficiary has to pay the taxes. This should be addressed in the project design by setting the percentage of sub-project costs financed by the Bank to a proportion that excludes payment for taxes.

(k) Savings

There may be savings under a grant for various reasons, including non-execution of some activities but especially because of good purchasing practices. In consultation with the PMU, these savings can be used for other activities within the scope of the grant.

---

Box 1. A Case Study on Procurement Under a Small Grant

A small team of three researchers at a Research Institute has submitted a research proposal budgeted at US$100,000 involving applied on-farm research on soil conservation practices. The team received a grant of US $80,000 equivalent to implement the study (the "beneficiary contribution" amount to 20% of the total budget and is represented by research staff salaries). The study will take over three years and involve in addition to the research itself, inviting a consultant as well as an end-of-project national workshop. The Institute is located at a remote location; the nearest town is 30 miles away.

The agreed budget comprises the following:

- Purchase of one 4WD vehicle estimated at US$18,000, and a tractor with trailer and several pieces of field equipment, estimated at US$14,000.

- Purchase of laboratory equipment (five pieces of specialized equipment), estimated at US$5,000.

- Non-salary research operating costs estimated at US$25,000 (power and water charges, telephone charges, casual labor, fuel, vehicle/tractor maintenance charges, laboratory supplies (chemical reagents, glassware etc.), field experimental supplies (small quantities of seeds and fertilizers, harvest bags, markers).

- Services of a consultant for minimum tillage practices, estimated at US$7,000 (comprising US$5000 in fees and US$2,500 for travel/per diem).
• Travel and per diem for research staff estimated at US$5,000.

• Workshop expenses estimated at US$5,000 (rental of a facility, meals for participants, rental of bus for fieldtrip, fees for workshop facilitator).

The research team has requested guidance from the PIA located in the capital (500 miles away) on appropriate procurement practices. After completing the process of selecting the beneficiary through competition, the PIA invited the Research Institute to negotiate the grant agreement. During these negotiations, among other items, both parties discussed the procurement arrangements for goods, works and services funded with the grant funds. For this purpose, the beneficiary completed the self-assessment form (Annex 1). Both parties discussed the information in the form and given the fact that the beneficiary already had some experience in conducting procurement, decided that the assistance required from the PIA will be minimum. They agreed that the beneficiary will contact the agency whenever it needed such assistance. The beneficiary will be responsible for conducting the entire procurement process itself. However, both the PIA and the beneficiary discussed the procurement methods to be applied and, in light of the guidance given in Section IV of this Manual, agreed to the following procurement arrangements. The PIA also agreed to provide, through its procurement specialist, a one-day training to the beneficiary in conducting procurement according to the procurement methods included in the procurement plan.

• Purchase of one 4WD vehicle estimated at US$18,000, and a tractor with trailer with several pieces of field equipment, estimated at US$14,000

National Shopping (NS) will be used for the vehicles and for the tractor with trailer etc. There will be two NS contracts. The NS steps given in Section IV will be followed and the documents (Invitation to Quote) referred to therein will be used.

• Purchase of laboratory equipment (five pieces of specialized equipment), estimated at US$5,000

Both the parties agreed that these specialized pieces of equipment were not available in the country. These will, therefore, be procured through International Shopping, using the IS steps and Invitation to Quote in Section IV.

• Non-salary research operating costs estimated at US$25,000 (including power and water charges, telephone charges, casual labor, fuel, vehicle/tractor maintenance charges, laboratory supplies (chemical reagents, glassware etc.), field experimental supplies (small quantities of seeds and fertilizers, harvest bags, markers).

For the operating expenditures, the beneficiary will prepare an annual budget. This budget will show the items of expenditure and the estimated amounts chargeable to the project during the year. The items such as laboratory supplies, seeds, fertilizers, harvest bags, and markers will be purchased using the applicable procurement procedures in Section IV of this Manual, i.e., for each purchase a simple shopping or price comparison procedure will be used.

• Services of a consultant on minimum tillage practices, estimated at US$7,000 (comprising US$5000 in fees and US$2,500 for travel/per diem).
This consultant will be selected using the procedure discussed in Section IV of this Manual, i.e., a job description will be prepared, if possible three curriculum vitae will be obtained, evaluated and the best candidate selected. A simple contract will be negotiated and signed with the consultant. The contract will include the fees, travel and per diem which will make up the lump sum amount of the contract.

- Travel and per diem for research staff estimated at US$5,000.

These items will also be included in the annual budget for operating expenditures. For travel best transportation fares will be used by obtaining and comparing fares if available from different sources. For per diem, the prevailing rates, i.e., rates paid by other similar agencies, will be used and paid as these occur.

Workshop expenses estimated at US$5,000 (rental of a facility, meals for participants, rental of bus for fieldtrip, fees for workshop facilitator).

For the workshop expenses also a budget will be prepared which will show the expenditure on rental of a facility, meals for participants, transportation, facilitator, etc. For preparing this budget, the beneficiary will obtain prices from different sources of these supplies, compare them and select the best price for each item and include it in the budget. Payments for these services will be made as these are received.

Based on the above, the implementation agency and the beneficiary prepared a procurement plan using the form in Annex 2 of this Manual.

Ex-Post Reviews.

In order to expedite the implementation of grant-funded project activities, normally no prior review of the beneficiary’s procurement actions is conducted. However, the PMU/PIU/PU has the right to conduct such reviews of the beneficiary’s procurement actions on a sample basis. The main purpose of such reviews is to ensure that the grant funds are being used for the purpose intended and with economy and efficiency as well as to find a timely solution for any procurement actions of a beneficiary that may not be consistent with the principles of the efficient use of the available resources.
Annex 1

ASSESSMENT OF BENEFICIARY’S CAPACITY
TO CONDUCT PROCUREMENT

1. Name of Beneficiary:
2. Legal Status:
3. Nature of Business Activity:
4. Description of Organization:
5. Number of Employees with brief description of their responsibilities:
6. Brief description of beneficiary’s experience with purchase goods, works, and services:
7. Nature and value of purchases during the last fiscal year:
8. Who is responsible for procurement and for contract signature:
9. Who provides technical and legal expertise for purchases:
10. A description of sources of supply:
11. Description of purchasing procedures and documents:
12. How are recurrent items, such as office supplies, spare parts, gas for cars, etc., purchased:
13. Does the Beneficiary have written procurement rules:
14. What kind of contract forms are used:

(For PIA/PMU/PIU/PCU to determine the extent of help needed in procurement. The capacity of the PIA/PMU/PCU/PIU will be strengthened for this purpose).
Annex 2

## PROCUREMENT PLAN

<table>
<thead>
<tr>
<th>Description of Contract Packages</th>
<th>Estimated Cost</th>
<th>Procurement Method</th>
<th>Contract Signature</th>
<th>Start</th>
<th>Finish</th>
<th>Remarks</th>
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</thead>
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<td>Currency US$</td>
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<td>A SET OF “CROSS” LINES TO “FILL THE BOX” WOULD BE USEFUL</td>
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Goods

Works

Services

Total

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5 Exchange rates
SAMPLE DOCUMENTS FOR CONTRACT APPROVAL/SIGNATURE AND CONTRACT PAYMENTS

Authority to approve and sign contracts

The ----------------- [name of the committee/person and title] shall have authority to approve contract awards for procurement of goods, works or services whose value does not exceed the following contract sums per single transaction without reference to the approving authority whose signature appears at the bottom of this authority document.

Works Contracts-------------
Goods contracts------------
Services contracts---------

All contract awards above the figures specified above will be approved by …… [Name of the person].

__________________________
Signature of approving authority
Annex 4

PROCUREMENT ORDER

Name and address of beneficiary …………………………………………………………….
…………………………………………………………

From (issuing official of beneficiary)……………………………………………………..

Date ……………………………………………

To ………………………………………………………………………………………………

<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>DESCRIPTION OF GOODS, WORKS OR SERVICES</th>
<th>UNIT</th>
<th>QUANTITY</th>
<th>ESTIMATED UNIT PRICE</th>
<th>ESTIMATED TOTAL COST</th>
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TOTAL

Required Time: ………………………………………………..

Approved by (name)…………………………

Authorized by (name) ……………………….

Signature ………………………………………

Signature ………………………………………

Date …………………………………..

Date …………………………………..
ANNEX 5

NOTE FOR GOODS RECEIVED, WORKS OR SERVICES COMPLETED

Name and address of beneficiary: .................................................................

Receiving/Certifying official of beneficiary: ..................................................

Date: ..................................  

Name of Supplier/Contractor/Consultant .....................................................

<table>
<thead>
<tr>
<th>DATE OF SUPPLY/WORKS</th>
<th>DESCRIPTION OF GOODS/WORKS/SERVICES</th>
<th>UNITS OF GOODS/WORKS OR INPUTS FOR CONSULTANTS</th>
<th>UNIT PRICE</th>
<th>VALUE</th>
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<td>TOTAL</td>
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</table>

GOODS HAVE BEEN CERTIFIED AS CORRECT RECEIPTS.

Name of receiving Official ....................... Signature ....................... Date .......................  

Certified by ........................................ Signature ....................... Date .......................
PAYMENT VOUCHER

CASH/CHEQUE

Name and address of Organization: …………………………………………………………………………………….

From: (issuing official of organization) …………………………………………………………………………………

Date: …………………………

Please issue cash/check in favor of:

Amount in figures: __________________________

Amount in words: …………………………………………………………………………………………………………

Cheque No. _________________________________

Petty Cash Voucher No. ______________________

Date: …………………………………………………

Particulars of payment [e.g. PO, contract, invoice]

Voucher prepared by: ______________________ Signature: __________ Date: ______________

Authorized by: ____________________________ Signature: __________ Date: ______________

Name of Recipient: ………………………………………………………………………………………………………

Signature of Recipient: ____________________ Date: ______________
SAMPLE FORMAT OF CURRICULUM VITAE (CV)

Proposed Position: ____________________________________________________________

Name of Firm: ______________________________________________________________

Name of Staff: ______________________________________________________________

Profession: _________________________________________________________________

Date of Birth: ______________________________________________________________

Years with Firm/Entity: ________________ Nationality: ______________

Membership in Professional Societies: __________________________________________

__________________________________________________________________________

Detailed Tasks Assigned: _____________________________________________________

__________________________________________________________________________

Key Qualifications:

[Give an outline of staff member’s experience and training most pertinent to tasks on
assignment. Describe degree of responsibility held by staff member on relevant previous
assignments and give dates and locations. Use about half a page.]

__________________________________________________________________________

Education:

[Summarize college/university and other specialized education of staff member, giving names of
schools, dates attended, and degrees obtained. Use about one quarter of a page.]

__________________________________________________________________________

Employment Record:
[Starting with present position, list in reverse order every employment held. List all positions held by staff member since graduation, giving dates, names of employing organizations, titles of positions held, and locations of assignments. For experience in last ten years, also give types of activities performed and client references, where appropriate. Use about two pages.]

Languages:

[For each language indicate proficiency: excellent, good, fair, or poor in speaking, reading, and writing.]

Certification:

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.

Date: ____________________________
[Signature of staff member and authorized representative of the firm]   Day/Month/Year

Full name of staff member: __________________________________________

Full name of authorized representative: ________________________________
Annex 8

SELECTION OF INDIVIDUAL CONSULTANT/S FOR ADVISORY SERVICES

Letter of Invitation

Dear Sirs,

1. You are hereby invited to submit your curriculum vitae (CV) as well as fee proposal for providing the consulting services on _____________ (brief description of services).

2. If selected, you would assist _________________ (hereinafter referred to as “the Client”) with _________________. More details on the services are provided in the attached Terms of Reference.

3. Your experience and qualification shall conform to the requirements as specified in the terms of reference. The CV will be evaluated for the qualification and experience of the candidates in accordance with the following criteria:

   (i) Specific experience relevant to the assignment - 20
   (ii) Qualifications and competence for the assignment - 60
   (iii) Ability to work and transfer knowledge and skills to counterpart staff 20

   Total points: 100

4. Following the evaluation of the CV’s of individual consultants, the candidate whose evaluation scores is the highest, will be invited to contract negotiations and signing. Contract will be negotiated by phone or E-mail. In case of any delay the Client has right to withdraw the invitation. In case agreement is not reached for a contract, the negotiations with the individual consultant will be terminated and new negotiation will be proposed with the next ranked candidate.

5. You will be requested to start your assignment by…………….. The Client will make its best efforts to select a consultant during this period.

6. The estimated term required for the assignment is: ………………

7. Please note that the cost of preparing a CV and of negotiating a contract is not reimbursable as a direct cost of the assignment.

8. The following documents are attached to the Letter of Invitation:

   I. Sample Format of Curriculum Vitae (CV)
   II. Cost Estimate of Services and Schedule of Rates
   III. Terms of Reference
IV. Draft contract

9. If you require further information on the assignment and the local conditions, you may contact Mr. …… at the following phone number and address:

10. Your completed CV should be faxed or e-mailed or delivered to the above address before ……………………….

11. The Client is not bound to accept any of the CV’s submitted.

12. Please inform us, upon receipt:

   (a) that you received the letter of invitation; and
   (b) whether or not you will be submitting a CV.

Yours sincerely,
SAMPLE CONTRACTS FOR SIMPLE CONSULTING SERVICES

(TO BE USED FOR FIRMS AND INDIVIDUALS)

SMALL ASSIGNMENTS
TIME-BASED PAYMENTS
(IBRD/IDA FINANCED)

CONTRACT

THIS CONTRACT ("Contract") is entered into this [insert starting date of assignment], by and between [insert Client’s name] ("the Client") having its principal place of business at [insert Client’s address], and [insert Consultant’s name] ("the Consultant") having its principal office located at [insert Consultant’s address].

WHEREAS, the Client wishes to have the Consultant performing the services hereinafter referred to, and

WHEREAS, the Consultant is willing to perform these services,

NOW THEREFORE THE PARTIES hereby agree as follows:

1. Services (i) The Consultant shall perform the services specified in Annex A, “Terms of Reference and Scope of Services,” which is made an integral part of this Contract ("the Services”).


2. Term The Consultant shall perform the Services during the period commencing [insert start date] and continuing through [insert completion date] or any other period as may be subsequently agreed by the parties in writing.

3. Payment A. Ceiling

For Services rendered pursuant to Annex A, the Client shall pay the Consultant an amount not to exceed a ceiling of [insert ceiling amount]. This amount has been established based on the understanding that it includes all of the Consultant’s costs and
profits as well as any tax obligation that may be imposed on the Consultant. The payments made under the Contract consist of the Consultant's remuneration as defined in sub-paragraph B below and of the reimbursable expenditures as defined in sub-paragraph C below.

B. Remuneration

The Client shall pay the Consultant for Services rendered at the rate(s) per man/month spent\(^1\) (or per day spent or per hour spent, subject to a maximum of eight hours per day) in accordance with the rates agreed and specified in Annex C, “Cost Estimate of Services, List of Personnel and Schedule of Rates.”

C. Reimbursable

The Client shall pay the Consultant for reimbursable expenses, which shall consist of and be limited to:

(i) normal and customary expenditures for official travel, accommodation, printing, and telephone charges; official travel will be reimbursed at the cost of less than first class travel and will need to be authorized by the Client’s coordinator;

(ii) such other expenses as approved in advance by the Client’s coordinator.\(^2\)

D. Payment Conditions

Payment shall be made in [specify currency] not later than 30 days following submission of invoices in duplicate to the Coordinator designated in paragraph 4.

4. Project Administration

A. Coordinator

The Client designates Mr./Ms. [insert name] as Client’s Coordinator; the Coordinator shall be responsible for the coordination of activities under the Contract, for receiving and approving invoices for payment, and for acceptance of the deliverables by the Client.

B. Timesheets

---

1 Select the applicable rate and delete the others.

2 Specific expenses can be added as an item (iii) in paragraph 3.C.
During the course of their work under this Contract, including field work, the Consultant’s employees providing services under this Contract may be required to complete timesheets or any other document used to identify time spent, as well as expenses incurred, as instructed by the Project Coordinator.

C. Records and Accounts

The Consultant shall keep accurate and systematic records and accounts in respect of the Services, which will clearly identify all charges and expenses. The Client reserves the right to audit, or to nominate a reputable accounting firm to audit, the Consultant’s records relating to amounts claimed under this Contract during its term and any extension, and for a period of three months thereafter.

5. Performance Standard

The Consultant undertakes to perform the Services with the highest standards of professional and ethical competence and integrity. The Consultant shall promptly replace any employees assigned under this Contract that the Client considers unsatisfactory.

6. Confidentiality

The Consultants shall not, during the term of this Contract and within two years after its expiration, disclose any proprietary or confidential information relating to the Services, this Contract or the Client’s business or operations without the prior written consent of the Client.

7. Ownership of Material

Any studies, reports or other material, graphic, software or otherwise, prepared by the Consultant for the Client under the Contract shall belong to and remain the property of the Client. The Consultant may retain a copy of such documents and software.\(^3\)

8. Consultant Not to be Engaged in Certain Activities

The Consultant agrees that, during the term of this Contract and after its termination, the Consultants and any entity affiliated with the Consultant, shall be disqualified from providing goods, works or services (other than the Services or any continuation thereof) for any project resulting from or closely related to the Services.

9. Insurance

The Consultant will be responsible for taking out any appropriate insurance coverage.

10. Assignment

The Consultant shall not assign this Contract or Subcontract any portion

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\(^3\) Restrictions about the future use of these documents and software, if any, shall be specified at the end of Article 7.
of it without the Client’s prior written consent.

11. Law Governing Contract and Language

The Contract shall be governed by the laws of [insert government], and the language of the Contract shall be [insert language].

12. Dispute Resolution

Any dispute arising out of this Contract, which cannot be amicably settled between the parties, shall be referred to adjudication/arbitration in accordance with the laws of the Client’s country.

FOR THE CLIENT

Signed by ____________________
Title: ________________________

FOR THE CONSULTANT

Signed by ____________________
Title: ________________________

---

4 The law selected by the Client is usually the law of its country. However, the Bank does not object if the Client and the Consultant agree on another law. The language shall be English, French, or Spanish, unless the Contract is entered into with a domestic firm, in which case it can be the local language.

5 In the case of a Contract entered into with a foreign Consultant, the following provision may be substituted for paragraph 12: “Any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.”
To:

_________________________________
_________________________________

1. You are invited to submit your price quotation(s) for the supply of the following items:
   (i)___________________________________________
   (ii)___________________________________________
   (iii)___________________________________________
   (iv)___________________________________________

2. You must quote for all the items under this Invitation. Price quotations will be evaluated for all the items together and contract awarded to the firm offering the lowest evaluated total cost of all the items.

3. Your quotation(s) in the required format should be addressed and submitted to:
   _______________________________________________________

   Telephone :__________________  
   FAX:          __________________

4. Your quotation should be accompanied by adequate technical documentation and catalogue(s) and other printed material or pertinent information for each item quoted, including names and addresses of firms providing service facilities in the country.

5. The deadline for receipt of your quotation(s) by the Purchaser at the addressed indicated in Paragraph 5 is:     ________________

6. Quotations by Telefax are acceptable

7. Your quotation(s) should be submitted as per the following instructions and in accordance with the Terms and Conditions of supply in the draft Purchase Order at Annex 1. Please sign the Terms and Conditions of the Supply which will become part of the Purchase Order that the Purchaser will issue to the selected supplier.
(i) **PRICES:** The prices should be quoted in the local currency for delivery ex-factory according to INCOTERMS, 1990, including the cost of delivering to the place of destination, which is as follows:

__________________________

__________________________

(ii) **EVALUATION AND AWARD OF PURCHASE ORDER:** Offers determined to be substantially responsive to the technical specifications will be evaluated by comparison of their prices by converting their Ex-Works price, including the cost of delivery to the place of destination. The award will be made to the firm offering the lowest evaluated price and that meets the required standards of technical and financial capabilities. Taxes (VAT) and any other local duties should be quoted separately.

(iii) **VALIDITY OF THE OFFER:** Your quotation(s) should be valid for a period of 30 days from the date for receipt of quotation(s) indicated in Paragraph 6 above.

8. Further information can be obtained from:

__________________________

Telephone:_____________________

Fax:__________

Telex ______________________

Sincerely,
1. Project Name __________________________________________
2. Implementing Agency __________________________________________
3. Details of goods procured __________________________________________
4. Estimated Cost ____________ Equivalent US$_________________
5. Number of suppliers invited ____________ How many responded?___________
6. Name of Suppliers  
   Date Quotation  
   Received  
   Price Quoted

7. Ranking of Responsive Quotations by Price

   Bidder  
   Price

8. Non-Responsive Quotations

   Bidder  
   Reason(s)

9. Name of the lowest evaluated Supplier __________________________________________

10. Total price of the Contract ____________ US $ ____________ Equivalent award

11. Date of Contract award _______________

12. Any issues (to be) discussed at finalization of contract. Give details

13. Complaints from Other Suppliers, if any, provide details

Date: _______________

Signature of Procurement Official
INTERNATIONAL SHOPPING

Draft Purchase Order

Purchase Order No.____________________________________________
Date of Purchase Order_________________________________________
Name of the Purchaser__________________________________________
Complete Postal Address of Purchaser____________________________
Telephone No. ________________________________________________
Fax No. ______________________________________________________

Subject: SUPPLY OF ______________________________________
________________________________________________________________

TO: {Please insert Supplier’s name and address}

Dear Sirs:

Your price quotation No._________________________________ Dated_______________ for the supply of the
above goods is accepted by the Purchaser for an amount of ____________________ as per the
Terms and Conditions described in Attachment 2 to this Purchase Order.

Please acknowledge receipt within 10 (ten) days from the date of receipt of this Purchase
Order.

Sincerely,

Purchaser Attachment
Terms and Conditions of Supply

Project Name: ___________________ Purchaser: __________________________
Consignee: _____________________ Package No. _______________________

1. Prices and Schedules for Supply

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Item No.</th>
<th>Quantity</th>
<th>Unit Price</th>
<th>Total Price</th>
<th>Delivery Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2.</td>
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</tbody>
</table>

{Note: In case of discrepancy between unit price and Total derived from unit price, unit price shall prevail}

Spare Parts } 
Tools and Accessories } 
Manuals } Specify, if applicable. 
Maintenance Requirements } 

2. Fixed Price  The prices indicated above are firm and fixed and not subject to any adjustment during contract performance.

3. Country of Origin: The goods offered should have their origin in World Bank member countries, and you will be required to furnish a certificate of origin for each item.

4. Delivery Schedule: The delivery should be completed as per above schedule but not exceeding ______months from the date of L/C confirmation.

5. Payment for your invoice will be made 100% against delivery of shipping documents, through an irrevocable and Confirmed Letter of Credit, opened by ______________ (name of the Bank in Purchaser’s country) in favor of the __________________________ (Supplier’s Bank).

6. Warranty: Goods offered should be covered by manufacturer’s warranty for at least 12 months from the date of delivery to the Purchaser. Please specify warranty period and terms in detail.

7. Packaging and Marking Instructions: {Purchaser to specify}

8. Required Technical Specifications

  (i)  General Description 
  (ii) Specific details and technical standards 
  (iii) Performance Parameters 

Supplier confirms compliance with above specifications {In case of deviations supplier to list all such deviations}
9. **Failure to Perform**: The Purchaser may cancel the Purchase Order if the Supplier fails to deliver the Goods, in accordance with the above terms and conditions, in spite of a 21 day notice given by the Purchaser, without incurring any liability to the Supplier.

NAME OF SUPPLIER________________________________________________

Authorized Signature________________________________________

Place: 
Date:
FORMAT FOR PERIODIC PROGRESS REPORTS

1. TITLE
2. SUMMARY
3. OBJECTIVES
4. EXPECTED OUTPUTS AND OUTCOMES
5. METHODS AND ACTIVITIES CARRIED OUT
6. RESULTS (IN RELATION TO OBJECTIVES AND “MILESTONES”)
7. PROBLEMS AND POSSIBLE SOLUTIONS
8. PLAN OF ACTIVITIES FOR THE NEXT QUARTER
9. QUARTERLY EXPENDITURE REPORT AND REQUEST FOR ADDITIONAL FUNDS FOR THE NEXT QUARTER

.................................................................

NB: Quarterly progress reports should be submitted to the project implementation agency.
FORMAT FOR PROJECT COMPLETION/FINAL REPORT

1. TITLE
2. PROJECT PERIOD
3. ABSTRACT
4. BACKGROUND
5. OBJECTIVES
6. EXPECTED OUTPUTS AND OUTCOMES
7. MATERIALS, METHODS AND ACTIVITIES CARRIED OUT
8. PROBLEMS AND POSSIBLE SOLUTIONS
9. RESULTS (IN RELATION TO OBJECTIVES AND “MILESTONES”)
10. DISCUSSIONS AND TECHNICAL ACHIEVEMENTS/CONCLUSIONS
11. POLICY RELATED CONCLUSIONS (IF APPLICABLE)
12. RECOMMENDED NEW TECHNOLOGIES AND RESEARCH/DEVELOPMENT PRIORITIES
13. SUGGESTIONS FOR FUTURE PROJECTS
14. SUGGESTED METHODS AND INDICATORS FOR IMPACT ASSESSMENT
15. ACKNOWLEDGEMENTS
16. LITERATURE CITED/REFERENCES
ANNEX 15

DISBURSEMENT OF A COMPETITIVE GRANT

Documents and Flow of Funds

This diagram shows the typical documents and flow of funds of a competitive grant scheme.

Key:
Flow of funds
Flow of data

World Bank
Loan / Credit / Grant Account

1. Project / Loan / Credit / Grant Agreement
   2. Advance to SA, US$
   6. Replenishment of SA, US$
   16. Replenishment of SA, US$

PMU (on behalf of government and CGB)
Special Account, US$

3. Sub-Project Grant Agreement
   4. Advance to SPBA, LCU
   14. Advance to SPBA, LCU
   13. Evidence of achievement of milestone

Grant Recipient
Sub-Project Bank Account, LCU

8. Invoice
   9. Payment from SPBA, LCU
   11. Request for Direct Payment

Suppliers

Grant Recipient
Own Resources (counterpart contributions)

10. Payment from own resources

12. Direct Payment from SA

15. SOE on the basis of advance to SPBA and evidence of achieved milestone

15. SOE on the basis of advance to SPBA and signed sub-project grant agreement

Grant Recipient
Sub-Project Bank Account, US$

7. Currency hedging (with permission of PMU)
DISBURSEMENTS UNDER INVESTMENT PROJECTS
SPECIAL ACCOUNT 90-DAY ADVANCE PROCEDURE

Background

1. The recent emphasis by the Bank in lending for social sector investment projects has precipitated a review of the World Bank’s existing disbursement procedures to determine whether they accommodate the funding needs of these projects. Unlike traditional investment projects, these projects in general have the following special characteristics:

(i) They cover an entire sector or sub-sector program and a wide geographic area or the entire country;

(ii) Project implementation authority is decentralized to numerous regional, provincial, district and other administrative levels;

(iii) NGOs and the beneficiary community at large participate in their implementation; and

(iv) Multiple donors provide funding to these projects.

Use of the Special Account 90-Day Advance Procedure

2. It was determined that, with one minor modification, the existing special account disbursement procedures would indeed meet the requirements of these projects. Under the standard special account procedures, particularly for small and numerous local currency expenditures, the borrower may draw an amount from the special account sufficient to meet eligible expenditures for a period of less than 30 days. Since the majority of expenditures under these investment projects are small local currency payments, this procedure would be suitable except that 30 days would not allow enough time to complete the accounting for expenditures at the numerous and far-flung project implementation sites throughout the country. Therefore, it was determined that the existing special account procedure should be modified to extend to 90-days the period for which funds may be advanced from the account.

Safeguards to be Ensured

3. Since the borrower will be empowered to manage and account for funds which are advanced from the special account for an extended period of time, it would be necessary for the Bank to ensure that certain minimum safeguards that would prevent and/or detect irregularities are put in place wherever the special account 90-day advance procedure is permitted. The required safeguards are:

(i) **Strong Central Project Management Unit** - A central project management unit with the capacity to: (a) maintain proper books of accounts for the project funds, (b) allocate funds to the various decentralized locations based on identified and justified implementation needs, (c) monitor the use of decentralized funds at the various locations and obtain acceptable accounting from project representatives in each of these locations on a regular basis, and (d) prepare and submit regular replenishment requests to the Bank and other
donors together with appropriate supporting documents to evidence receipt and utilization of all donor and government funds should be in place before loan effectiveness;

(ii) **Acceptable Budgeting, Accounting and Fund Flow Procedures** - The borrower’s budgeting, accounting and fund flow procedures should be sufficient to ensure that funds are allocated based on needs at the various project locations and that a reliable banking network exists to ensure smooth and timely transfer of funds from the center to these locations;

(iii) **Linkage between Physical Accomplishments and Utilization of Funds** - Appropriate Work Program and Funding Requirement (WP & FR) reports should be prepared on an annual and quarterly basis for establishing initial financial needs, followed by periodic performance reporting which would ensure that the physical targets set for each project activity were achieved and measured against the funds used against each project component and activity.

(iv) **Regular Internal Audits followed by Annual Independent Operational Audit** - As regular monitoring of decentralized funds is essential, a system of regular internal auditing from the center, coupled with a comprehensive annual independent operational audit should be put in place. Where possible, submission of pre-audited SOEs should be included as a basis for disbursements.

4. In addition, it would be important for the Bank and other donors to conduct joint or well coordinated missions at an appropriate frequency to monitor physical progress as well as utilization of funds, so that weaknesses are identified at an early stage and corrective action is taken.

**How the Funding Mechanism Would Work**

5. The funding mechanism is expected to work as described below:

(i) At the beginning of project implementation, the borrower will prepare and agree with all the donors on an Annual Work Program & Funding Requirement (AWP & FR). The AWP & FR will include measurable physical activities (normally referred to as sub-projects or sub-programs under each project component) to be undertaken centrally as well as at the various decentralized locations, and the corresponding funding needs at such locations on a quarterly basis. The AWP & FR will also identify the share of financing by each participating donor and the government. The Task Manager will be responsible for reviewing the AWP & FR.

(ii) The authorized allocation as well as the initial amount to be advanced for the Bank’s special account will be agreed at negotiations and recorded in the legal agreement in accordance with standard practice. The special account would normally be in local currency, so long as the currency is judged to be stable, since the special account value could drop if the account were denominated in a local currency that devalued sharply. 6

(iii) The central PMU will establish separate (preferably) local currency special accounts for each donor’s funds in the city where the central PMU is located.

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6 For the criteria on establishing local currency special accounts, see OP 12.20, paragraph 4.
(iv) To ensure that the government’s share of project costs are available on a timely basis, a separate local currency project account would be established at the center under the control of the PMU. Depositing of the government’s share of project costs for the first year (i.e. counterpart funds) would normally be a condition of effectiveness or a condition of disbursement of the initial deposit under the Bank and donor loans. Subsequent annual contributions would normally be included in project conditionality as a dated covenant in the Bank’s and other donors’ legal agreements.

(v) A withdrawal application in the standard format seeking the agreed initial deposit from the Bank will be submitted to LOA.

(vi) The central PMU will advance funds from the Bank’s and other donors’ special accounts to the bank account established by each regional/provincial/district or other lower level PMU based on the AWP & FR report which would indicate the quarterly funding need at each such location. Therefore, while each donor’s funds will be held in a separate special account by the central PMU, the funds advanced from these accounts will be maintained by each lower level PMU in a common project bank account for all donor and government funds in order to keep the accounting and administrative workload at the decentralized level to a minimum.

(vii) Funds required for local currency central procurement will be retained by the central PMU in the Bank’s and other donors’ special accounts. Payment of these expenditures will be made from the special accounts as they come due to the suppliers. Payment of foreign expenditures will be made either (a) from the special accounts to the suppliers by converting local currency to the foreign currency required as the payments come due; or (b) by submitting applications to the Bank and other donors for direct payments to or Special Commitment in favor of the suppliers. If foreign currency expenditures under the loan are of a significant value, separate foreign currency special accounts should be established for the use of the central PMU.

(viii) The central PMU will be responsible for submitting regular replenishment requests with appropriate supporting documents (see below) for expenditures under the project. Such requests would normally be submitted monthly but no later than every three months.

(ix) The documents to be submitted for special account replenishment requests will include:

(a) A standard withdrawal application (Form 1903) for the total amount of eligible project expenditures (not the amount advanced to the lower level PMUs) to be replenished into the Bank’s special account maintained by the central PMU with a copy of the monthly bank statement for that account;

(b) SOE forms (designed for each project at the appraisal stage and included in the disbursement letter) which will provide, at a minimum, the summary/total of category wise expenditures collected from the various decentralized locations as well as from records of expenditures made by the central PMU;

(c) Standard summary sheets (designed for each project and included in the disbursement letter) and supporting documentation for all expenditures above the procurement prior review thresholds; and
(d) A reconciliation statement for the special account in the standard format showing, *inter alia*, the deposits received from the Bank, the amount advanced to each decentralized project location, the date on which each advance was made and the amount awaiting documentation from each of these locations. In addition, the reconciliation statement should identify each lower level PMU which did not account for an advance within the 90-day accounting cycle with an explanation for the delay.

(x) The project representatives at the decentralized locations will be given a maximum of three months to submit their accounting to the central PMU for the utilization of the special account funds received from the center. Their accounting will consist of a copy of the bank statement for the account in which the project funds are held, a progress report showing physical achievements, and, at a minimum, a summary of expenditures by category in SOE format.

(xi) The central PMU will follow up regularly with each decentralized location if proper accounting has not been submitted within the three-month period. No further advances will be made from the center to delinquent locations until proper accounting has been received from them.

(xii) Any amounts withdrawn from the special account and not accounted for within six months will be refunded to the special account.

(xiii) All SOE supporting documents will be retained at the decentralized locations and made available for review by the central PMU staff, the project/government internal audit staff, Bank/donor supervision missions, and the independent auditors as necessary.

**Implementation**

6. The need for adopting the special account 90-day advance procedure should be identified by the task manager and/or disbursement officer at an early stage in the project cycle (i.e. at preparation or appraisal stage) and brought to the attention of the LOA division chief through the Summary of Disbursement Characteristics form. Use of the procedure may be considered for projects which meet the criteria outlined in paragraph 1 above where (i) the use of sub-accounts is not feasible; and (ii) the borrower is unable to provide project entities with adequate working capital to pre-finance the Bank’s (and other donors’) share of expenditures. The disbursement officer responsible for a project that has been identified as suitable for using the 90-day advance procedure will work closely with the concerned task manager and lawyer to ensure that the project SAR, legal agreement and disbursement letter appropriately reflect the procedure. The disbursement officer will also participate closely with the TM in monitoring progress in implementing this procedure and report to the LOA division chief or Technical Committee on areas of concern with suggestions for improvement.