

GUIDANCE NOTE FOR MANAGEMENT OF PROCUREMENT RESPONSIBILITIES IN COMMUNITY-DRIVEN DEVELOPMENT PROJECTS

I. INTRODUCTION

1. Community-driven development (CDD) gives control of decisions and resources to community groups. These groups often work in partnership with demand-responsive support organizations and service providers including elected local governments, the private sector, nongovernmental organizations (NGOs), and central government agencies. CDD is a way to provide social and infrastructure services, to organize economic activity and resource management, to empower poor people, improve governance, and enhance security of the poorest. CDD is relevant across many sectors. The potential for CDD is greatest for goods and services that are small in scale and not complex and that require local cooperation, such as common pool goods (e.g., management of common pasture and surface water irrigation systems), public goods (e.g., local road maintenance), and civil goods (e.g., public advocacy and social monitoring). But not all goods and services are best managed through collective action at the community level. Public goods that span many communities or that require large and complex systems are often better provided by local or central government. Similarly, private goods or toll goods are often better provided using a market-based approach, relying more on individual enterprises than on collective action. CDD can, however, fill gaps where markets are missing or imperfect, or where public institutions or local governments fail to fulfill their mandates.

2. **CDD Fiduciary Challenges.** Management of procurement responsibilities in CDD projects presents special challenges because:

- CDD embraces a range of projects, and CDD projects often have a multiplicity of actors.
- Communities and subprojects are scattered, sometimes in remote locations with poor communications.
- Bank policies and procedures are typically constructed to respond to larger-scale initiatives than those undertaken at the community level. CDD procedures thus need to be tailored to project-specific situations while remaining consistent with Bank procedures.

3. **CDD Fiduciary Principles.** Although the high degree of variation among CDD projects precludes universally applicable rules and procedures, some general principles and working procedures apply:

- Bank policies and Guidelines apply to CDD projects in the same way that they do for any other project; however, their application has to be scaled to the project and the community's capacity.
- The procurement objectives of the Bank Guidelines are efficiency and cost-effectiveness, quality of goods and services, transparency, and competition among qualified suppliers. Procurement procedures developed for larger institutions and do not always mesh well with the CDD environment, especially at the community level

where the transactions may be too frequent and small to warrant the methods (and attendant costs) usually considered to be good practice for larger, less frequent transactions.

- CDD projects should take local culture, norms, and capacity into account. Procedures should be kept simple, with a high degree of transparency and accountability. Many of the decision making and management responsibilities should be delegated to communities.
- CDD aims to empower beneficiary communities. This can only be achieved if they are fully aware of what the project aims to do, its rules, its sanctions, and so on. In relation to procurement, for example, communities need to know the rules and methods for paying local labor, buying materials, and hiring equipment. Communities also need to know how money has been spent and to include methods that promote full local accountability.

4. **Purpose of this Note.** This note clarifies rather than supersedes prevailing Bank rules and guidelines. The note focuses on issues related to CDD project activities at the community level, where the community, or some agency acting on its behalf, undertakes fiduciary responsibilities. It is intended to help Bank staff meet the Bank's fiduciary requirements while building local management capabilities.

II. IMPLEMENTING AND PROCUREMENT CONSIDERATIONS FOR CDD PROJECTS

5. The thrust of a CDD project is the involvement of communities in the formulation, design, and implementation of their subprojects. Typically, a CDD project includes many small, simple subprojects that are geographically dispersed and that are implemented by communities that have various degrees of Community Based Procurement (CBP) expertise. Community based procurement varies in view of the actors involved and assets generated within each project. There are many models seen to be operating in CDD implementation with relation to procurement which include but are not limited to: (i) Family Based Private Asset Generating Procurement undertaken by Self Help Groups (SHGs) and Common Interest Groups (CIGs); (ii) Village Organization Based Force Account Type Procurement as observed in case of Water Users Associations, Poverty Reduction Committees, Agricultural Producer Companies, Village Development Funds, etc.; (iii) Non-Governmental Organization (NGO) Based Procurement Service Agency (PSA) Type Procurement for CDD Implementation; and (iv) Third Party Contracted Procurement which is monitored for progress and quality deliverables by the community. Thus the community based procurement under the different types of CDD projects requires different considerations.

A. Capacity Assessment

6. The Procurement Sector has provided guidelines and format for assessment of procurement capacity¹ available in procuring entities responsible for procurement under World

¹ See "Revised Instruction for Carrying out Assessment of Agency's Capacity Assessment to Implement Procurement; Setting of Prior-Review Thresholds and Procurement Supervision Plan" dated July 2002.

Bank-financed projects which are applicable to CDD projects and other projects that finance many small, lower value contracts. This section provides additional guidance with an emphasis on CDD. The findings of the assessment should be summarized and documented in the PAD, identifying the actions required to be taken to make improvements, including training. Types of procuring entities to be assessed are described below.

- ***Government Agency***

The government as the Borrower of Bank funds assigns the responsibility for implementing the CDD project to a specific agency [referred to herein as a Government agency], which can be a line Ministry, a parastatal organization or a Social Fund. The capacity of the agency is assessed from a national perspective, as it would be expected to carry out any central procurement under the project, often including large and complex ICB contracts. The assessment should be on adequacy of the applicable procurement procedures and staffing. It should also include the adequacy of the agency's role in its oversight responsibility to ensure fiduciary compliance by participating local authorities, NGOs and beneficiary communities. Existing CPAR and/or OECD-DAC guidelines are useful source documents for a broad assessment of the national systems.

- ***Local authorities/governments***

Very often local authorities are delegated project implementation because they are close to beneficiary communities. Local authorities may also be delegated the oversight responsibility to ensure fiduciary compliance by participating beneficiary communities and intermediaries such as NGOs and contracted private sector firms. Care must be taken to ensure that if local authorities are expected to follow central government procurement regulations, there is adequate legislation to allow them do so. The assessment should include analysis on the mandate, responsibilities, and financial capacities of local government authorities.

- ***Intermediaries***

Intermediaries that assist Communities in procurement would include a government entity, a private sector firm, or an NGO. Intermediaries are used where the community does not have adequate capacity to carry-out procurement. The assessment would cover the capacity of the intermediaries, as well as the coordination and accountability mechanisms with the local governments and the communities to guarantee that technical implementation does not suffer from poor procurement management, and vice versa. The intermediary's procurement management system must be robust enough to cope with and report on community's subprojects.

- ***Communities***

It is not possible to assess the capacity of each one of the large number of communities that are to participate in a CDD project. Moreover not all participating communities are identified prior to project effectiveness. The assessment should be based on a sample of communities in order to have a general picture on how communities are organized and carry out their procurement, if any. A rating system on the performance of the community

groups while carrying out fair and transparent procurement processes rooted on universal participation in identifying needs, fairness and openness displayed while carrying out the process and good governance principles in selection and management should be part of the assessment. The Project Operational Manual should define the minimum requirements that a beneficiary community should fulfill before it can be permitted to handle procurement; the assessment should determine whether communities would be able to meet these requirements. The requirements would include the communities' organizational and legal status. Communities that have a defined membership usually have an executive committee that facilitates collective decision making in contracting, while the community's legal status enable the community to enter into contracts and open Bank accounts. The assessment report should identify actions required to strengthen the communities' procurement capacity.

B. Financing Agreements

7. The approval process for community projects includes the need for the community to plan, program, and budget its subprojects. The forms of the plan and budget for subprojects are usually documented in the financing agreement between the beneficiary community and the PMU, and should be quite simple including:

- A comprehensive list of activities, their approximate timing, their estimated costs and sources of financing (including community contributions), and estimated benefits; and
- A listing of responsibilities for each aspect of the subproject before, during, and after implementation.

8. **Appraisal of Community Groups and Subprojects.** The appraisal process in case of CDD projects should include a readiness assessment of the community groups to implement and deliver the project and technical and commercial appraisal of the subprojects. During the preparation, agreements should be reached on mechanisms to ensure universal participation of the targeted beneficiaries, arrangements for horizontal fiduciary assurance like setting up of Social Audit Committees, Citizen Charters, etc.; methods of verification of these measures and the process of capacity building of community groups to implementing the subprojects. In technical and commercial appraisal of subprojects, plans, complete with basic specifications and budget estimates, would be appraised before they are approved for funding approval. These plans should identify the actions needed to complete the subproject, their approximate cost and timing, as well as potential sources of finance and how this will be obtained or provided. This simple procurement planning can help identify which goods, works, and services the community can procure for itself, and which will require additional assistance.

9. **Fiduciary Aspects to Appraisal of Community Groups and Sub Projects.** The subproject appraisal process should include all pertinent fiduciary aspects and the enabling environment that will ensure efficient, fair and transparent community based procurement. For example, does the team designated to manage the process on behalf of the community represent the target beneficiaries as desired by the project plan? Whether the needs identified are strategic and useful for the whole group? Does the group use a Procurement Committee and include a

trained bookkeeper and/or treasurer? If not, who can be quickly trained to undertake these responsibilities and how will this training be given?

10. **Payments for Community Subprojects.** Subproject beneficiary communities should be empowered to carry out their procurement according to project-specific procedures contained in the financing agreement between the PMU and the community that must be consistent with those described in the project operational manual. There are essentially two methods of payment used for community subprojects. The financing agreement should identify the method to be used and once agreed, this method should not be changed for that sub-project during implementation. In a given CDD project, the two methods may be used for different types of subprojects.

- (a) **Payments for Actual Costs Incurred by the Community.** This method should only be applied when (a) the subprojects are few and of large value (e.g., water supply in cities), and are identified during project preparation, or (b) the cost cannot be satisfactorily estimated, but it has been determined that the community has the requisite capacity to implement the appropriate procurement procedures. (The formal procurement procedures associated with this method require a high level of technical knowledge; if the community does not have sufficient capacity, technical assistance from the PMU, a local government agency, an NGO, or a consultant would be a prerequisite). In either case, the community acts like an arm of the PMU when this method is used to finance subprojects. The procurement procedures to be applied should be reviewed to determine their consistency with the Loan Agreement and the project operational manual. Disbursements to the community are made on the basis of eligible expenditures incurred or to be incurred by the community; hence the implementation of such subprojects involves a significant amount of paperwork, expenditure reporting, and fiduciary controls by the PMU.
- (b) **Payments on a Lump-Sum Basis.** This is the preferred method for subprojects that are large in number, small in scope, and technically simple. Most of the subprojects are not identified during project preparation. The PMU agrees on this method of payment on the basis of the following criteria: subproject eligibility, method of implementation, cost estimates, along with a defined outcome or delivery of an end product. The financing agreement is a contract between the PMU and the community, against which disbursements will be made, usually in one or several tranches, and on the basis of physical progress. The review of the subproject will focus on the delivery of the end product described in the financing agreement. This financing method involves direct community participation, and often will include in-kind labor or materials contributed by the community, or subcontracting or procurement of goods and skilled labor. Such subcontracting must comply with the financing agreement, and thus with the procurement procedures and financial management requirements set forth in the project operational manual. Such subprojects are relatively simple to administer, as documentation and reporting is kept to a minimum, and the PMU receives progress and completion reports as well as technical inspection certificates from its staff and from consultants that the PMU hired. Another advantage is that the community has a built-in incentive for economy and efficiency, which allows for

fewer and less onerous process controls by the PMU. This payment method is consistent with the Bank's guidance on output-based aid operations.²

C. Procurement

11. The borrower is responsible for ensuring that project procurement is carried out in accordance with the Loan Agreement and the procurement schedule. The schedule—that is, the procurement procedures acceptable to the Bank, as described in the Project Operational Manual (POM)—defines the project procurement arrangements, including the organization, procedures, and review thresholds at all levels (government, local government and communities). Procedures at the PMU and sub-PMU levels (whether for the purchase of equipment or selection of consultants for centralized tasks, or for purchases of large quantities of imported items that are needed by beneficiary communities) are similar to those of any other project, and follow normal Bank procedures and guidelines.

12. Although international competitive bidding (ICB), national competitive bidding (NCB), and international shopping (IS) may be used by central/local governments and the PMU, they are seldom used by communities under CDD projects. Procurement methods commonly used by the community are highlighted in paragraph 15.

13. **Provision 3.17: “Community Participation in Procurement.”** This provision of the Bank's Procurement Guidelines³ has been specifically designed to address procurement in CDD projects. It stipulates that procedures, specifications and contract packaging shall be “suitably adapted” to reflect the conditions and capacity of the community, provided they are “efficient and acceptable to the Bank.” This provision allows flexibility in defining acceptable procedures at the community level. As a general rule, procurement should be designed to:

- Be simple enough as to be understood and implemented by local staff and the community;
- Be sufficiently transparent to permit real competition among suppliers and to facilitate control in the selection of contractors and use of funds;
- Use simple, standardized documentation; and
- Balance risk versus control/management with efficiency considerations.

14. **Community Procurement Challenges.** Many community-level expenditures will be payments of local wages or for the purchase of materials. Under the lump-sum payment procedure, the valuation of these goods, labor, or services is predetermined, usually based on a database that reflects local market prices, and funds are included in the fixed-amount provided for the subproject. This enables a community representative (for instance, the implementation team treasurer) to make payments to individuals in the same community for goods or services. The actual amount paid becomes the decision of the community and can produce efficiencies and savings for the community, allowing the saved funds to be applied against expenditures eligible under the project.

² See “Procurement Issues in Structuring Output-Based Aid (OBA) Operations Financed by the World Bank: Guidance Note for Procurement Staff” dated April 11, 2008.

³ See “Guidelines: Procurement under IBRD Loans and IDA Credits, May 2004”, paragraph 3.17.

15. **Procurement Procedures.** The procurement procedures to be described in the appendix to the financing agreement should be simplified selective tender procedures for works, shopping for goods and direct contracts. As a matter of principle, procurement of small contracts falling below the project's NCB threshold would follow the methods described below. It is important to assess whether communities, especially registered ones, are governed by procurement legal and regulatory framework of the borrower and required to follow certain procurement procedures, and how that fits with the procedures and thresholds proposed under the Project Operational Manual (POM). If national/local regulations are unsuitable, it is necessary to reach an agreement with the Borrower to follow POM procedures. Communities typically use the following four methods of procurement that are derived from the Procurement Guidelines and are consistent with the provision 3.17 of said Guidelines. These procedures are detailed in the Project Operational Manual.

(1) *Shopping for Goods*

Under this procedure, quotations are solicited from at least three qualified suppliers on basis of simplified documents. In order to enhance efficiency and remove the inherent risk of compromise, communities are advised to ensure that request for and submission of quotations should be in writing. Quotations should be opened at the same time and to the extent possible in the presence of community members. As a general rule, the supplier who offers the lowest price should be awarded the contract.

(2) *Shopping for works*

Just like in the case of shopping for goods, quotations are obtained from at least three contractors who are invited to submit quotations on basis of simplified quotation forms. The forms describe the scope of the works, detail specifications and where possible include drawings. Quotations should be opened at the same time and to the extent possible in the presence of community members. As a general rule, the contractor who offers the lowest price should be awarded the contract.

(3) *Local Bidding for goods and works*

Communities are often interested in open competition in order to enhance economy, perception of fairness and equal opportunity to suppliers and contractors. Open tendering procedures should be limited to local advertising using such media as local newspaper or radio, posting notices at strategic places, circulating such notices or reading them out in community meetings or other public gatherings. Essentially this is like NCB except it is not mandatory to advertise in a newspaper of national circulation and bidding documents are simpler. Target suppliers and contractors are often those within the vicinity of the beneficiary community.

The request for bids spells out the works or goods required, the criteria for selection, and the deadline for submission of bids. Bids are opened in a public ceremony. The bids are evaluated by a committee appointed by the community. Bids are examined to determine whether they meet the minimum specifications mentioned in the bidding documents (experience, quality of works, equipment, services offered, and delivery dates). Bids that meet the minimum requirements specified in the bid invitation are retained for further

evaluation and the bidder who meets the minimum requirements and offers the lowest bid is selected. The award and amount of the contract should be announced to all bidders. A contract should be signed within five days of the announcement.

(4) *Direct Contracting/Off the shelf purchases*

Direct contracting enables a supplier or a contractor to be chosen without applying the competitive methods described above. This method is used when there is only one source available. Other justifications for direct contracting include urgency, the need to adopt certain technology or a repeat order. To the extent possible, the contract price agreed upon should be within local market rates or established estimates as shown in a Unit Cost Database.⁴ Direct contracting should require approval of the community committee in order to remove the inherent risk of failure to justify the use of the method.

(5) *Community Force Account*

Under a community force account, the community implements the subproject using its own resources (skilled and unskilled labor, materials, equipment), and may subcontract part of the subproject. This approach offers several advantages. It is community driven and cost effective (inputs can be provided by the community at below-market costs), and it injects funds into the community (e.g., through the payment of wages and materials). Its major drawbacks are the potential for abuse (misallocation of funds) and the difficulty of estimating and controlling costs.

16. **Consultant Guidelines.** Communities may need assistance in preparing and implementing their subprojects. Such assistance is usually provided by consultants (individuals or firms) or NGOs. The Bank's Consultant Guidelines apply to both individuals and firms. The three pillars of the selection process are competence, transparency of the process, and simplicity of the process. Suitable and efficient selection processes should be designed keeping these principles in mind. It may be useful for the PMU to prepare a roster of qualified consultants and NGOs, and even to enter into indefinite delivery contracts with them; communities can then contact the consultant or NGO of their choice from such lists.

17. **Prior Review Thresholds.** Prior-review thresholds should be set at levels commensurate with the assessed risk and expected contract amounts or lump-sum financing agreement, and should aim at reviewing only the larger contracts. Such thresholds are normally established following the completion of the capacity assessment of the implementing agencies undertaken as part of project preparation.

18. **Post Review for CDD Projects.** Guidance on procurement post review was updated in 2009. The updated guidance note⁵ states that procurement post review under Community Driven Development cannot be handled following standard post review procedures as set forth in the

⁴ Many projects use a Unit Cost Database (UCD) to help create reasonable cost estimates and obtain value for money. These databases are maintained by the PMU or sub-PMU. The UCDs should be kept updated and valid and can be useful for communities in the preparation of proposals and in assessing whether a specific supplier is offering a "fair" price.

⁵ See paragraph 11, "Guidance Note: Procurement Post Review and Independent Procurement Reviews: Processes and Procedures", July 2009.

note. In order to maintain fiduciary oversight on such projects, the note recommends that post review consist of reviewing technical, financial and procurement reports carried out by the Borrower's executing agencies and/or consultants selected and hired under the Bank project according to procedures acceptable to the Bank. The Bank staff conducting the review summarizes the findings of such reports in a separate report which is filed in the post review system and shared with the TTL and the RPM. The Bank recently posted a draft OP 11.00⁶ that contains the policy for handling of procurement post review for projects with many, highly decentralized and small contracts such as those found under CDD which sets the Bank's policy of relying on reporting and monitoring done through communities, local government entities or contracted entities such as NGOs or consultants in lieu of conducting traditional post review. This policy states that procedures under CDD should be simplified but must meet the Bank's principles of economy, efficiency, transparency and fair competition. The Bank's supervision of such projects may consist of reviewing reports of procurement post review carried out by the Borrower according to procedures acceptable to the Bank and should be done in addition to technical and financial reviews or audits.

Box 1: Example of Post Review

Post Review. In Indonesia, a sample of 2% of subprojects approved under a CDD type project is selected for specific post review. The selected subprojects and the communities are reviewed to determine if the provisions of the POM are being implemented with regard to procurement and whether the various internal mechanisms within the community's internal control system as determined in the POM and the Financing Agreement are being practiced. Post review should determine if community meetings are being held and whether prices for specific contracts under the subproject are being announced at the community meetings. Monitoring reports prepared by the community are inputs used by the Bank to ensure that post review is being undertaken appropriately on those subprojects where the Bank is unable to conduct its own post review.

D. Risks and Internal Controls: Implementing Governance and Anticorruption Initiatives in CDD Projects

19. As in every project, a good system of internal controls is indispensable for the proper fiduciary management of CDD and to minimize the risk associated with corruption. The internal controls and audits at the PMU and sub-PMU levels follow normal fiduciary procedures. It is at the community level that special measures are necessary, as outlined in the following paragraphs.

20. **Risk Factors.** Risk factors that need to be addressed include:

- The large number of parties and transactions involved, the small value and multiplicity of contracts, and the scattered locations of the subprojects that render problematical ex-ante controls across all individual sub-projects;
- Disbursement to the beneficiaries' bank accounts or to regional/subregional accounts is based on progress reports while the supporting documents are best kept at the level where the expenses are incurred;
- Community groups may lack the necessary capacity;
- Community representatives may not be truly representative of the community (i.e., elite capture of institutions and political interference).

⁶ See paragraph 26, "OP 11.00 – Procurement (draft)" posted August 2009.

21. **Mitigating Risks.** Task teams should ensure that the risks associated with CDD projects are mitigated by clear transparency rules and other methods for empowering and training communities to exercise fiduciary control over their leaders, as well as by suitable internal control procedures. The mitigation system should be simple but effective. Key controls points to consider include:

- no individual should be able to initiate, authorize, execute, or record a transaction without the active involvement of someone else (for example, all withdrawals and transactions should be witnessed and countersigned);
- risks of loss, leakage, fraud, inaccuracy, or mistake should be identified at all levels, carefully assessed, and measures put in place to eliminate or minimize them;
- measures should normally not cost more than the possible loss that could result from their absence;
- the measures should not unduly slow the flow of funds or project implementation;
- fiduciary management supervision at the community level should be integrated with monitoring and evaluation to ensure a close link between technical/progress reporting and financial reporting, as a way to support the validity of the expenditures;
- accountability should be built into the local governance system and at the community level using the many accountability mechanisms already being piloted in a large number of projects (participation, public announcement of community activities and funds received and spent, use of local languages for all community records and their communication to the next higher level, election of subproject management committees, putting all information into the public domain in open meetings and posting salient information in public places in the most common local language(s)—even in communities where illiteracy levels are high); and
- Internal audits/ex-post audits of community organizations should be encouraged.

22. **Community Involvement.** Successful internal control and financial management of a CDD project require that beneficiaries and other stakeholders be kept well informed at all times and at all levels about their entitlements, rights, obligations, and the project's costs and benefits. This information should be provided in a manner understandable to all interested parties. Where any of the beneficiaries are illiterate, it may even have to be presented in pictures or other appropriate media. It is also good practice that summaries of local project expenditures and procurement information be posted in a public place (for example, outside of a village hall or meeting place), since this literally places the information in the public domain.

23. **Internal Audits.** Internal audit by central government, local government, or simply by trained members of the community should also be encouraged as an integral part of the internal control system.

24. **Ex-Post Audit.** A simple, inexpensive internal ex-post audit of community subprojects designed to confirm that funds have been spent on the intended purpose and that the community has received value for money can be a valuable addition to the quality and internal control framework. This can be one of the most effective ways of minimizing risk of fraud and corruption or of detecting poor practices that enable fraud and corruption to occur. This ex-post audit is often linked to the overall monitoring and evaluation of the community subproject.

E. Supporting Documents

25. **Project Operational Manual.** A Project Operational Manual [POM] is prepared by the PMU and must be cleared by the Bank. The assigned procurement specialist/procurement accredited staff (PS/PAS) should ensure that the POM contains the following supporting documents related to the handling of procurement:

- (a) Sample formats for submitting subproject proposals. The subproject proposal should identify the items [including cost estimates] that would be financed under the subproject. The format should require communities submitting subproject proposals to describe the procurement management arrangements that would be applicable at the community level;
- (b) A format for a simplified procurement plan for procurement under subprojects;
- (c) An appendix describing the procurement procedures should be attached to the agreement. The procedures would be followed for procurement under the subproject. In cases where the community subproject involves large contracts, e.g. a small town water supply, reconstruction of a school, the procedures described in the legal agreement would apply. In such cases, the POM would provide guidance on the technical assistance required to assist communities process such contracts;
- (d) Simplified bid documents and forms of agreements for works, goods and services that would be used by communities;
- (e) A Draft Financing Agreement to be signed between communities and the Project management, Social Fund or a central government agency. The agreement describes the obligations of the community and conditions for use of project funds;
- (f) A sample contract form to sign between the community and intermediaries; this agreement is a simplified form for provision of services; and
- (g) A format for reporting on procurement progress; the POM should define minimum procurement reporting requirements. If the community has a reporting format that satisfies these conditions, it should be maintained; otherwise, a new format should be proposed.

26. **Monitoring Agent.** Procurement implementation arrangements under CDD should provide for a monitoring agent for ensuring that contracts under subprojects are procured in accordance with the agreed procedures and payments are made for performed contracts. One option is to have local government or a frontline government agency provide this service. Increasingly, using representatives from the community itself is seen as a good option. Another option is to have an umbrella NGO carry out this function. In each case the objective is to monitor the activities of the communities on a regular basis and take corrective action in a timely manner. The following box provides a good practice example.

Box 2: Example of Community-based Monitoring

Urban Poverty Project (UPP), Indonesia. The community representatives are elected on the basic criteria of honesty and commitment. They are not paid, so they do not make a business out of performing their service. These elected representatives are responsible to oversee the implementation of the subprojects. In support of their monitoring, they have access to a simple management information system (MIS) to track all contracts and expenses. The MIS system is maintained by local government, but serves as a tool for the community and for monitoring. The system also includes a basic complaints monitoring system as well. Data can be entered into the MIS using any internet connection. Reports are prepared and available for the Bank to review.

27. **Annual Procurement Audits.** The POM should provide for annual procurement audits so that issues raised in the audits will be corrected in follow-up procurement activities. The audit of procurement under subprojects should follow the arrangements described in the guidelines established for the project's overall procurement audit.