

## In Action: On the Ground with Financial Management and Procurement



## **Credits**

Produced by the Knowledge, Learning and Outreach Committee of the World Bank Financial Management Sector Board for the 2012 Fiduciary Forum

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# **In Action: On the Ground with Financial Management and Procurement**



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# Foreword

## **In Action: On the Ground with Financial Management and Procurement Supporting Public Financial Accountability in a Changing World**

In the two years since the first book in this series was published, the world has changed. Events that have played out on the world stage, such as devastating natural disasters in several regions, on-going fall-out from the global economic crisis, and the Arab Spring uprisings across the Middle East and North Africa, have elevated the importance of our financial management and procurement work even more. The rapid pace of these changes also has created demand for swift response, flexibility, and innovation.

The World Bank's fiduciary staff rise to this challenge, meeting this new demand, on a near-daily basis.

They are involved in virtually all aspects of our critical development efforts, playing a complex role. On the one hand, they are charged with ensuring sound stewardship of funds for projects organized by other sectors; on the other hand, they engage directly with our clients with their own, equally important projects aimed at improving transparency and governance and strengthening the financial infrastructure of the countries we serve.

They manage this complex role with a broad-based presence on the ground—more than three quarters of staff are in the field, based in our country offices.

They also have great stories to tell.

Here, we share these stories, brief, powerful experiences from the field that highlight the deep well of creativity, expertise, and knowledge that resides within our staff, all of which brings added value for our clients and contributes to our development mission.

My special thanks to the 2012 Fiduciary Forum team of Moses Wasike (team lead), Alaleh Motamedi, Karina Mostipan, Hanna Wainaina, Daniela Santos, Nancy Bikondo-Omosa, Hedwig Abbey, Sucilla Joel, Gloria Kwembe, Phylcia Mortey and Nella Riva for all the detailed work that, directly and indirectly, went into preparing this publication; the Financial Management Sector Board's Knowledge, Learning and Outreach Committee chaired by Patricia Mc Kenzie and Samia Msadek for providing leadership and guidance; and most important, to all the Regional Financial Management and Procurement teams who shared their stories and pictures. Finally, my appreciation to Ann Moline for diligently editing the stories and to Robert Reinecke for the design work.

Paul Bermingham  
Director, Operations Risk Management Department  
Operations Policy & Country Services  
The World Bank Group, Washington DC

# Africa

- Benin
- Ghana
- Liberia
- Mozambique
- Somalia
- South Sudan
- The Union of the Comoros
- Zimbabwe
- Region





Africa

# From Diagnosis to Implementation

## Adoption of Global Accounting Standards

In the six years since its founding, professional Benin’s association of accountants has more than doubled in size and helped improve the professionalism of the country’s accounting industry. Still, gaps remained. After an Accounting and Auditing Report on the Observance of Standards and Codes revealed on-going weaknesses in Benin’s professional accounting and auditing framework, there was new momentum on an action plan to adapt international standards.

### Project Team

Alain Hinkati  
Maimouna Fam  
Fily Sissoko

**W**ith the assistance of the World Bank’s regional Financial Management team, the group—OECCA Benin—recently achieved this goal. Admitted as a member of the International Federation of Accountants in November 2011, the organization has succeeded in adopting international standards and guidance to define its work.

It is a remarkable accomplishment, given that there isn’t always a straight or rapid path between a ROSC diagnosis and actual implementation of ROSC recommendations.

The FM team understood early on that their work would involve a significant education component. They conducted several training

workshops for OECCA members. They also facilitated a critical mentoring program between the organization and the French professional accounting organization.

Through the mentorship the Benin group learned more about the obligations associated with joining the international organization, including a commitment to serve the public interest by adopting and supporting implementation of international standards and maintaining adequate enforcement mechanisms to ensure the professional behavior of the group’s individual members.

The French mentors also helped OECCA revise its codes and texts, to align with IFAC requirements.



*The value of the hard work and commitment of this young organization cannot be underestimated. It is a story that should be shared across the region.* —Alain Hinkati

While the Benin organization has made progress, it still has more work to do before it becomes a full-fledged member of the interna-

tional group. However, the commitment to improvement is clear, as is the group's growing leadership role within the region. In fact, other francophone countries are looking to Benin as their role model for change to align with international accounting best practices.

- ▼ Benin's professional accounts' association has been admitted for membership into the International Federation of Accountants.



### Keys to Success

- Buy-in and commitment from the organization
- Mentoring, knowledge-sharing and training



# Sustainable Public Financial Management Reform

## Holistic Approach, Uniform Policies, Donor Coordination

When so many donors are busy on so many reform-related activities, it is easy to see how a lack of coordination could create trouble. With multiple, stand-alone interventions—and separate systems to monitor finances—programs could work at cross-purposes and problems could go undetected. Resources could be wasted. Outcomes could fall far short of expectations, with minimal development impact.

### Project Team

Ismaila B. Ceessay  
Robert Degraft-Hansen  
Adu-Gyamfi Abunyewa  
Allan Rotman  
Smile Kwakwume  
Mavis Ampah

In a nutshell, that's what happened in Ghana.

From 1997 to 2003, donors spent a total of \$20 million to help Ghana implement a national budget and public expenditure management system. But each group worked in isolation, leading to duplication, fragmentation, and ultimately to failure.

So, financial accounting and reporting remained a primarily manual activity, with non-standardized, unconnected frameworks, leaving public finances heavily exposed to waste, fraud and abuse. The project was rated unsatisfactory in development outcome performance. Change management issues were acute. The government's commitment to reforms was wavering. And donors' financial reporting set-

ups were not feeding into the appropriate national systems.

Things started to change in 2009, when a newly-elected president resolved to address on-going issues in public financial management. At the request of the government, the World Bank's regional team gathered together donors and government officials to lay out a consolidated action plan to implement an Integrated Financial Management System. The plan built on the lessons learned from the failed project, to avoid previous pitfalls.

Among the critical elements of the new project:

- Joint project preparation process: including all donors, following the Bank's investment lend-





*We now have donor partners working not in isolation but in collaboration to finance important new reform-related activities that can deepen the impact without causing reform overload.”*

—Ismaila B. Ceesay

▼ Lawmakers reviewing a newly consolidated and standardized budget during a session of Parliament in Accra, Ghana. (Photo Credit: Jonathan Ernst @ World Bank)

- ing preparation and processing guidelines
- Joint adoption of Bank’s reporting requirements
- Pooled funding arrangement
- Consensus on project design: supporting a holistic set of expenditure management reforms
- Use of country systems and single reporting framework to channel donor resources, manage and report

Now in its second year of implementation, the project can point to a growing record of success. Technology systems are up and running; real-time consolidated financial reporting is being rolled out; the government budget was

prepared using the newly initiated single, uniform budget classification structure and chart of accounts; and controls to monitor expenditures are being embedded in the system.

Of note, the work is newly aligned with other government reform efforts, with oversight integrated into the Ministry of Finance and Economic Development to improve coordination even more.



### Keys to Success

- Holding regular meetings between participating donors and project management to address issues
- Making sure that the needed expertise is available to provide guidance to government officials
- Understanding that the IFMS is not the goal itself—it is a technology tool that can help meet the goals of improving financial management and oversight
- Gaining donor consensus for World Bank to take lead role





# From Post-Conflict Recovery to Long-Term Stability

## Transitioning to Country Systems

As Liberia moves from post-conflict recovery to laying the foundations for long-term development, it is building its own systems for managing such efforts. Decentralizing the financial management of donor-financed projects is part of this logical progression. An innovative review and assessment process, conducted by the World Bank's regional financial management team, is contributing to this goal.

### Project Team

Maxwell Dapaah

Adewunmi Cosmas Adekoya

Wole Afolabi

Like many Fragile and Conflict-Affected states, Liberia did not have in place working systems, programs and processes as it began to emerge from a devastating civil war. Among the issues, the country lacked an overarching program to build institutional and human resource capacity or phased transitional steps to support an orderly journey from post-conflict reconstruction to long-term development.

Experience from other countries showed that this situation could create a vicious cycle of capacity constraints and continued use of stop-gap interventions, making it more difficult to achieve strong development outcomes or sustainable progress.

In a collaborative effort, the Liberian government and donors—including the World Bank—determined that the way forward that would

include supplementing existing resources and laying the groundwork for an independent future.

Enter the FM team. They conducted a review of the stand-alone Project Financial Management Unit, which had oversight for donor-funded projects. At the same time, they assessed the capabilities of the eight government ministries and agencies that ultimately would assume the financial management responsibilities for World Bank-funded development projects.

Within a brief 25-day period, the three-person team carried out the review and assessments. Using a standardized template, they looked at:

- Effectiveness of the Project Financial Management Unit in mitigating fiduciary risks for donor-financed projects



*This approach can be replicated in other post-conflict countries. It can help the government make transition arrangements so that government staff can assume responsibility for financial management, and it can help align capacity-building interventions with the country's own long term capacity building strategies.* —Maxwell Dapaah

▼ Rebuilding Liberia involves support for use of its own systems to manage donor-funded development projects such as construction of power stations for more reliable electricity and other critical infrastructure. (Photo credit: Jonathan Ernst @World Bank)

- Ways to build the financial management capacity within ministries and agencies
- Options for gradually merging the responsibilities of the Project Financial Management Unit into related ministries and agencies, with the ultimate goal of dissolving the separate unit

The reviews confirmed that the separate financial management unit should remain in the short term, but that interim changes could improve its capabilities and support the transition. Following the reviews, the team laid out a step-by-step approach for the merger, a process that could take up to five years. They also recommended specific approaches that would educate future accountants and build the skills

of the nation's current cadre of accounting professionals.

The intense effort has yielded a tangible result: the team's recommendations have been incorporated into a new \$28.5 million Bank-financed Integrated Public Financial Management Project in Liberia that is about to roll out.



### Keys to Success

- Support and buy-in from Liberia's finance minister, who understood that the effort aligned with the country's public financial management reform and national capacity development strategies
- Budget for the project through the Bank's country office
- Engagement of the World Bank Country Manager



## Accelerating dialogue among key stakeholders on the use of country systems in Mozambique

Mozambique is one of the pilot countries in use of country PFM systems and an assessment of country systems was conducted in 2008. The assessment concluded that the Mozambican public financial management systems meet the minimum requirement to be used in implementation of Bank-financed operations. Since 2008, all new Bank-financed operations are on the state budget, on-CUT (Single Treasury Account), on e-Sistafe (government IFMIS), internal controls, and internal audit and external auditing by the Supreme Audit Institution. Use of all these elements of country systems is default and rare departures need justification and approval is sought from the regional FM Manager.

### Project Team

Maxwell Dapaah  
Adewunmi Cosmas Adekoya  
Wole Afolabi

**W**hile some of the donors are not that advanced in terms of using one or more elements of country FM systems, the initiative of using country systems has been very collaborative. They benefited and appreciated the assessment done by WB in 2008 and the Bank also benefit from their assessments and experience.

Transition to greater use of country systems has been smooth except for certain difficulties with regards to effecting payments to parties outside of Mozambique and generating financial reports by components/sub-components, delays

in legal vetting of contracts (Visto) by Tribunal Administrativo, difficulties in registering the projects on budget etc.

The team decided to combine PFM and procurement stakeholders in the proposed strategic fiduciary dialogue while Mozambique is not one of the pilot countries using country procurement systems, but Mozambique has the experience of the use of national procurement procedures when using National Competitive Bidding with a keen interest to expand its use in the Bank portfolio as well as with the wider donor community. Procurement issues iden-



*This approach can be replicated in other post-conflict countries. It can help the government make transition arrangements so that government staff can assume responsibility for financial management, and it can help align capacity-building interventions with the country's own long term capacity building strategies.” —Maxwell Dapaah*

tified covered development partners' systems like obviously not enough use of country systems and the mandatory use of English when using development partners' systems, as well as issues with the national system like cumbersome bidders' registration requirements, institutional weakness of public procurement practitioners, too limited capacity of UFSA to fulfill its mandate, inadequate procurement public information and rigidity of the national procurement regulation.

A meeting with TTLs was held to take an initial stock of all issues being faced. A separate meeting was held with other donors using country systems and procedures to see if they are also facing similar challenges. These meetings were

helpful in documenting the key challenges and to plan the way forward in a way that (a) stakeholders also recognize these problems and (b) they work together on how to resolve these problems.

The challenges mentioned above were impediments in scaling up the use of country systems in Mozambique. The FM and Procurement teams of the Bank with the support of CMU took the agenda forward by planning a series of consultations with all donors using the country systems and related government agencies in order to better manage these challenges. With this objective of scaling up the use of country systems both horizontally (increasing the number of donors using country systems) and vertically (increasing reliance on various elements of country systems), the Bank spearheaded the broad-based series of stakeholders' consultations. The outcome of these consultations has been the proposed and agreed solutions to some of the challenges then identified.

These consultations gave a clear understanding to all stakeholders on (a) where they stood in terms of the use of country systems given a number of challenges, (b) what are the risks inherent in these challenges, (c) what are the possible ways in which they could scale-up using the country systems while mitigating those risks, and (d) what are proposed solutions to improve the country systems in order to reduce such challenges.

Going forward, the Bank is working to mainstream the implementation follow-up to those



solutions/actions through respective PFM working groups together with other donors including the working groups on on-CUT (Single treasury account), e-SISTAFE (govt IFMIS), procurement, and auditing, respectively. The Bank has representation on all of these working groups, so working to bring this high on the agenda. Nevertheless, these working groups have their own limitations, so the progress is expected to be slow but hopefully steady.

Given the slowness of the mainstreamed approach of working groups, the Bank has identified the following items which are severely affecting our own portfolio. These are (a) classification of expenditures by project components/sub-components in e-SISTAFE, (b) procurement delays occurring due to Visto by the Tribunal Administrativo, (c) the use of Portuguese in international competitive bidding and (d) weaknesses in the institutional and implementation capacity at PFM institute and sector level. So the Bank is directly engaging with the authorities on these issues through working groups, direct policy dialogue and operations.

This process of consultations started with a half-day consultation with Task Team Leaders/Task Managers of development partners/aid agencies to take stock of progress to date, to discuss challenges being faced and opportunities for improvement. This was followed by a 2-day workshop with FM and Procurement teams of projects currently using all or any of the elements of the country systems with the purpose of discussing their perspectives of issues and possible solutions. The final stages of this interaction was driven and owned by each of

the key PFM institutions to provide feedback on the issues raised earlier and to present a plan of action to address the raised concerns. The interaction brought all the stakeholders together and facilitated discussions and thinking on all issues in a structured manner. The use of structured approach with plenary as well as smaller groups ensured that everyone was listened to and the views were captured in the templates used for the consultations. There had been a very close engagement with the chairs of various PFM working groups to ensure that it remains a multi-donor joint initiative.

The series of consultations was an attempt to find out Mozambican solutions to Mozambican problems engaging all the key stakeholders including the project level staff, sector officials, and PFM institutions. In addition, donors were also there to support the dialogue and add a perspective to the discussion. A professional firm facilitated the consultations, but no expert diagnostic was used as a basis to inform discussions. This way the participants fully owned both the process and the content.



The methodology encouraged the participants to own the process by filling in the templates at the smaller groups, rotating tables to enrich the discussion, and presenting the outcomes jointly as group work. The consultations were used as a thinking forum to share and map experiences. The idea was to promote a frank and candid engagement around problems and not to be defensive to protect one's self or one's institution.

The consultations were organized in two steps. First step was the users of the systems coming up with all their problems and challenges and what they thought the workable solutions might look like. In this step, the PFM institutions were there in a passive mode and listened to the users. In the second step, the PFM institutions took the opportunity to take the lead and the ownership to clarify problems and solutions, but also to showcase their institute to each other and to the partners, generating a synergy not experienced before in Mozambique. The workshop report therefore provided a common road map of PFM and procurement issues, responsibilities, timelines and solutions, very different from a diagnostic report written by an expert which does not attract many readers and shelved with ease. The consultation report was one of the most read reports on PFM systems.

## Keys to Success

Broadly participated consultations by all key stakeholders led to collection of a wealth of information which gave a feel of real problems on the ground irrespective of how difficult these are to resolve technically.

The consultations brought participants from all sides together and a rotation methodology allowed everyone meeting everyone. This allowed users to participate in discussions never done before, to know who among PFM institutions can resolve their problem and who to look for guidance among newly met expert peers.

Themes identified for the discussions connected directly to PFM and procurement working groups of donors. So it is easy to mainstream follow-up by the working groups.

The consultations reports provide a starting point to all donors planning to carry-out an operation specific assessment. They can directly go to nuts and bolts and start preparing an action plan to mitigate risks in using the country systems.

The consultations brought in the donors not currently using the country systems and they were exposed to the kind of work supported by other donors. In this ways they were motivated to participate in multidonor agenda in line with commitments of Paris Declaration and Accra High-level Meetings.





# Rebuilding Public Financial Management

## Reviving a Failed State

In a nation long torn by strife, there are small signs of hope and improvement, mostly confined to the entity known as Somaliland. Here, there is increased focus on stabilization and democratic governance as well as pursuing development priorities. Supported by a \$1.6 million trust funded, capacity building project, the World Bank's regional Financial Management team is contributing to this stabilization work, advancing the public financial management reform agenda.

### Project Team

Patrick Piker Umah Tete  
 Nicholas Mbocha  
 Dr. Aues Scek  
 Stephen Emasu  
 Mbuba Mbungu  
 Ato Ghartey  
 Olaseni Ogunsanya  
 Geoffrey Mwenda  
 Guy Waterschoot  
 East African School of  
 Taxation  
 Michael Itote  
 Watershed Legal Services

**T**he project initially got off to a slow start. With no Bank presence in Somalia, the team was in uncharted territory. And continuing security and governance challenges in parts of the country meant mid-stream refinements, narrowing the initial project scope to focus solely on Somaliland, one of the country's three quasi-independent regions.

Once the team identified key local players in Somaliland, momentum started to build. These local players were committed to the capacity building and stabilization effort, and helped open doors in relevant government offices. They also helped to reassure citizens of the region, expressing confidence in the Bank effort.

Among the key accomplishments: drafting of important foundational legislation, including a law establishing national audits and empowering the Office of the Auditor General to fulfill this mandate. Other draft legislation addresses:

- Public financial management and accountability
- Public procurement
- National audits
- Customs
- Revenue

Somaliland's vice president, the region's senior government official, has received the bills and has pledged his full support. Currently, the bills are working their way through the established review process, and soon will be considered for passage by the Somaliland House of Representatives.





“Since 1991 and the fall of the Siad Barre regime, Somalia has been ravaged by war. This effort represented a strong step toward stabilization, even though it was limited of necessity to the Somaliland region.” —Patrick Piker Umah Tete

Of course, legislation alone will not improve public financial management systems. The team has helped develop manuals, policies, procedures, guidelines and regulations—written in English and in Somali—all of which contribute to strong, stable public financial management systems and infrastructure.

Work also involved organizational reviews for key institutions and creation of a public financial management institutional framework so that the Somaliland government can coordinate

donor support, avoid duplication of resources and monitor results achieved.

Staff training was another critical element of the project, which closed in November, 2011. The government is building on the human resources-related efforts, with plans to recruit university graduates who will receive additional training to ensure budgets are comprehensive and prepared on time, accounts of good quality are prepared and audited in a timely manner, and revenue generation increases. The new staff will compete for positions within the revised organizational structure and those who do well will be promoted to the managerial positions.

The project has achieved some notable successes against an extremely challenging backdrop. The positive results have led to plans for a follow-up public financial management reform project, which is in the preparation stages now.

▶ AbdiRahman Abdilahi Zaili (left), Vice President of Somaliland, arrives at a World Bank-sponsored conference on public financial management, escorted by Somaliland’s Minister of Finance, Mohamed Hashi Elmi (right). In the background are the Minister of Information, Minister of Planning and International Cooperation, Auditor General and Head of Internal Audit.



▶ The World Bank project enjoyed strong support from Somaliland’s government.



### Keys to Success

- Attention to the political economy of reforms
- Strong team of consultants
- Support on the ground from key Somaliland counterparts
- Dedicated task leader who addressed issues in a timely manner and showed willingness to do what was needed to accomplish the assignment within a short timeframe and under challenging circumstances

# Institution-Building for a New Nation

## Phoenix Rising

Since July 9, 2011, when South Sudan came into existence as the world's newest independent nation, government efforts to stabilize and institutionalize public financial management have made remarkable progress. This nascent country, rising out of the ashes of war and starting with zero financial management infrastructure, has already set in motion audits of government financial statements for 2010. Audits for 2005 to 2009 have been completed, and efforts are underway to broaden the scope of the country's public financial management capabilities.

### Project Team

Adenike Oyeyiola  
Frederick Yankey  
Richard Olowo  
Prosper Nindorera  
Anjani Kumar

The government effort is supported by the World Bank, building on a foundation that had been set in place before the country's independence. The approach, involving pairing government staff with external consultants, has resulted in forward movement toward establishing stable accounting and reporting systems, internal control systems, and external audit processes.

Notable accomplishments include:

- Completion of integrated fiduciary assessments for the central government and four of ten states
- Preparation of the Audit Chamber Bill, a strategic development plan, policies and procedures
- Preparation and audit of financial statements for the central and state governments
- Strengthening the internal audit directorate, preparation of the Internal Audit Bill, and capacity building
- Development of interim public procurement and disposal regulations
- Design of a procurement reform action plan as the basis of short—and long-term public procurement institution—and capacity building
- Progress on final approval of public procurement legislation that is simple and user-friendly in a country with severe capacity limitations
- Identification of government procurement bottlenecks following a 2011 procurement value chain analysis



*It was a profoundly moving experience to be present at the birth of a new nation, and deeply fulfilling to play even a small part in South Sudan's development.” —Adenike Oyeyiola*

The project team also is focused on ways to educate a new generation of accounting, audit and procurement professionals, and help for government staff so they can learn more about global good practices. Workshops, seminars, and other peer learning opportunities contribute to this effort, as do the twinning arrangements with consultants.

▶▶ Project team member Fred Yankey's living quarters in South Sudan.

▶ Senior FM Specialist Adenike Oyeyiola takes in the scene on independence day in Juba, South Sudan

▼ Independence Day for South Sudan, July 9, 2011



The goal of the capacity-building work is to gradually transition all financial management and procurement responsibilities for donor-funded projects to government staff.

Meantime, the country's development to-do list is lengthy. Although it has rich agricultural potential and significant oil reserves, it faces tremendous challenges. More than half the population lives in grinding poverty, and it has some of the lowest human development indicators in the world. One in four maternal deaths occurs during pregnancy or within months after delivery, and less than a third of people aged 15 and above are literate.

Still, this newest member of the World Bank Group has already made great strides, and is looking forward to a better future, with the Bank at its side.



### Keys to Success

Giving the government the leadership role with the Bank as the supporting partner—and working closely together—appears to be the right approach for this engagement, according to the team.

# Governance for Public Finances

## Efficiency, Accountability, Transparency

In a fragile, post-conflict country like Comoros, success in improving the management of public finances depends on whether proposed solutions are responding to needs that the government itself has articulated, so there is the political will to push for the reforms. With an emphasis on meeting client demand, an innovative, multi-pronged project here is already delivering results.

### Project Team

Jean Charles Amon Kra  
 Renaud Seligmann  
 Aurelien Kruse  
 Jean-Gaspard Ntoutoume Ayi  
 Noro Aina Andriamihaja  
 Otieno Ayany  
 Sylvain Auguste Rambelason  
 Lucie Lufiauluisu Bobola  
 Marie Jeanne Bolou

The \$1.8 million technical assistance project is helping to resolve critical but delicate issues for this small but geographically spread-out country comprised of several populated islands. Among them: appropriate allocation of revenue between the national and island governments, verification of the number of public sector employees, and standardization of civil service wage and salary scales.

Flexibility, participatory processes, and dialogue were built in to all aspects of the demand-driven project's design, important for consensus-building in a country with 17 active political parties and a tradition of vibrant political debate.

Another hallmark of the effort is engagement with government officials, which is leading to deepening relationships and strengthening bonds. For example, a recent workshop for senior level national and island officials moved beyond discussion of the practical aspects of

implementing the reform agenda to a more fundamental debate over the nature of island rights in the context of the national union. The ensuing dialogue clarified ambiguities in the country's constitution, and helped reduce simmering tensions between union and island governments.

With a number of concurrent activities falling under the project umbrella, some have already achieved results:

- Passage of law reorganizing the national treasury system
- Creation of independent financial controller department to monitor budget execution
- Government approval of action plan to computerize public financial management
- Completion of civil service census
- Implementation of human resources and payroll software
- Harmonization of public employee wage and salary structures, resulting in significant savings



*The technical assistance facility does not pre-allocate funds for specific uses. Instead, we follow a strict decision-making protocol, which gives us the ability to respond to unforeseen client demands and support critical change management activities.” —Jean Charles Amon Kra*

Even though much work and many challenges remain, the project has already helped to initiate the dialogue on key institutional reforms and improve management and oversight of the nation’s budget, key building blocks of a strong and functioning economy.

### Keys to Success

The team says that the demand-driven component of the project gives them the flexibility to adapt to unforeseen changes and ensures that the project truly meets the needs of its users. This is key to the relevance, ownership, and success of the reforms in this fragile environment.

► Workshop on public financial management for Comoros government officials.





# Technology Platform for Budgeting and Controls

## Rebuilding a Public Financial Management System

At its peak in 2008, inflation in Zimbabwe soared to an estimated 115,000 percent. In a currency valued so low that the largest bank note was worth about five cents, routine transactions became lengthy affairs. With rapidly shrinking earning power, many professionals left the country. Aside from the damage to the economy, the spiraling prices—into the trillions of dollars—created a serious accounting problem, because the country’s financial software could not register sums with so many digits.

### Project Team

Gert van der Linde  
Pazhayannur K.  
Subramanian  
Daniel Domelevo

The situation began to stabilize in 2009, with a dramatic overhaul of the nation’s treasury system—including adoption of the U.S. dollar as the main currency, centralizing the expenditure and payment authorisation systems, halting the operations of Zimbabwe’s central bank, and opening foreign currency accounts at a commercial bank for public expenditures. The national treasury maintained strict fiscal discipline by prioritizing and paying expenses only to the extent that funds were available.

Meanwhile, the country’s financial IT infrastructure remained in shut-down mode.

Enter the World Bank, and the regional Financial Management team. At the request of the govern-

ment and enabled by multi-donor technical assistance funding, the team assessed the capacity of the existing system. They also identified needed upgrades so that the system could support the new public financial management requirements that the government had put into place.

Next, the team partnered with a consulting firm with SAP and programming expertise to engage in the technical work to bring the system back on line and to carry out an infrastructure improvement action plan that included acquisition of additional hardware and resources.

A year and a half later, the system is up and running, supporting an improving fiscal environment in Zimbabwe. Among the notable results:



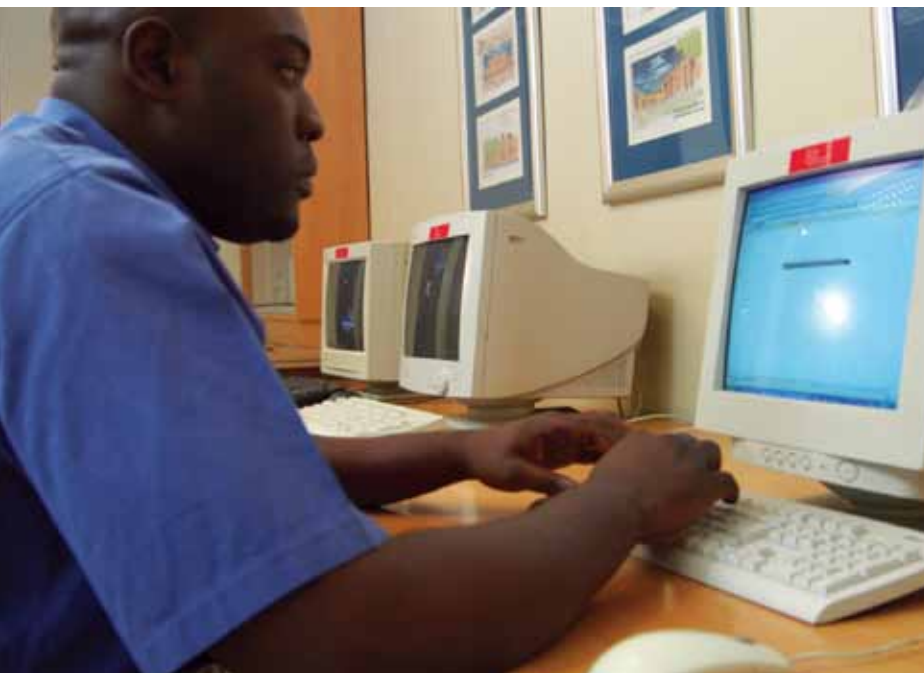
*This project brought together parallel streams of funding from different donors and started at an extremely low base, but achieved remarkable results in a very short period of time.”*

—Gert van der Linde, Team Lead

▼ Zimbabwe's Public Finance Management Information System is back on line and enabling improved budgetary control. (Photo Credit: IFC @World Bank)

- Beginning in January 2011, real-time capture of all treasury department and line ministry transactions into the PFMS and integrated use of system
- Accurate monthly financial reports indicating expenditure against budgets
- Improved expenditure controls: ministries must document all transactions in the PFMS before funds are made available
- Stabilized and reconfigured SAP system
- Staff proficiency in use of PFMS: a change from earlier situation in which few staff understood the system and didn't use it

Also of note: the team worked in close collaboration with other donors, which helped ensure forward progress for this critical project.



### Keys to Success

- Going beyond technology to focus on change management and effectiveness
- Government ownership of the project
- Rapid start-up, enabled by separate funding streams
- Use of skilled, qualified consultants to contextualize set-up and configuration of the system and identify and remedy shortfalls in processes and data
- Training and knowledge transfer so government staff could manage the system





# Professional Skills for Accountants

## Regional Knowledge-Sharing and Learning Linked with Global Expertise

Only 22 African countries have professional accountants' organizations that are affiliated with the International Federation of Accountants. It's a symptom of a deeper regional problem: the lack of professionally accredited accountants. This makes it more difficult to ensure strong oversight of public finances or compliance with corporate reporting requirements. Such resource limitations could pose an obstacle to regional economic growth as well as to improved management of public finances.

### Project Team

Patrick Kabuya

Maimouna Fam

Fily Sissoko

Edward Olowo Okere

**W**ith the May, 2011 launch of the Pan-African Federation of Accountants, this situation is beginning to change. Affiliated with the international federation, PAFA, with 37 members from 34 countries, aims to fill the void by serving as the clearinghouse for local, regional, and global knowledge exchange. It is building the skills and professionalism of working accountants, and becoming a resource for educational institutions that are training future generations of accounting professionals.

From the very start, the World Bank's regional Financial Management team played an impor-

tant role in this initiative, partnering with local, regional, and international players to create the vision and turn the vision into a reality.

At the launch event, attended by high-ranking officials from across the region, founding members of the federation articulated goals for the organization:

- Share information, knowledge and best practices
- Develop a region-wide accounting accreditation standard
- Design educational tools, guidance, and materials to build accounting skills and support implementation of standards



*The formation of the Pan-African Federation of Accountants is a potential game-changer, because of the role it can play in professionalizing the accounting industry and increasing the number of qualified accountants in Africa. Ultimately, this will help businesses attract more capital and help countries improve management and oversight of their finances.” —Patrick Kabuya*

- Strengthen professional accounting associations.
- Address weaknesses identified in 36 Accounting and Auditing Reports on the Observance of Standards and Codes
- Serve as the voice of Africa’s accountants and facilitate partnerships at the regional and international level

As the group comes together and moves forward, the Bank’s regional FM team will remain at its side. Next steps for the regional federation, now based in Johannesburg, include onboarding the group’s new chief executive officer and rolling out the new strategy, which was designed with the support of the FM team.

► News conference at launch of Pan-African Federation of Accountants in Dakar, Sénégal.



► The May launch of the Pan-African Federation of Accountants in Sénégal attracted significant media attention.



### Keys to Success

- Collaboration among donors, country officials, and professional accountants’ organization
- Bank’s convening power
- Maintaining the balance between the diverse linguistic groups in PAFA



# Improved Audits; Improved Project Results

## Assessing the Quality of Audit Firms

Improving the quality of audit reports submitted by World Bank borrowers is a key objective in the region. It will minimize the risk of waste, mismanagement, and fraud. And it will enhance the impact of the Bank's work, while improving development outcomes. For this reason, the Africa region has developed a framework to ensure that quality audits are done.

### Project Team

Maxwell Dapaah

Patrick Kabuya

Patrick Piker Umah Tete

Fily Sissoko

Until very recently, there was no way to know which firms were complying with Bank requirements and which ones did not.

Now, the situation is changing, thanks to a collaborative joint initiative of the Bank's regional Financial Management and Procurement teams. Their goal: find a way to ensure compliance with Bank regulations, enhance audit quality, strengthen fiduciary aspects of project implementation, reduce risk of corruption, and improve governance.

The solution they came up with was to create something brand new, a comprehensive tool for evaluating audit firms in African countries that borrow from the Bank.

Called the Audit Firm Assessment Guideline and Methodology, the tool is based on interna-

tional standards as issued by the International Auditing and Assurance Standards Board. It enables informed decision-making on the acceptability of auditors proposed by borrowers, and provides borrowers with a list of approved auditors from which to choose.

The assessment also highlights issues needing to be addressed for firms that have not been approved. Non-compliant firms are provided with opportunities to fix problem areas, so they can be considered for future audit jobs on Bank-funded projects. Also part of the process: communication with the country's supervising audit authorities, such as a supreme audit institution, so the authorities are made aware of the approved auditors and non-compliant firms.

Already, teams have used the tool to evaluate private audit firms in 24 countries across the



*This is a pioneering effort, the first assessment tool for audit firms developed by any region in the World Bank Group.*—Maxwell Dapaah

region. And each of these countries has generated a list of acceptable audit firms based on the results of the assessment.

Combined with greater reliance on and strengthening of supreme audit institutions, the work is making a notable difference, helping to improve audit quality—and development outcomes—across the region.

▼ Renovated water treatment plant in Juba, South Sudan. Improved quality of audits for Bank-financed projects like this one in Africa are helping ensure maximum development impact. (Photo credit: Arne Hoel @World Bank Group)



### Keys to Success

The team says that the strong collaboration between Financial Management and Procurement was the critical success factor in this project. They also note that the assessment tool went through several iterations, and they sought input from outside stakeholders throughout the development process.



# Portfolio Management

## A Systematic Approach to Efficient Oversight of Bank Portfolio

The World Bank's \$37.9 billion Africa portfolio includes more than 700 active projects, including Trust Fund-supported projects. Managing the financial management aspects of this portfolio efficiently and effectively is critical to the Bank's ability to deliver strong results for clients and fulfill its development mission.

### Project Team

Rénaud Seligmann

Fily Sissoko

Patrick Umah Tete

Bobby Matthews

Barbara Bundy

Marie Bolou

Oumou Guokoye Hainikoye

Astou Diop

To enhance management of the Bank's portfolio, the Africa region's Financial Management team has been monitoring the portfolio using quality assurance indicators from PRIMA, an in-house developed workflow and management information system for portfolio and risk management-related activities.

Used by FM in all Regions, this system tracks and manages financial management-related project information throughout the project cycle and features systematic workflows to ensure timely processing of key fiduciary activities, with direct interfaces to the Bank's core systems, including SAP and the Operations Portal.

Using information from the system, the Africa team monitors a variety of indicators on a monthly basis, such as timely submission and review of projects' financial reports and risk

assessments for pipeline and active projects. Other indicators are keyed to compliance with quality assurance, disbursement and financial management supervision requirements. A standardized, color-coded measurement framework has been adapted.

As the regional team improves their performance through more timely compliance with key performance indicators, potential problems will be spotted sooner—before they become major issues that could completely de-rail forward progress on a critical project.

Next steps for the regional team include use of PRIMA as a planning tool to address broader portfolio issues in a more systemic way, so they can do their part to bring additional value to clients and further support the Bank's mission.



*Staff performance on the indicators informs the manager's assessment of their overall performance. Staff who perform well are recognized, and those who don't are provided with additional guidance and support to help them improve. This has really made a difference in our team's overall performance, resulting in improved efficiency and quality.” —Rénaud Seligmann*

▼ The success of projects such as this one in Benin, supporting a women's agribusiness collective as part of a larger community development program, depends on timely, efficient, and effective financial management of Bank funds. The new PRIMA database is helping the Bank's Financial Management staff do just that. (Photo Credit: Arne Hoel @World Bank)



### Keys to Success

- AFTFM management set a high standard for managing the FM portfolio using ARCS, PRIMA and for addressing disbursement bottlenecks.
- Management linked performance to the indicators.
- Dedicated team worked on ARCS, PRIMA and disbursement indicators to produce the monthly indicators on time. The team could follow up on issues with field financial management staff or cluster leaders. This team also was able to engage with OPCFM if needed to address the issues.





# PROCYS–System Features, Reporting, and Integration

It all started with a challenge from the AFR Regional Vice President Obiageli Ezekwesili, who pointed out that although there was a crucial need to monitor where things were in the project procurement process, there was no existing system to help pinpoint at what stage the project was being held up. To come up with a solution, the AFR procurement team, along with ISG and AFTDE, came together to brainstorm of a way to tackle this important issue. The result of their collective problem-solving efforts was AFR’s online procurement management system, Procurement Cycle Tracking System (PROCYS).

## Project Team

Quamrul Hasan

Bethlehem Mesfin

Alok Vishwakarma

**P**ROCYS has changed the way in which project teams work in the Africa Region. All communication including the borrower’s is centralized, and filed by procurement stage in PROCYS, making it easier to follow the procurement process. Correspondences are automatically filed in WBdoc. PROCYS has strengthened team work and clarified roles and responsibilities between Task Team and Procurement. TTLs have also found PROCYS very useful in managing the key procurements in projects. “I find it very useful. It helps reduce the time and documentation required to submit procurement cases for review”, said Reynold Duncan, the TTL of the ESKOM Project. “It keeps everyone on their toes.”

PROCYS has many useful and innovative functions within the system for all the different roles that supports processing procurement doc-

uments efficiently and timely. As part of OP-COR’s systems integration strategy, PROCYS is also being integrated with the Bank’s new mandatory no-objection system (ENO) in Operations Portal 2. The strategy is designed to accommodate Regional IT solutions while meeting institutional requirements around compulsory systems.

What makes “PROCYS” Unique ?

- PROCYS provides staff and clients a single platform where all procurement reviewing processes take place and where all documentation and communication history are stored.
- PROCYS manages procurement communications and information automatically with dates and times stamped, allowing staff to focus on their technical work rather than digging through emails.



*The initial idea was to set up a system to track the Bank's response time to procurement reviews. But soon we realized the need to have an integrated procurement cycle tracking system which would improve quality and efficiency, and shared accountability, while maintaining security and confidentiality," —V.S. Krishnakumar*

- PROCYS provides end-to-end tracking by keeping all stages of the procurement cycle linked together and automatic WBdoc filing once a no-objection is issued.
- PROCYS tracks in one click the status and location of each and every document communicated through the system along with the specific date and time.
- PROCYS generates advanced reports, including graphs and charts, on procurement performance. Information provided on the reports allows staff, including management, to address issues such as response time, slow disbursement, and overall ability to closely monitor project implementation and results on the ground.
- Integration with ENO will allow PROCYS to link to the Bank's control framework at the time of no-objection to contract awards.
- The system has been very useful for both IAD and INT for review of projects, they can access all information in one location related to procurement.

PROCYS is indeed innovative, a first of its kind in the Bank, PROCYS tracks where a project is in the procurement cycle, and enables both Bank staff and government clients to retrieve project information with a click or two of a button instead of having to burrow through a mountain of old emails, and point precisely to where in the cycle a project is stalling. As a result, PROCYS has changed the way the Re-

gion's operational procurement is managed since task team leaders (TTLs) and project teams could now easily identify where the bottlenecks in the procurement process are, and deal with them quickly. The system also helps project and client teams understand their respective roles and responsibilities better.

To overcome challenges that affect different stakeholders, there had to be collaboration and partnership with all of the different groups both in the Bank and with our external clients. After extensive consultation the initial design was piloted in a country before it was rolled out in several phases. Since the initial version, PROCYS has evolved based in large part upon feedback from both staff and client users. Improvements continue to be made through the integration of user suggestions. So far the system has matured to a great extent as evinced by the increased usage, decreased response time, and reduced technical support per case.

### **Keys to Success**

PROCYS has greatly improved and expedited the procurement process to date, cutting down the average response rate at all levels by at least half since 2008. It's ability to communicate with several Bank's systems such as SAP and WBdoc is an added value. The integration of PROCYS with Operations Portal 2 will add a layer of user flexibility and enhance fiduciary assurance processes by connecting to the Bank's fiduciary control framework.



# East Asia & Pacific

- Indonesia
- Mongolia
- Philippines
- Vietnam



East



Asia & Pacific

# Making Progress

## Reforming Public Financial Management

Indonesia's public financial management reform initiative is beginning to bear fruit. The depth and breadth of reform achievements in a relatively brief time frame is impressive. Of the 22 out of 31 indicators found deficient during a 2007 assessment, 14 registered significant improvements in 2011. These numbers mean something for the Indonesian people, who increasingly can count on strong stewardship of public finances, resulting in progress that they see and feel every day.

### Project Team

Theo Thomas  
 Hari Purnomo  
 Erwin Ariadharma  
 Rubino Sugana Harmawan  
 Ramesh Siva  
 Amien Sunaryadi  
 Rajat Narula  
 Unggul Suprayitno  
 Novira Asra  
 I Gusti Wijaya  
 Kusuma Ngurah  
 Charles Egu  
 Sally MacKenzie

**P**ublic financial management reforms are technically complex. They involve enormous amounts of information, multiple systems, and hundreds of people. Indonesia's sheer size, scope of public financial management systems, number of involved stakeholders, short timeline, and ambitious nature of the reform agenda have all contributed to a particularly challenging situation.

But thanks to a dogged effort and persistence on the part of government authorities, with strong support from the World Bank and the Financial Management and Procurement teams, there is clear and profound evidence of change for the better. The 2011, donor-funded Public Expenditure and Financial Accountability assessment highlights major improvements in key areas, such as comprehensiveness and transparency of budget; policy-based budgeting; predictability and control in budget execution; and accounting, recording, and reporting.

Among the significant accomplishments, according to the assessment: the development of a unified budget and a Treasury Single Account, which will enable stronger and more comprehensive control over spending and cash management. Other achievements include:

- Preparation of financial statements on an accrual basis
- Progress on plan to move to full accrual accounting for line ministries and sub-national governments by 2015
- Receipt of a qualified audit opinion on external audit report, instead of a disclaimer: 40 percent of ministries and agencies achieved unqualified opinions
- Creation of the parliamentary Public Finance Accountability Board to review audit reports from the Supreme Audit Agency

The progress to date is not viewed as an endpoint. Rather, it is considered a milestone along





*It is clear that sustained Bank support through various complementary instruments has been essential to keeping Indonesia's reform agenda on track.* —Theo Thomas

a journey of continuous improvements. Now, the team is working with authorities to introduce more advanced reforms, such as performance-based budgeting, strengthened monitoring and evaluation systems, a medium-term expenditure framework, and a Government Financial Management Information System.

The team also is working to increase Indonesia's interaction with other countries that are engaged in similar reform initiatives. For instance, a recent seminar in Jakarta brought together Indonesian officials and counterparts from other countries in the region, to share knowledge and global best practices in budget decision-making and monitoring and evaluation.

▶ Continuous policy dialogue to accelerate reform (Accrual Accounting Workshop, Jakarta 2010)



▶ Bringing international best practices to national policy formulation (Seminar on Linking Performance Evaluation to Budgeting, Jakarta 2011)



## Keys to Success

The team notes that this approach can be replicated in other countries, if the government shows a strong and enduring commitment to the process and willingness to implement proposed reforms. In Indonesia, the government is demonstrating this commitment in several ways. Among them:

- Developing annual plans and strategies to ensure proper phasing and coherence of reforms
- Providing additional resources, training, and skill-building for staff at the Ministry of Finance to enable central monitoring of reform progress





## Going the Distance

### Enhancing Audit Capacity Through Long-Term Partnership

Despite Indonesia's relatively strong economic performance in recent years, corruption remains an issue. The fight against corruption has moved to the center of the government's program and relevant institutions are being strengthened. Today, Indonesia's main constraint is not a lack of financial resources but the need for effective and accountable institutions that can translate available resources into better development outcomes. It's one reason that the World Bank's on-going efforts to expand the capacity and reach of the country's supreme audit institution are so important.

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#### Project Team

Unggul Suprayitno  
Rajat Narula

**T**he World Bank has engaged with staff and leadership of Badan Pemeriksa Keuangan, Indonesia's supreme audit institution since 1999. With the support of this ongoing partnership, BPK has grown exponentially in the last five years, from just three regional offices in 2007 to 33 offices and a presence in all provinces. Today, BPK has a staff of more than 6,000, representing a three-fold increase since 2007, and with it, growing audit capability.

Of course, rapid growth poses its own set of challenges. Through the years, the East Asia and Pacific Financial Management team has provided significant support and guidance to BPK, most recently helping the institution design a new strategic plan.

Developed in collaboration with BPK as well as with outside stakeholders, the plan lays out the overall direction of the institution for the next five years. It clarifies vision and mission; it lays out a path to achieve short-term and long-term objectives; and it sets performance indicators and time lines through 2015.

The effort involves a hands-on approach, working with BPK senior staff and providing them with the skills and resources needed to steer the institution forward and to implement the strategic plan. It also involves an increased focus on knowledge-sharing among peers from other countries in the region. Recently, a regional association of supreme audit institutions was formed, to encourage the sharing of knowledge and best practices.



*By supporting an initiative high on the government's agenda, with a lot of visibility, we have become a reliable and key partner of BPK, which means a longer engagement and a stronger relationship with the institution.” —Unggul Suprayitno*

Ultimately, the FM team aims to transfer audit oversight for all Bank-funded projects to BPK, as it demonstrates the capacity to meet its milestones.

The work aligns with other World Bank efforts in Indonesia to strengthen the nation's oversight of public funds and shore up central government systems and institutions, including enhancing capacity on investigative audits and improving

audits of disaster-related aid, with the overarching goal of improved governance and sound and transparent financial management.

► President Susilo Bambang Yudhoyono receives the official 2010 audit report from Pak Hadi Purnomo, Chairman of BPK, Indonesia's Supreme Audit Institution.



### Keys to Success

- Consistent, focused and on-going World Bank engagement
- Buy-in from the institution's senior management
- Open lines of communication and positive relationship between BPK team and FM team



# Oversight for Community Development Grants

## Using the Video Medium to Share the Financial Management Message

A truly challenging problem often requires a truly creative approach to solve it. That's what the FM team in Indonesia realized when faced with significant issues on the financial management of two high profile community development projects aimed at reducing poverty and improving the health of Indonesia's poor. The goal: increased local ability to document and account for project expenditures. The method: short, engaging videos that teach community leaders how to follow an easy checklist of financial management performance indicators.

### Project Team

Christina Irma Donna

Rajat Narula

George Soraya

Evi Hermirasari

Jana Halida Uno

Patricia Yossianty Sonata

**T** rue, the checklist doesn't use sophisticated terminology. It is purposely designed as a user-friendly tool that non-accountants can understand.

And yes, the videos are a bit unorthodox. There's a little reality television mixed with scripted soap opera drama, combined with the seriousness of an instructional tutorial, interspersed with the lightheartedness of cartoons, all enveloped in the earnest appeal of a public service announcement.

The complexities of the situation demanded innovation.

The PNPM Urban poverty reduction project has operations in more than 11,000 urban wards throughout the country. The Pamsimas project aims to provide water sanitation for the poor in more than 5,500 villages. Both projects work in remote communities, against a geographic backdrop that includes 76 historically active volcanoes and more than 17,000 islands.

Clearly, getting external financial experts in and out of places would be difficult. But the community groups that managed the grants and the locally-based consultants who advised them had limited financial management knowledge.



*The central government considered the approach an excellent way to fulfill fiduciary requirements with available resources from different agencies while improving the capacity of local governments to handle these duties.* —Christina Irma Donna

The FM team’s challenge was to find a way to level the financial management playing field, building up the skills at the most on-the-ground level, and empowering local communities to take increased interest in proper oversight of project funds.

Here’s a look at the solution they devised:

- Financial management performance measurement checklist: technical fiduciary requirements translated into simple language; results submitted monthly to a central database; summaries posted on project Web site
- Short instructional videos: themes based on recurring findings in supervision missions,

such as large amounts of cash on hand or inadequacy of receipts; focus is on how to use checklist and what could happen if rules aren’t followed; local community activists play roles rather than professional actors

- Additional training for local government auditors: extends audit coverage and improves local auditors’ ability to conduct block grants audits

While still early, the approach already is paying dividends, in the form of improved management of community block grant funds—and increased access to services for the nation’s poor.

▶ Training for community groups in Agam district, West Sumatra province



▶ In this video developed by the Indonesia project team, animated characters highlight community development project financial rules, such as limiting cash on hand and appropriate use of funds, while the story dramatizes what happens when the head of community group loses the operational cash by keeping it at his home



### Keys to Success

Community development projects in countries or regions with similar characteristics—large, geographic area; heavily decentralized projects; uneven capacity; limited resources—could benefit from using a similar approach, according to the project team. They cite several important factors that contributed to the success of their effort:

- Use of random checks as part of the financial performance measurement checklist
- Strong coordination between central, state, and local auditors
- The video itself, and reliance on local citizens to play the roles



# Adoption of Global Internal Control Standards

## Strengthening the Internal Audit Function

Weak internal controls and a fragmented internal audit function have gotten in the way of efforts to improve financial transparency, governance, and oversight in Indonesia. Against a politically-charged backdrop, the government of Indonesia introduced a unified internal audit regime that aligns with globally-accepted practices but fits in with existing governmental structures. The support from World Bank, anchored by the Financial Management team's tactful approach and sensible solutions, is helping to turn things around.

### Project Team

Novira Asra  
Rajat Narula

Indonesia's move toward adoption of global standards for risk management, internal control and fraud deterrence, as defined by COSO, the Committee of Sponsoring Organizations of the Treadway Commission, is part of the nation's on-going journey to improve oversight of public finances, reduce risks, and root out corruption.

The East Asia and Pacific Financial Management team and the Indonesian government first discussed the notion of adopting COSO's internal control framework in 2008, following a public expenditure and financial accountability analysis that revealed significant problems with the management of Indonesia's public finances. Problems identified included a lack of coordination among the numerous institutions charged with public finance audit responsibilities, result-

ing in overlaps and gaps; weak controls; inefficient and labor-intensive processes, and insufficient staff.

First, the team supported the government in its efforts to draft and pass critical enabling legislation. Government Regulation PP60/2008 on Government Internal Control Systems mandated several key actions:

- Adoption of COSO as the nation's control framework
- Identification of the country's internal audit institution, BPKP, as the implementing agency
- Clarification of roles and responsibilities for the various auditing institutions

Next, the team organized workshops to further educate BPKP and government staff on the





*It is important to support the government's reforms and to sustain this support, even though there are times it can get frustrating because governments often seem to move at a glacial pace."*

—Novira Asra

COSO framework. Then came technical assistance to help design a phased plan to roll out the framework, including the creation of a task force within BPKP that would take the lead on implementation. Among the task force's key roles: training line ministries and local governments on the intricacies of the COSO guidelines.

This training is in process now and the pilot implementation is starting. A review process and full-scale implementations in select line min-

istries and local governments will ramp up in early 2013.

Meanwhile, with a new-found sense of purpose and understanding of its role, BPKP is embarking on additional initiatives aimed at improving the internal control environment, such as crafting a new national audit strategy and devising standards and a code of conduct for public sector internal auditors.

► Pak Hekinus Manao, the then Inspector General, Ministry of Finance, sounds the gong to mark the start of an international workshop on COSO as Joachim Von Amsberg, the then Country Director, Indonesia and Pak Binsar Simanjuntak, Deputy BPKP look on.



### Keys to Success

For this project, the team says that their ability to engage continuously with the government of Indonesia on the subject of internal controls and internal audit was the critical success factor.





## Focus on Results

### Accountability for Local Infrastructure Projects

When local governments fail to track funds that have been paid out for construction of roads, bridges, water sanitation and irrigation facilities, and other infrastructure, the risks skyrocket. Project timelines could be delayed, leading to budget over-runs. Sub-par materials might be used, increasing the potential for structural flaws and disastrous consequences. Ultimately, critical projects might never get built, limiting people's access to basic services and making it more difficult to secure quality-of-life improvements that can reduce poverty, improve access, and enhance economic opportunity.

#### Project Team

Peter D. Ellis  
Rajat Narula  
Novira K. Asra

**A** World Bank initiative in Indonesia is addressing these issues, improving monitoring and oversight and placing new emphasis on demonstrating quality and results.

The effort is aimed at increasing the effectiveness of Dana Alokasi Khusus—Specific Allocation Funds—a government program in place since 2003 that provides resources and funding to 500 local jurisdictions, enabling them to address their own infrastructure priorities.

The East Asia and Pacific Financial Management and Procurement staff were part of a larger team that designed and implemented the project, in close collaboration with national and local government authorities.

The team's effort attacked some of the underlying problems that were getting in the way of suc-

cess, such as limited monitoring of job sites and lack of reporting on specifics of how funds were spent. In fact, sometimes, funds were paid out to cover projected project-related expenses without anyone checking on whether the work was ever done, or if it complied with relevant building codes.

At the heart of the approach is a major change in the way funds are disbursed to the local governments: now, payments occur after construction project-related activities have been completed, reviewed and approved by a monitoring task force from the State Internal Audit Agency using an Output-Based Disbursement approach.

Under the new approach, eligibility for reimbursement of construction-related expenses depends on:



*If you don't have strong buy-in from the government, it is difficult to bring about needed changes.*

—Peter D. Ellis

- Construction completion certificates and compliance with technical specifications
- Compliance with national procurement law and regulations
- Compliance with government regulation on payment verification and documentations
- Compliance with environment and social safeguards

Another component of the Bank team's work focuses on providing training, support, and re-

sources for national and local government accounting and audit staff for better monitoring and oversight. Work here also includes integrating project expenditures into local government systems, using a Web-based system to improve tracking and real-time reporting.

The team's efforts are already making a difference. With better reporting and increased accountability, critical infrastructure projects are being completed—on time, on budget, and in compliance with quality and sustainability standards.

► Inspection of the recently completed Karangsono-Bajulan Road after the rains in Nganjuk district, East Java province.



### Keys to Success

- Commitment from the government to improve its existing program
- Strong coordination and leadership, bringing together all key stakeholders
- Clarity in roles and responsibilities
- Bank's willingness to support an existing government program with the understanding that it wasn't perfect, but that assistance and support could help address major deficiencies



# Use of Country Systems

## Integrating Donor Funds into the National Treasury

A pilot program to merge donor funds into Mongolia's treasury system is moving the nation forward towards building an integrated government financial management system that ultimately would include external loans and grants. The goal: increased efficiency, streamlined processes, improved donor alignment and more effective treasury management.

### Project Team

David I  
Yi Dong  
Badamchimeg Dondog  
Dulguun Byambatsoo

**F**ragmented donor programs, overburdened staff, disconnects between project accounting and funds within the national budget, and increased cost to the government—such issues are unfortunate side effects when the finances of donor-funded projects are managed separately, in individual stand-alone commercial accounts.

In Mongolia, the situation is beginning to change, as a pilot to integrate donor funds into the country's treasury system wraps up and receives a formal evaluation, and a larger-scale program prepares to roll out.

The pilot began with some significant behind-the-scenes work by the East Asia and Pacific Financial Management team, which collaborated with government authorities to set the process in motion. Efforts here included integrating foreign loans and grants into state budgets through budget appropriations, and passage of legisla-

tion that enabled the migration of donor funds into the treasury system.

With the enabling legislation and budgetary arrangements in place, the integration itself moved forward. In this pilot phase, the funds of three World Bank projects were merged into the system.

Among the changes:

- Direct deposit of project funds into the treasury system through the Bank of Mongolia, rather than into a separate, stand-alone project account at a commercial bank
- Use of the government's computerized financial management information system to authorize eligible project expenditures, account for transactions, and generate project reports related to funds usage
- Audits of project fund usage conducted by Mongolia's Supreme Audit Institution



*Mongolia is the only country in the region that has integrated funds of donor projects into its own financial management system. Once other countries realize the benefits, they will want to follow Mongolia's lead.* —David I

While still in the pilot stage, benefits are already apparent, such as improved cash management, better reporting for donor-funded projects, and increased efficiency. Next steps include expanding the pilot to integrate non-Bank donor-funded projects into the same system. Ultimately, this will enhance project sustainability and result in better donor harmonization and alignment, while increasing the reliability of external debt statistics and the effectiveness and efficiency of external borrowings.

### Keys to Success

The team notes that the government's support and commitment to the overall goals of increased sustainability, greater efficiency, and improved effectiveness played a critical role in the pilot's success.

► The Government House, Ulaanbaatar, Mongolia



# Peer-to-Peer Learning on Investigative Audits

## Strengthening Public Financial Management for Better Economic and Financial Governance

In the Philippines, there has been noted progress in detecting fraud and corruption in public finance administration. But often, this detection comes after the fact: once a criminal act has been brought to light, auditors will search for evidence of financial malfeasance to support prosecution of accused perpetrators. Now, there's increased focus on prevention before the fact, thanks to a new program that trains government auditors on the basics of investigative audits.

### Project Team

Agnes Albert-Loth  
Christian Kammer  
Stephen Hartung  
Tomas Sta. Maria Jr.  
Aisha de Guzman  
Maria Liennefer Penaroyo

**T**he program is a component of a larger World Bank project aimed at rooting out corruption and improving governance in the nation's public sector. Designed by the Philippines Financial Management team in collaboration with the World Bank's Integrity Vice Presidency, it provides participants with the tools, skills, insight, and information they need to conduct financial and procurement investigations of publicly-financed projects.

Using materials provided by the Integrity Vice Presidency, the workshop is designed to be highly interactive. It creates a forum for the sharing of ideas, knowledge, and information. It also presents a unique opportunity for networking and interaction among participants, including internal and external government auditors

as well attorneys and legal staff who represent the government on criminal fraud and corruption cases.

As part of the training, participants learn how to review data and information for potentially suspicious activities, what types of discrepancies to look out for, and how to follow up on red flags. They also receive instruction on the legal framework of criminal trials, so they understand more about the rules of evidence and the type of information admissible in a trial. Of note, participants have the opportunity for give-and-take with peers, to share their own experiences and learn from each other.





*“These workshops represented the first time that auditors and prosecutors were able to openly raise and discuss issues. It has helped clarify roles, rules of evidence, and legal protections available for auditor witnesses. While not all issues have been resolved, the training has paved the way for more dialogue between the two institutions.” —Agnes Albert-Loth*

Within the span of two months, the team delivered eight sessions of the course, reaching more than 1200 professionals, in Manila, Luzon, Visayas and Mindanao. Participants who completed the course expressed enthusiasm about the program, pointing to a number of clear benefits.

“This program is equipping government auditors and other officials with the necessary skills and knowledge to perform their duties more effectively, efficiently, economically and ethically for the benefit of the Filipino people. It is help-

ing strengthen internal controls, risk management and governance,” notes Cesar Ramirez, a workshop participant and chief internal auditor for a government agency.

The team has ambitious plans to expand the program further, including building a database of case studies and supporting expanded peer-to-peer learning and knowledge-sharing opportunities across borders, with cross-regional workshops.

► Class photo, Forensic Auditing Course, Manila



### Keys to Success

- Interactive nature of the training, and a format that encourages knowledge-sharing among participants
- Teamwork between FM and the Integrity Vice Presidency
- Buy-in from officials and senior management of relevant agencies, including internal and external auditors and government prosecutors





# Audit Effectiveness; Small Business Development

## Standardized Programs for Smaller Auditing Firms

The auditing industry in Vietnam is dominated by smaller firms, many of which lack the resources to stay on top of changes in global and local accounting standards and audit guidance. This negatively affects the firms' ability to carry out quality audits. It also causes problems for the businesses that rely on them, making it more difficult to attract new investors or access additional capital for growth. With the introduction of standardized and continually updated audit programs, the situation is starting to change.

### Project Team

Robert Gilfoyle  
Cung Van Pham

The World Bank's Hanoi-based Financial Management team first introduced the notion of creating easily customizable standard audit programs based on clarified international auditing standards to the Vietnam Association of Certified Public Accountants in 2008. The association embraced the idea as an innovative solution to a particularly challenging problem, and agreed to partner with the FM team on developing the program.

The association hired a group of qualified international and local consultants to take on the task, supported by Bank-funded technical assistance. As they built the programs, the developers considered international and national requirements; experiences and practices of the "Big Four" international accounting firms; ca-

capacity, skills, and current approach of the smaller audit firms; and the unique country context.

The developers also solicited comments and feedback from key players, including the smaller auditors who would be using the program, as well as auditors at the "Big Four" firms, leading academics, and relevant government officials.

To date, 40 smaller firms—out of an estimated 150 such firms in Vietnam—are using the Sample Audit Program, with positive results.

The firms themselves have highlighted the benefits:

- Highlights items at risk of material mis-statements in a client's financial statements
- Minimizes time spent on unnecessary tasks



*We have received great feedback from the auditing companies that are using the program, and also from the large accounting firms. It is a wonderful tool that is helping to build the local accounting sector, contributing to small business growth, and enhancing the internal controls of Vietnamese companies.* ” —Robert Gilfoyle

- Improves cost-effectiveness of audits by smaller firms
- Allows for customizing depending on unique client requirements
- Harmonizes audit evidence for easier identification of potential risks
- Provides reliable foundation on which to base guidance and recommendations for clients, added value that helps retain existing clients and win new business

tronically, using an Open Source model to anyone who wants to use it.

Of note, the program is being incorporated into the accounting curriculum at business schools throughout the country, and is available elec-

- ▶ The audit program is being used by nearly one quarter of Vietnam's small audit firms



- ▶ Vietnamese accountants learn how to use the new program.



### Keys to Success

The team says that the interest, participation, and cooperation from local small auditing firms and the larger international firms, as well as the partnership with the national accounting association made the difference in this project.



# Integrated Fiduciary Supervision Assessments

The IFSA was developed in the aftermath of the India Detailed Implementation Review (DIR), which has clearly shown that there can be significant weaknesses in the current supervision model, in part due to a limited level of resources for supervision which call for a more effective model. In this context, EAP Region decided to carry out integrated reviews of the fiduciary supervision arrangements in place in selected countries, to assess areas of vulnerabilities. The specific objectives of this initiative were to assess the effectiveness of the fiduciary supervision, focusing on both the Bank and Borrower supervision processes based on sample contracts and projects, to review Bank's Supervision policies and procedures and to develop a risk-based supervision model, including recommendations directed to Bank staff and the Borrower to address areas of opportunity, reduce fiduciary risk and enhance the effectiveness of supervision.

**T**he IFSA is based on an integrated approach. The methodology was developed sampling projects representing various sectors, which had a varying nature/size of investments and different implementation arrangements. The contracts sampled were a mix of prior and post review contract and a used systematic random sample which guaranteed a reasonable geographical spread.

The methodology uses three levels of analysis

- Level 1: Detailed findings and recommenda-

tions by area: Procurement, Financial Management, Physical Inspection (and contract performance)

- Level 2: Detailed findings and recommendations by project
- Level 3: Summary findings and recommendations by country or sector, including compliance with Bank's supervision policies and procedures

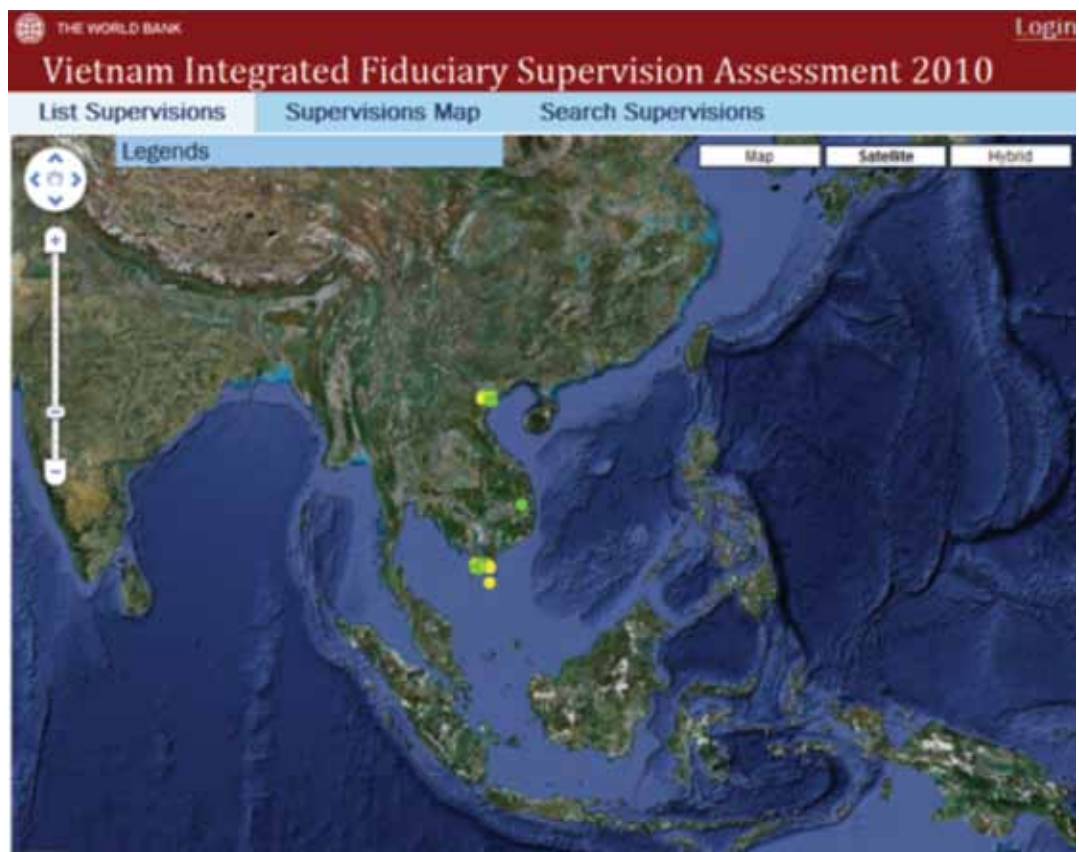
For each contract there was a site visit report generated and a scorecard (see below), which lead to a clear identification of the risks. The results were then used to feed a database which

can be used to further analyses project sustainability and also value for money. In the future this could be used to help plan field visits. A system of risk flags was also developed separately for each of procurement, financial management and contract management. In the future this may also be extended to governance. As examples the following issues were identified:

- Procurement issues:
  - Missing 384 (Philippines, Lao, Indonesia)
  - Ex-post reviews: cases of “cut and paste”
- Financial management issues:
  - Cases of superficial review of quarterly

supervision reports and selection of locations that do not follow fiduciary concerns (Philippines, Lao, Indonesia)

- No-objection letters: cases that do not include names or amounts, or factual mistakes (Vietnam, Indonesia, Cambodia)
- Cases of potential collusion not apparently not pursued further (Philippines and Cambodia)



- financial statement
- Cases of mechanical reviews of statement of expenditures

When viewed in an integrated manner the review showed that there was a lack of pro-activity in contract management supervision with each ‘specialist’ narrowly looking as one area only, whilst in all five countries, assurances that “the proceeds of the loan are used only for the purposes of the loan with due regard to economy and efficiency” was left mostly to the TTL (timeliness of delivery and appropriateness of use of assets).

The scorecard allowed all these features to be viewed holistically in arriving at a conclusion concerning sustainability and value for money.

The Risk-based Integrated Fiduciary Supervision Assessment results in an an integrated site visit Report and Scorecard and has been used to feed a pilot web-based geo-referenced database. IFSA generates two major outputs both of which can be seen as innovative as they are identified through an integrated examination of contract implementation:

**Output #1:** Areas of vulnerability and Country Comparisons

Flag system developed to assess vulnerabilities and perform country comparisons in each of the areas reviewed (Procurement, Financial Management and Contract Performance) at the present time this has not been done for Governance, but there are some ideas of how this

might be further developed. However, there are some caveats, the methodology has evolved (“learning by doing”) and it is likely that further changes/refinements may be made, the number of contracts (and amount of the contracts) in the sample varies among the different countries where this has been tested also the type of projects varies among the different countries. Finally, there is a grey area concerning what are Bank and which are Government responsibilities and so not all the risk areas may be addressed in every case.

Physical Inspection		Location		Photographic record																												
Contract ID	Province	District	Commune																													
2019-181128-Proc 2019-02-25	Sen Sok	Ch. Kratieh	Spear Throt																													
<b>1</b>																																
Description	7 Classroom level Secondary School																															
Credit No.	4039-09 and 0201162-09																															
Project Name	Cambodia Education Sector Support Project (CESP)																															
Date of inspection	18/02/20	Status of contract	Completed																													
Dates of contract	Start: 7/11/17	Completion:	21/04/18																													
General Assessment	Physical	Procurement	PM	MS																												
MS	S	MS	MS																													
Physical and Engineering Review		Procurement Review																														
Design	VCE standard design			Project information including subgrants																												
Contract Management	<ul style="list-style-type: none"> <li>Increase in construction costs in first half of 2018 contractor stopped works in 8/2018</li> <li>Government did not agree on price adjustment, but granted time extension</li> <li>One site engineer, but not full time responsible for 22 contracts</li> </ul>			Procurement review carried out at 18/02/20 on 13/11/2018																												
Quality of Output	<ul style="list-style-type: none"> <li>Overall satisfactory. Minor defects include:                             <ul style="list-style-type: none"> <li>Vertical concrete slab shows signs of cracking. Should be mitigated with reinforced concrete</li> <li>Gutters for rainwater collection. No metal sheet and aluminium rain water piping</li> </ul> </li> </ul>			<table border="1"> <tr><td>Estimated cost</td><td>212,511,000</td></tr> <tr><td>Est. procurement</td><td>24,271,217</td></tr> <tr><td>Est. financing</td><td>438,217</td></tr> <tr><td>Participants</td><td>6</td></tr> <tr><td>Invited to tender</td><td>Yes</td></tr> <tr><td>Name of Contractor</td><td>Maha Sitrach</td></tr> <tr><td>Amount of Contract</td><td>212,511,217</td></tr> <tr><td>Date of contract</td><td>02/11/17</td></tr> <tr><td>Flag</td><td>Non-compliance</td></tr> <tr><td>Includes in order</td><td>Yes</td></tr> <tr><td>Procurement documents</td><td>Not available</td></tr> <tr><td>Procurement reports</td><td>Not available</td></tr> <tr><td>Attachments</td><td>To add water tariffs</td></tr> <tr><td>Issues</td><td>Not found</td></tr> </table>	Estimated cost	212,511,000	Est. procurement	24,271,217	Est. financing	438,217	Participants	6	Invited to tender	Yes	Name of Contractor	Maha Sitrach	Amount of Contract	212,511,217	Date of contract	02/11/17	Flag	Non-compliance	Includes in order	Yes	Procurement documents	Not available	Procurement reports	Not available	Attachments	To add water tariffs	Issues	Not found
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Attachments	To add water tariffs																															
Issues	Not found																															
Maintenance	Leak in one classroom. No clear arrangements for repair																															
Operation	Teachers salary and benefits provided by <b>MOE</b>																															
Usage	100% students School head visit: one time and one self-in compliance inspection																															



**Output # 2:** Towards a risk-based supervision model

By integrating the work of the civil engineer, the procurement specialist and the financial management specialist, the model allows the definition of fiduciary risk by:

- Type of Investments, and
- Geographical areas

As a result based on the fiduciary risk, management, task teams and implementing agencies can concentrate limited resources of field supervision on higher risk areas or sectors. This new model complements the project-based supervi-

sion and integrates several elements (eg. financial audits and information systems) to arrive at a better understanding of how the resources allowed for project supervision and implantation support may be better used to ensure higher development impact.

### Keys to Success

The keys to the success of this initiative are the integrated and systematic approach at sector or portfolio level. This is evidenced by the integrated procurement, financial management and contract performance reviews which result in a contract “scorecard” which, in turn, feeds a regional database. The regional or sectoral outlook is built on flags, this allows a strategic overview to be developed. As a methodology it looks beyond the individual contracts (albeit without losing the information which is kept in the scorecard) and look into systems to provide cross country, cross sector lessons.

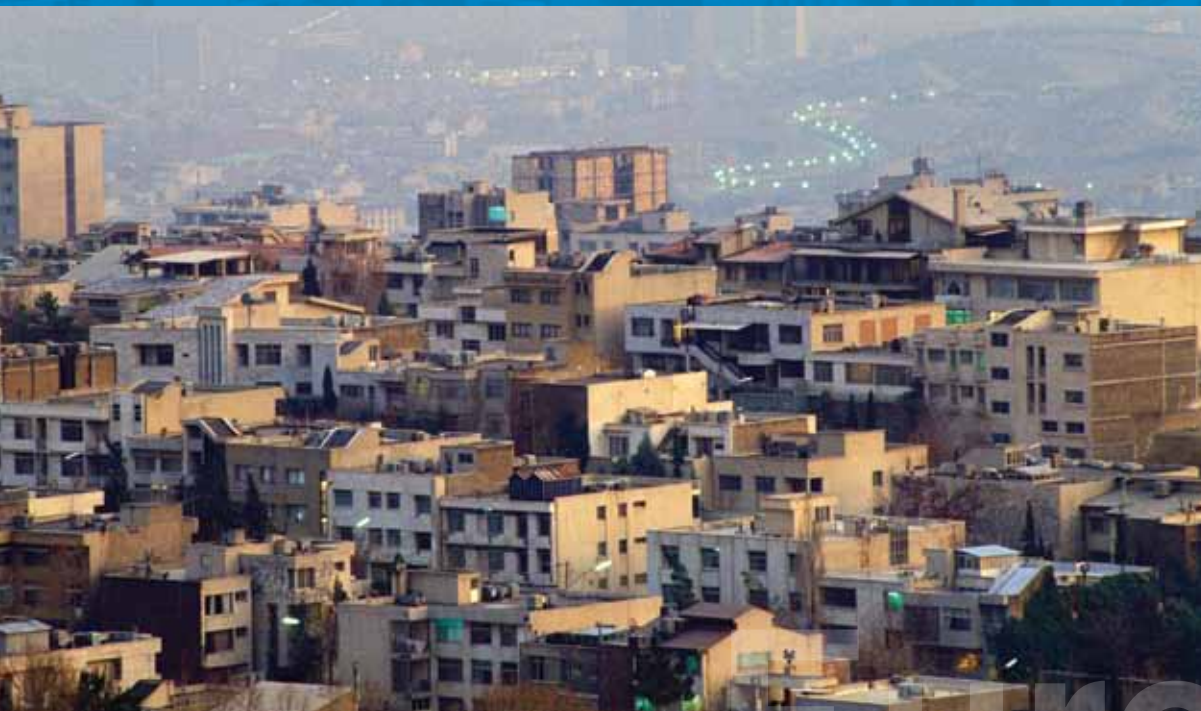
Within EAP this is being mainstreamed within the various country portfolios as an integrated approach to carrying out fiduciary supervision and post-review work. It is also hoped to develop a web-based application which may be accessible remotely (extranet).





# Europe & Central Asia

- Kazakhstan
- South Caucasus Sub-region
- Tajikistan
- Region



Europe



& Central Asia

# Simplified Reporting Standards

## Supporting Small Business Growth

Small and medium businesses are an important part of Kazakhstan's economy. But many lack the capacity to comply with the current financial reporting requirements, making it harder for them to access the capital they need to grow. In a novel arrangement, the Kazakh government is paying for World Bank assistance to assess the feasibility of adopting international reporting standards for smaller businesses as its preferred approach.

### Project Team

Andrei Busuioc

**A**s the government began to evaluate whether to adopt International Financial Reporting Standards for Small and Medium Enterprises in place of the existing Kazakh National Accounting Standards, officials determined that they could use some outside assistance. They sought out expert guidance from the World Bank, and set up the Joint Economic Research Program to fund a significant portion of the Bank's analytical, research and advisory work. The goal: to improve the financial reporting framework for Kazakhstan's smaller businesses so they can attract more capital, helping them to grow and expand cross-border trade.

A joint team comprised of the Bank's Center for Financial Reporting Reform and the regional Financial Management team is providing this support. As a first step, the team organized several workshops to present the main features of the international standard. The workshop at-

tracted high-level government officials as well as tax and customs authorities, professional accountants and academics, to learn more about the standard and to discuss potential implications for businesses.

Other highlights of the work include:

- Assessing the feasibility of applying IFRS for SMEs in Kazakhstan and whether this is the optimal approach
- Identifying options for how to classify business entities for the purposes of corporate financial reporting and auditing requirements
- Preparing an action plan, including proposed changes in legislation and suggested training programs to implement the standard
- Analyzing relationships between tax rules and general purpose financial reporting requirements in the context of IFRS for SMEs adoption
- Sharing knowledge and information about the standard with "train-the-trainers" workshops



*The fee-for-service approach demonstrates that there is high demand from country authorities for high quality advice, and that they value the Bank's knowledge and expertise."*

—Andrei Busuic

While still a work-in-progress, the effort is enabling high-quality discussion and informed debate that will contribute to sound policy-making, so that smaller businesses can thrive and grow, creating new jobs and new economic opportunity.

▼ The Kazakh government has taken the lead on simplifying financial reporting for smaller businesses to improve compliance and help them access the capital they need to grow.

(Photo Credit: IFC @World Bank Group)



### Keys to Success

The government's leading role made a significant difference for this project, according to the team. They note that the key to success in project delivery is responding to needs that the clients themselves have articulated.



# Fiduciary Review of Bank-Financed Projects

## Improving Oversight through Teamwork, Collaboration and Alignment

It's no secret that fiduciary supervision of World Bank-financed projects sometimes is fragmented. Reviews don't always happen in the most focused or systematic way. The Procurement team reviews some contracts as part of its post review. The Financial Management team reviews other contracts and selected invoices. The result: gaps, increased risk for problems, and reduced ability to ensure maximum development results.

### Project Team

Elmas Arisoy  
Alexander Astvatsatryan  
Deepal Fernando  
Sandro Nozadze  
Yagut Ilitifat Ertenlice  
Tural Jamalov  
Arman Vatyán  
Aleksandre Bibileishvili  
Egli Ilic  
Arman Vatyán

**N**ow, things are starting to change, with a collaborative effort designed to break down the barriers among departments, streamline supervision processes, improve oversight and ensure compliance with quality standards for Bank-financed projects in the South Caucasus region.

Working as a single task force, the regional Procurement, Financial Management, and Disbursement teams devised a process that would address the issues.

Their idea: instead of multiple reviews for various aspects of different contracts, there would be a single, combined review for the same set of contracts that was more thorough, more trans-

parent, and more complete than all the other reviews combined had been.

Among the changes in approach introduced:

- Single, integrated review of selected contracts in projects in the same sector: bringing together procurement, financial management, and disbursement
- Sector-wide focus to identify systemic problems: including in-depth look at contracts in transportation, health and education projects across the region to help teams pinpoint issues
- Use of Bank review teams unconnected with projects: to bring in outsider's perspective and ensure objective assessment
- Physical inspection and site visits: conducted





*This new review approach had the added benefit of supporting staff development and increased team work, because it enabled fiduciary staff based in country offices to travel to another country and provide cross-regional support outside the scope of their regular assignments.”*

—Elmas Arisoy

by external consultants or Bank staff with no connection to the project or to the client to verify reporting accuracy

to understand the underlying reasons for the limited competition.

Already, the increased collaboration is making a difference. Recommendations that came out of the single, integrated review process have led to changes in the way contract packaging is done for a critical new transportation project, for instance. And the sector-wide analysis revealed a troubling lack of participation in the bidding process in one country, leading to a new effort

The lessons learned from the reviews have helped to improve performance of ongoing projects and are leading to significant changes in the fiduciary arrangements for new projects.

► Monitoring team visits Bank-financed water reservoir in the Caucasus despite extreme weather and remote location.



### Keys to Success

- Support from country and sector teams
- Funding from country unit
- Buy-in from task teams to follow through on recommendations and monitor implementation of action plan as part of project supervision

► In the course of the integrated review, the fiduciary review team discovered that a cultural center that had received project funding for renovation was already furnished (first photo); chairs purchased with project funds were stockpiled, unused, in a storeroom (last photo).



# Institution-Building

## Creating a Best-Practice External Audit Framework

Like many countries in the region, Tajikistan's monitoring and oversight of public finances had gaps. Yes, there were internal controls and inspection processes to ensure budgetary compliance. But there was no external audit body to provide the strong and independent audit and parliamentary oversight that form the basis for good governance and accountability and help root out corruption.

---

### Project Team

John Ogallo  
Shodi Nazarov  
Leslie Isao Kojima  
Julyan Watts

**T**o address this issue, the World Bank's regional Financial Management team engaged in a years-long institution-building effort, beginning in 2007 with an exploratory dialogue with government officials, and culminating in 2011 with the enactment of a national law establishing Tajikistan's Supreme Audit Institution.

The lengthy and sometimes arduous process called for patience, determination, and attention to changing political winds. It also required a significant education and outreach component, since many of the key players were unfamiliar with the role of a supreme audit body and the rationale for establishing it. Part of the outreach work involved changing hearts and minds, in a country accustomed to an inspection system mired in systemic corruption.

Highlights of the multi-pronged effort included:

- Formation of working group of government officials to lead the process
- Design of action plan with timelines
- Workshops for working group members and key stakeholders: to learn more about the value of a supreme audit body and to develop draft legislation
- Study tour for working group members: visits to other countries that have strong supreme audit institutions to understand how this helps improve transparency and reduce corruption
- Knowledge exchanges: with government officials from countries in other regions to share lessons of experience and best practices



*Having a member of the Parliament's budget committee as part of the working group helped ensure that someone could speak with familiarity on the draft law when it reached the Parliament for debate.” —John Ogallo*

Through it all, the team provided guidance, support, tools, and knowledge to help move things forward.

The work here is far from over. In fact, a new phase is just beginning, focused on implementation of the law and setting up the new insti-

tution, with the broader goal of enhancing transparency and public accountability and minimizing opportunities for misuse of public funds, fraud and corruption.

► On-going efforts to root out corruption and improve accountability in the management of Tajikistan's public finances—including for World Bank-funded projects—are helping ensure that development efforts, such as initiatives in support of these women micro-entrepreneurs, have maximum impact. (Photo credit: IFC @World Bank Group)



### Keys to Success

- Presidential involvement in creation of working group and representation from highest levels of government
- Teamwork between the World Bank's FM and PREM teams
- Collaboration with other partners such as DfID and SECO
- Continuous monitoring of progress
- Performance-based grant funding: approval of new development policy grant funding linked to, among other triggers, the country's ability to meet milestones as identified in the government's strategy and action plan for establishment of the SAI



# Corporate Audits

## Professional Skills Training

In Tajikistan there's a growing pool of accounting professionals to meet increased demand. But with limited access to quality training, they lack the tools, knowledge, and expertise to conduct thorough audits. The situation is creating problems for the private sector because auditors cannot provide the sound financial reporting that companies need to access capital. It also limits the World Bank's ability to rely on the country's systems for auditing of Bank-funded projects.

### Project Team

Jan Tyl  
John Ogallo  
Andrei Busuioc

To address these issues, the Financial Management team devised a training program on the fundamentals of auditing financial statements for the country's accounting and audit professionals. The curriculum is designed to enhance basic knowledge and understanding of the principles of financial statements audit. It also helps guide future learning for participants, helping them to identify knowledge gaps so they can seek out specific coursework.

The initial session took place in May, 2011, with auditors and representatives from the Ministry of Finance in attendance. Taught by FM team members, the course covered all aspects of an audit engagement, as well as some overarching issues related to ways to improve the country's financial reporting infrastructure. Among the topics:

- Quality control

- Audit planning and approach
- Preparation of the audit report
- Global best practices and role of the International Audit and Assurance Standards Board in setting International Standards on Auditing

After the program, participants said that the information was readily applicable to their day-to-day work. Many expressed interest in follow-up sessions targeted to a more detailed examination of specific aspects of the audit process.

There's a dual motivation for the work, according to the team. In addition to building the country's professional audit capacity to enable increased economic development and private sector expansion, the work to build quality control systems and methodologies also will allow for a transition of Bank-funded project audits into the country's existing systems.



*This training has established a strong foundation on which to build further corporate reporting reforms in the country. The professionals and government officials in attendance now have a clearer understanding of the overall value of thorough reporting and how to actually conduct a sound quality audit.” —Jan Tyl*

▶▶ Training for Tajikistan's auditors



### Keys to Success

- Strong collaboration between the country Financial Management team and the Center for Financial Reporting Reform team
- Clear articulation and understanding of the project's goals: to increase knowledge and skills to improve the quality of corporate audits and to build capacity to enable use of country auditors for reporting on Bank-funded projects





## Communities of Practice

### Cross-Regional Knowledge Sharing on Public Financial Management and Corporate Reporting

Social media platforms are creating a vibrant space for collaboration and the sharing of knowledge and good practices on public financial management and corporate financial reporting across Europe and Central Asia. The technology-enabled communities of practice have become centers for communication, dialogue, and debate that are stimulating forward movement on reforms in several countries in the region.

---

#### Project Team

Andrei Busuioc

Liam Coughlan

Pascal Frerejacque

Henri Fortin

Marius Koen

Arman Vatyan

The idea is simple: Using a real or virtual platform, gather a group of professionals and officials from across the region, all working in the same arena or in the same area of reforms. Let people share what they know. Build trust to allow for frank discussion about common issues, obstacles, and challenges. Enable learning but place the learning agenda in the hands of the learners themselves—the members of the group—so they can set their own priorities. Bring on board global and local experts to offer knowledge, guidance and support. Encourage collective problem-solving, based on lessons from other countries' experiences.

It's what underpins the Europe and Central Asia communities of practice under the REPARIS program—Road to Europe, Program of Accounting Reform and Institutional Strengthening—launched in 2009 by the World Bank's regional Financial Management team, in col-

laboration with the Bank's Center for Financial Reporting Reform. Similar communities of practice, collectively called PEMPAL, or Public Expenditure Management Peer Assisted Learning, represent a multilateral effort to develop public financial management capacity and share reform experiences among countries in Central Asia and Central and Eastern Europe.

Here's how it works: The communities of practice each have their own social media sites. Members can pose questions, share drafts of policy initiatives, access related information that others have posted, highlight reform achievements, and receive world-class guidance on specific issues from Bank and external experts. They also can learn more about transitioning their auditing and accounting frameworks to align with the requirements of the European Union. Meanwhile, occasional face-to-face workshops build on the virtual interactions.



*The community of practice is in itself an innovative approach. Members contribute significantly to the learning progress and they are enthusiastic about raising the issues as they see them, rather than being directed by external players. This has made a clear difference, as they demonstrate a stronger commitment to reform and gain the skills needed to help develop policy instruments and frameworks.” —Andrei Busuioac*

The give-and-take that bubbles up from these sites is catalyzing new momentum on financial management reforms across the region, leading to progress on public financial management reforms and improvement in the quality and thoroughness of corporate financial reporting, while strengthening cross-border relationships and building skills in technical areas.

▶ Group work on reform challenges in the PEMPAL Internal Audit Community of Practice, Ukraine, May 2010.

The communities of practice also are paying it forward: producing important publications, guidance and instructional materials for professionals, government officials and educators that promote the cause of improved public financial management and corporate financial reporting across the region.



▶ Members of community of practice from across the region gather in Sarajevo for face-to-face learning and knowledge-sharing.



▶ Interactive learning and teamwork in the PEMPAL Internal Audit Community of Practice, Macedonia, October 2011.



### Keys to Success

- Similarities as well as differences among the countries involved in the communities of practice
- Involvement of key stakeholders, including decision makers who could champion reforms
- Knowledgeable and experienced staff to moderate the communities of practice



# Public Procurement Reform

## Regional Forum; Knowledge Exchange

Now in its seventh year, the Europe and Central Asia Regional Public Procurement Reform Forum has become a driving force behind improvements in the public procurement arena, as well as a critical avenue of communication, consultation, learning, and problem-solving for government officials across the region.

### Project Team

Bernard Becq  
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Dilshod Karimova  
Fazliddin Rakhimov  
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M Ilyas Butt  
Salih Kemal Kalyoncu  
Yagut Ilitifat Ertenlice  
Sevara Abdusamatova  
Jamilya Salieva  
Oraz Sultanov  
Hulya Bayramoglu

First envisioned in 2005 by the World Bank's regional procurement team as a means to bring together officials from across the region who were experiencing common challenges in the public procurement arena, the forum has evolved into a full-fledged community of practice, with a dedicated social media site for on-going knowledge sharing well after the conclusion of each year's face-to-face event.

The most recent event, held in Tbilisi, Georgia in May 2011, brought together 50 professionals, including 26 senior government officials responsible for public procurement in 11 countries. The program featured presentations from global and local experts in the field of public procurement, and from officials in other emerging market countries—including a session during which Brazilian authorities detailed their efforts to improve their country's public procurement environment.

Underpinning the forum is country commitment to the reform agenda. A requirement for

participation is that each country must outline specific goals for public procurement improvements in the coming year and the steps they plan to take to achieve them.

Enthusiasm for the forum—and the continuing conversation, skills building, and collaboration that it has created—is evident in the range of support it receives. In addition to the World Bank, sponsors of the Tbilisi event included the Asian Development Bank, the European Bank for Reconstruction and Development, and the Islamic Development Bank. This level of support and cooperation has helped ensure participation from across the region, since the funding covers travel and lodging for all participants and featured speakers.

The forum's reach and influence continues to expand: this year's event in Albania is expected to attract participants from 17 nations and speakers from Italy, Portugal, the United States and leading international organizations. Other regions are following the example: the South Asia team



*The forum is an opportunity for government officials to consult each other, find solutions to common problems, and benchmark progress on procurement effectiveness. Most important, the resulting reforms are driven by the countries themselves, and not by their development partners.”*

—Majed M. El-Bayya

convened a similar forum last year, building on the Europe and Central Asia experiences.

Of primary importance, the interaction and dialogue is resulting in critical reforms that are helping governments ensure fair and transparent procurement processes, reduce the risk of corruption, and enable efficient and effective delivery of goods and services to the people of their nations.

► From conference room meetings to tangible results: Reduced corruption and increased transparency in public procurement processes that started as discussion points at the annual regional public procurement forum are leading to tangible and lasting improvements for citizens throughout the region, including increased access to quality basic services such as clean water and health care.

(Photo Credit: Maxim Zolotukhin @World Bank; Albes Fusha @World Bank)



### Keys to Success

- Cooperation and coordination: among donors, between field and headquarters staff, and with host government
- Attention to detail: including issues such as travel logistics, accommodations and room set-ups, as well as content of presentations, and selection of speakers
- Moderated social media site: to support on-going knowledge sharing



# Regional Public Procurement Reform Forum

Seeing an opportunity to address an important development capacity need, the World Bank organized the first Central Asian Regional Public Procurement Forum in 2005 for government officials from Central Asia countries to discuss important public procurement issues and increase the capacity of countries to implement good practices.

## Project Team

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 Jamilya Salieva  
 Oraz Sultanov  
 Hulya Bayramoglu

The Regional Public Procurement Reform Forum which was held in Tbilisi, Georgia in May 2011 attracted 50 participants, including 26 senior government officials responsible for public procurement in 11 countries (Albania, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, FYR of Macedonia, Tajikistan, Turkey, Turkmenistan, Georgia and Uzbekistan), speakers and donors' representatives. The 2011 Forum was cosponsored by the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (IsDB) and the World Bank.

Presentations were made by participants, donors, and speakers from public procurement regulatory bodies from Brazil, the United Nations on International Trade and Legislation (UNCITRAL). Support for Improvement in Governance and Management (SIGMA), a joint Initiative of the OECD and the EU, also made presentations.

The Forum promotes and fosters regional cooperation in public procurement, good governance, and anticorruption in the Central Asia region and neighboring countries. Each year, the Forum participants discuss issues of critical importance to improving public procurement, and report on recent achievements and future plans in each of their countries.

Now in its seventh year, the 2011 Forum has evolved into a “community of practice” where government officials in Central Asia and Neighboring countries can formally and informally consult each other and find solutions to common problems.

The number of countries expanded beyond Central Asia Countries to neighboring countries and it is expected that 15 countries to attend the upcoming Forum in May 2012 in Albania.

The WB approached key donors and succeeded in the last three years in attracting their interest to cosponsor the Forum. Now we have four



key donors cosponsoring the forum and interest is growing.

The World Bank initiated the idea of having a year forum to address reform in public procurement in central Asia countries and then expanded it to other neighboring countries.

Donors we approached to co finance and cosponsor the Forum in order to cover the cost of travel and logistics to all participants from the participating countries as well as external speakers.

The staff in the field would closely coordinate with the Government in order to ensure that senior government officials be nominated by the Government to travel and attend the Forum. The field staff need also to work closely with the nominated government officials in each country so that they prepare good presentations on the government achievement/challenges in the

area of public procurement reform. The field staff would then work with the nominated government officials on the logistics and ensuring their travel arrangements are in place.

From HQ, to coordinate very closely with the cosponsors (donors) and ensure that they are informed and in agreement with the agenda of the Forum.

The TTL needs to coordinate very closely with the host government on all aspects and logistics of the Forum.



### Keys to Success

- Cooperation with donors: The Forum was cosponsored by the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (IsDB) and the World Bank.
- Team work: The Bank field staff worked closely with the government official so that they prepare good presentations. The quality of presentations improved year by year.
- Another regional procurement unit (South Asia Region Procurement Services Unit) in the Bank liked the idea of the Forum and has initiated a similar forum last year.



# Latin America & Caribbean

- Argentina
- Colombia
- Dominican Republic
- Haiti
- Suriname
- Region



Latin America



ca & Caribbean

## Sub-National Project Internal Audits

### Decentralized Financial Oversight for Enhanced Control, Improved Results

An ambitious World Bank-financed project to improve access to basic education for Argentina's rural poor children is delivering stronger results today because of an innovative audit approach that combines an understanding of the local environment with nationally accepted standards, introduced by the regional Financial Management team.

#### Project Team

Daniel Chalupowicz

Peter Holland

Diego Ambasz

Alvaro Larrea

Sergio España

The Argentina Rural Education Improvement Project focuses on teacher training, distribution of up-to-date teaching materials and textbooks, and renovating schools so that children can learn in safe and appropriate environments. Among the goals: increasing pre-school enrollment in rural areas and expanding access to technology for students in rural secondary schools.

Initially, the country's internal audit agency was charged with oversight of the project funding, including a \$150 million Bank loan. However, with more than 24,000 kindergarten, primary and secondary schools in 23 provinces receiving grant funds directly, plus involvement of many actors at multiple levels of government, the sheer magnitude of the monitoring and oversight challenge became apparent.

After a project analysis revealed issues with proper use of funds and financial accountability at the provincial and individual school levels, the FM team proposed a solution: use an existing network of federal and provincial public control organizations to implement joint internal audits.

The audit process relies on knowledge-sharing among agencies, as well as local expertise and a presence on the ground. The audits are carried out by experts from each province who understand the local realities, based on a standardized format for a structured and more effective audit approach.

Among the positive results achieved to date:

- Reduced incidence of funds misappropriation, for better project outcomes





*This is a good example of the use of country institutions that have strong knowledge of the operating environment and sufficient reach to beneficiaries and other stakeholders. This helps to ensure sustainability of the program while also enhancing fiduciary assurance and developing capacity.”*

—Daniel Chalupowicz

▶▶ Views of the rebuilt Rural School Number 4698

- Improved timeliness of audit cycles
- Enhanced control environment
- Creation of action plans to address on-going issues

The stakes are high for this country where economic progress has been made, but where gaps between rich and poor remain—gaps that won't be closed until children in every community, across the economic spectrum, have access to the same educational opportunities.



▶ Rural School Number 4698 before the Bank-financed school renovation project, Cerro Negro, La Poma Department, Salta Province, Argentina.



▶ This remote region in Salta Province is accessed by a two-lane road that is sometimes impassible.



### Keys to Success

- Understanding of control environments at multiple government levels
- Transfer of national-level knowledge and experience to sub-national audit agencies
- Sharing of methodologies, work programs, and lessons learned
- Standardized formats for reporting
- Development of a joint strategy
- Technical workshops on the methodology used
- Buy-in from key players and willingness to act on recommendations





## Procurement

### Fighting Back Against Corruption; Improving Health Outcomes

Argentina's high-stakes, high-profile, World Bank-financed effort to ensure delivery of public health services and life-saving medicines to all of its citizens was not going as well as it should. Bid fixing and fraud allegations in the tendering process, along with accusations of restrained competition were making frequent headlines. Into this challenging situation came the Bank's regional Procurement team, with an innovative plan to overhaul the country's approach to procurement, oversight, and internal financial controls for the entire health sector.

#### Project Team

Keisgner Alfaro

Rafael Cortez

Vanina Camporeale

Fernando Lavadenz

Luis Perez

Daniela Romero

Anders Agerkov

Alejandro Solanot

**A**n in-depth investigation revealed a need for a holistic, risk-based tool that could reduce the potential for mis-procurement and corruption while strengthening the government's ability to carry out critical public health-related projects, such as providing flu vaccines for the weak and vulnerable.

In response, the team designed a sector-wide governance and anti-corruption plan that addresses systemic issues, with the goal of deeper impact and stronger results for all Bank-funded projects in Argentina's health sector.

Comprehensive in scope and multidisciplinary in nature, the plan covers procurement planning and management, financial management, contract administration, goods and services delivery, and supply chain, among others. It also

enables early discovery of potentially problematic activities, so they can be addressed before they become major issues.

New controls now in place include:

- Electronic monitoring and management systems at the federal and provincial levels
- Procedures for identifying, specifying, and managing procurement of technically or biologically complex goods and services
- Integration of financial management and procurement functions, including joint budget preparation to ensure alignment
- Open bid requirements including advertisement in multiple electronic and print media outlets
- Oversight by dedicated ministerial-level government committee



*"We wanted to make sure that the plan would help raise red flags and uncover risks of fraud and corruption. It also needed to align management of Bank-financed projects with the strategic objectives of the Health Ministry and help strengthen the Ministry's overall management capacity for improved delivery of health services." —Keisgner Alfaro*

The work is helping to deliver stronger results for important public health initiatives. It also serves as model for other sectors: plans are underway now for deployment of similar risk-based tools in critical areas such as the agricultural and infrastructure sectors.

► Small suppliers will have increased opportunity to bid on government contracts in Argentina under the new governance and anti-fraud plans being implemented.  
(Photo credit: IFC @World Bank Group)



► Open and transparent bidding and increased contract management oversight are helping to ensure that basic medical supplies such as these syringes are readily available for health care providers in Argentina.  
(Photo credit: The World Bank Group)



### Keys to Success

The team points to several critical factors that made the difference in this project:

- Collaboration between the Procurement and FM teams
- Input from broader Bank team
- Comprehensive plan design
- Close coordination with and key input from INT Specialists



## Health Sector GAC

Limited technical capacity and weak internal controls in the centralized fiduciary agency UFI of the Ministry of Health of Argentina and line units caused reduced competition and frequent press denunciations and complaints by bidders. Allegations of corruption in tendering processes for procurement of goods and an investigation conducted by INT identified the need to strengthen the capacity to manage procurement, financial management and internal controls, to improve and increase control at the distribution and delivery of health goods and medicines at the central and provincial levels, to increase the focus on preventative actions in order to mitigate the risks of fraud and corruption throughout the Ministry. The findings of an in-depth PPR and the INT investigations showed that there was imperative to design a holistic risk-based tool such as a GAC Plan that took into account risks of misprocurement and corruption but also helped to strengthen the Borrower's capacity to implement projects.

### Project Team

Keisgner Alfaro

Rafael Cortez

Vanina Camporeale

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Anders Agerskov

Alejandro Solanot

The majority of the gaps and weaknesses identified in the preparation of Bank-financed health projects are addressed to strengthen the capacity of the fiduciary services unit and are similar to all Bank-financed projects in the sector as well as in other Ministry's areas engaged in project implementation. This suggested the design of a comprehensive sector GAC Plan in order to address systemic issues and get an impact across sector.

The GAC is based on the identification of overall governance risks as well as specific performance risks identified during the preparation of the Emergency Project for the Prevention and

Management of Influenza (LN7847) and Essential Functions and Public Health Programs FESP II (LN 7412 AR). The Plan is intended to raise red flags and risks of fraud and corruption but also to align management of Bank-financed projects with the strategic objectives of the Ministry and priorities, and to strengthen its overall management capacity for delivery of health services.

While underway, the implementation of specific actions in the GAC Plan has helped to put in place:

- System and procedures for monitoring of reception, storage, certification and recording



*We wanted to make sure that the plan would help raise red flags and uncover risks of fraud and corruption. It also needed to align management of Bank-financed projects with the strategic objectives of the Health Ministry and help strengthen the Ministry's overall management capacity for improved delivery of health services.” —Keisgner Alfaro*

- of health goods and consumables at the federal and the provincial levels
- A ministerial committee for reception and certification of deliveries
  - Identification in the procurement plan of contracts of goods and services which require the design of complex/ specialized technical specifications or terms of reference
  - Procedures and forms for preparation of technical specifications, goods availability in the market and a verification list of technical requirements relevant to the design of technical specification
  - Updates of cost estimates (CO-1) not later than 30 days before advertising of procurement notices
  - Advertisement of SPN in 3 local web pages, in addition to UNDB and dgMarket
  - Regular update and use of the list of potential supplier database
  - A digitalized filing and management system for key documents.
  - Joint preparation and update of procurement & budget plans ensure consistency with budget allocation.
  - Integration of financial management and procurement functions through adoption of the UEPEX-SEPA interface with Bank technical assistance.
  - UFI-S's contract management monitoring system includes alert mechanisms to follow up on payment processing time

The GAC Plan is comprehensive in scope and multidisciplinary as it includes a wide range of thematic areas such as procurement planning, management of procurement, financial management, contract administration, goods and ser-

vice delivery and supply change and specialized technical areas. The plan was designed as a risk-based tool to help the Borrower to prevent risks of fraud and corruption but also to build capacity in different areas of the Ministry across sector.

The Plan involved an in-depth institutional capacity assessment of the fiduciary unit and several Ministry's line executing units at early preparation stages of the Provincial Health Insurance Project as well as the analysis of three Bank-financed projects under implementation towards identification of common issues and risks affecting management of procurement and identification of red flags.

### Keys to Success

Planning of tasks involved extensive Bank team meetings prior to the drafting the plan matrix. The plan format was innovative and key to ensure that data entry relevant to a wide variety of issues, areas and disciplines were collected and incorporated. The plan preparation was led by the Country Procurement and Financial Management Specialists and called for extensive input, peer reviews and discussions with the Bank team, the LC7 CMU, LCSPT and INT staff. The GAC Plan has been used as a guide for the preparation of a high-risk project replicated in another sector of Argentina.



# Use of Country Institutions for Project Audits

## Government Oversight for Bank-Funded Projects

As Colombia strengthens its economic base and its leadership role in the region, it is increasingly focused on building its public financial management infrastructure. Since 2007, the World Bank has supported these efforts by working with the government to incorporate oversight of Bank-funded projects into the country's own audit processes.

### Project Team

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Xiomara Morel  
Luz Zeron  
Manuel Vargas  
Daniel Boyce  
Victor Ordoñez  
Diomedes Berroa  
Santiago Torres  
Tomas Socias

**Y**es, there have been a few bumps in the road. There have been costs and growing pains associated with converting project processes from an outsourced function to one that the government takes on as part of its duties. A recent review of the World Bank's implementation experience in Colombia revealed on-going issues and underscored the need for additional improvement, particularly in some audit processes and reporting mechanisms.

Still, the transition from the general use of private auditors in Bank-funded projects to oversight by Contraloría General de la República—Colombia's Comptroller General's Office—has enabled a stronger partnership and led to new avenues of technical assistance that the Bank's Financial Management and Procurement teams are now providing. In fact, the Bank's recent review affirmed the general success of the tran-

sition, concluding that audit of Bank-financed projects should continue to be done by the CGR.

Now, the CGR is introducing new audit guidelines, with a risk-based approach designed to streamline and enhance the government's audit process. The Bank team is supporting these efforts, along with other activities. Highlights of the team's current work include:

- Assistance in building up the Colombian government's audit capacity: benchmarking performance; support for modernization activities in partnership with other donors
- Training workshops: to prepare for upcoming project audits
- Procurement guidance: clarification of Bank procurement procedures; guidance on donor harmonization and on reviewing and updating national procurement regulations





*Procurement has been a particular area of concern raised by project staff and this joint FM/ Procurement effort has been greatly appreciated by our clients.”*

— Jeannette Estupiñan and Diomedes Berroa

While far from complete, the shared commitment to a country systems approach has allowed the initiative to proceed in the right direction. The goal: strong oversight of Bank-financed projects as part of a sound public financial management system that can expand and evolve along with the nation’s economy.

► Colombia’s government auditors gather at the conclusion of an annual fiduciary training event, sponsored by the World Bank and other partners.



### Keys to Success

- Bank’s diagnostic work: supports expanded use of country systems
- Consensus on framework: guided by a memorandum of understanding with the government, a terms of reference template adapted to each project, and integration with the Colombian comptroller’s own audit planning and guides
- Bank staff commitment: willingness to address concerns, provide guidance and training, and review and follow up on audit reports



## Governance and Anti-Corruption

### A Broad-Based and Government-Led Initiative

The Dominican Republic's complex governance environment poses obstacles to sustainable, equitable, and inclusive growth. Its citizens lack confidence in their government's ability to fight corruption. The perception of risk prevents new foreign investment in a country with much to offer. Now, a government-driven initiative to root out corruption and strengthen financial oversight is resulting in tangible progress.

#### Project Team

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 Catherine Abreu Rojas  
 Roby Senderowitsch  
 Pedro Arizt  
 Ignacio Otalora  
 Davide Zucchini  
 Andrea Galina  
 Sarah Keener  
 Gisela Redondo  
 Leandro Pons  
 Alejandra De la Paz  
 Maria J. Hermann  
 Pamela Mieses  
 Virginia Ricart  
 Cairo Arevalo  
 Tiina Marijaana Hypponen  
 Miguel Eduardo Sánchez

**T**he 2009 Participatory Initiative Against Corruption, known by its acronym IPAC, brought together representatives from key government agencies, civil society and the Dominican Republic's development partners, including the World Bank. The goal: to define a governance and anti-corruption strategy and identify tactical measures to accomplish the strategy.

Playing a key role in the highly participatory and inclusive initiative: the regional Financial Management and Procurement teams. They helped facilitate working groups charged with developing recommendations for procurement and public financial management reforms and steps to implement the recommendations. They also provided on-going guidance and support over the course of the two-year effort as groups debated the issues and fine-tuned their proposals.

In public financial management, recommendations included increased visibility for government budgets, implementation of Single Treasury Ac-

counts and a Common Assessment Framework, and improved inter-agency coordination.

In the procurement arena, working groups proposed improvements to the nation's procurement portal, and enhanced social monitoring mechanisms. The groups also suggested new compliance guidelines for government contracts, among other proposals.

While considerable work remains, a monitoring report conducted in February, 2012 revealed progress on 20 out of the 30 recommended reforms. Evidence of change includes:

- Movement on establishing a Single Treasury Account as a pilot in nine ministries
- Creation of a user-friendly citizen's portal for increased public access to government budget and finances
- Streamlining of procurement functions under the country's National Procurement Agency



*The approach was not to frame this as a diagnostic exercise—a myriad of these had already been completed for the country. Instead, groups worked together to identify concrete, actionable and objectively verifiable recommendations with the potential to be successfully implemented in the short and medium term.” — Maritza A. Rodriguez and Catherine Abreu Rojas*

The effort is resulting in some hard-to-quantify positives—including improved relationships with development agencies and non-government organizations that monitor government activities. Of note, the initiatives are endorsed at the highest levels of government as well as by civil society and have received positive media attention.

▶ Positive media coverage of the anti-corruption initiative.

▶▶ February 2012 update on progress of the initiative brought together key government representatives, development partners and senior World Bank officials.



### Keys to Success

- Open and honest dialogue and participation from government officials, development partners and civil society
- Demonstrated government commitment to the goals of the initiative



# Reconstructing Accounting and Auditing

## Improving Accounting to Stimulate Business Growth

Of all the challenges facing Haiti—crushing poverty, recovery from the devastating January 2010 earthquake, public health crises, political turmoil—accounting standards for private businesses might not seem high on the priority list. And yet, lagging private sector growth is getting in the way of the country’s ability to address its development challenges. Improvements in the overall business climate—including increased focus on firm-level governance and transparency—could help attract new investment, stimulate new economic development, and create new opportunities for the people of Haiti.

### Project Team

Franck Bessette

Josue Akre

**H**indering progress on improving the investment climate is a weak, unevenly-enforced set of accounting standards for businesses, as well as a resource-challenged accounting industry. A severe brain drain, as trained professionals emigrate elsewhere in pursuit of better opportunities, combined with the industry’s negative public image, divisions within the profession, and the central accounting institute’s lack of capacity make the problem worse.

Now, a bold and multi-pronged effort is addressing this situation, spearheaded by the World Bank’s Financial Management team, as part of the Bank’s overall Financial Sector Reform and

Strengthening Initiative in the country. The focus is on building the accounting profession and strengthening the accounting and auditing practices of businesses in Haiti by adopting international standards and best practices.

Among the achievements to date:

- Development of Country Action Plan: The government has formulated a National Strategy and Action Plan for improving accounting and audit practices to support private sector development and financial sector stability. Endorsed by the Ministry of Finance and the office of the Prime Minister, the plan will be



*The development of a balance sheet database might be useful in other conflict or fragile situations where there is limited statistical capacity and where reliable information on businesses might be lacking, as is the case for Haiti.* —Franck Besette

▶ A view of Port-au-Prince

▼ As Haiti goes about the slow process of physical rebuilding after the 2010 earthquake, the country also is rebuilding its economic infrastructure, improving the investment climate and adopting international accounting standards.

(Photo Credit: Romel Simon @World Bank)

developed and implemented by accountants themselves, as represented by Haiti’s Institute of Licensed Professional Accountants.

- Design of a gradual and multi-tiered adoption of International Financial Reporting Standards: The standards are customized to Haiti’s business population, characterized by a handful of medium and large firms and many small ones, and include a simplified version for smaller businesses.
- Creation of balance sheet database: The database feeds financial information into the National Accounts framework and fills gaps in business statistics.
- Interaction with the country’s tax administration: Engagement here involves assessing po-

tential fiscal impacts of adopting international standards.

While still in the early stages, the work is contributing to a gradually improving investment climate, which, in turn, is helping to stimulate new business growth—sorely needed in this struggling country.



### Keys to Success

The regional FM team says that the broad support across the government and private sector has been a key factor for success to date.





# Accounting and Auditing as Development Priorities

## Enhanced Financial Reporting for Business Growth

Suriname, South America's smallest country, has an export-oriented economy dominated by many small and family-owned firms that are constrained because of limited access to capital. Following 30 years of limited engagement here, the World Bank is partnering with the government on a new initiative designed to enhance financial reporting standards and practices, to help businesses overcome these constraints.

### Project Team

M. Mozammel Hoque

M. Zubaidur Rahman

Cyril Soeri

Paul Dowling

**O**ne factor impeding access to credit in Suriname is that financial information about firms seeking credit is either insufficient or unavailable, making it difficult for potential lenders to assess a company's ability to repay loans. A lack of reporting standards—and of professional accountants with the skills and training to conduct audits and provide guidance—adds to the challenge.

The regional Financial Management team helped the government make the connection between strengthening its financial institutional framework, introducing accounting best practices, and addressing its development priorities. The team participated actively in the early stages of the revived dialogue between the Bank and the government, demonstrating the importance of elevating accounting and auditing issues among other critical development priorities.

As a result, the government determined that the process of strengthening financial reporting could be a starting point to a broader re-engagement, beginning with a review of the current situation through the Bank's Accounting and Audit Report on the Observance of Standards and Codes. The FM team carried out the A&A ROSC in collaboration with the Ministry of Finance, the Central Bank of Suriname, and the Suriname Association of Accountants.

Policy recommendations and action plans in the report focused on:

- Designing a legal and regulatory framework for Suriname's accounting and auditing profession
- Improving the technical skills of accountants and auditors
- Enhancing the capacity of the country's accounting association and educational institutions



*The FM team took advantage of every opportunity to discuss where we—and the Bank as a whole—could contribute to the country’s development objectives. As the government considered its options for re-engagement with the Bank, it was decided that the A&A ROSC would be one of the key vehicles for launching this new relationship.” —M. Mozammel Hoque*

The ROSC also provided an opportunity to discuss public sector accounting and auditing issues with government authorities. This led to additional Bank engagement, with the preparation of a fiduciary note and assistance in the design of a public financial management reform strategy. The Bank collaborated with other development partners on these activities.

Meanwhile, the FM team is continuing its work in Suriname in partnership with government officials, professional associations, and educational institutions, acting on the recommendations in the reports.

▶ A spokesperson for Suriname’s Ministry of Finance responds to the FM team’s report on the A&A ROSC findings.



### Keys to Success

- A seat at the table in the early stages to elevate the importance of accounting and auditing issues
- Collaboration with the Bank’s country management team
- Partnership with a local consultant who understands the situation on the ground and can open up lines of communication with key local players



## Regional Cooperation

### Sharing Accounting and Auditing Knowledge and Best Practices

Sound accounting and auditing practices are cornerstones of a well-functioning market economy and an efficient public sector. They also contribute to equitable and sustainable economic development. In Latin America and the Caribbean there is a continuing effort to adopt international accounting and auditing standards, with the goal of improved regional cooperation and better integration with the global economy. The World Bank and other development partners are supporting this work.

#### Project Team

Daniel Boyce  
Melissa Paredes  
Eriko Tominaga  
Henri Fortin

**T**he Accounting and Accountability for Regional Economic Growth initiative, known regionally by its Spanish acronym CReCER, promotes high-quality financial reporting, development of professional accounting bodies and institutions, and improved public sector financial management, with the ultimate goal of enhancing regional economic growth and governance.

CReCER activities are supported by global partners, with grant funding provided by the Spanish Fund for Latin America and the Caribbean.

Among the critical components of the initiative are the knowledge-sharing and peer-to-peer learning activities. These activities help encourage dialogue between clients, allow for the sharing of knowledge and international and re-

gional best practices, and enable creative problem-solving based on lessons from first-hand experience.

Flagship annual conferences, organized by the global partners and country accountancy organizations, showcase the best of the year's work on the accounting and accountability agenda, providing a forum to showcase innovative approaches and best practices.

Other knowledge-sharing and learning activities include:

- Community of practice: links practitioners, academics, and other interested parties; currently has more than 400 members
- Regional distance dialogue series: videoconference series to discuss topics related to fi-



*“Since the inception of the annual conference, we have noted two positive and clear trends among countries in the region: a shift in emphasis from promoting the adoption of international standards to supporting their implementation; and an increasing level of interest in public sector issues.”*

—Daniel Boyce

financial reporting, with participants from five or six countries

- Learning tools: translations of international accounting standards, training modules and handbooks into Spanish, and train-the-trainer events

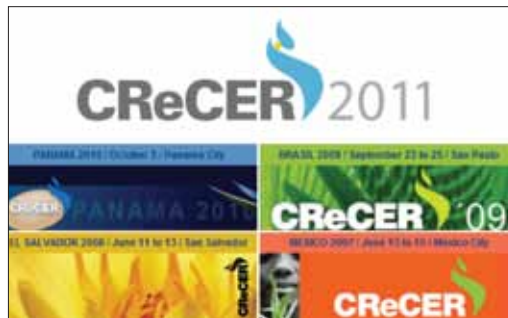
The project team notes that the activities have helped promote intra-regional cooperation while generating interest in corporate financial reporting and public financial management improvements across the region. In several coun-

tries, there is a heightened focus on critical issues such as financial and private sector development, corporate governance, and governance and anti-corruption.

The increased engagement and interaction also fosters stronger cross-border relationships and better working partnerships, contributing to increased integration into a globalizing marketplace.

Ultimately, the goal is to develop the CReCER initiative into a sustained effort of regional-level cooperation, knowledge sharing, and mutual learning, which is owned and managed by regional organizations and partner countries.

► Countries in the region rotate host duties for the CReCER annual conference.



► Small table groups at a train-the-trainers workshop.



### Keys to Success

The CReCER conferences and related activities have been successful because they address emerging and relevant issues, have the support of multiple stakeholders, and address pressing needs for the countries involved, according to the team.

# Middle East & North Africa

- Egypt
- Egypt/Region
- Iraq
- Tunisia
- West Bank and Gaza
- Region



Middle East





& North Africa

# Oversight for Listed Companies

## Facilitating Private Sector Development

There is a growing body of evidence that connects better governed companies with improved performance and broader economic development benefits, such as job creation. In Egypt, an IDF grant-funded program to enhance the monitoring and oversight capabilities of the financial authorities is contributing to governance improvements in publicly-listed companies. This is an important effort for a country experiencing turbulent times, rooted in part in economic- and governance-related issues.

### Project Team

Akram El Shorbagi

Wael El Shabrawy

Rania Zaki

The program had a specific focus on information disclosure, with a goal of improving the way publicly-listed companies conduct their financial reporting. The work targeted the Financial Reporting Compliance Unit of Egypt's Financial Supervisory Authority, providing tools, training and guidance to enable efficient monitoring of listed companies' compliance with international accounting and auditing codes and standards, financial laws, and regulations. Efforts also focused on establishing mechanisms to punish violators.

As part of the program, the regional Financial Management team arranged for a knowledge exchange and study tour in the United Kingdom, which has a financial oversight structure similar to that of Egypt. During the trip, staff of Egypt's compliance unit met with representatives of leading accounting bodies, and worked

with British counterparts on ways to adapt UK best practices to the Egyptian context.

The compliance unit initiated some major changes as a result of the program. Among them:

- Designed standardized operating procedure for reviews and an accompanying manual and trained staff on new approach
- Up-dated by-laws
- Installed new software to help analyze market information
- Signed an agreement to enhance transparency and cooperation with the government's audit authorities

Ultimately, these changes will have a positive impact on Egypt's private sector, helping to stabilize the nation, and contributing to improved governance and stronger economic growth.



*The enduring commitment of the Egyptian Financial Supervisory Authority was apparent every step of the way, as they evaluated each component of the program for how it would enhance their performance.” —Akram El Shorbagi*

► Improved financial oversight of Egyptian companies can enhance their performance and create more jobs, helping to stabilize a country that has experienced recent turmoil and civil unrest. (Photo credit: IFC@World Bank)



### Keys to Success

- Strong commitment from the World Bank and the Egyptian Financial Supervisory Authority
- Continuous communication between the two parties beginning at preparation stage to identify the exact needs of the authority, through the implementation stage



# Public Funds Oversight

## Reducing Waste, Fraud, and Corruption

A year after Arab Spring, uncertainties remain. However, it is clear that the people of Egypt—and the entire region—are demanding more when it comes to accountability in the use of public funds. Did promised road upgrades happen? Did funding for new schools result in getting them built? Is there more reliable power for longer periods of time during the day? In this context, a combined Financial Management and Procurement team undertook an enhanced review of the World Bank’s Egypt portfolio, which is managed by Egyptian government authorities.

### Project Team

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Mahmoud Gamal El Din

In collaboration with the Internal Preventive Unit and the regional Education staff, the team looked in depth at the portfolio to evaluate the fiduciary quality, uncover problems, propose mitigation measures, and identify opportunities to strengthen accountability measures. The review also identified ways to encourage greater stakeholder participation in risk monitoring.

The team conducted desk reviews and site visits, with a particular focus on the water, education, and power sectors, because they represented the largest portion of the portfolio by contract size, and hence, had the greatest risk factors. Specifically, they looked at implementation arrangements, funds flow and Designated Accounts management, procurement issues, social accountability measures, mechanisms for reporting allegations and complaints, and integrity risks.

On the procurement side, work involved conducting a Procurement Post-Review. For this, the team pulled a risk-based sample of signed contracts that fell below the prior review threshold and analyzed them to ensure conformity with the Bank’s procurement guidelines and procedures.

As part of this enhanced review process, the team recommended several actions:

- Change organizational arrangements to mainstream governance and anti-corruption measures across the entire regional portfolio
- Encourage policy measures to strengthen internal controls over expenditures within line ministries, including support for Egypt’s supreme audit institution
- Incorporate governance considerations as part of project preparation cycle



*In Egypt, most of the Bank-funded projects are implemented by government entities and staff using the country's internal controls and reporting systems. Therefore, efforts to improve the financial management of Bank-funded projects also will improve oversight of other resources managed by these implementing entities, bringing broader benefit to the people of the country.” —Soukeyna Kane*

- Create a financial management and accountability handbook in English and Arabic to provide guidance on implementing Bank-financed projects

The enhanced portfolio review and follow through on the resulting recommendations will help the Bank take advantage of the unique opportunity presented by the Arab Spring. With newfound government momentum for reform, the Bank can pursue a governance agenda that includes openness, transparency and strong fiduciary management.

### Keys to Success

The project team notes that the methodology used for the enhanced review is easily customizable and can be replicated in other countries throughout the region. They say that the remarkable cross-departmental collaboration at every step along the way made the difference in this project.

► Public protests during Arab Spring have created an opportunity to strengthen financial oversight and governance for donor-funded projects in Egypt, where the government manages the finances and reporting for such efforts. In addition, improved financial oversight of Egyptian companies can enhance their performance and create more jobs, helping to stabilize the country. (Photo credit: Kim Eun Yeul @World Bank)





# Financial Reporting for Smaller Businesses

## Improving Access to Credit

As in many other regions, small- and medium-sized businesses represent a significant segment of the private sector in the Middle East and North Africa. Combined, they hold the greatest potential for job creation and economic growth. But they are often constrained by their inability to access the capital they need, made worse by the frequent disconnect between the way they report their financial status and the kind of information the banks want.

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### Project Team

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One way to address this situation is for countries to adopt the newly developed International Financial Reporting Standards for Small and Medium Enterprises. But there is a significant educational effort associated with moving toward broad-based adoption of the standards. It involves getting the information out to the small business community, working with banks so they will accept what's provided on the reporting forms, and engaging with auditors and financial regulators, so they can distinguish between what's required on the full standards and on the new standards for SMEs.

The regional Financial Management team understood the issues, and decided to take action. They organized a seminar that drew representatives of small and medium business associations from across the region, to share knowledge and information on the new standards. The three-

day event in Cairo also included external auditors, capital market authorities, and representatives from accounting associations from diffident countries, who came together to learn more about the standards.

During the event participants heard presentations from experts affiliated with the International Accounting Standards Board. They had opportunities to share their own experiences and challenges, while getting guidance from world-class professionals.

Coinciding with the inauguration of the Egyptian Stock Exchange for SMEs, the event presented an opportunity to work with officials from the Egyptian Capital Market Authority and external auditors, so they could begin to identify a plan for adoption.



*An important aspect of the seminar was the ability to engage in give-and-take about ways the regional Financial Management team could support clients in their effort to move toward adopting the International Financial Reporting Standards for SMEs.” —Patricia McKenzie*

Small businesses throughout the Middle East and North Africa could gain easier access to credit after their nations adopt financial reporting standards designed for smaller businesses.

▶ Measuring cloth at a Cairo tailoring shop (Photo Credit: Michael Higgins @IFC)

▶▶ Agribusiness in Morocco (Photo Credit: Scott Wallace @World Bank)

Drawing more than 80 participants, the event was the first step in a continuing educational effort that will help small and medium businesses access the credit they need to grow and thrive, yielding economic dividends for countries throughout the region.



### Keys to Success

The diverse range of participants, and their level of interest in the topic, contributed to the success of the seminar, according to the team.

◀ Aluminum frame manufacturing in Yemen (Photo Credit: Dana Smillie @World Bank)



# Procurement Audits

## Improving Integrity of Public Procurement

In Iraq, nearly half of the public budget—an estimated \$36 billion in 2011—goes toward procurement. But internal controls are weak and the legal basis of procurement is unclear and poorly implemented. So it's not surprising that corruption is a major problem. Aware that the pervasiveness of the problem was getting in the way of recovery and development, as well as its own limitations, Iraq's supreme audit agency turned to the World Bank for help.

### Project Team

Mona El-Chami  
Nazaneen Ali  
Patrick Mordacq  
Hawazin Hameed

The Iraq Board of Supreme Audit wanted assistance in modernizing its methodologies and in strengthening the skills of its staff on two key aspects of the procurement process: before contract signature, and after contract implementation.

In response, the regional Financial Management team, in collaboration with their Procurement colleagues, devised a program that would address the specific gaps as identified by the BSA, as well as build a foundation for the future. One component of the program would be a procurement audit peer review conducted by the French Court of Accounts, to evaluate a representative sample of the BSA's procurement audit reports. The other aspect of the program would focus on training and building the BSA's own capacity to train its staff, in partnership with the International Training Center of the International Labor Organization.

It was a good plan.

But the plan hit a snag, because Iraq's on-going security situation limits mobility and connectivity. Meeting with BSA staff at their offices, accessing important documents, talking to key stakeholders on the ground—such basic building blocks of the program became logistical nightmares.

So, the team took a different approach. They hired a local consultant who could meet with BSA staff on a regular basis in Baghdad. They engaged an international consultant, who reached out to supreme audit agencies in developed countries and connected them remotely with relevant counterparts in Iraq, through the local consultant.

The team also brought together the key players for knowledge-sharing workshops to discuss re-



*We have raised awareness on critical issues, given Iraqi auditors knowledge, tools, and access to information, and helped them elevate their audit standard to conform to international best practices. We hope that this work will make a real difference in attacking the corruption problem in Iraq.*

—Nazaneen Ali

sults of the peer review and next steps, as well as to train the Iraqi staff on procurement audit best practices. These events were held outside Iraq, due to security concerns.

Among the important results of this program: the BSA, a member of the International Organization of Supreme Audit Institutions, has improved compliance with the international audit standards of the organization.

► Workshop for Iraq's Board of Supreme Audit, held in Beirut because of security concerns in Iraq.



### Keys to Success

- Collaboration and cooperation between the regional Financial Management and Procurement teams throughout the process
- Professionalism of consultants
- Careful selection of knowledge providers
- Use of high quality tools and resources that continue to be shared by way of Marefah, the regional community of practice
- Commitment and buy-in from the Board of Supreme Audit and Iraqi officials: including a willingness to accept constructive criticism and use it to improve their system



# Oil and Gas Sector Oversight

## Cross-Regional Learning to Improve Audit Performance

Sound management of Iraq's abundant oil and gas resources is a key to the country's future stability and economic health. As part of the post-conflict rebuilding effort here, the World Bank's regional Financial Management team connected Iraq's Board of Supreme Audit with counterparts in other countries that have similar resources and industry structure. The learning and study tour program has helped build skills and enhance the knowledge base, for strengthened oil sector audits.

### Project Team

Patricia McKenzie

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**H**eld in Beirut, because of security concerns in Iraq, the event was designed to connect Iraqi auditors with experts in other parts of the world who could address the unique challenges associated with managing publicly-owned oil and gas resources.

To find the right experts, the Financial Management team reached out to colleagues in the Bank's Brazil country office for help. With a similar sector structure, including majority public ownership of Petrobras, one of the world's largest oil companies, Brazil could provide the Iraqis with insight into best practices as well as pitfalls to avoid.

Next, the team arranged for subject matter experts from Brazil's supreme audit institutions who could share knowledge and information about best governance practices for publicly-

owned oil resources. They also identified external auditors who had extensive experience working with big oil companies, who could speak to industry-specific issues.

During the workshop, Iraqi auditors worked through a real-life case study with the Brazilians, including an analysis of actual oil contracts. Sessions addressed the range of risks associated with this sector, as well as effective controls to mitigate these risks.

Following on the success of the engagement with the Brazilian experts, the team arranged for an audit performance workshop, led by experts from the Netherlands Court of Audit Performance. A highlight of this event was a tour of Beirut's sea port. Aside from the benefit of getting people outside of a hotel conference room, the site visit let the Iraqis practice newly learned





*By providing Iraq's Board of Supreme Audit with expertise in oil audit, especially in the new types of oil contracts that Iraq has just signed, it can provide the right oversight over the Iraqi people's main source of income. This is particularly important following the transfer of development funds control from the United Nations to Iraq itself.* —Mona El-Chami

skills in audit planning, interviewing and data collection. The field trip also drove home the importance of visiting performance sites, to see what goes on.

The expectation is that this effort will result in improved oversight and reduced corruption. The work is critical to the sustained and equi-

table development of a country that derives 95 percent of its budget revenues from its oil and energy holdings.

- ▶ The learning event with the Brazilian experts included role playing; the Netherlands program included a field trip to the Beirut port to practice recently learned interviewing and evidence-collecting skills.



### Keys to Success

- Cross-regional, cross-departmental collaboration
- Commitment to learning from Iraqi auditors
- Support from Lebanese and Beirut port authorities



# Baghdad–Business Community Briefings and Procurement Workshop

Corruption in Iraq is at the core of many deficiencies in public services and institutional operations. Over the past few years, the incidence of corruption has worsened and its impact permeates all sectors. The public procurement process also suffers significantly from corruption which puts an added strain on public finances. Looking for ways to engage with INT to move farther and enhance MNA's Anti-Fraud and Corruption efforts, MNAPR approached MNAFM, INT, and the CMU to propose a business briefings and procurement workshop for the business community in Iraq.

## Project Team

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**A**s part of the discussions and recommended actions for Iraq Country Portfolio Performance Review (CPPR)—May 2009 and in coordination with the Iraq Prime Minister Advisory Commission and the Iraqi Contractors' Federation, the Business Community Briefings and Procurement Workshop was organized in Baghdad—International Zone by the World Bank to strengthen the capacity of the Iraqi Private local contracting firms and vendors in procurement of works as well as to increase the fiduciary awareness and compliance with public procurement and anti corruption efforts.

The joint workshop was designed and delivered to achieve the following objectives:

- To contribute to a business community better educated on the Bank's efforts against fraud and corruption and the role this community may play in support of those efforts;
- To incentivize the private community's participation in Bank-financed contracts;
- To convey the Bank's commitment to ensuring level-playing field and transparency during the award and implementation of Bank-financed contracts;
- To raise awareness of the private community's role in providing independent monitoring and keeping a fair environment through its knowledge of available recourse mechanisms.
- To familiarize the business community with good financial management focusing on financial qualifications of bidders, which will

lead to better bids submission and efficient evaluation.

- To enhance bidders' knowledge of World Bank disbursement policies and procedures focusing on proper preparation of invoices, submission of complete supporting documentation, compliance with contracts, banking accounts, funds flow, and payment methods.

As the main outcomes of this collaboration, the path was prepared for better participation in Bank's financed contracts, and to have the business community to become the Bank's ally in its fight in preventing and addressing fraud and corruption in the country.

The emerging demand for results from civil societies in MENA is a key driver for strategic reforms in capacity building. To enable this, consultations with and the agreement of the private sector (through the Chamber of Commerce, Unions, and Bar Association) are mandatory. However, it can prove challenging to get the public and private sectors around the same table. Bringing in the input of private sectors companies, and unions, under the auspicious of Prime Minister Advisory Commission would help to

► MNAPR staff  
in action



get good results. The workshop was the first step that involved businesses. Their participation is necessary to help broaden participation and build trust among public and private sectors.

The Workshop provided the platform for the Government of Iraq, civil society, private sector, and World Bank to outline numerous issues relating to private sector participation, challenges in implementation of Bank-financed projects, and governance in Bank procurement. Participants were encouraged to move beyond simply discussing the challenges to providing short- and medium-term solutions.

### Keys to Success

- Bringing in the input of government, private sectors companies, unions, and civil society organizations together under the auspicious of Prime Minister Advisory Commission.
- Collaborating among different Bank's teams (INT, IFC, MNAPR, MNAFM, Country Unit)
- Focusing the discussions in a way that would achieve the collective acknowledgement that good governance in public procurement is dependent on a collective efforts of all involved stakeholders (government, civil society, and the private sector), each of which plays an important role in ensuring success.



## Public Procurement Reforms in Tunisia

For many years Tunisia has been saddled with an inefficient procurement system, in which the awarding of contracts often took years, and the potential for political interference was ever present. Since the Jasmine revolution, the Interim Government, with the support of technical advice from the World Bank, has passed a public procurement decree aimed at removing major bottlenecks and laying the groundwork for a wider public procurement reform program. These reforms constitute one among the main pillars a US \$500 million Governance & Opportunity DPL that has been jointly prepared with the World Bank, the African Development Bank, and the European Union, and the French Development Agency (and in collaboration with JICA and UNDP).

**T**he World Bank provided technical assistance to the Government of Tunisia to help the public procurement stakeholders in Tunisia identify and remove major bottlenecks in the current public procurement system that were compromising the effectiveness and efficiency of public expenditures. The goal was to streamline contract award procedures to ensure that the time from advertizing bidding opportunities to awarding the contract took no more than 4 months. In addition, other measures have been taken to increase the transparency and integrity of public procurement while ensuring its effectiveness, such as the mandatory publication of procurement notices (to ensure all business would have the same access to bid opportunities) and procurement award results on the free online portal (to ensure civil

society organizations and others would have the tools necessary to monitor expenditures); and the improvement of the existing complaint system (to ensure all would have the right to raise issues that might arise with awarding and implementing contracts).

The modernized public procurement system is expected to contribute, inter alia, to:

- Promoting equal opportunities and access to public procurement for all businesses,
- Keeping Civil Society informed about public procurement and use of tax payer money,
- Curbing corruptive and fraudulent practices.
- Reducing the bureaucratic process while maintaining control of the procurement proceedings,

- Delivering timely and more efficient services to citizens,
- Improving the timely implementation of the development investment policy, and
- Ensuring better use of public resources and value for money.

Although the new decree was only recently passed, its effects are already helping to improve the way contracts are awarded in Tunisia

The latest revisions aim at increasing the transparency and efficiency of public procurement with the following main changes:

In terms of transparency and integrity

- Publication, henceforth, of Invitations to bid, awards of contract and decisions of the complaint body (COSEM: Comité de Suivi et d'Enquête sur les Marchés) on the public procurement portal ([www.marchespublics.gov.tn](http://www.marchespublics.gov.tn)),
- Introduction of a standstill period of 3 days (between the publication of the award results and the notification of the winner) to allow bidders to complain to COSEM about the award results if any,
- Simultaneous submission of technical and financial proposals (instead of a 2 steps controversial procedure used in the past), and
- Simultaneous opening of the technical and financial proposals (instead of separate 2 sessions used in the past).

In terms of efficiency

- Introduction of new/higher prior review thresholds will reduce backlog of review cases and accelerate processing time,

- Introduction of a post-review concept will increase accountability of the public procuring entities,
- Submission to post review only for small contracts (up to: TND200,000 for works, TND100,000 for Goods and TND50,000 for consulting services), and
- Reduction of the award process duration to 2 to 4 months (instead of 3 to 6 months previously).

### Keys to Success

As a second step of the procurement reforms, the Government has launched, with the support of the WB and AfDB, a thorough assessment of the procurement system using the OECD/DAC Methodology for Assessing Procurement Systems aimed at undertaking a more comprehensive reform that would further fill the gaps assessed in the institutional and regulatory frameworks to increase their compliance with international standards. Furthermore, Tunisia was recently awarded an IDF grant to help implement the action plan resulting from the assessment and put in place a sustainable capacity building program to systematically increase the low public procurement capacity across the public sector. This program would focus on: (i) the completion of a needs assessment based on an initial review of the available expertise and existing trainings in procurement or public administration, (ii) the design of specific training modules for a sustainable Tunisian trainers program, and (iii) the design of a capacity building and skills updates program for Tunisian public procurement stakeholders.





# Reforming and Modernizing the Palestinian Public Procurement System

## Project Team

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**P**ublic Procurement in West Bank and Gaza accounts for around 10% of the GDP. The public procurement system used to be regulated by two separate laws; the first governs procurement of goods and services, while the second regulates procurement of construction. The Country Procurement Assessment Report (CPAR), prepared by the Bank in 2004, analyzed this legal framework and concluded that the existing procurement law and regulations are fragmented and incomplete and their implementation by various Palestinian Authority (PA) units is inconsistent. Furthermore, the CPAR highlighted other shortcomings in the institutional setup and procedural aspects for public procurement, as well as in the capacity of the civil service procurement workforce. The CPAR provided recommendations to assist the PA develop its capacity to plan, manage and monitor public procurement effectively; improve accountability, integrity, and transparency; prevent corruption; and increase opportunities for local suppliers, contractors and consultants to grow and prosper. The PA launched, with Bank support, the reform of the

public procurement system by the drafting of the new public procurement law and detailed implementing regulations in early 2006. However, the changes in the Government since 2006 and the unstable political situation have delayed the ratification and enactment of the law and regulations and prevented successful completion of the other reform activities.

The PA has been making major reforms to the Public Financial Management system, in part to provide comfort to donors providing substantial budget support. The Bank has played a strategic role with the reforms that are a central element of the annual Development Policy Grants (DPGs) - but has also been the lead provider of TA on procurement. Since 2006, the procurement law underwent several revisions, not of all which representing a positive step forward. These revisions were submitted several times to the Council of Ministers but failed to pass due to opposition by line ministries. In early 2010 the PA made another effort to revise the procurement law, in response to the Bank's advice. As a result, an inter-ministerial group of pro-

urement experts, representing major ministries of the PA, was mobilized to revise the draft law in accordance with the set of comments provided by the Bank. Over several months, the Bank provided its specialized expertise to work alongside the Palestinian team as advisors. Extensive and detailed comments had been provided by the Bank experts on multiple versions of the draft law, several of which were reflected in the Law.

The new Public Procurement Law was signed by the President of the Palestinian Authority on July 31, 2011 and published in the National Gazette of December 25, 2011. The new law is seen to reflect a good balance between the current means of the country and internationally accepted principles and practices, as embodied in the UNCITRAL Model Law on Public Pro-

urement of 1994. It lays down an acceptable institutional and organizational set-up for public procurement; provides comprehensive provisions on procedural matters and sets out provisions on transparency and accountability. The new law establishes a procurement policy entity, the Higher Council for Public Procurement Policies, that will assume an oversight role of all public procurement activity and ensure compliance with public procurement law and regulations. This entity would also be responsible for the development of procurement systems, procurement documentation, guidelines and manuals, training and public awareness campaigns. The new law also establishes a complaint mechanism and a dispute review body. To ensure transparency and efficiency, the law provides for routine dissemination of information on public procurement, including advance infor-



mation on upcoming procurement, advertising specific procurement opportunities, and the results of bidding processes.

The enactment of a good procurement law is only the first step in the development of a sound public procurement system, as other critical components need to be put in place. As such, the Bank provided an IDF grant in 2011 to support the PA in initiating the implementation of priority reform actions that would follow the enactment of the law, including the enactment of supporting regulations to the law, the creation of new procurement policy unit, the preparation of national standard bidding documents and procurement manual, and instituting a training program of the procurement workforce. Through the IDF Grant, the review of the supporting regulations, which were first drafted in Feb 2006 along with first draft of the law to accommodate the law in its final enacted state, is underway. Nominations are being considered by



the PA Council of Ministers for members of the High Council for Public Procurement Policies.

- Prior to its enactment, the procurement law underwent several revisions and was submitted several times to the Council of Ministers but failed to pass due to opposition by line ministries. A detailed analysis by the Bank experts of the 2009 draft Public Procurement Law identified numerous significant and undesirable changes that had been introduced and indicated major gaps which could generate serious confusion during the implementation of the Law. As such, the Bank advised the PA against the adoption of the 2009 draft.
- The Bank reiterated its willingness to continue its cooperation with the PA to ensure that the best possible procurement law that is aligned to international standards emerges from this process. Yet, the Bank emphasized the need for ensuring the involvement of the major stakeholders, particularly line ministries, purchasing agencies, the private sector, and civil society.
- The law is seen to reflect a good balance between the current means of the country and internationally accepted principles and practices. It allows for the overall construction of the legal framework for public procurement and the rest of the essential components of the procurement system to proceed without further extensive delay, and limits the risks involved in a further protracted process.
- The enactment of the law was included in the matrix of prior actions for the Bank-financed Palestinian National Plan-Develop-

ment Policy Grant IV and the associated donor-financed TF.

- The Bank team maintains continuous support to the reform process; an IDF Grant was provided to support the implementation of priority reform actions that would follow the enactment of the law.

### Keys to Success

- The law was developed in a transparent manner over several years of technical assistance with broad consultations, including with the private sector and Civil Society Organizations.
- The drafting of the law was a government-led process closely supported by the Bank, who provided its specialized expertise working alongside the Palestinian team, as advisors.
- The Bank used a combination of tools to support the reform process; (i) Technical Assistance for the CPAR and to support the drafting of the law; (ii) funding from the DPG has exerted additional pressure on the PA to implement the reform process; and (iii) the IDF Grant currently supports the PA in implementing the reform actions that would ensure effective implementation of the new law.
- Like any reform representing a major institutional change, the formal measures can only be completed over a multi-year plan, and special attention is required to build the capacity to support the new system..
- Public procurement reforms are most successful when adopting a comprehensive approach that takes into account the linkages between the public procurement system and other public sector management systems, including for example: civil service system, budget system, audit and control system, judicial system and anti-corruption system.



## Rapid Response

### Supporting the Arab Spring: Stepping Up to Address New Priorities

As citizen backlash against widespread fraud and corruption turned into a protest movement that has engulfed virtually the entire region, there is heightened attention to governance and new momentum for reform. The Financial Management and Procurement teams have reacted swiftly and decisively, ramping up quickly to meet the growing demand for knowledge, information, and education on how governments could become more open and transparent in the management of their public finances.

#### Project Team

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Anas El Mikias  
Laila Moudden  
Lamyae Benzakour  
Christian Kammer  
Sanjay Vani

**W**ith little time to spare, the teams moved rapidly to design and implement programs that would meet these new needs. They worked together and collaborated with donor partners, convening workshops and seminars to enable sharing of knowledge, exchange of ideas, challenges and experiences, and learning about global best practices.

Here is a look at some of the recent events:

- Program on Internal Control and Internal Audits: The focus of this Cairo event was on how to develop effective internal control and internal audit functions and why this is important. Topics included best international practices and regional needs and challenges; participants included senior ministry of finance officials from Bahrain, Egypt, Jordan, Lebanon, Qatar, Saudi Arabia, United Arab Emirates, and Yemen.
- Forum on Investigative and Forensic Accounting: Held in Amman, Jordan, this learning event brought together officials from the supreme audit institutions of Egypt, Iraq, Jordan, Morocco, Tunisia, West Bank and Gaza, and Yemen, as well as representatives from the Jordan Anti-Corruption Commission. Focus was on sharing knowledge about modern investigative accounting techniques and on training trainers who could teach other accounting professionals how to conduct a forensic audit.
- Maghreb Dialogue with Supreme Audit Institutions, Media and Civil Society: Bringing





*Given the effects of the Arab Spring, public institutions and those connected to the public sector can no longer afford to conduct business as usual. The World Bank can play an important role in helping them to meet their people's demands, and that's what these learning and knowledge-sharing events are doing.* —Phyllicia Mortey

▶ Christian Kammer leads a training session. The World Bank mourns Christian's sudden death. His spirit and his contributions will endure.

▶ Participants in workshop on forensic accounting, June, 2011, Amman, Jordan.

together government auditors, members of the media and civic activists from countries in the Maghreb, this event enabled a vibrant and free-flowing exchange of ideas and information. It provided a forum for auditors to share their findings in an accessible and understandable way, helping to make the process more open and transparent, and setting the stage for a future communication.



Already, this work is making a difference. Country audit professionals and finance officials have said that they are taking action based on what they have learned, with the goal of improving control functions, enhancing oversight of public finances, and rebuilding public trust through increased communication with the media and civil society.



### Keys to Success

- Donor collaboration
- Client-driven demand
- Participation from all countries in the region
- Creating an environment of trust to encourage open and honest sharing of experiences, challenges, and achievements
- Rapid response and flexibility when needs change



# Peer-to-Peer Knowledge Sharing

## Building a Financial Management Community of Practice

As waves of unprecedented change continue across the Middle East and North Africa, there is a groundswell of public support for increased accountability, transparency, and inclusiveness in the management of government finances. In response to client demand for more guidance on these issues, the regional Financial Management team is building a collaborative platform for learning and knowledge sharing on best practices in financial management, with a particular emphasis on corporate governance and accountability.

### Project Team

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Soukeyna Kane  
Rima Koteiche  
Lamyae Benzakour

The effort is part of a broader strategic focus on governance, transparency and accountability. It builds on the successes of several regional face-to-face peer learning workshops and conferences, with the goal of continuing the learning, give-and-take, networking, and sharing of lessons and experiences long after learning events end.

Called FM-Marefah—the Arabic word for knowledge—the technology-enabled community of practice provides members with a safe and secure space to interact and discuss issues. The sense of trust and safety is critical, given the uncertainties facing several countries in the region, and the sensitive nature of the topics under discussion.

Among the benefits of the new community of practice:

- Provides a low-cost, high-quality, long-term solution to the problem of how to continue learning following a learning event, and how to engage more people than an event could handle
- Gives lower-level staff access to the same quality knowledge as higher level staff who may have attended a face-to-face event
- Allows members to seek out other perspectives on technical/professional work-related problems quickly and easily
- Overcomes time zone and geography challenges
- Allows subject-matter experts to transfer knowledge swiftly and inexpensively
- Creates a forum for members to engage with



*It is notable that the MNA FM team was able to develop this cutting-edge and sophisticated learning, post-learning, and knowledge-sharing mechanism on a shoe-string budget without financial assistance from any other unit.” —Pat McKenzie*

civil society and the media about accounting and audit-related issues through dedicated discussion groups

At a time when clients are asking for more development assistance, combined with the increased public pressure for openness, accountability and transparency, and the Bank’s own budgetary challenges, initiatives such as this are mission-critical aspects of the effort to help client countries—and their people—fight poverty.

### Keys to Success

- Gain buy-in from senior management
- Determine the ultimate goal, such as long-term ownership
- Get clients involved in the process
- Engage with relevant Bank departments as soon as the concept is clarified
- Seek guidance from others—both inside and outside the Bank—who have set up communities of practice

► This simple Web site belies the important knowledge exchange it enables, for countries facing uncertain times.



# South Asia

- India
- Bangladesh
- Bhutan
- Pakistan
- Sri Lanka



South

The image features a large, light blue map of South Asia (India, Pakistan, and Bangladesh) centered on a red background. The background is a collage of faded, semi-transparent images of people in various activities, such as carrying loads on their heads, walking, and working. At the bottom, the text 'South Asia Region' is written in a large, light blue, sans-serif font. The word 'South' is partially cut off on the left side. The text is set against a solid red background that transitions into a light blue bar at the very bottom.

South Asia Region



**Project Team**

Susan Opper  
 Ayesha Vawda  
 Michelle Riboud  
 Benjamin Safran  
 Syed Rashed Al-Zayed  
 Dilip Parajuli  
 Mohammed Mokhlesur  
 Rahman  
 Subrata S. Dhar  
 Burhanuddin Ahmed  
 Furqan Ahmad Saleem  
 Zafrul Islam  
 Toufiq Ahmed  
 Marghoob Bin Hussein  
 Shakil Ahmed Ferdousi  
 Nadia Sharmin  
 Sabah Moyeen  
 Teen K. Barua  
 Marta Molaes-Halberg  
 Hena Mukherjee  
 Somasundaram  
 Swaminathan  
 Chau-Ching Shen  
 Helen Craig  
 Sandra Alborta  
 Nazma Sultana  
 Alejandro Welch  
 Shashi K. Shrivastava

## Changing the Way Donor-Funded Education Projects are Managed

### Results-based Funding and Use of Country Systems for Increased Accountability and Impact

Experience from other countries shows that results-based disbursement of donor funds, linked to the use of country systems to manage funds flow can incentivize better performance and ensure greater support from key government ministries to implement needed financial reforms. The Bangladesh FM team has designed an approach to financial management of Bank-funded education projects based on this global experience and local lessons learned to ensure that Bangladesh's school children receive the education they deserve.

**B**angladesh's lengthy development to-do list includes addressing the many challenges facing its education system: making sure that children from across the economic spectrum have equal access to quality educational resources; that students stay in school; and that children are learning, among other issues.

The World Bank's new sector-wide primary education program tackles the range of issues on multiple fronts, with increased focus on outcomes and results, tied to the government's own priorities.

The design of the program's innovative financial oversight system mirrors this approach, linking new project disbursements to outcomes and re-

sults, tied to the country's own financial management systems.

Among the key changes: moving from payment in advance for project-related services and activities to reimbursement after the fact for services rendered, which reduces transaction costs and enables the Bank to co-finance projects with other development institutions that don't follow the Bank's procurement guidelines.

To implement the approach, the team took these steps:

- Identified a series of "Disbursement-Linked Indicators": based on government priorities, these indicators form the basis of an objective



*Staff in Dhaka and Washington worked seamlessly together as a single team, and this contributed significantly to the positive results.” —Burhanuddin Ahmed*

determination on whether or not funds should be released toward project expenditures

- Engaged with relevant government agencies, ministries, and stakeholders to gain their agreement for the indicators approach—and for the actual list of indicators
- Gained government support for using the country’s existing financial management systems to oversee disbursements; partnered with Ministry of Finance to implement
- Assessed the country’s existing financial management capabilities, and identified an action plan to address weaknesses and build internal capacity

▼ End of the school day at Bangladesh’s Mauchak Scout High School. (Photo Credit: Scott Wallace @World Bank)

In implementing the approach, the team understood that it represented a significant change in

the way things have been done in Bangladesh. They worked tirelessly to overcome government objections, responding to all fiduciary oversight needs, and thinking creatively about how to address issues raised in areas such as the move from advance payments to reimbursement. This extra effort to engage with government partners and resolve their concerns has resulted in a positive dynamic that is contributing to forward movement on a broader array of policy-related reforms, the team says.



### Keys to Success

The joint Bangladesh team urges other teams to collaborate more closely and share ideas and knowledge to identify new approaches that will meet new needs.



# Collaboration between FM and Procurement

## Holistic Review of Project Spending Cycle

Just because a project complies with the rules does not mean that it achieves significant development impact. And that's a problem, especially in a country like Bangladesh, where the stakes are so high: 40 percent of Bangladeshis live below the poverty line; more than 40 percent of young children are malnourished.

### Project Team

Suraiya Zannath  
Ahmed Burhanuddin  
Hasib Ehsan Chowdhury  
Mahbubur Rahman  
Zafrul Islam  
Tanvir Hossain  
Muhammed Riadul Islam

**G**iven this situation, the FM and Procurement teams in Bangladesh decided it was time for a change in approach to standard fiduciary reviews.

The reason?

The conventional way to handle such reviews, while complying with the rules and regulations, was not thorough enough to uncover problems or mitigate risks.

The result?

Project results were negatively impacted, and scarce resources were wasted.

To address the challenge, the team looked beyond the usual processes, determining that a joint fiduciary review might help reveal hidden issues or trouble spots that otherwise might be overlooked. Together, they designed a new risk-based approach that delves into the entire ex-

penditure cycle, in a combined look at procurement, financial management and disbursement.

First undertaken in 2011, the integrated exercise revealed significant issues, including expenditures that were incorrectly classified, accounted for or claimed; misuse of procured resources; and failure to follow payment procedures. For each project reviewed, the team outlined an action plan with deadlines to address issues uncovered.

The process has helped to identify questionable expenditures and irregularities, enabling rapid corrective action so that project expenditures remain eligible and critical project activities can move forward.

The value of the joint review is reflected in several key ways, according to the team:

- Quick identification of irregularities in procurement processes and financial management



*Doing business as usual no longer works in today's complex development environment. You have to be creative and be willing to do things differently to achieve results.*—Suraiya Zannath

▼ Food security is an issue in Bangladesh. It is one reason why efforts to boost agricultural output and to ensure maximum impact of all Bank-funded projects are so critical, including responsible stewardship of the entire spending cycle

- for a complete, prudent expenditure cycle
- Joint response to client, enabling prompt action
- Reduced risk that project resources will be used improperly
- Better monitoring of portfolio performance related to FM and procurement
- Identification of skills gaps and development of appropriate training to close gaps
- Improved project implementation capacity
- Heightened potential to achieve development objectives

Future fiduciary reviews of projects in Bangladesh will make use of a similar joint approach. This will result in a greater degree of accountability to help ensure maximum development impact for projects undertaken.



### Keys to Success

The joint Bangladesh team urges other teams to collaborate more closely and share ideas and knowledge to identify new approaches that will meet new needs.



# An Emerging Model for Sustained Capacity Development with Better Results

The CPAR of 2002 in Bangladesh identified lack of professional competence in evaluation committees, low-quality documentation, poor technical specifications etc. as key reasons for protracted delays in procurement. Since the number of procuring entities was high and demand for capacity building was huge, it was difficult to have a strategy to meet long-term needs that would improve procurement performance. With Bank's technical assistance, Government started capacity development under Public Procurement Reform Project since 2003, and 1,800 staff were trained on a three-week program and 25 nationally certified trainers were developed by 2007. But there was still inadequate trained staff in many agencies, staff transfer/movement/turnover voided capacity building efforts and the Government's training program did not have means to sustain. The strategy needed a different train of thought.

---

## Project Team

Zafrul Islam

Tanvir Hossain

Mainul Husain Khan

**A**fter close consultation with four sectors (communication, local government, water resources and power) a follow on Public Procurement Reform Project II (PPRP-II) was launched on 2007 with a strategy to target some of the largest spenders of public fund (target agencies), namely Roads and Highways Department (RHD), Local Government Engineering Department (LGED), Bangladesh Water Development Board (BWDB) and Rural Electrification Board (REB). Implemented by Central Procurement Technical Unit (CPTU),

the nodal public procurement policy authority in Bangladesh, PPRP-II strategy was to ensure that there will be at least one trained person in 70% of the decentralized procuring entities of the target agencies. Furthermore, on the capacity building front, the project also aimed at institutionalization of procurement capacity through developing a faculty at Engineering Staff College Bangladesh (ESCB), a local training centre, offering under PPRP-II a wide spectrum of procurement training programs led by an international training consultant, while a re-



owned private university would conduct procurement core competence skill certification/ accreditation by twinning with Chartered Institute of Purchasing and Supply (CIPS), UK.

The first innovation was that this capacity building was aimed at developing the procurement environment in the country regardless of WB, ABD or any series of unique steps made the effort innovative:

1. Intensive 3-week program for procurement practitioners of target and other agencies: A Project Implementation and Capacity Building Consultant (Firm- ICDC) was selected. ESCB and Bangladesh Institute of Management (BIM) were nominated as training centers and three-week courses with every batch of around 30 trainees commenced. Target agencies filled around 70-75% slots, so there was high competition for the remaining 25-30%. The course covered national procure-

ment law, procurement of goods, works and services, contract administration and has a session on international procurement following Guidelines of WB and other DPs.

2. Distinct training modules/curricula for a wide spectrum of audience: Another innovation was identifying the wide spectrum The recipe included a variety of 2-3 day modular procurement training and one-day orientation workshops for

- focal persons,
- policy-makers,
- senior, mid and entry-level civil servants,
- planning, administration and finance cadre,
- municipality chairpersons,
- parliament,
- auditors,
- bidding community, and
- business community.

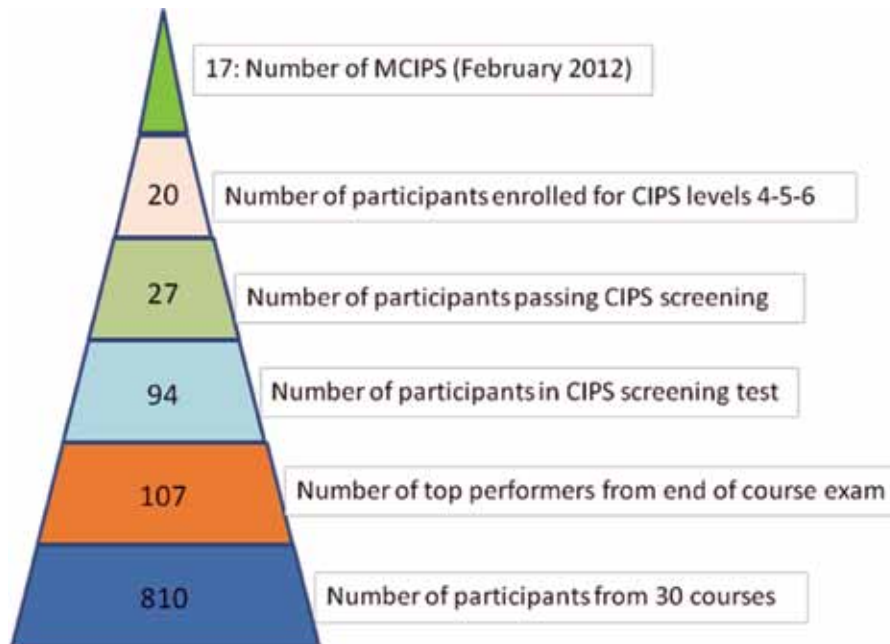
3. Introduction of Incentive Mechanism: The incentive mechanism after the main three-week course allowed qualified professionals to be masters of the game, by enduring the ordeals of fifteen courses at three levels of CIPS rigors in Bangladesh and UK, and join a coveted alumni of CIPS members (MCIPS). This incentive was not only a trigger to do well in the three-week basic procurement course, but a will among top performers to be internationally accredited professionals in procurement management. The incentive was realized in the following manner:

- Involve CIPS in project design
- Initiate talks with the Institute of Gover-



# Bangladesh (cntd.)

- nance Studies (IGS) under BRAC University (BRACU)
- Develop course contents and arrangements for delivery
- Government’s signing a contract with CIPS, with IGS-BRACU as nominated sub-consultant.
- Link with ICDC’s three week training program at ESCB.
- Training of Trainers (ToT) for courses under Levels 4 and 5 at IGS.
- ICDC evaluates three-week trainees through an exam at the end of course and sends list of top performers of first 30 courses of ICDC (107 persons)
- Government invites top performers to sit for CIPS screening, 94 participates, around 27 passes, and top 20 selected as Cohort-1 for CIPS accreditation and membership program (Levels 4-5-6).
- Levels 4 and 5 delivered at IGS, and 19 participants complete Level-6 at National School of Government (NSG), UK and 17 become MCIPS.
- 19 participants submit a dissertation/thesis to IGS and once Government approves the masters program of IGS-BRACU, at least 17 MCIPS will also have Masters in Procurement Management.
- 2nd Cohort of 20 participants selected from ICDC’s 24 three-week courses is completing Level-5.



#### 4. Institutionalization and Sustainability:

- A faculty is being developed at ESCB headed by a Dean and consisting of three trainers of different levels. Besides courses under PPRP-II, ESCB is providing fee-based training to other Government projects and private sector.
- IGS-BRACU, as a learning centre for CIPS, is providing fee-based Level-4 and Level-5 training to individual participants outside PPRP-II, naming it private sector cohort
- National Academy for Planning and Development (NAPD) is being developed as a 2nd training Centre for CIPS.
- other Development Partners. The other innovation was step by step binding of different blocks of the capacity building pyramid (figure 2). During project design and implementation, the following



#### Keys to Success

- Involving in project design different ministries of Government, the four target agencies, professional bodies of contractors and consultants in Bangladesh, ESCB and CIPS.
- Identification of target audience and customization not only according to needs, but also in blending into standard career training programs,
- Persistence on incentive mechanism and a structured implementation,
- Collaboration with other aspects of procurement reform i.e. procurement monitoring, electronic procurement and communication. The trainees took back with them elements of procurement reform to all parts of Bangladesh and the MCIPS are able ambassadors of the professional accreditation process.

# Strengthening Public Financial Management

## On-Going Commitment; Continuous Improvement

In a remote nation better known for its Gross National Happiness Index and soaring mountaintop villages than for its advances in management of public funds, a slow, steady transition toward best practices in public financial management is taking place.

### Project Team

Manoj Jain

Savinay Grover

Manvinder Mamak

Improving management of a country's finances is not a simple matter. Nor is it accomplished through a single intervention that might address one aspect of a complex situation at a fixed moment in time. Things change—even in overwhelmingly rural Bhutan, which recently witnessed the installation of the nation's first escalator, a sure sign of urbanization.

As things change, systems have to change as well. That's why the FM team's approach in Bhutan has been one of continued engagement, starting with a Country Financial Accountability Assessment in 2002, followed by two subsequent projects, all aimed at improving the nation's capacity to handle its own public financial management.

Key aspects of the Bank's efforts include introduction of legislation that mandates public funds accountability. Multi-pronged initiatives are designed close skills gaps, through training and new certification programs for accountants

and audit professionals, and capacity-building at the ministerial level. Additional work supports increased use of the country's own systems and processes to manage the financial aspects of Bank-funded projects.

The efforts are achieving clear and tangible results, with the nation scoring well on a recent assessment of its public financial management, the Public Financial Management Performance Measurement Framework. Among the positive outcomes to date:

- Development of public sector accounting standards, adopted in a phased manner
- Passage of a national public finance act
- Improvements in information systems and integration of computerized budgeting and accounting system into budgeting process for streamlined budgeting, accounting and reporting
- Strengthened internal audit, with presence in line ministries and dzongkhags, or districts
- Adoption of risk-based approaches and envi-



*Our guiding principle in managing Bank-financed operations in Bhutan going forward will be use of country systems, including maintaining local currency bank accounts and simplifying processes and procedures, as internal capacity grow to handle expanding public finance operations.”*

—Manoj Jain

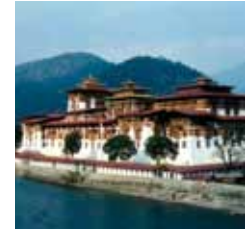
▶ As Bhutan evolves, there is increased demand for public services and infrastructure such as highways. There is also increased need for stronger oversight of the public funds that finance such improvements.

▼ View of homes. Bhutan. (Photo Credit: Curt Caremark @World Bank)

- Environmental audits by the Royal Audit Authority
- Production of reliable and timely financial statements and expanded availability of technical manuals to guide internal and external audits
- Increase in number of professionals trained in global best practices to manage critical public finance-related activities



The FM team is in the process of planning next steps for its Bhutan activities, including technical assistance, diagnostic work and other non-lending support, as determined by changing needs and driven by the nation itself.



### Keys to Success

The Bhutan FM team cites several elements that contribute to a successful, long-term effort:

- Listen carefully to client government to understand underlying issues and needs
- Build on prior projects when designing new projects
- Gain buy-in from officials and stakeholders at every point along the way
- Partner with and support the government in its efforts to strengthen public financial management





# Decentralized Audits; Community-Based Funds Management

## Bringing Clean Water to Rural Punjab

Past government efforts to get clean drinking water flowing to the rural villages of India's Punjab state have not gone well. The centralized model of funds management has not proven sustainable, in part because projects were designed and implemented with inadequate community participation. The \$154 million Punjab Rural Water Supply and Sanitation Project took a new and different approach, a decentralized structure that empowers local authorities to take control over funds management.

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### Project Team

Shyamal Sarkar  
Srinivasa Rao Podipireddy  
Tanuj Mathur  
Dhirendra Kumar

**U**nder the project, committees appointed by gram panchayats—local governing bodies—manage the water- and sanitation-related upgrades in their own localities. But with funds advanced to local communities in three installments to pay contractors, there was increased risk of financial mismanagement.

To improve fiduciary controls, and in support of the Indian government's overall strategy to give local officials more control over funds, the World Bank's regional Financial Management team implemented an innovative audit process that mirrors the project's three-installment contractor payment arrangements.

Here is how it works: For each local project, auditors visit three times—before the second installment, before the third installment, and after project completion—to review documentation and approvals and to confirm expenditures. Auditors must physically verify the assets, taking photos to prove they were there and that the work was complete. They report their findings to project authorities who can take corrective action as required.

Initial concerns that the process would be burdensome and could delay project implementation did not pan out. In fact, three years into the project, community auditors have completed



*The traditional approach to mitigating advance payments risks for such contracts was a single, post-completion audit. But this approach often resulted in audit findings that could not be satisfactorily resolved, because once the work had been completed there was little opportunity for corrective measures or for holding back funds.” —Shyamal Sarkar*

475 audits in 330 gram panchayats, and strong results are evident:

- Rapid response in audit reports: auditors are paying visits to villages and issuing audit reports within 15–30 days of the requests.
- Timely funds disbursement: progress as planned because village officials can request

audits under flexible arrangements to avoid delays in release of funds.

- Increased accuracy of overall gram panchayat financial records: audits are linked to release of funds, so books are updated with greater frequency.
- Standardized audit formats: includes a funds flow statement and a standard set of confirmations.

▶ Elected members of a gram panchayat listen to an auditor’s progress report on the local water distribution project.



Also of note: there has been zero evidence of funds diversion or misuse. In fact, the increased attention to basic fiduciary requirements at the very local level means all project funds are being used for their intended purposes, to ensure that the people of Punjab have access to clean, running water and better sanitation.



### Keys to Success

The team notes that frequent monitoring by the project management team has ensured that audit delays have not hindered implementation progress.



# Corporate Governance for State-Owned Enterprises

## Enhancing Institutions, Enabling Access to Finance, Strengthening Service Delivery

Enormous amounts of public funds flow to India's state-owned enterprises every year. These institutions deliver critical goods and services such as electricity, water, roads, schools and hospitals; they are a primary source of jobs; they generate significant revenue for the country; they account for one quarter of the nation's GDP. If these firms aren't managed properly, precious funds will be wasted. Citizens may not receive services to which they are entitled, development challenges could be more difficult to overcome and India's poor could struggle even more.

### Project Team

Manoj Jain  
Ramola Bhuyan  
Savinay Grover  
Manvinder Mamak

India's private sector has long understood the connection between good corporate governance and better-run businesses, increased efficiency, enhanced access to finance and improved business results. But most of the nation's state-owned enterprises were slow to embrace the concept.

It was a significant problem, given the dominance of state-owned enterprises in the Indian economy. Such companies account for 25 percent of the Bombay Stock Exchange's market capitalization and a large portion of firms in key industry sectors, including infrastructure, utilities, oil, gas and mining, and manufacturing.

Now, this is starting to change, thanks to an innovative approach that integrates corporate governance considerations into the Bank's funding determinations for projects with India's state-owned companies. The goal: to raise awareness of the importance of good corporate governance, the value that governance improvements can bring, and the steps firms can take to improve their governance.

Introduced by India's FM team, the Corporate Governance and Financial Accountability assessment has become a key aspect of the Bank's overall financial management due diligence on stand-alone, state-owned firms that might be eligible for Bank funding.



*There is an increased understanding of the business case for better governance and accountability among India's state-run companies—increased access to finance, reduced waste, improved efficiency, and enhancements to the bottom line.”—Manoj Jain*

Since the program's inception six years ago, a number of state-run firms have made significant governance improvements, based on recommendations from action plans that came out of their assessments and became part of project preparation and supervision. And more than 15 state-owned enterprises—in key infrastructure sectors—have received Bank funding following this assessment, representing a total of \$7 billion in Bank funding.

By building, strengthening and mainstreaming their corporate governance in line with internationally and nationally-accepted practices, these firms are enhancing their competitiveness—and their value—enabling them to raise funds in the market. In fact, some are divesting themselves of state support as a result.

▼ Delivery of power and upkeep on India's vital freight rail grid have improved as India's state-owned firms improve their corporate governance practices.

Ultimately, this heightened focus on corporate governance will benefit the people of India, freeing up public funds for critical social services and infrastructure, improving the compet-

itiveness of the economy and enabling reliable delivery of affordable services to more people in more parts of the country.

### Keys to Success

This initiative can be replicated in other developing countries that rely on state-owned firms for delivery of basic services, according to the SAR FM team. They note that:

- Circumstances vary from country to country, so projects should be designed based on the specific situation.
- Improving corporate governance for state-owned firms receiving Bank support requires a longer-term vision and a significant education component, to demonstrate the value of such improvements.



# Computerized Record-Keeping

## Accountability, Oversight, and Sustainability for Women's Micro-Credit Institutions

A project to expand access to finance for poor women in India's Tamil Nadu province had ambitious goals. But it faced constraints due to the massive manual effort required to document every transaction associated with small loans made to 60,000 women's self-help groups and their individual members, through 4,500 community-based federations.

### Project Team

Mohan Gopalakrishnan

Kevin John Crockford

Samik Sunder Das

Sitaram Machiraju

There were issues with the record-keeping: the sheer drudgery of manually maintaining a large number of accounting records, the need for continual training because of the turnover among bookkeepers, and varying practices in interest calculations and loan accounting, among others. This was making financial analysis difficult and undermining the ability to monitor portfolio performance across the program.

Now, the situation is changing, with the introduction of a computerized system that relies on simple, user-friendly, and multi-lingual software for accurate data entry, rapid loan processing, and reliable reporting, generated in local languages.

The system is being rolled out in phases, which started with an initial pilot for 120 community-based institutions, and has now expanded to include 1300 village organizations.

The FM team charged with implementation understood that the system needed to be tailored to users' educational level: bookkeepers with a tenth grade education and office assistants who have spent considerably less time in school. If they weren't comfortable or didn't understand, they would not use the system.

To ensure ease of use, the pilot phase included extensive user feedback, in areas such as robustness, ease of work flow and navigation, as well as software refinements based on this feedback.

While still early in the process, the FM team says that the value is already evident, in the enthusiastic embrace of the system by community bookkeepers and office assistants.

Benefits include:

- Better credit appraisal
- Rapid report generation





*In addition to the positive financial oversight impacts of this project, it has given the women bookkeepers a strong sense of accomplishment and heightened self-esteem. Almost all of them are first-time computer users, and this has opened up new worlds to them.” —Mohan Gopalakrishnan*

- Effective portfolio-at-risk analysis, for individual community credit institutions and across the entire project, to enable timely intervention and adjustments
- Freed-up time for bookkeepers and office assistants to focus on higher-value work
- Easier access to credit from commercial banks
- Improved auditing, accountability and governance
- Enhanced regulatory compliance

► Computerized record-keeping reduces errors, improves loan portfolio performance, and builds women’s skills in India’s Tamil Nadu province.



Next steps include scaling up and preparing to transition all 4,500 community federations to the computerized approach. Once fully scaled up, the transaction-based Management Information System will enable better monitoring of portfolio performance and the financial health of the federations and self-help groups.



### Keys to Success

The team says that this effort can be replicated in other similar projects both within the region and in other regions, because the software is multi-lingual. They note that the extensive involvement of the community institutions, including feedback during the pilot phase, contributed significantly to the success of the effort.



# Innovation in Design of Fund Flow

## Minimizing Red Tape, Maximizing Accountability for Ganges River Clean-up

The Ganges River accounts for one-fourth of India's water resources. The river basin is home to 400 million people. The Ganges courses through five Indian States, sustaining agriculture, industry, religious devotion, and people. But it is severely polluted: every day, raw sewage and industrial wastes flow into the Ganges, untreated. The government of India has developed a comprehensive vision for clean-up and conservation of this iconic river, supported by the World Bank's \$1.5 billion National Ganga River Basin Project.

### Project Team

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Srinivasa Rao Podipireddy  
Leslie Isao Kojima  
Ramola Bhuyan  
Papia Bhatacharji  
Kalesh Kumar  
Parthapriya Ghose  
Harinath Sesha  
Appalarajugari  
Sona Thakur

India's FM team recognized the critical nature of the undertaking, and that success of the effort would hinge in part on strong stewardship of funds. But given the complicated nature of the project, involving multiple federal, state, and local agencies and dozens of sub-projects, they realized that the traditional financial management approach would not work well.

To meet the unique needs of this project, the team designed a flexible, yet structured system that reduces the number of accounting entities to keep red tape to a minimum, enables operational efficiencies, ensures transparency, and optimizes financial resources.

Here's how it works:

- The federal agency overseeing the clean-up effort designates a large portion of the project

funding to corresponding state agencies.

- The state agencies hold their funds in bank accounts and designate portions of their budgets to specific local projects.
- Each local project implementation authority has its own zero balance bank account, linked to the state account.
- Local project authorities pay their own contractors within the scope of the approved annual action plan, through their bank accounts, making use of real-time funds transfers.
- Before authorizing payment of individual invoices, the bank verifies that the payment does not exceed annual amounts allotted to the local project as approved by the state agency.

The team also built in a monthly review process that requires the local project authorities to submit information about the month's financial activities to the state agency in a simple format.



*To streamline the financial management arrangements, the Indian government is adopting the same approach for funds it is providing towards the larger Ganga River Basin clean-up program.”*

—Papia Bhattacharji

Among the keys to success of the arrangement: use of the same commercial bank for all accounts, to allow for real-time viewing by state and central project authorities for a complete picture of financial activity .

The innovative approach helps mitigate the risks of inadequate financial management capacity at the local level, reducing delays in accounting, financial reporting and auditing, while empowering local authorities to make their own funding decisions. This enables funds to flow in appropriate ways and forward movement on the various pieces of this critical project, towards the project’s ultimate goal: ensuring that after 2020, no untreated municipal or industrial wastewater flows into the Ganges River.

▶ A boatman sits near the polluted river waters of the Ganges in Allahabad, India



### Keys to Success

According to the team, this approach could be replicated for any project that involves multiple sub-projects, involvement at many government levels and many implementing agencies with inadequate financial management capacity, to keep the number of accounting and auditable units to a minimum while allowing for better fund management.



# Market Survey of Manufacturers and Suppliers of Health Sector Goods in India

One of the weaknesses noted in Detailed Implementation Review (DIR) of health operations in India is the lack of understanding of supplier market by the Borrower as well as by the Bank, which has resulted in adopting inappropriate procurement method, qualification criteria, lot sizes and delivery schedules leading to restricted competition and increased chances of collusion. Because of fast changing supplier market for health sector goods, it becomes more important to periodically assess the market. Understanding of supplier market also minimizes the need for rebidding and related problems like stock-outs of drugs.

---

## Project Team

Shanker Lal  
G.N.V.Ramana  
Sangeeta Raja  
Andreas Seiter

**T**he overarching objective of this study was to support enhanced efficiency and economy of health sector goods procurement by suggesting measures to enhance better competition. Two distinct outputs were expected from this survey, first a database of manufacturers and suppliers (and their products) to improve the purchasers' understanding of the market, and second the feedback from the prospective bidders on the procurement process which may help in addressing their concerns to the extent possible.

The study identified certain barriers to better participation of bidders namely:

- tough qualification criteria
- lack of feedback to unsuccessful bidders
- delays in releasing payments
- inadequate time given for submission of bids
- outdated technical specifications compared to available technology
- using fixed price contracts for long durations
- tedious documentation needed as part of the bid
- delays in refund of Earnest Money Deposit



The study found that for most of the product categories, there are sufficient numbers of domestic manufacturers. However, majority of known manufacturers do not participate in government tenders (including those financed by the Bank) mainly due to barriers listed above.

In addition, a database (query based software) of about 260 manufacturers of health sector goods was prepared, which is aimed to provide the information to enable the Purchaser to decide the procurement method, lot size and post-qualification criteria.

The findings of the study are being applied by Indian Ministry of Health and Family Welfare in the procurement of Goods under Bank fi-

nanced projects. In the long term (provided the data is periodically updated), this is likely to result in better competition, better value for money and timely availability of essential drugs and other items.

Most innovative part of this study was collection of primary data from potential bidders using a market research approach, which involved compiling the list of frequently used health sector goods, stakeholder analysis, designing the survey questionnaires, identification of manufacturers and suppliers, deciding sample size, collection of data and analysis/interpretation of data. The inputs from a few purchasing agencies were also obtained. A professional market research agency was used for collection of data. Following are the main recommendations based on feedback received from the manufacturers/suppliers:

- Technical specifications should be reflective of recent advancements
- Use performance specifications in place of prescriptive specifications
- Subscribe to international databases on technical specifications for medical equipment
- Design realistic qualification criteria, in particular the turnover and production capacity
- Review the Bid Documents to make them short and crisp and seek only the essential information and documents with the bids





- Place the bid documents on the website for free access
- Add a checklist in the bid documents to help the bidders so that the incomplete bids are not rejected
- Improve Communication with prospective bidders during bidding process
- Accelerate the bid evaluation process
- Communicate reasons for disqualification or rejection of bids
- Streamline the refund process to ensure timely return of bid security
- Disclose the name of the winning bidder and contract award details promptly on website
- Monitor the product delivery, use professional logistics management agency's support (if required)
- Monitor pending payments, ensure payments are released within the period indicated in the contracts

The other important part of the study was to design query-based software which can be updated and expanded by the purchasing agencies. It can be hosted on a server and purchasing agencies can provide password based access to the manufacturers/suppliers so that they can log in and update their profile/data regularly. This software is to be used in determination of appropriate qualification criteria and other parameters for procurement of a particular product. As many of the manufacturers and suppliers were not willing to share data about them and their products, it is essential to edu-



cate them about usefulness of such databases and also assure them that data provided will be treated commercially confidential.

It was also essential to have the ownership of entire exercise by the Government, for which purpose close involvement of Government was ensured during the study. The team also closely worked with HNP sector in the Bank and peer reviewer for the final product included members of HNP team.



### Keys to Success

Most of the findings of the study are applicable to government procurement of health sector goods irrespective of whether these are funded by the Bank or other sources. Also these could be more or less applied to developing countries across the regions. Moreover, as the Indian pharmaceutical industry is a major source of supplying globally (particularly the generic drugs), the findings may be useful to health projects operating in other countries also where Indian manufacturers are intended to be used as suppliers.

Also the study methodology as well as questionnaires could be used for conducting similar surveys (either by the Bank team or the Government) in other countries as well as in other sectors. The database of manufacturers and their products could also be used by Purchasers in other countries.



## BRGB, the procurement newsletter going “Beyond Red and Green Books”

Procurement is a strange function, where success stories are hidden in appraisals and annual reports, while failures are reported as breaking news and as newspaper headlines. To address complex requirements, procurement professionals, in addition to their professional skills, acumen, knowledge, resources and experience, are required to create within themselves, a substantive knowledge base that is developed by reviewing case studies, past experiences, successful innovations, acclaimed practices and market condition reports and external research. Now all this does not come on a platter.

### Project Team

A K Kalesh Kumar  
Balagopal Senapti  
Payal Malik Madan

**B**RGB has now become a regional initiative and the carefully crafted content mix is probably the success mantra. The production team has set the following norms for all features and articles appearing in BRGB:

The contents of the newsletter has following norms

- NO Bank related items are carried in BRGB, except Birthdays of SARPS staff
- Every issue carries 2-3 Interesting News from procurement world on Procurement Strategies and Emerging Trends
- Every issue has at least one “Feel Good News” for the procurement fraternity - like the Procurement at Top table news which shows how our job is becoming high profile

- Every issue features one news items about any awards or international events coming up in procurement
- For the very serious audience, every issue also has a few cartoons and at least one procurement joke.

The newsletter has become a sought after read every month, as it has captured procurement in a very different light with a wide range of developments in the procurement world to the Bank procurement staff who in their quest to deliver every day, often tend to forget or ignore a big and happening world outside the World of our Bank. BRGB had show cased the procurement profession in its true respect, with trends, good practices, and market driven innovations, country level

reforms and even game changers in the procurement space outside the Banks boundaries.

To site a recent instance, when the Bank's procurement team was to provide substantiating data in support of the necessity for a public procurement bill in India, the previous searches for material for BRGB provided ready-to-use information and links came in handy to extract and compile the required data and reports. Getting involved in producing BRGB had helped the team in India to review and create knowledge base from many reports on use and impact of PP bills and laws in Latin America, Africa and Europe.

Started out of the enthusiasm of 3 staff members in Delhi office to "send something different with the usual new year greetings" on the eve of 31 December 2010, BRGB has now entered in its second year based on encouragement from the SARPS procurement management and great feedback from staff colleagues. The select feedback received from the colleagues shown below is testimony to its acceptability and readership. On the third month, the production team surveyed all staff in SARPS to know their interest in receiving the mailer and only one colleague expressed a desire to not to receive the same. To make the issues more participatory and to bring newer perspective, the team invited colleagues to become Guest Editors for each issue, resulting in an overwhelming support with 8 of the 12 issues getting volunteers from India, Afghanistan, Bangladesh and Nepal. The innovation here is to drive the procurement staff bogged down with routine jobs to innovate. As the BRGB tagline said in 2010 issues..."...away from AMS, OPs, BPs & NOLs, this is a snippet of procurement happen-

ings around us. An informal medium for procurement colleagues to share news, views and new developments in Procurement". Or as the success run of 12 issues has made the change of tagline to the 2011 "BR&GB in its second year, bringing news and views about emerging procurement strategy, trends, technology, personalities, etc. from beyond your work station.

### Keys to Success

One of the coveted readers of BRGB called it "an initiative to stimulate new ideas and thinking among staff" A Manager consider BRGB "a nice contribution to our (procurement's) communication tool kit.

BRGB is all about demystifying procurement as a dry and uninteresting subject. Or as noted in the December 2010 editorial, it's about changing the general perception that procurement professionals interact with more people within an organization and beyond the office, our interactions are expected to be limited to suppliers, vendors, consultants and at best the Govt. counterparts! Through news on emerging procurement strategies adopted by the world at large, BRGB signifies the importance the profession is gaining in the world.



# Customizing Capacity Building Solutions to Client and Project Context—3 Cases from India Portfolio

## Project Team

A K Kalesh Kumar  
Balagopal Senapti  
Payal Malik Madan



One of the most critical weaknesses that hamper smooth operations in Indian context, as may be in most developing countries, is the lack of procurement expertise and capacity with the Borrowers. This capacity constraint results in serious cost and time overruns and often poses threat to relations with Clients as the Clients complain delays for reviews and clearances. Much of the efficiency and economy gets compromised and development work does not reach the intended targets.


This story is about developing (i) a web enabled Procurement management Support System (PMSS) for the Technical Education Quality Improvement Project (TEQIP), (ii) DiPP—a graduate level diploma program on public procurement by the largest open university in South Asia offered through distance and e-learning platforms to about 1200 sub district, state and national level staff for National Rural Livelihoods Program (NRLM) and (iii) a customized procurement tool and training for use of 350 strong Performance Audit Wing staff of a state Government for concurrent monitoring and hand holding functionaries of 1000 Local

Self Govts. as part of Kerala Local Government and Service Delivery Project.

Conventional approaches of special purpose vehicles for procurement through PSAs, short term staff, consultants and/or stand alone training programs have limited success to develop sustainable capacity in institutions particularly with very high staff turnover. A conscious shift to develop capacity building solutions, contextualized to the profile of each client, scope and extent of procurement reach was made in 3 projects during 2010-11 period in India and these innovative approaches have resulted in institutionalizing efficiency in the systems.



Project	Procurement Challenge	Enabling Environment for Innovation	The Innovative Solution
<p>Technical Education Quality Improvement project (TEQIP) \$240 Million</p>	<p>i. Geography: ensuring consistency and adherence to procedures by 250 engineering institutions spread across 20 states;</p> <p>ii. Consistency: at institution level, overall procurement value is low and hence dedicated procurement staff were not viable;</p> <p>iii. Delays: timely processing of contracts without delays in approvals;</p> <p>iv. Monitoring: contract management and MIS;</p> <p>v. Constitutional right of autonomy of each entity, which necessitates decentralised procurement</p>	<p>i. Reform oriented project in higher education sector with scope for innovations</p> <p>ii. IT and web enabled infrastructure available in engineering colleges</p> <p>iii. IT savvy faculty and staff willing to work on software solutions</p> <p>iv. A damaging post review report on previous project showing 56% major and minor deviations</p> <p>v. Overall transparency wave in the country forced by a few high profile procurement fraud cases</p>	<p>PMSS, a web enabled Procurement Management Support System offering highly decentralized procurement management tool at the desk top of each of the 250 institutions, ensuring consistent application of methods, processes, timelines and documentation without losing any centralized control or monitoring features.</p> <p><b>PMSS offers limitless options and opportunities for preparation of Procurement Plans, work flow for approval, Initiate and complete Procurement following all methods, generating letters, adverts, bid documents, contracts, evaluation reports etc. PMSS tracks contracts after award for delivery and payments. System alerts users on various activities on a daily, weekly or monthly format on signing in every day and a range of MIS reports can be generated for institute, state and national levels.</b></p>  

Project	Procurement Challenge	Enabling Environment for Innovation	The Innovative Solution
<p>National Rural Livelihoods Project (NRLP) \$1 Billion</p>	<p>i. Relatively low value procurement in a CDD project with values within the thresholds of Shopping and NCB</p> <p>ii. The wide geographical and regional spread with challenges of supervision of procurement across national, 28 states, 800 districts and about 8000 sub district levels entities.</p> <p>iii. Problems of introducing multiple procurement systems at already capacity constrained state, district &amp; sub district levels</p> <p>iv. Lack of uniformity of processes and procedures or satisfactory MIS across the country for reliance on country/state systems and procedures</p>	<p>i. Country procurement systems are not suited for community participated low value procurement and resulted desire for a national Procurement Manual</p> <p>ii. Centrally sponsored schemes of this nature could issue common FM and procurement arrangements to be followed</p> <p>iii. Successful experiences of standalone manuals in Bank supported state livelihoods projects</p> <p>iv. Successful experience of an FM &amp; Procurement Manual implemented in another nationwide elementary education project SSA</p>	<p><b>DiPP, (Diploma in Public Procurement with special reference to NRLM), a Procurement</b></p>  <p>Accreditation Program in the form for about 3000 staff with delegated procurement authority to ensure implementing. A NRLM Procurement Manual was developed implementing agencies, involved with procurement responsibilities. Indira Gandhi National Open University (IGNOU), delivering the course in partnership with Angloscope through a combination of training, e-learning and hands-on support for NRLP Staff.</p> <p>Syllabus on the methods to be followed for goods, works and services will be based on NRLM Procurement Manual, so that the staff joining the course will have a deeper understanding through the study, rather than what is achieved through a 2-3 days in-service training program. Through the on-line feature of the program and a help desk, NRLM sponsored staff will be engaged with real cases of procurement which shall serve as hand holding support for them to carry out procurement in the project.</p> <p>In terms of cost benefit analysis, IGNOU gets a dedicated clientele of about 3000 students sponsored to a green field diploma program in India; for NRLP the diploma route ensures that training cost is covered in less than 5% cost of offering a week long residential program for all staff and for the candidates, the enrollment offers an invaluable education degree with ample career options for future.</p>

<p>Kerala Local Self Government and Service Delivery Project (KLSGDP) \$250 Million</p>	<p>i. One of the most decentralised Local Govts. In the world with active participation of about 9000 officials and equal no of peoples representatives in project management at 1000+ local Govts.</p> <p>ii. High empowerment of stakeholders and wide networks leads to short changes in processes and power plays</p> <p>iii. Concurrent Monitoring and Enforcement challenges as 30% of state budget is devolved and spent through Local Govts.</p>	<p>i. A strong vertically integrated official network that tries to adhere to norms and processes. State revamped and issued a Procurement Manual for LSGs in 2011.</p> <p>ii. 350 strong Performance Audit Wing in the state Local Self Govt. department for concurrent monitoring and feed back to LSGs. Auditors drawn from LSF staff with considerable Financial Management and Administrative experience</p> <p>iii. Existence of KILA (Kerala Institute for Local Administration) for mass training facilities</p>	<p>Using <b>Performance Audit Wing (PWG)</b>, for carrying out regular internal audit function including procurement review, in the Local Self Government Department of Kerala by integrating a procurement post review module in their tool kit for internal audit.</p> <p>Bank supported project organized training sessions for PWG on the revised procurement manual and post review tool kit. KILA conducted simultaneous training for LSG staff on implementing the new procurement manual in 12 different centers in the state.</p> <p>PWG quarterly internal audits review ongoing procurement activity and provide feedback to the staff involved. A case of integrating double benefits of over sight and hand holding. As this was done through the systemic internal audit process, it received due attention from staff ensuring enforcement of the recommendations.</p>
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## Keys to Success

Key to immediate acceptance of these solutions by the projects was that it was specifically addressing a genuine problem they were facing and the authorities could foresee the potential impact the changes would have on the entire system. For gaining ownership, a detailed analysis of the problem was carried out and key champions were identified at the highest levels for working with the team on the concept.

In their words, Prof. Digraskar, head of National Project Implementation Unit of TEQIP, “PMSS is a game changer for the project implementation. “For the first time, I am finding the advantage of procurement planning as a means for

project implementation and monitoring through PMSS.” Mr. Vijay Kumar T, IAS, Mission Director, NRLM and Jt. Secretary of Govt. of India is waiting to replicate DiPP model for training and outreach in many other areas to his nationwide staff and for Mr. Vijayanand, Addl. Chief Secretary, Kerala, visions the MIS information that would come from concurrent procurement post review by PWG being used at state level for identifying systemic issues and developing measures to address them.

Solutions on capacity for any project have to be drawn from the situation and challenges faced by the implementers, anywhere. These models can be easily replicated in any country situations.

# Public Sector Accounting Standards

## Preparing Chartered Accountants for Public Sector Work

In Pakistan, additional coursework has been added to the accounting syllabus in professional training programs so that accountants learn more about the unique issues facing public sector firms. The result: more public sector companies are hiring chartered accountants, leading to improvements in the management of their finances, as well as better stewardship of public funds.

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### Project Team

Hasan Saqib

**C**hartered accountants in Pakistan have a long track record of service to private sector companies. Meanwhile, public sector firms often overlooked the value of engaging with such professionals, in part because educational programs that prepared accountants lacked focus on financial management of public sector firms.

In 2009, a member of the Pakistan FM team had a unique opportunity to bring about lasting change. As member of a new public sector committee formed by the Institute of Chartered Accountants of Pakistan, he suggested additional education for accountants to address issues of importance in financial management of public sector firms. In addition, he recommended that the chartered accountants qualifying exam include a section on international public sector accounting standards.

After adopting the proposed recommendations, the institute began offering workshops and seminars on financial management of public sector firms, with an emphasis on accounting, auditing and management. The sessions also aim to build stronger relationships between public and private sectors, to improve the business climate.

The effort has led to several positive outcomes, including increased job opportunities for chartered accountants and improved financial oversight and management of public sector institutions.

In turn, more efficient and effective use of public funds will help to meet the range of Pakistan's diverse needs and address the pressing issues of a nation still reeling from two years of devastating monsoon floods.



*As more chartered accountants are finding jobs in the public sector, it is having a broader positive impact in terms of improved financial management.”—Hasan Saqib*

▼ Improved management of public finances is helping Pakistan recover from devastating monsoon rains that wiped out much of its agricultural production.

(Photo Credit: Tomas Sennett @World Bank)



### Keys to Success

According to Saqib, the institute’s willingness to move beyond the status quo played a critical role in implementing this initiative. The institute’s leaders understood the opportunities that this would provide for their members, as well as the positive impact on public sector financial management.





# Public Education Procurement and Finance

## School-Based Funds Management

Sri Lanka's future as a knowledge economy hinges on its ability to provide a quality education to all students. And effective, efficient delivery of educational services depends on sound financial management and procurement practices. A new Bank-funded project that benefits 4 million children is giving schools the tools they need to strengthen management of these critical tasks.

### Project Team

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Deepa Sankar

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Mari Shojo

Asta Olesen

Asif Ali

Sunethra Samarakoon

Anjali Vitharana

Enoka Wijegunewardena

Sumith Pilapitiya

Benoit Millot

Venita Kaul

Thomas Kellaghan

Alejandro Welch

Anita Fernando

**N**o matter where they are located, individual schools have different needs and spending priorities, depending on their student populations and other unique circumstances. While school-level authorities have a deep understanding of these priorities, they may lack the skills to manage funds properly.

In Sri Lanka today, these skills gaps are being addressed, as part of a \$100 million, Bank-funded education initiative that helps schools take more responsibility for their own finances, enabling increased spending thresholds and more accountability for funds. The goal: keep more children in school, improve educational quality, and strengthen delivery of educational services, so that Sri Lanka can meet its potential as an economic center for knowledge-based industries.

In designing the overall project, the Bank team devised a plan that built on a previous project

to maximize use of Sri Lanka's own financial reporting and audit systems, with a focus on financial reporting, internal and external audit and professional development. They identified areas where additional support was needed to build skill sets, enable increased autonomy, and broader reliance on existing country FM systems.

The project includes several innovative design elements:

- **Auditing:** In designing the project's audit arrangements, the team incorporated Sri Lanka's practice of issuing opinions on sector-level appropriation accounts, and identified timeliness of audit reports as an intermediate outcome indicator.
- **Financial reporting:** The team simplified the reporting process, relying on financial reports that the government already generates for periodic project reviews.
- **Institutional strengthening:** The team incor-



*What makes this project different is that the FM and internal audit capacity-building elements have been embedded as key parts of the overall project design and context. This recognition helps emphasize the importance of such activities, which usually get hidden inside the fiduciary details of a project.* —Enoka Wijegunewardena, Financial Management Specialist

porated financial management and internal audit capacity building into the overall project design.

Ultimately, the team anticipates that the project's emphasis on financial management and procurement will result in reduced cost, increased reliance on the country's own systems, deeper professional audit and FM skill sets, improved financial reporting, more timely and comprehensive internal and external audit processes, and stronger financial management for the country's education sector.

While still in the early days, the Sri Lanka team's efforts are already making a difference for a project with a critical development goal: ensuring that all of Sri Lanka's school children have

equal access to quality primary and secondary education, to create a new generation of workers that can support a knowledge-based economy.

▼ School children in Sri Lanka have brighter futures with increased focus on strong financial management of school budgets to help ensure access to quality education.



### Keys to Success

- Helping country's top education authorities understand the importance of training and continuous professional development for FM and internal audit staff
- Ensuring that Auditor General issues an audit opinion on appropriation accounts for future audit reports for provincial-level and central-level institutions
- Taking into consideration that client country systems are rapidly evolving and improving when designing FM elements in projects including SWaPs
- Embedding fiduciary capacity-building elements as part of overall project design—not just as part of fiduciary design



# OPCOR

- OPCOR





OPCOR



# Integration Strategy for Procurement Systems

The systems integration strategy and action plan from OPCOR addresses the need to streamline and link procurement systems to other institutional modules across the Bank. The strategy also addresses the need to improve quality of data entry at various control points in the project cycle while providing a more seamless user experience when staff interact with procurement systems. Using a phased approach over the next year, a second generation of procurement applications will be deployed in Operations Portal and Client Connection, including the No Objection System, a Procurement Plan, and a Procurement Dashboard.

## Project Team

Marcelo Donolo  
Jeff Schuler  
Cristina Felix

**T**he new systems and integration architecture will provide key improvements, including:

- Reactivation of the contract accounting control, which will allow the tracking of disbursements against prior review contracts under Investment Lending operations;
- Improved data validation controls within the business process workflow to help teams comply with fiduciary requirements seamlessly;
- Better reporting capability to manage risk and compliance information more efficiently;
- Flexibility in using Regional systems with institutional applications such as SEPA and PROCYS;
- Automated procurement information feeds to ORAF, PAD, and the ISR;
- Filing in WB Docs with automatic profiling

and disclosure classification features;

- Dashboard architecture to simplify access to, management, analysis, and processing of procurement information.

Unlike previous systems in the Bank, development efforts have focused on designing applications within a risk management framework. The interoperability across systems will facilitate usage and allow other institutional systems to talk to each other. For example, PRAMS has been integrated with ORAF and the ISR, and will soon be linked to the PAD. The No objection system will link to the Bank's disbursement system and provide projects with disbursement data at the contract level. Eligibility checks under the Bank's sanction regime will be processed automatically as part of the no objection workflow. PRAMS will send data to the Bank's



fiduciary assurance model in Controller's to help assess disbursement risk.

In the near future, as other components of the system are built and deployed during FY13, Bank staff and clients will benefit from:

#### Bank

- Integration of procurement systems under a Dashboard structure where users can access all procurement modules from one screen
- Identification of all prior review contracts and contracts subject to ex-post review
- Sampling tool for post reviews
- Electronic document submission for entire procurement cycle
- Embedded Business Intelligence reports

- Performance alert systems for Form-384 and other activities

#### Bank And Borrowers

- Electronic procurement plan
- Automated reporting on original and updated procurement plans
- Procurement road map for all bid activities
- Contract accounting features to track contract-level disbursements
- Canned reports



#### Keys to Success

The design and integration of procurement systems was the result of a series of consultations with working groups, management, and other user groups. IMT's business partnership officer and OPCS management support were instrumental in moving this program ahead and keeping priorities aligned with institutional business needs.



## ‘Procurement Is Cool’ Scoop Page

The procurement knowledge and learning team in OPCS needed a platform through which they could reach out to a widely decentralized group of staff isolated in various country offices with little access to knowledge & learning opportunities with reduced cost and supporting a pattern of continuous learning rather than one time learning events with limited impact. The team also wanted to offer staff to reach out with their questions and concerns to OPCS. The team searched around for such a platform and tried several options, none offered an optimal solution. Our next port of call was SCOOP which stands for Social Collaboration Platform. On February 8, 2011, we created the “Procurement is Cool” scoop page which enabled us to connect and collaborate with members of the procurement family. As of now, it has 156 members from the procurement family.

**T**oday we have 156 members which represent about 60% of staff mapped to procurement. Staff post interesting questions, reports or information on our scoop page and the following are examples:

- Questions & Answers on Procurement is a Discussion around procurement case studies. In average, every week, a procurement question is posted, staff may react to the case and the week after, the answer is posted. This Discussion serves also a database of short case studies available to staff whenever they conduct training for the Borrowers. It's like putting out there all procurement case studies developed in the past twenty years which are still relevant to staff and which so far laid down on a book shelf in the office of the OPCS-Procurement Knowledge & Learning Coordinator. It's a simple idea to make sure knowledge is shared and competencies are strengthened in a consistent way across Regions.
- Staff have also used Scoop to share studies, reports, articles, etc. which they thought would be of interest to staff: Contract Management Manual prepared by the ECA region, Outcome of the Busan Hi-Level Forum on Partnering for Aid Effectiveness, Market Survey in the Health Sector in India, Old Rules Rules New Realities: Are existing Public Procure-

ment Systems addressing current and future needs by LAC, Communication training documentation for procurement staff, etc..

- Announcements on upcoming procurement training courses and clinics are posted on the scoop page. And posting of answers to additional questions, posting of presentations and web casts of clinics.

Staff can also ask practical questions or make suggestions to subject experts on policy and procedures revisions

What is innovative is the Usage of this new technology and social collaboration platform to reach out to as many people as possible with limited costs to the institution. Answering procurement questions through Scoop

ensures consistent messages are sent out to all staff and through this we have the ability to promote good practices. It also serves the purpose of an online library. Throughout the years, the Procurement group had developed many case studies that remained on a shelf in the office of the K&L Coordinator. Scoop has allowed us to share the benefits of those case studies with all with a cost close to zero! The fact that Scoop is closed to procurement specialists, creates space for discussions among experts and the possibility to “think out loud” without creating confusions in others minds. The fact that Scoop is informal, it makes information sharing easier compared to the intranet web site where information needs to be verified for official posting.



### Keys to Success

The key to success is to post regularly relevant and substantive information to staff's daily work which would make them to come back and check out new information. Scoop is the ideal tool to provide just in time advice and keep track of advice given in the past. It is also ideal as a library of interesting documentation.



# Operations Procurement Knowledge & Learning: Collaborating to Enhance Staff's Operational Core Competencies

**P**rocurement is at the heart of Bank's operations and procurement training courses have been delivered to the Bank to staff for many years. Despite the changes in Bank's portfolio in the last decades, from a domination of large infrastructure investment projects towards more policy reforms, sector wide programs or Community Driven Developments, the procurement training offerings had remained largely focused on International Competitive Bidding. In the meantime, most operational staff faced everyday simpler procurement methods, higher number of contracts, requests from Borrowers to use country procurement systems, etc. While Procurement Specialists take care of more complex procurement packages awarded through International Competitive Bidding, the challenge remains with lower value contracts that don't present a procurement challenge per se but are sometimes technically sensitive and still critical to projects' development objectives. More generally, TTLs weren't always aware of main principles of Bank's procurement policies and faced occasionally difficulties in managing situations such as fraud and corruption, complaints or misprocurement. Due to the fact that PSs are often

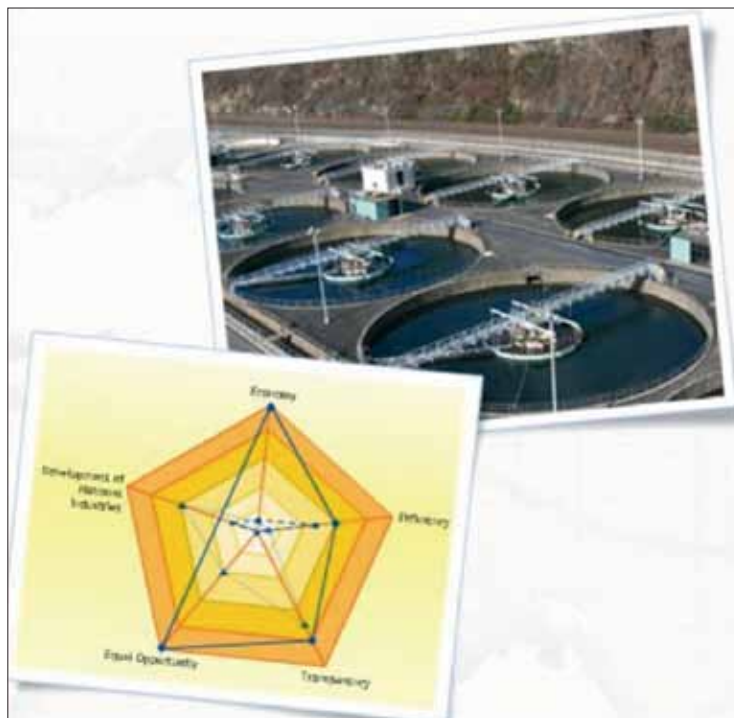
overloaded with work, there was need to train and accredit TTLs to be able to undertake procurement transaction work using simple procurement methods.

In addition, there was very little offering of training related to innovations in procurement for Procurement Specialists. Initiatives to share knowledge within the institution relevant to procurement took place occasionally but not in a systematic way.

An overall institutional awareness about the need to enhance staff's operational skills led to the design and delivery of the Operations Core Curriculum (OCC) for TTLs which includes Fundamentals of Operations Procurement available in both face to face and e-learning formats. The integration of the Bank Operations Procurement courses as part of the OCC triggered a close collaboration among Procurement, Investment Lending, Financial Management, Legal, Social and Environmental Safeguards, Treasury, and Knowledge & Learning and Quality groups which offers a comprehensive learning experience on operations.

Another featured course is the Simple Procurement Methods Accreditation Program which, combined with a mentoring program, can lead to the accreditation of the TTLs to review and clear procurement decisions under simple procurement methods. This program aims at improving Bank's efficiency in responding to clients demands and encouraging TTLs to deal with simple procurement transactions where their technical added value is much higher in comparison to the Procurement Specialist's contribution.

Today about 400 staff have taken the recently designed Operations Procurement courses rated in average at 4 on a scale of 5.



These courses target non procurement staff. In order to address the need for Procurement Specialists to get access to knowledge available within the Bank, “Monthly Procurement Clinics” are organized. They are half day sessions featuring various topics relevant to procurement staff’s work delivered by Bank staff who have unique expertise or who have developed revised policies, innovative products or approaches in procurement. OPRC Case Studies, Procurement in Energy Efficiency Projects, Procurement in PPPs, Public Procurement Legal Systems, Revised Bank Procurement Guidelines are among the most popular sessions.

The shift in objectives of the training courses from teaching “how to do procurement?” to “what do I need know about procurement to support operations effectively?” made the difference.

Most importantly, the trainings focus on main common principles such as “use for intended purpose”, Economy, Efficiency, Transparency, Quality, Conflict of Interest, Fraud & Corruption, Planning or Eligibility. They include a wide range of case studies and are systematically delivered in collaboration with Regions to ensure they reflect the actual practices in Operations.

Integrating the course as part of the OCC was another innovation which conveys well:

A. Procurement is intrinsically related to other aspects of the projects, such as project design and planning, governance risks and capacity.



B. Disbursement and payment under Bank's Investment Lending operations take place against contract execution. Procurement is therefore at the heart IL operations and staff cannot afford ignoring Procurement issues or leaving them completely to Procurement Specialists.

C. Governance issues happen in all projects. Some awareness about how to handle such situations can avoid difficulties to task teams and Borrowers.

The biggest challenge in terms of capacity building of country office based procurement staff remains access to events that take place in Headquarters. Usage of new technologies such as webinars and web casts increased access towards country office based staff and is highly appreciated by many staff.

### Keys to Success

Procurement is generally perceived as a highly complex area and an obstacle to project implementation. By focusing the attention of training to main principles, rather than procedures, the new Procurement Knowledge and Learning Procurement aims at providing the basic tools needed by a non procurement operational staff to analyze issues and manage procurement risks in an appropriate way for the Borrower, the task team and the Bank.







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