

Revised Instruction for Carrying out Assessment of Agency's Capacity Assessment to Implement Procurement; Setting of Prior-Review Thresholds and Procurement Supervision Plan

Introduction

1. Carrying out procurement efficiently under Bank-financed projects is critical to good project implementation, to the attainment of the objectives of the projects and to their sustainability. Equally, the Bank, as part of its developmental role, is interested in strengthening the capacity of its borrowers to administer procurement in an effective and transparent way as part of sound governance and good project management. In this context, project teams are required as an integral part of project preparation and appraisal, to make an assessment of the capacity of the project implementing agency or project implementation unit to administer procurement.¹ This more general procurement capacity assessment (not necessarily for Bank-financed procurement) is of paramount importance in programmatic approaches, including joint assessments with other donors. For specific details on SWAp, see Annex B of the Fiduciary Arrangements for Sectorwide Approaches (SWAp). The objectives of the capacity assessment are to:

- (a) evaluate the capability of the implementing agency and the adequacy of procurement and related systems in place, to administer procurementⁱⁱ in general (especially in the case of SWAp) and Bank-financed procurement in particular;
- (b) assess the risks (institutional, political, organizational, procedural, etc.) that may negatively affect the ability of the agency to carry out the procurement process;
- (c) develop an action plan to be implemented as part of the project, as necessary, to address the deficiencies detected by the capacity analysis and to minimize the risks identified by the risk analysis; and
- (d) propose a suitable Bank procurement supervision plan for the project considering the relative strengths, weaknesses and risks revealed by the assessment.

Preparation of the Capacity Assessment

2. The capacity assessment should be carried out as part of the project preparation and it should be carried out by a Procurement Specialist (PS) or a Procurement Accredited Staff (PAS) assigned to the project at PCD stage. The aim is to have the assessment and the agreed action plan finalized at the time of appraisal. The nature of the project would determine the specific areas that require more in-depth analysis at capacity assessment. For instance, a SWAp assessment would address sectoral issues, as well issues raised in individual capacity assessments carried out for projects in that sector. On the other hand, the capacity assessment for a Learning and Innovation operation would be simplified. The Regional Procurement Adviser (RPA) can advise on the extent and scope of an assessment. The assessment and development of the action plan should be carried out with the full participation of the borrower and of the implementing agency to ensure ownership of the proposed actions. The actions proposed in the plan should be incorporated as project components and funded through the loan/credit as needed. The analysis may detect critical deficiencies that need to be addressed before project launch (i.e.,

setting up of a procurement unit or preparation of critical bidding or contracting documentation). In the event that the implementing agency cannot finance these activities, the project team should discuss and agree with the borrower alternative financing sources (i.e. a PPF, retroactive financing of these activities, etc.). For projects involving several implementing agencies, the project team should assess the capacity of the agency nominated as the lead or coordinator for the project, and all those having a major role in procurement administration for the project, or a representative sample of agencies if all play a similar role. This assessment, as in the case of a single agency, will be the basis for designing the capacity strengthening and procurement supervision plans.

3. The PS or PAS assigned to the project is primarily responsible for carrying out and coordination of the assessment. Those aspects of the assessment that deal with the controls in place (financial and administrative), should be carried out with the help of the disbursement or financial management specialist (FMS) assigned to the project. This approach is necessary due to the specialized nature of assessing financial controls and because an assessment is also required for Financial Management purposes. The Legal Department should be involved as necessary in relation to any issues related to legal aspects of the procurement.

Scope of the Review

4. The capacity review includes an assessment of the capacity of the agency to carry out the different phases of procurement. The assessment should look into the organizational aspects, skills of the staff, quality and adequacy of supporting and control systems, and suitability of the laws, rules and regulations applicable to the agency. Appendix 1 to this memorandum provides a checklist in the form of suggested questions to help in the preparation of the assessment. The purpose of this list is to guide the assessment and there is no need to answer those questions or to request that the implementing agency answer them – this questionnaire is not mandatory. The list is provided as a guide for the assessment and should be applied flexibly depending on each case. For example, for *new borrowers or implementing agencies* it may be necessary to go over the entire range of items listed in Appendix 1. However, if the borrower being assessed is well known to the Bank, much of the information listed in Appendix 1 is likely to be available in the Bank and the majority of the assessment can be done without consultation, leaving only critical parts of the assessment to be updated or carried out in the field, if necessary. Again, the RPA may help in determining the scope of the assessment. Equally, if there is an up-to-date CPAR, that report should have addressed several of the questions in the questionnaire. Typically, the assessment includes a review of the following aspects:

(a) *Legal Aspects and Procurement Practices.* This aspect of the review should consist of (a) a quick verification to ensure that the applicable procurement laws and regulations will enable the institution to carry out acceptable procurement; and (b) an assessment of the quality of internal procurement practices of the implementing agency or agencies and their conformity with procurement practices acceptable to the Bank. The latest Country Procurement Assessment Review (CPAR) should be consulted for relevant information in regard to general country rules and environment that may be relevant to the project. Specific items to look into are:

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- (i) Legal corporate status of the agency (government department, government autonomous agency, commercial enterprise, etc. - ownership)
- (ii) Laws and regulations applicable to the agency and any exceptions to the law that need to be included in the Loan Agreement
- (iii) Acceptability of rules and procedures for National Competitive Bidding (NCB)ⁱⁱⁱ and other procurement methods
- (iv) Existing internal procurement procedures, regulations or procurement manuals for clarity, consistency and predictability

(b) **Procurement Cycle Management.** This item includes a review of the general quality and timeliness with which the agency or institution handles each phase of the procurement cycle. The key elements are:

- (i) Procurement planning
- (ii) Preparation of bidding documents
- (iii) Management of bidding process from advertisement to bid opening
- (iv) Bid evaluation
- (v) Contract award
- (vi) Preparation and signing of contract
- (vii) Contract management during implementation, including dispute resolution methods
- (viii) General handling of procurement cycle (duration, actors, reviews, etc.,)

(c) **Organization and Functions.** This is a review of the organizational structure of the procurement unit, how responsibilities are allocated, its reporting relationships, its decision-making authority and whether it has the capacity to handle the proposed procurement plan for the project in addition to its other routine duties if any. Specific items to review are:

- (i) Organization of procurement unit and allocation of functions
- (ii) Internal procedural manuals and instructions and historical compliance

(d) **Support and Control Systems.** This item deals with services and control mechanisms that provide checks and balances in the system. The independence and credibility of procurement audits and the quality of internal controls are critical to the reliability of the system. Specific items to be considered are:

- (i) Procurement oversight and Auditing
- (ii) Internal technical and administrative controls
- (iii) Code of professional behavior and ethics
- (iv) Special anticorruption initiatives

(e) **Record-keeping.** The team should take particular note of the availability, quality, security and completeness of procurement records and files. In addition to overall data on

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numbers, types, values and dates of contracts awarded and names of awardees, procuring organizations should maintain for all contracts, a record which includes, inter alia:

- (i) public notices of bidding opportunities
- (ii) bidding documents and addenda
- (iii) bid opening information
- (iv) bid evaluation reports
- (v) formal appeals by bidders and outcomes
- (vi) signed contract documents and addenda and amendments
- (vii) records on claims and dispute resolutions
- (viii) records of time taken to complete key steps in the process
- (ix) comprehensive disbursement data (as required by the country's financial management system)

The absence of or significant deficiencies in such records should be reported in the assessment findings and addressed in the recommended action program.^{iv} The team should also determine to what extent effective procurement monitoring systems are in use and, if sufficient data exists, it should identify steps in the procurement process where inefficiencies seem to exist and recommend ways bottlenecks might be eliminated.

(f) **Staffing.** The quality and quantity of the staff the unit are essential to good procurement administration. The assessment should determine in general whether sufficient qualified staff are available to carry out the normal procurement tasks assigned to them. There should be a determination whether the existing staff have relevant knowledge of the disciplines and the capacity required for carrying out the proposed procurement plan under the project. Otherwise, the assessment should define the assistance required in the form of training additional staff or consultants or procurement agents, and include an estimate of the scope, duration and cost of these services and additional resources.

(g) **General Procurement Environment.** It is also necessary to examine the actual performance of the procurement unit as evidenced by whether timely decisions are taken, how often contract award decisions are protested or overturned, whether adequate records are maintained and similar indicators, and to try to identify the underlying causes for any areas of bad performance. Poor procurement quality often results from underlying factors inherent in the society or in the organization carrying out procurement. Such factors include:

- (i) the degree to which high levels in the government promote a culture of accountability
- (ii) the reputation of the procurement entities/personnel
- (iii) the salary structure of procurement staff versus comparable salaries in the private sector
- (iv) the degree to which the procurement unit and the institution are free from political or other interference
- (v) the existence of capable procurement staff

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- (vi) the presence of clear written standards, procedures and delegations of authority and responsibility
- (vii) the soundness of the agency's budgetary and financial management systems, etc.

(h) ***Private Sector Viewpoint.*** An important part of assessment is the views of private firms dealing with the agency on how the written regulations and procedures are applied in practice. In this respect the team conducting the assessment should contact private firms, as appropriate, to find out their views on aspects such as:

- (i) the general efficiency and predictability of the system
- (ii) the transparency of the procurement process
- (iii) the quality of contract management
- (iv) the general reputation of the agency as free of corruption or otherwise

Risk Assessment

5. A key aspect of the assessment is the analysis of risks in the procurement process. This analysis should include the risks in all areas covered by the assessment and is closely related to the transparency and predictability of the agency's implementation of the procurement process. The review should look at the record of the institution in handling procurement in general and Bank-financed procurement in particular. The CPAR, which addresses the general risk environment in the country may be of guidance. Of particular relevance is the consistency of application of the written rules and procedures in practice. A key input in this review is the opinion and perception of private sector parties, especially consultants, suppliers and contractors working for the agency, both national and foreign. Key actors in the private sector business community dealing with the institution should be interviewed as part of the risk assessment. This assessment should culminate with a rating of the procurement risks as **high**, **average**, or **low** and is key in the determination of the supervision approach to be recommended. Appendix 2 provides a form to be used as a working tool to evaluate the risk in each of the findings of the review and to facilitate the overall assessment of risk.

6. The risk assessment requires considerable professional judgment and there are no precise instructions or steps leading to a clear cut overall assessment. Moreover, different institutions may present weaknesses in the same areas but with varying degrees of severity. In general, an institution showing severe deficiencies in key areas covered by the assessment should fall into the high risk category, and one showing satisfactory ratings in most of them should be in the average risk zone. Only those showing good or better ratings in all areas should be rated as low risk.

Action Plan to Build Agency's Capacity

7. The analysis described in the earlier paragraphs should identify the actions to be taken and the associated timetable to improve the long-term capacity of the agency to administer procurement. Actions may cover matters such as exceptions to local law in the loan agreement, processes, staffing, organization, training, record keeping, auditing, etc. Those that are essential for project

implementation should be in place before procurement starts. Others may be implemented during the life of the project. The timetable proposed should therefore reflect these priorities. The plan should be developed in detail, including TORs for any consulting assignments and cost estimates. The detailed plan should be part of the project implementation documentation and should be agreed to with the borrower during negotiations as a project component.

Setting of Prior Review Thresholds and Supervision Plan

8. The intensity and nature of the supervision of procurement is linked to the capacity of the institution through the setting of prior-review thresholds and the extent and depth of the post-reviews and audits to be carried out. The supervision plan is also determined by the nature of the project (whether it is a project involving a few large contracts or many small or medium-sized ones or whether it is implemented centrally or in a decentralized way). The ability of the agency to finance a contract itself if the Bank needs to declare misprocurement and cancel part of the loan, is another factor to consider. Finally, the assessment of the procurement risks (see para. 5) should be a key factor in deciding on the supervision plan (as per para. 10, below).

9. Agencies assessed in the **high risk** category should not have prior-review thresholds for procurement of goods above \$ 250,000, \$ 500,000 for works, \$100,000 for consulting services with firms and \$50,000 with individual consultants; agencies with **average risk** should not have thresholds exceeding \$500,000 for goods, \$5 million for works, \$ 350,000 for consulting services with firms and \$100,000 with individual consultants; and, those in the **low-risk** segment should not have the thresholds exceeding \$ 1,000,000 for goods, \$10 million for works, \$750,000 for consulting services with firms and \$200,000 with individual consultants. In all cases of single-source selection (contracts with firms or with individual consultants) the Bank should give the "no objection" to the proposed assignment. For loans through financial intermediaries, the prior review should cover all contracts awarded under ICB as a minimum. These thresholds are ceilings not to be exceeded without prior OPCPR clearance, but RPAs may decide to set lower thresholds for example in cases of very high risk agencies or countries, when the project requires intensive review or when the agency's capacity is only marginally into one of the medium- or low-risk categories. The long-term objective is to strengthen the capacity of all agencies to move them gradually into the low risk category. The legal agreements may include, if appropriate, the possibility of a gradual raising of the threshold as the agency meets specific milestones of the strengthening program as an incentive. The agreements should also include the possibility for the Bank to reduce the threshold, increase the intensity of post-reviews and/or launch an in-depth procurement review or audit, if the capacity of the agency deteriorates or if a pattern of problems emerges from its performance or from the results of post-reviews.

10. The supervision plan should include a recommendation on the frequency of post-review missions. The number of those post reviews should be related to the capacity of the implementing agency, but should not in any case be less than every six months in high-risk agencies, every twelve months for average-risk agencies and every eighteen months for low-risk agencies. This should be supplemented by an appropriate independent post review depending on the factors mentioned in para. 8.

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11. The size of the sample for post-review should consider factors similar to those mentioned in para. 8. Generally not less than 1 in 5 contracts should be reviewed for high risk agencies, 1 in 10 for average risk and 1 in 20 for low risk ones. As in the case of prior review, the ratio may be adjusted during project implementation depending on the performance of the agency and the results of the reviews. The procurement supervision plan should recommend that independent post reviews of procurement be carried out, if appropriate, giving the number and scope of such reviews, and propose whether the supervision plan should include special missions for procurement supervision at critical points of project implementation.

12. The procurement specialist may discuss the assessment and the proposed supervision plan with the RPA, as needed during preparation, to ensure consistency throughout the region. The RPA clear the plan as part of the clearance of the final project package before negotiations.

13. Follow-up actions: When the capacity assessment recommends actions to be implemented to improve the PIU procurement capacity as part of the project implementation, it is recommended that follow-up of its implementation be included in the supervision plan. This follow-up should result in stronger supervision at the beginning of project implementation, with verification of initial compliance during the project-launch mission and an immediate verification not later than six months after project start.

Capacity Assessment Report

14. For keeping records of the conclusions and recommendations of the assessment, the procurement specialist prepares a summary report and submits to the RPA for clearance. The report should contain the proposed supervision plan (including the thresholds for prior review and frequency of post-review missions). This summary report is the sole report required (it is not necessary to complete Attachments 1 and 2 of this memorandum). The report should contain as minimum:

- Analysis of PIU procurement capacity and specific risks, on: (i) organization; (ii) facilities and support capacity; (iii) staffing; (iv) professional experience; (v) record-keeping and filing system; (vi) procurement planning and monitoring/control systems used; and (vii) capacity to meet the Bank's procurement reporting requirements;
- Recommendations on how to address the risks identified, particularly on the need of additional capacity, staffing, training, support by consultants, and improvements required in facilities, organization, record-keeping, reporting, and planning and monitoring;
- Overall risk assessment and recommendation on prior-review threshold levels and Proposed frequency of procurement post-review missions or the use of independent post review of procurement.

Assessment of Agency's Capacity to Implement Procurement

Top of Form

A1 - GENERAL FEATURES
1. What is the legal corporate status of this agency? (i.e. a government department, a state corporation, a parastatal enterprise? Who are the owners? Do the national laws and regulations apply to this agency? In this case refer to existing CPAR for analysis of the legal system.
2. If not, does the agency have its own regulations? Describe.
3. Is the system clear, comprehensive and consistent? Does it cover all essential aspects with no unduly complicated, unnecessary, conflicting or outdated regulations and are rules found in various distinct sources or within a well coordinated legal framework?
4. Is the hierarchy of the sources of procurement rules well established?
5. Does the system allow/facilitate the introduction of new and innovative techniques and contracting practices without compromising basic principles?
6. Are there rules/procedures regarding bidder suspension and debarment?
18. Are there primary/secondary boycotts? (Specify)
7. Are there procedures for the settlement of contractual disputes? Describe.
A2 - BASIS OF TRANSPARENCY
1. Is there a legal or regulatory requirement for public disclosure of procurement legal texts?
2. Are there mandatory requirements for maintaining written records of procurement? Are they available to the general public?
3. Are requirements for advertisement of contracting opportunities adequate? Is the country's national gazette published in a timely fashion? Is it available to the general public?
4. Are requirements regarding public bid opening, if any, appropriate?
5. Are negotiations after bid opening or award selection generally forbidden?
6. Do rules on negotiated procurement, if any, provide the basis for a fair and transparent process? Detail.
7. Are conditions for use of various procurement methods clearly established and is there an explicit requirement that open competitive bidding is the preferred or default method?
8. Is there a requirement for public notice of contract awards?

9. Are requirements for bid and contract securities clear and appropriate? Are they required of all bidders?

10. Are qualification requirements for bidders, if any, fair and appropriate for the purpose of the contract?

11. Do requirements for bid examination and evaluation provide the basis for a rational and fair process?

12. Are summaries of information about public procurement published (e.g. number of bids received, number of contracts awarded, names of successful bidders)? If so, describe scope and frequency.

13. Does agency hold regular meetings with the business community to discuss procurement issues?

14. Is there a conflict of interest policy in effect? (If so, describe its essential features)

15. Are there the laws on bribery of officials enforced? Do government bidding documents and contracts contain anti-bribery and anti-corruption conditions

16. What opportunities are there for discretionary decisions by government officials in the procurement process and preparation of documents?

A3 - BASIS OF ACCOUNTABILITY OF PROCUREMENT OFFICIALS

1. Are agency employees expected to follow a published code of ethics? If so, describe its basic features?

2. How easy is it for bidders to report bribes by others and solicitation/extortion of bribes by procurement officials?

3. Do bidders have adequate access to administrative or judicial review/appeal ?

4. Are there measures/initiatives to curb/control corruption , e.g. anti-corruption statutes and/or bodies, whistle- blower statutes, comprehensive reforms of the civil service/judiciary, regional initiatives, provisions in the criminal law, anti-bribery provisions, etc.? (If so, describe)

B - Procurement Cycle Management

B1 - PROCUREMENT PLANNING

1. Are procurement plans prepared ahead of time as a norm?

2. Are these plans detailed enough and realistic compared with past history?

3. Do plans properly consider technical, financial, managerial and implementation constraints?
4. Does the agency have specialized staff for procurement planning and scheduling?
5. Are project implementation units adequately staffed with trained procurement, planning, scheduling, expediting and cost estimating personnel?
6. Is overall planning for complex goods, works and other contracts done in sufficient detail to produce realistic project definition, achievable completion schedules and accurate cost estimates?
7. Is the early technical and financial planning well coordinated so that projects are fully funded when work needs to begin, based on accurate cost estimates?
8. Are appropriate methodologies used to plan multiple inter-related procurement activities on large projects (e.g. the critical path method)?
9. Are project components appropriately packaged for procurement purposes?
10. Are completion schedules generally met for goods, works and consultant services contracts? If not, what is the major cause for slippage? Is sufficient time generally allowed for external reviews/clearances?
11. Do procurement units regularly conduct market surveys to update their knowledge of prevailing prices for goods, works and services?
12. Are procedures and methodologies for planning procurement of recurrent items (i.e. inventory control, forecasting of future requirements, classification, coding, accounting/financial management, spare parts management, and delivery systems) adequate?
13. In the case of Bank-financed projects, is the agreed procurement plan generally adhered to?
B2 - PROCUREMENT CYCLE
1. Is the duration of different phases acceptable?
2. Who has to intervene and approve different steps and what is the value added by each intervention? Are there any opportunities for simplification, collapsing or eliminating steps? Establish a typical procurement cycle from bid advertisement to award.
B3 - BIDDING DOCUMENTS
1. Does the agency have capable staff for preparation of bidding documents?
2. Is it familiar with Bank procurement policies and Guidelines and with the SBDs to be used in this project?

3. What is the general quality of documentation produced by the agency? Identify improvements needed.
4. General quality of technical specifications and drawings, clarity, neutrality, accuracy (including schedules of requirements) and availability or access to qualified staff or professional services in this area.
5. Do standard documents exist for goods, works and consultants contract? List. Are other international contract formats used? If so, identify
6. Are these documents, if any, readily adaptable to specific contract situations (i.e. by modifications made through a Bid Data Sheet, Special Conditions of Contract or similar)?
7. Are there separate documents for international and national competitive bidding not financed by the Bank?
8. Do Instructions to Bidders (ITBs) contain all information necessary to prepare responsive bids and clearly understand evaluation criteria and their method of application?
9. Do they contain other necessary information, such as eligibility requirements, basis of bid, language and currency of bids, common currency for purposes of evaluation, source and date of the exchange rate, etc.? Are sample forms and other appropriate sections of the documents provided?
10. Are bidders required to provide bid security in an appropriate amount as a condition of responsiveness of their bid?
11. Is pre- or post-qualification provided for?
12. Are qualification criteria appropriate and clearly described?
13. Are conditions of contract generally equitable? Do they provide adequate coverage for most important commercial and legal issues (for the method of procurement, size, nature and type of contract used) and provide adequate protection to the Government, without putting undue risk on bidders?
14. Can appropriate provisions for price adjustment be introduced, if needed, and is an adequate system available for indexing the prices of basic contractual inputs (labor, materials, equipment usage)?
15. Are standard purchase orders used for shopping?
B4 - PRE-QUALIFICATION
1. Is pre-qualification carried out when appropriate? What types of contracts is it used for? Works? Goods? Consultants? Other?

2. Is the pre-qualification process fair and transparent? Are decisions made promptly? Are foreign firms allowed to apply?

3. Do pre-qualification documents clearly and completely describe all requisites for submitting responsive applications and the qualification requirements? Is financial information required and critically analyzed to assess financial capabilities to perform contracts?

4. Do procuring entities verify prior to contract award if a successful bidder continues to meet pre-qualification requirements?

5. Are suppliers required to have a local agent in order to qualify to bid for goods or services?

6. Do procuring entities maintain updated lists of qualified suppliers, contractors and consultants, and updated market information on commonly procured goods, including spares and consumables? Is supplier, contractor and consultant performance routinely evaluated? Can newcomers readily apply and be qualified?

B5 - ADVERTISEMENT

1. Are contracts to be awarded by competitive bidding publicly advertised?

2. Is sufficient time allowed to obtain documents and prepare bids?

3. What is the track record of the agency on publishing/updating General Procurement and Specific Procurement Notices?

B6 - COMMUNICATIONS BETWEEN BIDDERS AND THE PROCURING AGENCY

1. Are requests for clarifications answered promptly and completely in a written form?

2. Are clarifications, minutes of the pre-bid conference, if any, and modifications of the documents promptly communicated to all prospective bidders?

3. Are bidders afforded sufficient time to revise their bids following a modification of the documents?

4. Do procuring entities maintain accurate records of all communications with the bidders (before and after the deadline for submission)?

5. Are there communications between the procuring entities and the bidders, other than appropriate requests for clarification of a bid made by the evaluating committee?

B7 - RECEIPT OF BIDS AND OPENING

1. Are bids received prior to the deadline securely stored? Where? Who has access?

2. Are public bid openings conducted?

3. If so, are they conducted at a specified place closely following the deadline for submission? Generally how long after are they scheduled? Who is invited to attend?
4. Do bid opening procedures generally follow those specified in the Guidelines? What information is read out at the opening ceremony? Are minutes kept?
5. Do bid opening procedures differ for goods, works or consultants contracts? If so, how?
B8 - BID EXAMINATION AND EVALUATION
1. Are evaluations conducted by qualified evaluating committees?
2. Are evaluating committees appointed ad hoc for each evaluation?
3. Is responsiveness determined on the basis of the documentary requirements described in the documents or according to other established practices? If the latter, describe.
4. Are bid evaluations carried out thoroughly and on the basis of the criteria specified in the documents?
5. Is the successful bidder's qualification to perform the contract determined solely on the basis of the criteria stated in the documents? (See above) If not, what other criteria are considered?
6. Are evaluations normally completed within the original bid validity period?
7. Are bid evaluation reports prepared containing all essential information (i.e. a clear and complete description of the evaluation process, including the reasons for rejecting any bid as non-responsive, how the stated evaluation criteria were applied, and how the successful bidder's qualifications were verified)?
8. Describe any significant differences between goods, works and consultants evaluations relating to the above
B9 - CONTRACT AWARD AND EFFECTIVENESS
1. Are contracts required to be awarded to the lowest evaluated responsive bidder who has been determined to be qualified to perform the contract satisfactorily?
2. Are negotiations conducted with bidders, before or after selection?
3. Are additional Government approvals required before contracts can be made effective?
4. Is performance security required in an appropriate amount and in an appropriate format?
5. Describe any differences between goods, works and consultants relating to the above

B10 - CONTRACT ADMINISTRATION
1. Are there manual or computerized procurement and/or contract monitoring systems in use? Review sample report/output.
2. Are suppliers and contractors generally paid on time? What is the normal time lapse from invoice submission to final payment?
3. Are there appropriate procedures to monitor delivery of goods and services to verify quantity, quality and timeliness? Are stores well kept and managed including inventory control of goods?
4. Are contract changes or variations handled promptly in accordance with the contract conditions and established practice (i.e. change/variation orders are given and/or confirmed in writing, constructive change orders are avoided, unit rates in the contract are honored but the supplier or contractor is allowed to agree to any new unit rates introduced and the completion schedule for each change or variation, etc.)?
5. Do procuring entities normally make a good faith attempt to resolve disagreements through informal negotiations? (Amicable Settlement).
6. If this fails, are the resulting disputes handled in accordance with the contract conditions?
7. Are supplier, contractor and consultant claims handled fairly based on a clear recognition of both parties' obligations under the contract?
8. Are works contracts supervised by independent Engineers? Does an employee of Employer act as Engineer or Project Manager in some cases?
9. Are contract managers/administrators skilled in resolving problems in a timely manner and dealing with unforeseen circumstances arising during the life of the contract? Do they adequately document all actions of contractual import taken by the purchase/employer during implementation?
10. Are contractual remedies utilized only when appropriate and in accordance with the contract conditions?
11. Are contracts generally completed on schedule and within the originally approved contract price? Or are cost and time overruns frequent? If so, in which sectors and for which particular kinds of contracts? Are fair final acceptance procedures used and certificates issued in a timely fashion? How frequently are contracts extended or amended?
12. Are contracts generally administered in a fair and equitable manner (e.g. the purchaser/employer/client grants extensions of time when delays are attributable to its untimely action, fair compensation is provided to offset additional costs caused by its mistakes, etc.)
13. Are under-inspection, over-inspection and/or improper rejection of goods, materials or methods of carrying out the works a common problem?

14. Are disruptions of the supplier's, contractor's or consultant's orderly performance common, i.e., does the purchaser, employer or client supply all the goods, materials and labor and data it agreed to supply under the contract and carry out all inspections in a timely fashion?
15. Can any of the improper contract administrative practices identified above, be attributable to a problem identified in the local procurement environment? Specify
16. Are procurement evaluations/audits conducted? If so, describe scope, frequency, who carries them out, etc.
17. Are final payments and contract final closure efficiently handled?

C. Organization and Functions
1. Describe general organization of procurement unit
2. Are key functions assigned and duly staffed? - Planning - Preparation of Bidding Documents - Bidding Process Management (Advertising, Printing and Publication, Responses to Questions/Clarifications, Prebid Conference) - Bid Opening - Bid Evaluation - Contract Preparation - Contract Management - Quality Control and Inspection - Transport, Insurance - Custom Clearances and Expediting, etc.
3. Are there procedural manuals and clear instructions for staff to follow?
4. Is appropriate information on procurement adequately disseminated (i.e. procurement staff are aware of updated rules and thresholds, and other issues relevant to their assigned responsibilities)?
5. Are the procurement and supply management functions clearly distinguished?
6. Is contracting authority reasonably delegated (i.e. there are no unnecessary levels of approvals or cumbersome procedures)?
7. Are thresholds for contracting powers regularly updated?
8. Are procurement agents used? Under what circumstances? How are they selected? Describe normal basis for compensation and contract duration.

D. Support and Control Systems

1. Are there auditing arrangements in place and suitably established? Describe
2. What is the general quality and scope of the auditing arrangements?
3. Is the audit independent? Are its recommendations implemented?
4. Are internal technical and administrative controls clear for reviews, clearances and decision-making?
5. Does the unit have access to quality legal advice and input?

E. Record Keeping

1. For contracts to be awarded on the basis of competitive bidding, does the procuring unit maintain a complete record of the process? This would include e.g. copies of all public advertisements, pre-qualification documents (if used), the pre-qualification evaluation report documenting any decisions not to pre-qualify certain potential bidders, the bidding documents and any addenda, a record of any pre-bid meetings, the bid opening minutes, the final bid evaluation report (including a detailed record of the reasons used to accept or reject each bid, copies of bids, appeals against procedures or award recommendations, a signed copy of the final contract and any performance and advance payment securities issued, etc. Are cross-references to pertinent files adequate and clear?
2. Are adequate contract administration records maintained? (These would include contractual notices issued by the supplier, contractor, purchaser or employer; a detailed record of all change or variation orders issued affecting the scope, quantities, timing or price of the contract; records of invoices and payments; progress reports; certificates of inspection, acceptance and completion; records of claims and disputes and their outcome; etc.)
3. For small contracts or purchase orders for goods procured using shopping procedures, is a database maintained showing the current market price for commonly needed items?
4. Are periodic reports prepared on overall procurement activities? By and for whom?
5. Is a record of contract prices maintained? How is it used? To establish national price indices?

F. Staffing
1. Is there a job description for the staff, including qualifications required?
2. Do staff skills generally match requirements and numbers? Are there any staffing gaps?
3. Are staff selected competitively or by direct appointment?
4. Are procurement staff experienced in international procurement?
5. Is career advancement primarily based on job-related accomplishments and factors?
6. Do adequate formal and on-the-job training programs exist for entry- and higher-level procurement staff that contribute to proper professional career development?
7. Are there additional training resources in the country which are currently utilized or that could be utilized to complement Government/donor-administered programs (e.g. universities and private institutions)?
8. Did previous training programs lead to an obvious improvement in the quality/productivity of procurement work?
9. Do procurement staff have adequate project/contract management capabilities?

G. General Risk Assessment
1. Are the procurement unit staff held in high regard in the organization?
2. Are pay levels for procurement professionals comparable to that for other public and private sector technical specialists? Give current range of monthly salaries.
3. Does the the procurement profession appear to be generally staffed with honest and capable individuals?
4. Are the authorities relating to procurement clearly delegated to the entities carrying out the process? Are the applicable procedures clearly defined?
5. Are procurement decisions ever overridden by higher governmental agencies? If so, by whom? To what degree is the procurement decision-making process independent from politics? Indicate how differences are resolved when there is a difference of view between the purchasing entity and the Tender Board or other final approval body regarding the award recommendation.
6. Does the highest level of the agency encourage/support/enforce compliance with existing procurement regulations? Are violations investigated and procurement/other responsible officials

held accountable?

7. Assess the performance of the agency in earlier Bank projects in terms of its ability to handle Bank-financed contracts (timeliness, transparency, misprocurements, incidence of complaints, Bank reversal of decisions, etc.)

Bottom of Form

Procurement Capacity Assessment - Summary of Findings and Actions

	Assessment	Major Weaknesses	Risk Assessment	Actions Proposed	Proposed Completion Date
Item Assessed	Null/Poor/Fair Satisfactory		Low/Ave./High		
(a) Legal Aspects					
(i) Laws & Regulations					
(ii) NCB Procedures					
(iii) Internal codes and manuals					
(b) Proc. Cycle Mgmt.					
(i) General handling					
(ii) Procurement planning					
(iii) Preparation of documents					
(iv) Management of process					
(v) Bid evaluation					
(vi) Contract award					
(vii) Preparation and signing of contracts					
(viii) Contract management					
(c) Organization and Functions					
(i) Organization of unit and functions					
(ii) Internal manuals and instructions					
(d) Support and Control Systems					

(i) Auditing					
(ii) Legal assistance					
(iii) Technical and administrative controls					
(iv) Code of ethics					
(v) Anticorruption initiatives					
(e) Record keeping					
(i) Public notices					
(ii) Bidding documents					
(iii) Bid opening information					
(iv) Bid evaluation reports					
(v) Formal appeals and outcomes					
(vi) Signed contract documents					
(vii) Claims and dispute resolution records					
(viii) Comprehensive disbursement data					
(f) Staffing					
(g) General Procurement Environment					
(i) Promoting a culture of accountability					
(ii) Reputation of procurement corps					
(iii) Salary structure					
(iv) Freedom from					

political interference					
(v) Existence of experienced and capable staff					
(vi) Clear written standards and delegation of authority					
(vii) Sound budget/financial systems					
(h) Private Sector Assessment					
(i) General efficiency and predictability					
(ii) Transparency					
(iii) Quality of contract mgmt.					
(iv) General reputation					

Prior Review Thresholds Proposed	Overall Risk Assessment
Goods US\$ ____ (equivalent)	High
Works US\$ ____ (equivalent)	Average
Consulting US\$ ____ (equivalent)	Low
Post Review Ratio: One in ____ contracts	
Frequency of procurement supervision missions proposed: One every ____ months (includes special procurement supervision for post-review/audits)	Form prepared by: _____
	(Procurement Specialist/Accredited staff assigned to the project)
	Signature: _____
	Date: _____
Comments: 	

ⁱ The assessment of procurement capacity at country level is addressed through the Country Procurement Assessment Report (CPAR) under a separate instruction issued on May 23, 2002.

ⁱⁱ Includes goods, works, services and consulting services, as applicable. Therefore the assessment should include a review of the administration of selection and employment of consultants process.

ⁱⁱⁱ Refer to the Instructions on how to carry out CPAR for acceptability of NCB practices.

^{iv} The critical records that shall be properly maintained (on the procurement process) up to two years after the loan closing date are: copies of all public advertisements, pre-qualification documents (if used), the pre-qualification evaluation report documenting any decisions not to pre-qualify certain potential bidders, the bidding documents and any addenda, a record of any pre-bid meetings, the bid opening minutes, the final bid evaluation report (including a detailed record of the reasons used to accept or reject each bid), copies of bids, appeals against procedures or award recommendations, a signed copy of the final contract and any performance and advance payment securities issued.