

GUIDELINES FOR SIMPLIFIED PROCUREMENT AND DISBURSEMENT FOR COMMUNITY-BASED INVESTMENTS

I. INTRODUCTION

1.1. Over the past few years, the approach to investments in rural development in Africa and elsewhere has fundamentally changed with the adoption of new decentralization and participatory policies by countries. Governments are sharing with, or even transferring to civil society, many of the responsibilities that they held previously. At the same time, political and fiscal decision-making is being transferred to regional and local levels. This has led to the emergence of new community and farmer groupings.

1.2. World Bank financing of investments that involve community or farmer groups¹ has also been expanding rapidly. Participation of the beneficiaries in the various phases of the project cycle is now taken for granted, and much experience has been gained on the social and the technical aspects of these activities.

1.3. With experience, it has become evident that the World Bank procurement and disbursement procedures and processes, as defined in various manuals and guidelines, are usually not appropriate for these new types of investments, which contain hundreds and sometimes thousands of community-level subprojects. The Bank's procurement and disbursement procedures were originally prepared for large investment projects and, although these have subsequently been simplified, standardized and computerized, they still appear cumbersome to allow effective and speedy implementation of numerous small localized programs by a new type of "actors."

1.4 To help design procurement and disbursement mechanisms in projects with community and farmer group participation, the World Bank has prepared a manual (Gita Gopal, *Procurement and Disbursement Manual for Projects with Community Participation*: World Bank Discussion Paper No. 312). This manual covers the necessary aspects of planning and appraisal of the procurement and disbursement functions in the community-based projects. To further assist Bank Task Managers and project implementers, a road-map is being provided in this document. It gives a detailed explanation of the processes involved in typical subprojects of this nature and provides specimen documentation necessary to carry out the procurement and disbursement functions in the field.

1.5. Although these new guidelines concentrate on the operational aspects of procurement and disbursement, these two functions are recognized as parts of a larger process. That is why these guidelines also discuss related issues, such as, approval of subprojects, ex-post verification, and popular participation in the various phases. For all these functions, but particularly for procurement and

¹ / Farmer groups can take different forms, such as, cooperatives, pre-cooperatives, and associations, like water-user associations and groups, for purchase of farm inputs.

disbursement, **project staff and beneficiaries will have to be much more extensively trained than for the earlier projects**, because numerous tasks will be decentralized to units and people who have little experience of them. Also, project implementing agencies (PIAs) will need to print standardized agreements, advertisements, contracts and forms as presented in these guidelines and distribute them free of charge to the participating communities and farmer groups.

II. OVERALL DESCRIPTION OF THE PROCESS INVOLVED

2.1 **Guiding Principles.** A number of basic considerations need to be kept in mind in designing procurement and disbursement mechanisms. The procedures should:

- fall within the existing, quite flexible guidelines of the World Bank;
- be simple enough as to be understood and operated by local staff and community or farmer-group trustees;
- be transparent, in order to allow adequate competition between suppliers and facilitate social control in the selection of contractors and use of funds;
- use simple, standardized documentation; and
- balance risk control/management with efficiency considerations.

2.2 Projects using beneficiary community and farmer groups (hereinafter collectively referred to as a “community” or “communities”) as implementing agents at the field level are based on the idea that local development can happen only if the beneficiaries take direct responsibility for their own development, and the role of government is to provide facilitating support. The approach requires that the beneficiaries must feel involved in all phases of the programs supporting their development. Thus, participation of the community has to be an overriding consideration in designing the various procedures relating to their programs, including procurement and disbursement. Experience in such community-based investment operations has shown that *participation can be a good substitute for control*.

2.3 Although different control mechanisms operate for the procurement and disbursement functions in the Bank, there are strong linkages between the two. Field-level implementation can only be effective if funds are made available on time, and funds can only be efficiently supplied if the procurement process has integrity and is cost effective. This linkage is even more obvious for disbursements for community operations, because nearly all payments for contracts and supply of goods and services are supported from Bank funds advanced/prefinanced through Special Accounts. Thus the process of supply and use of funds for Bank-assisted projects has to be seen as a succession of events rather than as distinctly separate procurement and disbursement functions.

2.4 **Definitions.** In this document, small investment projects that are identified, selected, executed, managed, and maintained by communities are termed as “subprojects.” (This term is preferred to “microproject,” because the latter has already assumed a specific meaning in the context of “microproject financing,” which usually relates to lending made to finance microenterprises.) The term “project” is used for an investment operation for which there is an agreement between the government and the World Bank

Group (and potentially, cofinanciers) and which provides the financing needed for one or more activities or in this case for a series of subprojects. The total process of financing a series of subprojects is referred to as a Community-based Investment Operation (CIO).

2.5 **Typical Case.** Chart 1 (page 6) illustrates the process of implementing a typical CIO and its related procurement and disbursement activities. The process can be described as follows:

1. ***Preparation of Subprojects.*** To obtain the intended development results, a large number of subprojects must be implemented at the community level. Preparation involves identification of subprojects and working out a brief document containing the technical, administrative and financial plans as well as completing an application form for funds. These documents can be prepared by the beneficiaries themselves, by local consultants hired by them, or by non-government organizations (NGOs). In some cases it is necessary that government or bilateral agencies provide assistance in the preparation process, at least at the beginning of the CIO. Where the project objectives are linked to specifically targeted investments, a description of the activities, that would be eligible for financing under the subprojects, is presented in the project documents (SAR and legal agreements), approved by the Bank and the Borrower and as confirmed in the minutes of negotiations. The documents and forms to be used for subproject preparation and feasibility reports (subproject plans) are usually found in the Implementation Manual for the project being financed by the Bank. In the alternative case, where support is for broad rural development, the activities/subprojects that are to be financed are not listed but a “negative” list is prepared. Some broad-based rural development CIOs use a positive list, which runs the risk of financing projects that may not be of priority in the eyes of the community. *Projects with CIOs that are under preparation may want to review the use of a “positive” list in favour of a “negative” list. This can also be done for existing operations, and the advice of the Bank’s lawyers sought if a change to a “negative” list is contemplated.*
2. ***Approval of Subprojects and Making Agreements.*** Subprojects are approved on the basis of preparation documents submitted to the approving authority. In a typical case, a regional or provincial committee would review the documents and choose the ones that meet the “appraisal criteria” and can be financed with the funds available. After the subprojects are approved, the PIA (on behalf of the borrower of funds from the Bank Group) and the benefiting community would make an agreement, specifying the commitment of the government to grant funds and of the community to use the funds for the agreed purposes. The agreement also specifies how the subproject implementation will be monitored and what sanctions will be imposed if the funds are misused. An example of a simple subproject and financing agreement can be found in Chapter III.
3. ***First Withdrawal Application to the World Bank Group.*** Once the preparation of subprojects is well underway and the first subprojects are expected to be ready for implementation within a month or two, the persons responsible for financial matters in the PIA submit a withdrawal application to the Bank for the initial deposit into the Central Special Account (CSA) with an approved bank in the borrower’s country. This process is explained in more detail in Chapter III, which also contains a filled-in specimen form for withdrawals.
4. ***First Disbursement by the World Bank Group.*** After the Bank Group has received the withdrawal application and reviewed it, the appropriate Disbursement Officer authorizes the

transfer of funds to the SA for subproject financing and related activities²

5. ***Transfer of Funds to Regional Special Account.*** Immediately after receiving the lists of approved subprojects from the regional committees, the PIA staff, responsible for handling the CSA, transfer the funds to Regional Special Accounts (RSAs) after converting them into local currency, so that the funds will be available at the regional level when the subprojects are ready to use them.

6. ***Procurement for Subprojects.*** The community or farmer groups can start the procurement activities once they have received information from the regional committee that their application for subproject financing has been approved. (In practice, some preliminary actions, such as preparing invitations to bid, identifying contractors or suppliers, and providing the villagers' own contribution, can begin even earlier.) The method of procurement largely depends on the budget value of the contract that is contemplated. However, cognizance also has to be taken of the local practices and the capacity of the community to manage the process. As subprojects are generally within the accepted upper limit for *local shopping*, at least three qualified, local bidders should be invited to make offers for each contract. The details of the process and a model contract are presented in Chapter III. This should not be taken as the only method to be used. *Direct contracting* should also be acceptable when competition is not available or not practical. In either case, it would be advisable to have the PIA/regional administration conduct regular audits to ascertain whether the prices paid and the quality of work performed are within acceptable limits.

7. ***Disbursement of Funds to the Individual Community or Farmer Group Accounts.*** Soon after funds from the CSA are received in the RSA, the accounting staff managing the RSA, transfers these funds into the community account for each approved subproject in the local banks as opened by their trustees. The availability of funds to the community soon after a subproject is approved would facilitate procurement.

8. ***Replenishment of Funds.*** As funds get used, the PIA manages the replenishment of the funds into the CSA and the RSAs. The CSA is replenished by the Bank Group on the basis of a withdrawal application from the PIA, which is supported by the Statement of Expenditure and bank statements for the RSAs, showing that the previously provided funds have been disbursed to community accounts. A reconciliation of all bank statements for the CSA and the RSAs is made out by the PIA. An additional supporting document, not to be sent to the Bank but maintained at the PIA, would be a list of new subprojects approved by the regional committees. The details of the process are given in Chapter III.

9. ***Implementation of Subprojects.*** Local communities or farmer groups implement the subprojects with the help of contractors or suppliers selected on the basis of procurement procedures acceptable to the Bank Group. Advice and assistance may be provided by government agencies or NGOs specializing in the respective activity. The contractors directly

^{2/} It is assumed that the Project is only for community-based investments and the funds for the Project are for the financing of subprojects and the related processes. It is possible that a Project may have a CIO as one of the components of a larger Project, which includes financing for other activities. In such a case, a decision has to be made as to whether there should be a separate SA for the CIO component, especially, if the different components are being implemented by different agencies.

request payment from the trustees of the community and not from the PIA or regional committees/administrations.

10. ***Payment to Contractors or Suppliers.*** The authorized trustees of the community make the payments to the contractors or suppliers from the bank accounts into which the funds have been disbursed from the RSA. The contract between the community and the contractor or supplier would specify the payment terms. The communities will maintain a simple record of the payments made (see sample in Annex 1).

11. ***Ex-post Technical Verification.*** The community or farmer group has the main responsibility for seeing to it that the works are carried out and that the goods and services supplied are as agreed upon. The regional committees are responsible for sending technical staff to verify costs and prices and receipt of supplies and to prepare a short standardized report for each type of activity. The report describes the output, quality, problems encountered, and suggestions for improvement for other similar subprojects. This review may require contacting the contractors and suppliers. Furthermore, sample reviews also will be carried out by visiting World Bank supervision missions preferably jointly with PIA staff.

12. ***Ex-post Financial Control.*** The community or farmer group is expected to make sure that the funds reserved for the subproject are used as intended. In addition, auditors recruited by the regional committees will visit each community or farmer group and their bank after completion of the work or receipt of supplies to verify the correct use of funds. The costs for the auditors, normally travel and about two working days, are paid by the regional committees from project funds. World Bank/government missions would review the auditors' reports. The reports would influence further support to the particular groups and reformulating the program. This audit is in addition to the normal annual financial audit of project accounts. Also, it should not be expected to replace normal monitoring and supervision as further discussed in Chapter IV.

2.6 **Technical Assistance to Communities/Groups.** The foregoing process is based on an approach in which the beneficiaries take the main responsibility for implementing their subprojects, including procurement of works and goods. In some situations, the subprojects are complex, or there may be no persons in the village who are adequately educated to organize procurement and payments to contractors and supervise the works. In such cases, the regional administration may actually provide the managerial/technical support or arrange for such support to be provided through a private consultant firm or an NGO. The regional administration would assist in bringing together the consultant firm/NGO and the community, but it is the community rather than the government who would sign the contract with the consultant firm/NGO. These guidelines do not include a standard form for such contracts, but the contract form for consultants in Chapter III can easily be modified for that purpose.

2.7 **Legal Documentation.** It is important that the loan/credit agreement be quite explicit about the procurement and disbursement arrangements, and amendments to the legal documents should be made for ongoing projects where simplified procurement and disbursement procedures are being proposed.

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III. KEY PROCUREMENT AND DISBURSEMENT ACTIONS IN DETAIL

3.1. The main phases in the process described above and relating directly to procurement and disbursement are explained in detail in this Chapter. These are listed below.

- *first withdrawal application to the World Bank (Section A);*
- *approval of subprojects (Section B);*
- *transfer of funds to regional subaccounts (Section C);*
- *procurement for subprojects (Section D);*
- *disbursement of funds to individual community/farmer group accounts (Section E);*
- *replenishment of funds (Section F).*

SECTION A
FIRST WITHDRAWAL APPLICATION TO THE WORLD BANK

3.2 The “Authorized Allocation” for a Special Account is determined at project appraisal and reflected in the Loan/Development Credit Agreement. This is usually based on the estimated needs for funds for about four months of operation. The first withdrawal application for the *initial deposit* from the Bank to that Special Account will be made on the basis of estimates made by the PIA that will submit Form 1903 (as shown on page 63 of the Bank’s Disbursement Handbook and also included in this Section). This form should be accompanied by a statement showing the basis of the estimates. The preparation of subprojects and receipt of documentation for approval by the regional committees should be started early enough so that when the Loan/Credit becomes effective, a reasonable estimate of demand can be made and the funds transferred to the Central Special Account (CSA) without delay.

Level	Task/Action	Responsible body	Timing	Note
Appraisal and Negotiation	Estimation of the need for funds.	Appraisal team with the Government representatives.	At appraisal, to be confirmed at Negotiations.	Amount mentioned in DCA.
National	Preparation of a withdrawal application (Form 1903 plus an Attachment as shown on the next two pages).	PIA Central Accounts Unit	At least one month ahead of anticipated loan/credit <i>effectiveness</i> .	<i>Approval</i> of subprojects is not necessary for starting this phase.
National	Signing and submission of the withdrawal application to the Bank Group.	PIA signatories, usually countersigned by the Ministry of Finance.	After <i>effectiveness</i> and two months or less from start of usage of funds.	

Form A 1.0 (Bank Form 1903 -- sample available from Disbursement Handbook, page 63.)

SPECIMEN

Project Name:
Loan/Credit No:

Request for Special Account Initial Deposit

Cash Flow Needs for the Next 4 months

<u>Region</u>	<u>No.of Subprojects</u>	<u>Total Amount</u> <i>(in Local Currency)</i>	<u>Total Amount</u> <i>(In US\$)</i>
A	20	20,000	10,000
B	25	40,000	20,000
C	15	15,000	7,500
D	30	60,000	30,000
E	10	30,000	15,000
F	5	10,000	5,000
TOTAL	<hr/> 105	<hr/> 175,000	<hr/> 87,500

SECTION B
APPROVAL OF SUBPROJECTS AND MAKING AGREEMENTS

3.3 Depending on the government administrative and project design, there can be variations in the number of bodies involved in the approval process. In the following example, there would be two levels of administration, one at the regional level and another at the national level (the PIA).

Level	Task/Action	Responsible body	Timing	Note
Regional	Collection of subprojects from the beneficiaries.	Govt. or project staff assisting the provincial committee.	Quarterly, two months before the meeting of the regional committee.	
Regional	Appraisal of the subprojects and verification of their meeting the eligibility criteria.	Regional committee, with the assistance of Govt. or project staff.	Quarterly, one month before the meeting of the regional committee.	The committee should have a majority of non-government members.
Regional	Approval of subprojects and preparation of a list of the subprojects approved.	Regional committee, with the assistance of PIA/regional administration staff.	Quarterly.	Within the allocated funds.
National	Review of list and supporting documents for the first group of subprojects fully and after that on sample basis.	The PIA of the borrower and the Bank Group for the compliance of the eligibility and appraisal criteria.	After the first regional approvals; after that 10 percent sampling.	
Regional	Notification of the decisions (both to successful and unsuccessful applicants) and invitation to sign a contract.	PIA/regional administration staff.	During the month following the regional committee meeting.	
Regional	Signing of agreements between the community and the Govt. (Form B1.0 on next page).	PIA/regional administration staff.	During the month following the regional committee meeting.	Contract could be signed also at the regional level by an authorized Govt. official.

Subproject and Financing Agreement

Specimen

This Agreement is made on [*the day*] of [*month*], 19..... between the [*name of the Government Ministry or a similar legal body--choose one*], of [*address*], acting by its

..... Mr./Mrs./Miss (hereinafter)

called [*acronym of the party or a short name--choose one*] on the one hand [*in this specimen form called Borrower Representative--BR*],

and

the [*name of the community group/farmer group--choose one*]

in the [*name of the village*]

in [*the name of the District/Province*] of [*name of the Region*], (hereinafter called "the Beneficiaries")

acting by its Chairperson and either the Secretary, Treasurer and one member at large:

Messrs./Mme:

.....I

.....

.....

WHEREAS,

the Beneficiaries intend to undertake implementation of

.....[*the name of community or farmer group subproject*]..... (hereafter called the

“subproject”) [*or scheme/program as the case may be*],³

together with [*names of other contributors if any*].....

and [*the name of the body authorized by the Borrower*] has approved a request from the Beneficiaries to partly finance the subproject.

³ / If not called a subproject, change the term throughout this document.

THE FOLLOWING HAS BEEN AGREED BETWEEN BOTH PARTIES:

1. General Provisions

1.1 Definitions

The following terms have the following meanings:

- (a) “Applicable Law” means the laws of [*the name of the country*];
- (b) “[*acronym*]” means the [*name of the Government/World Bank/IDA financed project*] [*in this document used the acronym “GWBP”*];
- (c) “[*BR*]” means [*Borrower Representative*] [*replace this by the actual body authorized to make agreements*];
- (d) “PIA” means the Project Implementing Agency for the [*acronym of the Government/ World Bank/IDA- financed project*];
- (e) “Party” means the Beneficiaries or [*BR*], as the case may be;
- (f) “IDA” means the International Development Association located in Washington, D.C., U.S.A. [*or the “World Bank” means the International Bank for Reconstruction and Development located in Washington, D.C., USA*];
- (g) “Community development activities” are activities approved by [*BR*] under the plan prepared for the Beneficiaries’ Subproject (required as an attachment to this agreement, see Section III B, Attachment 1, Appendix 1) ;
- (h) “Subproject” is an investment and related activities initiated and to be undertaken by the Beneficiaries and described in an attachment to this agreement;
- (i) “Project” is the investment program and the respective administrative unit for which there is an agreement between the Government and the World Bank Group (and potentially, cofinanciers) to finance community or farmer group Subprojects; and
- (j) “Amount” is the funds made available by the GWBP [*acronym for the Government/World Bank/IDA financed project*] to the Beneficiaries.

1.2 Notices

Any notice, request or consent under this agreement shall be in writing at the following addresses:

For the Beneficiaries:
.....
.....

For GWBP:

2. Object of the Agreement

[GWBP] agrees to provide the Amount of..... [currency units, such as Naira, CFCA, Cedis] to the Beneficiaries to enable them to finance part of their Subproject under the terms and conditions explained below. The PIA of [GWBP] will make the funds available in accordance with the guidelines as explained in the Implementation Manual of the [GWBP] for expenditures made in respect of reasonable cost of works, goods and services required for carrying out the Beneficiaries’ Subproject and to be financed under the [GWBP].

3. Obligations of the Beneficiaries

3.1 Implementation of the Subproject

The Beneficiaries will:

- (a) undertake and implement the Subproject in accordance with the implementation program as described in the Subproject plan (as attached) and with due diligence and efficiency and in accordance with sound technical, financial, managerial, and environmental standards, policies and procedures acceptable to the PIA;
- (b) use the goods and services to be financed out of the proceeds of the [GWBP] exclusively for the carrying of their Subproject;
- (c) undertake and implement special programs for environmental protection and other relevant purposes as described in the [GWBP] appraisal report and Implementation Manual; and
- (d) provide PIA and IDA all information they may reasonably request.

3.2 Beneficiaries' Contribution

The Beneficiaries will contribute the following :

[list of the beneficiaries' contributions and their values, such as money contribution, contribution in kind and material, manual work etc.]

- (a)
- (b)
- (c)

3.3 Bank Account

The Beneficiaries will open a bank account at the *[name of the Bank]* in the District/Province ofRegion. The Chairperson, Secretary and Treasurer will be joint signatories to the account.

3.4 Accounting Records

The Beneficiaries will keep records of all expenditures involved in the implementation of their Subproject. They will keep all invoices and other evidence of expenditures in a file for a period of three years after completion of their Subproject, and write the expenditures down in a record book provided by the PIA in a chronological order.

3.5 Audit

The Beneficiaries will allow the above accounting records, works, and supplies to be verified by representatives or auditors appointed by the bodies making decisions on the use of *[GWBP]* funds, and answer all questions asked by these representatives, auditors, and World Bank/IDA representatives.

4. Obligations of the PIA

4.1 Payments

PIA will provide the Amount mentioned under Clause 2 in a timely manner. If the Amount provided by PIA for the Beneficiaries' Subproject is less than*[currency unit]*, PIA will transfer the funds to the Beneficiaries' bank account in one lump sum. If the Amount is greater, the Amount will be transferred in installments as agreed upon with the Beneficiaries and as follows:.....

..... The PIA will not make payments directly to contractors,

suppliers, or third party for works carried out, services or goods delivered for the undertaking of the Beneficiaries Subproject, except upon a request by the Beneficiaries and provided that the Subproject funds have not been transferred to the Beneficiaries' bank account.

4.2 Inspection

PIA or the bodies involved in making Subproject selection⁴ will inspect all goods and sites, works, plants and construction included in the Beneficiaries' Subproject.

5. Implementation Period and Termination

5.1 Expiration of the Agreement

The Subproject is expected to be completed within months following the date of signing of this Agreement. Consequently, the Agreement is expected to expire by/...../19... or (x) months after the date of effectiveness of this Agreement, whichever is later, unless the Agreement is extended by written mutual consent.

5.2 Termination by the Beneficiaries

The Beneficiaries may terminate this agreement at any time during the execution of their Subproject. In such case, the Beneficiaries, will reimburse all funds advanced from [GWBP] funds and which have not yet been spent.

5.3 Termination by PIA

PIA may terminate the Agreement for the following reasons:

- (a) when the Beneficiaries do not fulfill their obligations mentioned under this Agreement;
- (b) when procurement of goods, services and works has not been done according to the guidelines explained in the Implementation Manual of the [GWBP], a copy of which has been given to the Beneficiaries;
- (c) when the funds of the agreement are misused or used for other purposes than the objectives agreed for the Subproject and described in the attachment to this Agreement. The Committee of the Community/Farmer Group will be jointly responsible for refinancing of the misused funds as per the Applicable Law;

⁴ / Such as Provincial or Regional Coordination Committees, including farmer representation.

- (d) when the Subproject or part of it is delayed in such a way that the Amount becomes insufficient to fully realize the Subproject and/or that the Beneficiaries are considered unable to implement it;
- (e) when the Beneficiaries cease operations, or undergo a change in management that causes considerable reduction in the community's implementation capacity;
- (f) after negotiations between the Parties, for other reasons, which severely undermine the projected benefits of this Agreement.

5.4 Termination Procedures

The Party terminating the agreement has to notify in writing the other Party the reasons for termination, which is effective immediately upon receipt of the notification by the other Party. Termination proceedings may be canceled by mutual consent, and may include a modification in the obligations of both parties. Upon termination, the Beneficiaries must immediately reimburse all unspent advances received from the [GWBP].

6. Effectiveness

6.1 This agreement will become effective on the day of its signature by both Parties.

IN WITNESS whereof the said parties hereto have executed this deed the day and year first above written.

FOR AND BEHALF OF
(THE COMMUNITY/GROUP)
AGENCY)

FOR AND BEHALF OF
(THE PROJECT IMPLEMENTING
AGENCY)

Signature/Thumbprint:
Name:.....
Position:

Signature/Thumbprint:
Name:
Position:

PLAN AND FEASIBILITY STUDY

OF

.....**COMMUNITY SUBPROJECT**

[or farmer group as the case may be]

(To be presented in the format given in the Implementation Manual of the Government-World Bank
financed project.)

(If the approving committee makes changes in the original plan, an appendix of these changes, including
the signatures of agreement by the community/farmer group representatives, shall be added.)

SECTION C
TRANSFER OF FUNDS TO REGIONAL SPECIAL ACCOUNTS

3.4 In the larger countries, where project operations have been decentralized to the regional and local levels, the procedures described below are recommended. In smaller countries, where there are no regional level accounting units, payments would be made directly from the SA to individual community or farmer group accounts and no regional (or second-generation) special accounts would be set up.

Once a number of subprojects have been approved by the regional committee, the regional accounting officer/clerk (RAO) will request the required funds from the PIA Central Accounts Unit (CAU) which operates the CSA. Based on the list transmitted by the regional accountant, the PIA will transfer exact amounts from the CSA to the RSA in local currency for immediate transfer to the beneficiary accounts in the banks selected by the respective community or farmer group.

The RSA will be a transit account, from which funds will be disbursed within two days to the beneficiary accounts on the basis of the list of subprojects approved by the regional committee.

As soon as payments to the community accounts have been made, the RAO will prepare a Statement of Expenditure sheet and enclose debit advises from the local bank. The RAO will then transmit the documents to the PIA/CAU, where they will be used for preparing a replenishment application to the World Bank. It is incumbent on the RAO for the RSA to submit a replenishment request to the PIA/CAU no later than 90 days from receipt of funds from the CSA. If no disbursement has been made to the community/group during the 90-day period, at least a bank reconciliation statement must be submitted. A *memo from the Director, LOA, dated December 14, 1994, titled "Implementation of Simplified Disbursement Procedures under Investment Operations," provides useful detailed information on this topic.*

Level	Task/Action	Responsible body	Timing	Note
Regional	Submitting a funds request to the PIA/CAU.	RAO for the RSA.	Immediately after the regional committee has approved subprojects.	
National	Effecting funds transfer to the RSA (transit account).	PIA/CAU	Within two days after having received the regional request.	
Regional	Transferring funds to individual community/group accounts.	RAO for the RSA.	Within two days after having received the bank's notice of arrival of funds.	Transfer takes place on the basis of the list of approved subprojects.
Regional	Preparation and submission of SOE to the PIA/CAU.	RAO for the RSA.	Within two days after having made the transfers to the community.	

SECTION D

PROCUREMENT FOR SUBPROJECTS

3.5 The beneficiary community is responsible for the procurement activities under a subproject. The project authorities have the responsibility to provide the necessary training and standardized documentation to the signatories of the community, so that they can carry out the procurement function in a manner acceptable to the Government and the World Bank Group.

General Advertising of the Opportunities to Bid. As soon as the first set of subprojects in a region/province (or respective local area) is coming in for approval, and later annually, the provincial/local project authorities should post an advertisement in local newspapers and the localities or places where potential contractors and suppliers are likely to visit. Examples of such places are the regional or provincial or district council and village notice boards. This advertisement would be equivalent to the General Procurement Notice for an ICB contract (see Form D1.0 in this section). Such local advertising would help improve transparency and increase competition. Potential candidates would be encouraged to express their interest either directly to the communities or to the regional or local project authorities, who could keep a roster of interested bidders who have the experience and track record to participate in actual bidding.

An established and up-to-date record of potential contractors and suppliers would help the community and farmer groups to identify qualified interested bidders.

Procurement for Specific Subprojects. When a subproject has been approved, the community or farmer group could opt for one of the following subject to these being reflected in the loan/credit agreement:

- *local shopping*, by sending an invitation to bid to a minimum of three bidders that they have selected themselves;
- *local bidding*, by placing a specific notice at the local or village level adopting the local practices for disseminating official announcements (e.g., local notice boards, district council, etc.) and using for this purpose a modified version of the general advertisement (see Attachment 1 (b)); at least 15 days should be allowed to prepare and submit bids; a date, time and place for the public bid opening coinciding with that for the deadline for bid submission should be indicated;
- *direct contracting*, after negotiating with a contractor familiar to the community in case a competitive method cannot be used or is not practical.

The procedure for *local shopping* is that, the contract has to be awarded to the lowest evaluated bidder on the basis of criteria mentioned in the invitation sent to a minimum of 3 potential bidders. *Direct contracting* means that, the community representatives will select a contractor and agree on a price with him/her and award the contract for this negotiated price.

The procedure for *local bidding* is more elaborate and more applicable to higher value contracts and larger and better educated communities. Here, the bids are opened at the announced time, place and date in the presence of bidders who choose to attend. The names of the bidders and prices are read out aloud

at the bid opening ceremony. The analysis of the bids should be carried out in private by an evaluation committee set up by the community. It could be the same committee that opens the bids. The composition of this team will depend on the capacity of the local community. The bids will be examined to determine whether they meet the minimum specifications mentioned in the bidding documents in respect of experience, quality of works (track record), equipment, services offered and the delivery dates. Only those offers that meet these minimum requirements specified in the bid invitation will be retained for further evaluation. The committee will prepare a simple evaluation sheet of the type presented in Form D2.0. The next step will be to select the bidder who meets the minimum requirements and offers the lowest price. The award and amount of the contract should be announced to all bidders and the contract should be signed within 5 working days of the announcement (see Form 3.0).

The different steps, responsibilities and timings for *local bidding* are given below. Specimen models of bidding documents and contracts are included in this Section.⁵

Level	Task/Action	Responsible body	Timing	Note
Regional/ District	General advertisement on the opportunities to bid.	PIA staff or regional administration staff in the name of the regional committee.	Before the meeting of the committee approving the first subprojects, and then annually.	See Form D1.0
Regional/ District	Establishing a roster of potential contractors and suppliers.	Regional/district administration staff responsible for Project implementation.	After the first advertisement, and then maintained current at all times.	
Local/ Village	Advertising community procurement using local notice boards.	The committee of the community or farmer group.	Immediately after notification of approval of their subproject.	
Local/ Village	Delivery of bidding documents to interested bidders.	The committee of the community.	Within two days from the show of interest by potential bidders.	Using documents provided by the PIA /Regional Authorities (see Form D1.1).
Local/ Village	Bid opening and evaluation.	The committee of the community.	Bid opening at the announced time and place; bid evaluation within a week of the opening.	Bid evaluation should be prepared for ex-post financial review (Form D2.0).
Local/ Village	Decision on the award and announcing it.	The committee of the community.	Within 10 days of the bid opening.	Award announced to all bidders; bid evaluation form and award decision sent to the regional authorities.

⁵ / When making the specimen documents or forms, the following documents have provided the main sources and examples: The World Bank, Procurement of Goods; The World Bank, Standard Bid Evaluation Form; Gita Gopal, Procurement and Disbursement Manual for Projects with Community Participation, World Bank Discussion Paper No. 312; Ghana: Coastal Wetlands Management Project Implementation Manual for Community Investment Funds; and procurement documents used in PNGTR Project in Cote d'Ivoire and by AGETUR in Togo.

Local/ Village	Signing of the contract.	The committee of the community.	Within five working days of announcing of the award.	Form D3.0
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Form D1.0

Specimen Advertisement on Contract Opportunities

Information on Contract Opportunities

and

Invitation for Interest

1. The [*name of the country*] has received a loan from the International Bank for Reconstruction and Development towards the cost of [*name of the project financed by the Government and Bank Group*]. The Government has allocated a part of the loan and its own funds for implementing community-level subprojects in the [*name of the region*]. It is intended that these funds will be applied to eligible payments under contracts to be given out by the subprojects.

2. It is expected that about xx subprojects at the community level will be implemented in the region during next xx years (project period). Each subproject is estimated to cost about [*currency unit*], and contain different components. Typical procurement needs for works, goods and services of a community-level subproject are as follows:

- construction of [*for instance, village dam, or other civil works, as the case may be*]
- supply of [*for instance, five spades; 200 neem trees, etc., listing the items and quantities of the goods needed*]
- consultant assistance to [*for instance, prepare designs for the dam or bridge; for preparing subproject plan for the community etc., as the case may be*].

3. Selection of the contractors, suppliers and consultants will be done by the respective communities on the basis of competitive bidding. To facilitate adequate competition by competent parties, the Regional Committee, overseeing the implementation of the Project, now invites sealed letters of interest from eligible and competent bidders. The staff of the Committee will prepare a list of potential bidders who meet the required qualifications and submit the list to the community committees who, depending on the format they adopt, may: (a) post notices at the village and local council notice boards inviting bids; or (b) send to you a formal invitation to bid, including the specifications of the works, goods, or consultants needed; or (c) invite you to negotiate a contract directly with them.

4. Interested firms or persons may obtain further information from the office of [*name of the office that provides assistance to the regional coordination committee*] at the following address: [*address and telephone number*].

5. For inclusion in the first list, Letters of Interest, with the documents providing evidence of the suitability of the firm or person to be listed for the assignments, should be delivered to the office [*name of the office that provides assistance to the regional committee*] before [*date*]. As the project is of long duration, the lists will be updated quarterly, and Letters of Interest will be considered on a continuous basis. In addition, bidders may express their interest directly to communities which have approved subprojects.

Specimen Letter of Invitation to Bid

**by a
Community/Farmer Group**

1. The [name of the country] has received a loan from the International Bank for Reconstruction and Development towards the cost of [name of the project financed by the Government and Bank Group]. The Government has allocated a part of the loan and its own funds [amount in local currency] for implementing the [name of the community/farmer -group subproject] in the [name of the region]. It is intended that these funds will be applied to eligible payments under contracts to be given out by the subproject.

2. We hereby invite you/your firm to make a firm sealed offer for the following:
[choose from the following list the applicable type of procurement]

- construction of [for instance, village dam, or other civil works, as the case may be]
- supply of [for instance, five spades; 200 neem trees, etc., listing the items and quantities of the goods needed]
- consultant assistance to [for instance, prepare designs for the dam or bridge; for preparing subproject plan for the community etc., as the case may be].

3. The specifications of the [works, goods, or consultants-choose the applicable] needed are attached to this invitation to bid.

4. You/your firm need to meet the following requirements to be eligible to bid:
[choose from the following list the applicable type of procurement]

- for civil works contracts [provide a list of similar works carried out earlier; have an annual turnover that is three times higher than the average contract value; have or be able to rent the equipment needed for the work;....];
- for supply of goods [provide proof that the firm has the required goods in stock or will be able to get them on a short notice; in the case of mechanical equipment such as vehicles, computers etc., provide evidence that the firm has the required service facilities within the region;....]

- for consultant assignments [provide proof that the person(s) have suitable education and experience for the task; provide copies of documents prepared for the types of services required for the assignments, at least two cases]

5. You/your firm may obtain further information from the Chairman or Secretary of the *[name of the community/farmer subproject]* at the following address: *[address and telephone number, if any]*.

7. The bids, with all the information requested in the Instructions to Bidders (attached), shall be delivered to the Chairman or Secretary of the *[name of the community/farmer subproject]* before *[date and time]*. Late entries cannot be considered.

Date:

Signatures: *[by signatories of the community/farmer group]*

Attachments:

1. Instructions to Bidders
2. Specifications for the applicable Works, Goods, or Consultancies needed
3. Estimated Quantities (for works only)
4. Letter of Submission of Bids
5. Draft Contract

Instructions to Bidders
(Civil works)

1. DESCRIPTION OF WORKS

1.1. The works to be executed under this contract include construction of _____ and _____
and are hereinafter referred to as "The Works".

2. COST OF BIDDING

2.1. The bidder shall bear all costs associated with the preparation and submission of his tender and the [name of the community or farmer group], hereinafter referred to as "The EMPLOYER," will in no case be responsible or liable for these costs, regardless of the conduct or outcome of the bidding process.

3. ELIGIBILITY AND QUALIFICATION REQUIREMENTS

3.1. This invitation to tender is open to all bidders that shall provide evidence satisfactory to the Employer of their eligibility and of their capability and adequacy of resources to carry out the contract effectively.

4. SITE VISIT

4.1. The bidder is advised to visit and examine the site of works and its surroundings and obtain for himself on his own responsibility all information that may be necessary for preparing the tender and entering into a contract. The costs of visiting the site shall be at bidder's own expense.

5. CONTENT OF TENDERING DOCUMENTS

5.1 The set of tender documents issued for the purpose of tendering includes the following:

- (a) Instructions to Bidders
- (b) Special Condition of Contract (optional)
- (c) Technical Specifications and Drawings
- (d) Estimated Quantities
- (e) Letter of Submission of Bid
- (f) Draft Contract

5.2 The bidder is expected to examine carefully all instructions, conditions, forms, terms, specifications, and drawings in the tendering documents. Failure to comply with the requirements of tender submission will be at the bidder's own risk.

6. DOCUMENTS COMPRISING THE TENDER

6.1 The tender to be prepared by the bidder shall comprise the following:
The Form of Tender and Appendix thereto; the Estimated Quantities, the information on eligibility and qualification and any other material required to be completed and submitted in accordance with the Instruction to Bidders embodied in these bidding documents.

7. TENDER PRICE

7.1 The contract price quoted by the bidder shall be a fixed lump-sum price and shall not be subject to adjustment on any account except as otherwise provided in the conditions of contract.

8. TENDER VALIDITY

8.1 Bids shall remain valid and open for acceptance for a period of [xx] days after the date of tender opening prescribed in Clause 16.

9. SEALING AND MARKING OF TENDER

9.1 The bidder shall seal the original and each copy of the bid in separate envelope, duly marking the envelopes as "ORIGINAL" and "COPY" as appropriate, and forward both to the Employer.

9.2 The envelopes containing the original and the copy shall bear:

- (a) name and address of the receiver; and
- (b) the following identification
 - (i) Bid for _____
 - (ii) Ref No. _____
 - (iii) Name of the subproject
 - (iv) The words "DO NOT OPEN BEFORE _____ [date]

10. DEADLINE FOR SUBMISSION OF TENDER

10.1 Bids must be received by the Employer at the address specified above no later than _____ [time and date]. Any bid received by the Employer after that will be returned unopened to the bidder.

11. TENDER OPENING AND EVALUATION

11.1 The Employer will open the bids, in the presence of all bidders or their duly authorized representative who choose to attend, at _____ [time and date] at the following location _____.

The bidders' representatives who are present shall sign a register evidencing their attendance.

11.2 The name of the bidder and total amount of each bid, and of any alternative bids, if they have been requested or permitted, should be read aloud and recorded when opened. The Bidder's representatives who are present shall sign a register indicating their attendance.

11.3 Prior to the detailed evaluation of the bids, the Employer should ascertain whether the bids meet the eligibility requirements; have been properly signed; are substantially responsive to the bidding documents; have any material errors in computation; and are otherwise generally in order.

11.4 If a bid is not substantially responsive, i.e., it contains material deviations from or reservations to the terms, conditions and specifications in the bidding documents, it should not be considered further. The bidder should not be permitted to correct or withdraw material deviations or reservations once bids have been opened.

11.5 Bids determined to be substantially responsive will be checked by the Employer for any arithmetic errors. Where there is a discrepancy between the amounts in figures and words, the amount in words will govern. Where there is a discrepancy between the unit rate and the line item total, derived from multiplying the unit rate by the quantity, the unit rate as quoted will govern. If a bidder refuses to accept the correction, his bid will be rejected.

12. AWARD OF CONTRACT

12.1 The Employer will award the contract to the bidder whose bid has been determined to be substantially responsive to the bidding documents as stated above, and who has offered the lowest Evaluated Bid Price, provided further that the bidder has the capability and resources to carry out the contract effectively.

12.2 Prior to the expiration of the period of the bid validity prescribed by the Employer, the Employer will notify the successful bidder in writing that his bid has been accepted. This "Letter of Acceptance" shall name the sum of which the Employer will pay to the contractor in consideration of the execution, completion and maintenance of the works by the contractor as prescribed by the contract (hereinafter and in the condition of contract called "The Contract Price"). At the same time, the Employer will also send the bidder the Form of Agreement provided in the bidding documents, incorporating all agreements between the parties.

12.3 Upon informing the successful bidder about his winning the contract, the Employer will promptly notify other bidders that their bids have been unsuccessful.

- 12.4 Within 15 days of receipt of the Agreement Form, the successful bidder shall sign the form and return it to the Employer.
- 12.5 The Employer may reject all bids. All bids should not be rejected and new bids invited on the same specifications solely for the purpose of obtaining lower prices, except in cases where the lowest evaluated bid exceeds the cost estimates by a substantial amount. Rejection of all bids is also justified when bids are not substantially responsive or there is lack of effective competition. If all bids are rejected, the Employer should review the causes justifying the rejection and consider making either revisions to the specifications or modifications in the subproject or both before inviting new bids.

Form for Estimated Quantities

Detailed Costs for Works:

Material	Quantity required	Unit cost	Cost for the item	Costs to be met by community in kind	Costs to be met by contractor
Cement					
Wooden planks					
Nails					
Windows					
Door knobs					
Aluminum sheets					
Roofing tiles					
<i>Subtotal costs</i>	-	-	-		

Labor	No. of man days	Cost per man day	Subtotal cost	Costs to be met by community in kind	Costs to be met by contractor
Skilled labor					
Unskilled labor					

Costs of material and labor:

Overhead costs:

Total costs:

Of which met by the community:

Contract costs: (Lump Sum)

Letter of Submission of Bid

Re Request for proposals of _____, 199_ concerning the sub-project _____

After having read the bidding documents relating to the above-mentioned works, and in particular the following four documents:

- Instructions to Bidders
- Draft Contract;
- Form of Estimated Quantities; and
- Specifications and Drawings;

on behalf of my company, I hereby

- Accept, without restrictions, all the provisions in the Bidding Documents;
- Submit a contract price bearing my signature and completed by me following the mode that was sent to me;
- Agree, as the Contractor, to carry out the works named below, following the provisions of the price list; and
- Submit a draft contract bearing my signature.

The Executing Agency (Employer) shall pay the amounts due from it and set forth in the detailed work statements, by crediting the bank account opened in the name of:

_____,
number _____, at the _____ branch of
the _____
Bank, or in cash against witnessed receipts.

Done in one original copy

at _____ on _____ 199

by _____

Signed

The Contractor

Name of the company _____

Address and telephone _____

Commerce register or tax identification No. _____

Bid Evaluation Form

Bidder	Bid price read out at bid opening	Completeness of the bid ⁶	Eligibility ⁷	Substantial responsiveness ⁸	Computation errors in bid price ⁹	Possible correctional adjustments ¹⁰	Corrected bid price ¹¹	Order of eligible and substantially responsive bids ¹²

⁶ / Enter YES or NO after verifying that the bidder’s documents contain Tender Form (bid offering) and appendices; the Bill of Quantities (if the bid is for works), the information on eligibility and qualification and any other material required to be completed and submitted in accordance with the Instruction to Bidders.

⁷ / Enter YES or NO after verifying that the bidder meets the eligibility criteria established in the bid invitation.

⁸ / Enter YES or NO after verifying that the bidder’s offer does not have essential deviations from the specifications for works, goods, or services requested. Major deviations, not acceptable are such that, if accepted, would not fulfill the purposes for which the bid was requested, or would prevent a fair comparison with bids that are properly compliant with bidding documents.

⁹ / Arithmetic errors can be corrected here. Substantial corrections would require an annex or footnote explaining the corrections made.

¹⁰ / If there are acceptable deviations in the bid offered (see column “Substantial responsiveness”), the deviations should be expressed in terms of costs and entered here to facilitate a fair comparison of the different bids.

¹¹ / Enter here the “Bid price read out at bid opening” plus/minus the amounts in columns “Computational errors in bid price” and “Possible correctional adjustments.”

¹² / Only the bids that are adequately complete (column 3), eligible (column 4), and substantially responsive (column 5) will be ranked here. The lowest “Corrected bid price” will receive the position number 1, second lowest number 2, etc.

Contract for Works
[Specimen form]

This Agreement is made between the Representative of the [*name of the community or farmer group*] of the one part, represented herein by Mr./Mrs./Miss..... , and Mr./Mrs./Misson behalf of the contractor [*name of the contracting firm*] of the other part. It has been agreed as follows:

CLAUSE 1 - CONTRACT OBJECTIVES

This contract is for

Subproject.....

at.....

the village of

The works assigned to the contractor consist of :

[*a detailed explanation or reference to a description/design/list of quantities in an attachment*]

CLAUSE 2 - SUBCONTRACTING

The contractor may subcontract one or several parts of his works only under his entire responsibility.

CLAUSE 3 - CONTROL OF THE WORK EXECUTION

The execution of this contract is controlled by the Committee of the [*name of the community or farmer group*]. The Government, that provides a major part of financing for the Subproject, may send its own technicians to inspect the work being done or completed.

In case of non conformity to the norms or rules of the profession, the Representative of the community/farmer group, upon a report of the person in charge of the Government's technicians, may bring to the attention of the contractor the breach of contract. An assessment will be made by the Government technicians.

The works poorly executed shall be repaired or improved by the contractor.

CLAUSE 4 - RESPONSIBILITY

The contractor is responsible during the execution of the work for the damages and accidents of any kind caused to a third party by the personnel and equipment of the contractor.

CLAUSE 5 - TIME LIMIT FOR THE WORK EXECUTION

The whole work should be completed withinmonths from the date of the signature of the contract.

CLAUSE 6 - LIQUIDATED DAMAGES

In the event that works specified in the contract are not completed on schedule, the contractor shall be subject to a penalty of 1/1000 of the price of the works ordered per calendar day of delay, except in the case of force majeure, that would need to be confirmed by a Government’s technician appointed by the authorities of the *[name of the Government/IDA financed project]*.

CLAUSE 7 - INTERIM RECEIPT

The interim receipt will be acknowledged in a report and issued upon completion of the works. A certificate of acceptance will be provided by the Committee of *[name of the community or farmer group]*, which may first request an opinion from a Government-appointed technician.

CLAUSE 8 - FINAL RECEIPT

The final receipt will be acknowledged in a report of the Committee of *[name of the community or farmer group]*, who may seek the prior opinion of a Government technician appointed by the authorities responsible for the implementation of the *[name of the Government/IDA financed project]*.

CLAUSE 9 - AMOUNT OF THE CONTRACT

The amount of the contract is*[currency unit]*.

CLAUSE 10 - SCHEDULE OF PAYMENTS

The schedules of payments are :

- | | | |
|---|-----------------|----------------|
| | <u>In money</u> | <u>In kind</u> |
| 1. Advance for Start-up <i>[amount]</i> | | |
| 2. First Stage at <i>[define the first stage]</i> <i>[amount]</i> | | |
| 3. Second Stage at <i>[define the second stage]</i> <i>[amount]</i> | | |

4. After Final Receipt [*amount*]

CLAUSE 11

A copy of this contract will be addressed to the [*name of the committee that approved the financing of the Subproject*]

Done at -----[*place and date*]

The Representatives of the community or farmer group:

Contractor:

Order and Contract for Supply of Goods

[Specimen form]

[Name of community or farmer group]

[Address]

To: [Name of the Director and firm which has won the supply contract]

Address: [Address of the firm]

Subject: Supply and Installation of .[equipment, material, etc.]

Mr. Manager/Director,

The [Name of community or farmer group] would like to place an order for the supply and installation of, in conformity with your proforma invoice No. of....., attached, specifying the prices of the goods for whose procurement you successfully competed..

1. SUBSTANCE OF GOODS

[List of goods requested, with quantities]

2. AMOUNT OF THE CONTRACT

The amount of the order is fixed at [currency units] and is not subject to revision.

3. TIME LIMIT AND PLACE OF DELIVERY

The time limit for the delivery of goods is set for(days, weeks or months) from the date of the approval of this contract. This approval should take place in the maximum time limit of [number of days, for instance 15] days from the date of the signing of this contract by the representatives of the [name of community or farmer group]. The goods will be delivered at [destination].

4. INTERIM RECEIPT

An interim receipt will be issued upon delivery of all the goods. Or: If installation of the goods is required, the interim receipt will only be issued after installation of the equipment are completed (delete one). The receipt will be acknowledged as the interim receipt report.

5. TIME LIMIT FOR THE WARRANTY AND AFTER-SALES SERVICE

The deadline for the warranty period is set for (X) months from the date of the interim receipt. During the warranty period, excluding the current maintenance, all the repairs resulting from faulty equipment will be at the supplier's expenses, including the supply of replacement parts and the overhead costs.

The supplier is to guarantee an after-sales service to ensure the maintenance service as well as the fast and regular supply of spare parts.

6. FINAL RECEIPT

The final receipt will be issued at the end of the warranty period, and will be acknowledged as the final receipt report.

7. RETENTION

The retention amount, to be reimbursed when the final receipt has been issued, is set up at 10 percent of the total amount of this order/contract.

8. LIQUIDATED DAMAGES

In case of delay within the period specified in the contract, the supplier is subject to a penalty of 1/1000 of the price of the goods ordered per calendar day of delay. However, the ceiling of these penalties is 10 percent of the total amount of the order.

In case the 10 percent ceiling is exceeded, the administration reserves the right to terminate this order/contract.

9. SCHEDULE OF PAYMENT

The amounts which are due will be paid in the following manner:

___% at the countersigning of this letter of order, for advance payment (if the supplier has to order the goods). [*The amount of this advance should in no circumstances exceed 30% of the total amount*].

___% of the amount of the invoice upon issuance of the interim receipt.

10% of the amount of the invoice upon issuance of the final receipt.

Total: _____
100% [Total should always be 100% of the amount of the contract.]

10. FORM OF PAYMENT

The payment will be made in cash by the signatories of the [*name of community or farmer group*] or by check of the [*name of bank*] at [*place*].

11. APPROVAL OF THE ORDER/CONTRACT

This contract will be effective only after it has been signed by the supplier.

Place and date:

Signed: [*signatories of community or farmer group*]

Read and accepted:

For the Supplier

Place and date:.....

Signature(s):.....

(Representing the supplier)

.....
Printed name(s)

Order and Contract for Services

[Specimen form]

[Name of community or farmer group]

[Address]

To: [Name of the Director and firm which has won the contract]

Address: [Address of the firm]

Subject: Supply of [specify such as studies, technical assistance, consulting, supervision] Services

The [Name of community or farmer group] would like to place an order for the supply [specify such as studies, technical assistance, consulting, supervision] services....., in conformity with your bid offer No. of....., attached, specifying the assignment and prices of the services for whose procurement you successfully competed...

1. CONTENT AND PROGRESS OF THE ASSIGNMENT

The study and its progress will be in accordance with the terms of reference attached to this document.

2. AMOUNT OF THE CONTRACT

The amount of the contract [or rate per day and number of days] is fixed at [currency units] and is not subject to revision.

3. TIME LIMIT AND SUBMISSION OF REPORT

The time limit for the completion of the services is scheduled for(days, weeks or months) from the date of the approval of this invoice letter by the consultant or consulting firm. This approval should take place in the maximum time limit of 15 days from the date of signing of this order/contract.

Your firm will submit an edited interim report (5 copies) to the [name of community or farmer group] at the end of the field work.

Five (5) copies of the final edited report will be submitted to the [name of community or farmer group] two weeks after its review of the interim report. At the same time, one copy will be submitted to the Provincial Coordinating Committee [or similar] for information.

It is agreed that the [name of community or farmer group] will be allowed 45 days for the review of the interim report. After that time limit, the interim report may be considered as final.

4. LIQUIDATED DAMAGES

In case of delay beyond the period specified in the contract, you [*your firm*] are subject to a penalty of 1/1000 of the price of the studies per calendar day of delay. However, the ceiling of these penalties is 10% of the total amount of the contract.

In case the 10% ceiling is exceeded, the [*name of community or farmer group*] reserves the right to terminate this order/contract.

9. SCHEDULE OF PAYMENT

The amounts which are due will be paid in the following manner:

___% at the countersigning of this letter of order, for advance payment [the amount of this advance should in no circumstance exceed 30% of the total amount].

___% of the amount of the invoice upon issuance of the interim receipt.

20% of the amount of the invoice upon issuance of the final receipt subject to a maximum of 100% of the total payment due.

10. REVIEW AND APPROVAL OF THE CONTRACT

This document will become effective only after it has been signed by both parties and reviewed and approved by the technical staff appointed by the Government [*usually the provincial- or regional-level procurement assistant*].

Place and date:

Signed:[*signatories of community or farmer group*]

Read and accepted

For the Consultant/Consulting Firm

Place and date:.....

Signature(s):.....

(Representing the Consulting Firm)

.....

Printed name(s)

Approved:

Place and date:.....

Signature(s):.....

(Representing the Government)

.....

Printed name(s)

SECTION E
REPLENISHMENT OF FUNDS

3.6 The process of preparing the replenishment application starts at the regional level. First, the RAO will record on SOE sheets the details of each disbursement for subprojects owned by the various communities. This data will be based on the regional accounting records, details from the subproject approval lists, and data on transfers of funds to the bank accounts of the community approved for project financing. The information and data included in the SOE on the subproject contain the name, description, identification code, and date of approval of the subproject (see the enclosed form), as well as the date of transfer of funds to the community.

Next, the RAO will transmit the SOE data as well as the required account information (debit dates and bank statements) to the CAU. Upon receipt of the regional documents, the CAU will reconcile the CSA with the regional reports and fill out a standard replenishment application (Form 1903). This application will be submitted to the Bank Group for replenishment of funds together with a bank statement of the Special Account and the reconciliation sheet prepared by the unit.

Level	Task/Action	Responsible body	Timing	Note
Regional	Preparation of a regional SOE sheet and collection of bank statements.	RAO	Within a week from transferring the funds to community or farmer group accounts in the banks.	
National	Preparation of replenishment application to the World Bank Group.	CAU	At least every three months or whenever the remaining funds have reached the level specified in DCA.	Supporting documents are a bank statement and reconciliation sheet of the Special Account.

Specimen Replenishment Request

(replace with: disb-char.doc)

SECTION F
**DISBURSEMENT OF FUNDS TO INDIVIDUAL
COMMUNITY/FARMER GROUP ACCOUNTS**

3.7 In the process recommended in these guidelines, the community or farmer groups are responsible for implementing the subprojects and make payments to the contractors and suppliers. In order to carry out the payments without delay and facilitate implementation of their subproject according to the planned schedule, the subproject funds need to be in the bank account owned by the community and the signatories of the community must have the authority to use the funds according to the requirements of the subprojects without referring to government or other authorities.

Funds deposited in the RSA for subprojects will be transferred within two days into the bank accounts of community. Thus the RSAs are in reality transit accounts between the CSA and the bank accounts of the community. They serve to facilitate verification that the funds have really been transferred to their end-users, particularly in countries/regions where fund transfer systems are not sufficiently developed. Also they create an early identification of the regional staff to the Project and this helps in the monitoring and supervision.

For effecting the required transfer of funds to the bank accounts of the approved community, the RAO will require neither documentation from these groups nor particular payment orders from the CAU. The transfers will be made solely on the basis of the list of approved subprojects and funds transferred from the CSA to the RSA.

The actions needed to facilitate the availability of funds in the accounts of the community are given below.

Level	Task/Action	Responsible body	Timing	Note
Regional	Submission of the list of approved subprojects to the RAO.	Government or project staff assisting the regional committee.	At the same time as to the CAU of the PIA.	See Section on Approval of Subprojects.
Regional	Verification of the list of subprojects approved and preparation of payment orders to the local bank where the RSA is held.	RAO	Within two days after the funds were deposited in the RSA.	
Regional	Transfer of funds to individual accounts of the benefiting community.	Regional bank	Within a day after receiving the payment order.	Into the bank where each of the beneficiaries' account is held.
Regional	Follow up that the transfer has taken place and entries made in the beneficiaries' accounts.	RAO	Within three days after delivering the payment orders.	Check with both the regional and local bank.

IV. RELATED ACTIONS AND OPERATIONS

4.1 Staffing and Training

The simplified procurement and disbursement procedures, with their reduced supervision and high expectations of speedy processing, place substantial demands on the national staff in the PIA and its regional branches (in smaller countries there might be no need for these regional units).

At the national level, each PIA must have a qualified procurement officer who is familiar with the Bank Group procurement procedures and who is able to organize the supervision and monitoring of the regional-level procurement activities. The PIA must also have a qualified accountant and staff who can, besides maintaining accounts and records, also prepare withdrawal applications and the necessary supporting documents on behalf of the borrower.

At the regional level, in larger countries the persons responsible for project facilitation and support to the regional committees need to include at least an Accounts Clerk, who has been trained in handling the transfers of funds and in reviewing bank statements. They will also need a Procurement Clerk who will be able to advise and assist the communities in their procurement operations.

The skills and experience needed to carry out the procurement and disbursement functions effectively are not necessarily readily available for the PIA and, especially, at the regional level. It is important that the project launching workshop not only be used to explain project concept but also the procedures for procurement and disbursement. The participants in the workshop should include staff at various levels of project execution and not be limited to senior management. The implementation manual must be reviewed at this workshop. While this will help in introducing project staff to the project implementation arrangements, it will not be substitute for specialized training, which needs to be included in the design of the project. Training will be required at national, regional/provincial and community levels. Both national and regional staff, however, will need to be trained in the steps necessary to prepare, execute and monitor the new procurement and disbursement systems, and to recognize the differences and linkages between the new system and the previous procedures.

In addition, the beneficiaries at the community level need training related to: (a) preparing project documents; (b) programming and costing of projects; (c) supervising project implementation; and (d) monitoring and evaluation subprojects. Additional modules in functional literacy should be provided for communities that lack people capable of preparing and updating documents. Engagement of NGOs to provide learning-by-doing training is an option.

4.2 Risk Management

It has sometimes been argued that projects that involve the participation of a large number of local-level units in the procurement process and payment of funds to contractors carry more risk than what the Government and the Bank Group normally assume in other projects. However, no data exist to support such an argument, and in fact, local communities may well be more trustworthy than units dealing with larger projects. Risk is increased, however, when supervision is reduced or it only take place on a sample basis. Any approach that aims at rapidly and efficiently processing the procurement and disbursement of funds for hundreds or even thousands of small subprojects will, by definition, have more risk than the more

conventional type of Bank procurement, which is carefully supervised. Only a careful monitoring of the outputs of the projects with community participation will provide information on the extent of risk involved in the projects using communities to implement projects. Until the results of the monitoring effort are known, the potential risks can be managed, without slowing down the processes, by taking some or all of the following measures:

- provide an open and transparent system for the preparation and approval of subprojects and for money transfers (social control);
- provide adequate competition for the works and supplies, based on supplying information to potential contractors;
- provide elementary training to the villagers and emphasize the need to maintain long-term creditability with the financing agencies;
- provide assistance in preparing relevant subprojects of high quality;
- provide ex-post technical and financial audits;
- define in the guidelines the persons who will handle the funds and the details about how these funds will be recorded; and
- define thresholds for the size of subprojects that would trigger procedures for more control.

These guidelines attempt to provide the format for the above measures. In addition, if the monitoring results at the time of semi-annual reporting indicate that the risk is larger than acceptable to the government and the Bank Group, the supervision and control measures can be intensified. Such action will, however, slow down the processes proposed in these guidelines and increase the costs. *Experience so far indicates that this is rarely needed.*

4.3 Preparation of Community Subprojects

To obtain the desired output from community or farmer group subprojects, they have to be well designed from the outset. If a subproject meets the real needs of the villagers and produces tangible benefits for them, its sustainability and maintenance are assured. However, this section does not deal with the technical aspects of the subproject preparations, but concentrates on issues most applicable to the procurement and finance.

There has been some debate over whether the subprojects to be financed be subject to a positive list or a negative list. A positive list is needed when the project intervention is targeted at a specific subsection, e.g., roads, water supplies. However, if the CIO is for broad rural development, then it would be more appropriate to have a negative list so that beneficiaries can express their demand on what constitutes to them as a priority need rather than an “outsider” making the determination.

The criteria for appraising and selecting subprojects for financing under the project would need to be agreed upon at negotiations. Typical appraisal criteria include the following: (a) the community is registered as a legal entity; (b) it has appointed the trustees needed for representing the community;

(c) the activities of the proposed subproject are *eligible* activities; (d) the conditions for member participation and contribution in financing of the subproject have been met; (e) the scope and cost of the subproject is consistent with the management capability/arrangements and financial capacity of the community; and (f) the group has opened a bank account with member contributions. It is tempting to include criteria, such as, whether it would provide the best or a high return for the limited funds available. This should be carefully handled in order to permit the community to make its choice. However, glaring cases of poor ‘judgement’ should be first discussed with the community. *Experience shows that these cases rarely happen.*

If the total requests for funds in the applications that meet all the appraisal criteria exceed the funds available, the applications could be ranked in the order of importance based on cost per beneficiary for each subproject. The lower the cost per beneficiary the higher the priority. This, however, may work against small and isolated communities. There is, therefore, a need to work out at the project appraisal stage guidelines to balance cost with equity if, and when, the need arises.

The process of handling project funds should be timed so that funds would not be left idle in the community accounts for long periods. To avoid such a situation, the committee approving subprojects should only consider such proposals that are ready for implementation, that is, subprojects that have the technical designs and specifications ready, and whose committees can be given the necessary training in local procurement and payment procedures within a month from the approval of the subproject.

4.4 Participation

The presumption is that, local-level development can occur only if the beneficiaries take responsibility for their own development with government playing only a facilitating role. This approach requires getting the beneficiaries involved in all phases of the programs supporting their development.

Genuine participation has to start at the project design stage. This does not mean that all the work would need to be done by the people in the community--often they lack the necessary skills to do it--but the members of the community must be kept well informed about the processes involved; they must have a chance to express their views about the needs; and they--not NGOs or government representatives--must make the decisions about the contents of each subproject.

The administrative aspects of subproject implementation also must follow the same rules of transparency. The members of the community, or at least their representatives, need to be fully informed about the processes and participate actively. That is why this document gets the community involved in:

- designing subprojects;
- making decisions about the selection of subprojects through regional-level committees where the majority represents the beneficiaries;
- taking full responsibility for the procurement for subprojects;
- having their own bank accounts and making payments to the contractors and suppliers;
- and

- reviewing the results through ex-post financial and technical reports to be submitted to the regional committees.

In addition, financial or in-kind contribution by the beneficiaries is very important for successful implementation of a subproject. If the beneficiaries are prepared to put their own resources into the common enterprise--even if the amount is small--they demonstrate serious interest in supporting the development of the subproject. (The types and sizes of contributions by the beneficiaries have been described by Elisabeth Toe and Mafing Konde in a study under the Burkina Faso Environmental Management Project titled *La contribution des beneficiaires aux financements des investissements locaux dans les projets GT/GRN/DL*. This study is available from the World Bank's Burkina Faso office.)

4.5 Supervision of Implementation and Ex-post Technical Verification

Local communities are responsible for supervising implementation of their subprojects. They have to see to it that the contractors or suppliers selected carry out their contracts as agreed upon. Advice and assistance may be provided by government agencies or NGOs specializing in the respective activity. The contractors also receive their payment directly from the trustees of the community and not from the project. In each contract, the final portion of the payment will be made only when the works, supplies, or services have been approved by the committee of the community.

The regional committees are responsible for ex-post technical review, that is, for sending technical staff to verify completion of the work and receipt of supplies and to prepare a short standardized report for each type of activity. The report describes the output, quality, problems encountered, and suggestions for improvement for other similar subprojects. The report may require contacting the contractors and suppliers. Furthermore, sample reviews also will be carried out by visiting World Bank/borrower supervision missions.

4.6 Ex-post Financial Control

The agreements between the Government and community contain a clause on auditing of the financial transactions of the group. The auditors would be selected by the regional or similar committees approving the subprojects for financing under the project from a short list of identified qualified local auditors prepared by PIA staff/regional administrations. The cost of the audit will be met out of project funds and not out of funds sent to communities for implementing subprojects.

Auditing would be carried out on the financial transactions that the group has carried out to implement their subproject and it would also review the process of procurement for the project. The latter would also include cost control: the auditors would review the prices of works, goods and services to observe whether they have been reasonable and comparative with other subprojects.

The skills to keep accounting books or records at the village level cannot be expected to be high. Consequently, the financial recording required from a community needs to be very simple. [Annex 1](#) presents such a system that is adequate for uncomplicated small subprojects. The necessary training to group chairman and treasurer would need to be provided once their subproject has been approved and before they withdraw the funds from their bank account.

Auditors would prepare a short report on standardized forms. The regional committees and project authorities would review the reports and take the results into account in determining the level of supervision and control needed in other subprojects or follow-on projects with community participation. If there are serious cases of misuse of funds by a community, they would be excluded from similar support by the government for the period until they have rectified the situation.

4.7 Monitoring and Its Link with Procurement and Disbursement

The World Bank procedures require an Implementation Manual for each project. The Implementation Manual and/or Staff Appraisal Report should describe a monitoring system for the project, containing plans for the organization to collect and process data and information, the reporting requirements, and a list of performance indicators. The performance indicators are presented in a special format called logical framework.

The guidelines in hand do not cover monitoring of the project operations. However, when preparing a monitoring system and its elements, they should be planned so that they include the following data and information related to procurement and disbursement, to be presented semi-annually (during the project period and by region):

- the number of subprojects that have been granted project financing;
- the amount of financing approved;
- funds used for subprojects (received from the Government, World Bank Group and cofinanciers) and paid to the accounts of the community or farmer groups;
- technical reviews carried out on subprojects, number of successfully completed subprojects and number of failures; and
- financial and procurement audits carried out on subprojects, with summary statistics on the outcome.

4.8. Preparation of Project-Specific Manuals

These guidelines provide a simple, recommended practice for procurement and disbursement in projects or project components that are based on implementation by communities, keeping particularly in mind natural resource management and projects relying on cooperatives and farmer groups, to carry out the development activities at the field level. The guidelines may not be directly applicable in all circumstances, and the project planners need to consider each case separately and determine if modifications would be needed into the procurement and disbursement functions explained in these guidelines. When making such modifications, and for more complex projects, and especially those that contain larger rural investments than what normally happen at the village level (say above US\$15,000 equivalent), the project planners should consult the comprehensive manual by Gita Gopal, titled *Procurement and Disbursement Manual for Projects with Community Participation* (World Bank Discussion Paper No. 312).

SIMPLIFIED BOOKKEEPING AND FINANCIAL RECORDING SYSTEM

1. Approach

With hundreds of groups participating, the only practical way to have a uniform practice of maintaining financial records and storing receipts is that the Government/IDA financed project provides the groups with all the material they need for the purpose. Thus, the procurement of such materials would need to be carried out by the project authorities. Because the cost of the few items in the system proposed here is very low and the same materials would be used in training the office holders, they should be given the community and farmer groups without charge.

The bookkeeping system for the community groups would need to meet the following minimum requirements:

- it must record all transactions, whether made in cash or from the bank account, and allow verification of cash and bank balances;
- it should facilitate simple cost-center accounting (separate costs for different components of the subprojects); and
- it must provide means to retain the supporting items (invoices, receipts or notes) on the expenses made.

Cash Book/Bank Record (Annex 1A) and Component Budget Control Form (Annex 1B) contain the data and information for the first two requirements. For the need to store the receipts and notes, the project should give the groups box folders of the type depicted in Annex 1C. It would allow keeping the supporting items sufficiently protected in one place. The number of the invoices and receipts would not be so large that a more accurate (and complex) filing system would be needed.

If the subproject contains several components and the project wishes to follow the costs of them all separately, the form in Annex 1B allows their monitoring. In that case, all the entries would first be made in the Cash Book/Bank Record and then additional entries would be made into the Component Budget Control Form maintained separately for each component of the subproject.

2. Filling in the Forms and Maintaining Supporting Documents

The filling of the Form for Cash Book/Bank Record would begin by entries for the cash and bank balances at the start of the subproject. If funds are withdrawn from the bank account or received in cash and added to the cash box of the group, entries would be made in the "Amount Paid" with a clear plus sign (+). Funds added to the bank account, if any, would be marked the same way. All other entries would

reduce the balances of cash or bank account and would not need necessarily be marked by a minus sign (-).

The entries would be made according to dates in the supporting documents. They could be numbered, but that is not necessary, because the total number of the invoices and payment receipts is small and the date provides an adequate reference for the auditors to find them.

The supporting documents would be kept in the box folders and organized in the order of the dates (as they have been entered in the Cash Book/Bank Record).

The entries made in the specimen forms in Annexes 1A & 1B illustrate the various entries to be made.

Name of the community or farmer group

Cash Book/Bank Record

(replace with: anx1a-b.doc)

Name of the community or farmer group

Component Budget Control Form

Name of the Component:

Budget for the component:.....

(replace with: anx1a-b.doc)

Storing of Financial Documents at the Community or Farmer Group Level

Illustration of the Recommended “Box Folders”

(replace with: anx1-c.doc)

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