

IsDB



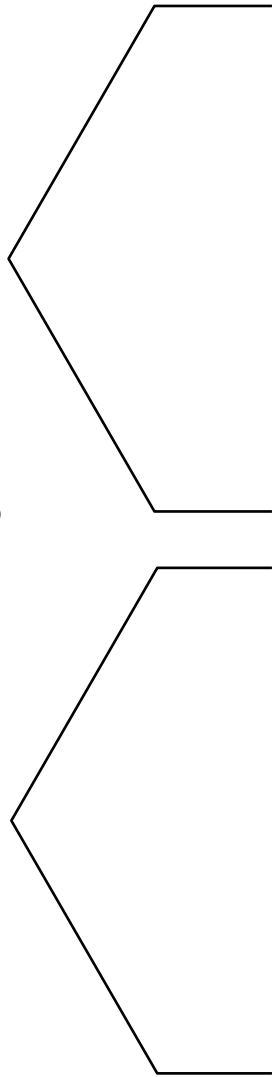
البنك الإسلامي للتنمية  
Islamic Development Bank

'Risk Based Approach  
for  
Project Procurement'



28 April 2020

# “Risk Based Approach for Project Procurement”



This Guidance Note is intended to complement the Guidelines for Procurement of Goods and Works and related services and for the Procurement of Consultant Services under Islamic Development Bank Financing, approved by the Board of Executive Directors (BED) of the Islamic Development Bank, and published September 2018. This document may be used and reproduced for non-commercial purposes. Any commercial use, including without limitation reselling, charging to access, redistribute, or for derivative Works such as unofficial translations based on these documents is not allowed.

For additional information on this document, please contact:

Project Procurement (PPR)

Vice President Country Programs

The Islamic Development Bank

P.O. Box 5925, Jeddah 21432

Kingdom of Saudi Arabia

[ppr@isdb.org](mailto:ppr@isdb.org)

[www.isdb.org](http://www.isdb.org)

## Common Abbreviations and Defined Terms

Common abbreviations and defined terms that are used in these Guidelines. Defined terms are written using capital letters.

<b>Abbreviation / term</b>	<b>Full terminology / definition</b>
<b>BED</b>	Board of Executive Directors
<b>Beneficiary</b>	A Beneficiary is the recipient of IsDB Project Financing. This term includes any entity involved in the implementation of an IsDB financed project on behalf of the Beneficiary.
<b>Bid</b>	An offer, by a Bidder, in response to a Request for Bids, to provide the required Goods, and/or Works and/or related services.
<b>Bidder</b>	A Firm that submits a Bid for the provision of Goods and/or Works and/or related Services
<b>CMP</b>	Contract Management Plan
<b>Consultant</b>	A Consultant Firm or Individual Consultant that provides Consultant Services. A Consultant is independent of both the Beneficiary and IsDB.
<b>Consultant Service(s)</b>	Consultant Services are those intellectual services delivered by a Consultant Firm or an Individual Consultant. Consultant Services are normally of a professional, expert or advisory nature. Consultant Services are governed by these Guidelines.
<b>CPAR</b>	Country Procurement Assessment Report
<b>CSPRA</b>	Country & Sector Procurement Risk Assessment
<b>e-GP</b>	Electronic Government Procurement
<b>Goods</b>	A category of procurement that includes, for example consumables, equipment, machinery, vehicles commodities, raw materials or industrial plant. The term may also include related services, such as transportation, insurance, installation, commissioning, training or initial maintenance.
<b>GPPD</b>	Global Public Procurement Database
<b>IAD</b>	Internal Audit Department
<b>IED</b>	Integrity and Ethics Department
<b>IsDB</b>	Islamic Development Bank
<b>MAPS</b>	Methodology for Assessing Procurement Systems
<b>MDB</b>	Multi-Lateral Development Bank
<b>Non-Consulting Services</b>	Services which are not Consulting Services. Non-Consulting Services are normally Bid and contracted based on the performance of measurable outputs, and for which performance standards can be clearly identified and consistently applied. Examples include drilling, aerial photography, satellite imagery, mapping, and similar operations.

<b>Abbreviation /term</b>	<b>Full terminology / definition</b>
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>ORMF</b>	Operations Risk Management Assessment
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PRA</b>	Procurement Risk Assessment
<b>Procurement</b>	The function of planning for, and sourcing Goods, Works, Non-Consulting Services, and/or Consulting Services to meet the required objectives.
<b>PDO</b>	Procurement Development Objectives
<b>Procurement Documents</b>	A generic term used in these Guidelines to cover all Procurement Documents issued by the Beneficiary. It includes GPN, SPN, EOI, REOI, Prequalification document, RFB and RFP, including any addenda.
<b>PP</b>	Procurement Plan
<b>PS</b>	Procurement Strategy
<b>RMD</b>	Risk Management Department
<b>SBDs</b>	Standard Bidding Documents
<b>Standard Bidding Documents</b>	Standardised procurement documents issued by IsDB to be used by Beneficiaries for IsDB financed projects. These include IsDB's standard documents for, e.g. GPN, SPN, Prequalification, LOI, RFB and RFP.
<b>Works</b>	A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training.

## Contents

<b>Section 1 –Introduction .....</b>	<b>1</b>
1.1 <b>Overview.....</b>	<b>1</b>
1.2 <b>Purpose .....</b>	<b>2</b>
1.3 <b>Scope of Implantation: .....</b>	<b>2</b>
<b>Section 2 – Procurement Risk-Based Framework .....</b>	<b>3</b>
2.1 <b>Risk Management Process .....</b>	<b>3</b>
2.2 <b>Procurement Risk Based Framework .....</b>	<b>3</b>
<b>Section 3 – Risk Assessment and Treatment .....</b>	<b>8</b>
3.1 <b>Risk Assessment .....</b>	<b>8</b>
3.2 <b>Risks Treatment.....</b>	<b>9</b>
<b>Section 4 – Risk Management Cycle and Assessments .....</b>	<b>10</b>
4.1 <b>Country and Sector/Agency Procurement Risk Assessment .....</b>	<b>10</b>
4.2 <b>Project Conceptualization.....</b>	<b>12</b>
4.3 <b>Project Risk Assessment.....</b>	<b>13</b>
4.4 <b>Implementation and Contract Management .....</b>	<b>14</b>
<b>Section 5– Country and Sector, Agency Procurement Risk Assessment Process .....</b>	<b>15</b>
A. <b>Planning the Assessment .....</b>	<b>15</b>
B. <b>Communicating with the Government .....</b>	<b>18</b>
C. <b>Determining the Risk Classification .....</b>	<b>19</b>
<b>Annex I. IsDB Member Countries .....</b>	<b>20</b>
<b>Annex II. Risk Assessment Tables .....</b>	<b>21</b>
<b>Annex III. Data Template .....</b>	<b>23</b>
<b>Annex IV. Simplified Procurement Risk Assessment Template .....</b>	<b>25</b>
<b>Annex V. Country Risk Assessment Tool .....</b>	<b>27</b>
<b>Annex VI Country Procurement Risk Assessment Tool Scoring Guide .....</b>	<b>27</b>
<b>Annex VII. Sector/Agency Risk Assessment Tool .....</b>	<b>34</b>
<b>Annex VIII: Country Procurement Risk Assessment Tool Scoring Guide .....</b>	<b>42</b>
<b>Annex IX. Report Outline for Procurement Risk Assessment .....</b>	<b>53</b>
<b>Annex X. Potential Risks .....</b>	<b>56</b>
<b>Annex XI. Risk Assessment and Management Plan Template.....</b>	<b>59</b>
<b>Annex XII. Procurement Risk Categorization Tool.....</b>	<b>60</b>
<b>Annex XIII Procurement Executing Agency Capacity Assessment Questionnaire .....</b>	<b>62</b>

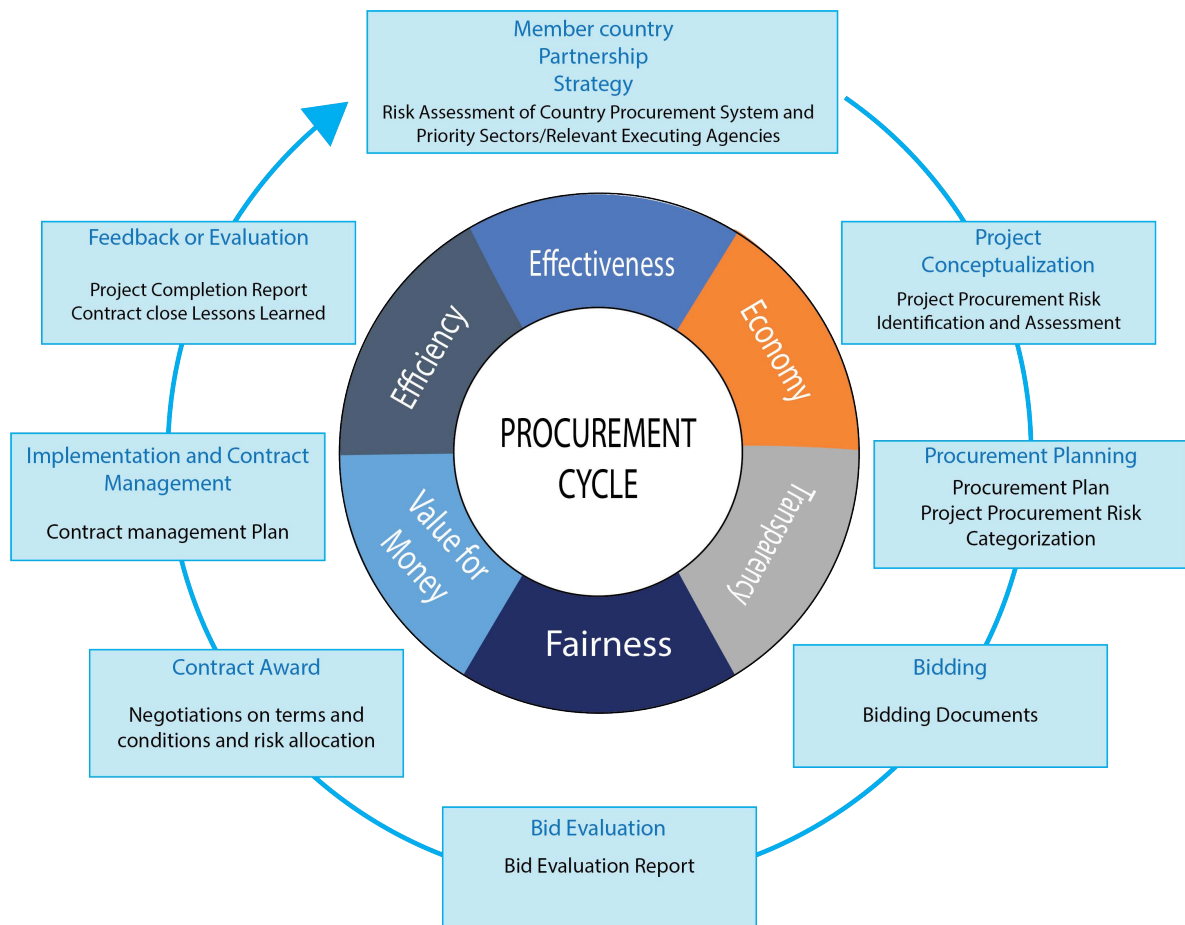
## Section 1 – Introduction

### 1.1 Overview

This guidance note describes the procurement risk-based approach (Risk-Based Procurement Framework) utilized by the Islamic Development Bank (IsDB) for managing procurement risk throughout the procurement cycle as detailed in the following figure.

It focuses on a systematic approach to risk management, ensuring efficient resource allocation to high-risk project and risk categorization and management.

**Figure I – IsDB Procurement Cycle**



The purpose of risk management in procurement is to minimize the impacts of possible adverse events in achieving the Project Development Objectives (PDO's) of a project financed by the IsDB.

The Procurement Risk-Based Framework describes how risks are identified, assessed, and managed at the country and sector/agency levels and how those risks are used as inputs into the identification, assessment, and management of risk at the project level. The framework also informs the level of oversight to determine the appropriate review by IsDB for bidding process or contracts to either be prior or post reviewed.

The framework highlights the need to treat and manage risks after identification. The risk management is an ongoing activity until project completion. Risk assessments and treatments need to be monitored continuously as existing risks change, and new risks emerge.

The Procurement Risk-Based Framework is principles-based and aligned with IsDB's Procurement Policy and Guidelines. It supports the IsDB's core procurement principles of economy, efficiency, transparency, fairness, effectiveness, and value for money (VfM). It also draws on the assessments done by other international organizations and Multi-lateral Development Banks (MDB's) such as the Organization for Economic Co-operation and Development's (OECD) Methodology for Assessing Procurement Systems (MAPS)<sup>1</sup>. The MAPS will help in identifying risks to the country's procurement systems and adopting a more strategic procurement approach for future engagement with the country.

Risk management covers the whole of IsDB's Procurement Cycle, as detailed in Figure-1, it ensures that risks to quality, cost, and sustainability are identified and mitigated so that the PDO's and VfM are achieved.

### **1.2 Purpose**

The purpose of this guidance note is to detail IsDB's Procurement Risk-Based Framework and explain how it is applied at each stage of the procurement cycle.

The Procurement Risk-Based Framework applies to different stakeholders at each stage of the project life cycle. The Beneficiary and IsDB are responsible for managing risk at varying stages of the procurement cycle by working together with the Bank to ensure that risks are identified and managed effectively. While the Beneficiary is directly responsible for such actions, IsDB has a fiduciary responsibility to ensure risks are identified and managed within country and sector strategies, and at agency and project levels.

#### **Benefits of Risk-Based Approach**

There are many benefits of a risk-based approach to IsDB projects, including procurements related risks for large size and complex procurement. It enables a systematic approach for risk management that helps with efficient resource allocation of IsDB's procurement specialists to projects that are determined as high-risk projects following review. It also ensures that the Bank doesn't spend as much time supporting low-risk projects.

#### **Document Ownership and approval**

The Project Procurement Division (PPR) will be the owner of the document and will be responsible for preparing and updating it. The framework shall be periodically reviewed when deemed necessary by the Project Procurement Division in consultation with Operational Risk Management Team. The review may include consultation from all relevant stakeholders, as required. The Vice President Country Programs Complex shall approve the framework document.

### **1.3 Scope of Implantation:**

The scope of this document covers the country, sector/agency and IsDB level procurement risk assessment and management during project preparation and implementation phases.

The Risk Management approach varies between implementation for sovereign and non-sovereign including PPP project procurement.

---

<sup>1</sup> MAPS was developed in collaboration with all the MDB's and OECD based on a standard methodology. It is the only tool that assesses public procurement systems of the country in their entirety. It is universal and can be used by all countries, regardless of income level or development status.



## Section 2 – Procurement Risk-Based Framework

### 2.1 Risk Management Process

The Procurement Risk-Based Framework is structured around risk management, which begins with the identification of risks and ends with the monitoring of the results.

Figure II – Risk Management Process



At each stage of the Procurement and Project cycle, various inputs are used to assist in the identification of risks. Risks should then be assessed in terms of their likelihood of occurrence and consequence. The output of the risk assessment process is the identification and implementation of measures to mitigate the identified risks and to determine the necessary oversight arrangements by IsDB.

Risk mitigation measures should be assigned to a suitable owner for action as required, and progress on the mitigation measures should be monitored continuously to ensure that they are implemented and effective. Risk assignments should be continuous and regularly updated to reflect any changes to identified risks or any new risks.

### 2.2 Procurement Risk Based Framework

The Procurement Risk-Based Framework (PRBF) applies at the country, sector/agency, and project levels. The following table shows the different types of the risk assessment performed at each stage of the procurement cycle, either conducted by IsDB or by other development partners.

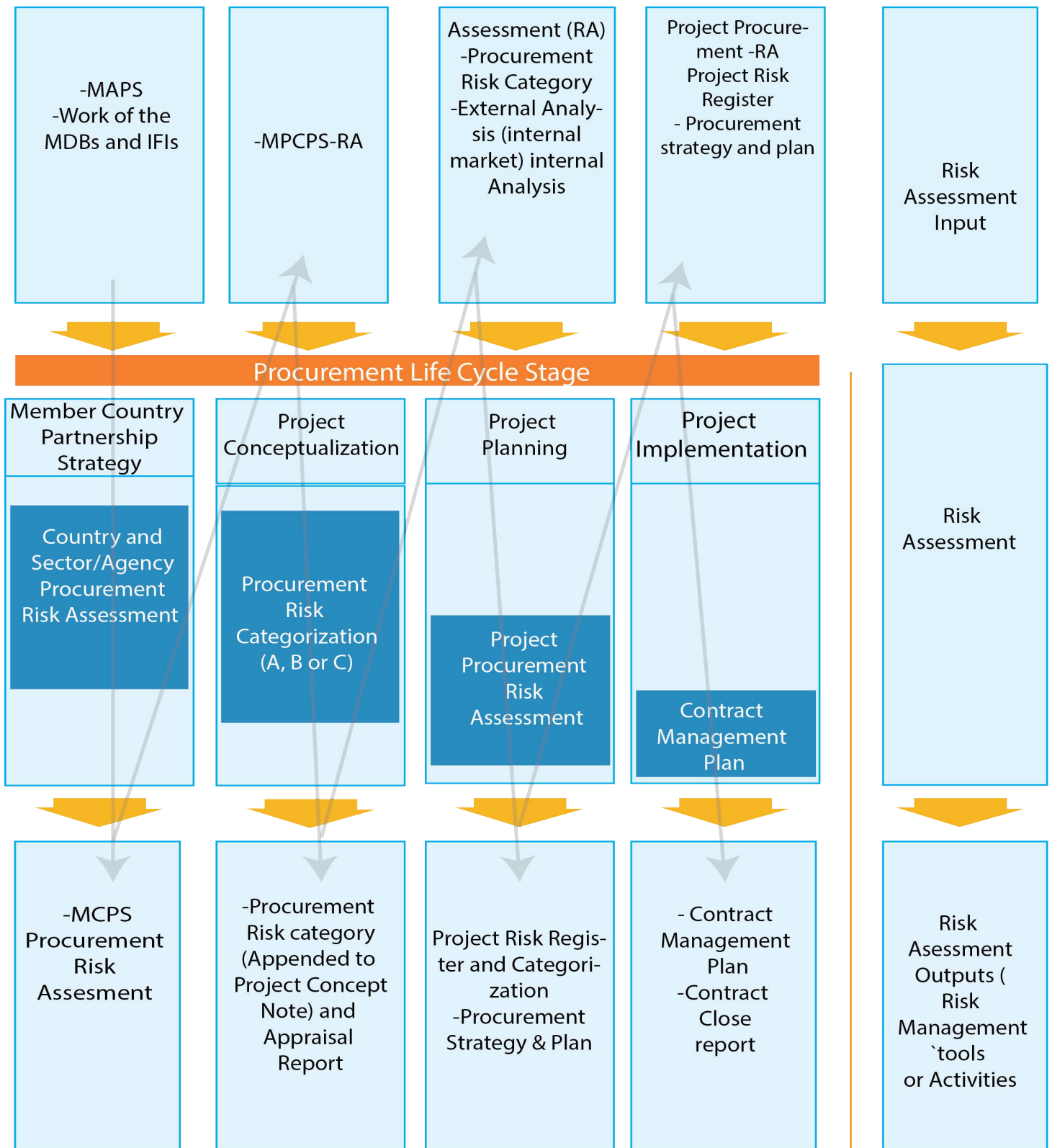
Table I – Applicability of Tools

Application					
Risk Management Tool	Country	Sector	Agency	Project	Comment
MAPS Assessment	✓				If an assessment has been conducted, then the results should inform the country strategy and risk analysis
Country, Sector/Agency Procurement Risk Assessment	✓	✓	✓		Assesses the procurement risks associated with the country and sector/agency including procurement capability
Procurement Risk Categorization	✓	✓	✓	✓	In categorizing the project procurement risk, the high procurement risks are considered along with project risks and proper mitigation measures are proposed.
Project Procurement Risk Assessment			✓	✓	Agency capability is considered in the assessment process (including procurement aspects) as well as project procurement risks
Contract Management Plan				✓	Relevant high risks are managed through the contract management plan

The Member Country Partnership Strategy (MCPS) should also assess the Procurement related Risk for priority sectors/themes which are identified and documented, taking into consideration available MAPS assessment for the country. It also informs the Banks Operations Risk Management Assessment (ORMF) Framework<sup>2</sup>.

<sup>2</sup> The IsDB ORMF was developed by the Risk Management Department (RMD) and approved by the Board of Executive Directors (BED) in June 2012. The ORMF outlines the general framework for how the entities in the Bank will undertake the identification, assessment, monitoring and management of operational risks at the business unit level in a consistent and coordinated manner. The ORMF is the first step of a multi-year effort in cascading the operational risk management across the entities in the Bank

Figure III – Procurement Risk Based Framework



### **Roles and Responsibilities**

The Beneficiary and IsDB are responsible for different risk management activities throughout the Procurement Process and need to work together to ensure that the risks are identified and managed effectively. While the Beneficiary is directly responsible for such actions, IsDB has a fiduciary responsibility to ensure risks are identified and managed within country and sector strategies, and at agency and project levels.

At the Procurement Planning stage, while the Beneficiary is responsible for direct actions. IsDB provides the Beneficiary with relevant information and inputs that can be used by the Beneficiary in developing the Procurement Plan (PP) and Procurement Strategy (PS) if required. IsDB will carry out Risk Assessment to identify potential risks associated with the projects, assess the level of risks, and propose mitigation measures. Different tools and inputs are employed, including self-assessment and clarification from IsDB to the use of external assessment conducted by development partners or an assessment conducted by a consultant on behalf of the Beneficiary and IsDB.

### **The Procurement Cycle**

Risk Management begins at the Country Strategy stage and cascades through the Procurement Cycle. The outputs from each stage of the Procurement Risk Framework become the inputs for the next stage. Each risk assessment builds on the previous risk framework stage and is supplemented with additional information as the focus of the assessment becomes more targeted toward the project.

As part of the assessment, the following should be considered.

- Inputs of previous assessments;
- literature review (such as reviews based on the OECD's MAPS, assessments completed following the Public Expenditure and Financial Accountability framework, and internet search);
- Review of relevant IsDB data (including information such as country procurement data and project procurement-related reviews by IsDB); and
- Discussions with relevant agencies of the country during project preparation.

To reduce risks to an acceptable level, mitigating measures that are effective in reducing the risk, and these measures must be identified and implemented. To enable the monitoring and management of mitigation measures, mitigation actions should be documented in a risk assessment document.

Risks identified are allocated with responsibilities at Country, Agency, Project, Bank levels as per the scope of the Risk. The Project Team, PPR staff, Quality Review Advisory Group (QRAG), Project Procurement Review Committee (PPRC), Operations Management Committee (OMC), and other key stakeholders including RMD will review the identified Risks, their categorization and proposed mitigation measures.

Risk management is not a one-time exercise, as following risk assessment, some risk may change or new risk become apparent. The risk assessment should be updated in response to changed conditions or new information on risks, and at key points in the Procurement Process to ensure that risks are effectively managed. The risks will be re-assessed during the review of the Annual Procurement Plan and project supervision mission.

Risks identified in the Country, Sector, Agency and Project Procurement Risk Assessment are managed through the selection of procurement arrangements, e.g., the procurement method, contract structure, contract terms and performance measures, and other mitigating actions. Mitigating measures and action owners should be documented in the Risk Assessment Report and any associated risk register.

As the project progresses to the Bidding stage, the Risk Assessment and risk register should be reviewed

considering any new information coming out of the Bidding process that impacts the risks or mitigation measures. For example, bid clarifications may include changes to specifications and Bidder structure not initially anticipated, which may require additional measures to mitigate implementation risks identified.

Following Bid evaluation and contract award, relevant risks in the updated Risk Assessment should be included in the Contract Management Plan (CMP), along with mitigation actions and action owners. In addition, the CMP should consist of any other risks (and mitigating measures) relevant to contract implementation that were not included in the Risk Assessment. The risks and mitigating actions in the CMP then need to be monitored by the Beneficiary to ensure they are implemented and effective. This can be done by including a review of the CMP risk register as a standing item in the contract management meetings with the Firm or Contractor(s). Any changes to risks or any new risks identified should be reflected in the risk register.

## Section 3 – Risk Assessment and Treatment

### 3.1 Risk Assessment

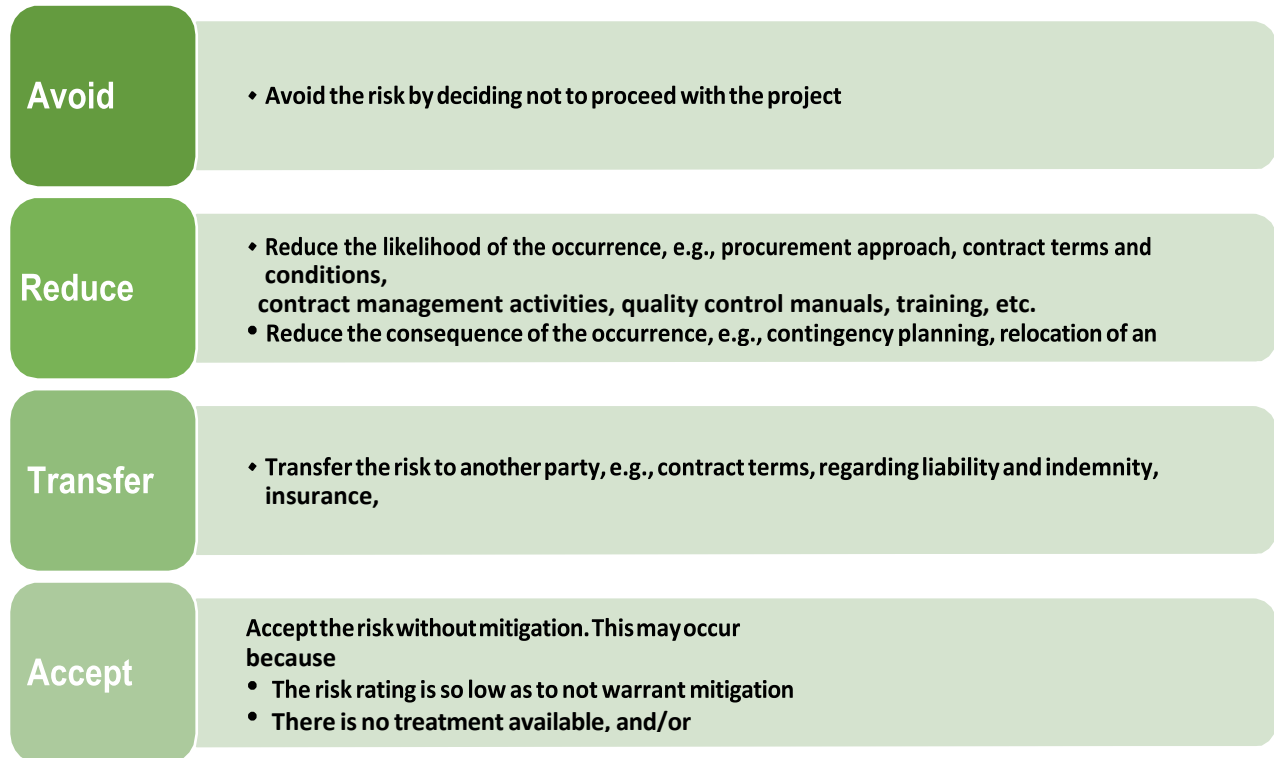
When assessing procurement risks, the assessment involves the following steps:

- ***Estimating the likelihood of the risk being realized.***
  - The risk likelihood table in Annex II should be used to estimate the likelihood of the risk being realized, ranging from “Rare” to “Almost Certain.” A risk likelihood score between 1 and 5 should be determined for the risk corresponding to the likelihood of the risk occurring.
- ***Estimating the consequence of the risk being realized.***
  - The risk consequence table in Annex II should be used to estimate the consequence of the risk being realized, ranging from “Insignificant” to “Severe.” The risk consequence table categorizes impacts of risks according to how negatively would they affect the achievements of IsDB’s core procurement principles of economy, efficiency, fairness and effectiveness.
  - The consequences of the risks being realized should be estimated using the most appropriate categories from this list. If a risk has impacts in more than one impact category, the highest- rated impact should be recorded. A risk consequence score between 1 and 5 based on the highest rated impact should be determined for the risk corresponding to the consequence of the risk occurring.
- ***Determining the risk rating; and***
  - The risk rating should then be determined and categorized using the risk rating matrix in Annex II, using the risk likelihood score and the risk consequence score to determine a risk rating. For example, a risk with risk likelihood score of 4 (“Likely”) and a risk consequence score of 3 (“Moderate”) has a risk rating of “High”.
- ***Prioritizing risks for treatment.***
  - Risks should then be prioritized for treatment. Risks rated “Extreme” and “High” should be given special attention, but treatments to mitigate “Medium” and “Low” risks should also be considered as appropriate.

## 3.2 Risks Treatment

Following an assessment of the risks, each risk should be treated in one of the four ways, avoid, reduce, transfer or accept as described in in the following figure.

*Figure IV – Risk Treatment*



In some cases, the only available mitigation measure may be “avoidance.” For example, immature national procurement systems may be mitigated by requiring IsDB standard documents to be used for 100% of contracts financed in whole or in part by IsDB.

Risk mitigation measures should balance their effectiveness for reducing the risk against their costs and effort to implement. Risks rated “Extreme” may warrant additional resources and a specific management plan.

## Section 4 – Risk Management Cycle and Assessments

### 4.1 Country and Sector/Agency Procurement Risk Assessment

During the development of the Country Partnership Strategy, IsDB may perform a Country and Sector, Agency Procurement Risk Assessment<sup>3</sup>. The Risk Assessment gives a broad overview of procurement risks at the country and sector, agency level. The level of the assessment will depend on existing knowledge and on an understanding of which sector or agency will be involved in projects.

The Risk Assessment is carried out periodically, preferably at the same time as preparation. However, if significant changes that could materially impact risk ratings have been identified, it may be updated at any time during the Country Partnership Strategy annual/mid-term review period.

The Risk Assessment could be carried out by the Bank, an external consultant, or it could be carried out by self-assessment by the country for the Bank to clarify and verify the assessment conducted.

If an OECD MAPS assessment has already been conducted in the Country, then this information should feed into the Risk Assessment, and it is less likely that IsDB will require a full Country Risk Assessment. The MAPS assessment assesses elements of a Public Procurement system under different indicators.

**Figure V – Overview of MAPS**



Equally, if another MDB has completed a Country and Sector/Agency Risk Assessment and this assessment is available, then this information should also be used for IsDB's Risk Assessment.

<sup>3</sup> Building on the OECD MAPS, if already done for the country.



The Risk Assessment can provide basic information during the project concept preparation stage as well as the project preparation and appraisal stages. During the preparation and approval process, the procurement strategy and plan is finalized. The systematic risk assessment during the process provides critical background information for Risk Assessment and management plan developed at the procurement planning stage.

Risk Assessments typically begins with a planning phase involving a desk review of existing country procurement assessments and experience, including analysis of MAPS, if available, and the application of a tool to assess country procurement risks. This review is then used to determine if a full assessment needs to be conducted or if the findings of the previous assessments need to be clarified.

The purpose of discussions with the government and other stakeholders is to validate the initial country procurement assessment and to assess sector, agency and project-specific risks. Findings are documented in the Risk Assessment report.

Finally, the weaknesses identified in the Risk Assessment are converted to risks, the risks are assessed, risk treatments are identified, and risks and mitigating measures are documented in a procurement risk assessment and management plan. The overall country procurement risk is then determined, as is the overall sector risk for each key sector.

The following section gives a detailed description of the Risk Assessment process, including references to tools and templates in Annex II to Annex X of this guidance note.

**Figure VI – Risk Assessment Process**

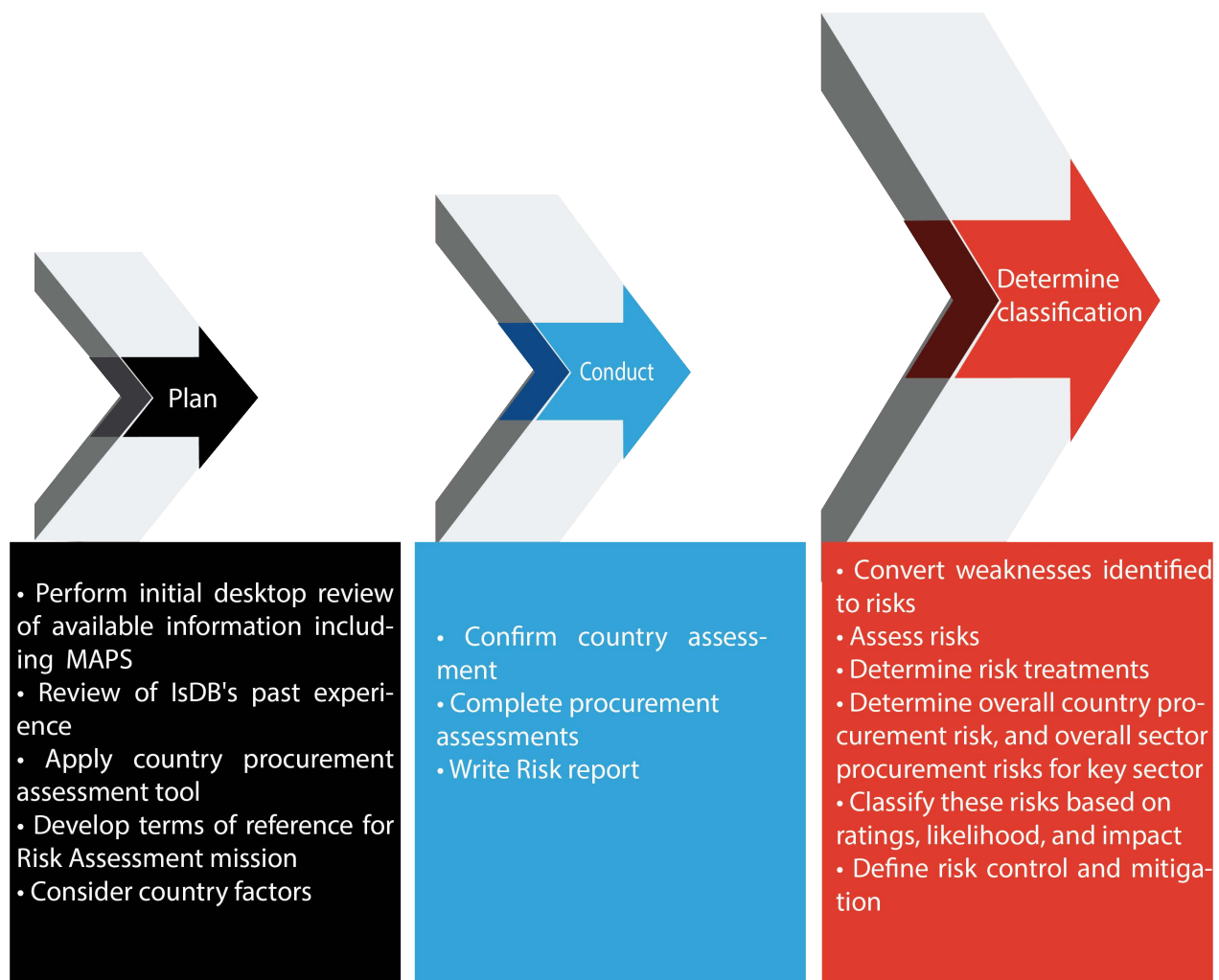
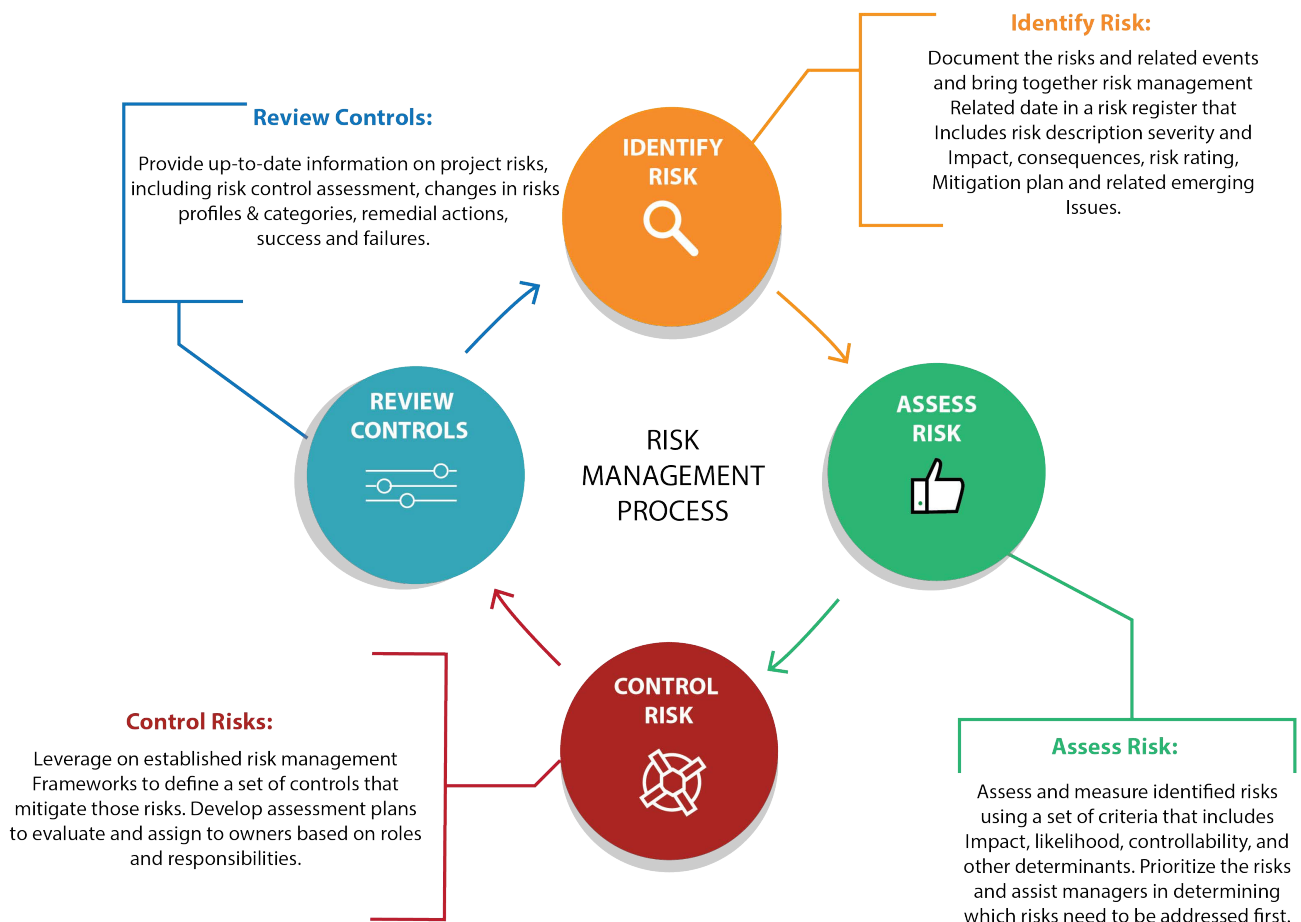


Figure VII -Project Risk Assessment Process



## 4.2 Project Conceptualization

The Operations Risk Management Framework mandates that IsDB initiates the Risk assessment at the project concept and design stage, and finalized during approval stage by assigns risk rating and categorization of all project procurement risk identification and categorization of 1 to 5. The categorization is used to guide the level of effort required for project preparation and due diligence.

A categorization of 1 indicates high risk and will result in active involvement from the IsDB procurement team throughout project preparation and processing. Whereas a categorization of 5 indicates low risk with little active participation from IsDB and post review sampling.

The project procurement risk categorization is a function of (i) the procurement environment in the country and sector (or, where applicable, executing agency) and (ii) project-specific characteristics.

The first step is to assess the procurement environment risk based on the country and sector/agency risk applicable to the project, as determined in the Risk Assessment. The procurement environment risk matrix in Annex IX is then used to determine the procurement environment risk rating.

The project procurement risk-categorization tool in Annex IX should then be completed. If the answer is yes to one or more questions in the tool, IsDB assesses and determines if additional procurement support to the Beneficiary will be required or if, despite the assessment, the Beneficiary has adequate resources and capacity to address procurement issues.

If additional procurement support is deemed necessary, the project procurement risk category shall be deemed as category-1 If not, it shall be deemed category-2 to 4.

### 4.3 Project Risk Assessment

At the procurement planning stage, it will be necessary to assess the procurement and market risks for the project by developing a Project Risk Assessment (PRA).

The Country Procurement Risk Assessment and any other assessments conducted such as MAPS, and by other MDB's is one input into the PRA. The information in the Country Procurement Risk Assessment will need to be reviewed for content to determine whether it remains valid for the project. If not, the Country Procurement Risk Assessment should be updated prior to the development of the PRA.

At this stage, more details will be available concerning the project itself, the executing agencies involved, the nature and scope of the requirements and the contracts envisaged. The PRA will use this information along with the Country Procurement Risk Assessment to assess more accurately the procurement risks for the project, including market risks and propose proper mitigation.

The PRA is the process of identifying and minimizing the likelihood and impact of risks occurring within a project. The PRA should focus on risks that may affect the successful implementation of the project and seek to ensure that projects are not subject to delays or failures caused by the realization of these risks. It also helps to inform the oversight arrangements for the project and on deciding the post, or prior review requirements and use of the country system.

The Bank conducts the PRA during project processing. When completing the PRA, consideration needs to be given to risks already identified in the CPRA (if completed or the information gained as part of the literature review if a MAPS assessment has been completed), during the project conceptualization stage, and from the Beneficiary's capacity and capability assessment, and the market analysis conducted.

The PRA assessment can be structured around the following key areas to ensure it is manageable.

- Market complexity, competitiveness and availability of required expertise;
- Beneficiary experience, including their capability and capacity;
- Safety and security at the project site;
- Macroeconomic factors;
- Business and operating environment;
- Technical innovation;
- Pricing trends;
- Any discrepancies between local procurement regulations and the Banks Procurement Policy and Guidelines;
- Sustainability issues; and
- Supply chain issues

Identified risks need to be quantified. It is recommended to take a cross-functional approach to the risk ratings to make the analysis more objective. The following issues should be considered during this quantification process.

- Previous experience of the Beneficiary;
- Experience of other MDB's;
- Understanding the drivers of the Beneficiary and the supply market;
- Assessment of the capacity of local contractors and suppliers who could potentially bid for packages under the project;
- An in-depth analysis of assumptions made during project conceptualization; and
- Root cause analysis of identified risks.

Following the identification of the key risks, the risks need to be rated and prioritized, using the risk assessment tables detailed in Annex III. Each risk should be scored against the two criteria of impact and likelihood on a scale of 1 to 5, so that classification of their criticality can be made, in terms of how they

may affect the Project Development Objectives.

It is not always possible for the Bank and/or the Beneficiary to address all risks identified through the PRA and procurement arrangements selected. However, appropriate mitigation measures should be developed for the medium and high risks identified, including assigning a responsible authority to each mitigation measure. This approach will inform the procurement strategy, if required, and may form part of the contract and/or contract management plan for each procurement contract.

The PRA and the associated procurement risk register should be used to develop the procurement strategy and procurement plan for the project.

### **4.4 Implementation and Contract Management**

At the time of contract award, the risks identified in the PRA and risk register should be reviewed for relevance to the contract implementation stage, and relevant risks should be included in the Contract Management Plan. In addition, any changes to risks and any newly identified risks, along with associated mitigating actions, should be included in the Contract Management Plan.

The Contract Management Plan and risk register should be updated throughout the procurement process to reflect any changes to existing risks or track the emergence of new risks so that risks are managed effectively until project completion.

Procurement staff should review all procurement plans including risks annually and revise the risk management plan based on the engagement with the key stakeholders. Annual procurement risk management plans should be consolidated at project, country and sector level for further analysis and reported to the management. The risk report should highlight procurement risks from the perspective of its impact on the Bank and overall procurement process and any consequences of such risks along with any proposed risk mitigation measures.

## Section 5– Country and Sector, Agency Procurement Risk Assessment Process

If a country and sector risk assessment is required, the assessor should conduct the assessment as outlined in the following section. The assessment form part of the sector analysis is undertaken to provide inputs to the preparation of a new Country Partnership Strategy. It also provides input into Project Risk categorization during the project development stage of the procurement cycle, and into the development of the risk assessment at the procurement planning stage.

### A. Planning the Assessment

IsDB staff (or consultants selected by IsDB) will conduct the risk assessment. To plan the assessment and determine the resources required, an initial desk review is undertaken based on existing procurement assessments by other MDBs, as well as IsDB's procurement experience in the country and across key sectors.

If other MDBs have completed a MAPS assessment, this information may be used instead of IsDB conducting a separate assessment. However, IsDB would still need to do the following:

#### 1. Literature Review

The purpose of this step is to identify information relating to public procurement systems. This can include but is not limited to:

- **Operations Risk Management Assessment (ORMF):** IsDB ORMF outlines<sup>4</sup> the general framework for how the entities in the Bank will undertake the identification, assessment, monitoring and management of operational risks at the business unit level in a consistent and coordinated manner. The ORMF is the first step of a multi-year effort in cascading the operational risk management across the entities in the Bank.
- **Additional Risk Assessments conducted by IsDB:** IsDB may have carried out such assessments (or other similar assessments under different names). These reports may be obtained from the relevant IsDB Unit.
- **Country Procurement Assessment Reports (CPAR):** IsDB can also benefit from CPAR prepared by MDBs covering IsDB member countries. The CPAR of the World Bank's is their main instrument to assist its member countries in analysing their procurement policies, organization, and procedures. Publicly available CPARs can be found on the World Bank website at <http://documents.worldbank.org/curated/en/docsearch/document-type/540617>.
- **Organisation for Economic Co-operation and Development, Development Assistance Committee's Methodology for Assessing Procurement Systems (MAPS):** Created in 2003–2004 and revised in 2018 the MAPS is intended to provide a standard tool to assess the quality and effectiveness of procurement systems.
- **Country Public Procurement Authority Assessment:** Some Public Procurement Authorities conduct reviews of PMU's.
- **Country and Sector/Agency Procurement Risk Assessment (CSPRA):** The CSPRA assessment was introduced by ADB in 2018 and considers procurement risks associated with the country and sector/ agency procurement capability.
- **Public Expenditure and Financial Accountability (PEFA):** The PEFA Program was founded in 2001 as a multi-donor partnership to assess the condition of country public expenditure,

<sup>4</sup> as developed by the Risk Management Department (RMD) and approved by the Board of Executive Directors (BED) in June 2012.

procurement, and financial accountability systems. The PEFA Framework assesses a country's public financial management across thirty-one (31) indicators, one of which assesses the procurement monitoring, procurement methods, public access to procurement information, and procurement complaints management. Publicly available PEFA assessments can be found on the PEFA website: [www.pefa.org](http://www.pefa.org).

- **Global Public Procurement Database (GPPD):** A comprehensive global knowledge product developed by the World Bank, hosting public procurement information. The availability of this data is expected to contribute towards a) knowledge sharing, b) establishing synergies, c) showcasing the positive impact of public procurement on economic growth, d) evaluating approaches on best practices, and e) scoping further areas for procurement reforms. The GPPD web-based system was launched in March 2020<sup>5</sup>.
- **Internet Search:** A variety of bilateral donors and non-government organizations regularly assess public procurement systems, including from the perspective of fiduciary risk assessment. A web search should be conducted to find relevant assessments. The web search should also include e-procurement assessments by various international financial institutions, case studies, presentations and/or research papers pertinent to the country.

## 2. IsDB's Procurement Experience

In addition to the existing assessments of procurement systems, IsDB's experience at the country and sector/agency level should be reviewed:

- **Country Procurement Data:** The current portfolio of active contracts in the country, and priority sectors, is reviewed to identify potential risks. The portfolio is reviewed from the perspective of the total number of contracts, contract value, and active contracts, as well as experience with contract variations. Refer to Annex IV for data that may be needed for the assessment and potential sources.
- **Existing Member Country Partnership Strategy (MCPS):** The existing MCPS and relevant lessons learned should be reviewed to better understand IsDB's operations at the country level, and sector and thematic priorities. It may be useful to review any sector road maps prepared in conjunction with the relevant MCPS if the contemplated procurement is targeted for such sectors.
- **The Internal Audit Department (IAD), Compliance Unit and the Integrity and Ethics Department (IED) Project Procurement Related Reviews:** IAD and IED assess compliance with applicable policies, guidelines, and the financing agreement and any complaints. The focus is to prevent any non-compliance and detect integrity violations. Project teams should consult IAD and IED to identify and analyze project procurement risks that may lead to integrity violations.
- **Country Portfolio Performance Review Report (CPPR):** The purpose of the CPPR Mission is to review the overall performance of the portfolio in the country in terms of completing the projects implementation progress and suggesting action on projects facing delays. The overall purpose is to ensure that approved projects are completed in allocated time and budget, as well as their contributions to sector outcomes and outputs. The CPPR (i) examines country-specific common project implementation problems and constraints and works out appropriate remedial measures; (ii) reviews projects with the executing agencies and proposes solutions for specific problems being encountered; (iii) undertakes field visits to selected problem projects to assess the magnitude and effects of issues identified; and (iv) agrees on a time-bound action plan with quantifiable monitoring targets to remedy or improve the

---

<sup>5</sup> <http://www.worldbank.org/en/topic/governance/brief/global-public-procurement-database>

performance of the portfolio. The CPPR report and the mission's back to office report and an action plan for addressing identified issues with timeline and responsibilities. The PPR plays a key role in CPPR Mission, it ensures that procurement issues and risks are deliberated, and solutions are identified.

- **e-Procurement Assessments:** As several member countries are moving toward e-Procurement, IsDB from time to time initiates assessments of e-procurement systems of selected member countries to determine their acceptability for use in IsDB projects. The purpose of the assessment is to ensure compliance of the executing agency's e-procurement system with the MDBs e-procurement guidelines and to ensure that the system complies with IsDB's Procurement Policy and Guidelines.
- **Project Completion Reports:** Project completion reports may contain an assessment of Risk Matrix, lessons learned and recommendations about procurement of completed projects.

### **3. Application of the Country Procurement Assessment Tool**

The initial country assessment identifies additional information required to complete the risk assessment and determine the resources required to collect the information and the most appropriate means by which to undertake the fieldwork.

The information gathered from the literature review, and IsDB's experience is used to answer basic questions about a country's public procurement environment in terms of policies, rules, regulations, and institutions at the national level, allowing IsDB to identify primary areas in variance with IsDB's core procurement principles, Policy and Guidelines. The initial country assessment will result in a preliminary score for each of the indicators, an average score for each of the four pillars, and a total average score for the country. The scores will indicate the level of maturity in country procurement systems.

The country procurement assessment tool and scoring guide are detailed in Annex IV. They assess the legislative and regulatory framework governing public procurement, the institutional framework and management capacity, procurement operations and market practices, and the integrity and transparency of public procurement systems. The tool also allows for an assessment of the gaps in information or where information is dated and includes some questions pertaining to e-procurement and verification or updating that may be required during the risk assessment.

Since there is increasing interest among IsDB's developing member countries to use electronic government procurement (e-GP), it is necessary to assess the maturity of e-GP systems in a country as part of the risk assessment.

### **4. Market Risk Assessment**

For each country and sector/agency assessed, a market assessment needs to be conducted to cover relevant product/service markets and any crosscutting market risks, including on domestic supply opportunities, foreign supply opportunities, access to finance and securities, supply chain constraints, application of domestic preferences, restrictions on foreign bidders, licensing, and registration.

### **5. Terms of Reference—Country and Sector/Agency Procurement Risk Assessment**

The terms of reference will guide the country and sector/agency assessments. At a minimum, the mission would (i) confirm the findings of the initial country procurement assessment, updating information gaps and narrative description of the country procurement systems, where necessary, including the use of e-GP systems; (ii) assess sector procurement performance, and (iii) assess country and sector/agency procurement risks and identify mitigating measures.

### **6. Country Considerations**

When planning a risk assessment, consideration should be given to achieving an acceptable level of comfort

in the most cost-effective manner. In case the assessment is already undertaken by OECD, MDBs and other agencies, the Bank will rely on the work already done by sister institutions. Also depending on the size of the country, the level of decentralization, and/or the size of IsDB's program in the sector, a modified approach to risk assessment may be warranted. For example:

- For large developing member countries, particularly when IsDB's program has a geographic concentration or with a high degree of decentralized government services (including procurement), consideration should be given to subnational procurement assessments.
- For smaller programs, with a limited loan or grant financing, it may be more appropriate to conduct the sector/agency procurement assessment as part of project processing, unless the program is in a fragile or conflict-affected state.
- For larger programs, or with dominant sector agencies, the sector assessments may be best conducted at the agency level, rather than aggregated at the sector level.
- If IsDB operations are focused on a subsector, then it may be more appropriate to conduct the sector/agency assessment at the level of that subsector.
- Fragile or conflict-affected situations require specific consideration, not only with respect to how to assess country, sector, and/or agency procurement risks but also with how to identify opportunities for providing additional flexibility that may be needed to enable effective project implementation.

### **B. Communicating with the Government**

Once the planning has been completed, the IsDB team should arrange for the assessment with the concerned client government and key sector agencies. Consideration should also be given to the level of involvement of government counterparts and other development partners.

**Conducting the Assessment: Confirm the Country Procurement Assessment and Complete the Sector/Agency Procurement Assessments**

The in-country assessment will involve discussions with relevant stakeholders, including the government, development partners, pertinent local industries, and civil society organizations that are active in IsDB's key sectors. The in-country assessment will update and verify the information gathered during the desk review and assess sector/agency procurement performance.

Annex-V provides a sector/agency questionnaire and scoring guide. The tool should be applied to each of the sectors assessed to determine the degree of variability in procurement capacity across sectors and as compared to the expectations embodied in the national procurement systems. The sector assessment template includes a questionnaire that should be used when conducting interviews and a scoring guide. The sector score should reflect the average score across agencies. The questionnaire should only be used by the assessor as it is not designed to be a self-assessment tool.

The results are analyzed and form the basis for completing the narrative assessment of the country and sector/agency procurement systems. Annex-VII provides an annotated outline for the Procurement Risk Assessment report.

For the country and for each priority sector assessed, the report should cover the description of the procurement systems (at the country level) and procurement practices (at the sector or agency level); the strengths of the procurement systems or practices (generally these would include areas with a score of 2 or 3 on average) and any weaknesses identified (generally these areas would have a score of 0 or 1 on average).



### C. Determining the Risk Classification

The potential weaknesses in country procurement systems and sector/agency procurement practices identified in the risk assessment are further examined to determine the extent to which these weaknesses pose risks to projects.

The first step is to identify the potential risks that have emerged from the assessments. Annex-IV and VI provide a list of indicative procurement risks at the country and sector/agency level.

Weaknesses identified in the risk assessment may require the gathering of additional information to determine the root cause of the weakness and how it may result in a risk. The following table provides an example of how to assess identified weakness and their potential risk.

**Example of How a Procurement Weakness May Convert to a Risk:**

<b>Weakness</b>	Key sector agencies use the direct selection as the default method
<b>Risk</b>	Bidders without adequate qualifications and capacity are selected
<b>Potential Impact</b>	Lack of transparency, procurement delays, increased prices, reduced quality, reduced life span of assets procured, reputational risks

Once risks have been identified, it is necessary to assess them to determine the likelihood of the risk to occur and, if it were to occur, the likely impact it could have on an IsDB operation. Risks must be prioritized according to the risk rating and treatments identified to mitigate and manage them. Section 3 of this guidance note gives more detail on how to assess risks and develop treatment options.

If an e-Procurement system is implemented in the country (or by specific executing agencies), the risk assessment should denote if this has helped in the management of procurement risks. The current scope and plans to further improve the e-procurement system should be clearly mentioned. The report should also mention risks related to e-procurement use, if any, and how they are to be mitigated.

Once the risks have been identified and categorized, and mitigation measures identified, the Risk Assessment Management Plan is prepared. The risks should be disaggregated between the country level and the specific sector/agency level, with overall risk ratings given for both the country and individual sectors assessed. A standard template is provided in Annex-IX.

The final step of the risk assessment process is to determine the overall country procurement risk and the overall procurement risk in each of the core sectors/ agencies reviewed. The overall risks should be rated as extreme, high, medium, or low and are reflected in the Risk Assessment Management Plan. In considering the overall rating, the assessor considers the cumulative impact of the risks identified and the likelihood of that impact occurring. This requires professional judgment and should not simply be a straight average of individual risk ratings.

## Annex I. IsDB Member Countries

The Islamic Development Bank is made up of fifty-seven (57) Member Countries.

Afghanistan	Albania
Algeria	Azerbaijan
Bahrain	Bangladesh
Benin	Brunei
Burkina Faso	Cameroon
Chad	Comoros
Cote D'Ivoire	Djibouti
Egypt	Gabon
Gambia	Guinea
Guinea Bissau	Guyana
Indonesia	Iran
Iraq	Jordan
Kazakhstan	Kuwait
Kyrgyz Republic	Lebanon
Libya	Malaysia
Maldives	Mali
Mauritania	Morocco
Mozambique	Niger
Nigeria	Oman
Pakistan	Palestine
Qatar	Saudi Arabia
Senegal	Sierra Leone
Somalia	Sudan
Suriname	Syria
Tajikistan	Togo
Tunisia	Turkey
Turkmenistan	Uganda
United Arab Emirates	Uzbekistan
Yemen	

## Annex II. Risk Assessment Tables

### Risk Categorisation

Risk Rating	Description
High	Risk is expected to occur in most circumstances with high impact (in terms of time and cost) on the achievement of the project activities
Medium High	Risk will probably occur in most circumstances with medium high impact (in terms of time and cost) on the achievement of the project activities
Medium	Risk may occur with medium impact (in terms of time and cost) on the achievement of the project activities
Medium Low	Risk may occasionally occur with low impact (in terms of time and cost) on the achievement of the project objectives
Low	Risk may never occur only in exceptional circumstances with low impact (in terms of time and cost) on the achievement of the project activities

### Risk Likelihood

Description	Likelihood Score	Description	Indicative Probability
Almost Certain	5	Expected to occur	> 95%
Likely	4	Probably will occur	66% - 95%
Possible	3	May occur at some stage	26% - 65%
Unlikely	2	Would be surprising if it occurred	5% - 25%
Rare	1	May never occur	< 5%

**Risk Consequences**

		How the risk identified affects the achievement of			
Description	Consequence Score *	Economy	Efficiency	Fairness	Effectiveness
		(1)	(2)	(3)	(4)
Low	1				
Medium Low	2				
Medium	3				
Medium High	4				
High	5				

For each risk identified, the assessor assigns a consequence score for each relevant core procurement principle. If a risk has an impact on more than one principle, the highest-rated impact should be recorded and used as the input for the risk rating matrix.

**Risk Rating Matrix**

			Risk Consequences				
			Insignificant	Minor	Moderate	Major	Severe
			1	2	3	4	5
Risk Likelihood	Almost Certain	5	Medium	Medium	High	Extreme	Extreme
	Likely	4	Medium	Medium	High	High	Extreme
	Possible	3	Low	Medium	Medium	High	High
	Unlikely	2	Low	Low	Medium	Medium	High
	Rare	1	Low	Low	Low	Medium	Medium

### Annex III. Data Template

Procurement data may be obtained from relevant government agencies, national statistic departments or published reports. Projects financed in whole or in part by IsDB, procurement data should be obtained from the relevant executing and implementing agencies. Certain data may also be available from IsDB’s Procurement Review System. Data should be taken from at least the last two (2) or three (3) years to ensure meaningful analysis.

Data obtained by the assessor should be prepared using the table below. More columns may be added, as necessary, subject to the assessor’s professional judgement. One table should be produced for each sector or agency assessed and the completed table(s) should be included as an annex to the Risk Assessment Report. Other data or information used should also be attached to the report. This may include data on contract variations, elapsed time to contract award, levels of competition, number of mis-procurements, number of rebid contracts, number of cancelled contracts, number of complaints, and the extent of use of e-Procurement systems for example.

Name of Sector or Agency:							
Data Obtained for the Period of:							
No.	Source of Funds	Project Name	Contract Description	Procurement (Selection) Method/Bidding Procedure	Contract Award Amount	Contract Winner	Nationality
I. Procurement of Goods							
1							
2							
3							
4							
II. Procurement of Works							
1							
2							
3							
4							

<b>III. Procurement of Consulting Services</b>							
1							
2							
3							
4							
<b>IV. Procurement of Non-consulting Services</b>							
1							
2							
3							
4							

## Annex IV. Simplified Procurement Risk Assessment Template

Item Assessed	Assessment (Unsatisfactory/ Moderately Satisfactory/ Satisfactory)	Key Concerns	Risk Assessment (Low / Moderate / High)	Proposed Actions and Timeline
Legal aspects				
country procurement law and regulation				
NCB procedures				
Local Bidding Procedures				
Capacity of procurement management				
Procurement Planning				
management of bidding process/consultant hiring process and award of contracts				
contract management and records keeping capacity				
complaint handling procedures and capacity				
Procurement organization and functions				
clarity of organization structure, governance and approval process, a delegation of authority, etc.				
internal manual and instructions				
audit and internal control				
Staffing				
staff selection and remuneration				
evidence of experienced staff				

Item Assessed	Assessment (Unsatisfactory/ Moderately Satisfactory/ Satisfactory)	Key Concerns	Risk Assessment (Low / Moderate / High)	Proposed Actions and Timeline
training and on-the-job capacity building				
leadership in procurement				
evidence of experience in handling public procurement transactions				
<p>Overall procurement risk rating (L/M/H): Proposed prior review threshold</p> <p>Goods US\$..... (equivalent)</p> <p>Works US\$..... (equivalent)</p> <p>Consulting US\$ ..... (equivalent)</p>				<p>Prepared by: (Field Procurement Officer)</p> <p>Cleared by: (Regional Procurement Officer)</p>



## Annex V. Country Risk Assessment Tool

### Country Procurement Assessment Tool

Indicators	Score	Narrative/Verification or Clarification Required
<b>1. Legislative and Regulatory Framework</b>	<b>[Average of 1.1–1.5]</b>	
1.1 Is there a comprehensive public procurement law, with supporting regulations, standard bidding documents, and operational manuals or guides?		
1.2 Does the legal framework make open competitive tendering the default method of procurement, with clarity as to when other less competitive methods can be used?		
1.3 Does the legal framework support nondiscriminatory participation (i.e., all eligible bidders can participate, and that registration, if required, does not constitute a barrier to participation in tenders), and transparent tender processes (including an advertisement, tender documentation, tender evaluation, complaints mechanism)?		
1.4 Are there restrictions or preferences on the nationality of bidders, consulting firms and/or the origin of goods, works, and services?		
1.5 Does the legal and regulatory framework enable the use of an e-procurement system?		
<b>2. Institutional Framework and Management Capacity</b>	<b>[Average of 2.1–2.6]</b>	
2.1 Is the procurement cycle required to be tied to an annual budgeting cycle (i.e., can a procurement activity commence only when a budget has been duly appropriated for it)?		
2.2 Does the system foster efficiency using adequate planning?		
2.3 Does the procurement system feature an oversight or regulatory body?		
2.4 Is there a nationwide public procurement capacity development or professionalization program?		
2.5 Is there a dedicated group institutionalized for e-procurement in the public procurement department?		

2.6 If an e-procurement system is used, is there a structured approach to capacity building and analyzing its effective use?		
<b>3. Procurement Operations and Market Practices</b>	<b>[Average of 3.1–3.5]</b>	
3.1 Is the private sector competitive, well organized, and able to access the market?		
3.2 Do measures exist to ensure the adequacy and accuracy of cost estimates before bidding and to manage contract price variations?		
3.3 Is the private sector able to access and participate in e-procurement?		
3.4 Do commercial bank practices support the private sector industry and procurement operations adequately?		
3.5 Is there a mechanism to receive and handle observations, complaints, and protests?		
<b>4. Integrity and Transparency of the Public Procurement System</b>	<b>[Average of 4.1–4.4]</b>	
4.1 Is there a formal internal control and audit framework?		
4.2 Is information pertaining to public procurement easy to find, comprehensive, and relevant?		
4.3 Can bidders and other stakeholders easily access procurement information through the e-procurement system?		
4.4 Does the country have ethics and anticorruption measures in place?		
<b>Average Score for the Country</b>	<b>[Average of 1, 2, 3, and 4]</b>	<b>[Conclusion: Describe the overall initial assessment]</b>

## Annex VI Country Procurement Risk Assessment Tool Scoring Guide

Indicators/Questions	Scoring Guide
<b>1. Legislative and Regulatory Framework</b>	
<p>1.1 Is there a comprehensive public procurement law, with supporting regulations, standard bidding documents, and operational manuals or guides?</p>	<p>3 – These documents exist and are consistent with each other.</p> <p>2 – Procurement law exists, but not all other documents are available, or there are inconsistencies among the documents.</p> <p>1 – Procurement law exists, but limited supporting regulations, standard bidding documents, or operational guidance exist.</p> <p>0 – There is no public procurement law.</p>
<p>1.2 Does the legal framework make open competitive tendering the default method of procurement, with clarity as to when other less competitive methods can be used?</p>	<p>3 – The legal framework meets all the following conditions:</p> <ul style="list-style-type: none"> <li>(a) Allowable procurement methods are established unambiguously at an appropriate hierarchical level, along with the associated conditions under which each method may be used, including a requirement for approval by an official that is held accountable.</li> <li>(b) Competitive procurement is the default method of public procurement.</li> <li>(c) Fractioning of contracts to limit competition is prohibited.</li> <li>(d) Appropriate standards for international competitive tendering are specified and are consistent with international standards.</li> </ul> <p>2 – The legal framework meets the conditions of (a) and (b), plus one of the remaining conditions.</p> <p>1 – The legal framework meets the conditions of (a) and (b) only.</p> <p>0 – The legal framework fails to substantially comply with any three of the conditions (a) through (d).</p>
<p>1.3 Does the legal framework support nondiscriminatory participation (i.e., all eligible bidders are allowed to participate, and that registration, if required, does not constitute a barrier to participation in tenders), and transparent tender processes (including an advertisement, tender documentation, tender evaluation, complaints mechanism)?</p>	<p>3 – Legal framework supports nondiscriminatory participation, and tender processes in line with good international practice, including public advertising of business opportunities with enough time for bidders to obtain documents and respond to the advertisement, and an effective complaints mechanism.</p> <p>2 – Legal framework generally supports nondiscriminatory participation, and tender processes are generally transparent, though some weaknesses</p>

	<p>exist (e.g., lack of complaints mechanism, some barriers to participation, etc.).</p> <p>1 – Legal framework generally supports nondiscriminatory participation, but weaknesses exist that could serve to limit participation.</p> <p>0 – Legal framework lacks nondiscriminatory participation and displays insufficient transparency of tender processes.</p>
<p>1.4 Are there restrictions or preferences on the nationality of bidders, consulting firms and/or the origin of goods, works, and services?</p>	<p>3 – There is no nationality restriction or domestic preference scheme.</p> <p>2 – There is no nationality restriction, but there is a domestic preference scheme.</p> <p>1 – There is a limited nationality restriction (i.e., subject to clearly defined exceptions), and/or a domestic preference scheme is adopted with unreasonably high rates.</p> <p>0 – Procurement is solely limited to national firms or individuals and/or origin of goods, works, and services.</p>
<p>1.5 Does the legal and regulatory framework enable the use of an e-procurement system?</p>	<p>3 – National public procurement law requires the use of e-procurement by all of the government agencies; the rules for e-procurement implementation are included in the law, and electronic, and paper bidding documents are considered equally valid.</p> <p>2 – National public procurement law requires the use of e-procurement at the national level, but rules for e-procurement implementation are not completed, and electronic, and paper bidding documents may or may not be considered equally valid.</p> <p>1 – National public procurement law does not require the use of e-procurement, but key government agencies use e-procurement; the rules for e-procurement implementation are not part of the law.</p> <p>0 – National public procurement law does not require the use of e-procurement; no government agencies use e-procurement.</p>
<p><b>2. Institutional Framework and Management Capacity</b></p>	
<p>2.1 Is the procurement cycle required to be tied to an annual budgeting cycle (i.e., can a procurement activity commence only when a budget has been duly appropriated for it)?</p>	<p>3 – The procurement cycle is adequately linked with the annual budget cycle, with provision for advance procurement as necessary.</p> <p>2 – A procurement activity may start up to, but excluding, contract award until the budget has been duly appropriated.</p> <p>1 – The law provides for procurement and budget cycles, but these are not adequately linked (i.e., a</p>

	<p>procurement activity may commence and be concluded even without a duly appropriated budget).</p> <p>0 – No clear procurement and budget cycles are established by law.</p>
<p>2.2 Does the system foster efficiency using adequate planning?</p>	<p>3 – There is a regular planning exercise under the law that starts with the preparation of multiyear operating plans, followed by annual procurement plans of associated expenditures, and culminating in the annual budget formulation.</p> <p>2 – The law provides for multiyear operating plans and annual procurement plans that are independent of budget appropriation, but these are at least required to reflect forward budget estimates.</p> <p>1 – Annual procurement plans are required, but the law does not provide for the preparation of multiyear or annual operating plans.</p> <p>0 – The law does not require the preparation of procurement plans.</p>
<p>2.3 Does the procurement system feature an oversight or regulatory body?</p>	<p>3 – There is a regulatory body, or functions are clearly assigned to the unit(s) within government, which is specified in the legal framework; the regulatory body is at an adequate level in government and financing is secured by the legal or regulatory framework.</p> <p>2 – There is a regulatory body or functional designation to the unit(s) within government, but this is not part of the legal or regulatory framework; and/or the body is at an adequate level, but financing is subject to administrative decisions and can be changed easily.</p> <p>1 – Only partial responsibilities of a regulatory body are assigned, or the level of the body is too low, or financing is inadequate for the proper discharge of its responsibilities.</p> <p>0 – There is an absence of a body, or the body is too low with no independence to perform its obligations.</p>
<p>2.4 Is there a nationwide public procurement capacity development or professionalization program?</p>	<p>3 – There is an externally recognized professionalization program.</p> <p>2 – There is at least a government-sponsored training program that is implemented nationwide.</p> <p>1 – There is a government-sponsored training program, but it is insufficient to meet national needs.</p> <p>0 – There is neither a professionalization program nor a capacity development program.</p>

<p>2.5 Is there a dedicated group institutionalized for e-procurement in the public procurement department?</p>	<p>3 – There is a dedicated e-procurement unit established and embedded in public procurement agency to implement e-procurement.</p> <p>2 – The dedicated e-procurement group is newly established in the public procurement unit and does not have an active role in the implementation of e-procurement; the e-procurement function is still done by specific government ministries.</p> <p>1 – There is no e-procurement unit in the public procurement agency; an ad hoc group is implementing e-procurement in the ministries using e-procurement.</p> <p>0 – There is no e-procurement unit anywhere in government.</p>
<p>2.6 If an e-procurement system is used, is there a structured approach to capacity building and analyzing its effective use?</p>	<p>3 – National e-procurement plan includes a comprehensive, professionally recognized capacity building or training program and a systematic change management plan is part of the country’s long-term development plan.</p> <p>2 – National e-procurement plan includes a good training program targeting government officials and some change management. There is some capacity for implementing e-procurement.</p> <p>1 – No formal e-procurement training program, but a few hours of training are provided to government officials implementing e-procurement. No change management. There is limited capacity for e-procurement in the agencies implementing e-procurement.</p> <p>0 – There is neither training nor a change management program.</p>
<p><b>3. Procurement Operations and Market Practices</b></p>	
<p>3.1 Is the private sector competitive, well organized, and able to access the market?</p>	<p>3 – The private sector is competitive, well organized (e.g., professional associations exist), and able to participate in a competition for public procurement contracts.</p> <p>2 – There is a reasonably well-functioning private sector, but competition for large contracts is concentrated in a relatively small number of firms.</p> <p>1 – The private sector is relatively weak and/or competition is limited, owing to monopolistic or oligopolistic features in the market.</p> <p>0 – The private sector is not well organized and lacks capacity and access to information for participation in the public procurement market.</p>

<p>3.2 Do measures exist to ensure the adequacy and accuracy of cost estimates before bidding and to manage contract price variations?</p>	<p>3 – Detailed measures exist along with clear guidelines to check the adequacy and accuracy of cost estimates and proposed variations.</p> <p>2 – Some measures exist, but these do not provide enough guidance.</p> <p>1 – There is a requirement to check the adequacy and accuracy of cost estimates and proposed variations, but no measure (indicator) or guidance provided.</p> <p>0 – There are no measures (indicators) and/or requirements</p>
<p>3.3 Is the private sector able to access and participate in e-procurement?</p>	<p>3 – The private sector can access all national public procurement information and policies and transact through the system (register electronically in the registry system, submit bids or proposals online, use credit cards and other payment modes, and receive payments through the system). Foreign bidders can participate as well. There is adequate help desk support.</p> <p>2 – The private sector can access most of the national public procurement information and policies and partly transact through the system (limited to 2–3 functionalities only). Foreign bidders are not able to participate. Limited help desk support.</p> <p>1 – The private sector can access only a limited amount of procurement information and policies but transacts manually. No helpdesk.</p> <p>0 – The private sector is not able to access and participate in e-procurement.</p>
<p>3.4 Do commercial bank practices support the private sector industry and procurement operations adequately</p>	<p>3 – Bank branches have adequate powers to issue bid securities, advance payment securities, and performance securities without major delays and reference to headquarters. The private sector is generally able to access bank credit facilities without much hindrance.</p> <p>2 – Only some banks or branches are generally geared to issue such securities expeditiously and grant credit facilities without much hindrance to all competitive firms.</p> <p>1 – Only some banks or branches are generally geared to issue such securities expeditiously and grant credit facilities without much hindrance, but they do so after reference to headquarters and only to large- and medium-sized firms.</p> <p>0 – No bank can issue securities and credit facilities without reference to headquarters. Small firms cannot obtain such facilities at all.</p>

<p>3.5 Is there a mechanism to receive and handle observations, complaints, and protests?</p>	<p>3 – There is an independent review body that has clear authority and is bound by reasonable procedures and timelines.</p> <p>2 – There is an independent review body, but the mechanisms for decision making and enforcement are unclear or cumbersome.</p> <p>1 – There is a formal review mechanism, but there is no independent review body.</p> <p>0 – There is no formal review mechanism.</p>
<p><b>4. Integrity and Transparency of the Public Procurement System</b></p>	
<p>4.1 Is there a formal internal control and audit framework?</p>	<p>3 – This is provided by law, and there are adequate internal control and audit mechanisms and institutions to oversee the procurement function.</p> <p>2 – This provided by law, and there are implementing guidelines, but the mechanisms and institutions are not adequately established.</p> <p>1 – This is provided by law, but there are no implementing guidelines and no mechanisms and institutions.</p> <p>0 – The law does not provide for a formal internal audit and control system.</p>
<p>4.2 Is information pertaining to public procurement easy to find, comprehensive, and relevant?</p>	<p>3 – Information on procurement is easily accessible in media of wide circulation and availability. The information provided is centralized in a commonplace and is relevant and complete.</p> <p>2 – Information is posted in media not readily, and widely accessible or not user friendly for the public at large or is difficult to understand to the average user, or essential information is lacking.</p> <p>1 – Information is difficult to get and very limited in content and availability.</p> <p>0 – There is no public information system as such, and it is generally up to the procuring entity to publish information.</p>
<p>4.3 Can bidders and other stakeholders easily access procurement information through the e-procurement system?</p>	<p>3 – The private sector and civil society can access national procurement information through the system.</p> <p>2 – The private sector and civil society can access some national procurement information through the system.</p> <p>1 – The private sector and civil society can access a limited amount of national procurement information through the system.</p> <p>0 – The private sector and civil society are not able to access national procurement information through the system.</p>



<p>4.4 Does the country have ethics and anti-corruption measures in place?</p>	<p>3 – Tender documents include adequate provisions on integrity violations; integrity violation in procurement is defined; specific measures are in place and implemented related to conflict of interest; responsibilities and consequences for those found guilty of fraud or corruption are clearly described; ample evidence of enforcement; special measures are in place for detection and prevention of corruption associated with procurement.</p> <p>2 – Tender documents generally cover fraud and corruption but without consistency; conflict of interest is defined and highlighted in relevant regulations; no specific definition of fraud or corruption in procurement; some evidence of enforcement; government anticorruption program does not include special measures related to public procurement.</p>
<p>4.4 Does the country have ethics and anti-corruption measures in place?</p>	<p>1 – Few tendering documents contain language pertaining to integrity violations; there is no specific policy, procedure, or framework governing conflict of interest; no specific description of individual responsibilities and consequences with respect to public procurement; evidence of enforcement is weak; no effectively integrated anti-corruption program.</p> <p>0 – Tender documents generally do not cover integrity violations; legal or regulatory framework does not deal with integrity violations; there is no evidence of enforcement; the government does not have an anti-corruption program or codes relating to conflict of interest.</p>

### Annex VII. Sector/Agency Risk Assessment Tool

Indicators/Questions	Sector/Agency Questions	Score	Comment
<b>1. Legislative and Regulatory Framework</b>		<b>[Average of 1.1–1.5]</b>	
1.1 - Does the national Public Procurement law (including supporting regulations, standard bidding documents and operational manuals/guides) apply to the sector?	Does legislation exempt the sector from being subject to the national Public Procurement law?		<i>[The assessor should give a narrative response and determine whether additional information or verification is required.]</i>
	Even if subject to the national Public Procurement law, does the sector tend to follow it?		
	Do agencies in the sector use Government-issued Public Procurement manuals or guidance?		
	Have Government-issued documents been tailored to meet sector requirements?		
	In the absence of Government-issued documents, does the sector have its own standard bidding documents/guidelines?		
1.2 - Is the supply market for the sector sufficiently competitive to give full effect to the national procurement law and/or open competitive tendering?	Is competitive bidding a common feature under the sector?		
	Is there a core of suppliers in the sector who regularly submit responsive bids?		
	What proportion, by %, of the sector’s procurement is undertaken through open competitive bidding?		
	What is the average number of bidders for publicly bid contracts?		
	Do EAs tend to make enough efforts to attract bids (e.g. adequate advertising, bidding periods)?		
	Is there availability and quality of suppliers, labour force and/or		

Indicators/Questions	Sector/Agency Questions	Score	Comment
	related goods and services in the domestic market?		
1.3 - If there is a sector-specific legal framework, does it support non-discriminatory participation, transparent tender processes (including advertisement, tender documentation, tender evaluation, complaints mechanism)?	Has the sector adopted non-discriminatory, transparent tender processes?		
	What is the average number of bidders for publicly bid contracts?		
1.4 - Is the sector subjected to excessive regulation or Government control such that competition is limited or non-existent?	Does the sector apply a domestic preference scheme?		
	Does the sector require pre-registration of bidders?		
	Are there acceptable provisions in the sector for the participation of SOE's?		
1.5 - Does the legal and regulatory framework enable the sector/agency to use an e-Procurement system?	Does the sector/agency abide by the rules, regulations and guidelines for the use of e-Procurement incorporated in the national procurement laws?		

Indicators/Questions	Sector/Agency Questions	Score	Comment
<b>2. Institutional Framework and Management Capacity</b>		<b>[Average of 2.1–2.6]</b>	
2.1 - Is the procurement cycle in the sector required to be tied to an annual budgeting cycle (i.e. can a procurement activity commence only when the budget for it has been duly appropriated ?)	Are procurement plans in the sector prepared on as part of the budget planning and formulation process?		
	Do systems and processes in the sector or key agencies in the sector require certification of availability of funds before solicitation of tenders?		
2.2 - Does the system foster efficiency using adequate planning?	Does the sector, or key agencies in the sector, have a formalized procurement planning process(s)?		
2.3 - Does the procurement system in the sector feature an oversight/regulatory body?	Does the sector fall under the remit of the national oversight/regulatory body?		
	If a national body does not exist, is there a sector-specific body that oversees/regulates procurement?		
2.4 - Is there a Public Procurement capacity development or professionalization program?	What proportions of procurement-related officers and staff in the sector have been trained under the national or sector capacity development program or participated in any formal procurement training program?		
2.5 - Is there a dedicated group institutionalized for e-Procurement in the sector/agency's procurement unit`?	Does the sector/agency use the national e-Procurement system, or does it use its e-Procurement system?		
	Is e-Procurement strategically positioned in the sector/agency's governance map/long term development plan?		
	How is e-Procurement positioned within the overall sector/agency structure?		
	Does the sector/agency have enough IT infrastructure to support e-Procurement?		

Indicators/Questions	Sector/Agency Questions	Score	Comment
2.6 - If an e-Procurement system is used, is there a structured approach to capacity building and analysing its effective use?	What is the sector/agency's e-Procurement capacity to implement the system?		
	Does the agency/e-Procurement unit recognize the need for knowledge and skill-building for the new way of working under e-Procurement		

Indicators/Questions	Sector/Agency Questions	Score	Comment
<b>3. Procurement Operations and Market Practices</b>		<b>[Average of 3.1–3.5]</b>	
3.1 - Is private sector competitive, well organized and able to access the sector market?	Is the private sector well organized and able to access the sector market?		
	Do civil society organizations regard Public Procurement in the sector to be open and accessible to the market?		
3.2 - Do measures exist in the sector to ensure the adequacy and accuracy of cost estimates before bidding, and to manage contract price variations?	What percentages of contracts are awarded for values less than the original cost estimates?		
	What percentage of contract variations amount to a cumulative impact of more than 10% of the original contract price?		
3.3 - Is the private sector able to access and fully participate in the agency e-Procurement activities	What functions exist and are being used in the sector/agency e-Procurement system?		
	Are all forms available/accessible online?		
	Do bidders pay any fees for the use of the system?		
	What other government IT systems does the e-Procurement system link to?		
	Are foreign bidders able to participate in sector/agency's e-Procurement?		
	What percentage of sector/agency's total bids are transacted through the e-Procurement system?		
3.4 - Do commercial bank practices support the private sector industry and procurement operations adequately?	Have banks delegated powers to branches to issue bid security, advance payment security, and performance security expeditiously?		
	Do banks generally play a supporting role in assisting		

Indicators/Questions	Sector/Agency Questions	Score	Comment
	contractors, especially small ones, for obtaining such securities?		
	Do banks generally provide necessary credit facilities to the construction industry (especially small and medium-sized firms)?		
3.5 - Is there a mechanism in the sector to receive and handle observations, complaints and protests?	Are there sector-specific procedures to receive and handle observations, complaints and protests?		
	Are complaints and protests in the sector processed within the maximum time limit provided for in the law?		
	Have bidders used the complaint and protests mechanisms?		

Indicators/Questions	Sector/Agency Questions	Score	Comment
<b>4. Integrity and Transparency of the Public Procurement System</b>		<b>[Average of 4.1–4.4]</b>	
4.1 - Is there a formal internal control and audit framework in the sector?	Do key agencies in the sector have an independent internal audit function?		
	Do key agencies in the sector have adequate internal control mechanisms to oversee the procurement function?		
	Are key agencies in the sector subjected to regular performance or value for money audits?		
	Are key agencies in the sector subjected to annual financial audits?		
	Are internal or external audit findings/recommendations acted on in a timely fashion?		
4.2 - Is information pertaining to Public Procurement in the sector easy to find, comprehensive and relevant?	What percentage of bids is published in a medium that is easily and freely accessible?		
	Can bidders easily and freely access bid information?		
	What is the percentage of contract awards announced in a medium that is easily and freely accessible?		
	Are third party observers invited to attend public biddings?		
4.3 - Can bidders and other stakeholders easily access sector/agency's procurement information through the e-Procurement system?	What is civil society's involvement in the e-Procurement system?		
	Are bidders and other stakeholders able to monitor all the sector/agency's e-Procurement transactions?		
4.4 - Does the sector have ethics and anti-corruption measures in place?	Are there sector-specific procedures to verify a bidder's legitimate existence, track records, financial capacity and capacity to complete the job?		



Indicators/Questions	Sector/Agency Questions	Score	Comment
	Does the sector, or key agencies in the sector, maintain a register of debarred suppliers, contractors and consultants?		
	Are there sector-specific integrity principles and guidelines?		
<b>Average Sector/Agency Score</b>			

## Annex VIII: Country Procurement Risk Assessment Tool Scoring Guide

Indicators	Sector/Agency Questions	Scoring Guide
<b>1. Legislative and Regulatory Framework</b>		
1.1 - Does the national Public Procurement law (including supporting regulations, standard bidding documents and operational manuals/guides) apply to the sector?	<ul style="list-style-type: none"> <li>• Is the sector exempted by legislation from being subject to the national public procurement law?</li> <li>• Even if subject to the national public procurement law, does the sector tend to follow it?</li> <li>• Do agencies in the sector use government-issued public procurement manuals or guidance?</li> <li>• Have government-issued documents been tailored to meet sector requirements?</li> <li><input type="checkbox"/> In the absence of government- issued documents, does the sector have its standard bidding documents and/or guidelines?</li> </ul>	<p>3 – The sector has its regulations, processes, guidelines, and bidding documents that are superior to those in the national public procurement system.</p> <p>2 – The sector is subject to the national procurement law and tends to follow it. Generally, it uses national procurement processes, guidelines, and bidding documents.</p> <p>1 – The sector is subject to the national procurement law but tends not to follow it. Frequent deviations from national procurement processes, guidelines, and bidding documents.</p> <p>0 – The sector is exempt from, or does not follow, the national public procurement system, and does not have its regulations, processes, guidelines, and bidding documents that compensate for this.</p>
1.2 - Is the supply market for the sector sufficiently competitive to give full effect to the national procurement law and/or open competitive tendering?	<ul style="list-style-type: none"> <li>• Is competitive bidding a common feature under the sector?</li> <li>• Is there a core of suppliers in the sector who regularly submit responsive bids?</li> <li>• What proportion, by percentage, of the sector’s procurement is undertaken through open competitive bidding?</li> <li>• What is the average number of bidders for publicly bid contracts?</li> <li>• Do executing agencies tend to make enough efforts to attract</li> </ul>	<p>3 – Competitive bidding is more prevalent (by percentage) in the sector than generally evident in the country. A core of suppliers in the sector regularly submits responsive bids. At least five bidders on average per contract. Executing agencies make enough efforts to attract bids.</p> <p>2 – Competitive bidding in the sector is consistent with that generally evident in the country. A core of suppliers in the sector regularly submit bids but are often nonresponsive. At least three bidders on average per contract. Executing agencies generally</p>

	<p>bids (e.g., adequate advertising, bidding periods)?</p> <ul style="list-style-type: none"> <li>• Is there availability and quality of suppliers, labor force, and/or related goods and services in the domestic market?</li> </ul>	<p>make enough efforts to attract bids.</p> <p>1 – Competitive bidding in the sector is less prevalent than that generally evident in the country. Suppliers tend to submit one-off, but often responsive bids. At least two bidders on average per contract. Executing agencies often do not make enough efforts to attract bids.</p> <p>0 – Competitive bidding in the sector is much weaker than that generally seen in the country. Suppliers tend to submit one-off, nonresponsive bids. Less than two bidders on average per contract. Executing agencies rarely make enough efforts to attract bids</p>
<p>1.3 - If there is a sector- specific legal framework, does it support non-discriminatory participation, transparent tender processes (including an advertisement, tender documentation, tender evaluation, complaints mechanism)?</p>	<ul style="list-style-type: none"> <li>• Has the sector adopted nondiscriminatory and transparent tender processes?</li> <li>• What is the average number of bidders for publicly bid contracts</li> </ul>	<p>3 – At least five bidders on average per contract.</p> <p>2 – At least three bidders on average per contract.</p> <p>1 – At least two bidders on average per contract.</p> <p>0 – Less than two bidders on average per contract.</p>
<p>1.4 - Is the sector subjected to excessive regulation or Government control such that competition is limited or non-existent?</p>	<ul style="list-style-type: none"> <li>• Does the sector apply a domestic preference scheme?</li> <li>• Does the sector require preregistration of bidders?</li> <li>• Are there acceptable provisions in the sector for the participation of state-owned enterprises</li> </ul>	<p>3 – There are no restrictions on the nationality of bidders or origins of goods. There is no domestic preference scheme. Effective preregistration processes are rigorously followed. Acceptable provisions govern the participation of state-owned enterprises.</p> <p>2 – No restrictions on the nationality of bidders or origin of goods, or preregistration process exists but is not rigorously followed, or weak or unclear provisions governing the participation of state-owned enterprises.</p>

		<p>1 – Some restrictions on the nationality of bidders, or domestic preference scheme exists, the preregistration process needs improvements, lack of clarity on participation by state-owned enterprises.</p> <p>0 – Restrictions on the nationality of bidders, domestic preference scheme in place, no preregistration of bidders required, no specific guidance with respect to state-owned enterprises.</p>
<p>1.5 - Does the legal and regulatory framework enable the sector/agency to use an e-Procurement system?</p>	<ul style="list-style-type: none"> <li>• Does the sector/agency abide by the rules, regulations, and guidelines for the use of e-procurement incorporated in the national procurement laws?</li> <li>• Are electronic and paper documents considered as equally valid by the sector/agency?</li> <li>• Are there sector/agency-specific tender and/or bidding procedures, contract management processes, and approval ceilings in the e-procurement implementation?</li> </ul>	<p>3 – The sector/agency implements the same e-procurement rules, regulations, and guidelines consistent with the national procurement laws.</p> <p>2 – The sector/agency tender and/or bidding procedures and contract management processes are subject to the national e-procurement law but implement it with some variations specific to sector/agency.</p> <p>1 – The sector/agency is subject to the national e-procurement law but does not follow it. Sector/agency uses its own rules and regulations.</p> <p>0 – The sector/agency is exempt from or does not follow the national e-procurement system and does not have its own regulation, processes, and guidelines.</p>

<b>2. Institutional Framework and Management Capacity</b>		
<p>2.1 - Is the procurement cycle in the sector required to be tied to an annual budgeting cycle (i.e. can a procurement activity commence only when the budget has been duly appropriated for it?)</p>	<ul style="list-style-type: none"> <li>• Are procurement plans in the sector prepared as part of the budget planning and formulation process?</li> <li>• Do systems and processes in the sector or key agencies in the sector require certification of availability of funds before solicitation of tenders?</li> </ul>	<p>3 – Procurement plans are prepared as part of the annual budget process, and budget availability is confirmed prior to solicitation of tenders.</p> <p>2 – Budget availability is confirmed prior to solicitation of tenders, but there is limited procurement planning serving as an input to the budget formulation.</p> <p>1 – Procurement planning factors into the budget formulation, but budget availability need not be confirmed prior to solicitation of tenders.</p> <p>0 – Procurement planning does not factor into the budget formulation, and budget availability need not be confirmed prior to solicitation of tenders.</p>
<p>2.2 - Does the system foster efficiency using adequate planning?</p>	<ul style="list-style-type: none"> <li>• Does the sector, or key agencies in the sector, have a formalized procurement planning process(es)?</li> </ul>	<p>3 – There is a regular planning exercise that starts with the preparation of multiyear operating plans followed by annual procurement plans with associated expenditures that form part of the annual budget formulation process.</p> <p>2 – Multiyear operating plans and annual procurement plans are prepared independently of budget preparation, but these are revised in line with forwarding budget estimates.</p> <p>1 – Annual procurement plans are prepared, but these are not linked to multiyear operating plans and/or not linked to the budget formulation.</p> <p>0 – Procurement plans are not prepared.</p>
<p>2.3 - Does the procurement system in the sector feature an oversight/regulatory body?</p>	<ul style="list-style-type: none"> <li>• Does the sector fall under the remit of the national oversight or regulatory body?</li> </ul>	<p>3 – There is a national procurement oversight body that covers agency procurement.</p>

	<ul style="list-style-type: none"> <li>• If a national body does not exist, is there a sector-specific body that oversees and/or regulates procurement?</li> </ul>	<p>2 – There is no national body; however, a sector-specific body oversees and regulates procurement in the sector.</p> <p>1 – There is a national regulatory body but has limited clarity with respect to its scope and/or ability to oversee and/or regulate procurement in the sector.</p> <p>0 – There is an absence of a body, at the national or sector level, that oversees or regulates procurement.</p>
<p>2.4 - Is there a Public Procurement capacity development or professionalization program?</p>	<ul style="list-style-type: none"> <li>• What proportions of procurement-related officers and staff in the sector have been trained under the national or sector capacity development program or participated in any formal procurement training program?</li> </ul>	<p>3 – At least 80% of procurement staff.</p> <p>2 – At least 60% of procurement staff.</p> <p>1 – At least 20% of procurement staff.</p> <p>0 – Less than 20% of procurement staff.</p>
<p>2.5 - Is there a dedicated group institutionalized for e-Procurement in the sector/agency's procurement unit?</p>	<ul style="list-style-type: none"> <li>• Does the sector/agency use the national e-procurement system, or does it use its own e-procurement system?</li> <li>• Is e-procurement strategically positioned in the sector/ agency's governance map or long-term development plan?</li> <li>• How is e-procurement positioned within the overall sector/agency structure?</li> <li>• Does the sector/agency have enough IT infrastructure to support e-procurement?</li> </ul>	<p>3 – The sector/agency has its own e-procurement unit, but there is national oversight. E-procurement is a strategy identified in the sector/ agency's procurement plan.</p> <p>2 – The sector/agency has its own e-procurement unit, but there is no national oversight. Sector/agency- specific body oversees e-procurement.</p> <p>1 – The sector/agency relies on the national e-procurement unit, and there is limited clarity on the role and responsibility for e-procurement in the sector/agency.</p> <p>0 – There is no dedicated group in the sector/agency and no national e-procurement unit.</p>
<p>If an e-Procurement system is used, is there a structured approach to capacity building and analysing its effective use?</p>	<ul style="list-style-type: none"> <li>• What is the sector/agency's e-procurement capacity to implement the system?</li> <li>• Does the agency or e-procurement unit recognize the need for knowledge and skill</li> </ul>	<p>3 – At least 75% of e-procurement staff have completed up to 3 weeks of national e-procurement training.</p> <p>2 – At least 55% of e-procurement staff have completed a 1-week e-procurement training program.</p>

	<p>building for the new way of working under e-procurement?</p>	<p>1 - At least 25% of e-procurement staff have completed a 1-day e-procurement training program. 0 – Up to 20% of the e-procurement staff have had no training.</p>
<p><b>3. Procurement Operations and Market Practices</b></p>		
<p>3.1 - Is private sector competitive, well organized and able to access the sector market?</p>	<ul style="list-style-type: none"> <li>• Is the private sector well organized and able to access the sector market?</li> <li>• Do civil society organizations regard public procurement in the sector to be open and accessible to the market?</li> </ul>	<p>3 – The private sector is competitive, well organized, and able to participate in the competition for sector procurement contracts. No major constraints are inhibiting private access to sector procurement. 2 – There is a reasonably well functioning private sector serving the sector/agency, but competition for large contracts is concentrated in a relatively small number of firms. Some constraints are inhibiting private sector access to sector procurement. 1 – The private sector serving the sector/agency is relatively weak and/or competition is limited due to monopolistic or oligopolistic features. Multiple constraints are inhibiting private sector access to sector procurement. 0 – The private sector is not well organized and lacks the capacity to access sector procurement markets. There are major constraints that discourage competition from the private sector.</p>
<p>3.2 - Do measures exist in the sector to ensure the adequacy and accuracy of cost estimates before bidding, and to manage contract price variations?</p>	<ul style="list-style-type: none"> <li>• What percentage of contracts are awarded for values less than the original cost estimates?</li> <li>• What percentage of contract variations amount to a cumulative impact of more</li> </ul>	<p>3 – More than 75% of the contract awards sampled. 2 – 50%–75% of contract awards sampled. 1 – 20%–50% of contract awards sampled. 0 – Less than 20% of contract awards sampled.</p>

	<p>than 10% of the original contract price?</p>	<p>3 – Less than 10% of contracts sampled.</p> <p>2 – 10%–20% of contracts sampled.</p> <p>1 – 20%–50% of contracts sampled.</p> <p>0 – More than 50% of contracts sampled.</p>
<p>3.3 - Is the private sector able to access and fully participate in the agency e-Procurement activities</p>	<ul style="list-style-type: none"> <li>• What functions exist and are being used in the sector/ agency e-procurement system?</li> <li>• Are all forms available and accessible online?</li> <li>• Do bidders pay any fees for the use of the system?</li> <li>• What other government IT systems does the e-procurement system link to?</li> <li>• Are foreign bidders able to participate in sector/agency’s e-procurement system?</li> <li>• What percentage of sector/ agency’s total bids are transacted through the e-procurement system?</li> </ul>	<p>3 – Private sector is generally able to access and participate competitively through e-procurement; the e-procurement system is an end-to-end solution; there are no constraints prohibiting any firm from accessing or using the sector/agency e-procurement system.</p> <p>2 – E-procurement system is accessible to the private sector, but there are only a concentrated number of firms in the sector that are accessing and participating in the bidding. Use of the system is limited to multilateral development bank-funded projects.</p> <p>1 – The use of e-procurement system in the sector/agency is limited due to non-competitive factors.</p> <p>0 – The private sector does not have the capacity to access e-procurement system; there are major system constraints and weaknesses that hinder the active participation in e-procurement.</p>
<p>3.4 - Do commercial bank practices support the private sector industry and procurement operations adequately?</p>	<ul style="list-style-type: none"> <li>• Have banks delegated powers to branches to issue bid security, advance payment security, and performance security expeditiously?</li> <li>• Do banks generally play a supporting role in assisting contractors, especially small</li> </ul>	<p>3 – Bank branches have adequate powers to issue bid securities, advance payment securities, and performance securities without major delays and reference to headquarters. The private sector is generally able to access bank credit facilities without much hindrance.</p>



	<p>ones for obtaining such securities?</p> <ul style="list-style-type: none"> <li>Do banks generally provide necessary credit facilities to the construction industry (especially small and medium-sized firms)?</li> </ul>	<p>2 – Only some banks or branches are generally geared to issue such securities expeditiously and grant credit facilities without much hindrance to all competitive firms.</p> <p>1 – Only some banks or branches are generally geared to issue such securities expeditiously and grant credit facilities without much hindrance, but they do so after reference to headquarters and only to large- and medium-sized firms.</p> <p>0 – No bank can issue securities and credit facilities without reference to headquarters. Small firms cannot obtain such facilities at all.</p>
<p>3.5 - Is there a mechanism in the sector to receive and handle observations, complaints and protests?</p>	<ul style="list-style-type: none"> <li>Are there sector-specific procedures to receive and handle observations, complaints, and protests?</li> <li>Are complaints and protests in the sector processed within the maximum time limit provided for in the law?</li> <li>Have bidders used the complaint and protest mechanisms?</li> </ul>	<p>3 – The complaint review system has precise and reasonable conditions and time frames for decision with clear enforcement authority and mechanisms; more than 90% of complaints are processed with stipulated time frames.</p> <p>2 – There are terms and time frames for resolution of complaints, but the authority for enforcement is unclear; more than 75% of complaints are processed within stipulated time frames.</p> <p>1 – Terms and time frames for resolution of complaints are vague; the time to resolve complaints is not tracked by the agency.</p> <p>0 – There is no effective or functioning complaints mechanism.</p>
<p><b>4. Integrity and Transparency of the Sector Public Procurement System</b></p>		
<p>4.1 - Is there a formal internal control and audit framework in the sector?</p>	<ul style="list-style-type: none"> <li>Do key agencies in the sector have an independent internal audit function?</li> <li>Do key agencies in the sector have adequate internal control</li> </ul>	<p>3 – The sector has an effective internal control framework including an independent internal audit function; annual financial audits are conducted; audit</p>

	<p>mechanisms to oversee the procurement function?</p>	<p>recommendations are implemented within 6 months; no significant outstanding audit findings for more than 6 months.</p> <p>2 – The sector has effective segregation of duties; an internal audit function exists, but capacity is weak, or the function is not sufficiently independent; annual financial audits are audited with reasonable time disposition of audit findings.</p> <p>1 – The sector has effective segregation of duties and is subjected to an annual audit. There is no internal audit function, and/or audit findings are not disposed of in a timely manner.</p> <p>0 – The internal system is weak, with no internal audit, limited external audit and audit findings are not disposed of in a timely manner.</p>
<p>4.2 - Is information pertaining to Public Procurement in the sector easy to find, comprehensive and relevant?</p>	<ul style="list-style-type: none"> <li>• What percentage of bids are published in a medium that is easily and freely accessible?</li> <li>• Can bidders easily and freely access bid information?</li> <li>• What is the percentage of contract awards announced in media that are easily and freely accessible?</li> <li>• Are third-party observers invited to attend public biddings?</li> </ul>	<p>3 – At least 80% of bids are published; at least 80% of contract awards are published; bidders can easily and freely access bid and contract award information; third-party observers are invited to attend public biddings.</p> <p>2 – At least 60% of bids are published; at least 60% of contract awards are published; bidders can easily and freely access either bid and/or contract award information; third-party observers may attend public biddings.</p> <p>1 – At least 20% of bids are published; at least 20% of contract awards are published; bidders have some access to bid and contract award information.</p> <p>0 – Less than 20% of bids are published; less than 20% of contract awards are published.</p>

<p>4.3 - Can bidders and other stakeholders easily access sector/agency's procurement information through the e-Procurement system?</p>	<ul style="list-style-type: none"> <li>• What is civil society's involvement in the e-procurement system?</li> <li>• What kind of dynamics exist between/among the private sector and other stakeholder groups?</li> <li>• Are bidders and other stakeholders able to monitor all the sector/agency's e-procurement transactions?</li> </ul>	<p>3 – At least 80% of bids and awards information are published and are always readily accessible on an e-procurement site; third-party observers from civil society organizations and other partner groups can access and download e-procurement information. Generally, very cooperative relationship from all stakeholder groups; civil society organizations and other partner groups able to use e-procurement system for monitoring.</p> <p>2 – At least 55% of bids and awards information are always published and readily accessible on an e-procurement site; some third-party observers from civil society organizations and other partner groups can access and download e-procurement information. Some stakeholder groups are not supportive of e-procurement. Some stakeholders use the e-procurement system to monitor the process and results.</p> <p>1 - At least 25% of bids and awards information are always published and readily accessible on an e-procurement site. Bidders can access and download e-procurement information. Negligible stakeholder support for e-procurement.</p> <p>0 – Below 20% of bids and awards information are always published and readily accessible on an e-procurement site. Bidders are unable to access and download e-procurement information.</p>
---	--	---

<p>4.4 - Does the sector have ethics and anti-corruption measures in place?</p>	<ul style="list-style-type: none"> <li>• Are there sector-specific procedures to verify a bidder's legitimate existence, track records, financial capacity, and capacity to complete the job?</li> </ul>	<p>3 – The sector has an active anti-corruption or integrity program(s) in place; the sector has mechanisms to debar firms for failure to perform and/or integrity violations; the sector has sufficient</p>
	<ul style="list-style-type: none"> <li>• Are there sector-specific procedures to rate performance and/or debar bidders, suppliers, contractors, and consultants for ethical or integrity violations?</li> <li>• Does the sector, or key agencies in the sector, maintain a register of debarred suppliers, contractors, and consultants?</li> <li>• Are there sector-specific integrity principles and guidelines?</li> </ul>	<p>supplier due diligence processes; the sector has a clear policy, procedures, and/ or frameworks governing conflict of interest.</p> <p>2 – The sector has mechanisms to debar firms for failure to perform and/or integrity violations, or mechanisms to report suspected violations to a national or sector-wide anti-corruption body; the sector has enough supplier due diligence processes; the concept of conflict of interest is defined.</p> <p>1 – The sector has enough supplier due diligence processes, including the need to address conflict of interest.</p> <p>0 – The sector does not have a formal system(s) to deal with integrity violations, conflicts of interest, and/or integrity violations.</p>

## Annex IX. Report Outline for Procurement Risk Assessment

### A. Executive Summary

[This section should give the overall result of the country and sector/agency procurement risk assessment (extreme, high, medium, or low); summarize weaknesses and risks identified; summarize mitigation and/or management measures to be adopted].

### B. Introduction

[This section should indicate that the assessment was prepared in accordance with the Guidance Note on Risk Based Approach of the Islamic Development Bank (IsDB) and should indicate whether the country and sector/agency procurement risk assessment is being prepared to support a country partnership strategy. Furthermore, the section should indicate when and how the assessment was undertaken, e.g., “The country and sector/agency procurement risk assessment was undertaken from [date] to [date]. Preparation activities included reviewing documents, assessing IsDB’s ongoing procurement experience, and undertaking interviews with counterparts and discussions with stakeholders.”]

### C. Country Procurement Risk Assessment

#### 1. Overview

[This section should give a narrative description of the country procurement systems covering

- Legislative and regulatory framework,
- Institutional framework and management capacity,
- Procurement operations and market practices,
- Performance of e-procurement system(s) (or plans to introduce one), and
- Integrity and transparency of the public procurement system (including the maturity of e-procurement system[s]).]

#### 2. Strengths

[This section should identify strengths of the country procurement system, including those elements such as e-procurement which IsDB may wish to rely upon.

This should be based on the results of the Country Procurement Assessment Tool (Annex IV), identifying those areas with scores of 2 or 3.]

#### 3. Weaknesses

[This section should identify weaknesses of the country procurement system. This should be based on the results of the Country Procurement Assessment Tool (Annex IV), identifying those areas with scores of 0 or 1.]

#### 4. Procurement Risk Assessment and Management Plan

[Based on the weaknesses identified, IsDB’s fiduciary risks should be identified and assessed based on their likelihood of occurrence and degree of impact, and mitigation or management measures should be identified.]

## D. Sector/Agency Procurement Assessment(s)

[For each sector/agency assessed, the following topics should be covered.]

### 1. Overview

[This section should give a narrative description of the sector/agency procurement practices covering

- Legislative and regulatory framework (from the sector perspective, this should reflect the compliance and/or implementation of sector agencies with national or country systems and frameworks);
- Institutional framework and management capacity;
- Procurement operations and market practices (from the sector perspective, the review of the market is particularly important, the assessment should consider whether domestic systems support international competitive bidding, the number of foreign bidders in domestic procurement, the percentage of internationally bid procurements won by local bidders, etc.— this may be a summary of the sector issues raised in the market analysis where appropriate); and
- Integrity and transparency of the public procurement system (including the maturity of e-procurement system[s]).]

### 2. Strengths

[This section should identify strengths of the sector/agency procurement practices, including those elements such as e-procurement which IsDB may wish to rely upon. This should be based on the results of the Sector/Agency Procurement Assessment Tool (Annex V), identifying those areas with scores of 2 or 3.]

### 3. Weaknesses

[This section should identify weaknesses of the sector/agency procurement practices. This should be based on the results of the Sector/Agency Procurement Assessment Tool (Annex V), identifying those areas with scores of 0 or 1.]

### 4. Procurement Risk Assessment and Management Plan

[Based on the weaknesses identified, IsDB's fiduciary risks should be identified and assessed based on their likelihood of occurrence and degree of impact, and mitigation and/or management measures should be identified.]

## E. Market Risk Assessment(s)

[For each sector/agency assessed, the following topics should be covered.]

### 1. Overview

[To the extent possible at the stage of the CSPRA, this section should give a narrative description of the relevant product or service market and any cross-cutting market risks, including

- Product or service market; domestic supply opportunities and risks; foreign supply opportunities and risks;
- Access to finance and securities; supply chain constraints; and
  - Application of domestic preferences; restrictions on foreign bidders; licensing, registration, etc.]

### 2. Strengths

[This section should identify strengths of the market, including those which indicate the most appropriate level of competition and contract packaging.]

### **3. Weaknesses**

[This section should identify weaknesses of the market, identifying those areas which might jeopardize the success of the project.]

### **4. Recommendations to Mitigate Risks**

[Based on the weaknesses identified, fiduciary risks should be identified, assessed based on the likelihood of occurrence and degree of impact, and mitigation and/or management measures identified.]

### **F. Country (and, Where Applicable, Sector/Agency) Prior and Post Review (Sampling) Approach**

[The review should recommend overall procurement risk rating at the country, and, where applicable, sector/agency level; and inform of the procurement review approach.]

### **G. Conclusion**

[The overall conclusions, including an opinion as to whether country procurement legal, regulatory, and institutional frameworks may be used for projects financed by IsDB; overall assessment of country procurement risk and procurement risk in priority sectors/ agencies; and the nature of risk mitigation and/or management measures required to address these risks in IsDB's operations. There should be an indication of preferred procurement methods and level of advertising.]

### **H. Appendixes**

[Completed questionnaires, scoring tools, terms of reference, etc.]

### Annex X. Potential Risks

Risk	Impact	Causes	Possible Mitigation Measures
<p><b>Noncompetitive Bidding Processes</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Genuine bidders do not participate</li> <li><input type="checkbox"/> Procurement delays</li> <li><input type="checkbox"/> Increased prices</li> <li><input type="checkbox"/> Reduced quality</li> <li><input type="checkbox"/> Reduced life span of assets</li> </ul>	<p>Political and/or other interference in procurement processes</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Increased procurement oversight (additional prior review)</li> <li><input type="checkbox"/> Systematically outsource procurement processes to independent procurement agents</li> <li><input type="checkbox"/> Introduce or strengthen e-procurement</li> </ul>
		<p>Barriers to entry</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensure widest possible competition by international advertising</li> <li><input type="checkbox"/> Impose safeguards into applicable procurement system to remedy deficiencies</li> <li><input type="checkbox"/> Work with government to reduce “red tape” for foreign companies to operate in the country</li> </ul>
		<p>Governance and Compliance</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Potential risks related to Governance, non-compliance and Money Laundry, ICT systems (, in addition to data protection and information security) at country and agency level</li> </ul>
<p><b>National Procurement System does not meet International Standards</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Procurement processes are:</li> <li><input type="checkbox"/> Inefficient,</li> <li><input type="checkbox"/> Ineffective,</li> <li><input type="checkbox"/> nontransparent, and/or</li> <li><input type="checkbox"/> unfair with</li> <li><input type="checkbox"/> increased prices,</li> <li><input type="checkbox"/> reduced quality,</li> <li><input type="checkbox"/> procurement delays and/or</li> <li><input type="checkbox"/> loss of funding allocation.</li> </ul>	<p>Weaknesses in domestic procurement legal or regulatory framework</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensure application of IsDB procurement policy and guidelines and standard bidding documents, or alternative procurement arrangements by other multilateral development banks, as appropriate</li> <li><input type="checkbox"/> If open competitive bidding is permitted under the national system, safeguards to be put in place to remedy deficiencies</li> <li><input type="checkbox"/> Targeted capacity development</li> <li><input type="checkbox"/> Recommend assistance to the government to improve the legal or regulatory framework (under the country partnership strategy or a specific project)</li> </ul>



<p><b>Poor Procurement Planning (packaging, technical specifications, contracting strategy) and Processing</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Increased prices</li> <li><input type="checkbox"/> Purchase of unsuitable products or services</li> <li><input type="checkbox"/> Procurement delays</li> <li><input type="checkbox"/> Loss of funding allocation</li> <li><input type="checkbox"/> Reduced quality</li> <li><input type="checkbox"/> Reduced life span of assets</li> </ul>	<p>Lack of Capacity</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Strengthen procurement aspects of project preparation activities</li> <li><input type="checkbox"/> Additional use of consultants in project and contract preparation</li> <li><input type="checkbox"/> Capacity development measures included in projects</li> <li><input type="checkbox"/> Recommend assistance to the government to develop a national procurement training system and to work with professional bodies and universities to strengthen syllabus</li> </ul>
<p><b>Deficient Contract Management</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Contract failures</li> <li><input type="checkbox"/> Increased price</li> <li><input type="checkbox"/> Reduced quality</li> <li><input type="checkbox"/> Inefficiency, wastage</li> </ul>	<p>Lack of Capacity</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensure appropriate contract management provisions are included in the standard bidding documents used</li> <li><input type="checkbox"/> Work with executing agencies to provide nominated contract managers with defined duties and responsibilities</li> <li><input type="checkbox"/> Capacity development measures included in projects</li> </ul>
		<p>Corrupt practices (collusion, bribe-seeking)</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensure that applicable procurement system reflects provisions on corrupt practices and related issues consistent with IsDB policy</li> <li><input type="checkbox"/> Strengthen oversight by additional contract supervision by third-party consultant</li> <li><input type="checkbox"/> Capacity development measures included in projects focused on strengthening transparency in processes</li> <li><input type="checkbox"/> Periodic review of procurement review arrangements</li> <li><input type="checkbox"/> Consider civil society participation in monitoring procurement outputs</li> </ul>
<p><b>Market, Regulatory dominance of country/ sector procuring agencies</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Collusion</li> <li><input type="checkbox"/> Bribe-seeking</li> <li><input type="checkbox"/> Reduced competition</li> <li><input type="checkbox"/> Increased price</li> </ul>	<p>Industry Structure</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Carefully consider appropriate procurement methods and procurement packaging during procurement planning to enhance competition</li> </ul>

	<ul style="list-style-type: none"> <li><input type="checkbox"/> Reduced transparency</li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Consider imposing prior approval for procurement methods other than open competitive bidding</li> <li><input type="checkbox"/> Capacity development measures included in projects focused on strengthening transparency in processes</li> <li><input type="checkbox"/> Periodic review of procurement review arrangements</li> <li><input type="checkbox"/> Consider civil society participation in monitoring procurement activities</li> </ul>
<p><b>Limited oversight of procurement and expenditure practices</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Inefficiency</li> <li><input type="checkbox"/> Fraudulent behavior</li> <li><input type="checkbox"/> Collusion</li> </ul>	<p>Weak internal and/or external audit</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Increased oversight of procurement by IsDB by prior review</li> <li><input type="checkbox"/> Capacity development measures included in projects focused on strengthening transparency in processes</li> <li><input type="checkbox"/> Periodic review of procurement review arrangements</li> </ul>
<p><b>Collusion and/or other fraudulent behaviors are undetected</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Reputational risk to IsDB</li> <li><input type="checkbox"/> Genuine bidders do not participate</li> <li><input type="checkbox"/> Reduced competition</li> <li><input type="checkbox"/> Increased prices</li> <li><input type="checkbox"/> Reduced quality</li> </ul>	<p>No or ineffective complaint handling mechanism</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Increased oversight of procurement by IsDB by prior review or increased external audit</li> <li><input type="checkbox"/> Capacity development measures included in projects focused on strengthening transparency in processes</li> <li><input type="checkbox"/> Periodic review of procurement review arrangements</li> <li><input type="checkbox"/> Work with government to introduce or improve complaint handling mechanism in procurement legislation or regulations</li> <li><input type="checkbox"/> Work with government to introduce or strengthen anti-corruption authorities</li> </ul>
		<p>Weak internal and/or external audit</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> IsDB's increased oversight of procurement by prior review, or increased external audit</li> <li><input type="checkbox"/> Capacity development included in projects focused on strengthening audit functions</li> </ul>

### Annex XI. Risk Assessment and Management Plan Template

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan	Action Plan	Timeline
[Risk]	[Rate as “extreme,” “high,” “medium,” or “low”]	[For risks that can be mitigated by the executing agency, implementing agencies, and IsDB, specify major actions planned (avoid, reduce, transfer, or accept) for mitigation, responsible agencies, and timelines for implementation. These may reflect risks and responses indicated in Annex VII or be designed to achieve fitness for purpose. For risks that are mitigated by other agencies (e.g., government and other development agencies), outline the key mitigating measures.]		
<b>Overall</b>	[Specify the overall risk rating]			

## Annex XII. Procurement Risk Categorization Tool

The Project Procurement Risk Categorization Tool below details the method used for categorizing procurement risk during the conceptualization of projects to be financed by IsDB. It should be used together with the procurement, environment and social risk matrix below.

### Procurement Environment Risk Matrix

Country	Low	Medium Low	Medium	Medium High	High
Sector					
High	<b>Medium Risk</b>			<b>High Risk</b>	
Medium High					
Medium	<b>Low Risk</b>			<b>Medium Risk</b>	
Medium Low					
Low					

### Project Procurement Risk Categorization Tool

Characteristics	Assessor's Comments and Finding Summary
Is the procurement environment risk for this project assessed as "High" based on the country and sector/agency procurement risk assessment, per the Procurement Environment Risk Matrix?	
Are multiple (typically more than three) and/or diverse executing and/or implementing agencies envisaged during project implementation? Do these agencies lack prior experience in IsDB project implementation?	
Are multiple contract packages and/or complex and high-value contracts expected (compared to recent donor-funded projects in the country)?	
Does the project plan to use innovative contracts (e.g., public-private partnership; performance-based; design and build; design, build, and operate; etc.)?	
Are contracts distributed in more than three geographical locations?	
Are there significant ongoing contractual and/ or procurement issues under IsDB (or other donor) funded	

projects? Have instances of non-compliance been declared in respect of the executing or implementing agency?	
Does the government or its executing or implementing agencies have prolonged procurement lead times, experience implementation delays, or otherwise consistently fail to meet procurement time frames?	
Do executing or implementing agencies lack the capacity to manage new and ongoing procurement? Have executing or implementing agencies requested IsDB for procurement support under previous projects?	
Does the relevant market in the country have characteristics that may materially limit reasonable competition and/or potentially expose the executing or implementing agency to any prohibited practices (e.g., fraud, corruption, collusion, etc.)?	
Where electronic government procurement is mandated, do executing agencies face any challenges in its effective implementation (e.g., poor connectivity, technical, capacity of executing agencies and bidders, security, assessment and third-party audit compliance, policy or legal framework, underuse)?	
<b>Overall Project Categorization Recommended (“A” or “B”)</b>	

## Annex XIII Procurement Executing Agency Capacity Assessment Questionnaire

Question		Response	Risk identified
<b>A.</b>	<b>Organizational and Staff Capacity</b>		
A.1	Does the agency have a Procurement committee that is independent from the head of the agency?		
A.2	does the agency have a Procurement department or unit, including a permanent office that performs the function of secretariat to the Procurement committee?		
A.3a	If yes, what type of Procurement does it undertake?		
A.3b	Is the unit centralized or decentralized? If decentralized, how many locations? Who runs those units?		
A.3c	Who else in the agency is authorized to undertake Procurement activities? What kind of Procurement?		
A.4	How many years of experience does the head of the department or unit have in a direct Procurement role? What is the experience of those heading decentralized units, if any?		
A.5	How many staff in the department are: full-time, part-time, seconded? How many in the central unit? How many decentralized?		
A.6	Do Procurement staff have a high level of English language proficiency (verbal and written)?		
A.7	Are the number and qualifications of the staff sufficient to undertake the additional Procurement that will be required under the proposed project?		
A.8	Does the unit have adequate facilities, such as personal computers, internet connection, photocopy facilities, printers, etc., to undertake the planned Procurement?		
A.9	Does the agency have, or have ready access to, a Procurement training program?		
A.10	At what level does the Procurement department report (to the head of the agency, deputy head, etc.)?		

A.11a	Do the Procurement positions in the agency have job descriptions that outline specific roles, minimum technical requirements, and career routes?		
A.11b	Is recruitment for these positions done competitively? Based on merit?		
A.11c	Is Procurement integrated into the agency's human resource function? Does it cover recruitment, compensation, performance reviews, promotions, etc.?		
A.12	Is there a Procurement process manual for Goods, Works, and Non-Consulting Services?		
A.13	If there is a manual, is it up-to-date and does it cover foreign-assisted projects?		
A.14	Is there a Procurement process manual for consulting services?		
A.15	If there is a manual, is it up-to-date and does it cover foreign-assisted projects?		
A.16	Are there Standard Bidding Documents, contracts, templates, etc.?		
A.17	Does the agency use an e-Procurement system?		
A.18	Does the Procurement function have access to, or is it supported by, adequate non-Procurement technical skills (e.g., engineers, architects) and legal advice? Are these skills available in-house?		
A.19	Will Procurement activities under the proposed project be undertaken by a specific group or separate project management unit? If so, it is adequately staffed and equipped to handle the additional Procurement? Repeat questions A.1 to A.17.		
<b>B.</b>	<b>Information Management</b>		
B.1a	Is there a referencing system for Procurement files?		
B.1b	Does that system determine what documents should be kept confidential and maintain confidentiality?		
B.2	Are there adequate resources allocated to record-keeping infrastructure, which includes the record-keeping system, space, equipment, and personnel to administer the Procurement record-keeping functions within the agency?		

B.3	Does the agency adhere to a document retention policy (i.e., for what period are records kept)?		
B.4	Are copies of Bids or proposals retained with the evaluation?		
B.5	Are copies of the original advertisements retained with the precontract papers?		
B.6	Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?		
B.7	Are copies of invoices included with the contract papers?		
B.8	Is the agency's record-keeping function supported by information technology?		
B.9	Does the system provide and maintain adequate records for internal controls and external audit, inspections, investigations, and other purposes?		
<b>C.</b>	<b>Procurement Planning and Strategies</b>		
C.1	Is there a systematic process to identify Procurement requirements (for a period of 1 year or more)?		
C.2	If yes, is that process linked to the agency's budget and planning cycle?		
C.3	Does the Procurement planning process include the identification of Procurement risks? Does it reflect knowledge of the marketplace as well as research and study of the supply markets?		
C.4	Does the Procurement plan or strategy indicate what method to use and why? Are there thresholds (type of Procurement, value, risk) to determine when to use one method over another?		
C.5a	Is open competition the default method?		
C.5b	What are the exceptions? When are they authorized and by whom?		
C.6a	Who drafts the Procurement specifications and identifies requirements? At what stage is this done (e.g., detailed designs available)?		
C.6b	How reliable are the cost estimates? Who prepares them? On what basis?		
C.6c	Are inputs provided by users and/or relevant technical experts?		



C.7	Who approves the Procurement specifications and cost estimates?		
<b>D.</b>	<b>Procurement Practices</b>		
<b><i>Goods, Works, and Non-consulting Services</i></b>			
D.1	Who drafts the Bidding documents?		
D.2	Is there a minimum period for the preparation of Bids and, if yes, how long? Are there variations?		
D.3	Are all queries from Bidders replied to in writing?		
D.4	Does the Bidding document state the date and time of Bid opening?		
D.5	Are records of the sale of Bidding documents immediately available?		
D.6	Are Bids opened in public?		
D.7	Can late Bids be accepted?		
D.8	Can Bids (except late Bids) be rejected at Bid opening?		
D.9	Are minutes of the Bid opening taken?		
D.10	Are Bidders provided a copy of the minutes?		
D.11	Are minutes provided free of charge?		
D.12	Who undertakes the evaluation of Bids (individuals, a permanent committee, or an ad hoc committee)?		
D.13a	What are the qualifications of the evaluators with respect to the Procurement and the Goods, Works, and/or Non-Consulting Services under evaluation?		
D.13b	Are users or civil society organizations involved? As observers? Participants?		
D.14	Is the decision of the evaluators final or is the evaluation subject to additional approvals? If yes, by whom?		
D.15	Using the three worst-case examples in the last year, after how long from the issuance of the invitation for Bids can the contract be awarded?		
D.16	Are there processes in place for the collection and clearance of cargo through ports of entry?		
D.17	Are there established procedures for receiving Goods? Does this include quality assurance?		

D.18	Are there established procedures for the acceptance of Works or Non-Consulting Services? Who signs off? How are deficiencies handled?		
D.19	Are all Goods or Works that are received recorded as assets or inventory in a register?		
D.20	Is the agency or department familiar with letters of credit and with performance guarantees or bonds?		
D.21	Does the Procurement department register and track warranty and latent defects liability periods?		
<b>Consulting Services</b>			
D.22	Do terms of reference for consulting services follow a standard format, such as background, tasks, inputs, objectives, and outputs?		
D.23	Who identifies the need for consulting services requirements? For individuals or firms? Continued		
D.24	Who drafts terms of reference?		
D.25	Who prepares the RFPs?		
D.26	Is a Consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?		
D.27a	What criteria are used to evaluate EOIs?		
D.27b	Historically, what is the most common method used (quality- and cost-based selection, quality-based selection, etc.) to select Consultants?		
D.28	Do firms have to pay for the RFP document?		
D.29	Does the proposed evaluation criteria follow a predetermined structure and is it detailed in the RFP?		
D.30	Are pre-proposal visits and meetings arranged?		
D.31	Are minutes prepared and circulated after the pre-proposal meetings?		
D.32	To whom are the minutes distributed?		
D.33	Are all queries from Consultants answered or addressed in writing?		
D.34	Are the technical and financial proposals required to be in separate envelopes and to remain sealed until the technical evaluation, if completed?		

D.35	Are proposal securities required?		
D.36	Are technical proposals opened in public?		
D.37	Are minutes of the technical opening distributed?		
D.38	To whom are they distributed?		
D.39	Who determines the final technical ranking and how?		
D.40	Are the technical scores sent to all firms?		
D.41	Are the financial proposals opened in public?		
D.42	Are minutes of the financial opening distributed?		
D.43	How is the financial evaluation completed		
D.44	Are face-to-face negotiations held?		
D.45	How long after financial evaluation is negotiation held with the selected firm?		
D.46	What is the usual basis for negotiation?		
D.47	Are minutes of the negotiation taken and signed?		
D.48	How long after negotiation is the contract signed, on average?		
D.49	Is there an evaluation system for measuring the outputs of Consultants?		
<b>Payments</b>			
D.50	Are advance payments made?		
D.51	What is the standard period for payment included in contracts?		
D.52	On average, how long is it between receiving a firm's invoice and making payment?		
D.53	When late payment is made, are the Beneficiaries paid interest?		
D.54	Before payment is made, who verifies that the Goods, Works, and services are satisfactory and respond to contractual terms?		
<b>E. Effectiveness</b>			
E.1	Is contractual performance systematically monitored and reported? Who undertakes inspection and quality assurance?		
E.2	Does the agency monitor and track its contractual payment obligations?		

E.3	Is a complaints resolution mechanism described in agency Procurement Documents?		
E.4	Is there a formal, nonjudicial mechanism for dealing with complaints?		
E.5	Are Procurement decisions and disputes supported by available information, written narratives, such as minutes of evaluation, negotiation, and notices of default or withheld payment?		
E.6	Are disputes tracked and their resolution monitored? What share of complaints is dealt with within the prescribed time frame?		
E.7	Is there recourse to a second-tier mechanism that is binding?		
<b>F.</b>	<b>Accountability Measures</b>		
F.1a	Is there a standard statement of ethics or code of conduct, and are those involved in Procurement required to formally commit to it? Does this cover gifts?		
F.1b	are there provisions to protect whistleblowers? Is there a confidential hotline? Are certain officials required to make full financial disclosure?		
F.1c	Are officials required to report any allegations of integrity violations or unethical behavior? Is the agency required to follow up? Is there a protocol with a national investigation body for how referrals are to be done and the level of collaboration expected by the agency?		
F.1d	In the absence of criminality, does the agency have recourse to administrative measures to deal with unethical behavior?		
F.2	Are those involved with Procurement required to declare any potential conflict of interest and remove themselves from the Procurement process? Is there a cooling off period for officials?		
F.3	Is the commencement of Procurement dependent on external approvals (formal or de facto) outside the budgeting process?		
F.4	Who approves Procurement transactions, and do they have Procurement experience and qualifications?		

F.5	<p>Which of the following actions require approvals outside the Procurement unit or the evaluation committee, and who grants the approval?</p> <ul style="list-style-type: none"> <li>(a) Bidding document, invitation to prequalify, or RFP</li> <li>(b) Advertisement of an invitation for Bids, Prequalification, or call for EOIs</li> <li>(c) Evaluation reports</li> <li>(d) Notice of award</li> <li>(e) Invitation to Consultants to negotiate</li> <li>(f) Contracts</li> </ul>		
F.6	<p>Is the same official responsible for (i) authorizing Procurement transactions, Procurement, invitations, documents, evaluations, and contracts; (ii) authorizing payments; (iii) recording Procurement transactions and events; and (iv) custody of assets?</p>		
F.7	<p>Is there a written auditable trail of Procurement decisions attributable to individuals and committees?</p>		



For any additional information, such as Standard Bidding Documents (SBDs), Guidance, training materials and briefing, please see

[www.isdb.org/procurement](http://www.isdb.org/procurement)