Improving Development Effectiveness through Better Procurement Monitoring

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Batumi, Georgia
Second largest portfolio-Central West Asia

In 2014, our assistance totaled $22.93 BILLION including $13.69 billion financed by ADB and $9.24 billion in cofinancing.
Infrastructure focus remains key

![Infrastructure Focus Diagram]

- **Energy**: $6.65 billion
- **Finance**: $3.50 billion
- **Health**: $0.03 billion
- **Industry & Trade**: $0.48 billion
- **Information & Communication Technology**: $1.79 million
- **MultiSector**: $0.79 billion
- **Public Sector Management**: $2.41 billion
- **Transport**: $4.36 billion
- **Water & Other Urban Infrastructure & Services**: $2.29 billion
- **Agriculture, Natural Resources & Rural Development**: $1.45 billion
- **Education**: $0.98 billion

[ADB Logo]
ADB is transforming

2008
ADB's long-term strategic framework Strategy 2020 commits us to help the region and its people develop through:
- Inclusive economic growth
- Environmentally sustainable growth
- Regional Integration

2014
ADB's Midterm Review of Strategy 2020 sharpens our operational focus to better address the development challenges of a transforming region through:
- Increased emphasis on Inclusiveness
- Promoting innovation and resilience
- Strengthening support for middle-income countries

2008
Strategy 2020 introduced.

2014
Midterm Review (MTR) of Strategy 2020 conducted.

2020
MTR puts ADB on track to achieve its strategic goals by 2020.
Procurement Reforms in ADB

• Phase 1 rolled out in August 2014 as 10 point procurement reforms action plan

• Objectives
  – Reduce procurement time
  – Increase administrative efficiency
  – Improve project delivery
  – Maintain fiduciary oversight
Procurement Governance Framework

<table>
<thead>
<tr>
<th>WHEN</th>
<th>OUTPUT</th>
<th>WHAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPS Preparation</td>
<td>Country and Sector/Agency Procurement Risk Assessments</td>
<td>Initial desk review of procurement laws, regulations and processes supported by ADB information and experience with DMC procurement. A field review assesses procurement practices in key sector agencies using interviews, questionnaires, and sampling of selected procurement transactions.</td>
</tr>
<tr>
<td></td>
<td>Country Procurement Thresholds</td>
<td>The CPS paper proposes country, and where applicable, sector thresholds for ICB and prior review limits.</td>
</tr>
<tr>
<td>Project Concept Paper</td>
<td>Project Procurement Classification</td>
<td>Projects classified based on procurement risk inherent in the country/sector and project characteristics. OSFMD staff actively involved in processing Category A projects.</td>
</tr>
<tr>
<td>Project Preparation</td>
<td>Project Procurement Risk Assessment</td>
<td>Category A projects will have direct operational support from OSFMD to complete the project procurement risk assessment and to assist in preparation of the project procurement plan and master bidding documents. Support also provided to the EA to prepare for undertaking procurement.</td>
</tr>
<tr>
<td></td>
<td>Project Procurement Plan</td>
<td>Streamlined and risk-based procurement oversight procedures application of prior review, postreview and postreview (sampling) with four level decision authority, will strengthen fiduciary oversight while reducing administrative burden. Procurement timelines and accountability closely monitored.</td>
</tr>
</tbody>
</table>
Risk weighted procurement actions

1. **Country Partnership Strategy**
2. **Sector/Agency Risk**
3. **Project Concept**
4. **Project Complexity**
5. **Project Preparation**
6. **Contract Risk**
7. **Project Implementation**

- **Country Risk**: (A) Country/Sector Risk Rating
- **Market Assess**: (B) Set Procurement Method/ICB Thresholds
- **(C) Project Procurement Classification**
- **(D) Project Procurement Risk Assessment**

Prior Review Limits:
- Low Risk ≤ $20 m
- Medium Risk ≤ $10 m
- High Risk ≤ $5 m

Procurement Decision Authorities

Procurement Plan

Contracts
Risk weighted procurement actions

Country Partnership Strategy

Country Risk

Market Assess

Sector/Agency Risk

Project Concept

Project Complexity

Project Preparation

Contract Risk

Project Procurement Classification

Project Procurement Risk Assessment

Procurement Plan

Procurement Decision Authorities

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ADB
Risk weighted procurement actions
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11. **Procurement Plan**
12. **Contracts**
13. **Project Implementation**
14. **Procurement Decision Authorities**
Procurement efficiency

Streamlined processes:

• Greater reliance on NCB procedures can save up to 100 days of procurement time

• If the time taken to engage supervision consultant and first major contract is halved, project can be delivered one year earlier
Country Systems

Risk based supervision:

- Below $5 million or ICB threshold or average value of government funded contracts
- Total number of contracts reviewed by ADB staff can reduce by 25%
Balanced fiduciary oversight

No longer one size fits all:

- Focus on high risk, high value and high impact contracts
- Procurement accreditation of staff for effective decentralization
- OSFMD retains oversight for highest value contracts representing over 50% of total procurement value
- Improved support for project preparation for high risk
e-Procurement

Technology enablement:

• Procurement Review System (PRS) will electronically record the procurement information for better oversight

• ADB e-procurement strategy to enable use of developed and well performing e-procurement systems of the executing agencies

• Online standard bidding documents
Benefits achieved

1. ADB surpassed its target of $8.0 billion in contract awards in 2014 by reducing the time for approving the contracts.

2. The average time taken for transactions of $10 million and more has been reduced by 50% after the implementation of the reform actions.

3. More regional department staff are now procurement accredited (across regional departments, 5 fold increase compared to 2013).

4. Procurement staff have been posted to the front offices of regional departments and the five largest ADB resident missions.
Next steps

• Continue main streaming of Phase 1 actions

• Phase 2 will roll out in 2015 and address procurement policy bottlenecks