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Restructuring Procurement and Financial management Services

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EXECUTIVE SUMMARY

Overview

1. The Paper examines current procurement and financial management arrangements in the Bank, identifies inadequacies, and proposes solutions to improve the delivery of high quality procurement services, as well as financial management expertise, to Operations Departments and Regional Member Countries (RMCs).

Current Problems and Underlying Issues

2. A Bank review of procurement processes under public sector projects identified lengthy and cumbersome procurement processing as an important impediment to project implementation. The review analyzed the entire process within the Bank, compared its procurement services with those of other Multilateral Development Banks (MDBs). It also surveyed the same processes in RMCs.

3. The review brought to the fore three main issues: (i) the lack of an internal core expertise and knowledge in operations departments and field offices; (ii) insufficient internal tracking and management of the procurement service chain; (iii) insufficient delegation of authority and communication with Field Offices; and (iv) inadequate national procurement systems and limited technical procurement managerial capacity of Executing Agencies (EA).

4. The Bank's basic procurement steps are similar to those of other MDBs. However, key differences affecting processing timeframes include: (i) the decentralization by sister Institutions of selected procurement services to borrowing countries, and to Field Offices; (ii) their frequent use of electronic systems and post review mechanisms; (iii) the need for the Bank to carry out a systematic monitoring of the destination of Loan proceeds, given its obligations under the rules of origin; and (iv) significant differences in staffing levels for these services both at Headquarters and in Field Offices.

Proposed Objectives and Actions

5. The proposed streamlining will improve service delivery while preserving fiduciary risk control. The objectives include reducing the time requirements for procurement processing, from the current 9.4 months to 4.4 months (under ICB), and from 6.4 months to 2.1 months (under NCB), and enhancing the responsiveness, quality and integrity of the services. The following specific actions have been proposed to achieve these objectives:

i) Restructuring of the Procurement and Financial Management function through the creation of a new Procurement and Financial Management Organizational Unit (ORPF), to be divided into two (2) Divisions, (one for Policy & Monitoring, and the other for Operations Support Services), each of which will consist of two (2) Sections (one to be responsible for Procurement, and the other to undertake Financial Management);

ii) Creation of a critical mass of core procurement expertise, through the accreditation of existing staff, with adequate procurement knowledge, and the

recruitment of Financial Management Specialists (FMS);

iii) Allocation of a sufficient pool of Procurement Specialists (PS) and Procurement Assistants (PA) to Field Offices, with responsibility to undertake the Bank's fiduciary duties;

iv) Training of Task Managers, across the Bank, with the view to their gaining a sound knowledge in procurement-related matters, to enable them to execute the Bank's fiduciary responsibilities;

v) Delegation of substantial procurement approval authority to Procurement Experts, and Tasks Managers, commensurate with their level of competence;

vi) Delegation of substantial processing steps, and procurement approval authority, to the Bank's Field Offices; and

vii) Establishing a tracking system to ensure that timely actions are taken to keep the process on track.

6. Undertaking these reform actions will require the following steps: (i) the allocation (out of existing resources) of eight (8) positions of Procurement Experts, consisting of seven (7) PSs and one (1) PA in ORPF; (ii), the designation of eighteen (18) positions of locally recruited Procurement Specialists to carry out procurement activities in Field Offices, and to supervise the work of twenty-four (24) Procurement Assistants, already at post, or to be appointed. The majority of these positions can be readily filled from the reassignment of an existing pool of staff, who would be accredited, or who already possess adequate procurement expertise.

7. The Financial Management function should be introduced, with the recruitment of four (4) Financial Management experts, initially, including the appointment of one (1) Financial Management Assistant. These positions will mainly be filled through existing vacancies through redeployment.

8. The proposed actions will require the creation of three new supervisory positions comprising two (2) Division Managers (PL2), and one (1) Chief Expert (PL3), which should otherwise be accommodated under the approved Administrative and Capital Expenditure Budget. The proposed creation of local procurement specialists will require the recruitment of local experts, under the approved Decentralization Budget.

Mitigating Measures

9. The proposed actions will be implemented in parallel with the following mitigating safeguards: (i) The fiduciary responsibilities will be devolved to procurement specialists and accredited staff, taking into account their actual competencies; (ii) The network of Procurement Specialists and Analysts (under the technical supervision of high level experts, acting as guardians of the system), will be vested with authority to oversee and approve work in Field Offices; (iii) Frequent and periodic procurement and financial management audits, under a programme to be implemented annually, and systematic procurement post reviews will be carried out; and (iv) The separation of Policy and Monitoring functions from

those of Operations Support will ensure the avoidance of conflicts of interest and an increase in the impact of compliance control.

Introduction

1. This Proposal has been prepared within the context of the ongoing institutional reforms, intended to streamline operational processes and to improve Bank's responsiveness to the demands of the Regional Member Countries (RMCs). It reviews current procurement and financial management processes and arrangements within the Bank. The Document also explores solutions to improve the speed of delivery and the quality of these services to RMCs with a view to accelerating the implementation of projects and achieving results on the ground. With regards to procurement services, the Proposal was developed through a process of analysis and consultations with the various participants involved in the delivery of procurement services: the Procurement Unit, the Operations Complexes, and RMCs.

2. Conversely, no detailed analysis was possible in the case of financial management services, because these are currently not being provided under project design or implementation. Provisional services have been occasionally provided by OAGL and FFCO.3, during project implementation and, in particular, as part of training programmes. The Report starts by outlining the main procurement problems and the underlying issues both within the Bank and at the RMC levels. It discusses proposed objectives and actions to overcome key bottlenecks. Lastly, in view of the identified procurement shortcomings, and realizing the need to scale up the Bank's capacity in financial management within operations (in order to release OAGL and FFCO.3 staff that are currently expected to provide the provisional services), a series of mitigation measures are proposed to be implemented within a new procurement and financial management delivery system.

I. The Current Problem and Underlying Issues

1. A long Processing Timeframe hindering Implementation

1.1 Regional Member Countries frequently characterize Bank's rules, procedures and their implementation as lengthy, cumbersome and restrictive. According to a 2002 review "*Report on Proposals for Enhancing the Bank Operations in Middle-Income Countries*", the main problem faced by RMCs when dealing with Bank procedures is the long period of time it takes to initiate and conclude the procurement of goods, works and services financed under loan proceeds. In 2005, the average processing timeframe for goods and works from preparation of bids to contract signature (bidding cycle) was 18.2 months under International Competitive Bidding (ICB), 16.2 months under National Competitive Bidding (NCB) and 15.3 for Shortlisting of Consultancy Firms.¹ The report concluded that all these issues taken together "*have a combined effect of creating bottlenecks in project implementation and consequently leading to higher transaction costs in terms of commitment fees on undisbursed loan amounts, price escalations/cost overruns on projects, as well as foregone project benefits*".

2. Key Issues at the Bank Level

¹ It should be noted that Borrowers are accountable for between 70 to 78% of delays.

1.2 To determine the underlying causes of the deficient procurement services, a review was undertaken by the Procurement and Financial Management Unit (ORPU), involving: (i) a detailed scrutiny of the whole procurement process within the Bank, (ii) a benchmarking of procurement services at the Bank with those of other Multilateral Development Banks (MDBs) and (iii) an in-depth discussion with RMCs.

1.3 The review and approval by the Bank of Borrowers' procurement documents are mainly governed by the *Presidential Instruction 02/98*. While Borrowers are entirely responsible for carrying out the procurement activities relating to project execution, Operations Complexes are required to grant Bank's "no objection" as required at every step of the process and forward complex procurement cases to ORPU for technical advice, prior to issuing the Bank's final decision. Procurement fiduciary responsibilities are performed by Task Managers (TMs) in the Operations Complexes, with the Division Managers and Directors signing the Bank's decisions. It was estimated that such responsibilities take up 30 to 40% of TMs' workload.

1.4 However, such TMs often lack procurement knowledge, expertise or experience. A qualified expert, with no knowledge or experience in procurement, may be employed by the Bank and be designated as TM in charge of a project, which may or may not have complex procurement modalities. Such TM may not be able to call on any procurement specialist, in his/her department, for assistance, due to lack of availability.

1.5 Procurement processing delays are further aggravated, either because TMs, are unsure of themselves, or fail to take action (on procurement matters) and forward even the simplest cases to ORPU for advice, or because issues remain outstanding while they are away on mission. It was estimated that the share of the Bank in the time of processing procurement documents is approximately about 30% of the total bidding cycle, under ICB and NCB, and 20% for the recruitment of consultants.

1.6 In order to ensure compliance and to address procurement deficiencies within the Operations Complexes, the Bank has exercised very strict monitoring and control on the review of procurement documents received from RMCs. Though this strict approach has reduced the incidence of non-compliance and almost eliminated complaints from bidders, it has, on the other hand, engendered delays and rigidity in the process.

1.7 The insufficiency of training in procurement for TMs has aggravated the capacity problem. Though EADI, CHRM and ORPU jointly organize procurement training programmes, these efforts are not sufficient in quality and quantity. On average about 3 to 4 training programmes are organized annually for Bank Staff. At the end of each training programme, participants are awarded certificates of attendance. Due to the lack of an accreditation system, the quality and level of procurement expertise are yet to be raised to levels commensurate with the minimum technical requirements needed to review and clear Borrower procurement documentation. It should be noted that the other sister institutions have introduced the accreditation systems and that procurement documents and "no objections" must be issued by accredited officers.

1.8 The procurement practices were discussed in a recent brainstorming session organized by ORPU and gathering of procurement experts from Operations Complexes. Key issues to be addressed were identified and summarized in Table 1 below.

Table 1: Problem Areas within the Purview of the Bank

Problems Related to Procedures and Processes	Institutional Culture, Practices and Organizational Problems	Resource Limitations
<ul style="list-style-type: none"> • <i>Lack of core procurement expertise; Undefined authority for Procurement Specialists in Operations.</i> • <i>Lack of procurement knowledge by Task Managers.</i> • <i>Shortcomings in procurement rules and some Internal Presidential Instructions (PI).</i> • <i>Insufficient procurement tools, manuals and guidance Notes.</i> • <i>Lack of fast-tracking mechanisms.</i> 	<ul style="list-style-type: none"> • <i>Insufficient delegation of authority.</i> • <i>Limited role/ organization/ authority and staffing of Country/Field Offices.</i> • <i>Insufficient Use of ICT.</i> • <i>Low priority accorded to Project Implementation Management and Supervision.</i> 	<ul style="list-style-type: none"> • <i>Additional costs induced by TRA Location (missions, mail/courier).</i> • <i>Too large numbers of projects per TM (staffing).</i> • <i>Lack of Support to TMs for SAP Data Entry in Divisions.</i>

1.9 Some of these underlying issues were actually brought to the fore by benchmarking of the Bank with other MDBs. Whereas the procurement steps² adopted by the Bank are similar to those of other MDBs; the key differences in the processing timeframe lie in: (i) the decentralization by other institutions of procurement services to field offices; (ii) their frequent use of electronic systems and post procurement review mechanisms; (iii) insufficient staff qualified and dedicated to procurement as well as an increased workload; (iv) the strict monitoring by the Bank of every step in the procurement process and (v) the need for the Bank to undergo a systematic monitoring given its obligations under the rules of origin.

1.10 These issues were also corroborated by RMCs, which, when surveyed, complained about (i) the lack of sufficient delegation of authority to facilitate the procurement process (case in point low level of authority accorded to the Field Offices) and; (ii) the over involvement of the Bank in procurement activities at the country level.

3. Key Issues at the Borrower Level

1.11 Another important and underlying issue discussed extensively between RMCs and the Bank is the use of national country systems. RMCs feel that the lack of a baseline for authorizing the use of national procurement systems, taking into account existing differences in the nature and performance among RMCs further contributes to the delays in procurement processing.

1.12 On the Bank side, the inadequacy of national country procurement systems has affected the smooth conduct of procurement services and was also pinpointed by ORPU’s review as a key deficiency at the Borrower’s level. It should be noted that Borrowers are accountable for 69% of delays in processing time for NCB, 70% for ICB and 78% for Selection of Consultants. Quite often Executing Agencies lack the requisite capacity to perform procurement activities. Furthermore the frequent staff mobility in RMCs has created an atmosphere of instability, which is frequently addressed by the creation of dedicated Project Implementation Units, staffed with procurement experts.

1.13 The multiple use of different procurement procedures and documents required by different donors has placed additional burdens on RMCs. However, through the recent

² There are a total of nine (9) steps in the procurement cycle, starting with initiation up to contract signature.

harmonization efforts among donors, the problem has been reduced and this has relieved RMCs from the multiplicity of donor requirements. In addition, the Bank's support to RMCs at the field level is not sufficient.

1.14 The problem areas at the level of RMCs are summarized in Table 2 below:

Table 2: Problem Areas at RMCs Level

<ul style="list-style-type: none">• <i>Lack of sound National Procurement System [Legislative, Regulatory; Institutional Framework, Management Capacity, Operations and Market Practices, Integrity and Transparency].</i>• <i>Weak country environment (Post-Conflict).</i>• <i>Difficulties in the transmission of procurement documents.</i>• <i>Frequent transfer or change of major National Project Implementation Actors.</i>• <i>Additional costs induced due to TRA Location (missions, mail/courier).</i>

II. Proposed Objectives and Supporting Actions for Change

2.0 This section seeks to provide targeted objectives for procurement performance. It makes proposals to introduce specific procurement actions to help achieve the targeted policies. It highlights the need for concerted actions among various participants to bridge the considerable gap between the actual situation and the required outcome. This will require combined efforts from: (i) Country Program Officers in charge of portfolio management and TMs to be proactive and responsive; (ii) Procurement Specialists to provide hands on advice and expertise in the field and; (iii) RMCs to adhere to and implement procurement requirements in line with the agreed arrangements.

1. Objectives

2.1 In order to address the above-mentioned issues and improve the delivery of results on the ground, quantifiable objectives in the processing schedule are being proposed as summarized below.

2.2 The objectives of the proposal are: (i) ensure quality at entry through the direct involvement of accredited procurement experts at the project design stage; and (ii) establish a fast delivery system, through the reduction of the statutory processing times viz.: Under ICB, from 9.4³ to 4.4 months; NCB from 6.4 to 2.1 months; and International Shortlisting from 6.9 to 3.9 months.

2. Supporting Actions for Change

2.3 Furthermore, to achieve the above objectives and ensure an efficient portfolio management, and rely on a strong procurement network distributed between Headquarters and the field, the following actions are being proposed:

- i) Create a core of procurement and financial management expertise, with highly specialized staff under the technical authority of a specialized Organizational Unit (ORPF), able to work as internal experts, in support of

³ *The amounts represent the mandatory timeframe to complete a full procurement cycle.*

project implementation in the Bank, and also able to increase support service to the Client (composed of accredited procurement specialists, Task Managers and Country Program Officers);

- ii) Allocate to Field Offices a sufficient pool of locally recruited procurement experts comprising Procurement Specialists and Procurement Analysts with responsibility to carry out Bank fiduciary duties. This pool of procurement experts will support and complement the TMs and Country Program Officers in conducting procurement-related work;
- iii) Train Task Managers to gain a sound understanding and knowledge across the Bank of procurement responsibilities with the objective of achieving procurement accreditation. TMs will remain the point of contact for RMCs and be responsible for their projects, with the support of the dedicated Procurement Specialists at Headquarters and in Field Offices;
- iv) Delegate substantial procurement approval authority to procurement experts, Task Managers and Operations Officers designated through an accreditation programme, thereby relying on recognized expertise and experience of specialized professionals accountable for their advice and/or decisions;
- v) Delegate substantial procurement approval authority to the Bank's Field Offices when they are fully staffed and are ready to assume the procurement responsibilities;
- vi) Train the Country Program Officers in the Field Offices to obtain procurement accreditation to enable them discharge their portfolio management duties and make decisions on the ground commensurate with their level of authority; and
- vii) Train the Country Programme Officers at Headquarters to a sufficient level of expertise to handle and orient recurrent procurement issues. (Accreditation is optional as it represents the second line in procurement responsibilities).

2.4 Under the proposed streamlining, the Financial Management aspect will take its right place as a tool for ensuring accountability and judicious use of financial resources in accordance with Bank fiduciary obligations, following international standards. The financial management function will ensure that monitoring and reporting requirements are in place. Furthermore coupled with procurement, financial management will improve the quality of services at the country levels with concrete results on the ground. The financial management services will be based on problem analysis, providing solutions and guidance to RMCs.

2.5 This document also proposes as an initial measure the number of staff and their qualification to initiate the function and the responsibilities for financial management. The proposal will be enhanced progressively as the unit gains experience and knowledge of the situation on the ground. It goes without saying that the experiences of the sister institutions on financial management and the ongoing harmonization efforts will guide the fine-tuning of the financial services.

2.6 The above measures will be enhanced by an automated process through the SAP system to allow for processing and tracking of procurement activities. This system will progressively cater for possibilities of reviewing, clearing and giving “no objections” to procurement documents submitted by the Executing Agencies in the RMCs. Eventually this automated system will enhance the efficiency of processing procurement documents, increase transparency and accountability.

3. Proposed Organizational Structure and Staffing

2.7 With the view to housing a core of procurement expertise at Headquarters, and to efficiently deploy procurement “satellites” (or network) within Field Offices, it is proposed to re-structure the Bank’s procurement services by the introduction of the Operations support function.

The Procurement and Financial Management Organisation (ORPF)

2.8 The ORPF shall support the Operations Departments (Sector Departments) in project cycle activities and also monitoring compliance. The ORPF shall serve as the guardian of the Bank’s procurement policies, rules and procedures, guidelines, manuals, etc. The proposed entity will also monitor and control the Bank’s procurement activities to ensure the achievement of economy, efficiency, transparency, and equal opportunity under all Bank Group-funded procurement.

2.9 In order to avoid conflicts of interest in ORPF, a decision has been taken to separate policy activities from those of operations. Therefore, ORPF will be split into two Divisions, namely: a Policy and Monitoring Division and an Operations and Support Division. This structure will, in principle, be similar to those of other sister institutions.

Policy and Monitoring Division

2.10 The Policy Division shall be responsible for formulation of policies with respect to procurement and financial management, development, compilation and revision of rules and procedure, guidelines, training materials for procurement and financial management and the Compilation and revision of standard bidding documents for use by Borrowers. In fact this Division will continue to assume the current mandate of the defunct Procurement Unit.

2.11 In addition, the Division will be responsible for preparing procurement and financial management policies, guidelines, rules and procurement statistics, acting as the Secretariat to the Consultant Recruitment and Supervision Committee, and maintaining the Bank’s database for consultants (DACON). It will provide expertise in analytical and diagnostic work on the continent, to review procurement and financial management capacities in RMCs, and to propose measures for capacity development. The Division will be mandated to train Borrower and Bank staff, on procurement and financial management procedures. It will review responses of Bank staff on complaints received from Borrowers, as well as their contractors or suppliers, and give objective and unbiased advice to the Procurement Review Committee.

2.12 It shall assist and advise the organizational units of the Bank in the procurement of goods, works and acquisition of consulting services financed under the Administrative or

Capital Expenditure and Bilateral Trust Funds as well as participate in the preparation review and clearing of Country Procurement Assessment Reports (CPARs), Country Financial Accountability Assessment (CFAA). This Division will constitute of twelve (12) staff, including a Manager, Procurement Specialists and Assistants, Financial Management Specialists and a Secretary.

Operations and Support Division

2.13 Operations and Support Division will be the new element in the proposed structure. This Division will carry direct procurement support responsibilities, similar to the Regional Procurement Units of the World Bank. The Division shall be responsible for providing technical support for the designing of procurement and financial management arrangements, under Bank projects and programmes, as well as assisting in project implementation. In this regard the staff of the Division will be directly involved in the Project Cycle and constitute part of Country Teams. High priority will be given to providing institutional support to RMCs, for all matters relating to procurement and financial management services.

2.14 The Division will also be responsible for providing technical guidance for the financial analysis and financial management activities, within the framework of the Bank Policies and Guidelines, in collaboration with the sector departments, Disbursement Division, Office of the Auditor General and Regional/Country Offices. This Division will be made up of a staff of fifteen (15), consisting of a Manager, Procurement Specialists and Assistants, Financial Management Specialists and Assistants, and a Secretary.

2.15 The network of procurement experts and practitioners will be composed of staff of the Operation Division, Operations Officers, and local procurement staff in Filed Offices. Currently the Operation Officer is responsible for procurement in each Field Office and is assisted by a Procurement Assistant. It is proposed to complement this arrangement by creating positions of local procurement experts. In countries where there would be no Field Offices, local procurement action could be served by local experts from the nearby Regional or Country Offices. Consequently, all procurement matters falling within the threshold defined for Field Offices will entirely be decentralized, while ORPF would exercise control and overview on complex cases, as well as on decisions taken by Operations Departments in Headquarters, concerning matters above the defined threshold. It is proposed that the Delegation of Authority granted to Field Offices should be fixed at UA 100,000.

2.16 All Procurement Specialists shall be vested with the responsibility and authority to supervise and assist in the provision of “no objections” on procurement matters, at various levels in the processing chain. They will review and clear all correspondence to Borrowers, at the appropriate authority level. In line with the “*Note on the Financial Thresholds to be taken into Consideration in Determining the Mode of Procurement*”⁴. The details of the levels of delegation of procurement authorities will be the subject of a separate Presidential Directive. In preparing the Presidential Directive, the Bank will rely on the experience of the other MDBS which have similar procurement organizations and be in line with the harmonization principles outlined by the Paris Declaration and the recommendations of the Heads of Procurement and the related Working Groups on procurement.

2.17 Using procurement statistics as a guide, the distribution of Procurement Experts

⁴ Board Memorandum ADB/BD/IF/98/08 and ADF/BD/IF/98/06, dated 15 January 1998.

between HQ and FOs will depend on the level of Delegation of Authority. With an FO Delegation of Authority threshold of UA 100,000, one would expect that the numbers of Experts would be equally split between HQ and FOs. The details and the operational tools of this delegation will be outlined in the relevant Presidential Instructions.

4. Implementation Timeframe

2.18 The proposed Implementation Schedule is indicated in Table 3 below. It should be noted that implementation will be gradual and progressive, to cater for the time required for staffing of Field Offices and training as well as accreditation of procurement specialists.

Table 3: Summary of Actions and Timeframe

Description of Action Proposed	Responsible Unit	Proposed Structure	Justification	Preferred Start Date
Presentation of Proposal to the Board	ORPU, BOARD	ORPF	Streamline the procurement and financial management process	Q1/07
Create a core procurement and financial management expertise	• ORPU, CHRM	• Create a new procurement and financial management entity (ORPF)	• Critical mass	Q2/07
Allocate a pool of procurement experts in field offices	• ORPU, CHRM	• 42 procurement specialists and assistants in field offices	• Availability & proximity to clients	Q2 and Q3/07
Training and accreditation of TMs in Operations and (Continuous Training)	• Board (ORPU)	• Provide in the DAM a sufficient level of authority in line with qualification and competences	• Fiduciary responsibilities vested in TMs as first point of contact for clients	Q3/07 and Q4/07
Delegate procurement approval authority to field Offices	• Board (ORPU)	• Field offices with level of authority to decide on procurement matters	• Increase speed of reaction & service delivery close to client	Q2/07 and Q3/07

5. Budgetary Impact

2.19 The proposed actions will require the creation of only three new supervisory positions [comprising of the two Divisions Managers (PL2) and one Chief Expert (PL3)], which should all otherwise be accommodated under the approved Administrative and Capital Expenditure Budget. The proposed creation of local procurement specialists will require the recruitment of local experts under the approved Decentralization Budget. Therefore, the staffing of the new Organizational Unit would involve mainly re-assignment and re-deployment of existing positions.

6. Mitigating Measures

2.20 The proposed actions will be implemented in parallel with a series of safeguards to mitigate the potential risks associated with increased delegation of authority. The following safeguards would be put in place:

- i) The fiduciary responsibilities will be devolved to procurement specialists through accreditation, taking into account their competencies. Thus, it will be mandatory for all procurement decisions to be taken by the accredited officers;

- ii) The network of procurement specialists and analysts under the technical supervision of high level experts acting as guardian of the system will be vetted with authority to oversee and approve work in field offices;
- iii) Frequent and periodic procurement and financial management audits under a program to be implemented annually and systematic procurement post reviews will be carried out; and
- iv) The introduction of separate Policy and Monitoring functions and Operations Support will allow the avoidance of conflict of interest and increases the impact of compliance control.

2.21 While the Bank is endeavoring to bring its staff closer to its clients, to address some of the shortcomings at the Borrower level, including 70 to 78% of the processing time spent, the Bank is committed to support the strengthening of country procurement and financial management systems in order to allow their use. To that end, the Bank shall ascertain that the following issues have been satisfactorily provided for:

- (i) Existence of a diagnostic study Country Procurement Assessment Report (CPAR), which identifies the strengths and weaknesses of the country's procurement system, as well as an approved action plan, which is under implementation by the procurement authority;
- (ii) Quality assessment of the country's procurement policies and institutional capacity, using the diagnostic tool, based on the OECD/DAC benchmarks; and
- (iii) Where the baseline indicators are satisfactory, proof of a good track record in implementation of procurement policies, measured by specific performance data, demonstrating the efficiency of the system.

III. Conclusions and Recommendations

i) The proposed streamlining of the procurement and financial management functions will entrust the fiduciary responsibilities to accredited staff assisted by qualified procurement and financial experts which in turn will enhance efficiency and ensure compliance with Bank's Rules and regulations. This network of experts will be housed in a dedicated technical Organizational Unit, ORPF and in Field Offices. The levels of authority and lines of reporting on procurement and financial management functions are clearly defined, within ORPF, and between Field Offices and Headquarters. The outcome of these organizational arrangements will be to preserve the Bank's existing fiduciary risk control.

ii) The new structure will necessitate the creation of core of experts reasonably larger than the existing staffing level. However, taking cognizance of efficiency and that about 30% of the Task managers' work is dedicated to procurement, this quantum of activities will now be supported by a network of procurement specialists both at Headquarters and field level but with a lower number.

iii) The Separation of policy and operations activities will afford ORPF more accountability and quality assurances. Furthermore for the first time and through the creation

of the policy division, a dedicated pool of experts will devote their work to develop policies and procedures that will respond to the demands of the RMCS and address the changes in the lending portfolio as well as the development in the international arena, including facilitating the Bank's assistance to countries in the integration of their Public Financial Management Systems.

iv) The filling of the posts of the required staff of the Organizational Unit will largely be through redeployment, reassignment and training of the existing pool of staff.

v) The proposed actions will require the creation of three new supervisory positions [comprising two Divisions Managers (PL2), and one Chief Expert (PL3)], which should all otherwise be accommodated under the approved Administrative and Capital Expenditure Budget. The proposed creation of local procurement specialists will require the recruitment of local experts under the approved Decentralization Budget.

vi) The Boards are hereby requested to approve the proposed actions to streamline the procurement and financial management process as outlined in this paper.