PROCUREMENT FOR COMPLEX SITUATIONS CHALLENGE
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COMPETITION WINNERS

WORLD BANK GROUP
Fragility, Conflict & Violence

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Governance

Open Contracting
Communities of Practice
PREFACE

Dear Reader,

Allow me to give personal perspective to this publication and challenge: Two years ago, I shared an innovative approach in a case story, *Starting from Scratch – Creating Procurement Capacity in Post-conflict South Sudan*, that was published by the Procurement Innovation Challenge, the first such endeavor to gather and select outstanding examples of procurement stories. I was thrilled and applauded by colleagues in the Fragile States Hub (FCS Hub) at the World Bank. The Open Contracting Community of the World Bank Institute, which championed the Challenge, had successfully mobilized, selected, and published 15 interesting case stories that continue to provide examples of innovative approaches to procurement. This was an idea worth replicating!

On the basis of this first Challenge on innovation, a second Challenge was initiated with focus on approaches to design and implementation of procurement in situations of urgent need of assistance due to man-made or natural disaster, conflict, or capacity constraints due to fragility or specific vulnerabilities (including for small states). The *Procurement for Complex Situations Challenge* is a collaborative initiative of the FCS Hub, now called the Fragility, Conflict, and Violence (FCV) Group; the Open Contracting Community of the World Bank Institute, now operating under the World Bank Governance Global Practice; and the East Asia and Pacific Procurement Unit of the World Bank.

In this publication, you will read about 14 different experiences by real people from around the world, who have carried out procurement in very challenging situations. Such approaches include cases of increased disclosure of procurement information, including opportunities for the participation of third parties and cases of community-driven development interventions that responded to situations of fragility, conflict, and violence. By sharing these experiences, our aim is to empower practitioners with solutions and tools to improve procurement performance in complex situations and foster the “science of delivery”. The challenging experiences featured in this publication range from case stories of a project team having to change its approach to procurement reforms under prevailing political economy of Iraq to teams designing, packaging, and implementing the supply chain to meet culturally acceptable urgent needs to address the tsunami effects on Banda Aceh, Indonesia. Hopefully, these stories will inspire you, the practitioner or concerned advocate, to innovate and to take action. In situations of fragility, conflict, and violence, inaction or delayed action in procurement can escalate the risk of catastrophic failure of government and markets.

Within the Challenge Team, we built on the success of the Procurement Innovation Challenge to develop a clear roadmap for the Procurement for Complex Situations Challenge. This included mobilizing a Circle of Advisers who supported the Challenge Team during the design and peer-review of the original 40 case stories that were submitted online. All submissions were evaluated online.
with the 5 top-ranked case stories winning the Science of Delivery Award and the 14 top-ranked, including the top 5 winners, qualifying for showcasing in this publication. During the Science of Delivery award ceremonies, the top 5 case story authors were recognized for contribution to this Challenge.

Personally, the ride over the past few months of this Challenge has been a great experience; and after working closely with the authors to further elaborate the 14 case stories, we on the Challenge Team are pleased to share them in this publication. These real world experiences have each been developed for this publication as a learning resource to empower practitioners working on the design or implementation of procurement in complex situations. The case stories will also be shared on theHi ve knowledge platform on fragility, conflict, and violence as well as other knowledge platforms such as the Open Contracting Community and the Community-Driven Development Community of Practice. These stories will continue to be shared on external networks to further facilitate learning about procurement performance in complex situations.

On behalf of the Challenge Team, I wish to acknowledge the help, input, and hard work of all who have contributed to the Procurement for Complex Situations Challenge, including all participants of the original 40 case stories submitted for the competition, the authors and project teams behind the 14 selected stories, and the 14 members of the Circle of Advisors and my colleagues on the Challenge Team (all listed on the following page). I also extend a special thanks to the Challenge sponsors: the FCV Group, Open Contracting Community, and East Asia and Pacific Procurement Unit of the World Bank.

On behalf of the Challenge Team, I invite you to explore the 14 case stories in any order that you may choose and use the case stories as reference material based on the theme or sector of particular interest. We welcome any feedback on how these stories may have contributed to your work.

Richard Olowo
The Challenge Team
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A running tap in Tombo Community, from Challenge #7
INTRODUCTION

KNOWLEDGE SHARING WHEN URGENCY IS A KEY ISSUE

An estimated 20 percent of the world’s poorest people now live in situations affected by fragility, conflict, and violence; this number could double by 2030 if current trends continue. Procurement markets in these situations can be particularly challenging given the widespread weakness of governance and some institutions. Governments often lack the capacity to manage procurement; contractors are not equipped to participate in bidding opportunities; oversight authorities and citizens are not able or not empowered to effectively monitor projects, leading to a high risk of ineffectiveness and corruption. Finding practical solutions and innovations to deal with these vulnerabilities along with advance development in complex situations is paramount. In complex-situated countries, inaction or delayed action in procurement can escalate the risk of catastrophic failure of government and markets.

The Procurement for Complex Situations Challenge is an innovative crowdsourcing mechanism used to identify and highlight evidence of solution approaches for the design and implementation of procurement in complex situations. The Challenge represents an effort to mobilize and disseminate knowledge from a wide range of practitioners doing procurement work in complex situations—situations in urgent need of assistance due to fragility, capacity constraints, conflict, or emergencies. In these situations, practitioners designing and implementing procurement face unique challenges. And while success is touted and many innovations do deliver positive results on the ground, failure is not uncommon. The World Bank and other development-focused institutions are turning the table on how failure is viewed, encouraging task teams to foster learning from failure (along with success) through the “science of delivery”.

A practitioner faced with a procurement task in a complex situation should have access to information on what has been done before in similar situations. With this knowledge, task teams and practitioners can either replicate or benefit from the lessons learned as they formulate new solutions in similar situations. However, stories are not commonly shared by procurement practitioners on their experiences leading to a dearth of vital knowledge. For example, seeking stories of innovations generates the highest demand among all services offered by the Fragility, Conflict, and Violence Group, formerly FCS Hub, of the World Bank Group.

This Procurement Challenge publication presents a selection of stories on procurement in complex situations, mobilized globally through a case story competition and structured for learning. Practitioners who design solutions that adapt productive innovations and avoid past failures will save valuable time and resources. By using or adapting tested methods, these practitioners are better prepared to implement effective procurement that contributes to service delivery and
plays a crucial role in restoring citizen confidence in the state and in societies faced with violence, low trust, and weak institutions, all facets that contribute to the existing fragility.

The approaches used in the 14 case stories can be adapted or simply “tweaked” to meet specific needs and to improve procurement performance in complex situations. They cover a range of sectors as shown in the accompanying matrix. Any one of these case stories, which were submitted by practitioners from non-government organizations and development donors, might just trigger a new solution in response to similar challenges being faced today and tomorrow.

The following pages elaborate on the challenges, the approaches, the results, and the lessons learned from these 14 case stories:

**Case Story #1:** Geotagging: An Innovative Tool To Enhance Transparency and Supervision, and Fighting Corruption in Development Projects in the Philippines by Noel Sta Ines, The World Bank

**Case Story #2:** Finding Needles in a Haystack: Breaking Down Information Barriers between Buyers and Suppliers in Developing Economies by Morgan Ashenfelter and Kayla Cassavant, Building Markets

**Case Story #3:** Saving Lives through Stronger Supply Chains by Jay Heavner, Supply Chain Management System

**Case Story #4:** The Procurement Solution Was Inside the Box, but Only Thinking Outside the Box Helped the Team Reveal It by Toufiq Ahmed, The World Bank

**Case Story #5:** The Political Economy of Public Procurement Reform in Iraq: The Long and Difficult Road by Nazaneen Ali with co-authors Andrew Jacobs, Rachel Lipson, and Fabio Isoldi, The World Bank

**Case Story #6:** Rethinking Infrastructure Delivery: Improving Transparency and Competition in Community-Driven Development Projects by Francisco Rodriguez, The World Bank

**Case Story #7:** Tombo Community Demands Contract Transparency, by John Momo, the Network Movement for Justice and Development

**Case Story #8:** Ten Years of Procurement Reforms in Sierra Leone: Lessons Learned at the Intersection of Procurement, Fragility, and Governance by Stephan Eggli and Doris Voorbraak, The World Bank
Case Story #9: Realistic Procurement Based on Local Market Conditions in Iraq: A Successful Experience from a Conflict-Affected Country by Nazaneen Ismail Ali with co-authors Andrew Jacobs, Rachel Lipson, and Fabio Isoldi, The World Bank

Case Story #10: Solving the Procurement Challenge in Pacific Island Fragile States for Major Infrastructure Projects by Christopher Bennett and Anna L. Wielogorska, The World Bank

Case Story #11: Shell-Shopped: Procurement for Revitalization of SMEs through Commercial Practices by Rehan Hyder, The World Bank

Case Story #12: New Contractual Framework with FAO for Locust Control Operation by Lova Ravaoarimino, The World Bank

Case Story #13: The Envelope Approach: Innovation in Procurement to Deliver Community-Recovery Services in Fragile and Conflict-Affected Situations by Paul Bance and Sophie Grumelard, The World Bank

Case Story #14: Establishing a Three-Tier Supply Line for Relief and Development in Northern Sumatra by Keith Neroutsos, PATH on behalf of World Vision Indonesia.
### Reference to Procurement Challenge Case Story

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*IX*
THE 14 CHALLENGES PROCUREMENT FOR COMPLEX SITUATIONS

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Local loom technicians in Pakistan, from Challenge #11
CHALLENGE 1

GEOTAGGING IN ISOLATED AREAS

Philippines

How can readily available, inexpensive web-based technology help to get broader participation in monitoring and evaluating progress of a project with minimal need for on-site visits in hard-to-reach locations?

SUMMARY

Geotagging is an innovative and cost-effective way of using GPS technology and web-based mapping as a project visualization tool to aid project supervision. Geotagged objects can be easily and accurately located on a map, enabling government authorities and citizen participants to “virtually” monitor and evaluate progress in the projects, with minimal need for physical visit for hard to reach areas.

This case story, Geotagging: An Innovative Tool To Enhance Transparency and Supervision, and Fighting Corruption in Development Projects in the Philippines!, addresses this challenge.

It was submitted by Noel Sta Ines, Senior Procurement Specialist, on behalf of World Bank’s project team Carol Figueroa-Geron, Sector Coordinator; Felizardo Virtucio, Team Lead, and Keith Clifford Bell and Hanif Anilmohamed Rahemtulla, Technical Advisors; and Arnel de Mesa, Team Lead and Director, Department of Agriculture.
THE CONTEXT

There had been some suspicions of possible fraud and corruption on several infrastructure subprojects in the conflict-affected province of Mindanao, an archipelago of 7,100 islands. To address this issue that arose during a joint procurement-technical review of the Mindanao Rural Road Development Project (MRDP), the World Bank’s procurement specialist recommended the use of geotagging.

Geotagging uses global positioning system (GPS) technology and web-based mapping as a visualization tool to aid project supervision. The experience in the Philippines did not require the use of proprietary software or high-definition imagery and highly skilled engineers and technicians that is more typically used in other Bank-supported geotagging projects. The essential elements for this project in the Philippines included inexpensive GPS-enabled Android cellphones and access to free web-based applications. The use of this cost-effective technology allows the geotagged object to be easily and accurately located on a map. Geotagged project data like base and progress photos, tracks, and polygons are collected primarily by staff of the local government units and can also be undertaken by non-engineers such as teachers, accountants, and other citizens. Put briefly, the process assigns a geographical coordinate (latitude and longitude) plus elevation to an object. The tagged object is easily and accurately overlaid on a map, in a geographical context through Google Earth, enabling government authorities and citizens to “virtually” monitor and evaluate progress in the projects, with minimal need for physical visits in hard-to-reach areas.

Geotagging was not part of the original project design. The Bank’s task team leader supported the idea and, in agreement with the Department of Agriculture, the project’s responsible agency, hired
a GPS specialist to design the geotagging monitoring system. The Department of Agriculture nurtured the design of a working and user-friendly system and developed training tools, materials, and programs for its staff with input and guidance from the World Bank.

To accelerate the bidding process and increase participation, the Department of Agriculture integrated geotagging into the Philippine Government's Electronic Procurement System (PhilGEPS), which allowed the bidders to virtually visit the project site at the same time they download the bidding documents from the Agriculture Department website. As a result, it instilled increased competition into the MRDP procurement, and the average number of bidders for each development project has risen from three to about ten, boosting competition, reducing costs, and giving officials more options.

THE APPROACH

Initially, the World Bank team suggested to the Department of Agriculture that geotagging be made a requirement in the "governance-challenged" local government units of Mindanao where recurring procurement and supervision difficulties abounded. At first Agriculture officials were reluctant and skeptical of the technology since they were not familiar with the use of GPS for project supervision and also saw this requirement as an unnecessary Bank-imposed activity with an untested value. But skepticism turned to enthusiasm with the demonstrated effectiveness of the tool.

The MRDP pilot implementation of geotagging proved useful in combating corruption and boosting transparency in the procurement process. Through virtual site visits, geotagging also addresses security concerns that arise when trying to reach off-the-beaten-path project sites in conflict-affected areas, particularly the Autonomous Region of Muslim Mindanao, known as ARMM. For the Department of Agriculture, local government, and the World Bank, using GPS technology demonstrated that better project management—from approval to execution—in conflict areas and on island locations can be made more robust and effective.

Geotagging was initially intended for procurement monitoring of infrastructure projects such as farm-to-market roads, bridges, irrigation systems, and water supply in MRDP, but the application was expanded to cover other project components—reforestation, marine sanctuary rehabilitation, and community-driven development projects to be implemented by thousands of small communities. The scope of geotagging was also scaled up to include planning and monitoring and subsequently mainstreamed countrywide into Department of Agriculture projects outside World Bank financing as well as into 10 other Bank-financed projects in other sectors.

The World Bank's Country Director supports geotagging as a main tool for data collection in portfolio mapping. A number of projects in Papua New Guinea, Samoa, and Solomon Islands have taken steps to implement geotagging. Also, the use of geotagging was tested successfully in a joint Philippine financial management/procurement supervision of a reforestation project in July 2013.
THE RESULTS

Transparency in procurement and implementation was the primary result of geotagging. Geotagged data disclosed on the Department of Agriculture website allows access to bidders, civil society organizations, other government agencies as well as the World Bank. It also allows a wide breadth of citizen participation to better monitor procurement and project implementation and helps assure accountability of project managers. As an example, from geotagged photos, citizen monitors were able to see cracks in the newly poured concrete of a 1.6-kilometer road project. The citizens issued a complaint, and the Department of Agriculture sent a special team that confirmed the low-quality work. The contractor had to remove and replace the entire 1.6 kilometers of concrete road.

Geotagging significantly improved project procurement by (a) providing ready access to information on specific subprojects to be bid; (b) facilitating and increasing interaction among all participants in the bidding process; and (c) increasing the number of bid participants and bid competition, thus increasing the chance for local governments to get the best offer.

By providing an additional means of verification, geotagging reinforced good governance in the interaction and relationship among the Bank task team, the Department of Agriculture, the participating local government units, and other project implementers. Attempts to overbill the project were prevented. For instance, through geotagging it was discovered that previously completed and paid civil works were included in the payment claim of an on-going roads subproject.

The use of geotagging has “gone viral”, serving the thrust of good governance, a value that propels Philippines President Benigno Aquino and his administration. The successful implementation of geotagging approaches in the Department of Agriculture inspired the other agencies of the Government. As an example, geotagging was adopted in 2012 by the Department of Environment and Natural Resources in the implementation of the National Greening Program aiming to grow 1.5 billion trees in 1.5 million hectares nationwide within a period of six years. The system has easily been mainstreamed as well in other government agencies in the Philippines; the World Bank has recently received a request from the President’s office to provide a briefing to the Cabinet on how to scale up geotagging in public works, education, health, and social services departments. The use of the tool is sustainable because it is cost-effective. It uses open source and freely available applications. And the hardware is affordable.
LESSONS LEARNED

The experience from introducing geotagging was not easy with the initial skepticism of Government staff and some resistance from other World Bank colleagues. Patience and persistence are required in demonstrating the usefulness of the tool. It is also important to secure the support of Bank specialists in geotagging to help confirm the technical soundness of the scheme.

The approach of starting small to test and demonstrate the application in different circumstances such as on roads, irrigation, reforestation, and livelihood and then scaling-up proved very effective. Critical to the success was that the Department of Agriculture took the lead in pilot testing and development of a working and user-friendly system. The World Bank extended its support in the background through guidance and advice.

The situation and challenge in every country is unique. Nevertheless, the basic technology of geotagging is simple and not intimidating, well established and easily adaptable to different country-specific situations. It was valuable to have consensus within the Bank team that geotagging is the sustainable route to go. In the Philippines, the country management unit fully supports this initiative.

RESOURCES

The Philippines Government, the Department of Agriculture, and the World Bank have relevant training tools available at http://www.daprdp.net/ that can be shared and serve as starting points for other countries who may be interested in the tool.


How is it possible to find local small and medium-size enterprises in places where market information is scarce, advertising is inaccessible, and a small percentage of businesses use the Internet less than once per month or never use it?

This case story from Liberia, *Finding Needles in a Haystack: Breaking Down Information Barriers Between Buyers and Suppliers in Developing Economies*, was submitted by Morgan Ashenfelter, Communications & Donor Management Associate, and Kayla Cassavant, Market Research Associate, on behalf of Building Markets, a nongovernmental organization working across all sectors.

**SUMMARY**

In post-conflict and developing economies where there is often a dearth of market information, buyers and suppliers can find it difficult to impossible doing business with each other. Through simple technology that can be easily replicated throughout the world, the NGO, Building Markets, bridges information gaps by maintaining a Supplier Directory and Tender Distribution Service. In Liberia the result is increased local procurement rising to more than US$26.2 million since April 2012.
THE CONTEXT

Market information gaps prevent buyers in Liberia from finding quality local suppliers while in turn complicating access to tender opportunities for small and medium-size enterprises (SME). In-country advertising rates are set too high for local businesses. Small and medium-size enterprises have no affordable and accessible means to pitch their services or goods to customers while local buyers are often forced to rely on word of mouth. In today’s widening Information Age, around 42 percent of businesses in Liberia either use the Internet less than once per month or never use it. On the supplier side, newspapers, the primary source of tender announcements, are only printed in Monrovia, the capital, and distribution to the counties is inconsistent and late. The lack of resources in both time and finances makes access to newspaper advertising inconsistent for small and medium-size enterprises.

Often it is quicker and more cost-effective for buyers to import what they need. The challenge is to connect buyers with quality local suppliers for certain goods and services that do exist. A simple yet effective tool was introduced by the non-governmental organization, Building Markets, to break down information barriers, resulting in increased local procurement in tough environments.
THE APPROACH

Building Markets had success designing business directories in Afghanistan, Haiti, and Timor-Leste. Building Markets designed a comprehensive and accurate online Supplier Directory to fit Liberia’s context. The Supplier Directory provides a free listing of verified local businesses that any buyer can easily access. Building Markets staff visited each small and medium-size enterprise in the country to ensure they operate out of a standing office and are legal entities registered with the Government of Liberia. The Supplier Directory also provides basic information about the business, goods, and services offered; annual turnover; and client references. Free access provides buyers with an efficient means to search for local suppliers who often have no other way to engage buyers.

Building Markets also provides opportunities to small and medium-size enterprises through its Tender Distribution Service, which sends out daily tender alerts through e-mail and SMS. The alert system is based on the directory database, which tags each small and medium-size enterprise by sector and location ensuring the enterprises receive only relevant tenders. Upon receiving a tender, businesses can download more information from the web-based directory.

For the majority of businesses that lack easy access to the Internet, information can also be collected in hard copy at Building Markets’ office in Monrovia. In the counties, Building Markets relies on the support of community officials who receive e-mails of tender information for regular posting on their community bulletin boards.

As a nation with one of the world’s highest foreign direct investment rates, Liberia has prioritized SME development through its Poverty Reduction Strategy. Therefore, Building Markets works closely with the Ministry of Commerce and Industry and the National Investment Commission. To target businesses for verification, Building Markets engaged the Liberia Business Registry and the Ministry of Commerce and Industry, both of which provide additional resources to businesses. Also, Building Markets forged relationships with all types of buyers to convince them to route tenders through the Tender Distribution Service. Most buyers responded positively to utilizing a tool that could bring more local suppliers into their vendor pool.

Building Markets maintains the integrity of the directory by re-verifying this information every six months.
THE RESULTS

Out of 40 buyers surveyed by Building Markets in Liberia, 58 percent use the Supplier Directory regularly while 30 percent have incorporated the directory into their regular procurement process. The Supplier Directory assists buyers in developing their local supply chains, which improves the business climate by increasing competition and reducing transaction costs. In the end, increasing local procurement creates income and jobs, revives and builds the local economy, and generates taxable revenues.

One international NGO, for example, uses the directory to find businesses to ask for bidding quotes via e-mail. The outcome, as reported by the NGO, is a more efficient and cost-effective procurement process. Not only does the NGO save money on fuel and driver costs by moving the process online, but it also receives more honest prices from suppliers.

The Tender Distribution Service leads to the most contracts won by local suppliers. Since April 2012, small and medium-size enterprises won 174 contracts worth over US$22.7 million out of a total of US$26.2 million facilitated by Building Markets. Additionally, the Tender Distribution Service positively impacts buyers, of which 3 out of 4 surveyed reported receiving more and higher-quality bids when sending their tenders directly to Building Markets. Of local businesses that won a contract with international clients, 68 percent won additional contracts in a six-month timeframe. The percentage is even higher—82 percent—for businesses winning a contract with a national entity.

While these statistics take into account all of Building Markets’ services, they still demonstrate the sustainability of local SME-based procurement. Once buyers find quality suppliers, they prefer to continue to use those same suppliers, resulting in increased experience for the small local companies, local job creation, more competitive businesses, and a faster-growing national economy.

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LESSONS LEARNED

Even though 3 out of 4 buyers report an increase of higher-quality bids when using the Tender Distribution Service, sending tenders to businesses still does not guarantee a high-quality response or, for that matter, any response. Thus, the Tender Distribution Service is best coupled with training programs that encourage high-quality suppliers to bid and teach them how to be successful in the process.

Improving access to tenders for small and medium-size enterprises outside of Monrovia, the capital, remains a challenge. While posting tenders to community boards may improve the number of viewings by rural businesses, it still requires time and money from these businesses to physically pick up the tender documents, which, depending on the buyer, often requires travel to Monrovia. For example, the Liberian Government procurement system requires bids be picked up and dropped off only in Monrovia regardless where the procurement is taking place. Therefore, rural businesses are at a disadvantage to those based in Monrovia.

The Supplier Directory requires a small team dedicated to the verification of businesses and the maintenance of the accuracy of the information. Seven employees do this work at Building Markets. In replicating this directory and its maintenance, large-scale donors, some governments, or for-profit companies with wide-reaching Corporate Social Responsibility programs that focus on local procurement are best poised to offer this service.

In contrast to the Directory, the Tender Distribution Service is more replicable. Once buyers create vendor lists, they can easily send tender information via SMS and e-mail. Based on the aforementioned statistics in Liberia, the cost to do so for buyers would be well worth it.
Tender Notification
from Building Markets
Tender is from MCPC
Construction of U-
Culvert in Harper
Email libera@
buildingmarkets.org or
CHALLENGE 3

POOLING PROCUREMENT FOR AIDS/HIV PROGRAM

Botswana, Burundi, Cote d’Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Vietnam, Zambia, and Zimbabwe

How do multiple countries work together to provide a flexible, reliable, cost-effective and secure supply of products for HIV/AIDS program to reduce costs and service emergency needs?

SUMMARY

In 2005, USAID established the Supply Chain Management System (SCMS) to provide a flexible, reliable, cost-effective, and secure supply of products for HIV/AIDS programs in PEPFAR-supported countries. Awarded the SCMS contract, the Partnership for Supply Chain Management moved quickly to support rapid scale-up of HIV/AIDS programs, creating a reliable global supply chain where none existed, leveraging economies of scale to reduce costs, and serving as an emergency provider of choice for AIDS programs.
THE CONTEXT

Over three decades ago, the first case of AIDS was diagnosed in the United States. By the turn of the century, the world was experiencing a global AIDS crisis. On the African continent alone, some 30 million people were infected with HIV, but only 50,000 had access to treatment. It was in this context that U.S. President George W. Bush announced in his 2003 State of the Union Address the establishment of the President’s Emergency Plan for AIDS Relief (PEPFAR), the largest international health initiative ever by one nation to address a single disease.

In 2005, PEPFAR established the Supply Chain Management System (SCMS) with the goal of procuring a reliable, cost-effective, and secure supply of antiretroviral drugs for HIV/AIDS programs in PEPFAR-supported countries. The hardest-hit countries lacked basic supply chain infrastructure and systems. Public health supply chains were challenged by frequent stockouts, overstock, expiry, and wastage.
THE APPROACH

SCMS established global pooled procurement and a reliable integrated supply chain in developing countries where none had existed. Key innovations included regional distribution centers in Sub-Saharan Africa; transformation of supply chain infrastructure and performance in multiple countries; and innovative quality assurance programs for pharmaceuticals, rapid test kits, and other commodities.

USAID awarded the SCMS contract to the Partnership for Supply Chain Management (PFSCM), a consortium of 13 companies with expertise in international public health and development, logistics, and project management. PFSCM established field offices initially in 16 countries (now 22), which worked closely with Ministries of Health and PEPFAR implementing partners. To ensure that program design met local needs, some of the PFSCM partners took on the following key roles: I+ solutions (Netherlands), pharmaceutical procurement; Crown Agents (United Kingdom and United States), non-pharmaceutical procurement; United Parcel Service (UPS), international logistics; Imperial Health Sciences (formerly Fuel Logistics, South Africa), African logistics; North-West University (South Africa), quality assurance; and John Snow and Management Sciences for Health (United States), field office management and technical assistance.

SCMS created an integrated, global supply chain, leveraging economies of scale to reduce the cost of medicines and other commodities, ensure a reliable supply, and serve as an emergency provider of choice for the global AIDS response. The project established pooled procurement for PEPFAR-supported countries. High volume and high frequency of procurement—averaging over US$20 million in commodities and 250 deliveries per month—have helped SCMS develop relationships with key suppliers and freight forwarders, leveraging lower prices and ensuring availability of commodities and space on key shipping routes.

The volume of pooled procurement through SCMS also provides the project with unique market intelligence to identify and respond to trends in pricing of commodities and shipping, availability of supply, and other factors that can impact AIDS treatment programs. To support global pooled procurement and reduce turnaround times for antiretroviral drugs, SCMS established regional distribution centers in Ghana, Kenya, and South Africa. These regional distribution centers hold strategic stock, provide regularly scheduled shipments to neighboring countries, and expedite emergency orders to prevent stockouts.

In most countries, SCMS delivers commodities to central medical stores from international suppliers of antiretroviral medicines and other commodities but, when possible, procures from local suppliers of laboratory commodities and, in limited cases, essential medicines. Central and regional medical stores, often under the Ministry of Health, then distribute to testing and treatment sites.
THE RESULTS

As planned, the SCMS project has virtually eliminated stockouts at the central level in PEPFAR-supported countries. The annual cost of antiretroviral drugs dropped from about US$1,500 per patient to between US$100 and US$200. The project met its mandate to provide a safe, reliable, and secure supply. The rate of antiretroviral drug expiry in SCMS regional distribution centers is 0.55 percent compared to an industrialized world standard of between 3 and 7 percent.

SCMS’s robust, quality assurance program has created a credible threat to potential theft and to suppliers of substandard or counterfeit commodities. SCMS has had no serious breach of pharmaceutical quality and has experienced just 0.03 percent product loss from theft out of more than 18,550 deliveries worth more than US$1.8 billion. Additional benefits include on-time delivery of around 80 percent to some of the hardest-to-reach areas of the world, with emergency orders delivered to more than 25 countries to avoid life-affecting stockouts.

The approach is indeed sustainable and replicable; between January 2010 and January 2012, SCMS procured 21.9 million bottles of generic antiretroviral drugs worth US$102 million for South Africa, saving US$93 million (48 percent) by comparing prices with those paid by previous South African tenders. The South African Government then followed the SCMS model, resulting in a 53.1 percent cost saving of US$630 million.

LESSONS LEARNED

SCMS succeeded in this challenge by building supply-chain capacity in two key areas: infrastructure and human resources. Warehouses were equipped with modern racking, security, forklifts, cold rooms, and computerized inventory systems. The project also installed innovative modular systems—referred to at times as warehouse-in-a-box, storage-in-a-box, and clinic-in-a-box—in several countries.

To build human resource capacity, SCMS has provided traditional training programs, partnered with universities to provide pre-service training, and has sent more than 250 participants to intensive warehousing training in South Africa. Increasingly, SCMS and relevant ministries are engaging private sector firms to store and distribute commodities.

The project did face unexpected challenges. To help mitigate such problems, collaboration with partners, including Ministries of Health and the Global Fund, was key to effective responses to, for example, political turmoil in Cote d’Ivoire and Zimbabwe; hurricanes, earthquake, and cholera outbreak in Haiti; and global product recalls, including a large recall of HIV test kits. Global crisis committees convened to prevent significant interruption in supply and contribute to relief efforts.
The take-away lesson is, whenever possible, to pool procurement; procure appropriate commodities from the local market; implement robust quality assurance, quality management, and performance management programs; and employ the private sector for storage and distribution. At a global level, the SCMS model is scalable to meet needs of small and large countries, in stable and in fragile and conflict-affected situations.

RESOURCES

CHALLENGE 4

OUTSOURCING WITH LIMITED CAPACITY AVAILABILITY Afghanistan

How is it possible to have a meaningful competitive procurement when the number of capable organizations is too few compared to the volume of procurement contracts?

The case story, The Procurement Solution Was Inside the Box, But Only Thinking Outside the Box Helped The Team Reveal It!, addresses this challenge.

It was submitted by Toufiq Ahmed, Senior Procurement Specialist, World Bank, on behalf of the Ministry of Public Health, Afghanistan, and the World Bank project team.

SUMMARY

Health services in Afghanistan have been outsourced through NGOs since the end of civil war. A scarcity of capable and/or interested NGOs in fragile and conflicted-affected situations does not generate effective competition. Employers are compelled to adopt single source selection as the default choice thus eliminating any opportunity for innovation and variety that comes from competitive selection. The case story is about creating competition among only 26 NGOs for 18 service contracts complying with World Bank Guidelines.
THE CONTEXT

Since the end of civil war in Afghanistan, delivery of basic health services are largely contracted out to the NGOs—some are performing well and others are not. Ending in December 2013, the existing 18 contracts with NGOs for 18 provinces of Afghanistan required renewal for uninterrupted health services. Due to low interest and lack of capable NGOs available in this fragile and conflict-affected situation, extension of existing contracts through single source selection was the typical and rational de facto choice. The perception being that single source selection mitigates the high risk of procurement delay or failure. Into this mix was also the understanding that there is hardly any possibility of meaningful competition where only a few NGOs are expected to compete.

The challenge was how to introduce effective competition within a pool of only 26 NGOs competing for 18 health consultancy packages, one per province.

The selection of NGOs also had multiple boundary conditions and constraining factors:

a. There would be a limited number of NGOs that show either the necessary capability or interest.

b. There was an operational requirement limiting a maximum of 2 contracts per NGO to safeguard against forming a monopoly by a single, large NGO. Such limit was required to protect against mass service disruption in multiple provinces in case one NGO fails to deliver, and also ensuring quality service from each NGO with high level of control.

c. The widely varied funding of the 18 contract packages—the highest being US$30 million and the lowest US$2.9 million—would hold differing attraction for the NGOs.
d. A high probability of collusion could exist among the NGOs.

e. The selection design had to mitigate the risk of key expert duplication (the same expert being proposed by different or same NGO in different provinces) in the nearly 100 proposals but at the same time factor in appropriate flexibility to maximize utilization of limited, in-country human resources.

f. And, finally, the selection needed to build capacity of the Ministry of Health to handle this mammoth task but keeping uniform standard of evaluation across all 18 contract packages.

**THE APPROACH**

The procurement team used the similar but customized concept of “slice-and-package” while also balancing the multiple operational constraining factors and boundary conditions. The ultimate goal was to instill reasonable competition and award no more than two contracts to any one NGO. One NGO could be shortlisted for up to a four-package maximum to increase competition per package but ensuring an NGO is not burdened by preparing multiple proposals. The shortlisting criteria were provided in the Request for Expression of Interest (REOI), which mentioned no limit on expressing interest and the maximum limit of contracts per NGO. During the proposal stage, key experts were prohibited from participating in multiple proposals coming from a single NGO. However, key experts were allowed to participate in single proposals from other NGOs in the same province.

The award decision of 18 contracts was sequenced from the highest to lowest funding size in order to ensure transparency of selection; avoid the pick-and-choose approach of a favorite contract package by an NGO; and ensure the most capable NGOs are competing for the high-stake, large contracts. This package sequencing helped NGOs to offer the best proposals for the higher-size contracts. The sequencing strategy also lessened risk of collusion. However, a greater mitigating step against collusion was a letter issued by the Minister of Health to all NGO heads communicating a zero-tolerance policy against fraud and corruption. The letter also reminded the NGOs of their accountability for measures against fraud and corruption.

This competitive method for consultant selection generated more innovative and cost-effective proposals from the NGOs. Some innovative ideas generated for health service provision were use of mobile phones, closer work with the communities needing services in insecure areas, cash and kind for mothers to encourage regular checkup during pregnancy and for immunization, and use of local community transport for routine referrals rather than use of an emergency ambulance.
THE RESULTS

All 18 health services contracts were signed with services beginning January 1, 2014. With only 26 NGOs shortlisted for 18 contract packages, the competitiveness at each stage of selection was as follows:

- An average of 7 NGOs were found to have expressed interest per package.
- An average of 4 NGOs were short-listed per package.
- An average of 3 NGOs per package were found to have passed technical evaluation.

The competition generated out of the contracting strategy was highly satisfactory for the World Bank and the Ministry of Health. The competitive selection paved way for NGOs to propose a variety of innovative approaches to address the health service needs, which was the ultimate expectation from the Ministry and the stakeholders.

The procurement strategy was unique by itself and helped open an avenue for using a customized approach of “slice and package” for consultancy services. In similar complex situations, the contracting strategy can be adopted with appropriate modifications.

LESSONS LEARNED

Contracting 18 packages all at one time was a mammoth task. The planning should start at an early stage. Other options could have been explored; 2 provinces could have been combined in one package, thereby reducing the total number to 9 packages from 18. However due consideration should be given to operational risks before opting to go this route.

Early stage capacity-building training proved very beneficial and raised the quality of the process, especially prior to each stage of the selection process when the focus helped the selection drivers to understand uniformly the requirements of the process.

The process benefited from the European Union’s provision of two procurement specialists to the Ministry of Health in assuring that the participating NGOs were well acquainted with fairness and transparency of the process. Leadership commitment and close supervision are critical roles in mitigating fraud and corruption.

Other methods such as qualifications-based selection or fixed-budget selection could possibly generate better results on operational outcomes.
**CHALLENGE 5**

**REFORMING PROCUREMENT ALONG WITH GOOD GOVERNANCE  Iraq**

How is complete reformation of a country’s procurement function possible when it is equally important to engage the larger governance context of instability, corruption, and lack of capacity?

The case story, *The Political Economy of Public Procurement Reform in Iraq: The Long and Difficult Road*, addresses this challenge.

It was submitted by Nazaneen Ismail Ali, Senior Procurement Specialist, and co-authors Andrew Jacobs, Rachel Lipson, and Fabio Isoldi, MENA Procurement Unit, the World Bank, on behalf of the work done by the Government of Iraq and the World Bank procurement team.

**SUMMARY**

Over the period 2006-2011, the Government of Iraq with support from the World Bank undertook the ambitious effort to reform its procurement system. Among other actions, an Inter-Ministerial Task Force was created, consultation workshops were held with civil society and private sector, and a comprehensive new law was drafted based on international good practice. Yet, after years of work, implementation has proven elusive. This case analyzes why progress was limited, with recommendations how to approach procurement reform in Iraq and challenging situations.
THE CONTEXT

The World Bank’s procurement engagement in Iraq began in 2006 with a request from the Government of Iraq to assist in reforming the country’s legal framework. Recognizing the effect that existing poor practices had on efficiency and value for money, the Government aimed for a new procurement law based on internationally recognized good practice.

To manage the reform of the public procurement legal framework, the Government formed a 25-member Inter-Ministerial Task Force. In addition, a team of internationally recognized and local procurement lawyers was hired to assist in the drafting and preparation. Several workshops were organized in Amman, Baghdad, Beirut, and Erbil with participants from the public and private sectors and representatives of civil society to discuss issues related to the process.

The drafting of the new Procurement Law was completed in late 2007. The Shura Council reviewed and approved the law in December 2009, at which point it was submitted to the Council of Ministers for its approval. However, the Council of Ministers decided to delay the approval of the draft law in favor of a set of regulations. At the same time, the Council recommended abolishing the existing legal framework without passing any law to replace it. These decisions would create a legal vacuum in public procurement. With no legal foundation, the highly disorganized procurement system was vulnerable to abuse, waste, and corruption.

After the decisions by the Council of Ministers, Iraq lacked clear direction. The country went through several conflicting and incompatible attempts to develop different new legal instruments in parallel with different stakeholders. With an unclear legal framework, the reform strategy needed to be adapted to better fit the conditions on the ground.
THE APPROACH

The World Bank remained committed to the same goals of modernizing public procurement in Iraq. There was a need to adopt a more gradual approach. In 2010, the Government of Iraq adopted standard bidding documents that were piloted in five ministries and disseminated from the Ministry of Planning website in 2012, accessible to all implementing agencies. The Government also developed new sector bidding documents aimed at ensuring fair, non-restrictive, clear, and comprehensive bidding requirements.

More recently, a national implementation manual and a national training strategy have been developed, and capacity-building efforts in procurement have been amped up across the country. Recent reform efforts in Iraq have also featured a renewed focus on transparency. Iraq’s Governance Action Plan for 2013-2014 calls for the creation of one single portal for procurement notices. The portal will enhance transparency in the government procurement system by providing more public information, both through the publication of bidding notices and the announcement of bidding awards. While these reforms with a focus on capacity building and transparency are certainly not totally encompassing, they represent a viable path forward under difficult circumstances.

THE RESULTS

Experience in Iraq showed the importance of adapting gradual fixes as ways to tackle institutional building. While maintaining long-term vision, it becomes critical in post-conflict environment to demonstrate early results. Iraq’s experience illustrates that the initial pursuit of smaller reforms is often more impactful than attempting to fix a whole system at once. This kind of measured approach, which prioritizes and highlights early successes, can help to create broader demand for services over the long term that would facilitate larger reforms.

The challenges faced in reforming Iraq’s public procurement system mirror traditional obstacles encountered in implementing public sector reforms. However, given the environment and country context, this case also presents additional unique lessons to inform future decision-making on how to approach procurement reform in other conflict states.

The key takeaway from the World Bank’s early engagement in Iraq was the futility of trying to address public procurement reform in isolation. The experience showed that complete reformation of a country’s procurement function is highly unlikely without engaging the larger context of instability, corruption, and lack of capacity. The future success of procurement reforms in Iraq (and other fragile states) will depend on the country’s willingness to build a foundation for change that addresses each of these factors in the governance environment.

Subsequent reform efforts will benefit immensely from having a detailed stakeholder analysis, which would help to identify reform champions who can guide the reforms through the process from beginning to the end. 
LESSONS LEARNED

This case illustrates the nature and complexity of procurement reform, particularly in a post-conflict state. Iraq will continue to face serious challenges stemming from the country’s political environment, the conflicting vested interests within the executive branch, and weak credibility. These obstacles are compounded by the lack of top-level executive and legislative support for reforms.

Procurement reform also becomes particularly challenging in Iraq because confronting public procurement reform in the country means tackling corruption. Thus, it should come as no surprise that pushing for procurement reform in Iraq requires substantial patience, deliberativeness, and tolerance. The prioritizing of interventions, effective management of the political economy environment, and careful stakeholder analysis (whom to engage in reform) will all be key to success.

Most prominently, reform will require strong political leadership and robust decision-making structures for policymaking, oversight, and guidance. It is important to note that reforms tend to take time in any environment (though especially in this one). There is a need to prioritize interventions, look for opportunities for success, and adopt gradual fixes. The likelihood of fixing the whole system at once would be impossible. Instead of trying for a one-stop fix, stakeholders should focus on translating reform priorities into actionable implementation.

RESOURCES

The Political Economy of Public Procurement Reform in Iraq, The World Bank
Public Procurement Reform in Iraq: A long and Difficult Road, The World Bank
CHALLENGE 6

IMPROVING COMPETITION IN COMMUNITY DELIVERY NEEDS Nicaragua

How does a local community organization work with government to attract the private sector in the local need of paving materials for isolated road restoration when competitive bidding is nonexistent and shopping has been the default procurement method?

SUMMARY

Community Modules for Adoquines (MCA) are local entities formed under the leadership of local mayors in Nicaragua. Since 2011, a new kit of standardized documents, extensive advertising, and contract grouping improved the efficiency in the implementation and increased the number of bidders, strengthening the MCA model. The approach includes the design of “super” simplified standard documents (for competitive bidding).
THE CONTEXT

Operating in Nicaragua since 2004, Modulos Comunitarios de Adoquinado (MCA) are local entities formed under the leadership of local mayors. Within each MCA, a board of five directors provides staffing to operationalize a specific road-upgrading task. Each Community Module for Adoquines individually needs to contract earthworks contractors, local labor, and adoquines suppliers. The MCA personnel receive technical support and training from the centralized Ministry of Transport & Infrastructure (MTI) from project inception, and have an MTI supervisor and promoter accompanying them throughout the implementation process.

Adoquines are concrete-like paving blocks that are precast in an offsite factory location. The adoquines used for vehicular traffic in Nicaragua are hexagonal in shape and 10 centimeters thick. After fabrication, the adoquines are transported to the project site to be laid as the final surface course of the newly paved road.

Since earthworks have to be contracted first, MCA had to take into consideration the timing of the earthworks, procurement of adoquines, and contracting for the laying processes. Given physical isolation of some roads, transport becomes a critical factor for areas where adoquines manufacturing is far from project sites, or where interest in the private sector to supply these areas becomes a challenge to the procurement process.

Normally, these contracts for works, road material, and labor have been awarded using shopping procurement procedures, which have low impact in real competency—often meaning difficulty in getting three valid quotations—and transparency and direct contracting. Since 2011, a new kit of standardized documents, extensive advertising, and contract grouping has improved the efficiency in the implementation and increased the number of bidders, strengthening the MCA model.
THE APPROACH

The Ministry of Transport & Infrastructure and local MCAs introduced “super” simplified standard documents (for competitive bidding). The new procurement process was designed to increase the number of bidders, establish more transparent procurement processes, and increase efficiency and value for money. Because of the collaborative approach of the MCA scheme, the design of any change had to consider the participation of the Ministry of Transport and Infrastructure, local governments, the communities, and the private sector (particularly adoquines producers, small civil works contractors, and material transporters).

As part of the design of the Rural Roads Infrastructure Improvement Project, the World Bank conducted an assessment of the performance of the MCA-utilized procurement system, followed by another assessment of the agreements with the counterparts in the design. Following are some outcomes of the assessments:

a. Multiple Community Modules that work in the same road sector would continue jointly to procure earthworks and adoquines for sound economic measures in terms of contract pricing and administration.

b. Competitive bidding would replace shopping, bringing additional transparency and competition. Standard bidding documents for “simplified” competitive bidding were designed to avoid administrative bottlenecks; the standard bidding template was formatted as a PDF document on which only changes in the quantities and bidders names were permitted.

c. All procurement processes had to be published through SISCAE (the Nicaraguan procurement electronic system).

d. The Ministry of Transport and Infrastructure had to review all MCA-conducted competitive bids prior to publishing.

e. The competitive bidding process took into consideration the community-driven nature of the Community Modules for Adoquines. It was not expected that foreign firms would bid on supplying the low-value construction materials despite the cost estimate being higher than the international competitive bidding threshold for goods applicable to Nicaragua.

THE RESULTS

The first challenge was not to impact the normal implementation of the Rural Roads Infrastructure Improvement Project. To date the main activities on the rural roads component have advanced rapidly at 77 percent and disbursements are at 59 percent, the initial project activities are expected to be finished well ahead of projected timing.

The number of bidders for civil works has increase to an average of 5, and prices are competitive; however, a more detailed analysis of prices and results to evaluate the effectiveness of the changes should be implemented.
More challenging was the implementation of changes in the procurement of adoquines. Many transport companies are informal and not legally incorporated. After several changes in the procurement strategy, which included meetings of the Ministry with transport companies and adoquines producers, a combined approach was successfully applied that improved delivery and storage of adoquines between the roadwork and producer’s space with transport paid the next day following service.

The standard bidding documents were adjusted to reflect suggestions of the suppliers. The Ministry of Transport and Infrastructure, the communities, and local government are now successfully using these bidding documents.

LESSONS LEARNED

The World Bank’s Procurement guidelines can be tailored to meet client’s and communities realities.

An open dialogue with clients and the communities, bringing together the knowledge of local conditions and innovative changes and practices, increased the effectiveness of the MCA approach in terms of best value for money.

Community-driven development projects are an ideal laboratory to develop and test changes that could positively impact accountability, transparency, and efficiency. This model, with the necessary knowledge of local condition, can be replicated worldwide.

RESOURCES

CHALLENGE 7

DEMANDING TRANSPARENCY AND ACCOUNTABILITY  Sierra Leone

How does a small community organization take action in an effort to demand more transparency and accountability from its local authorities in a water project for which the local people are the beneficiaries?

SUMMARY

A Concern Citizens Group engaged district authorities to demand transparency and accountability for a water project from which the citizens and beneficiaries were left out of the planning and monitoring processes. Because of the citizen’s demonstrable action, the District Council responded by providing the Bill of Quantity, and a Rapid Result Initiative helped to establish a citizen monitoring team for the water project.
The Context

Tombo is a bustling fishing town in the Western Area Rural District of Sierra Leone. On Wednesday, November 16, 2011, at 10:00 in the morning, the community group headed by Mrs. Angela Langley, Abdulai B. Sankoh, and Abdul Karim Max-Kanu, along with the Station Manager of Radio Tombo, ward committee members, youths, and women of Tombo saw work starting on the Gravity Water Supply Rehabilitation Project in their community, a project that fell under the World Bank decentralized service delivery program. However, the local people had not been informed of the project’s launch. They had not been involved in the project design. Only a few influential community members, primarily chiefs, were involved in the implementation.

Fortunately, Tombo had a Concerned Citizens Group. The Group had been established by the Network Movement for Justice and Development in Sierra Leone as part of their community sensitization program. With regard to the water supply project that would be providing 50 water taps in Tombo, the Concern Citizens Group engaged the Western Area Rural District Council in discussions on the project contract. This was a matter of transparency, accountability, and participation—all matters of concern to the community who are the beneficiaries of the project’s outcome.

The intervention by the Concerned Citizens Group made clear to the District Council that as a community they are knowledgeable about contractual issues; however in this instance they were left out but should be able to participate in the process. This experience was aligned to project priorities and systems that had precedence in the Local Government Act of 2004 and the Public Procurement Act of 2004. The legislation clearly provides for community participation in the implementation of community projects. The partners comprise local council, the contractors, and the community people. The role of the council is to award and supervise the contract, the contractor implements the contract, and the community serves as “watch dogs”.
THE APPROACH

The Concerned Citizens Group represents a multi-stakeholder approach with the participation of women, youth, and men; although few community elders take part. As an organized coalition, the Citizens Group was able to engage the local council in meetings and dialogue about the Water Rehabilitation Project, which propelled the Chief Administrator and the District Council to present the Bill of Quantity to the Citizens Group after work had started. The project was officially launched after work started. The project was budgeted at 477 million leones (or US$115,000) and serviced 25,000 citizens as project beneficiaries.

The whole episode sent a signal for the importance and need to enhance procurement transparency at all levels. The Council's role and responsibility is to share the contract information to the community and involve them in the processes. The contractor's role and responsibility is to involve the indigenous people in the contract by providing employment potentially for the community citizens, including young people, who have the skills, and establishing a relationship of amicable co-existence during the project implementation. The community's role and responsibility is to participate in and monitor the process and demonstrate its capacity to take ownership of the project.

THE RESULTS

Clearly, there was an initial lack of disclosure of the contract since the community was not involved in the project design; just a few influential members of the community (the chiefs) were involved initially. Also, there was limited community involvement in the evaluation processes of the project. These challenges were addressed by the intervention of the Concern Citizens Group pressuring the Council to involve the community in full participation; the Council responded positively to the community's proposal.

Community awareness and involvement was the major impact resulting from the intervention of the Concerned Citizens Group. They made their voices heard to the local authorities that exclusion of the community in community-driven development and secrecy in contract implementation and management is unacceptable. The long-term effect for Tombo should be sustained participation, transparency, accountability, probity, value for money, and community ownership in future projects.

This experience in Tombo did lead to more effective procurement implementation and better performing systems—to some extent. Community satisfaction was rated as “average” at the end of the water supply project implementation. The project earned the “average” rating because at project completion the 50 taps were running efficiently, but after some time just 25 of the 50 taps were running properly (due to gravitational problems as diagnosed by the technical experts and contractor of the project). An unplanned outcome was the establishment of a Rapid Result Initiative for monitoring community projects by the community.
In communities like Tombo, the sustainability of the outcomes are fragile due to the complexities and dynamics in community-driven development. They are sustainable as long as the community refuses to be co-opted or disorganized. For longer-term initiatives, the impacts could be productive and positive once communities are united.

LESSONS LEARNED

Organized communities can articulate their concerns when they are knowledgeable and united. The Tombo community persuaded the service providers and civic authorities to make available information that should be in the public domain and to be accountable and transparent when dealing with the public trust.

Action is a byproduct of empowerment. Shown lacking in this experience, there is room for more participation by women to take the lead on these social-related issues and the media to help in galvanizing the community and becoming a more formidable force to engage constructively.

Community action is key to organization and empowerment when demanding entitlement from service providers. Communities should form citizen-awareness groups and look for opportunities to demystify policies and laws, learn about lobbying and advocacy skills, and advocate for and demand transparency and accountability from their civic leaders and service providers.

The Tombo experience could be applied in countries with a similar fragile and conflict context like Sierra Leone. This experience could be scaled up in larger countries like Liberia, for example.
CHALLENGE 8

DECENTRALIZING PROCUREMENT REFORM  Sierra Leone

Following a decade of civil war, how does a country, with assistance of development partners, overhaul its centralized, non-transparent, and inefficient procurement system into one with transparent and accountable institutions that deliver services and bring economic prosperity to its citizens?

SUMMARY

This case, situated at the nexus of fragility, procurement, and governance, analyzes the 2002-12 procurement reforms in Sierra Leone with a focus on how government and development partners worked together to build transparent and accountable institutions that deliver services to citizens.
THE CONTEXT

More than a decade of civil war caused enormous damage to Sierra Leone’s socio-economic fabric, and the capacity and integrity of the procurement system were seriously eroded. The year 2002 marked the ending of a brutal civil war in Sierra Leone that dragged the country to the lowest rank on the UN Human Development Index. The Truth and Reconciliation Commission set up to identify the roots of the conflict and to provide a vision moving forward, stated that “it was years of bad governance, endemic corruption, and the denial of basic human rights that created the deplorable conditions that made conflict inevitable.”

After re-election in 2002, President Kabbah realized that overcoming fragility and conflict would require the establishment of a government system that can deliver basic services and shared prosperity for its citizens. However, achieving this vision would require a complete overhaul of the centralized, non-transparent, and inefficient procurement system. At that time, procurement planning and monitoring was perceived corrupt and characterized by bad practice such as splitting of tender packages and the use of sole source instead of competitive tendering.

In a 2002 survey, 23 percent of public officials stated that bribes were necessary to obtain public contracts. Ninety percent of all procurement cases illegally bypassed the central authority responsible for procurement. In response, the President launched a public procurement reform program with the assistance of the European Union, UK Department for International Development (DFID), United Nations, and World Bank. The reform program foresaw the update of the obsolete legal framework; the establishment of a procurement authority; the recruitment and training of procurement staff; and, most importantly, the decentralization of procurement.

Within 10 years, the country managed to establish a decentralized procurement system that produced good practice in the areas of transparency, accountability, and participation (Box 1).
THE APPROACH

While the reforms followed to a large extent an established pattern of a “first generation” procurement reform, they also stood out for a particular reason — decentralization and the related space for participation and increased accountability. Implemented in parallel to the procurement reforms, local government reforms addressed the concentration of power in the capital, to the detriment of the provinces, one of the root causes of conflict and fragility in Sierra Leone.

The Government and donors made continuous investments to strengthen the capacity of civil society and to increase their participation, especially at the local level. As a result, local councils show high levels of accountability and the increased civil society participation led to tangible improvements in procurement outcomes. A number of civic society organizations have a trained membership and play an active role in monitoring local procurement and raising awareness.
The case of Sierra Leone illustrates that procurement reform design and implementation was successful when integrated with the broader public sector reforms. The adverse impacts of the weak links between procurement planning and budget execution or the reform space created by the decentralization testify to the interdependency between procurement and wider reforms.

President Kabbah (2002-07) championed the reform process in 2002 and created the initial momentum for change. President Koroma (2007-present) showed continued commitment to the procurement reforms. International technical and financial support had a significant influence on reform policies, speed, and outcomes. Financial support for procurement reforms has been provided through projects, budget support programs, and broader initiatives such as the HIPC debt relief.

THE RESULTS

There is broad consensus on the significant progress made during the 10 years of procurement reforms. The Procurement Law meets international good practice, and the organizational restructuring required to comply with the legislation is for the largest part completed. Procurement units and committees in both local councils as well as in ministries have been established and staffed with trained procurement officers. In 2010, around 50 percent of government's expenditure was spent through public procurement processes, and the trend is increasing. For example, the procurement of health care supplies rose from US$9 million in 2008 to US$19 million in 2011.

Several success stories highlight that civil society organization (CSO) oversight at the local level contributes to improved procurement outcomes (Box 2). While a functioning decentralized system of government is now in place, both legislation and implementation still leave room for tension between central and local levels of government with opportunities for divide and rule. In line with the previous presidencies, the decision-making power in Sierra Leone continues to lie with the President. The newly emerged accountability institutions provide a certain level of checks and balances but are often not strong enough to oppose the informal power structure. The reform agenda calls for continuing efforts to institutionalize good practice and to build the capacity of local procurement staff. In spite of these challenges, analysts agree that the decentralization has brought about a system that is reasonably robust and has helped to create a whole new local dynamic with local politicians and citizen's action incentivized toward improving service delivery outcomes.

The sustainability of the reform achievements depends on a number of factors. First, the broader public sector reforms (including civil service and public financial management) have to continue. Second, development partners have to remain engaged and transition to increased reliance on country systems. Most importantly, however, there is a need for renewed political commitment to continue the process of decentralization.
BOX 2. CIVIL SOCIETY PARTICIPATION IN THE PROCUREMENT PROCESS

There are various ways through which CSOs contribute to the procurement process:

- CSOs organized a number of procurement workshops and sensitization events.
- CSOs produced and disseminated reports and educational material explaining the procurement processes and how it can be monitored.
- Civil society and media participated in bid opening ceremonies. Certain ceremonies recorded over 50 people attending, including media and CSO representatives and local community members.
- CSOs participated in the bid evaluation process at local councils.
- Sierra Leone participates in the World Bank-supported West Africa Contract Monitoring Network, which aims to establish multi-stakeholder, country-level, contract monitoring coalitions.

LESSONS LEARNED

Sierra Leone had the macro ingredients for success—political will and commitment, buy-in from key stakeholders, enabling public sector reforms, and a more assertive civil society. The procurement reforms encountered a welcoming, enabling domestic policy environment to reverse the dysfunctional practices of the past. Continuous investments in capacity building and sensitization of stakeholders proved to be another key success factor. The broader decentralization reform was not only an instrument to overcome the centralized and corrupt government system, but also strongly influenced public procurement and helped to make it more accountable and participatory.

These lessons might be useful for project teams working on procurement reforms in a fragile context:

- **Understanding the implications of conflict and fragility.** In the case of Sierra Leone, bad governance and corruption were identified as root causes of the conflict. As the civil war came to an end, citizens discontent with poor governance created pressure on the government to reform. The civil war also created a demand for increased participation.

- **Acknowledging the centrality of political will.** The national leadership made procurement reform happen soon after the civil war ended. Moving forward, political commitment will be the major determinant for the sustainability of procurement reforms.

- **Using decentralization as entry point.** Decentralization can create space for increased participation at the local level and lead to higher levels of accountability and transparency in local procurement.

- **Starting afresh.** Instead of building on the existing systems, the reform committee decided to replace the dysfunctional system and recruit and train a new generation of procurement officers. This approach successfully helped overcoming “the old ways of doing things”.

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• **Collaborating with broader reforms.** Independent procurement reform sequencing is hard to achieve given the dependency on broader public sector reforms. It is therefore crucial that procurement reform teams collaborate closely with other reform teams.

• **Strengthening accountability institutions.** Procurement capacity building for accountability institutions (i.e., audit, anti-corruption agency) should start as early as possible to facilitate reliance on country systems.

• **Addressing civil service issues.** Civil service reform issues, including appropriate remuneration and setting up of a procurement cadre within the civil service, should be addressed in the early stages of the reform.

**RESOURCES**

CHALLENGE 9

KEEPING IT LOCAL  Iraq

How can procurement practices be modified for local conditions to allow for more efficient bidding procedures allowing the local market to participate and removing constraints from small and medium-size enterprises?

The case story, Realistic Procurement Based on Local Market Conditions in Iraq: A Successful Experience from a Conflict-Affected Country, addresses this challenge.

It was submitted by Nazaneen Ismail Ali, Senior Procurement Specialist, and co-authors Andrew Jacobs, Rachel Lipson, and Fabio Isoldi, MENA Procurement Unit, the World Bank.

SUMMARY

Adapting procurement practices to the local conditions played a key role in completion of the project. Rather than allowing inefficient bidding procedures to block implementation, the team adjusted their approach and adopted simplified methods, tested the ability of the local market to supply equipment through numerous smaller-value contracts, and removed constraints that discouraged the participation of local SMEs. In doing so, Government saved funds and was able to improve the functionality of Social Safety Net.
After 30 years of conflict and embargo, the Iraqi Government sought to strengthen social protection for its citizens by transforming traditional subsidies into a targeted, cash-based Social Safety Net program. However, the initial iteration of the program was ineffective in reaching the poorest Iraqis: just 1.2 percent of the population was assisted through cash transfers. Under a US$8 million Iraq Emergency Social Protection Project (ESPP), the World Bank and the Iraqi Government aimed to help reform the program by establishing a basic information system within the Iraqi Ministry of Labor and Social Affairs (MOLSA) to record and process information on safety nets through accurate and timely data collection.

This move required the establishment of functioning Social Safety Net Centers in Baghdad and the regional governorates. These centers would be supplied with essential IT equipment. The total cost for the equipment, connectivity, and generators for all centers was estimated at US$5.2 million during the project's appraisal. Given the large amount of money involved, three international procurement processes were planned for the launch. This decision followed traditional thinking about procurement policies at the World Bank: it was presumed that international competition would best capture economies of scale and value for money.
THE APPROACH

The reality in Iraq was quite different than the design of the project. In 2007, the first of these large procurement processes was floated with an estimated cost of US$830,000. Yet after an extended period of time to prepare bids, only one company had responded. Its US$5 million bid was over six times more than the original estimate. The initial approach had not accounted for the unique constraints of Iraq, particularly the difficulty of linking up with outside firms and the weakened Iraqi private sector.

Distressed that this would require a drastic reduction in the scope of the rollout, the Bank task team sought advice from the Middle East and North Africa (MENA) Regional Procurement Manager who proposed testing the ability of the local market to supply the equipment through multiple smaller-value contracts.

The new approach, in addition to offering multiple smaller-value contracts, removed constraints such as bid guarantee requirements and high financial capacity for firms, which would have discouraged participation by local small and medium-size enterprises (SMEs). In order to encourage competition and ensure appropriate prices from small and medium-size enterprises, several important measures were taken:

- Preparing and publicizing annual procurement plans, including small procurement packages.
- Using simplified procedures and simple procurement packaging; publicizing procurement opportunities broadly (e.g., on the official Ministry's website and local newspapers) even for lower-value contracts.
- Using simple but standard bidding documents, request for quotations, and general conditions of contract.
- Bidding documents were not sold but issued at no cost.
- Allowing alternatives like Bid Securing Declaration instead of guarantees for security requirements.
- Allowing payment of advances on small contracts as well as payments for partial deliveries to assist small and medium-size enterprises for contract implementation.
- Streamlining approvals processes for prompt payments without delays.

THE RESULTS

The testing of the three smaller procurement contracts for IT equipment by small and medium-size enterprises was a resounding success in terms of costs and efficiency. It led to the restructuring of all contracts into the smaller sizes that smaller local businesses could provide. In the end, the procurement from the local SME market not only helped promote growth for these businesses but also provided substantial cost savings for the country. By effectively responding to local market conditions, the project saved US$1.4 million, or around 20 percent of the original estimated cost of the contract;
this saving was much bigger compared to a situation if the single bid received through international competitive bidding had been accepted. These savings allowed for the purchasing of additional equipment for disaster recovery, monitoring equipment, software, and more—all necessary for proper functionality and sustainability of the system in the long term.

By adopting innovative solutions that fit to local market conditions, the MOLSA-administered cash transfer program could be scaled up. It now reaches nearly one-million families, with a budget of about US$800 million.

LESSONS LEARNED

Challenges related to Iraq's volatile situation, including the lack of interest from international suppliers, encouraged the World Bank to look for alternative solutions in the design of the procurement process. The experience of working in a conflict-affected country led to smaller procurement packages and simplified procedures. An unorthodox and riskier approach at the outset ended up not only saving costs but also strengthening the local private sector and generating jobs in the country.

RESOURCES

Realistic Procurement Based on Local Market Conditions in Iraq: A Successful Experience from a Conflict-Affected Country by Nazaneen Ismail Ali, Andrew Jacobs, Rachel Lipson, and Fabio Isoldi, MENA Procurement Unit, The World Bank

Implementation Completion and Results Report (TF-56808) for Iraq Emergency Social Protection Project, Report No: ICR 00002724
HARMONIZING THE REGIONS

Kiribati, Samoa, Tonga, and Tuvalu

How might a procurement approach offer solutions for a regional aviation project in small island countries that have limited human capacity and no experience in implementing major infrastructure projects?

The case study, Solving the Procurement Challenge in Pacific Island Fragile States for Major Infrastructure Projects, addresses this challenge.

It was submitted by Christopher Bennett, Senior Transport Specialist, World Bank, and Anna L. Wielogorska, Senior Procurement Specialist, World Bank, on behalf of the Tonga Airports Ltd., and World Bank procurement team working on the projects in Kiribati, Samoa, Tonga, and Tuvalu.

SUMMARY

Most Pacific island countries are small with limited human capacity and no experience in implementing major infrastructure projects. For the successful delivery of the Pacific Aviation Investment Program (PAIP), a complex multiple-country aviation project, a central Technical and Fiduciary Unit was established to act as the central team leading all aspects of procurement. A harmonized approach was adopted across all PAIP-participating countries, and a Regional Procurement Evaluation Committee was introduced to undertake joint evaluations and awards.
THE CONTEXT

In 2012 the World Bank began the Pacific Aviation Investment Program (PAIP), a multi-phased series of projects with US$125 million in funding to improve aviation safety and security in up to six Pacific island countries: Kiribati, Tonga, and Tuvalu (Phase 1); Samoa (Phase 2); and Solomon Islands and Vanuatu (future phases). In addition, PAIP is reforming the Pacific Aviation Safety Office, an agency responsible for safety and security oversight. With populations of some 100,000 and 10,000, respectively, Kiribati and Tuvalu have very limited human capacity and no experience in implementing major projects such as PAIP (US$22.91 million for Kiribati and US$16.94 million for Tuvalu).

With complex investments in sophisticated aviation equipment such as navigation aids, major civil works investments such as runways and airport terminals, and complicated consulting services such as reforming sector operations, the PAIP needed to adopt an appropriate approach to mitigate the high risk of procurement issues in capacity-constrained countries. The solution consisted of (a) establishing a central Technical and Fiduciary Unit (TFSU) that would act as the central team, leading all aspects of procurement; (b) adopting a harmonized approach where all participating countries agreed on harmonized specifications for equipment; and (c) introducing a Regional Procurement Evaluation Committee to undertake joint evaluations and awards.
THE APPROACH

The Kingdom of Tonga was selected as the host for the TFSU since the country had successfully implemented a smaller aviation project financed by the World Bank. Tonga Airports Ltd. (TAL), a state-owned enterprise, would host the Unit. Each participating entity would sign Services Agreements that clearly outline the services that the TFSU would provide.

For simplicity, the cost of the TFSU was prorated among participating countries based on the relative size of the individual country's projects. In each country, a small project support team was established to be the project focal point in the country. With the support of TAL and other specialist consultants, the participating countries decided among themselves which specific investments were required. Specifications were prepared by the PAIP design and supervision (D&S) consultant and then agreed upon by each country and the World Bank. Not all countries received the same investments since some investments were only required in a single country while others applied to multiple countries and airports.

The TFSU, with support from the D&S consultant, prepared the final bid documents, which required clearance by each country before issuing. The TFSU then posted ads for the procurement opportunities, received the bids, and had a public opening.

If the procurement is only for a single country, then that country with TFSU support undertakes the evaluation and recommends the award. When more than one country is involved, the Regional Procurement Evaluation Committee—comprised of one member from each country, the TFSU Director, and Leader Procurement Specialist—undertakes the evaluation and collectively recommends the award. Once the award has received “No Objection” from the World Bank, each country signs their own individual contract. The countries then monitor the implementation of the contract, again with the TFSU support.

THE RESULTS

This approach has developed skills and generated capacity across the PAIP-participating countries, created a strong esprit de corps among the PAIP participants, simplified the World Bank's procurement and associated fiduciary oversight, and reduced costs across the project by procuring the equipment in large quantities across the region.

This approach has provided harmonization across the PAIP-participating countries in procuring aviation equipment to ensure the availability of spare parts, and long-term maintenance will be easier to manage and procure in the future. Bundling the airport civil works across multiple PAIP countries offers significant economies of scale and helps attract large contractors to bid on the works.
It is anticipated the TFSU approach will be utilized in future World Bank projects in the Pacific, both at a country and regional level, given its performance, experience, and knowledge gained through implementing the individual PAIP components. The TFSU can now offer other Pacific island countries additional support and knowledge for procurement and other fiduciary services.

LESSON LEARNED

This regional approach with a central procurement team has proved to be very effective on several fronts:

• Having an experienced central procurement team, with technical specialists and other resources to support fragile states, has ensured that procurement delays and complications are minimized.

• The TFSU has been able to train the inexperienced staff from Kiribati and Tuvalu in the principles of proper procurement at the same time as undertaking the practical operations of procurement—much better than just theoretical training.

• With harmonized procedures used between countries (a single Project Operations Manual, for example), the procurement and associated fiduciary oversight by the World Bank is greatly simplified.

• By procuring the same goods for multiple countries, not only has the cost been reduced from procuring separately for each country but, with harmonized equipment, future support and spare parts are easier to manage.

Above all, the project has shown that a country such as Tonga can help its neighboring states in fragile and conflict-affected situations by sharing its experience and supporting their development. This has created a strong connection among the PAIP participants and has been recognized at the highest levels of government, such as at the Pacific Islands Forum.

RESOURCES

Tonga Airports Ltd: http://www.tongaairports.com/

World Bank Project Appraisal Document:
CHALLENGE 11

TRADING IN THE TRADITIONAL METHODS  Pakistan

How can small and medium-size enterprises in war-torn Pakistan rebuild economic viability by following their traditional procurement methods instead of the World Bank-prescribed shopping method?

SUMMARY

Militancy crisis over decades forced people in Pakistan to lose their homes and livelihoods. Through the World Bank’s Multi-Donor Trust Fund, small and medium-size enterprises across the Federally Administered Tribal Areas are provided grants. The shopping procurement method was found to be a roadblock due to undocumented economy and grant approval process. Local commercial practices were reviewed and accepted with fiduciary checks and have improved grant uptake.

This case story from Pakistan, Shell-Shopped: Procurement for Revitalization of SMEs through Commercial Practices, addresses this challenge.

It was submitted by Rehan Hyder, Senior Procurement Specialist, World Bank, on behalf of the World Bank procurement team in Pakistan.
THE CONTEXT

Over more than three decades, military operations in Pakistan have forced more than 300,000 people to flee their homes in Federally Administered Tribal Areas (FATA) and take shelter in camps for internally displaced persons (IDP). More than 4,000 shops and other commercial establishments in the FATA were destroyed rendering thousands of people, many with small and medium-size enterprises, without livelihoods.

Under a World Bank-administered Multi-Donor Trust Fund (MDTF), small and medium-size enterprises across the FATA were awarded matching grants through a sustainable rehabilitation model. With the grants, recipients—selected after detailed due diligence and assessment of the case—could procure raw material, machinery, equipment, or services.

Fiduciary risks in financial and procurement management were identified during the project appraisal missions. Given the importance of these fiduciary aspects of the MDTF project, the task team placed additional qualified and experienced financial management and procurement staff in each project management unit and issued procurement and accounting procedures (embodying internal controls) as disbursement conditions of the project.

In FATA there is lack of clarity on the extension or a complete absence of particular procurement regulations. The public sector is the main procurer in FATA. Community-driven procurement practices are not well defined.
The MDTF grant recipients were asked to use the shopping method for procuring by asking for three quotations for the desired commodity with the intention that the lowest bidder will be selected. The assets acquired include (a) raw materials (marble gold, food items, cloths, flooring, wheat grain, etc.); (b) machinery and equipment (complete stone crushing plant, vertical machining center, ganf saw blades, slab cutter, 18-inch cutter machine, compressor, dispenser, computer, generator, conveyer and crane, excavator, mixer, block, planner, spindle gauge and polishing machine); and (c) various types of infrastructure (construction of rooms, underground water tanks, foundations for crane machine, boundary walls, etc.), rehabilitation, and up-gradation works. The small shopkeepers found the shopping method to be too foreign a procedure to their more traditional ways of doing business with the more binding, verbal agreements. Despite the effort, the shopping method was complex and rife with misguided attempts to comply with the three-quotation rule. Often one or more of the offers was fabricated. Moreover auditors sought comparative statements and reasons for not buying from the lowest bidder.

THE APPROACH

A procurement process was needed that would be naturally aligned to local practices to enhance the uptake of grants. The World Bank's Pernambuco Rural Economic Inclusion Project in Brazil primarily relies on using commercial practices and in principle was considered a good example of how commercial practice in procurement can apply in fragile and conflict-affected situations. The underlying principle of the approach of relying on local practices was also followed in Bajaur, the most conflict-affected agency (country subdivision) of the FATA; and, although outwardly different, it was found consistent with the World Bank's core procurement principles.

Grant recipients were allowed to follow the locally established commercial practices, which are generally based on reputation, integrity, technical prowess of seller, cartage, and ease of after-sales support. The results were encouraging since the main impediment in grant processing had been removed. In the marble mining and processing business, for example, existing commercial practices consist of sourcing the decision for raw material, which in turn is linked to its intended use, lowering logistics costs and facility of partial payments. The mines have a widely known reputation of producing a particular type of marble, and purchasers have a legacy of relationship and creditworthiness. These mutually agreeable parameters catalyze the deal. In terms of marble processing machinery, the reputation of machine manufacturer is known for sourcing good quality metals and skilled labor. The payments are interestingly output based and linked to the incremental manufacturing of machinery. However, in all these cases, the deals are seldom documented and word of mouth is sufficient. Generally for payments made, a cash register is maintained at the seller's premises where transactions are recorded.
Grants to the small businesses were processed through a project unit set up with the Small and Medium Enterprise Development Authority (SMEDA). SMEDA performed the field-level fiduciary checks. These grants were then further subjected to the World Bank’s intermittent reviews. Grant eligibility criteria set a prioritization process: first, women-owned businesses or partnerships/company where a woman is a partner/director; second, small and medium-size enterprises that were part of a baseline survey done by SMEDA and the Government of Khyber Pakhtunkhwa; and third, first-come first-serve from all districts, agencies, and frontier regions based on their share of the total pool of applicants.

While recipients were eager for less-bureaucratic processing, SMEDA and the World Bank were required to ensure that funds were being used for purposes as intended and conformed with Bank’s procurement policies. SMEDA and the Bank’s streamlined procedural process used a Unit Cost Database for checking reasonableness of prices and cross-checking of payments, integrity in grant applications, and verification of assets rather than procurement processes.

THE RESULTS

Many small and medium-size enterprises across FATA have been largely rehabilitated and upgraded. These businesses have reported significant improvement in business turnover and profits.

In one community-driven development project, the construction of schools in remote reaches of Balochistan (a province of Pakistan) received an affidavit from a notable of the area; while this established local practice in not a direct outcome, it does represent the locally recognized adoption of the commercial practice. By following the commercial practice, the pace of school construction had accelerated. The change in rules of engagement has its share of encouraging dividends sometimes eclipsed by elements that stand to benefit from loosely defined structures.

LESSONS LEARNED

Fiduciary assessment, which also includes findings of economic analysis and social assessment, at preparation stage helps design the procurement arrangements better. The building blocks of commercial practices for procurement of goods, works, and services, which are being created to operate in the low capacity and fragile environment of Pakistan, can be easily used in African or other South Asian fragile areas. Similarly as in the FATA case, the practices that have worked can be studied and further built upon with an open mind, ideally disengaged from bias for complex procurement structures.
How does a government deal with a locust plague that threatens its country's agriculture but the existing World Bank technical assistance agreement is not suitable for procuring the needed supplies and services to tackle the urgency and potential countrywide devastation?

The case story from Madagascar, New Contractual Framework with FAO for Locust Control Operation, addresses this challenge.

It was submitted by Lova Ravaoarimino, Procurement Specialist, World Bank, on behalf of the UN Food and Agriculture Organization and the World Bank procurement team, comprising Joao Veiga Malta and Knut Leipold, Regional Procurement Management; Maria Vannari, OPCS and focal point for UN agreements; Alison Micheli, Legal Department; and Ivonna Kratynski, Comptroller.

SUMMARY

Declaring a national state of emergency to deal with a locust plague, the Government of Madagascar launched an appeal to the donor community for assistance. The World Bank responded favorably in approving the restructuring of the Emergency Infrastructure Preservation and Vulnerability Reduction Project to reallocate US$10 million for this activity. The Bank has also agreed that implementation of the locust control operation be outsourced to FAO on a sole source basis given its expertise and comparative advantage.
THE CONTEXT

A major locust infestation (in early mid-2013) compounded the socioeconomic effects of a five-year political crisis in Madagascar. This devastating event caused extensive losses of agriculture production where over 17 million people depend on agriculture for all or part of their livelihoods. The Government of Madagascar therefore launched an appeal to the donor community for assistance. The Government requested the UN Food and Agriculture Organization (FAO) to conduct outbreak assessments and develop a locust containment plan. FAO came up with a three-year Locust Response Plan (2013-16) with US$22.4 million required for the first year to undertake an urgent pesticide spraying campaign to control invasions of other major agricultural production areas.

In response to the urgency, the World Bank approved the restructuring of the multi-sectoral Infrastructure Preservation and Vulnerability Reduction Project (PUPIRV) and reallocation of US$10 million to the contingency funds in July 2013 to allow financing the most urgent activities caused by the severe locust invasion. The Bank also agreed that implementation of the PUPIRV locust control operation should be outsourced to FAO on a sole source basis given its expertise and comparative advantage.
THE APPROACH

The existing World Bank/FAO standard Technical Assistance Agreement template was not suitable for procurement of pesticides, equipment, and related services for spraying and storage facilities. To address this issue, a Bank team met with Government officials and a full quorum of FAO counterparts (legal, procurement, financial management, and technical) to carryout negotiations. With a go-ahead from Regional Procurement Management, the Bank team, comprising staff from Operations and Country Services (OPCS), Legal Operations (LEGOP), and Controller (CTR), and fellow counterparts developed a new template with exceptions, flexible enough to allow FAO to procure goods and related services.

Developed in just one month, the new Supplies and Related Services Agreement allowed for financing the procurement of pesticides; vehicles; surveillance equipment; and related services, including air spraying and pesticides storage (US$8.5 million).

The new custom-tailored agreement is compliant with the policy requirements in World Bank Procurement Guidelines. Quality standard requirements with regard to the handling of pesticides have been cleared by the safeguards specialist and are consistent with the requirements in the legal amendment.

THE RESULTS

The entire procurement agreement process was completed within 21 days for a timely initial locust campaign to be started in September 2013 as planned. The procurement of goods and services critical for survey and control operations—aerial services/flight hours, vehicles, pesticides and equipment for surveying, spraying, camping, communications, and protecting personnel—was carried-out on time between June and August 2013. The hiring and deployment of staff key to the coordination and implementation of the campaign in Madagascar had also been undertaken during that period. Aerial control operation started in November 2013, and 250,000 hectares have been treated as of May 2014. The first campaign will end in August 2014 and an assessment will be conducted to determine the impacts on the ground and how the second campaign will be carried out.

While working on the new Supplies and Related Services Agreement, it became apparent to the team that it could not become a standard agreement template due to the number of exceptions made in response to the specific emergency measures necessary in Madagascar. In particular, there is an exceptional approach toward delivery terms, 100 percent upfront payment of the contract amount and use of the agreement as a one-time supply contract (rather than a framework agreement model that is followed for all UN agencies). Given its specificity, the agreement could not be used as a precedent or a model for any other project/country without prior consultation with the central policy unit, OPCS.
LESSONS LEARNED

When working in a crisis mode, all parties need to be focused on the problems at hand and to be divergent thinkers in order to come up with creative and innovative solutions. In the Madagascar experience, the participating negotiators from UN agencies, donor institutions, and government had to work together, dealing with the others’ specific procedures and policies.

All parties had to navigate technical and procedural hurdles, both internal and external, and along the way experienced stress and frustration. Negotiations were often stalled, but a “can do” attitude always prevailed throughout the process to solve problems. This activity had to break down the barrier of working in a silo institution and embrace a consensus-building attitude. All parties had to be adaptable and think outside the traditional box, yet maintain quality. This was an environment where negotiating skills and problem solving proved invaluable.
CHALLENGE 13

THE ENVELOPE, PLEASE. BUILDING TOGETHER, NOT JUST BUILDING

Central African Republic

How does a project team deal with a lag in procuring community recovery services and building community participation and statebuilding in a constrained environment of weak suppliers, emergency procedures, a dysfunctional banking system, no state presence in lagging areas, and damaged social fabric at the local level?

SUMMARY

An “Envelope Approach” is an innovative use of the World Bank’s procurement procedures as a means to quickly procure and deliver community recovery services. The envelope approach consists of three elements: (a) a participatory investment plan, (b) a restricted budget per investment plan, and (c) a fixed breakdown of expenses covered by the budget.
THE CONTEXT

When the need arose in the Central African Republic (CAR) for a new solution to quickly procure and deliver community recovery services, the innovative “Envelope Approach” for using the World Bank's procurement procedures was put into practice. The innovative approach was started in the context of the IDA-funded Support to Vulnerable Groups Community Development Project (PDCAGV) in CAR. The PDCAGV has been actively in operation since 2009 to improve the supply of basic social services at the community level in order to raise the living conditions of the people, especially the vulnerable groups.

The PDCAGV is also designed to achieve measurable benefits by helping to replenish the country's human capital and developing basic infrastructure. In this regard, the main expected outcomes include improved access of beneficiaries to drinking water as well as basic health and education services, an increase in production for smallholder groups, and capacity building for development activities at the local level.

The IDA-funded PDCAGV relies on three instruments:

a. Local Development Plans (PDL) provide a context-specific framework for public investment at the local level.
b. Priority Actions Fund (FAP) is a centrally managed fund that finances the rehabilitation of priority public infrastructures in targeted rural areas.

c. Local Development Fund (FDL) works as a social fund to provide block grants for the local socio-economic infrastructures that are prioritized in Local Development Plans.

The PDCAGV Steering Committee found the implementation of the Priority Actions Fund to be lacking in the fostering of community participation and statebuilding. The Envelope Approach—not a traditional contracting vehicle—was designed in response. The Envelope Approach consists of three elements: (a) a participatory investment plan, (b) a restricted budget per investment plan, and (c) a fixed breakdown of expenses covered by the budget.

THE APPROACH

The Envelope Approach was meant to address the weakness of the conventional procurement strategy used under the Priority Actions Fund by emphasizing community participation and statebuilding—building together rather than just building. The PDCAGV is implemented by the CAR Ministry of Social Affairs (MAS), which has delegated the management of the two infrastructure components—Priority Actions Fund and Local Development Fund—to the national Agency for Public Works (AGETIP).

The client worked closely with the task team to design an original procurement framework by combining methods that are acceptable to the World Bank. Following a market survey and consultation with the Regional Procurement Management advisor, the new Envelope Approach to procurement was designed around the following criteria:

a. An open selection process with robust post-qualification criteria.

b. The use of the Fixed Budget Selection method (as per paragraph 3.5 of the Consultant Procurement Guidelines) to neutralize the privileges of UN agencies and NGOs, which may participate in the competitive process as service providers: technical scores are allocated before opening financial proposals, and the entity that submits the highest-ranked technical proposal is selected, provided its financial proposal is within the fixed budget.

c. The use of simplified community participation in procurement procedures, which were found acceptable by the World Bank (as per paragraph 3.19 of the Goods and Works Procurement Guidelines) and were allowed for the execution of the program.

d. The establishment of two bank accounts per service provider: one for their remuneration and the other to be used as a revolving fund for paying activities to execute the program.

e. The establishment of a performance-based scheme whereby service providers are paid based on efficiency.
f. An independent technical and financial audit to ensure that funds are used for the intended purposes for the duration of the service provider’s assignment (i.e., different from an a posteriori audit at the end).

THE RESULTS

As a result, a US$1.5 million envelope contract was successfully awarded on November 22, 2012, to an association of two international NGOs (ACTED and COOPI) and is under execution.

The Envelope Approach has allowed the Local Development Fund to procure the construction of 49 social infrastructures all agreed upon by the targeted communities through the PDL process. It has been used to procure community mobilization activities in four essential sectors—education, agriculture, health, and sanitation—all in critical condition in CAR. The geographic scope of the PDCAGV project has expanded to another 7 communities (which were not serviced originally under the Priority Actions Fund) and 4 additional prefectures, 3 of which are located in rebel-rulled southeast CAR.

Using the Envelope Approach, community-recovery services have been competitively procured in less than four months, a record time in fragile and conflict-affected situations. The new procurement method has also allowed lowering the cost of infrastructure and improving budget transparency, construction planning, and project accountability.

Once completed, the infrastructure projects financed through the Local Development Fund are expected to benefit more than 262,000 inhabitants in the 10 targeted communities. Also, the Envelope Approach will be scaled up to 26 additional communities with financing from the African Development Bank, the parallel co-financier of the PDCAGV.

The Envelope Approach has improved the participation of the beneficiaries and increased the capacity of the Ministry of Social Affairs’ decentralized staff and other technical ministries. The multi-stakeholder approach adopted by the task team has fostered collaboration not only within the World Bank (Procurement Specialist in Bangui, Regional Procurement Manager in Washington, D.C., and other operational team members) but also among all external partners.
LESSONS LEARNED

The Envelope Approach has overcome the challenge of implementing a performance-based approach in a fragile and conflict-affected situation (FCS), an approach that encourages quality of service, efficient delivery, and maximizes return on investment.

Furthermore, the short implementation time—the Envelope Approach was designed and procured in less than four months—is an excellent illustration of how strategic procurement can help task teams operating in FCS environments to be responsive to the client. Implementation effectiveness partly resulted from the client's and task team's ability to mobilize expertise, experience, and support from the humanitarian and development communities in CAR through the UN Early-Recovery Cluster and the World Bank's Regional Procurement Management.

Collaboration between the Agency for Public Works, the World Bank's country office procurement specialist, ACTED and COOPI, as well as the team's understanding of the market were also essential to the success of the Envelope Approach, which could easily be replicated in CAR through the expansion of the geographic scope or in other fragile and conflict-affected situations. In fact, the Regional Procurement Manager has asked for a good practice note from the team to be used by other Bank teams that face similar procurement challenges.
CHALLENGE 14

SOURCING FOR EMERGENCY RELIEF

Indonesia

Is there a procurement strategy that will help a confused market, following a major natural disaster, to use financial resources in rebuilding the local economy and provide products that are already culturally acceptable and practical in the local context?

SUMMARY

This case story from Indonesia, Establishing a Three-Tier Supply Line for Relief and Development in Northern Sumatra, addresses this challenge.

It was submitted by Keith Neroutsos, Director of Procurement, PATH, on behalf of the NGO, World Vision Indonesia.

In a confused market place after the 2004 tsunami that hit Indonesia the hardest, a three-tiered procurement strategy was created to improve the supply line performance for locally procured goods and build the capacity of an Indonesian Procurement Team.
THE CONTEXT

On December 26, 2004, a large Indian Ocean earthquake occurred off the west coast of Sumatra, Indonesia. The earthquake triggered a series of devastating tsunamis along the coasts of most landmasses bordering the Indian Ocean, killing over 230,000 people in 14 countries, and inundating coastal communities with waves up to 98 feet high. It was one of the deadliest natural disasters in recorded history. Indonesia was the hardest-hit country, and the city of Banda Aceh marked the epicenter of the destruction and life loss. The plight of the affected people and countries prompted a worldwide humanitarian response. In all, the worldwide community donated more than US$14 billion (2004 USD) in humanitarian aid.

Within a week, NGOs specializing in relief and development, including World Vision, a major international NGO, arrived on site and began serving the needs of the communities. One of World Vision’s disaster relief managers was sent to Banda Aceh to improve the supply line performance for locally procured goods and build the capacity of an Indonesian procurement team. Why locally procured? World Vision believed a core tenant of development in a relief setting was to use donor financial resources to help rebuild the local economy and also to provide products that were already culturally acceptable and practical for the context. This created a very challenging situation in Banda Aceh where 225,000 were killed, many of them owners and workers of the businesses for which local supplies needed to be procured to fulfill the local development objectives.

Developing country supply lines are often based on a multi-level distribution system where several retailers obtain their supplies from the same primary and secondary wholesale sources. There is little in the way of traditional corporate structures, rather the system is based on individual business leaders for specific commodity groups. In many settings, retail outlets selling the same commodity are located next to each other.
On one street in Banda Aceh, for example, most of the retailers for tools were found doing business side by side. In some commodity groups, this stable supply system was put in jeopardy when individuals who had been the main supplier at the wholesale level perished in the tsunami. Secondary distributors and retailers were scrambling to move up the ladder of distribution and fill the higher-level position voids created by the tsunami.

There was also sustained damage at many warehouse and retail facilities that the suppliers were struggling to get back online. While many businesses were far from the tsunami flooding, the powerful earthquake caused considerable damage inland. These situations combined to create overarching instability and market confusion in Banda Aceh.

THE APPROACH

World Vision was working across multiple sectors—nutrition, water/sanitation, shelter, education, and health—each requiring specific and different commodities. Each sector was led by program officers who coordinated their activities with other NGOs working in the region.

World Vision decided to design a three-tiered approach to the sourcing of products needed for the relief and development program work. Tier one sourced products in Banda Aceh; tier two sourced products in Sumatra; and tier three sourced products from Jakarta, Singapore, and other international sites. The objectives in this approach were (a) source the products rapidly, (b) keep as much business in Banda Aceh or at least Northern Sumatra, and (c) control the cost of major items.

World Vision set up the main procurement office in Medan, Indonesia, on the east coast of Sumatra near the ocean port of Belawan. Two procurement officers were assigned to Banda Aceh; additional support was provided by a regional logistics hub in Singapore, which also provided support to the relief work in Thailand and Sri Lanka.

Procurement requisitions were initiated by program staff in each of the sectors and approved by sector leads. Requisitions were screened in Medan to determine if the procurements should bypass Banda Aceh sourcing. For example, a large generator would likely not be available in Banda Aceh so there would have been no use in trying to source it there first. If it was determined that the products might be available from sources in Banda Aceh, the two procurement officers in that city would first attempt to procure the items. They were given up to three business days to confirm source or pass the requisition to the team in Medan. Procurement in Medan was able to source the balance of the products from Sumatra, Jakarta, or Singapore. Products sourced in Banda Aceh were delivered directly to projects. Products sourced in Medan were consolidated, and bi-weekly shipments were made on caravans operated by the International Organization for Migration (IOM). World Vision utilized IOM since there were several cases of commercial trucks being hijacked along the rural roads. IOM caravans were provided support from military escorts and traveled in greater numbers.
THE RESULTS

The three-tiered sourcing/procurement process proved to be successful in providing the needed goods in a reasonable amount of time while serving to build the local economy and ensuring culturally acceptable products. The creation of a local Indonesian procurement team was critical to the intermediate and long-term sustainability of the project ensuring that procurement strategies and processes were maintained by local professional staff after the international relief team departed Indonesia.

Many NGOs did not follow this development approach, and the products they attempted to bring into the country were not practical for local use and their imports competed with the local businesses struggling to recover by selling their wares to the remaining citizens of Banda Aceh. Those NGOs that did not follow this strategy were viewed by some as causing further damage to the rebuilding economy and causing harm to the environment. While the strategy did not always generate the lowest costs for procured products, the benefits to a struggling local economy outweighed the extra work and the minor impact to program financial resources.

While agreement was reached among the larger and more experienced NGOs on how to coordinate activities to meet overall commodity needs, there were many small NGOs operating in the region that did not understand the important role of coordination. As a result, some products were over-supplied due to the lack of coordination among all NGOs. This situation caused additional pressure on the supply chains since available cash was greater than available commodities. Local suppliers reacted by raising costs and making commitments to sell products that they did not currently have.

Over 200 NGOs were attempting to operate in Aceh Province, and many were getting in the way due to inexperience or lack of scale. There were many cases of inappropriate products being imported into the country and black market activities such as illegal timber supply within the country. The Government of Indonesia eventually registered NGOs and staff and required 90 percent of the less-resourced NGOs to conclude their activities and leave the country.
LESSONS LEARNED

Under a “do no harm” approach, disaster response efforts should always consider a multiple-tiered sourcing strategy that prioritizes local sourcing and the considerable ancillary benefits it provides.

There were some bumps in implementation of the approach. The procurement team learned that customer expectations had to be managed on deliveries originating outside of Banda Aceh. Avoiding black-market products was a long-term benefit.

Some commodities needed to be modified for the local context, but it was important that products be sourced locally to be culturally appropriate and economically strengthening to the community.

And coordination of supplies with other NGOs was critical.
Local marble fabrication in Pakistan, from Challenge #11
LESSONS AND TAKE-AWAYS FOR PROCUREMENT IN COMPLEX SITUATIONS

The case stories in the Challenge describe various approaches, policies, procedures, tools, and mechanisms that practitioners used in the attempt to improve the performance of procurement and contribute to development results in various complex situations. The idea of sharing these experiences is not to offer solid solutions but to sow the seeds of ideas that may just lead to new solutions to many of the challenges that crop up in situations of fragility, capacity constraints, conflict and emergencies caused by natural or manmade disasters.

Following are some lessons and “take-aways”, in no particular order, from a review of the published 14 case stories of the Procurement for Complex Situations Challenge:

• One size doesn’t fit all. Every country’s complex situation manifests in a different way. Therefore the procurement approach/strategy should be formulated to take into consideration the uniqueness, context, and nature of the conflict and or fragility specific to the country.

• Think local. Procurement in complex situations should never overlook local solutions. Educate and organize communities into take-action groups.

• The scope for application of technology is vast. At considerably affordable costs, smart phones; global positioning systems; and open source, freely available solutions on the Internet can be combined to resolve inaccessibility of project sites by collecting data vital to both potential bidders and supervision teams, including data for verifying invoices before payment.

• Regional solutions may be the best approach with several countries pooling resources, collaborating with broader reforms, harmonizing procedures, or mobilizing expertise and experience.

• In order to complete the cycle of improving procurement performance, support to the private sector through small investments in a supplier directory and a central repository of advertisements and bidding documents can go a long way.

• Human capacity building is vital on all levels: community, government, and practitioners. Any new programs and technologies should include a training segment for stakeholders and staff.

• Legislative reform is not equal to enactment of a procurement law or its amendment. Adopting gradual fixes through prioritized interventions that build on small opportunities for success may be the most effective approach.
• Adequate dialogue between the public and private sectors and between the government and the communities will pay off.
• Complexity of bidding documents works against competition and quality.
• Regional project implementation units can enhance capacity of individual countries participating in a common project and reduce both transaction and input costs.
• Look for success stories in other projects. No need to reinvent the wheel.
Supply Chain Management System for AIDS relief in Haiti, from Challenge #3

photo by Jean-Jacques Augustin


Back Cover Photo:
Father and son await consultation in a local Afghan health clinic, from Challenge #4