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**FINANCIAL MANAGEMENT AND PROCUREMENT IN  
WORLD BANK OPERATIONS:  
ANNUAL REPORT FOR FY11**

**Operations Policy and Country Services  
February 29, 2012**

## ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank	KfW	Kreditanstalt für Wiederaufbau
AFR	Africa Region	KPI	Key performance indicator
ARCS	Audit Reports Compliance System	LCR	Latin America and the Caribbean Region
AsDB	Asian Development Bank	LEG	Legal Department
BP	Bank Procedure	LOA	Loan Department
CIFA	Country Integrated Financial Assessment	MAPS	Methodology for Assessing Procurement Systems
COSO	Committee of Sponsoring Organizations of the Treadway Commission	MDB	Multilateral development bank
CPAR	Country Procurement Assessment Report	MDTF	Multidonor trust fund
CTR	Controller's	MNA	Middle East and North Africa Region
DFID	Department for International Development (UK)	OCC	Operational Core Curriculum
DGF	Development Grant Facility	OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
DPL	Development policy lending	OECS	Organization of Eastern Caribbean States
e-GP	Electronic government procurement	OP	Operational Policy (statement)
EAP	East Asia and the Pacific Region	OPCFM	OPCS Financial Management Unit
EBRD	European Bank for Reconstruction and Development	OPCIL	OPCS Investment Lending Unit
ECA	Europe and Central Asia Region	OPCPR	OPCS Procurement Unit
ENOS	Electronic No-objection System	OPCS	Operations Policy and Country Services
ESW	Economic and sector work	OPRC	Operations Procurement Review Committee
FIDIC	International Federation of Consulting Engineers	ORAF	Operational Risk Assessment Framework
FM	Financial management	P-RAMS	Procurement Risk Assessment and Management System
FMFA	Financial Management Framework Agreement	PAD	Project Appraisal Document
FMSB	Financial Management Sector Board	PCN	Project Concept Note
FPD	Finance and Private Sector Development	PEFA	Public Expenditure and Financial Accountability program
FY	Fiscal year	PER	Public Expenditure Review
GAC	Governance and anticorruption	PFM	Public financial management
GDLN	Global Development Learning Network	PIU	Project implementation unit
IAD	Internal Audit	PR	Procurement
IBRD	International Bank for Reconstruction and Development	PREM	Poverty Reduction and Economic Management Network
ICT	Information and communications technology	PRIMA	Portfolio Risk Management System
IDA	International Development Association	PSB	Procurement Sector Board
IDB	Inter-American Development Bank	ROSC A&A	Reports on the Observance of Standards and Codes, Accounting and Auditing
IDF	Institutional Development Fund	RPM	Regional Procurement Manager
IFAC	International Federation of Accountants	SAI	Supreme audit institution
IFR	Interim financial report	SAR	South Asia Region
IL	Investment lending	SBD	Standard bidding document
IMF	International Monetary Fund	SDC	Swiss Agency for Development and Cooperation
INT	Integrity Vice Presidency	SIDA	Swedish International Development Cooperation Agency
INTOSAI	International Organization of Supreme Audit Institutions	SWAp	Sectorwide approach
IPR	Independent Procurement Review	TTL	Task team leader
IPSAS	International Public Sector Accounting Standards	UNICEF	United Nations Children's Fund
ISG	Institutional Services Group	USAID	United States Agency for International Development
IsDB	Islamic Development Bank	WBI	World Bank Institute
ISR	Implementation Status and Results report	WHO	World Health Organization
JET	Joint Evaluation Team		

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# FINANCIAL MANAGEMENT AND PROCUREMENT IN WORLD BANK OPERATIONS: ANNUAL REPORT FOR FY11

## EXECUTIVE SUMMARY

1. For more than a decade, the World Bank's Procurement (PR) and Financial Management (FM) Sectors have prepared separate annual reports for the Audit Committee. This year's report marks the first effort to record not just the achievements of the two individual groups, but rather what their combined work has contributed toward achieving the Bank's fiduciary and development objectives.

2. **Mandate.** The FM and PR families support the Bank's development effectiveness through a twofold mandate: first, to provide reasonable assurance that the funds provided by the Bank are used as intended; and second, to assist client countries in building and strengthening their own procurement and public financial management (PFM) systems. In FY11 the two families continued to carry out this mandate in an increasingly challenging environment—a high lending volume and large active portfolio, growing business needs and changing demands from borrowers, a focus on governance and anticorruption (GAC) concerns and on expanding the use of country systems, evolving Bank processes and tools, and a flat budget environment that emphasizes doing more with less.

### **A. Reasonable Fiduciary Assurance**

3. In FY11, as both lending volume and active portfolios remained high, the PR and FM teams provided the essential fiduciary foundations for all Bank activities. The Bank approved 361 new operations (131 IBRD and 230 IDA, 293 investment lending and 68 development policy lending operations) with a total commitment of US\$42.6 billion. The number of active operations increased from 1,682 in FY10 to 1,820 in FY11, for a total commitment of US\$167 billion. The two sectors' 400 staff (of whom about three-quarters are stationed in country offices) again contributed effectively to these operations by providing timely, high-quality support to client countries and Bank teams in challenging environments, some of which are undergoing rapid changes.

#### ***1. Regional-level Responsibilities***

4. The PR and FM staff in the Regions were responsible for the fiduciary aspects of all operations across a wide variety of complex and dynamic operating environments to support the Bank's ambitious development effectiveness agenda. During the preparation of investment lending (IL) operations they assessed and mitigated risk, evaluated borrowers' past performance, and worked collaboratively in task teams to develop appropriate fiduciary arrangements. During implementation of IL operations, they oversaw borrowers' compliance with the fiduciary aspects of the operations, continually reassessing risk and proposing any necessary midcourse corrections, and combining oversight activities with capacity-building actions where needed. For development policy lending (DPL) operations, the Regional staff drew on focused IMF assessments, other diagnostic tools, and harmonization activities with clients and other development partners to review the adequacy of the fiduciary environment and develop specific

PFM prior actions and triggers to help ensure that the funds were flowing into approved accounts. To carry out this work effectively, the Regional staff remained responsive to the particular needs and demands of client countries and customized Bank approaches to meet specific country circumstances.

## ***2. Institutional-level Responsibilities***

5. The work of the Regional staff was supported and facilitated by the work of the Sector Boards and the Anchors in setting policy, providing guidance and tools, and assisting with risk management and quality assurance. For example, the Sectors continued developing their electronic risk management, monitoring and reporting systems—the Procurement Risk Assessment and Management System (P-RAMS) and FM’s Portfolio Risk Management (PRIMA II)—to improve the Bank’s ability to identify and monitor project risks, reduce processing redundancies, and enhance its internal control framework. They drafted guidance on fiduciary assessments under the proposed Program-for-Results and issued guidance on the application of the Bank’s Access to Information Policy; GAC issues in project preparation and implementation support; and work in DPL operations, community-driven development programs, and fragile and conflict-affected situations. In addition, the PR Sector revised the Procurement and Consultant Guidelines and began updating key standard bidding documents.

## **B. Building Country Capacities**

6. Strong, well-functioning, and transparent country systems are the best assurance that Bank funds are being used as intended; also, with sound systems, countries do a better job of managing their own funds, not just those provided by the Bank and other development partners. For these reasons, PR and FM use a wide variety of instruments and interventions to help countries build capacity: diagnostics, IL components, DPL operations, Institutional Development Fund grants, special studies, economic and sector work, formal training (more than 7,000 client and donor staff attended Bank-provided training in FY11), special programs, and implementation support missions. Because each country begins at a different point and has different requirements, the PR and FM Sectors customize the capacity-building activities for each particular situation to build sustainable capacity at multiple levels of government. Increasingly, PR and FM staff are taking task leadership roles in investment projects and grants.

7. ***Governance and Anticorruption.*** The fiduciary work of both the PR and FM Sectors is integral to good governance: well-functioning, transparent, and accountable fiduciary systems are essential to the effort to prevent fraud and corruption in the first place, and to addressing it if it does occur. In addition to their “everyday” responsibilities in the GAC area, both Sectors give special attention to activities with specific GAC focus.

## **C. Partnerships and Collaboration**

8. There is a substantial collaborative aspect to the work of the PR and FM families. Within the Bank, both Sectors work closely with Controller’s and Institutional Integrity on fiduciary matters, and they routinely collaborate with each other and with FPD, LEG, and PREM, including Public Sector Management. They also work with the public and private sectors and

donor partners in each country where they are active, and they promote regional harmonization in all Regions.

9. **Global Partnerships.** Through global partnerships with organizations that share the Bank's poverty reduction objective, both Sectors support the development of sustainable client capacity and help enhance the environment for fiduciary work. For example, PR is a leader in the harmonization efforts of the Heads of Procurement of the Multilateral Development Banks (MDBs), and FM provides leadership to the MDBs' FM Harmonization Working Group. Representatives of the Sectors cochair the OECD-DAC Task Forces on PFM and Procurement, and both Sectors are represented in the Public Expenditure and Financial Accountability (PEFA) Program. Both are also involved in the implementation of agreements with the United Nations that improve the environment for staff involved in joint operations work. In addition, PR frequently makes presentations about the Bank's PR policies and procedures to private sector delegations and collaborates with international consulting and contracting bodies. The FM Sector works closely with international professional institutions and standard-setting bodies in accounting and auditing. The Bank cochairs the INTOSAI Donors' Steering Committee, implementing an international memorandum of understanding aimed at enhancing the support provided to the supreme audit institutions of client countries.

#### **D. Staffing, Internal Governance, and Capacity Development**

10. The two Sectors are highly decentralized, with the majority of their staff based in country offices. Both are overseen by Sector Boards with responsibilities for sector strategy; operational policies, procedures, and guidance to staff; quality of operational work; planning of human resources; learning, knowledge management, and outreach; and internal and external partnerships.

#### **E. Looking Forward: FY12 Priorities and Challenges**

11. The Sectors' vision is to have client countries operating successfully with sound PFM and PR systems and human resources that are sufficiently strong and capable to manage all public funds, including those provided by the Bank and other donors, and to account for the use of those funds to their citizens and donors. As this report shows, during FY11 the Bank's PR and FM Sectors continued to make substantial progress in the wide range of activities through which they carry out their mandate, increasingly focusing on improving quality and enhancing aid effectiveness. During FY12, as the Bank focuses on modernization and reform, managing risks, and measuring and reporting results, the Sectors expect to give particular attention to the following areas.

- **Investment lending reform.** By enhancing the integration points between fiduciary systems and the Operational Risk Assessment Framework (ORAF), the PR and FM Sectors will continue to provide support to the Bank's IL reform initiative and help the Bank move toward a more comprehensive risk assessment and management system that spans the project cycle from identification to closure.
- **Program-for-Results.** The FM and PR teams in OPCS will continue to work on supporting the Program-for-Results instrument by fine-tuning the fiduciary guidance note, the methodology, and other supporting work. Initial pilot projects have been

identified, and the fiduciary teams in the Regions will work with these project teams during FY12 to address PR and FM issues under the new instrument.

- ***Procurement policy review.*** During FY11, as part of the Bank's modernization effort, OPCPR took the first steps toward a comprehensive review of the Bank's procurement policies and how they are applied, with a view toward determining whether the Bank's procurement policies and procedures are in tune with the changing world and serve clients well. To support this review, OPCPR began a series of studies on (a) sustainable procurement practices, (b) use of new/alternative procurement methods by external partners, (c) benchmarking with comparators against other MDBs, (d) impact of domestic preferences under Bank-financed projects, (e) use of procurement waivers in IDA/IBRD operations, (f) procurement reforms and capacity-building efforts in the Bank, and (g) procurement and findings on fraud and corruption.

12. ***Other Areas of Emphasis.*** In addition to these newer initiatives, both Sectors will continue to build on their past achievements in a range of areas to produce even better results in the coming year and beyond:

- Performance measurement
- Fiduciary assurance and enhancing quality
- Contract administration and management
- Reporting and analysis
- Strengthening country systems
- Enhancing the value of external audit
- Fourth High Level Forum on Aid Effectiveness
- Knowledge sharing and the learning agenda.

13. ***Implementation.*** Effective implementation of this high-priority agenda will require a concerted effort by the PR and FM Sectors and strong support from various stakeholders, including Management and the Board. The two Sectors are implementing continuous improvements, including in their internal management and reporting systems and tools. Building sustainable capacity in complex and dynamic environments is a long-term endeavor. PR and FM will continue to focus on strengthening supreme audit institutions, internal audit and internal controls, and procurement policies and practices, and aligning systems with international standards while working with a wider group of professionals in partner and donor countries.

# FINANCIAL MANAGEMENT AND PROCUREMENT IN WORLD BANK OPERATIONS: ANNUAL REPORT FOR FY11

## I. INTRODUCTION

1. For more than a decade, the World Bank's Procurement (PR) and Financial Management (FM) Sectors have prepared separate annual reports to the Audit Committee. This year's report marks the first effort to record not just the achievements of the two individual sectors, but rather what their combined work has contributed toward achieving the Bank's fiduciary and development objectives.
2. ***Staff and Responsibilities.*** Together, the PR and FM families contain over 400 staff, of whom about three-quarters are stationed in country offices. (The Bank's fiduciary position is also strengthened by the work of Controller's and the Integrity Vice Presidency.) The FM and PR families have a twofold mandate: first, to provide reasonable assurance that the funds provided by the Bank are used as intended; and second, to assist client countries in building and strengthening their own procurement and public financial management (PFM) systems. Regional staff are on the front lines in providing these essential services. The Anchors in Washington define policy and support these PR and FM staff in several ways—issuing guidance, providing training, and working at the international level to develop client capacity and enhance the environment for fiduciary work.
3. ***Multidisciplinary Teams.*** One of the most important developments in the Bank's work over the last few years is that in all Regions, the FM and PR staff are increasingly forming teams to help client countries tackle issues in a unified way. They work closely with country and sector staff, task team leaders (TTLs), Poverty Reduction and Economic Management (PREM) Network staff, and staff in other units to provide reasonable fiduciary assurance while at the same time supporting important country capacity-building efforts. This teamwork aspect is evident throughout this paper, and Box 1 highlights a few examples.
4. ***Structure of the Paper.*** Following this Introduction, Section II reports on how the two Sectors provided reasonable fiduciary assurance that the funds provided by the Bank were used for the intended purposes; Section III discusses the Sectors' work in building country capacities; Section IV looks at partnerships and collaboration, at both the country and global levels; Section V describes the Sectors' staffing, internal governance, and capacity-building efforts; and Section VI looks forward to the priorities for FY12 and beyond. Annexes provide additional information: Annex A briefly highlights each Region's PR and FM activities, and Annex B provides data to supplement the discussion in the main text of the paper.

### Box 1. Working in Multidisciplinary Teams

**AFR.** In **Mozambique**, FM and PREM are co-leading the preparation of an innovative project to achieve greater development outcomes by lifting key PR and PFM bottlenecks to service delivery in selected sectors. Core team members for the project are also drawn from PR and the Human Development and Social Development Networks. FM and PR also arranged a three-day orientation training of technical assistance auditors for Bank-financed projects to improve their understanding of Bank FM, disbursement, and PR. In **Nigeria**, FM collaborates with PREM on a federal-level economic reform and governance project. PR and FM support governance and capacity-building projects and expenditure effectiveness projects in several states, and they collaborate with other sectors on PFM agenda and governance and anticorruption (GAC) issues. The **AFR SWAT Team** is a joint FM and PR effort to identify and tackle—swiftly and effectively—implementation and disbursement impediments in the AFR lending portfolio. The team reviews project readiness filters and advises in such areas as disbursement rates, policy dialogue, and red flags.

**EAP.** In **Lao PDR**, PR and FM specialists collaborate with technical staff from other sectors and with country management units in planning and conducting an annual integrated fiduciary assessment for selected projects, assessing a sample of Bank-financed contracts on such aspects as the borrower's implementation of the PR process; contract management, payments, and physical inspection of the delivery of goods; and progress of construction works, including their compliance with approved designs and technical quality. The results of these assessments are posted on a publicly available website so that local communities can track the delivery of infrastructure assets that the Bank finances.

**ECA.** The PR, FM, and disbursement teams work closely on country-level Integrated Fiduciary Portfolio Reviews to identify institutional and capacity constraints to satisfactory implementation of Bank-financed projects. These reviews help (a) determine whether Bank funds have been used for the intended purposes, (b) identify needs to further strengthen and build country institutions to improve the effectiveness of overall public expenditures, and (c) identify cross-cutting control weaknesses and fraud and corruption red flags. **South Caucasus Countries:** FM and PR staff have piloted a new approach—planning programmatic multiyear portfolio fiduciary and public sector management work at a subregional level. Supporting the development of country systems and advancing the GAC agenda in the three countries (**Armenia, Georgia, and Azerbaijan**) would take several years of sustained and consistent efforts. Thus the team proposed a medium-term program to support the Bank's and governments' initiatives in building country systems, enhancing the quality of the fiduciary work of Bank-financed projects, and advancing the GAC agenda in all three countries. The work program spans July 2010 to June 2013; promotes cross-sectoral collaboration, building on the ongoing partnership with PREM in Armenia and Georgia; and takes into account the countries' unique circumstances.

**LCR.** In **Panama**, PR and FM are working with PREM on the Panama Enhanced Public Sector Efficiency Technical Assistance project (IBRD loan of US\$55 million), which supports performance-based budget management and evaluation, implementing a new PFM model to strengthen budget execution, and strengthening public procurement and contracting. In the Region, the FM and PR teams jointly conducted project supervision and assessment and design and deliver training programs. They also collaborated with PREM Public Sector group, particularly on the PFM agenda and GAC issues.

**MNA.** In **Egypt**, PR and FM collaborated with INT to provide implementation support to the Egypt portfolio through an enhanced portfolio review. The shared perspectives of the three units helped identify cross-cutting GAC-related issues to ensure that fiduciary and institutional arrangements are conducive to reducing risks to an acceptable level and achieving value for money. PR worked with PREM to improve public procurement systems in **Tunisia, West Bank and Gaza, Yemen, and Iraq**. PR and FM collaborated on a Country Procurement Assessment Review in **Syria** and on capacity-building activities in **Morocco, Lebanon, Jordan, and Iraq**.

**SAR.** In **Bangladesh**, FM and PR launched a new risk-based and integrated approach for Joint Fiduciary Reviews by reviewing together the PR, FM, and disbursement compliance for selected high-risk projects. This joint review received strong support from the Government and has helped the Government and Bank identify areas requiring additional oversight and management attention. In **Sri Lanka**, PR, FM, and the Human Development Network carried out fiduciary assessments in the education and health sectors in the context of proposed Bank operations in these countries, in close collaboration with the Sri Lankan teams from both sectors.

## II. REASONABLE FIDUCIARY ASSURANCE

5. In FY11, the Bank approved 361 new operations—131 IBRD and 230 IDA, 293 investment lending (IL) and 68 development policy lending (DPL) operations—with a total commitment of US\$42.6 billion. The number of active operations increased from 1,682 in FY10 to 1,820 in FY11, for a total commitment of US\$167 billion. The Bank’s FM and PR staff in the Regions were responsible for the fiduciary aspects of these operations. During the preparation of IL operations, they assessed risk, evaluated borrowers’ past performance, and worked in task teams to develop appropriate fiduciary arrangements. During implementation of IL operations, they oversaw borrowers’ compliance with the fiduciary aspects of the operations, continually reassessing risk and proposing any necessary midcourse corrections. For DPL operations, the Regional staff drew on focused IMF assessments to review the adequacy of the fiduciary environment and develop specific PFM prior actions and triggers to help ensure that the funds were flowing into approved accounts. The work of these staff was supported and facilitated by the work of the Sector Boards and the Anchors in setting policy, providing guidance and tools, and assisting with risk management and quality assurance.

### A. Quality Assurance

6. The first part of the mandate for the FM and PR families is to provide reasonable assurance that the funds the Bank provides are used as intended. Both families used a range of measures to enhance fiduciary assurance, with a multilevel process designed to mitigate risks and improve results.

- **Regional level.** Quality assurance begins when the PR and FM specialists assess and identify project-specific controls to provide reasonable assurance while helping to ensure that the project can move forward as planned. For higher-risk projects or those with unusual features, another specialist may review the fiduciary arrangements. The FM and PR Regional management teams address any remaining issues.
- **Institutional level.** The Procurement Sector Board (PSB) and the Financial Management Sector Board (FMSB) address broader institutional issues, determining appropriate actions such as developing new guidance notes; delivering training; enhancing FM and PR systems, policies, and procedures; and developing new initiatives. The Anchors review high-risk operations and monitor Regional performance and compliance with key fiduciary responsibilities.

7. **Transaction Reviews.** In FY11, the PR Sector performed a range of transaction reviews.

- **Contract prior reviews.** The Bank prior-reviewed a total of 9,288 contracts equivalent to US\$11.480 billion<sup>1</sup> (see Annex B, Tables B1-B4), 1 percent more than FY10’s 9,407 contracts equivalent to \$11.007 billion. On average, 70 percent of contract amounts were awarded under international competitive bidding and 30

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<sup>1</sup> Portfolio data are from the Bank’s Business Warehouse, as of October 4, 2011. The Bank’s Contract Awards Database, which is accessible to the public at the Bank’s public website under the Projects and Operations section, Procurement Publications, captures the major contracts that are prior-reviewed by the Bank, providing key information on contract location, amount, supplier, procurement method, and other indicators.

percent under national competitive bidding procedures<sup>2</sup> (see Annex B, Figure B1, for additional information on prior-review trends).

- **Procurement post-reviews.** Staff conducted procurement post-reviews on 8,425 contracts in 803 projects—97 percent of the projects subject to post-review<sup>3</sup> (see Annex B, Tables B5–B8). They also post-reviewed 1,141 contracts under recipient-executed trust funds, equivalent to US\$56.8 million in contract value, and 74 contracts under Institutional Development Fund (IDF) grants, equivalent to US\$1.1 million in contract value. The total number of post-reviews was 9,640 contracts. Post-review helps strengthen client capacity through the actions taken to address identified issues.
- **Independent Procurement Reviews.** The Regions conduct non-mandatory Independent Procurement Reviews (IPRs) every year to supplement the mandatory post-reviews that are conducted for all active projects and recipient-executed trust funds. IPRs are not centrally triggered but rather are managed through Regional procurement review programs. Major findings and recommendations are recorded at the Regional level and used for follow-up by the Regional Procurement Manager (RPM) offices. The Regions conducted 54 IPRs in 14 countries, covering 54 projects and entailing the review of 725 contracts. Regions use the IPR process to review both Bank and borrower performance and better identify generic issues in the portfolio, provide guidance to task teams on risk mitigation measures and implementation arrangements, and provide feedback to counterparts in implementing agencies.
- **Misprocurement.** As a consequence of the various reviews, Bank supervision, and complaints from bidders and consultants, in FY11 the Bank declared misprocurement in 11 countries against 52 contracts worth a total of US\$32.4 million. This represents 0.56 percent of the total number, and 0.28 percent of the total volume, of prior-review contracts awarded. Over the years there have been no noticeable trends in the numbers of cases of misprocurement, nor in the countries or sectors in which they have occurred. The 11 countries where misprocurement was declared in FY11 were Argentina, Bangladesh, Bhutan, China, India, Malawi, Mozambique, Nepal, Turkey, Uzbekistan, and Vietnam.
- **Procurement complaints.** During FY11, bidders and consultants across all Regions registered a total of 359 complaints in connection with Bank-supported projects. This corresponds to 1.9 percent of all prior- and post-reviews conducted by the Bank during FY11. The most common reasons for complaints were “technical specifications” and “contract award.” After reviewing complaints, the Bank might recommend or implement such actions as misprocurement, rebidding, and bid cancellation (see Annex B, Table B9 for additional information on complaints). The Bank’s Complaints Database is used to record occurrences of procurement complaints

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<sup>2</sup> Contract award information is available in two external World Bank websites: [Contract Award Search](#) and [Detailed Contract Awards](#) .

<sup>3</sup> The 3 percent not post-reviewed reflect particular circumstances that may affect the requirement for post-review throughout the project cycle—for example, (a) changes to the procurement plan; (b) the number and type of contracts procured during a given year and the methods of procurement used for such contracts; or (c) changes in the procurement risk that alter the frequency and intensity of the Bank’s supervision efforts.

under Bank-financed projects. To ensure the integrity of the data and the process, in compliance with confidentiality requirements during the bidding process, use of and access to the Complaints Database are restricted to the Chief Procurement Policy Officer and RPMs, or staff to whom they have delegated the responsibility to manage the cases entered in the system. Complaints, including their nature and outcomes, are registered on a case-by-case basis and closely monitored by the Regions.

- **Procurement waivers.** For some projects—such as emergency projects or projects in fragile states—it is appropriate to waive procurement policies or rules. During FY11, the PR Anchor reviewed 14 waivers.<sup>4</sup>

8. **FM Covenant Compliance.** In addition to close project implementation support, the FM Sector mainly uses three measures of project audit oversight to help improve project outcomes:

- **Compliance.** The FM Sector continued its focus on monitoring and tracking borrowers' compliance with legal covenants pertaining to the submission of interim financial reports (IFRs), audited financial statements, and audit reports. Table B10 in Annex B shows the numbers of audits of loans, credits, and recipient-executed trust funds received during the year.
- **Type of auditor.** Approximately 32 percent of project audits were carried out by countries' supreme audit institutions (SAIs) (the same level as in FY10).
- **Audit opinions.** Clean opinions were provided for 88 percent of project audits (up from 86 percent in FY10). Of the audits with qualifications, the highest proportion (92 percent) was for "qualified exceptions."

During FY11, OPCS and CTR granted 11 exceptions to the application of available remedies under OP/BP10.02, *Financial Management*, regarding failure to submit audited financial statements (see Annex B, Table B11). OPCFM closely monitors the exceptions and their associated action plans and follows up with the Regions to help ensure timely completion of proposed activities.

9. **Reviews of High-Risk Operations.** The PR and FM staff in OPCS continued to provide timely technical and quality reviews for high-risk and other operations slated for corporate oversight: 86 development policy operations, 46 country partnership strategies, and scores of IL operations. In addition, the Operations Procurement Review Committee (OPRC), which reviews and clears the highest-value and most complex contracts financed under Bank-supported operations as part of a risk-based approach, reviewed a total of 99 new cases, equivalent to US\$12.3 billion. These cases included supply-and-install civil works contracts and high-value consultancy contracts.

10. **Quality Reviews.** During FY11, the results of several independent reviews confirmed the overall quality of FM and PR work.

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<sup>4</sup> Total may include some waivers during FY10. See *Review of Operational Policy Waivers* (IDA/R2011-0261), July 26, 2011, and *Operational Policy Waivers Granted Under Implementation and for Trust-Funded and other Operations not Approved by the Board* (IDA/SecM2011-0599), August 30, 2011.

- **IDA14 Internal Controls Report.** After the IDA14 internal controls study found some weaknesses in the Bank’s internal controls in FY09, the PR and FM Sectors implemented key quality improvement measures. In the October 2010 retest of the IDA14 controls, both Sectors were rated as “successful.”
- **JET Phases I and II for FM.** In March 2008, the Vice Presidents of Controllers Strategy and Resource Management (CSR) and Operations Policy and Country Services (OPCS) agreed to institute a joint evaluation process to monitor the efficacy of FM quality arrangements. The Joint Evaluation Team (JET) reviews focused on two dimensions of FM work: (a) compliance—whether the quality arrangements and the FM work in the Regions were consistently being implemented as designed and in accordance with the FM Practices Manual (2005), and (b) quality—whether the judgments being made and conclusions reached were properly supported by evidence. The findings from Phase I were generally positive: Regional quality assurance arrangements had been implemented in accordance with the FM Practices Manual. Phase II reviewed FM compliance and the adequacy of quality assurance arrangements in a random sample of 135 projects. In a final report issued in March 2011, JET reported that for both project preparation and supervision, Management oversight, integration of FM staff into task teams and planning, adequacy of FM arrangements, FM assessments, and FM follow-up actions were generally satisfactory. However, the report found that FM documentation was generally weaker than expected, with the content and completeness varying among Regions. In response, the Regions are working to improve in this area as the Bank transitions to a new document management system.
- **IAD Procurement Audits.** During FY11, Internal Audit (IAD) audited the Procurement Complaints Database and gave it a rating of “satisfactory.” Recommendations for small improvements were implemented successfully and on time. In addition, IAD began an audit of the Bank’s procurement review function, including P-RAMS and the post- and prior-review processes. OPCPR supported this effort by coordinating engagements between IAD and the Regions, providing information on procurement systems and procedures, and meeting with the Regions and IAD as necessary. The audit findings will be available and discussed with the PR Sector during FY12.

11. **FM Sector Monitoring Framework.** During FY11, the FM Sector Results Task Force formulated key performance indicators (KPIs) and monitoring and reporting arrangements for the FM Sector Monitoring Framework. The Framework, an integrated results, risk, and performance tool that is intended to articulate the results and performance being sought by the FM Sector in line with its key strategic priorities, outlines how the Sector would measure progress toward results and performance and identify other information that may be useful to Management. The Sector expects to begin implementing the KPIs in FY12, linking them to PRIMA II for effective and systematic monitoring and reporting. The FMSB will test and refine the Monitoring Framework during FY12, with a view toward formalizing it in FY13.

12. **Procurement Policy Committee.** The PR Sector’s Procurement Policy Committee meets regularly to review and discuss various procurement matters and initiatives. It functions as an advisory body as well as a quality control group to ensure that the tools and services developed

by the PR Anchor and provided to the Regions are relevant, timely, and of high quality. During FY11, the Procurement Policy Committee covered the following work:

- Revisions to the procurement accreditation and decentralization policy
- Review of the Bank's new standard bidding documents (SBDs) for ICT equipment
- Review of the Bank's SBDs for prequalification
- Discussions on the proposed Program-for-Results instrument
- Review of the harmonized Request for Proposal for consultancy services
- Discussions on the Procurement Approach Paper and the GAC II PR companion piece
- Finalization of the guidance note on public-private partnerships

13. ***Role of Controller's.*** As part of the Bank's overall fiduciary quality assurance framework, CTR provides a two-stage review function for IL operations. For projects under preparation, it reviews and approves proposed disbursement and designated account arrangements to ensure that they comply with Bank policies and can be supported by Bank systems. When projects move into implementation, CTR reviews either the borrower's withdrawal application or IFRs as a basis for releasing funds to the project. In DPL operations, CTR reviews the disbursement arrangements and terms. CTR is also a member of the PSB and of the FMSB group that reviews and approves audit waiver requests. In addition, CTR reviews and clears cases submitted by the PR Anchor involving suppliers flagged by the Bank's anti-money laundering system for contracts prior-reviewed by the Bank. The CTR review aims to ensure that the Region carries out proper due diligence before clearing the supplier for processing and payment.

14. ***Fiduciary Assurance Working Group.*** During FY11, both Sectors participated in a collaborative effort with CTR—along with OPCS's Investment Lending unit, INT, and the Legal Department (LEG)—to improve the Bank's disbursement system and enhance the assurance framework for disbursements in investment lending. The enhanced assurance framework will strive to set clearer risk tolerance levels (given the prevailing conditions in the portfolio) and will consolidate the project risk ratings generated by several risk management systems—risks identified as part of project design and supervision, PR, FM, and GAC work. The definition of tolerable risk and the integration of these risks will form the basis for CTR's rating of the disbursement risk for a particular project or transaction. The resulting overall disbursement risk will determine (a) the level of scrutiny CTR gives disbursement requests, (b) the need for additional or more focused reviews by CTR and OPCS during project implementation, and (c) the need for more due diligence before disbursement is made in the highest-risk projects. The next steps are to pilot the framework with the Regions and work with ISG to automate the disbursement risk component of the assurance framework to ensure maximum efficiency across the Bank. During FY12, CTR will report to Senior Management on the results of the pilot and the expected date for making the enhanced assurance framework fully operational.

15. ***Role of INT.*** INT is responsible for investigating allegations of fraud and corruption in Bank-supported projects and reporting its findings in a final investigative report. Because many

of the allegations involve PR and FM issues, both Sectors collaborate closely with INT in its investigations. In the second half of FY11 the Regions received 25 Final Investigative Reports, of which 23 dealt with fraud, corruption, or coercion in PR and/or FM. In 5 of these investigative reports, INT made recommendations for action—addressing conflict of interest, ensuring unbiased handling of bidder complaints, communicating policies to borrower, or assessing efficiency of the implementing agency—and found that the Regions were following up on them.<sup>5</sup> The findings in the Final Investigative Reports also help inform some of the guidance issued to staff by the two Sectors. The PR Sector has also worked with INT on various initiatives and tools, including a review of procurement matters relating to settlement agreements between the Bank and suppliers, continuing to implement the OPCS/INT protocol that establishes processes and procedures on handling allegations of fraud and corruption in procurement, and enhancing the contents of the Red Flags Learning Tool to help staff identify procurement red flags in documents.

## B. Risk-Mitigating Tools

16. During FY11 both Sectors built on the work of previous years to significantly enhance their electronic risk management, monitoring, and reporting systems, with the goal of (a) providing Bank task teams with a comprehensive project view—including important data from the PR and FM Sectors—within the Operations Portal; and (b) improving the Bank’s ability to identify and monitor project risks, reduce processing redundancies, and enhance its internal control framework.

- **P-RAMS.** P-RAMS (Procurement Risk Assessment and Management System) was integrated with the ORAF and the Implementation Status and Results (ISR) report in Operations Portal 2, allowing task teams to access procurement risk information for ORAF and procurement performance data for the ISR. This has improved task teams’ ability to manage project risk and better implement risk mitigation actions (see Annex B, Figure B2). For the PR Anchor, the main focus area in FY11 was to complete the systems development strategy and generate Regional monitoring reports on P-RAMS.
- **PRIMA II.** Following the July 2010 rollout of PRIMA II (Portfolio Risk Management system), the FM Sector made progress in comprehensively recording and monitoring the FM aspects of IL operations throughout the project cycle, including the key controls identified in the FM Manual. The main focus areas in FY11 were to make further improvements to the reporting function and to correct project inventories. By year-end, over 2,500 operations, including trust funds, were at various stages of processing in PRIMA II (see Annex B, Figure B3), and the Reports Package was available for Regions to test their data, the system functionality, and management and exception reports. During FY12, information will be drawn from the system to support development of the Sector’s KPIs, and a module for monitoring the extent of use of country FM systems will be introduced.

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<sup>5</sup> See *Status Report on Management’s Responses to INT’s Findings in Final Investigative Reports* (OPCS, September 26, 2011).

Ongoing work in both Anchors aims to achieve greater integration with the Operations Portal system, including the Audit Reports Compliance System (ARCS) and ORAF, and to support links to key institutional systems used by task teams.

17. ***Electronic No-Objection System.*** In FY11, OPCPR—in collaboration with the Regions, CTR, INT, ISG, and LOA—began developing the Electronic No-objection System in Operations Portal 2. The system is designed to enhance key fiduciary controls at the time of the Bank’s no-objection to a borrower’s recommendation for contract award. It will integrate all sanction verification controls with the contract award data sent through the contract award form (Form-384) to LOA. The system will be linked to LOA’s e-disbursement module in the Integrated Loan Administration Platform to allow for better contract monitoring. In the future it may be possible to link the system with Regional procurement monitoring applications such as SEPA (in LCR) and PROCYS (in AFR). The new system will be tested beginning in March 2012 and then piloted in all Regions.

### **C. Policies, Procedures, and Guidelines**

18. Both Sectors prepared and issued a range of guidance materials to support staff in enhancing the quality of their performance.

19. ***Policy Work and Guidance.*** During FY11, both Sectors were involved in activities related to changes in policies and procedures and dissemination of guidance:

- Following the revisions to the Procurement and Consultant Guidelines (approved by the Board in January 2011), OP/BP 11.00, *Procurement*, was updated, issued to staff, and distributed to the Board for information. The Sector held information sessions across the Bank during FY11 to inform staff about the changes and address questions. To address external concerns about the changes in the Guidelines, at the request of the Executive Directors, OPCPR held meetings with representatives of the private sector.
- PR and FM prepared a joint Fiduciary Guidance Note to (a) provide Bank fiduciary staff and development partners with a framework to conduct a fiduciary assessment when seeking Program-for-Results support, and (b) provide advice to the borrower during the preparation, appraisal, and implementation of a Program-for-Results operation.
- PR issued a guidance note to procurement staff to facilitate their practical application of the Bank’s Access to Information Policy and explain how it relates to disclosure requirements under the revised Procurement and Consultant Guidelines. FM issued a guidance note on implementing the requirement to disclose audited financial statements and handling other documentation that FM staff usually create or receive.
- OPCPR worked with the Energy Sector Management Assistance Program to prepare guidance for staff on designing and supporting procurement arrangements in energy efficiency projects.
- The FM Sector issued good practice notes on GAC (project preparation and implementation support) and on FM issues in DPL operations. The FM Anchor issued new guidelines on FM in community-driven development programs as an

exposure draft; the guidelines are expected to be finalized and approved by the FM Sector Board by December 2011.

- The PR Anchor initiated work to update key SBDs and the Standard Request for Proposals to reflect the changes in the Guidelines, beginning by coordinating with the other MDBs on updating the master procurement documents.
- With input from the Regions, OPCFM drafted a new FM Guidance Note on work in fragile and conflict-affected situations, based on the action plan from the 2011 World Development Report. The Guidance Note was circulated to the Regions for comments before being issued as an exposure draft in FY12.

20. **Rapid Response.** Both Sectors carried out activities related to OP/BP 8.00, *Rapid Response to Crises and Emergencies*. After seeking input from the Regions, OPCFM drafted a revised FM Guidance Note based on OP 8.00 that was circulated to the Regions for comments before being issued as an exposure draft in FY12. In the PR Sector, staff applied the flexibilities under OP/BP 8.00 and the guidance note on simplified PR procedures for emergency operations to address vulnerabilities in countries afflicted with natural and man-made crises.

- In the Democratic Republic of Congo (DRC), the Bank partnered with the Roll Back Malaria Initiative; United Nations Children’s Fund (UNICEF); Presidential Malaria Initiative; and the Global Fund to Fight AIDS, Malaria, and Tuberculosis to procure health goods urgently needed by the population. The distribution of bed nets and antimalaria drugs benefitted 35 million people in DRC. In collaboration with the World Health Organization (WHO) and UNICEF, the project also supported the organization of a nationwide mass vaccination campaign in response to the most severe outbreak of poliomyelitis in more than a decade. Strategic contracting and outsourcing, streamlined procurement procedures, and harmonized payment procedures were used; minimum financial reporting requirements were agreed; and simplified internal controls were adopted to provide adequate fiduciary assurance while enabling a rapid response to the emergency.
- LCR has designated a focal point for rapid response to FM- and PR-related matters to ensure adequate management attention to such projects. As a result, staff were able to support the preparation of a number of emergency operations in Haiti and other countries in the Caribbean in FY11 while managing the inherent fiduciary risks.

21. **Joint Policy Development Support.** During FY11, the PR and FM Sectors were part of a larger team working on developing the Program-for-Results, a proposed lending instrument that will focus World Bank support directly on improvements in sectoral or other development programs. Program-for-Results will place more direct emphasis on results by making them the basis for disbursement, and will help countries improve program systems such as those that deal with fiduciary issues. In Program-for-Results operations, the focus of FM work will include tracking results as they relate to reporting and disbursements. Procurement under Program-for-Results would not be subject to the Bank’s Procurement and Consultant Guidelines and OP 11.00, *Procurement*; instead, a procurement framework has been designed for the new lending instrument under which the Bank will be able to expand how it helps borrowers improve procurement capacity. Both Sectors worked collaboratively to produce a joint guidance note to

address fiduciary issues in the preparation, implementation, and supervision of operations under the proposed new instrument.

22. ***Country Policy and Institutional Assessment.*** Following the 2009 IEG evaluation of the Bank's Country Policy and Institutional Assessment, Management agreed to carry out a review of the criteria. With inputs from the Regions, OPCFM led the exercise in revising the criteria for quality of budgetary and financial management. Similarly, for the Post-Conflict Performance Indicators, OPCFM led the development of new criteria on the functioning of the budget administration.

### III. BUILDING COUNTRY CAPACITIES

23. The second part of the mandate of both the FM and PR families is to support client countries in building their PR and FM capacity. This second part of the mandate fits well with the first part, since strong, capable, well-functioning, and transparent country systems are the best assurance that Bank funds are being used as intended. It also has a broader development goal: with sound systems, countries do a better job of managing all of their funds, not just those provided by the Bank and other development partners. Staff in the PR and FM families are heavily involved in initiatives to help build countries' capacities.

24. ***Capacity-Building Interventions.*** PR and FM use a wide variety of instruments and interventions to help countries build PFM capacity: diagnostics, IL components, DPL operations, special studies, economic and sector work (ESW), formal training, special programs, and implementation support missions. Because each country begins at a different point and has different requirements, the Sectors customize the capacity-building activities for each particular situation. Increasingly, PR and FM staff are taking task leadership roles in investment projects and grants (see Annex B, Table B12).

25. ***Gathering and Creating Knowledge.*** One way to assess a country's PR and FM arrangements is to conduct a formal diagnostic review. During FY11, the PR and FM Sectors completed Integrated Country Fiduciary Portfolio Reviews for Armenia, Azerbaijan, Cambodia, Georgia, Indonesia, and Viet Nam and contributed to nine ESW reports, including Country Procurement Assessment Reports (CPARs) for Sierra Leone and Kuwait and a regional study in LCR to assess whether public procurement systems are addressing current and future needs (Table B13 in Annex B lists the ESW products delivered during FY11 that FM and PR staff contributed to). The PR sector also produced a guidance note on procurement reform to provide task teams with a common conceptual framework for understanding public procurement systems and proposing effective reform actions to deal with specific concerns or issues. The note provides guidance on building the foundation for a sustainable dialogue with the government on public procurement systems; assessing country public procurement systems in partnership with the government and other stakeholders; and supporting the government in developing and prioritizing action plans for reforms and in implementing them to deliver better services to the population.

26. ***Private Sector Accounting Support.*** The FM Sector continued its involvement in the joint Bank-Fund initiative on Reports on the Observance of Standards and Codes (ROSC), of which ROSC Accounting and Auditing (ROSC A&A) is a part. From the beginning of the ROSC

program to June 30, 2011, a total of 123 ROSC A&A reports have been completed and 106 have been published. During FY11, 8 were completed and 12 were published (see Annex B, Table B14). In addition, as of June 30, 2011, there were 98 follow-up and related capacity-building projects across all Bank Regions. During FY11, guidelines to World Bank Staff on conducting ROSC A&A reviews were drafted; materials were developed to train FM staff in conducting ROSC reviews and follow-up activities; and an update to the diagnostic template for conducting the ROSC A&A review exercise was drafted with the assistance of such external parties as the International Accounting Standards Board and the International Auditing and Assurance Standards Board. In FY11 the Bank and IMF Boards discussed a staff paper on the ROSC Initiative and supported continuing the initiative for the next five years. The Bank's Board emphasized the need for better integration of the findings and recommendations of ROSCs into Country Partnership Strategies, and for more effective follow-up through operational work.

27. ***Institutional Development Fund.*** Since 1992, IDF has been providing US\$25 million annually in small grants, with 40 percent of approved grants in FY10 in areas related to PFM and procurement. The IDF FY10 Performance Review indicates consistently high ISR ratings for FM, with a rating of 91 percent “moderately satisfactory” or better.<sup>6</sup> During FY11 it was primarily through the use of the IDF that the two Sectors contributed to capacity-building activities (see examples in Box 2; Table B15 in Annex B lists the active IDF projects to which PR and FM staff contribute).

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<sup>6</sup> *Institutional Development Fund – FY10 Performance Review* (SecM2011-0016), January 18, 2011.

## Box 2. Examples of IDF Grants Supporting Capacity Development

**AFR.** A memorandum of understanding was signed between the Bank's office in Ethiopia and the Ethiopian Management Institute for delivery of wholesale procurement training. In Nigeria, the Government is working to implement recommendations made through the Bank-financed Procurement Training Needs Assessment, and a procurement professional cadre has been created at the federal level and in three states. The Nigeria country office and the Africa Region PR and FM groups collaborated with the Lagos Business School, a local training institute, to provide training on both public procurement and FM procedures. Procurement training and seminars were also organized for civil society organizations and the private sector to enhance their understanding of public procurement rules and regulations. Two grants were approved to support building the capacity of the accountancy profession in Mauritius and Togo.

**EAP.** A grant supported Vietnam's Public Procurement Agency in updating the assessment of the legal framework, strategy, and roadmap for the development of e-Government procurement. An IDF grant in Indonesia is supporting the internal audit institution in developing a strategic plan for COSO implementation in selected ministries. Vietnam is implementing internal auditing within the Ministry of Finance and across the public sector.

**ECA.** In Georgia, Ukraine, and Uzbekistan, project implementation units and representatives of beneficiaries were informed about the Bank's anticorruption measures and initiatives and received training on specific procurement documents applicable to their respective projects. Grants to Moldova, Macedonia, and Kosovo supporting capacity building in professional accounting in the public sector resulted in around 40 public officials obtaining international certificates in accounting and around 30 earning international diplomas.

**LCR.** A grant in Colombia is supporting the Government in implementing key recommendations of OECD-DAC benchmarking, funding development of regulations in line with the recently adopted procurement law. In Peru, a grant has been prepared to support the education of local staff in international good practice in procurement and contract management. A grant supported subregional governments in implementing key recommendations of the FY07 OECS Policy Note on Project Fiduciary Management, with outputs that included harmonized procurement legislation and drafting of a procurement manual. Grants supported key subregional supreme audit organizations: OLACEFS (covering Andean countries), Caribbean Organization of Supreme Audit Institutions (covering Caribbean countries), and OCCEFS (covering Central American countries). Projects continued supporting capacity strengthening of the national audit offices in Brazil (at federal and state levels), Dominican Republic, and the OECS countries. In Mexico, grants are helping to strengthen the government's internal control and risk management framework and the institutional capacity of the Federal Treasury by supporting the design of improved systems and internal control methodologies.

**MNA.** In Morocco, implementation continued on a grant component aimed at increasing the usage of the Moroccan e-procurement system. A grant approved in FY11 will finance the further development of the regulatory and institutional framework for Palestine's new Procurement Law, including regulations and bidding documents to implement the new law. Grants for improving the public procurement systems in Syria and Yemen were approved in FY11, although the political situation has prevented them from becoming effective. Preparations also began for a grant to support the implementation of a new public procurement decree in Tunisia. The FM team has prepared a grant to support the Jordan Association of Certified Public Accountants in strengthening its capacity to provide training to its members and promote modernizing the accounting and reporting architecture in Jordan.

**SAR.** In Afghanistan, a Procurement Monitoring Integrated System was piloted in three ministries, and 70 procurement staff from different ministries were trained in uploading data. The program has since been institutionalized in the Afghanistan Civil Service Training Institute. The Procurement Policy Unit has initiated a system to assess the capacity of line ministries and to certify them to carry out procurement actions; of the seven line ministries assessed, three have been accredited to carry out procurement independently. The FM team assisted the Afghanistan Ministry of Finance in developing a proposal to build FM capacity at the subnational level in four provinces and secured a grant to implement the proposal.

28. **Country-Level Activities.** Regional and country-based initiatives to build FM and PR capacity range in scale from one-off training courses, to regional conferences, to full IL project components and DPL operations. Building on a strong program in FY10, the Regions accelerated and intensified their efforts by using innovative and creative approaches. Overall, country receptivity is quite high, and demand for capacity-building activities exceeds supply. Among the important dimensions of capacity building are core technical and process skills strengthening; collaboration, twinning, and knowledge-sharing opportunities; support for SAIs; improvements to borrowers'

regulatory framework; and key modernization initiatives, including the use of electronic government procurement (e-GP). Box 3 provides examples of country capacity-building activities.

### Box 3. Sample Activities in Building Country Capacity

**AFR.** In Ethiopia, PR supported the Government in improving and disseminating tools for public procurement practitioners, refining national bidding documents, and disseminating a set of technical manuals for practitioners. FM co- led a regional conference for 100 participants from 32 fragile and conflict-affected countries to improve the efficiency of PFM systems, strengthen sectoral performance, and improve service delivery.

**EAP.** FM is managing a US\$920,000 subcomponent of the Multi-Sectoral Technical Assistance Project to help Mongolia strengthen internal audit capacity in the Ministry of Finance. It also supported the Philippines in completing an Integrated Results and Risk-Based Audit Manual in a series of workshops with more than 300 participants. In February 2011, PR organized the Regional Procurement Learning Week in Hanoi, Vietnam. The Bank provided training in Bank procurement policies and procedures across the Region: in China and Mongolia, 45 procurement learning events were held and 1,928 borrower staff received training; in Vietnam, 19 learning events were delivered and 930 Government officials received training; procurement training was provided to over 510 participants from various Philippine agencies and to over 200 Government officials and PIU staff from Timor-Leste and the Pacific Islands; and in Indonesia, 21 procurement learning events were organized and over 800 borrower staff received training. In Cambodia, the Bank is reviewing a Government proposal for a national capacity-building program to strengthen all areas of public procurement. In Lao PDR, the Bank translated the revised Procurement and Consultant Guidelines into the Khmer and Lao languages to facilitate their use in Cambodia and Lao PDR.

**ECA.** In Armenia, with the support of the PR Sector, the National Assembly adopted a new Public Procurement Law. In Moldova, the Public Procurement Law was amended, following review by the Bank, other partners, and national authorities. In Ukraine, the Parliament voted on an amendment to the Public Procurement Law. FM convened a regional conference hosting 270 participants to develop the accounting profession's capacity to support national efforts to improve economic growth and fiscal stability. FM and PREM supported the Republic of Tajikistan as it legally established its first-ever SAI after three years of Bank engagement on governance and public accountability; plans are now under way to develop a fully functional and independent external audit body.

**LCR.** Under the CReCER initiative (Spanish acronym for *Accounting and Accountability for Regional Economic Growth*), the Bank supported a range of activities to promote knowledge sharing and mutual learning among countries on PFM and corporate financial reporting. Two regional conferences were held in collaboration with global and country partners. FM also supported SAI capacity strengthening in Paraguay, Guatemala, Brazil, Dominican Republic, and the OECS countries. In the PR Sector, a Grant for Reducing Bureaucracy for Faster, more Transparent, and more Economic Procurement in Alagoas, Brazil, was prepared. The objectives are to enhance the efficiency, transparency, and quality of public procurement by simplifying bid preparation procedures and reducing average preparation time. In the Brazilian State of Minas Gerais, the Bank is contributing to procurement reform through a DPL and a sectorwide approach (SWAp) operation.

**MNA.** In Iraq, PR helped the country finalize the new Procurement Law and improve the handling of public procurement, facilitated technical discussions among top Government officials, and presented options for a comprehensive legal framework for public procurement. In Morocco, an IDF grant is supporting the development of a national capacity building strategy for procurement and e-procurement awareness. In Egypt, PR and the AfDB held a procurement training program for 80 participants in three sectors. In Lebanon, Syria, Iraq, and Jordan, three procurement training programs for more than 110 members from project implementation units, the Ministry of Finance, external audit, and fiduciary monitoring agencies were held as a part of an MNAFM strategic priorities workshop. In Jordan, an e-Government and e-Procurement Knowledge Sharing Workshop was held at the request of the Government. PR, FM, and INT conducted a business briefing for local contractors in Iraq, where PR and FM also supported the Iraq Board of Supreme Audit in implementing a train-the-trainers program with the UK National Audit Office, covering technical competencies, risk-based audit, procurement audit, and performance audit.

**SAR.** The PR Sector continued supporting SAR countries in strengthening their public procurement systems through improvements in their regulatory framework and steps toward modernization, including e-GP (Bangladesh, Bhutan, and India), public-private partnerships (India), use of framework contracts, and an integrated system to improve efficiency and transparency in the procurement process (Afghanistan). FM sponsored the Asia Regional Association of Public Accounts Committees at which 11 member countries shared experiences and worked to develop generally accepted legislative oversight practices to be adopted by member countries.

29. **Use of Country FM Systems.** In the 2005 Paris Declaration on Aid Effectiveness, the Bank and other development partners committed to increase their use of country fiduciary systems (an indicator measured by the volume of disbursements made using partner country PFM systems). The Bank has consistently outperformed other development organizations on this indicator, and the 2010 round of monitoring shows that, with 71 percent of its disbursements using country PFM systems, it has exceeded the target of 51 percent.<sup>7</sup> In addition, the report “Strengthening Country Systems and Expanding their Use in Bank-Supported Operations” (December 2010) recommended considering the use of country systems in country partnership strategies and noted evidence of a dedicated sector program of support, the use of effective diagnostic tools, widespread programs of capacity building, a growing body of good practice guidance, and strong international collaboration around agreed international standards for country systems. Box 4 shows some of the activities through which the Regions worked to deepen and accelerate the use of country FM systems.

#### Box 4. Using Country FM Systems

**AFR.** In Mozambique, with FM support, all new Bank-financed operations are now represented on the state budget and the single treasury account. The Bank and development partners helped the country resolve outstanding issues related to selected payments and subcomponent reporting.

**EAP.** In Indonesia, FM has agreed with the Ministry of Finance that the country’s SAI will carry out the audit of five newly approved Bank-funded projects. The vision is to move gradually toward full reliance on the SAI as capacity increases.

**ECA.** In Macedonia, the Treasury system and the Central Bank have served as the Government’s agent for holding the single treasury account for six years. This experience has shown that the shift from commercial banks did not lead to unfavorable effects, delays, or transparency issues.

**LCR.** In Brazil, a national survey of state and municipal audit organizations was conducted with support from an IDF-financed project. The number of state auditors performing Bank audits increased from two to seven.

**MNA.** FM worked closely with the *Inspection Générale des Finances* in Djibouti, which agreed to include Bank-funded projects in its annual audit plan.

**SAR.** FM joined forces with the Pakistan Ministry of Finance to pilot the use of the national FM information system to account for and report on foreign-funded projects. In FY11, four projects were mainstreamed, and real-time financial information was available.

30. **Use of Country PR Systems.** In December 2010, the Procurement Anchor assessed progress under its piloting program on the use of country procurement systems for international competitive bidding. It noted that the program had produced important benefits for both the Bank and borrowers but also had disappointing results. The following main obstacles were encountered in the piloting program:

- The methodology sought to assess and certify overall country systems, when in practice capacity and implementation vary greatly from one sector and institution to another and between different states in large federal countries. With a greater focus on selected sectors or entities, the program would likely have been able to select and implement more pilot projects. In addition, a clearer alignment with areas of likely investment lending in the Bank’s country engagement or with specific national institutions capable of implementing key elements of a procurement system would have been more practical.

<sup>7</sup> *Aid Effectiveness 2005-2010: Progress in Implementing the Paris Declaration* (OECD, 2011).

- The process did not account enough for the fact that for any donor, reliance on country systems takes time, given the difficulties of reforming procurement within the broader context of public sector management in each particular country and of align existing policies, rules, and procedures with best international practice. Implementing such a program is ultimately a “learning by doing” experience.
- The requirement that the country’s procurement policies must be equivalent to the Bank’s procurement policy—a feature designed to accommodate concerns, particularly from the private sector, that procurement standards would be lowered—also proved to be an obstacle. While this requirement works when the Bank is a provider of funds and the mitigation measures are addressed in the legal documents for specific projects, client countries do not always consider it appropriate or necessary to modify their entire systems (laws, regulations, and procedures) to meet donors’ requirements. Clearly, improving systems and their performance in a specific country context may be at variance with some of the provisions of the Bank’s guidelines (not their principles, but mostly the prescriptive provisions)—in particular those that apply to international competitive bidding.

The program has, however, yielded valuable benefits and lessons that have already helped, and will continue to help, the Bank to better support national procurement reforms in borrowing countries. It has allowed the Bank to bring together procurement reform activities under a single framework, and has facilitated a broader dialogue with countries on their whole institutional and legal procurement systems, including the logistics chain and external factors that influence the outcome of a procurement process. It has also helped to deepen the analysis of risks, capacity, and performance at the project level, and to identify priorities for modernizing procurement. In addition, the methodology and associated tools have attracted widespread international interest, enhanced the internal collaboration between units and with external partners, fostered an integrated approach, and situated the public procurement reform agenda in the broader context of civil service reforms, private sector development, public sector management, and governance. In reporting to the Board on the status of the program,<sup>8</sup> Management stated its continued support for strengthening country procurement systems and increasingly relying on them. However, it also stated its intention not to seek a further extension of the piloting program beyond June 30, 2011. By the conclusion of the piloting program, four countries (the Federal Government of Brazil and the State of São Paulo, Mauritius, Rwanda, and Senegal) had been conditionally cleared, subject to completion of a Country Development Action Plan, to proceed to the final phase of the piloting program, the identification of projects or programs that will use country procurement systems for international competitive bidding. At the time this annual report was prepared, none of the four countries had completed the final phase.

31. ***Governance and Anticorruption.*** The work of both the PR and FM Sectors is integral to good governance: well-functioning, transparent, and accountable fiduciary systems are essential to the effort to prevent fraud and corruption in the first place, and to addressing it if it does occur. In addition to their “everyday” responsibilities in the GAC area, both Sectors give special attention to activities that specifically focus on GAC:

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<sup>8</sup> *Piloting Program in the Use of Country Procurement Systems: Second Progress Report (Informal Session)*, January 13, 2011.

- In January 2011, the Procurement Anchor issued the revised Procurement and Consultant Guidelines with expanded integrity provisions, including (a) new information on reporting allegations of fraud and corruption, and (b) a direct reference to the INT hotline. The Anchor also supported the piloting of the Red Flags Learning Tool that helps staff identify signs of fraud and corruption in procurement through the assessment of red flag indicators, related schemes, and case studies; and it has incorporated an overview of the tool into the Principles of Procurement course it delivers each quarter. OPCPR cooperated closely with INT and the Operations Policy Legal Department in reviewing cases related to voluntary restraint (from bidding under Bank-financed projects) arrangements; application of sanction procedures, including debarments and cross-debarments; revisions of the Anticorruption Guidelines; and update of the standard legal templates for projects and grants. All Regions continued to assist countries in pursuing the GAC agenda (Box 5 summarizes Regional efforts that contributed to the GAC agenda during FY11), often through the use of e-GP (see Box 6 and Box B1 in Annex B for additional examples).

**Box 5. Examples of Key Regional Contributions to the GAC Agenda in FY11**

**AFR.** In collaboration with WBI, AFR developed “Contract Watch,” an initiative that monitors Bank contracts as an entry point for building broad coalitions and constituencies for reform around the demand side of good governance, while testing the efficacy of the supply side. The Region is facilitating peer learning and capacity building of multistakeholder coalitions engaged in this work in 12 countries.

**EAP.** In Indonesia, the Bank conducted an Integrated Fiduciary Supervision Assessment of two projects, which included a review of the implementation of anticorruption action plans. Draft final reports, with findings in PR, FM, and contract management, are now being discussed with the Government.

**ECA.** FM and PR, working jointly with CTR and INT staff, delivered various training events in the region (Balkans, Ukraine, Belarus, Poland, South Caucasus, and Kazakhstan) to ensure that both experienced and newly hired staff of project implementation units are updated on the Bank’s policies and procedures on FM, PR, governance, and disbursements and informed about the impact that the Bank’s investment lending reforms may have on their future day-to-day activities.

**LCR.** In Colombia, the Bank supported an assessment of the fiscal control system for subnational controllership, which led to an accord calling for the reform of subnational oversight and control systems. In several regional projects, in-depth FM reviews were carried out and their findings were followed up and mainstreamed into the regular implementation support of these projects.

**MNA.** In the West Bank and Gaza, PR assisted the Palestinian Authority in completing a new procurement law that follows international best practice. FM worked with INT to support the Morocco *Inspection Générale des Finances* in training staff and mitigating risks of fraud and corruption, and to conduct a regional train-the-trainers program to strengthen SAIs’ skills in forensic/investigative accounting. The Government of Tunisia took the first step toward public procurement reform by conducting a Methodology for Assessing Procurement Systems (MAPS) assessment of its PR system. PR collaborated with the AfDB in Tunisia on many strategic actions and established a collaborative working relationship for future activities. It also led the procurement piece under the governance component of the Tunisia DPL project, which resulted in the issuance of a revised Procurement Decree in May 2011, creating the basis for an improved public procurement framework in the country.

**SAR.** FM designed financial and physical implementation verification measures into the Punjab Rural Water Supply and Sanitation Project in India. Twice a year the auditor visits work in process and completed sites to provide fiduciary assurance of fund usage. In Bhutan and Bangladesh, new Procurement Acts and SBDs containing provisions related to fraud and corruption and anticorruption entities have been put in place. GAC issues in SAR were identified and related mitigation measures were highlighted in the Bank’s ORAF tool as well as in Project Appraisal Documents. Training clinics were organized for clients in different government sectors and various levels of government.

#### **Box 6. E-Government Procurement**

The use of e-GP to conduct public bidding contributes to better governance and greater transparency and mitigates the risk of fraud and corruption in procurement. The PR Sector continued to support Regional programs in widening the use of e-GP in client countries—recommending improvements to existing systems and assisting in the development of new electronic tendering systems to improve procurement effectiveness. In collaboration with the WBI and the Global Information and Communication Technologies Group, the Sector organized an e-learning week for clients from the EAP Region and participated in the Information and Communication Technology (ICT) Sector Week. Work has also begun to enhance the MDB e-GP toolkit and further improve the functionalities of the MDB e-GP website ([www.mdbegp.org](http://www.mdbegp.org)).

- FM Regional initiatives have focused on developing operational solutions to help countries build effective governance capabilities. Achievements to date represent a substantial strengthening in GAC capabilities overall, although there is substantial scope for continued improvement. FM interventions take place at the level of individual operations as well as at the regional and national levels to strengthen governance and oversight institutions (Box 5 describes some of the Regions’ innovative approaches to strengthen governance arrangements in Bank-financed operations).
- The PR Sector discussed how it would implement GAC II, which focuses more on country work than project-based work. The Sector is looking at balancing compliance with performance management and using procurement as a way of implementing government priorities.
- The PR Sector also participated in discussions with the Transport Sector regarding the INT report *Curbing Fraud, Corruption, and Collusion in the Roads Sector*, which sets the basis for a joint effort with the Transport Sector. Several Bank-funded transport projects have already incorporated specific measures to improve governance and address fraud and corruption, which are consistent with the recommendations of the INT report. In FY12 the Operations Committee will discuss the lessons emerging from these projects, reviewing how effective those measures have been and what policy, process, or implementation issues arise from their use.

#### **IV. PARTNERSHIPS AND COLLABORATION**

32. There is a substantial collaborative aspect to the work of the PR and FM families. Both Sectors routinely collaborate with each other and with PREM, FPD, CTR, LEG, and INT within the Bank. They also work with the public and private sectors and donor partners in each country where they are active. (Box 7 describes some regional harmonization initiatives in both Sectors). And through global partnerships, they help develop client capacity and enhance the environment for fiduciary and development work.

### Box 7. Regional Harmonization Initiatives in FY11

**AFR.** The Bank organized and facilitated a workshop in Addis Ababa, “Harmonizing Procurement Policies for Effective Regional Integration.” The workshop brought together participants from Ethiopia, Kenya, Rwanda, South Sudan, Sudan, Tanzania, Uganda, and Zambia; regional organizations, including the African Union, Common Market for Eastern and Southern Africa, and West African Economic and Monetary Union; and several procurement training and professional institutions. Participants agreed to establish a steering committee that will coordinate, monitor, and oversee harmonization efforts and facilitate the implementation of regional integration projects involving multiple countries. They also agreed to establish a Forum of Procurement Professionals to harmonize and coordinate procurement capacity-building efforts in Africa. In Benin, FM worked with the government, partners of the Health Systems Funding Platform (GAVI Alliance, Global Fund, WHO), and other donors to coordinate, mobilize, streamline, and channel international resources to support the Benin national health strategy. The partners have agreed on (a) a results-based funding mechanism; (b) a single financial reporting and audit report; and (c) harmonized monitoring and supervision of program implementation.

**EAP.** China’s Ministry of Finance, AsDB, and the World Bank collaborated to update the Chinese Model Bidding Documents for National Competitive Bidding for Goods and Works. The documents, to be issued in FY12, will be used for all AsDB-, World Bank-, and government-financed projects in China. In Mongolia, the Bank continued its collaboration with the Ministry of Finance and AsDB to implement the Public Procurement Capacity Building, Public Awareness and Monitoring and Evaluation Action Plan. The Ministry, with the World Bank’s support, is also planning to update the 2007 assessment of Mongolia’s public procurement system using the OECD-DAC Methodology for the Assessment of Procurement Systems.

**ECA.** In Kyrgyzstan, the FM team continued to play a leadership role under the Health and Social Protection Project, financed by several donors (DFID, KfW, SDC, SIDA), which uses a SWAp mechanism to strengthen the use of country systems. All the donors participating in the SWAp agreed to harmonize their FM procedures with those of the Government, with the World Bank playing the lead role in monitoring fiduciary risk mitigation and capacity development measures agreed with the Government.

**LCR.** Partnership initiatives between the World Bank and the Inter-American Development Bank (IDB) include an agreement to implement the Region’s procurement plan management system, SEPA, in a number of countries, prepare joint CPARs and other assessment tools, and peer-review OECD-DAC procurement indicators assessments. The Region also worked on harmonizing bidding documents in Mexico, Colombia, and Peru, and updating bidding documents in Brazil. FM continued to work closely with other development partners and international organizations, including the IDB and USAID; one recent example is a joint review of audit firms in Mexico. The Bank works jointly with other partners on PFM issues in several countries—for example, a joint PEFA (with the EU and IDB) in Uruguay and collaboration (with IDB and EU) on the Guatemala PEFA and (with IDB) on the Costa Rica PEFA.

**MNA.** PR worked with the AfDB in initiatives across the region: in Tunisia on a DPL that achieved the major milestone of the issuance of a revised procurement decree and the agreement to conduct a MAPS assessment; in Morocco on various projects, including the groundbreaking Ouarzazate solar power project; and in Egypt, on a specialized, first-of-its-kind Joint Procurement Workshop. In Iraq, FM and PR worked with the UK Audit Office, the ILO, and PREM to strengthen the Iraq Board of Supreme Audit in such areas as risk-based audit and performance audits.

**SAR.** The Bank and AsDB established a joint group for supporting public procurement reform and capacity building in South Asian countries. In Nepal, AsDB and World Bank staff provided grants and carried out joint public procurement missions to the Public Procurement Monitoring Office to support its efforts to improve the country’s public procurement system. This collaboration also resulted in the South Asia Regional Public Procurement Forum held in Kathmandu in April 2011, a learning and networking platform for public procurement policymakers and practitioners in the Region. In collaboration with the Bank’s Social Protection team and the Nepal Country Management Unit, FM took a leading role in increasing the dialogue with Government and donors on declining PFM performance and initiated the development of a PFM multidonor trust fund to support PFM-strengthening reforms. AusAID, DfID, Denmark, and Norway were the initial contributors, and more donors are expected to join.

33. ***MDB Working Groups.*** Both Sectors play a leadership role in the joint efforts of the MDBs:

- The Heads of Procurement of the MDBs<sup>9</sup> meet as a group every nine months; and, under the leadership of the World Bank, various Heads of Procurement working groups also meet regularly to prepare documents and work on initiatives that are agreed as part of their harmonization work program. Among FY11 activities, the e-GP working group updated its work program and revised the documents available for clients on the MDB website; and the Public-Private Partnership working group launched two technical notes, as well as training materials and case studies, aimed at building staff capacity. Also, one of the Heads of Procurement working groups, cochaired by the Bank, drafted the first harmonized master procurement document for consulting services, the Standard Request for Proposal, which will be issued in FY12 for use under projects subject to the revised Consultant Guidelines published in January 2011. Several collaborations are under discussion for the future: a review of the procurement systems and business intelligence that the MDBs use to address possible areas of harmonized reporting; using standard documents in cofinanced and joint projects; licensing agreements with FIDIC; collaboration on procurement-related integrity, due diligence, and sanctions; addressing exceptions and waivers across MDBs; and the inclusion of sustainability provisions in bidding documents.
- For several years the Bank's FM Sector has provided leadership to the MDBs' FM Harmonization Working Group. The group has made progress in harmonizing FM policies and practices: developing common formats for FM reporting, common approaches for selecting external auditors, joint approaches for assessing fiduciary risks, joint standards for auditing and financial reporting, joint publications, and joint analyses of country PFM systems. Building on this progress, the MDBs are now focusing on (a) implementing the Memorandum of Understanding between the INTOSAI and development partners; (b) working with the IFAC to support establishing and developing the accountancy profession in partner countries; (c) increasing harmonization around country FM systems; (d) developing terms of reference for comprehensive auditing, including financial and performance auditing; and (e) sharing knowledge and experiences across areas of mutual interest.

34. ***OECD-DAC Task Forces on PFM and Procurement.*** In the context of the Accra Agenda for Action, the Bank and other development partners committed to help donors and partner countries strengthen and use country procurement and PFM systems. To facilitate implementation of those commitments, the Working Party on Aid Effectiveness created a Global Partnership on Strengthening and Using Country Systems, with task forces to produce guidance and good practice notes on strengthening PR and PFM systems. The PR Task Force and the PFM Task Force, which are cochaired by representatives from the Bank's PR and FM Sectors, seek to help donors and partner countries build capacity to strengthen their systems. These Task Forces are among the few truly international platforms that actively engage both industrialized and developing countries in discussions on PR and PFM issues. At FY11 meetings in Nairobi and

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<sup>9</sup> The Heads of Procurement include the World Bank, AfDB, AsDB, IDA, EBRD, Black Sea Trade and Development Bank, and Caribbean Development Bank.

Cusco (PR) and Delhi and Manila (PFM), participants emphasized the need to strengthen systems, share knowledge, build the procurement and accountancy professions, and strengthen SAIs and parliamentary oversight. They recognized that more needs to be done at the country level to support and strengthen PFM and PR as essential components of better economic governance; and that international fora can provide both a peer review mechanism and a platform for knowledge sharing on strengthening and using country systems. Both Task Forces prepared principles, recommendations, and technical guidance leading to the Fourth High Level Forum on Aid Effectiveness (Busan, Korea, 2011). These publications capture the work accomplished to date, catalog key lessons learned, and outline additional work needed to contribute and sustain progress in the future.<sup>10</sup>

35. ***Public Expenditure and Financial Accountability Assessment.*** Since 2001, the Bank (represented by members of both the PR and FM Sectors) has participated in the PEFA program, a partnership of seven donors and multilateral development organizations<sup>11</sup> that support integrated approaches to assessment and reform using the PFM Performance Measurement Framework. The PEFA Program has created a credible framework for the assessment of PFM functionality. More than 250 PEFA assessments have been completed in more than 120 countries, and 49 countries have been assessed more than once (6 were assessed three times, and 2 were assessed four times). PEFA is now used by all major development agencies, either as a tool to support the design and monitoring of PFM reforms or as a key element of fiduciary risk assessment processes. Many countries have adopted PEFA to inform the design of PFM reforms, help monitor the progress of PFM reforms over time, and assess the quality of PFM at subnational levels. In May 2011 an independent evaluation of the performance of the PEFA program found that 90 percent of low-income, 75 percent of middle-income, and 8 percent of high-income countries have been assessed. Going forward, the challenge is to maintain and strengthen the quality of PEFA assessments, ensure their publication, encourage country authorities to carry out self-assessments, and fully implement the reforms. Phase III of the PEFA program is scheduled to end in December 2011, and discussions on the priorities for the next phase are continuing.

36. ***INTOSAI-Donor Memorandum of Understanding.*** The Bank cochaired the INTOSAI Donors' Steering Committee in the development of a historic memorandum of understanding signed in October 2009 by INTOSAI and 15 bilateral and multilateral development partners,<sup>12</sup> aimed at scaling up and enhancing the support provided to SAIs in developing countries. Under the memorandum a global call for proposals for projects in need of additional support was

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<sup>10</sup> OECD-DAC Task Force on Procurement: *Strengthening Country Procurement Systems: Results and Opportunities; A Practical Guide to Transforming Procurement Systems; Strengthening Procurement Systems in Fragile States; Strategic Importance of Procurement; What is Meant by the Use of Country Systems.* OECD-DAC Task Force on PFM: *Manila Consensus on Public Financial Management: Partnering to Strengthen PFM for Effective States; Using Country Public Financial Management Systems - A Practitioner's Guide; What are the Benefits of Using Country Systems? Policy Brief 1, 2, and 3; Stocktaking Study of PFM Diagnostic Instruments; Supporting Capacity Development in PFM - A Practitioner's Guide; Good Practices in Supporting Supreme Audit Institutions; Donor Support to Parliamentary Oversight of the Budget Process: Good Practice Note.*

<sup>11</sup> World Bank, IMF, DFID, European Commission, Swiss State Secretariat for Economic Affairs, French Ministry of Foreign Affairs, and Royal Norwegian Ministry of Foreign Affairs.

<sup>12</sup> The signatories to the INTOSAI-Donor memorandum of understanding: INTOSAI, AfDB, Austria, Belgium, Canada, the European Commission, IDB, IMF, Ireland, Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the United States of America, and the World Bank. The IsDB signed in September 2011.

launched, and work is in progress to establish a multidonor fund for SAI capacity building. The first global stocktaking of the SAI community, completed in 2010, gave unprecedented insight into the capacity development needs of SAIs around the world. During FY11 a US\$3 million DGF proposal was approved to promote sustained improvement in public sector governance, transparency, and accountability by strengthening the government audit capacity of SAIs in developing countries, specifically with reference to the accessibility and application of the new International Standards of Supreme Audit Institutions.

37. ***Administering the SAI Framework.*** Since 2008, the FM Anchor has been facilitating information requests by World Bank Group members' SAIs in accordance with the SAI Framework.<sup>13</sup> A retrospective report summarizing all requests processed by OPCFM from October 2009 to June 2011 was submitted to the Board's Audit Committee in September 2011.<sup>14</sup> During that period, OPCFM responded to six new SAI requests—five in Category I and one in Category II—all from the United States Government Accountability Office. In addition, the Anchor drafted "Workflow Arrangements for Audit Requests under the 'Framework for Audits by the WBG Members' Supreme Audit Institutions'" that is being piloted until May 2012; it will be updated as necessary to reflect any additional lessons learned.

38. ***UN Cooperation.*** The Financial Management Framework Agreement (FMFA) that was agreed between the Bank and the UN in 2006 lays out simplified FM arrangements for UN-implemented activities funded by Bank grants—arrangements that rely to a large extent on the UN's own FM arrangements. To date, 11 projects totaling US\$6 million have been identified in the Regions, and a further 27 projects totaling US\$58.5 million were approved in FY11 for central units within the Bank. In all, 23 UN agencies, programs, and departments have accessed the FMFA. A review of FMFA implementation will inform negotiations on its renewal in FY12. The PR and FM Sectors completed follow-up work on the Fiduciary Principles Accord signed with the United Nations agencies in October 2008, including finalizing the templates for disbursement and legal agreements to be used by UN Agencies that are involved in Bank-financed projects. In addition, following an agreement in FY10 by the Bank and three UN agencies involved in Bank-financed health operations (UNICEF, WHO, and the United Nations Fund for Population Activities), a draft agreement for the UN provision of technical assistance under Bank-financed projects was formulated by the PR Anchor and discussed with WHO, UNICEF, and the Food and Agriculture Organization. The final template of the agreement is expected to be available before the end of FY12.

39. ***Private Sector Engagement.*** During FY11, the PR Anchor continued to make presentations explaining the Bank's PR policies and procedures to private sector delegations. The presentations were made in Washington, DC, to firms from the United Kingdom, Israel, Austria, Canada, Australia, and Japan and to various representatives from the U.S. Private Sector Liaison Officer Network. The presentations provided an overview of the Bank's lending operations, explained the role of the Bank and the borrower in Bank-financed procurement, set out the main principles of the Bank's Procurement and Consultant Guidelines, and discussed

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<sup>13</sup> See *A Framework for Audits by World Bank Group Members' Supreme Audit Institutions: A Joint Policy Framework for IBRD, IDA, IFC and MIGA* (R2006-0129/2, IDA/R2006-0142/2, IFC/R2006-0200/2, MIGA/R2006-0038/2), October 6, 2006.

<sup>14</sup> *Review of Audits by World Bank Group Members' Supreme Audit Institutions, Period October 2009-June 2011*, September 2, 2011.

how to identify business opportunities in Bank-financed projects. The Anchor provided a similar business briefing to representatives of civil society organizations during the September 2010 Annual Meetings. During the year, the Anchor also met with the International Federation of Consulting Engineers and the Confederation of International Contractors Association to discuss technical issues on the Bank's standard bidding documents and the revisions to the Procurement and Consultant Guidelines. The Regions also organized business outreach events. For instance, two events in AFR in FY11—one in the Republic of South Sudan and the other in Ethiopia—reached out to local business communities to promote their sustained engagement in Bank- and donor-financed investment projects. In Iraq, PR, FM, and INT held a joint business briefing for the private sector.

40. ***Professional Institutions and Standard-Setting Bodies.*** Through strategic relationships with IFAC, INTOSAI, and IASB, the FM Sector (a) promotes the development of accounting and auditing standards for the public and private sectors, taking account of developing country concerns and issues; (b) promotes dissemination and adoption of standards by partner country governments and others; and (c) supports training and capacity-building initiatives to foster the skills and aptitudes required for successful implementation of the standards. Through the DGF-funded Global Financial Management Partnership, the Bank supports the development and issuance of international accounting and auditing standards for the public sector by IFAC and INTOSAI. In addition, the Bank is leading the work toward a memorandum of understanding between IFAC and the donor community to facilitate the development of the accountancy profession and implementation of the ROSC A&A follow-up activities in partner countries through partnerships.<sup>15</sup>

## V. STAFFING, INTERNAL GOVERNANCE, AND CAPACITY DEVELOPMENT

41. The PR and FM families have a broad internal responsibility to maintain a structure and activities that support staff in carrying out their dual mandate.

### A. Staffing

42. Both Sectors are highly decentralized, with the majority of their staff based in country offices (see Table 1). Of the 197 FM staff, 72 percent are based in country offices; and of the 220 PR staff, 68 percent are based in country offices.<sup>16</sup> In addition, approximately 200 procurement-accredited staff working in the Regions complement the procurement function.<sup>17</sup>

<sup>15</sup> The memorandum of understanding was signed in Korea in November 2011.

<sup>16</sup> Equally important as the decentralization of staff is the decentralization of procurement authority to country offices (see Annex B, Table B16).

<sup>17</sup> Procurement-accredited staff are closely monitored under the PSB accreditation procedures, and accreditation must be renewed every two years.

**Table 1. PR and FM Sector Staffing, June 30, 2011**

<i>Location</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>OPCPR</i>	<i>SDN</i>	<i>LEG</i>	<i>Sector</i>
<b>PR Sector</b>										
Washington	13	7	14	12	5	6	9	1	2	69
Country offices	48	35	20	14	8	26	0	0	0	151
Total	61	42	34	26	13	32	9	1	2	220
	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>OPCFM</i>	<i>CTR</i>	<i>Other</i>	<i>Sector</i>
<b>FM Sector</b>										
Washington	3	3	6	10	3	3	8	14	2	55
Country offices	39	24	20	14	10	34	1	3	0	142
Total	42	27	26	24	13	37	9	17	2	197

*Note:* Does not include staff on developmental assignment or secondment.

*Source:* PeopleSoft.

## **B. Internal Governance**

43. Both the FM and PR Sectors are coordinated and overseen by a Sector Board (FMSB and PSB) with responsibilities for sector strategy; operational policies, procedures, and guidance to staff; quality of operational work; planning of human resources; learning, knowledge management, and outreach; and internal and external partnerships. The Anchors for the Sectors, located in OPCS (OPCFM and OPCPR), serve as secretariats for the Sector Boards and carry out many of the Sector initiatives; they also worked together to prepare this FY11 Annual Report. During FY11, the Boards worked collaboratively on the fiduciary guidance under the proposed Program-for-Results and on the IL reform agenda and the refinements to the ISR, PAD, PCN, and ORAF. They also discussed preparations for the Fiduciary Forum in FY12.

44. ***FM Sector Strategy.*** In September 2010 the FMSB adopted the FM Sector Strategy FY11-13, the first-ever formally articulated strategy for the Sector. It identifies three strategic priorities: (a) delivering quality FM services in Bank-financed operations; (b) building country capacity in FM; and (c) promoting global accounting, auditing, and related standards. Implementation of the strategy is under way, and results have been achieved in all three areas, as evidenced throughout this report.

45. ***Sector Boards.*** During FY11, the FMSB and the PSB reviewed and approved a number of activities and guidance notes to assist and support staff in carrying out their work. For example:

- As part of the Bankwide effort to simplify and consolidate policies and procedures on investment lending (including OP/BP 10.02, *Financial Management*), the FMSB and OPCFM worked with the OPCIL team to develop a single OP and BP. They cooperated on the development of the Program-for-Results financing instrument and worked to align the FM Manual and PRIMA II with the ORAF.
- Similarly, the PSB worked with the OPCIL team on integrating the P-RAMS tool into the ORAF and the ISR, and also contributed to the development of the fiduciary note for the proposed Program-for-Results instrument.

- The FMSB reviewed and approved the proposal to seek DGF funding to support implementation of International Standards of Supreme Audit Institutions in partner countries.
- The PSB discussed the Procurement Communication Strategy, the training strategy for the Procurement function, guidance to staff on Program-for-Results, the Procurement Policy Review Approach Paper, the GAC II Procurement companion piece, enhancements to procurement systems such as P-RAMS and the Complaints Database, and INT's Road Sector Review. PSB policy subcommittees also met during the year to discuss such topics as the guidance note on public-private partnerships, the revised RFP document, and the revised ICT SBDs.
- In reviewing the draft report *ROSC A&A: Lessons Learned and Future Directions*, the FMSB stressed the importance of diagnostics in enhancing the knowledge base, providing an entry point for engagement with clients, catalyzing reform, supporting capacity-building activities, and highlighting good practices.

46. **Staff Development.** To enhance skills and reenergize staff through greater mobility and professional development, the PR and FM families provided opportunities for staff to gain experience in different Regions. Both Sectors continued to provide staff with opportunities for development, focusing on the provision of training courses and clinics, and continuing to participate in the mandatory "3-5-7 rotation" exercise by matching staff identified for rotation with available vacancies. The FM and PR Sectors finalized their Competencies Frameworks, defining technical competencies for talent management in areas of key relevance, such as use of country systems and PFM. These competencies will guide staff in identifying the knowledge, skills, and behaviors they will need to develop to successfully meet the changing demands of the Bank and its clients.

### C. Knowledge and Learning

47. In FY11, both Sectors continued to implement their knowledge and learning strategies. Key deliverables included the following:

- The two Sectors began planning for the 2012 Fiduciary Forum, emphasizing key elements that the FM and PR Sectors will strategically highlight in the next few years and core skills that staff should have.
- The Operational Core Curriculum (OCC) was launched in June 2011 to provide operational staff with a clear and defined set of courses through which to grow professionally and develop their careers. An e-learning module on Financial Management for Task Team Leaders, primarily designed for new and inexperienced task team leaders, was launched, and work on a supplementary face-to-face module is in progress.
- The Fundamentals of Operational Procurement, a face-to-face course, was delivered monthly to Bank staff in collaboration with the Regions, INT, and the Operations Policy Legal Department. Approximately 500 staff completed the course and gave it high ratings (4 out of 5) in the Learning Management System. Also, in collaboration

with OPCDR, OPCPR developed a blended version (combined online and face-to-face) of the course as part of the OCC.

- OPCFM delivered a series of brown-bag lunches and training events on PFM (delivered jointly with PREM and WBI), use of country systems, and PRIMA II. The Regions also organized 119 learning events of the FM Sector (see Table B17 in Annex B for the FM Sector’s Learning Activities).
- A new advanced course for TTLs, Simple Procurement Methods Accreditation, was developed and delivered three times to over 60 Bank staff. Combined with a short mentoring program, the course leads participants to accreditation for simple procurement methods, allowing them to operate more independently from their procurement specialist and improve the quality and efficiency of implementation support.
- The FM Sector’s signature event, Accountancy Development for Results, held on June 20, 2011, convened over 150 specialists in the field—government officials, accounting professionals, academics, and representatives of international organizations and partner countries—to promote greater awareness of the importance of developing accounting and auditing practices to achieve results and foster sustainable economic development and job creation.
- OPCPR worked with IDB and AsDB to develop a two-day course, Building and Implementing a Country-led Strategy to Strengthen Country Procurement Systems, and deliver it to World Bank, IDB, AsDB, and Millennium Challenge Corporation staff in Washington, DC, Manila, and New Delhi.
- The FM Anchor worked with PREM and WBI to deliver the three-day Core Public Financial Management Course in June 2011 for both FM and PREM Public Sector Group staff. More than 95 percent of the respondents rated the course as 4 or 5 (highest rating) in terms of overall quality and overall usefulness of the training, and more than 95 percent stated that the course increased their knowledge and skills. FM and PREM are now developing the Advanced Program on PFM training for delivery in FY12.
- Procurement clinics—covering such topics as public procurement legal framework under civil and common law, procurement in energy efficiency projects, revised Procurement and Consultant Guidelines, P-RAMS integration, tips to prevent fraud and corruption in procurement, and OPRC case studies clinics—were delivered to Bank staff. Most clinics were available through web or video and audio connection. The FM Sector finalized the Competencies Framework, defining technical competencies for talent management in such key areas as use of country systems and PFM.

## VI. LOOKING FORWARD: FY12 PRIORITIES AND CHALLENGES

48. As this report has shown, during FY11 the Bank's PR and FM families continued to make substantial progress in the wide range of activities through which they carry out their mandate, increasingly focusing on improving quality and enhancing aid effectiveness. Sector work has proceeded fairly well, yet both challenges and opportunities remain. During FY12 the Sectors expect to give particular attention to the following areas.

49. ***Investment Lending Reform.*** The PR and FM Sectors will continue to provide support to the Bank's IL reform initiative by enhancing the integration points between fiduciary systems and ORAF. These efforts will not only streamline processes but will also strengthen the underlying control framework of the IL instrument and provide stronger linkages between fiduciary risks and overall project risks. Together with the work of the Fiduciary Assurance Working Group to link fiduciary information with disbursement processing, these enhancements will help the Bank move toward a more comprehensive risk assessment and management system that spans the project cycle from identification to closure.

50. ***Program-for-Results.*** The PR and FM teams in OPCS will continue to work on supporting the Program-for-Results instrument by fine-tuning the fiduciary guidance note and other supporting work. Initial projects have been identified, and the FM and PR teams in the Regions will work with the project teams during FY12 to address issues under the new instrument. The FM and PR anchors will support these initial projects as needed, addressing any questions the task teams may have on following Program-for-Results procedures.

51. ***Procurement Policy Review.*** During FY11, as part of the Bank's modernization effort, OPCPR took the first steps toward a comprehensive review of the Bank's procurement policies and how they are applied, with a view toward determining whether the Bank's procurement policies and procedures are in tune with the changing world and serve clients well. To support this review, OPCPR began a series of studies on (a) sustainable procurement practices; (b) use of new/alternative procurement methods by external partners; (c) benchmarking with comparators against other MDBs; (d) impact of domestic preferences under Bank-financed projects; (e) use of procurement waivers in IDA/IBRD operations; (f) procurement reforms and capacity-building efforts in the Bank; and (g) procurement and findings on fraud and corruption. This work will continue in FY12.

52. ***Other Areas of Emphasis.*** In addition to these newer initiatives, both Sectors will build on their past achievements to produce even better results in the coming year (and beyond).

- ***Performance measurement.*** The Sectors will continue their strategic focus on monitoring and tracking quantitative indicators. PR will continue to enhance its reporting systems to better track risk ratings against changes in ISR ratings, collate information on post-review reports and related risks more effectively, and implement the risk management dashboard in Operations Portal 2 to allow for a more comprehensive risk assessment of projects. FM will continue to monitor the timeliness of audits, late IFRs, FM risk ratings, FM performance ratings, the use of country systems, and implementation of the KPIs; it will also monitor qualitative

measures to reflect the full impact of the Sector on both fiduciary assurance and PFM capacity building.

- ***Fiduciary assurance.*** The Bank’s fiduciary model uses a systems-focused approach to provide reasonable assurance on the use of project funds. The Sectors will aim to communicate to the various stakeholders the principles underlying this approach to help better clarify expectations, also highlighting the need to set clear risk tolerance levels and to define roles and boundaries of the various functions.
- ***Monitoring quality.*** The Sectors will continue to support operations with good-quality reference materials and databases. They will also continue to expand and improve the functionality of P-RAMS and PRIMA II to align with ORAF, the Operations Portal, and INT’s Corporate Risk Profile Database; incorporate full ARCS functionality; and support data collection and reporting for both KPIs and the use of country systems. In consultation with other colleagues (CTR, Legal, OPCIL, and INT), the Sectors will continue to explore how to strengthen the fiduciary model.
- ***Contract administration and management.*** To strengthen the fiduciary assurance framework, the Sectors will work with OPCS, CTR, and the Regions to identify potential gaps in the overall contract management and contract administration of Bank-funded projects and ensure that internal controls, policies, and procedures are in place and are being followed.
- ***Reporting and analysis.*** The PR Sector will undertake a comprehensive review of its procurement datasets that are generated through the Bank’s operational PR systems to determine more effective ways to measure contract awards under Bank operations, including enhancements to the OPRC case management process and data analysis. As necessary, it will revamp related websites and reports to the public, to Bank staff, and to Management.
- ***Strengthening country systems.*** The Sectors will continue working with client countries to strengthen their country systems for Bank-financed operations and for the public sector at large; collaborating with other Bank groups in providing analytic and financial support for PFM reforms. They will also continue to participate in Bankwide outreach to Regional management, Regional operations teams, and Networks to encourage more active consideration of opportunities for using national institutions and systems. The FM Sector will also continue to support countries in enhancing their accounting and auditing standards for the corporate sector and developing professional accountancy and related regulatory institutions.
- ***Enhancing the value of external audit.*** A key priority of the FM sector, especially as loan volumes and trust funds increase in a flat budget environment and project designs incorporate new features, is to leverage the external audit function. Under consideration are such possible interventions as enhanced terms of reference for project financial audits (e.g., to include asset verification activities); strengthened mechanisms to ensure auditor quality; and, as needed, technical and performance audits.

- ***Fourth High Level Forum on Aid Effectiveness.*** As part of the OECD-DAC Task Force, the Sectors will contribute to the development of seven products in four key areas: using country systems, assessing country systems, effective capacity for reform, and accountability. In particular, a thematic session on country systems will be informed by the work of the Task Forces on Procurement and PFM and the guidance they have produced. Other areas to be discussed at the Forum include the relevance of oversight agencies for transparency and accountability, development of the accounting profession, and the promotion of international accounting and auditing standards.
- ***Knowledge sharing and the learning agenda.*** The Sectors will continue to prioritize their knowledge sharing and learning agenda to maintain a coherent corporate culture among their highly decentralized staff. They will continue to develop their Knowledge and Learning Strategy to provide more demand-based training. Key curriculum priorities include PFM courses with PREM, PR seminars on such issues as fraud and corruption and analysis of OPRC case studies, the core curriculum on fiduciary work, e-learning, dissemination workshops for new Bank policies and guidelines, webinars and online discussions on specific technical aspects of procurement, technical training, review of procurement guidance notes and updates on professional standards, ROSC A&A training, Program-for-Results training materials for fiduciary staff, and building the capacity of the accountancy and procurement professions in partner countries. The learning agenda will be carried out in collaboration with other Bank Sectors and external partners, including INT on GAC issues, WBI, and PREM and the IMF on PFM. In addition, the biannual Fiduciary Forum training event is scheduled for Spring 2012.
- ***Staff management.*** Skills mix and career mobility are two priority issues for attention. During FY11-13, the Human Resources Committees in the PR and FM Sectors will focus on building internal capacity to meet emerging institutional needs by expanding the skills base—particularly in the areas of PR, PFM, corporate financial reporting, and risk management—through both training and hiring. The Human Resources Committees will continue to encourage cross-fertilization among the Regions and will proactively build a pipeline of top talent. The Sectors will also promote staff mobility and professional and career development (through the use of developmental assignments and other capacity-building programs such as procurement accreditation) and will work to achieve greater gender balance.



## ANNEX A. REGIONAL SUMMARIES

Annex A gives an overview of the activities of the Regions' FM and PR teams during FY11.

### AFRICA

#### A. Africa Financial Management (AFTFM)

**Portfolio Quality.** In FY11, AFTFM continued its good overall performance: 94 percent of projects were rated “Moderately Satisfactory” or better as of June 2011. FM staff closely monitors the 35 percent of projects whose risk ratings were “High” or “Substantial”. The numbers of overdue interim financial reports decreased considerably, from 214 at end-June 2010 to 47 at end-June 2011. AFTFM conducted a stocktaking of the FM arrangements for community-driven/decentralized development operations, which highlighted the need for enhanced social accountability mechanisms, effective information systems, expanded and more frequent implementation support missions, and increased collaboration with country fiduciary oversight institutions.

**Country Systems.** AFTFM continued to support partner countries in improving their FM systems through rigorous monitoring of key FM indicators; an independent quality assurance review of certain packages and in-depth reviews for projects with fraud and corruption issues; improved disbursements; intensive capacity-building programs for clients; a risk-based internal audit program; and PFM technical assistance, analytic work, and capacity building. AFTFM also provided training to TTLs covering the FM role in various Bank lending instruments. Throughout the year AFTFM applied its methodology to review the strengths and weaknesses of country PFM systems to assess whether they should be used for IL operations. Clear progress has been made: most of the PFM systems of some larger-portfolio countries are already being partially used for IL projects (Box A1). This direction will be further pursued through targeted diagnostic work and technical assistance.

#### Box A1. Use of Country Systems

**Mozambique.** Mozambique's PFM systems meet the minimum requirements for Bank-financed operations. All new Bank-financed operations are on the state budget, on single treasury account, and on e-Sistafe. The transition to greater use of country systems has been generally smooth. The FM and PR teams of all projects that use any elements of the country systems held a two-day meeting to provide feedback to each of the key PFM institutions on the issues raised and to present an action plan.

**Benin.** To accelerate progress toward the Millennium Development Goals, FM led efforts to harmonize the FM arrangements of the partners in the Health Systems Funding Platform—World Bank, GAVI Alliance, Global Fund, and WHO—which aims to coordinate, mobilize, streamline, and channel the international resources to support the Benin national health strategy. The partners agreed to (a) the same results mechanism; (b) a single financial report format and audit, and (c) harmonized monitoring and supervision of program implementation.

**Strengthening Public Financial Management.** The Region has led capacity-building initiatives and supported the development of PFM programs in partner countries (Box A2). In AFR, the FM and PR Sectors take a flexible and responsive approach to capacity building that reflects the unique PFM environments in each country. The Region delivers extensive funding through DPL operations to support capacity initiatives, along with IL components, implementation support

missions, sector work, training programs, and other customized interventions. For example, to support advances in private sector accounting, the Region conducted seven ROSC A&A reviews and led the organization of dissemination workshops. In addition, the Region supported the launching of the Pan-African Federation of Accountants in Senegal in May 2011. Following the ROSC assessments in three Central African States, AFTFM organized a roundtable for all member countries of the Economic Community of Central African States to discuss common issues and agree on solutions to address them. AFTFM supported partner countries in improving their accounting and auditing institutions, standards, and practices through knowledge sharing and financial support.

#### **Box A2. Supporting Improved PFM Systems**

**Nigeria.** By supporting the PFM reforms of the Lagos Metropolitan Development and Governance Project, FM has contributed to strengthening cash management functions at the federal level; new legislation and budget preparation processes in several states; and updates to external audit manuals.

**Zimbabwe.** Since April 2010, FM has been providing PFM technical assistance to revive the Government's use of the SAP software. The system is now functional: it captures all transactions, and the Accountant-General uses it to produce monthly expenditure reports as required in the PFM Act.

**Uganda.** FM developed a PFM Reform Strategy for the Financial Management and Accountability Program and is working with the Government and donors to remove impediments to service delivery and improve accountability to local governments.

**Public Expenditure Reviews.** In Burkina Faso, FM led or co-led PERs on decentralization and on transport and energy. In Mauritania FM co-led the 2010 PERs that highlighted bottlenecks affecting expenditure planning and execution and offered a set of prioritized, sequenced measures to mitigate them.

**Senegal.** FM is task-managing a PFM technical assistance project that aims to strengthen expenditures policy allocations and budget execution and reporting processes.

**Guinea.** FM co-led the preparation of the development policy operation.

**Governance and Anticorruption.** In addition to the review of CDD/decentralized operations, AFTFM intensified its collaboration with INT, expanded its risk-based audit program in partner countries, and undertook in-depth reviews in Senegal, Gambia, and Kenya.

**Challenges and Opportunities.** The Region will continue to face serious challenges in FY12—capacity constraints in partner countries; fragility and instability that hamper capacity-building efforts; the large size of the portfolio; and increasing demand for value for money and delivery of results in a context characterized by more participation and involvement of civil society organizations and the media. The new Africa Strategy provides an opportunity for AFTFM to increase its support of partner countries' efforts to develop effective PFM programs and improve service delivery. AFTFM will (a) continue to improve the quality of FM fiduciary work, especially supervision of active operations; (b) scale up the use of country systems; (c) partner with sectors to improve service delivery; and (d) develop new products and partnerships on PFM for local governments, value-for-money in development spending, forensic- and risk-based audit, and the income side of the PFM cycle.

## B. Africa Procurement (AFTPC)

In FY11, the Sub-Saharan African countries continued making progress in the area of procurement reforms. Highlights from some countries:

- **Nigeria.** AFTPC's ongoing dialogue with the Nigerian government has supported the development of the legal and institutional architecture for public procurement at the federal level, and state governments are also enacting their own legislation.
- **Malawi.** AFTPC worked with AFTFM and PREM to design a budget support operation focusing on economic governance.
- **Uganda.** In a joint initiative with AFTFM, AFTPC provided policy advice to the Government on harmonizing procurement and cash flow planning, which helped reduce delays in the releasing of funds.
- **Zimbabwe.** The Bank and the other donors contributing to the Zimbabwe Analytical Multidonor Trust Fund supported the Government in strengthening its capacity to regulate, monitor, and enforce its procurement laws and regulations.
- **Democratic Republic of Congo.** The Bank supported the Government in replacing an old PR regulation with a new PR law aligned to international standards.
- **Mozambique.** AFTPC, PREM, and AFTFM are preparing a new economic governance project to improve service delivery by strengthening procurement and PFM performance.

**Governance and Anticorruption.** During FY11, the Africa Region continued its partnership with the WBI and EAP to assist countries in piloting innovative approaches to implementing procurement reforms. Other governance initiatives in AFR countries:

- **Regional event.** The Government of Uganda hosted a meeting on Contract Monitoring Action Planning, facilitated by WBI and the Africa Region. The event brought experts together to explore options to improve the transparency and accountability of procurement in several countries in eastern and southern Africa.
- **Ethiopia.** The Government conducted a study of corruption and identified problem areas in the performance of water supply and construction contracts.
- **Liberia.** A Bank-financed project is addressing economic governance and institutional reforms;
- **Malawi and Zambia.** The Bank assisted the Governments to launch accountability initiatives in procurement through public procurement monitoring and Contract Watch activities.
- **Nigeria.** Transparency around procurement has been enhanced as the Government is publishing information on contract awards. Similarly, as part of promoting demand for good governance, a functional national procurement observatory portal (ICT-based) was established where civil society organizations' findings are published.

**Harmonization.** In Malawi the Bank is working with other donors under a Common Approach to Budget Support framework for public sector reforms; and in the Democratic Republic of Congo, AFR coordinated the Bank's intervention in the water sector support project with AfDB, joint participation in the Country Portfolio Performance Review with AfDB, and cofinancing with DFID of the initial capacity-building program for the national institutions created by the new Public Procurement Law.

**Capacity Building.** The following activities highlight the Region's work on capacity building:

- **Regional event.** A Public Procurement Forum of development partners, led by the Bank, meets semiannually, bringing together procurement reform actors from the federal and subnational levels to share experiences and review and formulate public procurement policy.
- **Zambia, Malawi, and Zimbabwe.** The Bank initiated discussions with local training institutions to regularly provide training courses focusing on Bank and Government procurement policies and procedures.
- **Kenya.** AFTPC conducted several clinics for procurement officers in implementing agencies.
- **Liberia.** The Bank helped finance the creation of an Intensive Procurement Training School in Liberia and also conducted seven capacity-building clinics for implementing agencies, covering 283 participants.

**Analytic and Diagnostic Work.** Country Procurement Assessment Reviews (CPARs) for Ethiopia and South Sudan, conducted as part of a Country Integrated Fiduciary Assessment (CIFA), included the application of the OECD-DAC methodology. In South Sudan, a Procurement Value Chain Analysis was conducted to identify bottlenecks to project procurement implementation. A fiduciary study in Nigeria was implemented to analyze procurement systems and recommend improvements. A CIFA was initiated for Zimbabwe, and the Bank completed Sierra Leone's CPAR jointly with a team from the National Public Procurement Authority.

**Rapid Response.** In Ethiopia, rapid response methods were used for the procurement of fertilizers to boost the food supplies to the food-insecure communities and help avert famine. In South Sudan, the rapid response approach in procurement was used to procure contractors to construct schools in remote areas with difficult access, open up roads, drill and construct water points, and procure human and veterinary drugs in time to avert shortages and outbreak of diseases. Several rapid response projects are being implemented in Liberia.

**E-procurement.** AFR's e-procurement program delivered a series of videoconference sessions during FY11 to provide participating countries with a foundation from which to advance their e-procurement systems. The series advises participants on how to build the political support to develop, manage, and enhance e-procurement applications.

## EAST ASIA AND PACIFIC

### A. Financial Management (EAPFM)

**Portfolio Quality.** EAPFM provided FM fiduciary assurance for more than 400 operations under implementation and more than 80 new operations. Its new engagement model focuses on building capacity and moving toward greater use of countries' systems, and it delivered 4,000 days of training at the project, sector, and country levels. As of June 30, 2011, 75 percent of investment lending projects were rated as "moderately satisfactory" or above in preparation.

**Country Systems.** EAPFM's goal is that in three years, 70 percent of EAP Bank-funded operations will be audited by countries' supreme audit institutions (SAIs), and 60 percent will include an internal audit review. The Indonesian Ministry of Finance has agreed that the Indonesian SAI will audit five newly approved Bank-funded projects. OPCFM selected Indonesia as a good practice example on the use of country systems.

**Strengthening Public Financial Management.** EAPFM carried out a range of activities to strengthen the capacity of country oversight institutions, particularly internal and external audit, and to build the skills and capacity of internal and external audit staff (Box A3).

#### Box A3. Supporting Improved PFM Systems

**Indonesia.** An IDF grant is supporting the internal audit institution in developing a strategic plan for COSO implementation in selected ministries. A training program on good practice in internal audit was held in June 2011, with the participation of internal auditors from federal and local governments.

**Vietnam.** FM has been supporting the development of a Decree for Internal Audit and has facilitated a study tour to Indonesia and Australia for the decree's drafting team. Internal audit in government ministries is being strengthened in seven Bank-financed projects. Also, an IDF grant is strengthening the Association of Certified Public Accountants.

**Mongolia.** FM is managing the US\$920,000 Accounting and Internal Audit subcomponent of the Multisectoral Technical Assistance Project, which aims to enhance the capacity of internal auditors in the Ministry of Finance. FM is also working with the National Audit Office.

**Pacific Islands.** The Pacific Regional Audit Initiative is helping improve public sector auditing practices in 20 island members. Audit staff from various member SAIs have participated in audit training programs.

**Lao PDR, Cambodia, and Vietnam.** FM collaborated closely with PREM to organize a workshop among representatives from the National Assemblies of Lao PDR, Cambodia, and Vietnam and their respective SAIs and ministries of finance to effectively promote PFM reforms across three critical country governance institutions.

**Accounting, Auditing, and Financial Reporting.** EAPFM has been supporting client countries in developing and implementing high-quality accounting standards for the public sector, strengthening internal and external audit institutions, and enhancing corporate financial reporting in the Region. Box A4 highlights some of the Region's approaches.

#### **Box A4. Accounting, Auditing, and Reporting**

**China.** A public sector accounting standards and rules research subcomponent (US\$600,000) has been included as part of a larger PREM-led technical assistance lending project to assist the Ministry of Finance in deciding whether or not to adopt IPSAS. FM has been working with the National Audit Office to help strengthen the capacity and effectiveness of the auditors at central, provincial, municipal, and county levels and has provided peer learning opportunities between the National Audit Office and other SAIs, including Mongolia's.

**Philippines.** The FM team is helping to strengthen the capacity of public sector internal audit to facilitate the implementation of the internal audit function across Government agencies and to strengthen controls by considering establishing a Financial Controller function. The team is supporting the Commission on Audit in implementing a results-based integrated audit methodology focusing on the outputs and outcomes of public expenditures.

**Indonesia.** FM is supporting the SAI strategic plan for 2011-15 and is working with the SAI to develop a comprehensive methodology for recording disaster-related aid flows, accountability arrangements, and audit trails.

**Vietnam.** In conjunction with PREM, the FM team has provided input to a number of workshops for Government staff on topics such as IPSAS technical training, Government accounting systems, and integrated financial management and information systems. FM also supported capacity strengthening for the Vietnam Association of Certified Public Accountants.

**Thailand.** FM supported corporate financial reporting through an operation to enhance the Security and Exchange Commission's audit assessment capacity. Detailed workflows and methodologies were developed for carrying out monitoring and enforcement activities with regard to auditing standards and codes of professional ethics, in the context of the audits of listed companies.

**Malaysia.** FM started a new corporate financial reporting engagement with Malaysia.

**Regional.** At the Center of Excellence for Accounting and Auditing in Singapore, the Bank and Government of Singapore expanded the Urban Hub to support knowledge and financial activities including accounting and auditing to support Bank Group activities. The Center will lead the implementation of financial reporting reforms, focusing on addressing the capacity gap, mobilizing funds, ensuring proper oversight of implementation and quality of deliverables, and monitoring progress and evaluating results. It will offer a range of services: training, training of trainers, knowledge sharing, design of curriculum and education material, accreditation and mutual recognition, continuous professional education, peer learning, and research and advice on technical aspects and implementation of international standards..

**Governance and Anticorruption.** EAPFM has been at the forefront of mainstreaming anticorruption into the fiduciary and development agendas for several years. In the Philippines, a Forensic Audit Workshop Series organized by EAPFM with support from INT was attended by 1,200 staff from the Commission on Audit, Office of the Ombudsman, and internal audit staff from 65 government agencies, as well as from local government units.

**Challenges and Opportunities.** EAPFM has made great strides in building partner governments' capacity and strengthening FM quality assurance arrangements for the portfolio and for individual projects. Priorities for FY12 include (a) increased emphasis on capacity building and collaboration with governments and donors to further the PFM agenda, especially in oversight and internal and external audit; (b) strengthening the results agenda; (c) expanding Regional learning; (d) strengthening financial reporting; (e) and ensuring timely and high-quality fiduciary services.

## B. Procurement (EAPPR)

**Public Procurement Reform.** Box A5 summarizes key activities in EAP on public procurement reforms.

### Box A5. Key Public Procurement Reform Activities in EAP during FY11

**China.** The Bank continued to provide assistance to the Government under the trust-funded project Preparation and Dissemination of Implementation Regulations of the Tendering and Bidding Law of China.

**Mongolia.** The Bank reviewed and provided comments on the draft amendment to the Public Procurement Law prepared by the Ministry of Finance and is assisting the Ministry of Finance to pilot the use of framework contracts for commonly procured items bought by the ministries of the national Government.

**Cambodia.** The Bank financed an international procurement consultant to help the Government draft a new procurement law, which was adopted by the Council of Ministers in November 2011 and will shortly be submitted to the National Assembly.

**Lao PDR.** The Bank is supporting the Government in strengthening its procurement oversight and monitoring functions by building the capacity of the Procurement Monitoring Office in the Ministry of Finance and improving the Government's reporting on its procurement operations to the public.

**Thailand.** The Bank and the Government developed and agreed on the implementation of a Technical Collaboration Program on Public Procurement; the Bank also provided technical assistance for further development of e-GP and for an assessment of the pros and cons between centralized and decentralized modes of procurement implementation in the Thai context.

**Philippines.** The Bank helped the Government update and revise its national SBDs and draft the user guide for the Agency Procurement Compliance and Performance Indicators.

**Timor-Leste and Indonesia.** IDf grants are helping reform the procurement legal and monitoring systems, enhance technical capacity, and improve procurement implementation. In Timor-Leste, a new procurement law, consolidating a plethora of uncoordinated administrative instruments, is under preparation, while in Indonesia, a new Presidential decree on public procurement came into effect on January 1, 2011.

**Governance and Anticorruption.** In Mongolia, the Bank is supporting the implementation of the Procurement Law. In Vietnam, the Bank conducted an Integrated Fiduciary Supervision Assessment, focusing on both the Bank's and the borrower's supervision processes for 36 contracts under four projects. In Philippines, the Bank is working on the implementation of a grant intended to strengthen the capacities of anticorruption institutions; the program includes identifying corruption vulnerability in procurement, financial management, human resources, operations, and other areas.

**Harmonization.** In Lao PDR, the Government, the World Bank, and the Asian Development Bank (AsDB) have agreed to adopt harmonized SBDs for national competitive bidding and shopping by adapting the Government's SBDs, as well as harmonized formats for procurement plans, tracking forms, publication of contract award information, and quarterly procurement reporting. In Vietnam, the EAPPR continued to participate in the "Six Bank Group" activities and the Procurement Thematic Group discussions, chaired by the Government and AsDB. In Indonesia, the Bank is working with development partners to coordinate its support for public procurement reform.

**Capacity Building.** In February 2011, EAP worked with AsDB's procurement staff to organize and conduct the Regional Procurement Learning Week in Hanoi, Vietnam. In China and Mongolia, the Bank organized 45 procurement learning events and trained 1,928 borrower staff in the Bank's procurement policies and procedures. In Cambodia, the Bank is reviewing a

Government proposal for the design and implementation of a national capacity building program to strengthen all areas of public procurement. The Bank translated the revised Procurement and Consultant Guidelines into the Khmer and Lao languages to facilitate their use in Cambodia and Lao PDR. In Vietnam, the Bank delivered 19 learning events, training over 930 Government officials in procurement under Bank-financed projects. The Bank provided procurement training to over 510 participants from various Philippine agencies, and to over 200 Government officials and project implementation unit (PIU) staff from Timor-Leste and the Pacific Islands. In Indonesia, the Bank organized 21 procurement learning events through which over 800 borrower staff were trained.

***Analytic and Diagnostic Work.*** The following activities were carried out in EAP:

- ***Cambodia.*** The Bank carried out a Baseline Indicators Assessment of the public procurement system using the OECD-DAC methodology. The report will help the Government identify priority areas for reform of its national procurement system.
- ***Vietnam.*** The Bank is financing, through an IDF grant, a consultant to conduct an assessment of the public procurement system (with focus on the legislative framework only) based on OECD/DAC benchmark methodology. The assessment will be delivered in FY12;
- ***Philippines.*** A study on the effectiveness of the use of approved budget for the contract as a ceiling for bid prices in open competitive bidding was discontinued because of inadequate cooperation by the implementing agencies in providing data on contracts selected for the sample to be included in the study. The study was partially completed by an independent consulting firm, which was able to review only 44 contracts out of planned 200 as of the end date of its contract in June 2011.
- ***Indonesia.*** WBR, AFR, and EAP are jointly conducting a piece of analytic work, “Strengthening Reform and Improving Public Procurement Performance in the Africa (AFR) and East Asia and Pacific (EAP) Regions.” This study aims to examine how to improve the volume and quality of procurement-related spending at the provincial and local government levels in a sample of countries, including Indonesia. It will also identify local governments that have achieved some traction with procurement reform and elaborate the underlying drivers that helped the reform move forward.

***E-Government Procurement.*** EAP partnered with WBI to deliver an Active Learning Series on e-Procurement for Indonesia, Philippines, Thailand, and Vietnam through the World Bank Global Development Learning Network (GDLN). The procurement authorities of Malaysia and Singapore also participated in the series and shared with their Asian neighbors their experiences in developing quite sophisticated e-GP systems. The program targeted procurement practitioners in governments, businesses, and industry associations that are involved in public procurement, and civil society groups that focus on procurement, transparency, accountability, and public finance. The participants shared experiences on the challenges they face in designing, implementing, and managing e-GP systems and prepared country action plans for the further development of e-GP in their countries.

## EUROPE AND CENTRAL ASIA

### A. Financial Management (ECAFM)

**Portfolio Quality.** ECAFM has in place a robust, risk-based, quality assurance framework and a solid portfolio and risk management system that it uses to differentiate its fiduciary services according to country/project circumstances and risks, and to continuously monitor and manage the overall performance and FM risk in the portfolio. ECAFM has updated its Regional FM practice manual to simplify internal work processes, strengthen quality assurance and risk management, and incorporate changes as a result of Bankwide reform initiatives. ECA has approximately 380 active projects with total commitments of US\$22 billion. The overall quality of FM performance of active projects under implementation remains good; at least 94 percent of effective projects have a marginally satisfactory or better FM performance rating. The data demonstrate that better portfolio monitoring has strengthened the Region's risk management capacity over time, resulting in not only more accurate assessments and ratings but also in the allocation of more FM resources to higher-risk and/or lower-performing projects.

**Use of Country Systems.** In a number of countries, much of the Region's capacity-building efforts are focused on strengthening SAIs, with a view not only to enhance accountability and transparency in these countries but also to enable the Bank and other donors to increasingly rely on country systems for external audit purposes (Box A6 describes examples of interventions other than SAI work).

#### Box A6. Strengthening Country Systems

**Macedonia.** For six years Bank projects have successfully relied on the Treasury system and the Central Bank holding the Single Treasury Account.

**The Balkans.** FY11 saw a move to the use of the Treasury in Serbia and a Bank team assessment of the system in Montenegro.

**Kyrgyzstan.** FM played a leadership role among the donors financing the Health and Social Protection Project (DfID, KfW, SDC, and SIDA) by using a SWAp to strengthen the use of the country's systems. The project is the first and currently the only one in the country and Central Asia that uses several components of the country's PFM system. All the donors agreed to harmonize their FM procedures with those of the Government, with the Bank playing the lead role in monitoring fiduciary risk mitigation and agreed capacity development measures.

**Georgia and Armenia.** Improvements in the PFM environments of these countries have allowed the Bank to place greater reliance on these country systems. After many years of sustained work by the Bank FM team and Government counterparts in building capacity in various PFM elements through a series of IDF grants, investment projects in both countries now make full use of the treasury systems.

**Strengthening Public Financial Management.** ECAFM has led a number of initiatives to strengthen and develop country institutions for PFM and corporate financial reporting: establishing new financial support in a trust fund for PFM work, managing loans and grants that support capacity development and tailor-made training to client staff, delivering diagnostic and ESW reports, providing technical assistance, and anchoring Bank work with the country's development agenda and priorities.

**Accounting, Auditing, and Financial Reporting Standards.** The ECAFM team has established two comprehensive, fee-based, service capacity-building programs in private sector accounting, auditing, and corporate financial reporting at the Vienna Centre for Financial Reporting Reform

(CFRR). (See Annex B, Table B-9 for more details.) The CFRR also published the report on the ROSC A&A for Bosnia and Herzegovina and started work on one for the Czech Republic. It also followed up previous ROSC A&A reviews for Ukraine and Turkmenistan by holding workshops for policymakers, accounting professionals, and other stakeholders to disseminate the results of previously published reports. In Serbia the Bank helped strengthen the institutional and legislative framework in corporate financial reporting and auditing. In Montenegro, a continuous dialogue was conducted to maintain the momentum of successful work on the Country Action Plan with a view to mobilizing further funding to keep the reforms on track. ECAFM also provided knowledge sharing and funding to support partner countries in developing their accounting and auditing institutions, standards, and practices.

***Governance and Anticorruption.*** ECAFM continues to play a central and important role in the Region's GAC agenda, from leading innovative diagnostic work to providing critical staff training, ensuring that all operational staff have current knowledge of the fundamental role FM plays throughout the project cycle. ECAFM also supports governments in strengthening their own institutional arrangements for preventing and detecting corruption, and specifically supports key government agencies that are responsible for the management and control of corruption risks—the Ministry of Finance, the supreme audit institution, and legislative oversight bodies.

***Challenges and Opportunities.*** Having focused on scaling up capacity-building activities over the past three years and expanding external partnerships in FY11, in the coming year ECAFM will focus on (a) demonstrating the impact of capacity-building activities; (b) following a more consolidated and coordinated approach to PFM work by building on partnerships with colleagues in PR and PREM; (c) communicating and disseminating information to both internal and external audiences using not only traditional reports, brochures, and knowledge briefs, but also innovative means; and (d) supporting teams with innovative fiduciary approaches for results-based financing and operations under the Program-for-Results instrument.

## B. Procurement (ECAPR)

**Public Procurement Reforms.** The Bank assisted Belarus in making the draft national procurement legislation compliant with international good practices. In Kazakhstan, the Bank assisted the Government with conducting bid evaluations, implementing e-tendering systems, improving the procurement law, and delivering training seminars for public and private sector participants. The Bank also initiated the review of the public PR and FM systems of Kosovo as part of the Country Fiduciary Assessment; the Region cooperated with INT by including an expert from INT as part of the task team to assess governance issues in procurement.

**Capacity Building.** The Region held procurement workshops for Bank and PIU staff: fiduciary training for over 200 staff in Georgia, Uzbekistan, Kyrgyzstan, and Kosovo; training on international procurement management in Turin, Italy; contract administration workshops in Issyk-Kul; a procurement roundtable for 90 PIU staff in Belgrade; project launch workshops for 59 staff in Macedonia, Moscow, and Moldova; and business briefings and outreach efforts for over 100 participants in Ukraine, Belgrade, Kosovo, and Moldova. Other hub training events included capacity-building seminars for PIU members in Belarus, Moldova, and Ukraine, as well as related workshops in Kyrgyz and Moscow. Box A7 summarizes the Regional Public Procurement Forum, an important FY11 initiative.

### Box A7. Regional Public Procurement Forum

AsDB, EBRD, IsDB, and the World Bank cosponsored the 7th Regional Public Procurement Forum in the ECA Region. The Forum, a yearly event, facilitates the exchange of knowledge and ideas on public procurement systems with a view to further improve public procurement practices, transparency, and integrity in public procurement.

Over 50 participants attended the Forum, including 26 high-level government officials responsible for public procurement in 11 countries (Albania, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, FYR of Macedonia, Tajikistan, Turkey, Turkmenistan, and Uzbekistan) and representatives from other development banks and institutions. The Forum took stock of the recent reforms in public procurement in all 11 participating countries. The discussions covered opportunities in the area of e-procurement, concessions, and utilities law; EBRD's recent assessment of the public procurement systems in several countries in the Region; the latest developments in the United Nations Commission on International Trade Law model; and critical issues in public procurement. At the end of the Forum, the 11 participating countries discussed their action plans for the next year.

**Analytic and Diagnostic Work.** A Country Fiduciary Assessment covering a particular sector (transport) and three countries in the Region (Armenia, Azerbaijan, and Georgia) was carried out. The main objective of the assessment was to determine whether the proceeds of the credits, loans, and grants received from the Bank are being used for the purposes intended and with due considerations of economy and efficiency. It also aimed to assess the adequacy and quality of the Bank's fiduciary oversight of the portfolio, and to assess the reliability of cost estimates for individual contracts. The fiduciary review provided useful lessons for improving portfolio performance.

**Electronic Procurement.** The two pillars of the World Bank's engagement with the Government of Kazakhstan are a lending program and a strong fee-for-service program of analytic and advisory activities executed through a series of Joint Economic Research Programs. The analytic and advisory activities aim to assist the Government in analyzing the existing electronic procurement (e-PR) system and preparing recommendations for further development and improvement of the system. The task was included in the FY11 Joint Economic Research

Program at the request of the Ministry of Finance, which is responsible for development and implementation of the e-PR program. The main goal of e-PR adoption in the Republic of Kazakhstan is to improve and facilitate transparency in Government procurement as one of the principles of the Public Procurement Law. In addition, the e-PR program will help ensure that money used for public procurement is spent optimally and effectively. International experience indicates that the appropriate use of e-PR could save as much as 15 to 25 percent because of reduced bid prices and cost and time savings in procurement administration. The Republic of Kazakhstan is in its initial stage of adopting a national e-PR program: a website for the publication of procurement information, including procurement notices, is up and running, but the rules and functionalities of the e-PR system are still under development.

## LATIN AMERICA AND THE CARIBBEAN

### A. Financial Management (LCSFM)

**Portfolio Quality.** LCSFM provided timely and high-quality FM contributions during another year of high lending volume in response to the worldwide financial crisis. LCSFM supported the design and implementation of appropriate FM arrangements in several innovative operations across the Region. To support client capacity building, LCSFM organized training workshops for the national and state auditors in Colombia and Brazil, and for project fiduciary staff in Brazil, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru, and the Caribbean countries.

**Use of Country Systems.** The Bank continued to work closely with other development partners—for example, with IDB and USAID on a review of audit firms in Mexico. In Brazil, a national survey of state and municipal audit organizations was conducted with support from an IDF-financed project. The number of state auditors performing Bank audits was increased from two to seven. The federal financial reporting system was adapted to produce financial reports for a significant share of the Bank’s federal portfolio. In El Salvador, the Government, the Bank, and IDB launched a process to harmonize the project reporting requirements and to move toward using country systems for financial reporting. In Colombia, the Bank reviewed the implementation experience of a Memorandum of Understanding under which the country’s SAI has been carrying out the audits of Bank-financed projects. In Bolivia, the Bank supported the first project for which the Bank will fully rely on the use of country and institutional systems for the preparation of financial reports.

**Strengthening Public Financial Management.** The Bank helped to strengthen SAIs’ oversight role by supporting key subregional SAIs through IDF grants and supporting capacity strengthening of several national audit offices. The Bank is supporting PFM improvements through a development policy operation in Paraguay, a component of a Panama project aimed at improved public sector efficiency, and a subcomponent of Brazil’s Ceara Inclusive Growth SWAp. In Mexico, the Bank is supporting the strengthening of the government’s internal control and risk management framework, and the improvement of the institutional capacity of the Treasury through improved systems and internal control methodologies. In collaboration with other partners, the Bank supported PFM seminars for Government officials in the Dominican Republic on transparency, accountability, and control of public resources, and in Jamaica on the role of Parliament in improving financial accountability.

**Governance and Anticorruption.** In implementing the GAC agenda in LCR, project teams work through FM specialists to strengthen country systems to enhance transparency and efficiency, both at the project level and the ministry or state level. FM specialists also lead work with such external oversight and accountability institutions as SAIs. The FM and PR groups work with the PREM Public Sector group and other sectors in close coordination with INT in cases involving FM issues. In Colombia, the Bank supported an assessment of the fiscal control system for subnational controllership, which led to an accord calling for the reform of subnational oversight and control systems. In several regional projects, in-depth FM reviews were carried out, and their findings were followed up and mainstreamed into the regular implementation support/supervision of these projects.

**Corporate Financial Reporting and Development of the Accountancy Profession.** The Bank continued to support the development of the accountancy profession and accounting/auditing standards and practices through analytic work (ROSC A&A assessments) and follow-up activities. ROSC A&A assessments have been completed for 23 countries in the Region and are in progress in Bolivia, Costa Rica, and Suriname. The Suriname ROSC—the first activity in the Bank’s engagement with the country—has attracted wider interest by the country team. Follow-up activities to support implementation of improvement actions continued in various countries—for example, Haiti and Honduras.

**CReCER Regional Initiative.** CReCER (Spanish acronym for *Accounting and Accountability for Regional Economic Growth*) is a major initiative that promotes knowledge sharing, mutual learning, and development of regional public goods on corporate financial reporting, professional accounting body development, and PFM in the Region. Partners include IFAC, IDB, the global networks of the six largest accounting firms (called the Global Public Policy Committee), and various countries in the Region (Box A8).

**Box A8. CReCER Initiative**

The CReCER initiative includes several activities:

- CReCER Conferences provide countries a channel for dialogue and sharing experiences and good practice, and help to generate and sustain interest in the development of the accountancy profession, promotion of international standards for corporate financial reporting, and improvement of PFM in the region. During FY11, a roundtable was held in Panama City with about 150 participants, and the 2011 CReCER Conference was held in Buenos Aires with about 400 participants.
- A Community of Practice currently has more than 300 members.
- Among the international accounting/auditing standards that have been translated into Spanish are the International Accountancy Education Standards, International Public Sector Accounting Standards, and training materials on International Financial Reporting Standards for small and medium-size enterprises.
- A Regional videoconference training series in partnership with the Global Distance Learning Network (GDLN) usually brings together 80-90 participants from 5-6 countries.
- Two successful training-of-trainers events on International Financial Reporting Standards for small and medium-size enterprises were held in Panama City, Panama (October 2010) and Buenos Aires, Argentina (July 2011).

**Challenges and Opportunities.** Priorities for FY12 are to (a) maintain high-quality fiduciary FM support, adapting to the new operational environment within the Bank and changing demands of the client countries; (b) further advance the use of country FM systems by adopting a structured approach to dialogue and capacity building in selected countries; (c) continue to support partner countries in strengthening their PFM systems, working with PREM, PR, other sectors, and other development partners; and (d) support partner countries in strengthening their accounting and auditing institutional infrastructure, and accounting and auditing standards and practices, building on the CReCER platform and the extensive work that has been done on ROSCs.

## B. Procurement (LCRPT)

### *Public Procurement Reform.* During FY11:

- LCR continued to cooperate with the IDB on finalizing an OECD assessment of Bolivia's procurement system.
- In Haiti, the January 2010 earthquake demolished the offices of the procurement regulatory agency and damaged procurement units throughout the public service, stalling reforms. An emergency recovery grant is supporting rebuilding and reequipping offices and providing technical assistance to strengthen the procurement function, build capacity, and restart the reform process.
- In the Dominican Republic, the Bank worked with the Government to strengthen the public procurement system through an e-procurement platform, by providing capacity building jointly with USAID, providing technical advice, and focusing on institutional capacity and the application of framework agreements.
- In cooperation with LCR's Human Development project team, the PR team continued to provide support to the Government of Guatemala on reforming the procurement of pharmaceuticals.
- In Honduras, the Bank assisted the Government in preparing a strategy to implement the quick gains analysis as well as setting up the structure to implement framework agreements.
- In Peru, the Bank conducted an analysis of the procurement system, which resulted in a policy note on procurement containing recommendations to improve the efficiency and transparency of procurement in the country.

***Governance and Anticorruption.*** The PR team led the work that resulted in the publication of *Contemporary Debates on Corruption and Transparency: Rethinking State, Market and Society* (an English-language version of the original *Corrupción y Transparencia, Debatiendo las Fronteras entre Estado, Mercado y Sociedad*). This book, financed under an IDF grant to the National Autonomous University of Mexico, compiles articles by Mexican and international GAC experts. It will be used in learning programs as part of implementation of the Bank's GAC strategy.

***Capacity Building.*** The Region provided a series of capacity-building events, including those listed in Box A9.

**Box A9. Key Capacity-Building Initiatives in LCR**

- Translation of the Bank's revised Procurement Guidelines into Portuguese.
- A procurement workshop in Colombia was delivered to more than 70 Government participants.
- Training seminars and peer learning events were held in Guatemala, Nicaragua, Honduras, and Panama.
- The subregional Fiduciary Training forum in Jamaica provided training to 72 attendees in PR, FM, and GAC under Bank-financed projects.
- In Dominican Republic, 26 participants were trained on the Bank's PR policies and 18 staff were trained to use the Region's procurement plan management system (SEPA).
- In Brazil, the Region carried out training events reaching over 450 government officials and 50 Bank staff.
- The Region conducted training on Bank procurement procedures for projects in Bolivia, Chile, and Peru.
- After surveying all project agencies to identify areas that need improvement, the Region designed a comprehensive Procurement Training Program tailored to meet specific agency portfolio needs. The program is being offered weekly basis and should be completed by the end of October 2011. Project agencies from Paraguay and Uruguay have attended specific sessions.
- At the request of the Government of Paraguay, the Bank's Paraguay Country Office offered weekly capacity-building sessions on procurement topics identified as systemic issues, and technical assistance sessions to help project agencies expedite ongoing processes of procurement or selection of consultants.

**Analytic Work.** The Bank prepared a policy note on procurement for Peru. It also completed and delivered to the Government a study on arbitration of government contracts in Peru. It is expected that in FY12 this study will be disseminated to other client countries that are interested in implementing arbitration for government contracts. The PR team also worked with the Chief Economist's office on a regional study to analyze emerging PR themes in LCR countries (to be completed in FY12). In May 2011, the Region cosponsored with the Government of Peru and the OECD a global meeting of national procurement organizations, MDBs, donors, regional organizations, and civil society, which resulted in the Cusco Declaration providing important inputs for the High Level Forum on Aid Effectiveness in Busan in November 2011.

**E-Government Procurement.** All countries in the LCR Region have implemented e-procurement systems, ranging from applications that only publish procurement information to two fully transactional systems (in Panama and Chile). The Region continues to provide assistance to further strengthen the use and the transparency of these systems. Most client countries are working to strengthen their publication platforms in terms of both compliance and functionality.

## MIDDLE EAST AND NORTH AFRICA

### A. Financial Management (MNAFM)

During FY11, the Arab Spring erupted across the MNA Region. While this citizen-led uprising made it difficult for MNAFM to deliver all of its projected results, it also presented new opportunities to engage with clients.

**Portfolio Quality.** MNAFM continued to focus on the quality of FM work through analytic work, capacity building, and cross-sectoral missions and partnership. These efforts included delivering FM and disbursement training to project and trust fund staff implementing Bank-funded projects in Egypt in collaboration with the Ministry of International Cooperation; and collaborating with PR, LOA, INT, Treasury, External Affairs, and country management units to deliver a series of programs to Bank-funded project management teams in Iraq, Jordan, Lebanon, and Syria.

**Use of Country Systems.** Across MNAFM, the team worked to advance and deepen the use of country systems to support Bank-funded operations, as appropriate. As part of its implementation support to the Djibouti portfolio, MNAFM conducted a capacity-building event on FM procedures for implementing agencies, the Ministry of Finance, and the *Inspection Générale des Finances* (IGF). As a result, IGF agreed to include Bank-funded projects in its annual audit plan, Bank staff clarified/explained FM and disbursement directives and procedures, and new staff in several implementing agencies received training.

**Strengthening Public Financial Management.** The MNAFM team used analytic work, investment operations, technical assistance, training, and development policy operations to support 10 countries in improving their PFM systems (Box A10). MNAFM was an integral part of teams working on development policy loans in West Bank and Gaza and Jordan, with responsibility for the PFM areas. MNAFM partnered with PR, donors, and clients to agree on common and coordinated approaches to diagnostic work, support accountancy reforms and strengthen professional accountancy bodies, and promote reforms to modernize internal and external oversight.

#### Box A10. Strengthening Country PFM Systems

**Jordan.** FM provided input to the development policy loan on strengthening internal controls, the role of the SAI, strengthening the anticorruption law, and publication of the Government's anticorruption annual report. FM also documented the progress of the Jordan ROSC during FY11, placing the Region in a better position to scale up. Subsequently, the team prepared an IDF to support the Jordan Association of Certified Public Accountants in strengthening its capacity to provide training and promote modern accounting and reporting.

**West Bank and Gaza.** FM completed the ROSC A&A report for West Bank and Gaza, and it was approved for publication in August 2010. The team then prepared an IDF grant and supported establishment of technical committee to coordinate, monitor, and assist in implementing the recommendations. The team also held extensive discussions with the EU and AFD to seek their assistance for the accounting and auditing profession in West Bank and Gaza. FM provided support to strengthen transparency and accountability in Government finances and provided technical advice on the preparation of the Government's 2009 financial statements and their compliance with IPSAS. The team also provided support on implementation of IFMIS at the municipality level.

**Iraq.** FM assisted the Iraq Board of Supreme Audit (BSA) in conducting a capacity and training needs assessment for its train-the-trainer program. Using the results from that assessment, the team collaborated with PR and PREM to partner with the UK National Audit Office and the International Labour Organization to engage the BSA in a series of knowledge transfer events. FM also supported the development of a revised strategy for implementation of IFMIS, which had been delayed for several years.

**Box A10. Strengthening Country PFM Systems (cont'd)**

**Egypt.** FM partnered with IMF/METAC, Ministry of Finance, European Union, USAID, and the French Cooperation to deliver a seminar on effective expenditure control and internal audit to officials of the Ministries of Finance of Iraq, Jordan, Sudan, Saudi Arabia, Qatar, UAE, Lebanon, Bahrain, West Bank and Gaza, and Yemen.

**Syria.** A ROSC A&A assessment was launched, but because of political development and widespread unrest, completion of the ROSC was delayed.

**MNAFM & Other Regions.** FM made a joint presentation on the control of public finance to the regional colloquium on South-South cooperation hosted by the Tunisian SAI to strengthen international cooperation among African and Arab countries. FM also continued to collaborate with Federation of Mediterranean Accountants and participated in two regional events with members and other donors such as EU, UNCTAD, and ACCA.

**South-South Knowledge Exchange.** In FY11, FM won the Bankwide competitive grant and worked with Lebanon and Tunisia Courts of Accounts. The Lebanon Court of Accounts reviewed critical issues it faces, including (a) limited independence and a weak position within a weak public governance system, (b) the lack of financial and human resources, (c) a very traditional audit approach, and (d) a reputation as a shallow and isolated institution.

**Governance and Anticorruption.** Country-level work included carrying out institutional FM capacity assessments and contributing to the GAC agenda with special-purpose reviews of selected high-risk operations. MNAFM collaborated with INT and the Jordan Bureau of Audit and the Jordan Anti-Corruption Commission to deliver a three-day regional training-of-trainers learning event on investigative forensic accounting to SAIs, anticorruption agencies, and prosecutors from seven countries, who will use their improved modern knowledge and skills to train their staff. More than 25 trainers were trained in modern forensic/investigative techniques. Box A11 highlights the Region's tailored approaches in GAC.

**Box A11. GAC Work**

**Morocco.** FM collaborated with INT to engage staff of the Morocco Inspection Générale des Finances (IGF) in the Bank's GAC agenda. As part of this engagement the team provided the IGF with a tailored capacity-building event on preventing fraud and corruption and mitigating risks of fraud and corruption in the Morocco context. Since then, IGF has organized in-house trainings to share practical knowledge and good practices, created a dedicated fraud and corruption unit, and prepared a procedures manual with World Bank assistance.

**Egypt.** FM collaborated with INT and PR to provide implementation support to the Egypt portfolio through a governance review. The shared perspectives of the three units helped ensure that fiduciary and institutional arrangements are conducive to reducing risks to an acceptable level and achieving value for money.

**Iraq.** In collaboration with INT, FM delivered a training program on the use of Red Flags to Iraqi monitoring agents, who act as the eyes and ears of the Bank and assist the work of FM and PR teams.

**Challenges and Opportunities.** The major challenge MNAFM faced in delivering FY11 results and priorities was that client governments shifted their priorities to managing the crisis. The political situation in Yemen, Libya, and Syria remains uncertain. Although other countries, such as Tunisia and Egypt, have experienced regime change, the political environment is not yet completely stabilized. However, the situation has opened space for deeper dialogue and collaborations to address integrity risks and fiduciary controls in portfolio work, demand-side governance in terms of access to information, transparency in the use of public funds, and government accountability

## B. Procurement (MNAPR)

**Public Procurement Reforms.** In FY11, the Region worked on several key initiatives (see Box A12).

### Box A12. MENA Procurement Reform Activities in FY11

**Tunisia.** In October 2010, the Government took initial steps toward improving its procurement system by agreeing to conduct a MAPS assessment. PR worked with the AfDB in negotiating the assessment and other strategic actions. PR also led the procurement component under the Tunisia Governance and Opportunity development policy loan, which resulted in the issuance of a revised Procurement Decree that constitutes a platform toward a more solid public procurement framework in Tunisia and will be followed by additional deliverables such as standard bidding documents and a professional development program for Government staff.

**West Bank and Gaza.** With the support of PR staff and expert international consultants, in June 2011 the Palestinian Authority completed drafting a new Procurement Law, which was approved by the Council of Ministers and the President in early FY12. An IDF grant approved in FY11 will finance the further development of the regulatory and institutional framework, including regulations and bidding documents, to implement the new law.

**Jordan.** Following on the OECD-DAC self-assessment carried out by the Government-appointed task force, PR assisted the Government in revising and redrafting the country's public procurement by-laws to address major gaps and inconsistencies between national regulations and international standards. PR customized its assistance and recommendations to support Jordan's main reason to reform public procurement: to gain accession to the World Trade Organization's Agreement on Government Procurement.

**Yemen.** A component of the Public Finance Modernization Project approved in FY11 aims to enhance the procurement capacity of Government staff across the country and to assist the High Authority for Tender Control to exercise its oversight and regulatory function of the public procurement system.

**Iraq.** At the Government's request, PR facilitated technical discussions among top Government officials and presented options for a comprehensive yet adaptable legal framework for public procurement in Iraq.

**Morocco.** With assistance from PR, Morocco's public procurement system was assessed under the Bank's Use of Country Systems Piloting Program. Although Morocco was ultimately not included in the program, this multi-FY engagement set the stage for meaningful future actions on public sector reform and helped the Government make important progress—for example, changing its law to expand the scope of the entities subject to the public procurement decree.

**Syria.** The first half of FY11 saw solid progress toward creating a new public procurement law in Syria, including a Bank-organized roundtable in Poland to expose Syrian authorities to the Polish experience in procurement reform. The Syrian Public Procurement Law was successfully redrafted; however, the country's political crisis stalled further progress.

**Egypt.** After nearly 18 months of PR's continuous technical assistance and financial support to Egypt's General Authority for Government Services, Egypt completed the revision of the procurement executive regulations—a significant element of the public procurement reform challenge in Egypt. The revisions are aimed at increasing the alignment between Egyptian regulations and the UNCITRAL model law.

**Capacity Building.** The World Bank and AfDB jointly sponsored training for 80 participants in three sectors in Egypt (power, transport, and water). Three sessions on procurement were held as part of a broader MNAFM strategic priorities workshop, with more than 110 members from PIUs, ministries of finance, external audit, and fiduciary monitoring agencies in attendance from Lebanon, Syria, Iraq, and Jordan. In Jordan, at the Government's request, an e-Government and e-Procurement Knowledge Sharing Workshop, featuring an international speaker, was held with more than 115 participants. Formal workshops on PR topics were provided to PIUs in Morocco, Jordan, Iraq, Yemen, and the West Bank and Gaza in addition to the ad hoc training offered to PIUs across the Region. In Iraq, MNAPR held a train-the-trainers event for PR audit staff from

the Board of Supreme Audit and participated in a joint PR/FM/INT community business briefing for local contractors.

***Analytic and Diagnostic Work.*** In Kuwait and Saudi Arabia, the Bank has been performing in-depth joint work under reimbursable technical assistance arrangements, and has completed a detailed CPAR in each country. In Kuwait, after the CPAR dissemination workshop, the Council of Ministers officially endorsed the recommendations of the CPAR, and as a result a new law is being drafted with Bank support. At the invitation of the Kuwaiti parliament, the Bank made a presentation on procurement reform to parliament members.

***Simplified and Streamlined Oversight of Procurement Transactions.*** In FY11, MNAPR launched an effort to shift valuable staff time from prior reviews of transactions to reform and capacity building by raising the prior-review thresholds across the Region and updating procurement method thresholds to better reflect the local market's ability to compete in Bank-financed contracts. In addition, countries that do not use SBDs for national competitive bidding in Bank-financed projects were identified, and work has begun to create such SBDs for their use.

***Action Plans.*** To address issues and uncover systemic trends in procurement post-reviews and IPRs, MNAPR analyzed past reports and created action plans jointly with the sector/country management units. For future fiscal years, MNAPR will use a new module for its electronic PR post-review system that will help automate the process. Overall, the analysis revealed a Regionwide need for capacity building in almost every sector, and for continued Bank support of procurement reform initiatives. To provide a sustainable method to develop local procurement capacity, MNAPR is working with interested governments to establish national programs.

***Improved Communication of Performance to Internal Clients.*** To quantify and improve internal performance according to key performance metrics, and to share progress with clients inside the Bank (sector and country management units), MNAPR introduced monthly and quarterly reports, which have evolved to address client needs.

***Organized Legal Procurement Training for Staff.*** As a part of the Bankwide Staff Survey and a Committee of Sponsoring Organizations of the Treadway Commission (COSO) exercise, MNAPR staff identified the need for more training, particularly in the area of the legal aspects of procurement in operations and in public procurement reform. In response, such training was offered, eliciting strong positive feedback from staff.

***Procurement Mentoring and Accreditation Program.*** A formal procurement mentoring program was launched in MNA through which Bank staff can receive procurement accreditation. Twelve interested candidates (nine TTLs and three extended-term consultants) were accepted into the program in FY11, and four of them received partial accreditation. The remaining applicants continue working toward accreditation.

## SOUTH ASIA

### A. Financial Management (SARFM)

**Portfolio Quality.** In FY11, as SAR’s portfolio continued to grow—SAR net commitments, exceeding US\$39 billion, are the highest in the Bank—SARFM continued to focus on the quality of FM work, with an FM specialist working with each of the operations under implementation and preparation. For projects of US\$1 billion or more, and for problem projects, SARFM strengthened FM services by assigning a second FM specialist to increase responsiveness and enhance the quality of FM design. SARFM streamlined and enhanced its internal quality assurance arrangements during FY11 by (a) relying on PRIMA for effective monitoring of FM supervision and implementation support plans and performance; (b) providing regular reports to country management units on client-related FM issues warranting management and task team attention, and integrating FM monitoring and exception reporting into country management unit reports for India, Nepal, and Pakistan; (c) conducting 6-monthly FM portfolio reviews to improve quality; and (d) relocating the FM Manager to the field to be closer to the clients.

**Use of Country Systems.** SARFM uses country FM systems by default for Bank-supported operations (Box A13).

#### Box A13. Use of Country Systems

**Bhutan.** All Bank-financed projects use the country FM systems and are audited by the national SAI.

**Afghanistan.** Accounting, cash payments, audit, and procurement are mainstreamed through Government systems, which have successfully supported a consistently higher average disbursement ratio for the country’s investment portfolio than the Bank’s average.

**Bangladesh.** Two projects—Employment Generation Program for the Poorest, and Primary Education Development Program-3—use the country treasury system for funds flow, transaction processing, and financial reporting.

**India.** “Mother” and “child” bank accounts were used for efficient funds flow in a highly decentralized US\$1 billion project to support the Government of India’s initiative to clean up the river Ganga. The project, which involves five states, flows funds to each state’s project management group, which has the authority to issue payment instructions. Funds are transferred from the mother account to the child account to pay the vendor. At the end of each day, the child account has a zero balance, maintaining efficiency in overall funds management and payments.

**Nepal and Sri Lanka.** Almost all operations in Nepal use country FM systems; and in Sri Lanka, the SWAp operations in the health and education sectors use the country systems.

**Pakistan.** Use of the national FM information system for accounting of and financial reporting on foreign-funded projects was one of the main objectives. In FY11, four projects (Baluchistan Small Scale Irrigation System, PIFRA II, Punjab Land Records Management Information, and Benazir Income Support Program) were mainstreamed with full accounting through the Government SAP system with real time financial data available.

**Strengthening Public Financial Management.** SARFM pursued several diagnostic and capacity-building initiatives in PFM and private sector accounting and auditing (Box A14).

**Governance and Anticorruption.** SARFM has been active during the year in mainstreaming GAC into the financial management of operations. For example, the new multidonor trust fund (MDTF) for PFM in Nepal focuses on governance by strengthening the SAI to improve the audit environment in the country. In Pakistan SARFM is working with the country management unit and other sectors on developing a three-year engagement to identify and mitigate governance

**Box A14. PFM Initiatives**

**Afghanistan.** To address the lack of skilled staff at the subnational level of government, FM secured an IDF grant that is supporting training in FM functions, use of information technology, design and implementation of a pilot FM information system for selected line ministries, and development of a long-term strategic approach to FM capacity building at the provincial level. This effort complements the central-level PFM reforms being supported by the Second PFMR II project, which FM task manages.

**Bangladesh.** FM and SASGP (Governance and Poverty Reduction team) are jointly supporting the Government's public expenditure management reforms through major projects to (a) deepen the medium-term budget framework and strengthen financial accountability, (b) strengthen the office of the Comptroller and Auditor General; and (c) strengthen parliamentary oversight; all are set to achieve critical milestones agreed with the Government.

**India.** The US\$1billion National Rural Livelihood Project will support building capacity at the national and state levels through FM assessments to be conducted by the Government of India at the central level and in seven states. An FM assessment framework was designed so that the program management unit team will conduct FM assessments and determine the readiness of participating states. The project will help the central-level program agency build systems and capacity to provide fiduciary oversight over the use of project funds at all levels and will provide technical assistance to states to design and implement adequate FM arrangements.

**Maldives.** A public accounting system has been implemented for all Government agencies in the capital, resulting in a centralized payment system covering about 190 spending agencies. The system and enhanced processing capacity have yielded improved fiscal discipline and control and enabled paperless transactions between line agencies and the Ministry of Finance. Spending agencies are now working online using the system, processing payments through a single treasury account, and generating real-time expenditure reports.

**Sri Lanka.** The FM team is working with the national SAI to strengthen its audit methodology, human resource practices, ICT infrastructure, and communications. A joint proposal from the FM and Rural Development teams in Sri Lanka, approved during FY11, will support capacity building at the local government level by sharing knowledge between Sri Lanka and two southern states of India.

weaknesses and corruption risks in the province of Punjab. In India, financial and physical verification measures were applied in the Punjab Rural Water Supply and Sanitation Project to enhance governance and anticorruption measures.

**Accounting, Auditing, and Financial Reporting Standards.** SARFM undertook several diagnostic and capacity-building initiatives in PFM and private sector accounting and auditing. On PIFRA II in Pakistan, the Government continues work to enhance the accuracy, reliability, and timeliness of financial reporting at national, provincial and district levels. After the Afghanistan ROSC A&A, SARFM helped develop capacity-building operations as part of PFM reforms to establish an accounting and auditing professional body in Afghanistan.

**Challenges and Opportunities.** Despite continued conflict and political instability in Afghanistan, Nepal, and Pakistan; and extensive damaging floods in Pakistan; a growing Regional portfolio and budgetary constraints, SARFM helped partner governments build capacity, enhanced PFM support, and strengthened FM quality assurance arrangements for the portfolio as well as for individual projects. SARFM has pioneered innovative FM arrangements in billion-dollar projects in India across multiple sectors and multiple states. Priorities for FY12: (a) enhance collaboration for results with partner governments and donors, with emphasis on PFM development and capacity building at all levels of government; (b) deliver timely and high-quality fiduciary services; and (c) strengthen regional learning and international participation by SAR countries on PFM.

## B. Procurement (SARPR)

**Integrated Approach.** In FY11, the SAR Region worked on a series of integrated efforts with FM (Box A15).

### Box A15. Key Integrated Initiatives in SAR, FY11

**Afghanistan.** The Bank provided a grant to develop an efficient PFM system and to develop the capacity of human resources performing PFM functions throughout the Government.

**Bangladesh.** Joint efforts with SARFM and the Governance and Poverty Reduction team (SASGP) are under way: (a) Strengthening Public Expenditure Management Program financed from an MDTF; (b) PEFA 2011 study; and (c) procurement post-reviews.

**Bhutan.** FM and PR jointly conducted a PFM Assessment and submitted the report to the Government. Follow-up actions are being carried out periodically.

**India.** The PR, FM, and PREM teams created a PFM group to coordinate dialogue on the PFM agenda.

**Pakistan.** Joint FM/PR activities included participation in a Government-formulated group for harmonization, including trainings on harmonization of FM and PR, and joint assessments for project preparation.

**Sri Lanka.** The FM, PR, and the Human Development Network carried out fiduciary (PR and FM) assessments in the education and health sectors in the context of proposed Bank operations in these countries, in close collaboration with the counterpart teams from both sectors in Sri Lanka. Fiduciary review reports are under preparation.

**Governance and Anticorruption.** Bangladesh provides a salient example of the Region's efforts to assist its clients with GAC issues. As part of the risk mitigation approach, all Bank-financed high-risk projects have a Governance and Accountability Action Plan with a set of robust actions that are measurable over time. In addition, for complex and large infrastructure projects, GAC enhancements in the Bank's SBDs for Works address disclosure of conflict of interest situations and extend audit rights. For specific procurement risks in Bank-financed projects, a Procurement Risk Mitigation Plan is being implemented in several projects; initial results show considerable improvement through the use of this tool.

**Harmonization.** A key initiative in FY11 was the SAR Public Procurement Forum, held in Kathmandu, at which key public procurement officials from the eight South Asian countries could learn from one another, share their knowledge and experiences in public procurement, and network for further regional cooperation in this area. In addition, as an outcome of the Kathmandu Forum the SAR Regional Public Procurement Forum Coordination Group has been established to help ensure continuing cooperation among the countries in the region for improving performance of their public procurement systems.

**Capacity Building.** Internal and external training workshops were conducted in FY11 on procurement of goods, works, and services; SBDs; and dissemination of PR post-review and IPR findings. Capacity-building activities were also provided to client procurement staff throughout the year. The Bank organized procurement workshops, seminars, and clinics for the officials of implementation agencies responsible for implementing World Bank-financed projects as well as for the private sector (consulting firms, contractors, and suppliers), to raise their awareness of procurement requirements. The Bank also organized four successful GDLN sessions on (a) building capacity in the construction industry; (b) e-government procurement; (c) outcome-based lending, including the proposed Program-for-Results lending; and (d) use of framework agreements. Participants in these sessions included public officials from SAR countries and Bank staff from Washington and country offices. SARPR has developed procurement capacity-

building strategies to staff the newly created central units and strengthen existing procuring entities (Box A16).

**Box A16. A Global Capacity Strategy in Bangladesh**

The Government of Bangladesh has been implementing an extensive capacity-development program. As of June 2011, the key achievements include (a) the development of 30 national trainers, providing three-week training to about 1,600 public officials of 620 procuring entities (in addition to 2,200 staff trained in an earlier phase); and (b) completion of international procurement core competence/accreditation course by 20 staff. In addition, 15 categories of short courses for various audiences (policymakers, auditors, bidding community, journalists, etc.) are under way.

***E-Government Procurement.*** SAR continues to support clients' efforts to use information technology in public procurement. It assessed existing e-procurement systems in India and Nepal, continued rolling out an e-procurement portal targeting key entities in Bangladesh, and helped introduce e-procurement in Bhutan.

***Increase of Prior Review Thresholds.*** In FY11, to improve its operations through a stronger risk-based approach, SARPR raised the prior review thresholds to better align with borrowers' capacity and risk levels.

***Accreditation.*** The RPM's office continues to promote procurement accreditation of non-procurement staff. To date, 16 non-procurement staff in SAR are accredited to perform the procurement fiduciary function in accordance with Bank procurement rules, procedures, and guidelines. Of these 16, 6 received their accreditation in 2011 after completing the procurement mentoring program. There are also 14 non-procurement staff in the mentoring program, working with senior procurement specialists to gain sufficient procurement knowledge and experience to obtain their procurement accreditation. In addition to the procurement mentoring program, the RPM's office was instrumental in enhancing the Bank's process for renewing the accreditation these non-procurement staff, and for accrediting procurement analysts who are promoted to specialists—changes that facilitated greater application.

## ANNEX B. PROCUREMENT AND FM SUPPORTING DATA

1. Annex B provides additional data to support, explain, or amplify on the material in the main text.

2. **Procurement Prior Review.** Table B1 summarizes the major Bank-financed contracts in FY11 by number and value of contracts distributed, in procurement categories and Regions. Tables B2, B3, and B4 show, based on total contract value, the top 10 countries of registration awarded prior review contracts for goods, works, and services for FY07-11. The rankings in Table B4 have been revised for previously reported years (FY07-10) to adjust data entry inconsistencies in the categorization of consultancy contracts. It should be noted that data entered on the basis of country of registration for firms receiving contracts can result in some unexpected outcomes. Generated through the Form-384 reporting process, data on contracts subject to the Bank's prior review are captured dynamically as information is entered in the Regions. The information is also available in two external websites accessible to the public.

**Table B1. Prior Review Contracts by Region and Category**

<i>Procurement category</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>Bankwide</i>	
<b>US\$ millions</b>								<b>%</b>
Civil works	2,348	1,105	1,791	895	263	662	7,064	62
Goods	657	366	546	838	135	420	2,965	26
Consultant services	633	114	206	164	46	199	1,362	12
Non-consultant services	9	14	27	34	0	5	89	1
<b>Total</b>	<b>3,647</b>	<b>1,599</b>	<b>2,570</b>	<b>1,931</b>	<b>444</b>	<b>1,287</b>	<b>11,480</b>	
<b>Number of contracts</b>								
Civil works	284	466	309	308	88	276	1,731	19
Goods	495	381	572	474	90	230	2,253	24
Consultant services	1,246	498	1,384	1,225	244	530	5,127	55
Non-consultant services	55	34	35	44	0	9	177	2
<b>Total</b>	<b>2,080</b>	<b>1,379</b>	<b>2,300</b>	<b>2,051</b>	<b>422</b>	<b>1,045</b>	<b>9,288</b>	

**Table B2. Top Ten Supplier Countries for Goods and Equipment (FY07-11)**

<i>Rank</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
1	Germany	China	China	Korea	Brazil
2	China	India	India	India	Spain
3	India	Spain	UN Agencies	China	India
4	Russia	Brazil	Turkey	UN Agencies	China
5	Turkey	Argentina	Vietnam	Russia	UN Agencies
6	Egypt	Russia	Pakistan	France	Argentina
7	Korea	Vietnam	Russia	Turkey	Ukraine
8	UN Agencies	Italy	Mexico	Vietnam	France
9	France	France	Switzerland	Switzerland	Russia
10	Ukraine	Indonesia	France	Germany	Vietnam

Note: "UN Agencies" is a consolidation of all contracts awarded to such agencies in a fiscal year.

**Table B3. Top Ten Supplier Countries for Civil Works (FY07-11)**

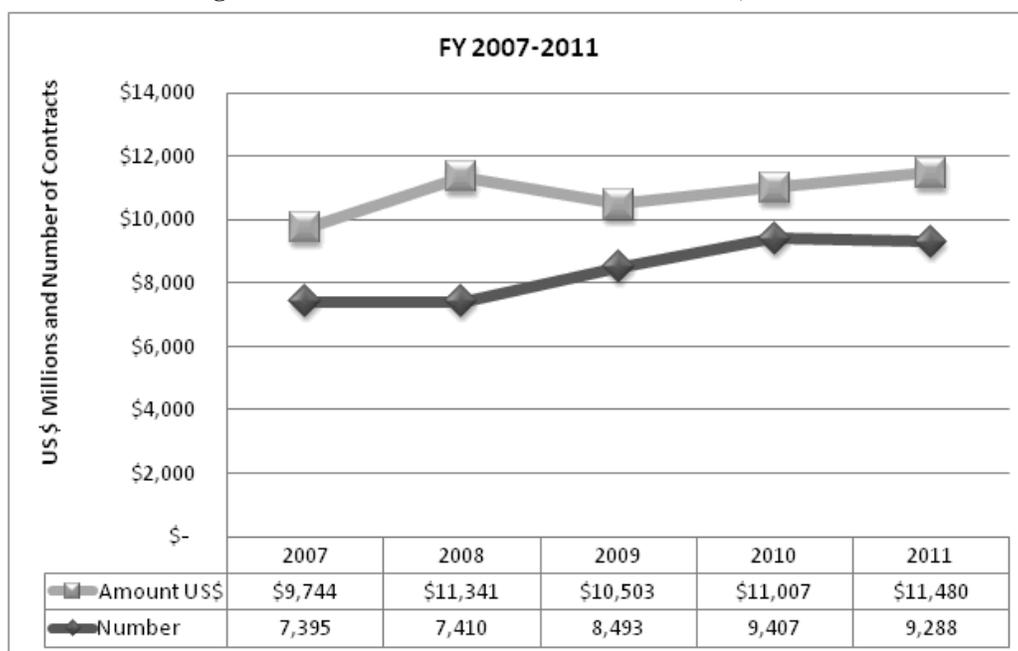
<i>Rank</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
1	China	China	China	Italy	China
2	Italy	India	Argentina	Brazil	South Africa
3	Argentina	Brazil	India	China	Brazil
4	United Kingdom	Argentina	Brazil	India	India
5	India	Italy	Vietnam	Vietnam	Italy
6	Germany	Vietnam	Italy	Argentina	Azerbaijan
7	Japan	Indonesia	Nigeria	Azerbaijan	Vietnam
8	Vietnam	Romania	Iran	Switzerland	Argentina
9	Romania	Russia	Turkey	Turkey	Turkey
10	Brazil	Turkey	Russia	Ukraine	Korea

**Table B4. Top Ten Supplier Countries for Consultant Services (FY07-11)**

<i>Rank</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
1	United States	Germany	United Kingdom	United Kingdom	United Kingdom
2	United Kingdom	United States	United States	Australia	Germany
3	France	United Kingdom	Germany	United States	France
4	Russia	France	France	Brazil	India
5	Canada	Italy	Brazil	Germany	United States
6	Germany	Canada	India	France	Canada
7	Brazil	Russia	Canada	Canada	Brazil
8	Australia	Australia	Netherlands	India	Spain
9	Turkey	India	Spain	Russia	Australia
10	Netherlands	Brazil	Australia	Argentina	Argentina

*Note:* "UN Agencies" is a consolidation of all contracts awarded to such agencies in a fiscal year.

3. Figure B1 shows the trend line for volume and amount of contracts reviewed from FY07-11. Although a trend line drawn on yearly prior review ratios relative to an increasing lending portfolio may show a decrease, the absolute number of reviews has remained fairly constant over the period. The data reflect an increase in the value of contracts reviewed by the Bank and a decrease in the overall number of contracts as the lending portfolio increased and prior review thresholds were raised.

**Figure B1. Procurement Prior Review Contracts, FY07-11**

4. **Procurement Post Review.** Tables B5, B6, B7, and B8 show FY11 data on procurement post-reviews across Regions and for recipient-executed trust funds and Institutional Development Funds. The percentage of contracts not post-reviewed reflects particular circumstances that may affect the requirement for post-review throughout the project cycle.

**Table B5. FY11 Post-Review Activity, by Region**

<i>Item</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>Bankwide</i>
Number of contracts reviewed	1,432	2,560	390	1,265	184	2,594	8,425
Total value of reviewed contracts (US\$ mil)	\$309	\$184	\$70	\$573	\$57	\$228	\$1,421

**Table B6. Procurement Post-Reviews Conducted in FY11, by Region**

<i>Item</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>Bankwide</i>
No. projects subject to post review <sup>a</sup>	274	115	141	136	28	132	826
No. projects post-reviewed <sup>b</sup>	267	111	137	136	28	132	811
Percentage of projects post-reviewed	97%	97%	97%	100%	100%	100%	99%

<sup>a</sup> All IBRD/IDA investment projects in the FY11 portfolio, excluding projects requiring 100% Bank prior review and projects with insufficient contracts for post reviews.

<sup>b</sup> Data include projects under independent procurement reviews.

**Table B7. Procurement Post Review of Recipient-Executed Trust Funds (FY11)**

<i>Item</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>Total</i>
1 # projects in portfolio <sup>a</sup>	186	342	16	60	114	46	764
2 # projects with contracts 100% subject to prior review	8	41	1	1	4	1	56
3 # projects with insufficient contracts for post review <sup>b</sup>	102	182	6	50	79	16	435
4 # projects subject to post-review <sup>c</sup>	77	119	6	9	31	15	257
5 # projects post-reviewed <sup>d</sup>	76	97	5	9	31	15	233
6 % of projects post-reviewed <sup>e</sup>	99%	82%	100%	100%	100%	100%	97%
7 # contracts reviewed	203	602	20	81	174	61	1,141
8 Total value of reviewed contracts (US\$ million equivalent)	\$12.27	\$25.8	\$1.0	\$5.9	\$8.7	\$2.4	\$56.1

<sup>a</sup> Total number of trust fund projects in portfolio in FY11.

<sup>b</sup> Includes projects that are new or nearing completion.

<sup>c</sup> Total of item 2 and 3 subtracted from item 1.

<sup>d</sup> Data includes projects under independent procurement review.

<sup>e</sup> Ratio between the numbers in item 5 and item 4.

**Table B8. Procurement Post Review of Institutional Development Funds (FY11)**

<i>Item</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>Total</i>
1 # projects in portfolio <sup>a</sup>	72	40	32	25	20	15	204
2 # projects with contracts 100% subject to prior review	8	8	1	2	2	-	21
3 # projects with insufficient contracts for post review <sup>b</sup>	51	23	24	20	14	11	143
4 # projects subject to post-review <sup>c</sup>	13	9	7	3	4	3	39
5 # projects post-reviewed <sup>d</sup>	13	6	7	3	4	3	36
6 Percentage of projects post-reviewed <sup>e</sup>	100%	67%	100%	100%	100%	100%	95%
7 # contracts reviewed	33	13	8	8	6	6	74
8 Total value of reviewed contracts (US\$ thousands)	\$0.61	\$0.24	\$0.25	\$0.04	\$0.07	\$0.04	\$1.25

<sup>a</sup> Total number of IDF projects in portfolio in FY11.

<sup>b</sup> Includes projects that are new or nearing completion.

<sup>c</sup> Total of items 2 and 3 subtracted from item 1.

<sup>d</sup> Data include projects under independent procurement review.

<sup>e</sup> Ratio between the numbers in item 5 and item 4.

5. **Procurement Complaints.** Table B9 shows the number of complaints by Region from FY06-FY11. Although the recording of complaints does not show any particular trend, occurrences have remained, on average, about 340 a year.

**Table B9. Numbers of Complaints, by Region, FY06-11**

<i>FY</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>Total</i>
06	76	87	69	31	30	95	388
07	52	71	89	19	22	93	346
08	50	51	97	9	19	106	332
09	57	60	81	10	18	87	315
10	64	66	69	17	12	76	304
11	59	82	111	12	9	86	359
<b>Total</b>	<b>417</b>	<b>516</b>	<b>516</b>	<b>98</b>	<b>110</b>	<b>543</b>	<b>2,042</b>

6. **Audit Reports.** Table B10 shows the numbers of audits of loans, credits, and recipient-executed trust funds received during FY11.

**Table B10. Timeliness of Audit Reports due in FY11**  
(percentages)

<i>Region</i>	<i>Received on time</i>				<i>Received</i>			
	<i>FY11</i>		<i>FY10</i>		<i>FY11</i>		<i>FY10</i>	
	<i>IBRD/IDA</i>	<i>Trust funds</i>	<i>IBRD/IDA</i>	<i>Trust funds</i>	<i>IBRD/IDA</i>	<i>Trust funds</i>	<i>IBRD/IDA</i>	<i>Trust funds</i>
AFR	83	73	81	69	97	92	91	95
EAP	74	68	75	66	92	87	89	93
ECA	65	63	68	83	86	89	70	96
LCR	34	29	46	50	82	71	75	74
MNA	48	65	54	48	80	87	83	75
SAR	27	38	13	58	98	94	70	100
Bankwide	60	60	56	62	91	87	80	89

Source: Business Warehouse—ARCS.

7. **Exceptions.** Table B11 shows the exceptions to the application of available remedies under OP/BP10.02, *Financial Management*, granted by OPCS and CTR during FY11.

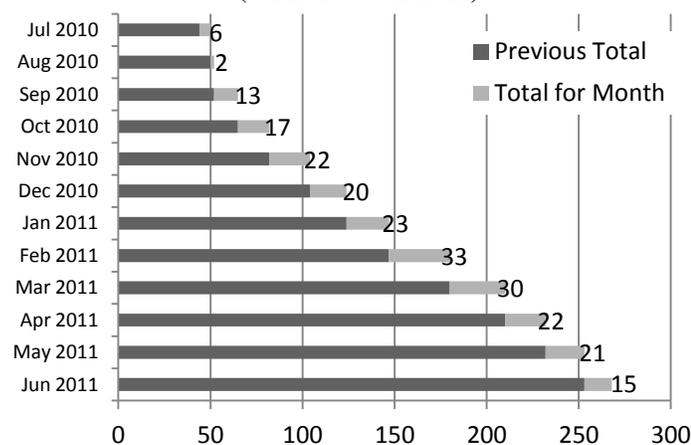
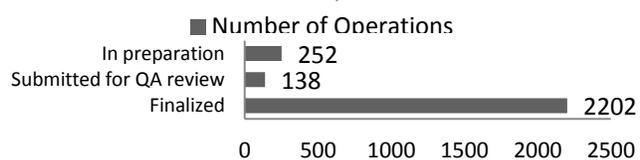
**Table B11. OP/BP 10.02 Exceptions, FY11**

<i>Region</i>	<i>Country</i>	<i>Operation</i>	<i>Waiver date</i>
AFR	Ethiopia	Agricultural Growth Project (P113032)	September 3, 2010
AFR	Ghana	Urban Water Project (P056256)	September 15, 2010
AFR	Mauritania	Education for All - Fast Track Initiative (EFA-FTI) (P109078)—Catalytic Trust Fund/Grant No. TF091822	March 28, 2011
AFR	Mozambique	Water Services and Institutional Support Project - Additional Financing - WASIS AF (P120546)	September 2, 2010
EAP	Philippines	Support for Philippines Basic Education Reforms (TF 091695)	June 30, 2011
EAP	Timor-Leste	European Commission Grant for the Health Sector Program (TF 54512)	August 27, 2010
LCR	Caribbean	First Phase of Caribbean Knowledge and Learning Network (CKLN) – (P108711 - TF090154)	May 11, 2011
LCR	Haiti	Urban Community Driven Development Project (PRODEPUR) - Additional Financing for Housing & Community Infrastructure Reconstruction (P121833)	September 22, 2010 and October 6, 2010
LCR	Peru	Second Rural Electrification Project (P117864)	March 4, 2011
MNA	Morocco	Integrating Climate Change in the Implementation of the Plan Maroc Vert Project (P117081)	April 19, 2011
SAR	Nepal	Strengthening Regional Cooperation for Wildlife Protection Project (P121210) Nepal-India Electricity Transmission and Trade Project (P115767) Enhanced Vocational Education and Training (P104015) PAF II Additional Financing (P105860) Rani Jamara Kulariiya Irrigation Project (P118179) Urban Governance and Development Program (Emerging Towns) (P112887) Kabeli Transmission Project (P112893)	February 24, 2011

8. **P-RAMS Use.** Figure B2 illustrates that the use of P-RAMS increased throughout FY11. It is expected that usage will increase significantly during FY12.

9. **PRIMA II Use.** Figure B3 presents a summary of projects at various stages of processing in PRIMA.

10. **Task Leadership.** Table B12 lists the activities fiduciary staff have been managing in FY11, showing that PR and FM staff are taking leadership roles in investment projects and grants. In addition, PR and FM staff lead numerous components of investment projects, some representing very large commitments.

**Figure B2. Risk Assessments in P-RAMS per month (Jul 2010 – Jun 2011)****Figure B3. Risk Assessments in PRIMA II as at June 30, 2011**

**Table B12. Projects Led and Managed by FM and PR staff as TTLs**  
(Active as of June 30, 2011)

<i>Region</i>	<i>Country</i>	<i>Project name</i>	<i>Project cost (US\$)</i>
AFR	Liberia	LR-Public Financial Management - IFMIS	3,700,000
	Senegal	Public Financial Management Strengthening Technical Assistance Project	15,000,000
	Somalia	Public Financial Management (PFM) Capacity Building for Somalia	1,600,000
	South Sudan	LICUS TF Grant for Rapid Impact Public Financial Management Project	3,500,000
	Comoros	Economic Governance Technical	1,200,000
ECA	Albania	REPARIS Albania MDTF No. TF098923 Corporate Financial Reporting Enhancement Project	1,715,313
	Azerbaijan	Corporate and Public Sector Accountability Project	24,000,000
	Europe and Central Asia	Strengthening Accountability and the Fiduciary Environment	-
	Europe and Central Asia	Regional Multi-Donor Trust Fund for Accounting Reform and Institutional Strengthening (REPARIS)	-
	Poland, Slovenia, Estonia, Latvia, Czech Republic.	Regional Financial Reporting Technical Assistance Program (FRTAP)	-
LCR	Mexico	Development of an internal control ICT system for the Ministry of Public Administration	122,000
	Guatemala	Guatemala - Contraloria General de Cuentas Strengthening	2,238,362
	Latin America	CRcER Post Conference Knowledge and Learning Activities	200,000
	Latin America	CRcER: Knowledge and Learning on Corporate Financial Reporting and Public Financial Management in LAC	250,000
	Paraguay	Strengthening Paraguay National Audit Office	330,200
	Honduras	PPIAF-Honduras: Central District Financial Management Diagnostic	145,950
	Haiti	Strengthening Accounting and Auditing Practices	275,000
	Honduras	A Roadmap for Strengthening Accounting and Auditing	478,200
SAR	Afghanistan	Public Financial Management Reform Project	33,400,000
	Afghanistan	Public Financial Management Reform II	73,000,000
	Bangladesh	Strengthening Auditor General's Office	16,900,000
	Bangladesh	Strengthening Legislative Oversight	5,000,000
	World	Global Financial Management Partnerships	-
	World	Global Partnership to Strengthen Capacity of Supreme Audit Institutions	-

11. **Economic and Sector Work.** Table B13 summarizes the economic and sector work outputs the Regions have worked on or completed during FY11.

Table B13. Economic and Sector Work, FY11

<i>Region</i>	<i>Country</i>	<i>Activity</i> <sup>a</sup>
<b>Procurement</b>		
AFR	Ethiopia Nigeria Sierra Leone Zimbabwe South Sudan	Country Integrated Fiduciary Assessment (CIFA) Public Integrated Fiduciary Assessment of Nigeria States Country Procurement Assessment Report (CPAR) CIFA CIFA (including CPAR)
ECA	Armenia, Azerbaijan, Georgia	Integrated Country Fiduciary Portfolio Review: Procurement Study
LCR	Regional Regional Peru	Study: Old Rules, New Realities: Are existing Public Procurement Systems addressing current and future needs? Public Procurement Reform in Latin America and the Caribbean Policy note on procurement (contribution to Country Partnership Strategy)
MNA	Kuwait	CPAR
<b>Financial Management</b>		
AFR	Central African Republic Gabon Liberia Mauritius Nigeria Sierra Leone Zimbabwe Senegal Sudan- Southern Sudan	ROSC A&A ROSC A&A ROSC A&A ROSC A&A ROSC A&A; PIFANS; PEMFAR PEFA ROSC A&A PEFA CIFA
	<i>With other sector</i>	
	Benin Burundi Ethiopia Gambia, The Ghana Mauritania Rwanda Tanzania	PER PER PER PER PER PER PEFA PER
EAP	Indonesia Malaysia	ROSC A&A ROSC A&A
	<i>With other sector</i>	
	Cambodia Cambodia Indonesia Lao PDR Philippines Solomon Islands	PEFA PER PER PER PEFA PER
ECA	Uzbekistan	CIFA
LCR	Argentina	PEFA-PFMA Provinces: Buenos Aires, Cordoba, San Juan, Santa Fe
MNA	<i>With other sector</i>	
	Kuwait Lebanon and Tunisia	PEFA South-South Knowledge Exchange on Audit Practices for SAIs
SAR	<i>With other sector</i>	
	Bhutan Bangladesh	PEFA <sup>b</sup> PEFA

<sup>a</sup> CIFAs, PIFANS, and PEMFARs have both a PRFM component and can be considered integrated sector work.

<sup>b</sup> Carried out primarily by a core team from Ministry of Finance, Royal Government of Bhutan, and Royal Audit Authority, in active consultation with the Bank.

12. **ROSC A&A.** Table B14 shows the eight ROSC Accounting and Auditing assessments completed in FY11.

**Table B14. ROSC Accounting and Auditing Assessments, FY11**

<i>Region</i>	<i>ROSC A&amp;A reviews completed</i>
AFR	Central African Republic, Gabon, Liberia, Mauritius, Nigeria, Zimbabwe
EAP	Indonesia
MNA	West Bank and Gaza

13. **IDF Activities.** Table B15 shows the capacity-building activities under IDF grants that the PR and FM Sectors contributed to during FY11.

**Table B15. Institutional Development Fund Grants, FY11  
Active as of June 30, 2011**

<i>Region</i>	<i>Country</i>	<i>Activity (*projects approved in FY11)</i>	<i>Project cost US\$</i>	
AFR	Botswana	Strengthening Botswana Institute of Accountants	486,300	
	Burkina Faso	Public Sector Control Institutions	378,000	
	Cameroon	Support to the Accountancy Profession ONECCA CAMEROON	499,400	
	Cotê d'Ivoire	Cote d'Ivoire Mineral Sector Institutional Capacity Building IDF	500,000	
	Ethiopia	Support to Accountancy Profession	499,800	
	Ghana	Institutional Support to the Accountancy Profession In Ghana	500,000	
	Ghana	Ghana PAC Capacity Building Project*	495,000	
	Kenya	Development of Internal Audit Profession in Kenya - IIA Kenya Chapter*	514,000	
	Lesotho	Lesotho Institute of Accountants- Capacity Development	497,834	
	Liberia	The Liberian Institute of Certified Public Accountants (LICPA)	475,000	
	Liberia	Liberia: PFM Strengthening & Reform Coordination*	495,000	
	Malawi	Malawi: Strengthening the Accountancy Profession	500,000	
	Mozambique	Capacity building of the Mozambique Supreme Audit Institution	200,000	
	Nigeria	Ekiti State Public Procurement Reform Initiative	450,000	
	Nigeria	Strengthening the Capacity of the Common Financial Management Platform	498,000	
	Nigeria	Capacity Strengthening of ICAN to Support National and Regional Accountancy Development	499,000	
	West Africa	Development of Accounting Regulation Institute	919,590	
	EAP	Bhutan	Strengthening the Public Procurement Policy Division	484,000
		Cambodia	Improving Corporate Financial Reporting	250,000
China		Improving Management over Special Purpose Transfer Payment in China	300,000	
Indonesia		Improving the link between Government Financial Reports and Sources of Funding	200,000	
Indonesia		Support to BPK for Preparation of New Strategic Plan	258,000	
Indonesia		Support to BPKP on Pilot Implementation of COSO Framework	250,000	
Lao PDR		Introducing Public Opinion Surveys	169,962	
Nepal		Strengthening the Institutional Capacity of the Public Procurement Office	335,000	
Pacific Islands		Pacific Regional Audit Initiative (PRIA)	550,000	
Philippines		Philippines Strengthening the Capacity and Effectiveness of the Commission on Audit	300,000	
Philippines		Strengthening the Capacity of Public Sector Internal Audit	300,000	
Philippines		Policy-Based Budgeting in a Medium-Term Framework	300,000	
Thailand		Strengthening OAG Institution and Performance in Public Audits	335,000	
Vietnam		IDF - Vietnam Capacity Strengthening for the Vietnam Association of Certified Public Accountants	240,000	
Vietnam		Vietnam Internal Audit Capacity Building for Ministry of Finance Inspectorate	150,000	
Vietnam	IDF for Modernization of Audit Methodologies and Practices of the State of Vietnam*	420,000		

<i>Region</i>	<i>Country</i>	<i>Activity (*projects approved in FY11)</i>	<i>Project cost US\$</i>
ECA	Armenia	Implementation of IPSAS Strategy 2	495,000
	Armenia	Piloting Fiduciary Control for Non-Commercial Organizations	405,000
	Armenia	Strengthening Public Sector Internal Audit IDF	484,000
	Kazakhstan	Public Sector Audit Capacity Building IDF	455,000
	Kyrgyz Republic	IDF-Capacity Building for Public Sector Auditing	370,000
	Serbia	Enhancing Corporate Financial Reporting in Serbia IDF Grant	285,000
	Serbia	Serbia Asset Registry	300,000
LCR	Andean Countries	Institutional Strengthening of Andean Supreme Audit Institutions (SAIs)	489,900
	Belize	Building Institutional Capacity of Auditor General and Improving Quality of Public Procurement	350,000
	Brazil	Enhancing Operational Capacity of the Controller General of Brazil	500,000
	Brazil	Strengthening Brazil Subnational Audit	500,000
	Brazil	Strengthening TCU Financial Audit of the Consolidated Financial Statements of the Government of Brazil	250,000
	Caribbean	Strengthening fiduciary oversight in the Caribbean through Caribbean Audit Institutions (CAROSAI)	436,500
	Central America	Strengthening of fiscal control through improved citizen participation and SAI's institutional capacities	200,000
	Dominican Republic	Improving Performance Accountability by Strengthening DR SAI	300,000
	Mexico	Strengthening and Consolidation of internal control Framework of Federal Government	306,000
	Mexico	Strengthening Cash Management & Control systems*	350,000
	Mexico	Fiscal Transparency	500,000
	OECS Countries	Strengthening Institute of the Chartered Accountants of the Eastern Caribbean	455,000
	OECS Countries	Strengthening Accountability of the Non-Banking Financial Sector in the OECS	455,000
	OECS Countries	Strengthening Institutional Capacity for Project Implementation	403,500
MNA	Djibouti	Djibouti - Strengthening Aid Coordination & Management Capacity	390,770
	Egypt, Arab Republic of	EG-Monitoring & Evaluation Systems for Decentralization	406,900
	Morocco	MOROCCO: Institutionalizing a Reform Process for the Business Environment	300,000
	Morocco	MA-IDF Modernization of Public Procurement II	-
	Morocco	Morocco Support for Improved Public Expenditure Management (MTEF)	320,000
	West Bank and Gaza	WBG - Enhancing Corporate Financial Reporting*	250,000
	West Bank and Gaza	WBG Public Procurement Reform Support Project	400,000
SAR	Afghanistan	Sub-national level Financial Management Capacity Building Project*	500,000
	India	Rajasthan IDF: PFM/Procurement Capacity Building	498,000
	India	Karnataka IDF: PFM Capacity Building*	382,700
	South Asia	Framework for Internal Control, Internal Audit & Related Capacity Development	499,250
	Sri Lanka	SL: Strengthening Parliamentary Oversight Committees	490,000

14. ***E-Government Procurement.*** Box B1 presents additional examples of Regional contributions to the Bank's e-government procurement agenda.

**Box B1. Summary of Key Regional Outputs under the Bank's e-GP Agenda****AFR**

**Benin.** The government completed a feasibility study for an integrated ICT system for management of procurement.

**Ghana.** A web-based software package has been developed and is administered by PPA for procurement planning.

**Tanzania, Uganda, Ivory Coast, and Senegal.** Governments have put in place an electronic system for collecting and disseminating procurement information and for monitoring procurement statistics.

**EAP**

**China.** The Bank is assisting the Government in preparing a national strategic plan for e-GP.

**Mongolia.** The Government is implementing a pilot e-GP system.

**Thailand.** The Bank provided technical expert advice on the existing e-Reverse Auction system and suggested next steps for further development of e-GP.

**Philippines.** An IDF grant funded advisory services for system design and establishment of the trainers' training program for e-GP.

**Indonesia.** The Bank and ADB assessed Indonesia's e-GP systems to determine the degree of compliance with MDB requirements.

**ECA**

**Albania.** Assessment of e-Procurement system and approval to use for one Bank-funded project as a pilot.

**Moldova.** Assessment of e-Procurement system as part of the Country Procurement Assessment.

**LCR**

The Region has assisted Peru in sharing its experience in e-procurement with Chile by organizing a visit of Peru's Supervisory Authority to *ChileCompra* in Santiago. This year the Bank has started an assessment of the e-procurement system of the *Bolsa Electronica de Compras de São Paulo*, and in Mexico.

**MNA**

**Jordan.** An e-Government and e-Procurement Knowledge Sharing Workshop with more than 115 participants and featuring an international speaker was held at the request of the Government. During the workshop, the Government praised the Bank's efforts on e-procurement and expressed its commitment to learn from international experience on e-government to achieve excellence in public service delivery.

**SAR**

**India.** The Bank assesses a Government agency's e-procurement system. Good practices included (a) introduction of complaint-handling protocol; (b) implementation of an online complaint handling system; (c) extensive capacity building across the participating States; and (d) monitoring procurement performance of the participating States.

**Bangladesh.** Under the Public Procurement Reform Project II, the Government has been developing a centralized e-GP system through its Central Procurement Technical Unit.

15. **Decentralization of Authority.** Table B16 shows the level of decentralization of procurement authority to country offices during FY11.

**Table B16. Procurement Decentralization, FY11**

<i>Decentralization</i>	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LCR</i>	<i>MNA</i>	<i>SAR</i>	<i>Bankwide</i>
<b>FY11 decentralization %</b>	<b>85%</b>	<b>99%</b>	<b>81%</b>	<b>84%</b>	<b>91%</b>	<b>89%</b>	<b>87%</b>
No. projects in portfolio	518	279	515	364	241	222	2,139
No. delegated to COs	439	276	419	306	219	197	1,856

53. **Learning Activities.** Table B17 shows the number of learning activities the FM Sector delivered during FY11.

**Table B17. FM Sector Learning Activities**

<i>Region or department</i>	<i>Total learning events</i>	<i>Total attendance</i>	<i>Target audience</i>		
			<i>Clients and donor staff</i>	<i>FM staff</i>	<i>Other</i>
AFR	9	271	271		
Anchor	5	250		175	75
EAP	17	3,279	3,119	10	150
ECA	26	1,481	1,405	60	16
LCR	42	2,009	1,678	57	274
MNA	17	438	405	21	12
SAR	8	310	310		
<b>Total</b>	<b>124</b>	<b>8,038</b>	<b>7,188</b>	<b>323</b>	<b>527</b>