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Designing for Community Participation in Procurement and Disbursement

Community participation in the planning, design and implementation of development projects is seen as an effective tool in enhancing project sustainability through increase in community ownership and commitment. The World Bank's experience suggests that such participation tends to increase the access of disadvantaged communities to project benefits, enhance motivation of communities, increase ownership of projects, encourage self-reliance by transfer of skills, build local institutional capacities, and ensure that greater proportions of project benefits flow directly to targeted and deserving beneficiaries.

An examination of Bank experience demonstrates that procurement and disbursement have been key issues during preparation and implementation of projects involving community participation. However, Bank policies for procurement and disbursement were designed to facilitate supply of goods, works and services by large contractors and suppliers. While this approach was suitable for large investment projects, as the Bank increasingly financed projects in the social sector and focused on community participation as a means of enhancing project sustainability, the Procurement Guidelines, while flexible, were perceived as being inadequate in providing the necessary guidance in funding community participation. The recently issued *Procurement Guidelines* (1994) therefore, includes a paragraph specific to procurement in social sector projects.

A number of the Bank's operational policies require the participation of communities not only during the implementation of Bank-financed projects, but also in the planning and design of projects, a concept that is not yet prevalent in many of the Bank's borrowing countries. However, there has been very little guidance on the mechanisms of converting the intent into concrete project designs. Two documents recently published by the Technical Department of the Africa Region now provide guidance to project designers. These are *World Bank-Financed Projects with Community Participation : Procurement and Disbursement Issues* and *Bank-Financed Projects With Community*

Participation : A Manual for Designing Procurement and Disbursement Mechanisms.

Communities contribute towards capital costs, participate as executors or implementors of small and simple projects, and assist in the operation and maintenance of the project-generated facility or activity. Consequently, communities are now increasingly the users of Bank funds and participate also in the procurement of goods, works or services necessary for implementation of project activities. This raises a number of implications for designers of Bank projects, the most significant of which is that project designers need to incorporate mechanisms to ensure economic and efficient use of fund - mechanisms that were not necessary when communities did not receive or handle any Bank resources.

Identifying Procurement and Disbursement Issues in Bank-Financed Projects with Community Participation

The term "community" is defined to include only disadvantaged community groups or individuals and small local or grassroots private sector entities. It refers not only to the absolute poor but also to a broad range of people or groups including grassroots organizations of beneficiaries themselves, informal groups of artisans, businesses or entrepreneurs, disadvantaged either because of lack of adequate financial assets or institutional capacity.

Box 1: Local Shopping

The *Bolivia Social Investment Fund* introduced a method of procurement that is followed in many other Bank-financed projects. The agencies who propose sub-projects on behalf of the community are in charge of procurement. In the case of civil works contracts (less than US \$ 100,000 and up to an aggregate amount), such an agency is required to obtain quotes from three different contractors. In making the final selection, the Fund compares these quotes against a schedule of standard prices that has been established for contracts covering various types of sub-projects. If all the quotes are above the reference price, the agency is requested to renegotiate. If the negotiations fail to lower the price, the Fund assesses the need to revise its standard prices. The Fund also provides technical assistance to all agencies in basic budgeting and accounting to improve the efficiency of the utilization of resources generated by the project. The schedule is regularly audited and updated as necessary.

Five sets of issues commonly arise in designing Community Related Procurement ("CRP"- procurement by or from a community group or individual) and Community Related Disbursement ("CRD" - disbursement through or by a community group or individual)

- Issues related to *procurement* include the difficulties in involving commercially unsophisticated communities in the process of local competitive bidding and the need to identify matters related to procurement in demand based projects, early on in project cycle.

- Prior review has been identified as an issue in *contracting* because a lot of CRP results in several, small contracts with community groups, often in scattered and remote locations. The inability to enter into contracts with community groups; and the inability to pay recurrent costs for small community groups unless incremental to the project are the other issues.
- *Disbursement* issues are more general in that there is very little flexibility in ensuring the timely disbursement of funds to the grassroots level. While the problem may also lie with the Borrower's regulations, it poses considerable impediments in effective CRD.
- Increased flexibility requires greater *accountability* in the use of funds. Related issues include: lack of guidance within the Bank in developing suitable mechanisms for accounting and transparency and developing suitable monitoring indicators.
- Conflicting or tedious bureaucratic procedural requirements resulting from the *borrower's regulatory framework* are also identified as a key constraint to effective project design.

A number of Bank-financed projects across regions have addressed these issues, and a number of new and innovative procurement and disbursement practices formulated in Bank-financed projects have been catalogued as first step to information -sharing in this important area. While these procedures were permitted because it was believed that they would be economic and efficient, they were breaking new ground. A number of mechanisms to increase the accountability of community groups regarding the use of funds have also been employed in Bank-financed projects. These include :

- Establishing unit costs to control and monitor economy of procurement contracts;
- Disbursement only upon independent certification of works completed, thereby eliminating the need to monitor purchase of input;
- Implementation manuals clearly describing mechanisms for implementation ; and
- Standard designs and contracts to facilitate monitoring and capacity building.

Box 2: Use of Vouchers

An interesting mechanism is the use of vouchers for purchase of goods or materials. The Zambia Social Recovery Project finances a series of small and locally generated sub-projects in health, nutrition, education and economic structure.

Communities are provided with vouchers which they exchange for goods and materials required for implementing sub-projects at specified retail outlets. This eliminates the need for disbursement of funds to communities, an advantage where banking channels for transfer of funds are not available.

One of the significant findings of the study was that there is inadequate guidance in designing projects with community participation. As one of its recommendations it highlighted the need for a

"Manual of Practices" that would provide project designers with tools to designing more effective mechanisms for CRP and CRD. Consequently, a *"Manual for Designing Procurement and Disbursement Mechanisms in Projects with Community Participation"* was prepared. This further develops the earlier study into a "How To" manual for Bank Task Managers and project designers and provides some mechanisms for addressing issues identified in the earlier study.

Designing Procurement and Disbursement Mechanisms in Projects with Community Participation

The manual takes the first-time designer of development projects with community participation through the number of steps that must be considered in project design. Not every social sector project is suited for CRP; neither is every community or community group to be involved in CRP. The decision to involve communities in CRP must be based on three factors:

- The source of procurement;
- The size of the procurement; and
- The capacity of the community.

First, separate goods, works and services. If the item is not freely available to the community, or the works can not be supplied by the community, CRP may not necessarily be the answer. Similarly, if the quantities of goods required, or the size of the works to be performed is not of the type that can be handled by communities, it may be advisable to avoid CRP. The institutional capacity of the communities (financial, organizational, and technical) must be a crucial factor in deciding to involve communities in procurement or not.

The need to identify and address issues well in advance, wherever possible, has been emphasized. The impact of the Borrower's regulatory framework on CRP and CRD must be examined early on during project preparation. Early planning can lead to addressing issues reducing some of the constraints posed by the borrower's regulations.

The role of the Bank and the Borrower in such projects is also critical. While the Bank's role is limited to monitoring and to prior review of contracts, the Borrower is expected to play a more active role in CRP, particularly in capacity building of weaker communities - a necessary support when communities are involved in CRP. Such support could include training in essential and basic book-keeping skills or mechanisms for group organization. The Borrower also needs to establish a suitable monitoring information system which can collect and analyze data useful both for the continuous fine-tuning of procurement methods as well as for assisting in future project design.

An initiative has also been introduced by the Bank in response to the need for greater flexibility in the disbursement of IDA funds in a decentralized manner. This new mechanism - "Special Account 90-day Advance Procedure" - will be permitted in projects with components implemented nationwide, with significant community participation and having multiple donors. However, the provision of such flexibility is conditional on the incorporation of adequate financial and accounting safeguards in project design.

A number of checklists for use in project design are provided to assist in the identification of issues in various aspects including institutional capacity of communities to participate in CRP. The Annexes

provide a number of illustrative and useful documents, including simplified bidding documents that have been tested in a number of Bank-financed projects, as well as a checklist for developing simple contracts. One Annex provides a detailed outline for preparing an operational manual. Selection criteria for NGOs or implementing agencies are also provided.

Both the study and the manual emphasize the importance of incorporating the requisite capacity building and training in the project. Programs have also been developed to be used in training both within the Bank as well as to train project staff in developing countries. These modules can be adapted to project and country specific requirements and can be used in project launch workshops.

Participatory mechanisms have often been viewed by Task Managers within the Bank as being too theoretical, with little grounding in the realities of the Bank's lending modalities. These studies offer a practical means of translating the theory into practice.

Gita Gopal and Alexandre Marc. 1994. *World-Bank Financed Projects with Community Participation : Procurement and Disbursement Issues*. Discussion Paper No. 265. Technical Department, Africa Region. Washington, D.C.: World Bank.

Gita Gopal. 1995. *Bank-Financed Projects with Community Participation : A Manual for Designing Procurement and Disbursement Mechanisms*. Capacity Building and Implementation Division, Technical Department, Africa Region. Washington, D.C.: World Bank.

Note : Both these documents are the result of collaboration between the Operations Policy Group (HRO Vice Presidency) and the Africa Region's Disbursements Division , the Office of the Senior Operations Adviser and the Technical Department.

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