IsDB

البنك الإسلامي للتنمية

Islamic Development Bank

Guidance Note on Use of Country Procurement Systems under IsDB project financing

Project Procurement & Financial Management (PPFM)

February 2025

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Abbreviations

APAs	Alternative Procurement Arrangements
CEF	Country Engagement Framework
DFI	Development Finance Institutions
EAs	Executing Agencies
ELA	Entity Level Assessment
GAC	Governance and Anti-Corruption
GN	Guidance Note
ICB	International Competitive Bidding
MAPS	Methodology for Assessing Procurement Systems
MCPAR	Member Country Procurement System Assessment Reports
MCPS	Member Country Partnership Strategies
MCs	Member Countries
MDBs	Multilateral Development Banks
PFM	Public Financial Management
PMU	Project Management Units
SDGs	Sustainable Development Goals
UCPS	Use of Country Procurement Systems

EXECUTIVE SUMMARY

The Islamic Development Bank has developed a comprehensive guidance note which systematically guide the work on the Use of Country Procurement Systems in IsDB-financed projects. This Guidance Note outlines the rationale, objectives, methodologies, and implementation strategies for adopting and utilizing UCPS to enhance the efficiency, effectiveness, transparency, and sustainability of procurement processes in member countries (MCs).

Global Agenda on Aid Effectiveness including the Paris Declaration and Accra Agenda for Action have emphasized the importance of utilizing and strengthening national procurement systems. The IsDB supports this approach, recognizing the diverse development stages of its MCs, which include fragile, least developed, developing, and middle-income countries. The Bank aims to support these countries in building robust procurement systems to achieve long-term development goals.

The key motivations for promoting UCPS include:

- **Scaling up development impact:** Strengthening country systems for broader and lasting benefits beyond IsDB-funded activities.
- **Increasing country ownership:** Projects using country systems are more likely to be embraced by local stakeholders.
- **Building institutional capacity:** Enhancing national and local procurement systems improves their ability to implement and sustain good practices in project procurement.
- **Facilitating harmonization:** Promoting alignment and cooperation among development partners in using alternate procurement arrangements or building and using UCPS.
- **Increasing cost-effectiveness:** Reducing the need for establishing new structures and hiring costly consultants for undertaking donor's procurement process in each project.

The primary objectives of the guidance note are to:

- Provide a framework for evaluating and using UCPS in IsDB-financed projects.
- Enhance procurement efficiency, transparency, fairness and effectiveness.
- Build capacity within MCs for managing procurement processes aligned with international best practices.

Opportunities and challenges:

- **Opportunities:** UCPS can streamline procedures, reduce costs, build local capacity, stimulate economic development, and ensure compliance with local laws.
- **Challenges:** These include improving national regulations, institutional capacity constraints, professionalization of procurement functions, technology adoption barriers, and managing risks like corruption and governance issues.

Stakeholder mapping: Effective implementation of UCPS involves coordinated efforts with various stakeholders, including government entities, development partners, the private sector, civil society, and internal IsDB teams. Identifying and engaging these stakeholders ensures successful adoption and operationalization of UCPS.

Skills requirement for assessment: Assessing country procurement systems requires a mix of technical procurement skills, legal and regulatory expertise, risk management, analytical skills, project management, and interpersonal communication abilities. Capacity-building and ethical integrity are also crucial components.

UCPS candidates identification and implementation: A phased methodology is proposed for identifying and implementing UCPS candidates:

- Phase I: Information gathering to identify potential candidates.
- Phase II: Reviewing existing country procurement assessments.
- Phase III: Ensuring equivalence and consistency with IsDB policies.
- Phase IV: Selecting and evaluating Executing Agencies (EAs).
- Phase V: Planning, Implementation, and Monitoring

Summary recommendations for implementation:

- Conduct comprehensive risk assessments of procurement systems in MCs at MCPS, CEF as well as at project preparation including capacity, governance, institutional, etc.
- Address identified risks areas through targeted programs rather than standalone intervention or integration into projects financed by the Bank.
- Implement a phased program for enhancing institutional capacity in MCs with robust implementation monitoring frameworks.
- Foster strong collaboration and partnerships to complement efforts of various DFIs at country level.
- Support policy and institutional reforms to improve governance, transparency, and accountability and use of technologies.

1. Introduction

Efficient Country Procurement Systems (CPS) are critical in national and international development as they ensure the optimal use of limited resources, enhancing the impact of aid and development programs. Effective procurement practices at the country level help to achieve value for money by promoting transparency, competition, and fairness, which are essential for boosting trust among stakeholders and donors. By minimizing costs and reducing waste, efficient procurement using CPS allows development organizations to maximize the reach and effectiveness of their interventions and development financing using national resources, addressing more needs, and achieving better outcomes within the constraints of available funding.

In addition, fair, transparent and efficient CPS plays a vital role in mitigating risks associated with corruption and fraud. In many developing countries, weak procurement processes can lead to significant leakages of funds, undermining the effectiveness of development initiatives and eroding public and business community's trust in institutions. By implementing robust procurement standards and practices, MDBs, including the IsDB can enhance accountability and integrity, ensuring that resources are used for their intended purposes and that beneficiaries receive the full benefits of development programs.

Similarly, efficient country procurement systems contribute to the sustainable development of local economies by promoting the participation of local suppliers and contractors. This not only stimulates economic growth and job creation but also helps to build local capacity and expertise. By prioritizing local procurement, MDBs aim at fostering long-term economic development by building national institutions and creating resilience, reducing use of multiple procurement systems and dependency on external aid. Efficient procurement practices, therefore, play a crucial role in achieving the broader goals of international development by ensuring the effective, transparent, and sustainable use of available resources.

2. IsDB Context for UCPS Adoption

Recent global initiatives, such as the Paris Declaration and Accra Agenda for Action on Aid effectiveness have emphasized the importance of enhancing the Use of Country Procurement Systems (UCPS) for promoting sustainable development. Meetings in Busan (2011) and Nairobi (2016) urged donors to strengthen and rely on national procurement systems. IsDB supports this shift, acknowledging the various development stages of MCs, i.e., developed and developing countries and middle-income and oil producing economies. MCs are also facing financial, institutional, and human resource constraints in professionalizing and establishing credible public procurement systems. IsDB continuously explores ways and means of supporting the MCs' procurement systems through UCPS, to the maximum extent possible, in its project operations taking into consideration capacity of the country and risk involved. Building and using CPS is a long-term and resource intense process, however, building the capacity of key EAs to manage large size national and international competitive bidding procurement process will be a step toward gradual transition.

3. Rationale for Using Country Procurement Systems

In 2019, the IsDB introduced the New Procurement Framework (NPF). One of the key innovations of the NPF was the option for beneficiaries to utilize their own procurement systems under certain conditions:

"IsDB may at its sole discretion (subject to its policies and rules, and applicable fiduciary and operational requirements) request that a Beneficiary use its own procurement policies, procedures, and systems when it believes such systems are compatible and comply with all appropriate IsDB policy, procedures and guidelines that may exist at that time."

The Bank has several key reasons to promote UCPS in its investment projects in line with its risk appetite. First, scaling up development impact is a significant motivation. Capacity-building within Project Management Units (PMUs) does not typically strengthen the corresponding EAs/Ministries, to successfully manage procurement process for future projects financed through donors or national resources. By contrast, strengthening the country's own systems and building institutional ability has a broader and more lasting impact beyond Bank-funded activities.

There are also several benefits of UCPS. For one, it increases country ownership. Projects that use country systems are more likely to be embraced by local stakeholders and building markets, aligning incentives and fostering sustainable development. Additionally, it builds capacity within the country by enhancing its systems, thereby improving its ability to implement and sustain good practices, leading to broader institutional capacity improvements. It also facilitates harmonization by promoting alignment and cooperation among development partners. Lastly, using country systems increases cost-effectiveness by reducing time which is needed for establishing new structures and hiring costly consultants for each project.

However, the UCPS also involves risks, which necessitates thorough risk assessments, identification, monitoring and management. Therefore, this Guidance Note has been developed to guide the Bank staff in promoting UCPS and making a rational decision in IsDB-financed projects to the maximum extent possible.

4. Objective and Applicability of the Guidance Note

This Guidance Note is designed to systematically guide IsDB staff in UCPS for IsDB-financed projects, ensuring their alignment with IsDB Procurement Guidelines and depending on size, complexity and risk of procurement transactions. It is also intended to guide them to consider country, project, and market risks, capacity and resource constraints, and the diverse nature of IsDB MCs.

Primary objectives of the guidance note are:

- To enhance the efficiency, transparency, and effectiveness of procurement processes in MCs to deliver best value for money.
- To build capacity within MCs for managing procurement process for IsDB-financed projects aligned with agreed national procedures and international best practices.
- To provide a framework for evaluating and using UCPS in IsDB-financed projects taking into consideration country and sector specific risks.

Intended outcomes for IsDB and its MCs:

- Improved procurement performance and project outcomes.
- Gradual strengthening of institutional capacity of EAs in MCs and increased use of MCs procurement procedures in IsDB-financed projects.
- Increased alignment of MC procurement practices with international standards and best practices.

5. UCPS Opportunities and Challenges

Identification of opportunities and challenges of fully or partially using CPS involves a comprehensive analysis of the strengths, weaknesses, and potential improvements of the procurement processes in different countries. These can be done at times of preparing MCPS, CEF and MCPAR and assessment undertaken at Project Preparation stages for preparing project procurement strategy document.

Opportunities

Implementing UCPS offers several opportunities that can enhance national procurement processes. These needs to be systematically assessed and addressed at preparation and implementation of Country Strategy and Project(s). Systematic approach will result in gradual increased efficiency which can be a significant advantage. UCPS can streamline and standardize country procedures, giving ownership to MCs, and reducing bureaucratic delays.

This shift can also contribute to capacity building within the country by encouraging the development of local expertise and building institutions resulting in reduced reliance on external systems. Additionally, international partnerships and MDBs collaboration on ground can foster through UCPS and facilitate the transfer of knowledge and best practices, further bolstering domestic capabilities.

Economic development is another opportunity, as UCPS can stimulate local markets, build capacity of local businesses, create job opportunities, and promote economic growth by increasing local procurement activities. Compliance with local laws and regulations is ensured with UCPS, aligning procurement processes with national policies and priorities, which enhances coherence in public spending. Moreover, by incorporating robust monitoring and evaluation mechanisms, UCPS can increase transparency and reduce corruption, building greater public trust in government procurement processes.

Electronic government procurement (e-GP) provides another opportunity for UCPS as technology bring transparency, efficiency and fairness in the procurement process. The MDBs have jointly prepared guidelines for assessing e-GP and integrated a module part of the MAPS (Methodology for Assessment of Country Procurement Systems) which will provide confidence to bilateral and multilateral donors to use country e-GP systems.

Challenges

Despite the numerous opportunities, implementing UCPS also presents various challenges. One of the primary obstacles is improvement needed in national/sub-national procurement laws and regulations, institutional capacity constraints, limited resource availability and lack of professionalization of the procurement function. In addition, diversity in national development of 57 MCs including fragile MCs, resource availability requires a varied approach based on nature, size and complexities of project financed by the Bank. This issue

is compounded by the ongoing need and resource availability for training and development to keep pace with evolving procurement practices and technological advancements. Systemic weaknesses within existing procurement systems can also be problematic, as some may be outdated or inefficient, and there may be a higher risk of lack of governance, corruption and fraud. Barriers to adoption of technology further complicate implementation, with inadequate digital infrastructure and challenges in data governance, privacy and management, and transparency and efficiency. Regulatory challenges, such as navigating complex and sometimes inconsistent local regulations, can be difficult for both local and international participants. Additionally, aligning UCPS with international standards can be particularly challenging in countries with unique regulatory environments and preferential treatment for local businesses. Lack of empowerment of procurement function, financial constraints, including budget limitations and funding gaps, can impede the implementation and modernization of UCPS. Finally, resistance to change from cultural and institutional inertia can be a significant barrier, as stakeholders may be reluctant to move away from traditional procurement practices and existing institutional frameworks may resist necessary reforms.

Another significant challenge is the lack of trust from both local and international markets in using country systems. This lack of confidence can arise from perceived or actual inefficiencies, concerns over transparency, or past experiences with corruption or non-compliance with international procurement standards. As a result, both domestic and international stakeholders may hesitate to engage in business opportunities offered by development projects using country systems.

The UCPS presents both significant opportunities and substantial challenges. Maximizing the benefits while addressing hurdles requires a strategic approach that involves adopting international best practices, capacity building, technological investment, regulatory reform, and stakeholder engagement. Continuous assessment and adaptation are essential to ensure that UCPS can effectively support national development goals and contribute to economic growth.

Overall, challenges remain including lack of laws and regulations, limited institutional capacity, governance issues, corruption, lack of transparency, limited complaint handling mechanisms, lack of accountability and bureaucratic inefficiencies.

6. Stakeholders Engagement and Mapping

Stakeholder mapping and engagement involve coordinated efforts to interact with key stakeholders in policy level and project management such as government officials, project managers, project financial management and procurement specialists. This process includes country and EAs systems, analyzing procurement operations and market practices to identify key risks and areas for improvement. Building consensus around recommended actions or potential reforms is essential, as it ensures that all stakeholders are aligned and supportive of the changes. The goal is to develop a shared vision for procurement reforms that not only align with national priorities but also with the strategic goals of IsDB, fostering a collaborative environment and resource allocation for successful implementation.

When working on the use of a country procurement system, it's essential to identify and map out key stakeholders to ensure effective communication, collaboration, and decision-making.

Stakeholder Group	Key Stakeholders	Role/Interest	Engagement Strategy
Government Entities	- Ministry of Finance, Economy, or Treasury - Procurement Authority or Regulatory Body - Line Ministries and Agencies - Supreme Auditing Institutions - Sub-Regional/Local Governments	- Oversees financial management and procurement policy - Governs procurement laws and compliance - Manages sector-specific procurement - Audits procurement activities - Manages procurement at local levels	- Formal consultations and workshops - Policy dialogues - Align procurement frameworks with national priorities and IsDB strategic goals
Regulatory Bodies	- Anti-Corruption Agencies - Competition Authorities	- Ensure procurement integrity - Promote competitive practices	- Foster collaboration for safeguarding procurement processes
Development Partners	- MDBs and Bilateral Donors - UN Agencies and Technical Assistance Providers	- Provide financial and technical support for procurement reforms	- Collaborate on capacity-building initiatives - Align support for procurement improvements

Private Sector	- Consultants, Suppliers and Contractors - Industry Associations and Chambers of Commerce	- Participate in tenders - Advocate for transparent procurement	- Open consultations and public forums - Grievance redress mechanisms
Civil Society & Public	- NGOs - Media and Academic Institutions - General Public and Community Organizations	- Monitor procurement processes - Advocate for transparency - Beneficiaries of public procurement outcomes	- Foster transparency through public engagement - Involve in oversight and public discussions
Internal Stakeholders	- Project Teams - Legal Advisors	- Manage implementation and ensure legal compliance	- Provide guidance and manage procurement processes - Ensure compliance with legal frameworks
International Organizations	- Standards Bodies (e.g., OECD) - International NGOs	- Provide guidelines and best practices - Advocate for global procurement standards	- Engage in best practice exchanges - Promote adherence to international standards

Stakeholders should be mapped according to their influence and interest in procurement outcomes, with tailored engagement strategies to manage their involvement effectively.

Stakeholder Category	Influence	Interest	Engagement Approach
High Influence/High Interest	Government entities, Regulatory bodies, MDBs	Direct involvement in decision-making	Continuous engagement through consultations and dialogues
High Influence/Low Interest	International organizations, Regulatory authorities	Focus on compliance	Engage on specific compliance areas, ensure adherence to standards
Low Influence/High Interest	Suppliers, Contractors, Civil society, General public	Oversight and participation in procurement	Foster transparency through public forums and grievance mechanisms

Low Influence/Low Interest	Community groups, Smaller NGOs	Limited involvement	Keep informed, maintain broad support for reforms

This approach helps in identifying potential risks and establishing appropriate communication channels, ensuring that all relevant parties are considered and engaged in the development and use of the country's procurement system.

7. Essential Skills for UCPS Assessment

Assessing country procurement systems for UCPS in IsDB-funded projects requires a comprehensive mix of skills. These skills can be categorized into several key areas that are crucial for ensuring that country procurement systems meet international standards and effectively support project implementation.

Skill Category	Key Skills	Description
1. Technical Procurement Skills	- Procurement expertise - Legal and regulatory knowledge - Contract management	- Understanding public procurement policies and international standards - Analyzing legal frameworks and ensuring compliance - Drafting, negotiating, and managing contracts effectively
2. Risk Management	- Procurement risk assessment	- Identifying, assessing, and mitigating procurement risks at the project level
3. Analytical Skills	- Market Analysis - Data analysis - Financial analysis	- Collecting, analyzing, and interpreting procurement data - Conducting cost-benefit and financial analysis in procurement
4. Sector-Specific Knowledge	- Sector expertise in areas such as transport, energy, agriculture, health, education etc.	- Understanding sector-specific procurement needs, technical specifications, and standards
5. Project Management	- Planning and coordination - Monitoring and evaluation	- Developing and managing assessment plans - Monitoring procurement processes and evaluating effectiveness using performance indicators
6. Interpersonal and Communication Skills	- Stakeholder engagement - Communication and reporting	- Managing relationships with government officials, MDBs, and private sector participants - Preparing and presenting clear and effective assessment reports
7. Capacity Building	- Training and knowledge transfer	- Designing and delivering training programs for procurement officials - Building institutional capacity

8. IT and E-Procurement Skills	- E-procurement systems - Digital tools and data security	- Understanding e-procurement platforms and digital tools - Ensuring data privacy and security in procurement processes
9. Ethics and Integrity	- Commitment to ethical standards - Promoting transparency and accountability	- Upholding high ethical standards in procurement - Ensuring transparency and accountability to prevent fraud
10. Contract Management Efficiency	- Managing signed contracts	- Effectively managing contracts to prevent delays, variations, and price escalations during implementation

By combining these skills, professionals can conduct a holistic and thorough assessment of country procurement systems, ensuring that they meet the standards required for MDB-funded projects and contribute to effective and efficient procurement processes and contribute to national capacity development.

8. UCPS Assessment Applicability and Timing

Many member countries have been developing procurement systems that, while not fully compliant, may be suitable for certain large size, complex and international competitive bidding (ICB) based procurement activities. To ensure the gradual and responsible adoption of UCPS, a partial adoption approach is adopted, allowing the use of the country's procurement systems for certain procurement methods while continuing to rely on IsDB guidelines for others.

This approach promotes the gradual transfer of project procurement ownership to member countries, helping them strengthen their procurement capacities while maintaining the control required for more complex or higher-risk procurements.

In the partial UCPS, countries can begin by using their procurement systems for lower-risk, less complex activities. IsDB will define which procurement activities or categories are suitable for phased UCPS adoption based on several factors:

- Complexity and Risk Level: Simpler procurement methods like Shopping or National Competitive Bidding (NCB) can be handled by the country's system if the procurement environment is conducive. Higher-risk activities, such as International Competitive Bidding (ICB) or large, complex contracts, may still require IsDB oversight under its own guidelines.

- Agency Capacity: EAs with sufficient procurement capacity may be allowed to handle specific types of procurement using UCPS, while still receiving support and oversight for more complex procurements.

Risk Identification and Mitigation: In countries where UCPS is adopted for some procurement categories, additional safeguards may be introduced, such as enhanced post-review audits, training programs, and monitoring mechanisms to ensure compliance with international best practices.

The willingness of the country or the EA is a critical factor. Even if a country's procurement system is deemed ready, alignment and formal agreement with the country or EA are essential before proceeding with the assessment. For example, during preparation missions, operations teams may identify CPS as a viable option; however, without buy-in from the country or EA, efforts to assess or adopt CPS may not yield results.

UCPS encompasses both project-related and independent assessments which are discussed below.

Project-Related Assessment

The evaluation and potential adoption of a country's procurement system within IsDB-financed projects are strategically considered at key stages of the IsDB project cycle,

enabling a structured and informed decision-making process. This begins with the MCPS/CEF phase, where a high-level analysis of the country's procurement environment and specific sector- or agency-level procurement risks is conducted. This initial assessment provides insights into the feasibility and potential risks of using the country's procurement systems; however, it does not commit IsDB or the Beneficiary to adopting UCPS in future projects.

A comprehensive, detailed assessment of the UCPS is undertaken during the Project Preparation stage. The procurement risks, capacities, and governance structures initially identified in the MCPS/CEF/MCPAR are reviewed in a project-specific context to evaluate whether the Beneficiary's procurement system aligns with the operational needs of the planned project. The PS plays a critical role here, allowing the country to propose the use of its procurement systems as an Alternative Procurement Arrangement (APA). Through the PS, countries can outline their procurement preferences and demonstrate how their systems meet IsDB's procurement standards. This not only encourages country ownership but also ensures that the proposed procurement system is well-aligned with project goals and risks.

The decision to use UCPS should be finalized either before or during financing negotiations. If the UCPS in a specific project is assessed and found acceptable, it is formally integrated into the relevant legal and financing agreements. Approval for UCPS must be obtained from the IsDB Board of Executive Directors (BED) or Management (as applicable) as part of the project's overall approval process.

Independent Assessment of MCs Procurement Systems

Conducting an assessment of the UCPS independent of the project cycle allows IsDB to respond quickly to member countries with procurement systems deemed "ready" based primarily on prior evaluations, external reports (e.g., from the World Bank, AsDB, AfDB, MAPS etc.), and a strong track record, or on a new assessment. This approach enables IsDB to move forward with selective pilot projects or other opportunities where countries express immediate interest in using their own procurement systems.

The five-phase assessment model can be used for new independent assessments in MCs which are deemed to be ready, or which express specific interest in such an assessment. These assessments would provide a structured evaluation that operates separately from the broader project cycle. This independent model allows for a thorough examination of a country's procurement system, ensuring readiness for UCPS integration regardless of its connection to a specific project or the MCPS/CEF. This also includes assessment of electronic government procurement system (e-GP) to be used for IsDB financed projects.

9. Transitioning from IsDB Procurement Systems to UCPS

The adoption of UCPS marks an important shift in how procurement processes are managed for IsDB-financed projects. To ensure a smooth transition, the Guidance Note discusses how this change will impact both existing projects under prior review and future projects approved after the UCPS approach is adopted.

Applicability to Existing Projects

For projects currently under implementation and subject to IsDB-led procurement systems, the transition to UCPS will not automatically apply. These projects will continue to follow the procurement arrangements outlined in the original financing agreements, particularly for prior review processes that are already in place. However, the option to allow use of CPS to the extent these are determined to be consistent with or without some adjustments can be considered on a case-by-case basis under the following conditions:

- Mid-term reviews or significant project amendments that involve changes to procurement methods or new components may present an opportunity to integrate UCPS, provided the country's procurement system meets the readiness criteria.

- In such cases, a detailed risk assessment and procurement capacity review will be conducted to determine whether transitioning to UCPS is feasible and in the best interest of the project.

For ongoing projects where IsDB has conducted prior reviews and clearances, transitioning to use of CPS should only occur if it is determined that the country's system offers equal or greater transparency, accountability, and efficiency. This will be assessed through a formal review process, with IsDB and the EA agreeing on any necessary amendments to procurement agreements.

Applicability to Future Projects

- If IsDB has carried out a country procurement system assessment. as discussed in the following sections, it will consider applying UCPS in new projects subject to the following conditions: UCPS will be evaluated and integrated into the project financing agreements during or before the financing negotiations and at time of signing.

- The country procurement system is to the extent possible compliant with IsDB's procurement standards before project implementation begins.

- Future projects will adopt UCPS from the outset at preparation, with the necessary risk mitigation, oversight, and capacity-building measures included in the project design.

For new projects, UCPS will not require prior reviews by IsDB once the country's system is validated and approved for use. However, regular monitoring and post-review mechanisms

will be implemented to ensure ongoing compliance with IsDB's procurement principles and requirements.

10. Identifying UCPS Candidates and Implementation

Identifying IsDB MCs to assess their CPS for determining usability in IsDB-financed projects requires a systematic and comprehensive methodology as outlined below which needs to be taken into consideration at preparation, implementation reviews and post completion assessments of MCPS/CEF/MCPAR.

Objective: To evaluate the procurement systems of MCs to determine their suitability for IsDB-financed projects.

Scope: All IsDB MCs with sizable engagement of the Bank. Fragile countries on case-by-case basis.

Phase I: Information Gathering for Identifying Candidates for UCPS

The main objective of Phase I is to gather comprehensive data on potential candidate countries for UCPS. This phase focuses on assessing the public procurement systems, ongoing project performance, and the overall readiness of countries to adopt UCPS. The goal is to evaluate the environment in each country and preliminarily categorize them as either "Ready," "Near Ready," or "Not Ready" for UCPS.

Step 1 – Data collection:

1. Status and effectiveness of MCs Public Procurement and Financial Management System.
2. MCs' lending programs, ongoing projects to understand the procurement arrangements and performance. Project pipeline and their alignment and readiness.
3. A sample of internal and external audit reports for high risk projects completed or under implementation.
4. Risk Reports prepared using the IsDB Guidance Note on "Risk Based Approach for Project Procurement" dated September 2020.
5. Extent and effectiveness of use of information technology (IT) and e-GP by MCs in implementation of projects.
6. MAPS 2018[1]assessments conducted during the last three years by any MDB in an MC common with IsDB. If no recent MAPS 2018 assessment has been carried out yet, collect any country procurement assessments carried out recently by other MDBs in common MCs.
7. MDBs' experiences and assessments to inform IsDB's approach to using UCPS.

[1] The list of countries that have conducted MAPS 2018 is provided in Annex 1.

8. Preparation, implementation reviews and post completion assessments of MCPS/CEF/MCPAR.

Step 2 – Initial Screening: [2]

1. Analyze the overall MCs PFM systems of potential candidates to ensure a conducive environment for procurement. If the PFM system of a country is determined to be weak, exclude that country as "Not Ready". And move to next step of preparing a shortlist of candidates for MCs who have sound PFM systems.
2. For the remaining countries, analyze all the documents and information gathered in Step-1 to determine that:
    a) Ensure that an MC has a sound lending program with suitable projects with manageable risks for consideration for UCPS. If it is decided otherwise, exclude the country from UCPS.
    b) Closely examine the procurement performance of MCs in ongoing projects through the documents listed at 2, 3, 4, 5 and 6 in Phase 1. Exclude the MCs from consideration for UCPS whose procurement performance is determined to be less than satisfactory and risk high.
    c) Consider the extent and use of information technology by MCs in ongoing projects. Include a country which makes effective use of IT tools including e-GPs in the short list of UCPS candidates subject to their being cleared in items (a) and (b) above.
3. Analyze the relevant documents and information received from other MDBs about procurement arrangements in the projects financed by them in the countries also members of IsDB and consider the results of the analyses to determine whether such a country is ready or otherwise for UCPS.

Countries categorized as "Ready" and "Near Ready[3]" in Phase I proceed to Phase II, where existing procurement assessments are thoroughly reviewed to further validate their readiness.

Phase II: Review of Existing Country Procurement Assessments

This phase aims to review existing country procurement assessments, including MAPS reports, and evaluate the extent to which their recommendations have been implemented.

[2] A weak public finance management system is characterized by poor budgetary planning, lack of transparency, ineffective financial controls, and limited institutional capacity. It suffers from inconsistent regulation, weak revenue collection, political interference, and delays in financial reporting, leading to inefficiencies, fiscal imbalances, and potential misuse of public funds. Strengthening such a system requires improving accountability, coordination, and capacity in managing public resources.

[3] Countries that have reached at advanced stages of implementing reform for improving procurement system. It has reached level of maturity and have addressed identified issues and risk have been reduced to manageable level.

The objective is to ensure that procurement reforms and action plans have been effectively carried out, further validating the country's readiness for UCPS.

Step 1 - Review of Assessment Reports:

1. Review existing country procurement assessment reports, including MAPS reports from other MDBs for the countries also members of IsDB.
2. Review assessment undertaken by IsDB during the MCPS, CEF and MCPAR etc.
3. Thoroughly review these assessment reports for their findings, recommendations, and action plan.
4. Ascertain the status of implementation of the assessment action plan and the improvements already introduced and ongoing in the procurement systems of such countries.
5. Find out whether the country concerned needs technical assistance to implement the assessment of action plans including the extent and scope of such technical assistance.

Step 2 - Categorization and Technical Assistance:

1. Categorize countries that have effectively implemented MAPS recommendations and action plans as "Ready" for UCPS.
2. Recommend technical assistance for the MCs with slow implementation of the MAPS recommendations and action plans to help them expedite implementation.
3. When an MC does not have a recent procurement assessment ascertain its interest in carrying out such an assessment using the MAPS 2018 framework. If the MC shows interest and is willing to bear the cost (US$100,00 to 150,000) or where IsDB is willing to share the cost with other development partners, carry out an assessment using the most essential indicators and sub-indicators of the four Pillars of the MAPS 2018. In this regard See Annex 1 showing the proposed indicators to be used.
4. Continued harmonization of approaches to the use of country systems among development partners is required to enhance development impacts, reduce transaction costs, and encourage collaborative behavior to the benefits of partner country clients. IsDB's proposed approach to the use of country systems has kept in view the existing approaches and experiences of other MDBs on the use of country systems in their operations.

Countries with well-implemented procurement reforms and aligned procurement policies proceed to Phase III, where their systems are compared with IsDB's procurement standards. Countries requiring additional technical assistance remain in this phase until ready.

Phase III - Equivalence and Consistency with Bank Policies

The goal of Phase III is to evaluate whether the country's procurement system is equivalent and consistent with IsDB's procurement policies and standards. This phase ensures that the

country's procurement system can manage open and competitive bidding in alignment with IsDB requirements.

Steps:

1. Compare the country's bidding procedures with the Bank's NCB, ICB Limited to MCs, ICB requirements to ensure consistency in key areas like eligibility, notification, pre-qualification, bid validity, pricing, currency, bid opening procedures, standstill period and publication.
2. Compare the Bank's Standard NCB, Limited ICB to MCs, ICB bidding documents with those of the MCs selected for UCPS for goods and works.
3. Compare Bank's Open, limited to MC Competitive Methods used for Consultancy Services with those of the MCs.
4. Based on outcome of assessment of the EA, take a considerate decision regarding UCPS.

Once equivalence is established, the process moves to Phase IV, where specific EAs are assessed to ensure they can manage procurement operations effectively under UCPS.

Phase IV - Selection and Evaluation of Executing Agencies for UCPS

Phase IV aims to evaluate the capacity and effectiveness of the specific EAs that will manage procurement under UCPS.

Steps:

1. Collaborate with country, sector, and operations managers to identify for Annual Work Program (AWP) and assess UCPS projects that can be used to test new approaches or systems to benefit from their valuable insights.
2. Conduct a thorough assessment of the selected EA processes to ensure that its internal procurement procedures and processes are align with IsDB and MC's broader strategic goals and deliver effective procurement outcomes.
3. To evaluate the EA's ability to manage procurement for projects, it is essential to assess the adequacy of its systems, the availability of resources, and the expertise necessary for successful project procurement. In case of any shortcomings, suggests measures and support as part of the project procurement strategy and arrangements.
4. Analyzing internal processes, DFIs and stakeholder collaboration can reveal potential improvements that could enhance efficiency and effectiveness. Furthermore, evaluating the EA's adherence to legal obligations, implementation practices, and procurement performance indicators is crucial to ensuring that operations comply with the required legal and procedural frameworks.
5. For complex, large size and high-risk projects should be excluded from the piloting program, with a focus on standard procurement procedures of the Bank.

   Finally, it is important to require the EA to have functioning e-GP for procurement process management and accessible websites for posting procurement information.

For assessing the EA, use the step-by-step assessment guidance in Annex 2. Consider the "MDBS minimum requirement for e-GP that has been approved by Heads of Procurements in September 2023. Using approved template for assessing e-GP system for any country.

6. Additionally, assessment of the agency's capability to manage procurement processes effectively is necessary to identify any fiduciary risks, utilizing a dynamic risk management tool to ensure that the agency can manage projects while mitigating potential risks. Providing handholding support and additional capacity support measures to be in place. For this purpose, use the IsDB guidance note "Risk Based Approach for Project Procurement" available at https://www.isdb.org/project-procurement/documents.

Phase V: Planning, Implementation, and Monitoring

The final phase ensures that UCPS is implemented effectively and that procurement processes are continuously monitored for compliance, risk management, and performance.

Key Activities:

- Finalize procurement strategies and plans using the country's system.
- Implement procurement activities with ongoing monitoring and risk management.
- Use dynamic risk management tools and track key procurement performance indicators (KPIs).
- Provide handholding support and capacity-building where needed to strengthen EA performance.

This phase feeds back into earlier phases by providing real-time monitoring data on the effectiveness of UCPS, which can be used to refine the selection criteria for future UCPS candidates.

11. Summary Recommendations for Implementation of UCPS

Assessment and Strengthening of Country Procurement Systems

Conducting comprehensive assessments of the procurement systems in MCs during MCPS/CEF process is crucial for understanding their current state and finding areas that need improvement. These assessments should focus on key areas such as public procurement laws, policies and procedures governing the procurement process for development projects.

Using available internationally recognized tools and methodologies, the strengths and weaknesses of these systems can be accurately evaluated, providing a clear roadmap for where improvements are necessary. This thorough evaluation process is the foundation for strengthening procurement systems across MCs.

However, it is important to note that, due to limited resources and budget, IsDB does not currently provide direct capacity-building support to MCs on their country procurement systems, yet it can integrate this as part of project financing and also work with other development partners working in the country.

Capacity Building

Addressing the identified weaknesses in procurement systems requires targeted capacity-building programs. These programs should be designed to provide extended handholding, technical assistance, training, and resources aimed at enhancing the capabilities of national procurement agencies and other relevant stakeholders. By investing in capacity building, countries can improve their procurement systems, making them more efficient and effective. This, in turn, will help in achieving better outcomes from public procurement, which is essential for economic development and the successful implementation of national projects.

Alignment with Project objectives and Strategic Goals

Procurement processes must enables achieving the project objectives and broader strategic goals, particularly those related to sustainable development impact. By promoting procurement practices that are environmentally, socially, and economically sustainable, countries can ensure that their procurement systems contribute to long-term development objectives.

Encouraging the adoption of green and sustainable procurement practices and supporting local industries and SMEs are key steps in this direction to be ready to bid for future opportunities. Additionally, by enhancing the ability and competitiveness of local suppliers and integrating them into the global supply chain, countries can foster economic growth and development, creating a more resilient and productive economy.

Implementation and Monitoring

A phased approach to the implementation of country procurement systems in IsDB-financed projects is essential for managing risks and ensuring success. Starting with pilot projects in countries those have a readable level of procurement systems and assessing capabilities of EAs where Bank will finance projects, will allows for the use of UPCS and doing timely post-reviews for refinement of these systems before broader application.

Alongside this phased approach expanded to various countries and EA, robust monitoring and evaluation frameworks should be established to track the outcomes and effectiveness of the procurement systems. Using indicators like those capturing efficiency and outcomes will help measure progress and ensure that procurement practices are aligned with both partner country strategies and international standards.

Collaboration and Partnerships

Strong collaboration and partnerships are critical for the successful implementation of country procurement systems. Engaging with stakeholders, including MCs, donors, DFIs, and international organizations, is essential for complementing efforts for building capacity, sharing best practices and harmonizing procurement standards.

By leveraging existing frameworks including SDGs and Development Effectiveness in use of country systems and can guide the usage process effectively. These partnerships and frameworks provide a solid foundation for achieving aligned and effective procurement systems.

Policy and Institutional Reforms

To strengthen procurement systems, it is necessary in some cases to support policy reforms that align them with international best practices in collaboration with other partners active on ground. These reforms should focus on improving the governance, transparency, and accountability of procurement processes. Institutional strengthening of EAs is also crucial, as it enhances the overall capacity of procurement systems to deliver better outcomes. By promoting these reforms, member countries can build more robust procurement systems that can support their development goals.

Risk Management

Effective risk management strategies are essential at project level and are critical for addressing potential challenges and risks associated with using country procurement systems.

IsDB's risk tolerance regarding UCPS adoption is determined based on the following levels of risk:

- Low Risk: Countries with strong governance, transparent procurement systems, well-established e-GP platforms, and a track record of successful procurement performance. In these cases, IsDB can adopt UCPS with minimal reservations, as risks are manageable and mitigated through existing frameworks.

- Moderate Risk: Countries with developing procurement systems that have demonstrated improvements but still face challenges in areas such as capacity, IT infrastructure, or compliance. UCPS may be adopted with specific risk mitigation measures, such as capacity-building support, closer oversight, or partial use of UCPS (e.g., only for less complex procurement).

- High Risk: Fragile states or high-risk environments where procurement systems are underdeveloped, governance is weak, and there are high levels of corruption or political instability. IsDB will be highly cautious when considering UCPS in such environments, allowing it only with comprehensive safeguards and strict oversight, or deferring its use until specific conditions improve.

Reporting and Transparency

Transparency is a key principle in procurement processes. Ensuring that all procurement activities are publicly disclosed, information is disclosed and made accessible to promote accountability and trust in the system. Regular reporting on the use of country procurement systems and the outcomes achieved is also necessary for continuous improvement. By maintaining a high level of transparency, opening procurement system performance for external assessment and requiring regular reporting, countries can ensure that their procurement systems remain effective and aligned with their development objectives.

Annex 1 - Data on IsDB member countries

No	Member country	Active Projects/ TAs	Approved amount, mln $	E-GP Cluster[4]	MAPS assessment	MCPAR	MDB Assessments[5]
1.	Saudi Arabia	9	18	C	-	2021	
2.	Libya	6	2	A	-	2021	
3.	Indonesia	10	1,745	C	May 2022	2021	
4.	Iran	3	333	A	-	2021	
5.	Nigeria	24	968	B	-	2021	CFRA 2022
6.	Qatar	1	160	C	-	2021	
7.	Egypt	7	569	C	-	2021	RACI 2018; CFRA 2022
8.	Kuwait	-	-	A	-	2021	
9.	UAE	3	10	C	-	2021	
10.	Türkiye	10	975	C	-	2021	
11.	Pakistan	15	783	C	-	2021	CSPRA 2020
12.	Algeria	2	1	A	-	2021	RACI 2016; CFRA 2022
13.	Malaysia	3	117	B	-	2021	
14.	Bangladesh	14	767	C	Aug. 2019	2021	CSPRA 2020
15.	Morocco	28	1,316	C	-	2021	BPAR 2017; CFRA 2023
16.	Yemen	7	36	C	-	2021	
17.	Sudan	15	390	B	-	2021	
18.	Jordan	7	414	B	-	2021	
19.	Senegal	39	1,819	B	Feb. 2017	2021	BPAR 2016; CFRA 2023
20.	Oman	7	685	C	-	2021	
21.	Iraq	2	39	A	-	2021	
22.	Cameroon	20	912	B	-	2021	RACI 2022; CFRA 2023
23.	Brunei	-	-	B	-	2021	
24.	Burkina Faso	17	466	A	Dec. 2019	2021	BPAR 2019; CFRA 2022
25.	Niger	19	439	B	-	2021	CFRA 2021
26.	Uganda	20	1,089	B	May 2021	2021	CFRA 2021
27.	Bahrain	7	280	B	-	2021	

[4] Cluster A - Countries that did not start implementing e-GP; Cluster B: Countries that do not offer e-Tendering services yet; Cluster C: Countries offering e-Tendering services (Source: *IsDB E-Government Procurement Strategic Framework, 2020*)

[5] **ADB document:** CSPRA - Country and Sector/Agency Procurement Risk Assessment
AfDB documents: BPAR - Bank Procurement Assessment Report; RACI - Report on Assessment of Critical Indicators; CFRA - Country Fiduciary Risk Assessment

No	Member country	Active Projects/ TAs	Approved amount, mln $	E-GP Cluster[4]	MAPS assessment	MCPAR	MDB Assessments[5]
28.	Tunisia	10	434	C	2019	2021	BPAR 2017; CFRA 2021
29.	Benin	11	638	B	May 2023	2021	CFRA 2023
30.	Kazakhstan	5	143	C	Dec. 2019	2021	CSPRA 2017
31.	Mali	18	600	B	-	2021	RACI 2019; CFRA 2023
32.	Azerbaijan	2	97	B	-	2021	CSPRA 2019
33.	Gabon	1	49	A	Jun. 2019	2021	RACI 2022; CFRA 2022
34.	Guinea	31	1,137	A	-	2021	CFRA 2022
35.	Mauritania	19	229	B	Jun. 2022	2021	BPAR 2018; CFRA 2023
36.	Lebanon	14	606	A	Jul. 2020	2021	
37.	Mozambique	8	348	B	Jun. 2019	2021	CFRA 2022
38.	Kyrgyz Rep.	11	304	C	-	2021	CSPRA 2018
39.	Gambia	12	166	A	-	2021	RACI 2019; CFRA 2023
40.	Maldives	5	137	A	-	2021	CSPRA 2017
41.	Palestine	84	361	A	-	2021	
42.	Togo	14	439	A	Sep. 2020	2021	
43.	Tajikistan	9	423	C	-	2021	CSPRA 2019
44.	Sierra Leone	8	191	C	-	2021	BPAR 2020; CFRA 2022
45.	Syria	1	1	A	-	2021	
46.	Uzbekistan	16	1,113	B	-	2021	CSPRA 2018
47.	Côte d'Ivoire	26	1,968	B	-	2021	CFRA 2023
48.	Comoros	11	43	A	-	2021	CFRA 2023
49.	Afghanistan	16	24	B	-	2021	
50.	Chad	15	462	A	-	2021	RACI 2021; CFRA 2020
51.	Suriname	5	114	A	-	2021	
52.	Albania	1	57	C	-	2021	
53.	Turkmenistan	6	519	B	-	2021	
54.	Djibouti	10	122	A	Apr. 2019	2021	CFRA 2022
55.	Guinea Bissau	4	35	A	-	2021	RACI 2020; CFRA 2023
56.	Somalia	5	31	B	-	2021	
57.	Guyana	2	215	B	-	2021	

Annex 2 - Tentative timeline for Independent USPC assessment process

The timeline for evaluating a Procurement System typically depends on the complexity of the procurement environment, the readiness of the country, and the specific project. However, a general tentative timeline for the key phases, along with the roles of involved parties, could be as follows:

#	Phase	Timeline	Parties Involved	Output
1	Information Gathering for Identifying Candidates for UCPS	2-3 weeks	FPO: Conducts initial screening to check whether procurement system is generally aligned with IsDB's requirements based on MCPAR and other available data FPO & RPO: Collect detailed procurement documentation, including reports, system structure, e-GP functionality (if available), and past performance records	Preliminary go/no-go decision
2	Review of Existing Country Procurement Assessments	4-6 weeks	GPO: Review existing country procurement assessments, including MAPS reports and evaluate the extent to which their recommendations have been implemented TCD Specialist: Supports by recommending capacity-building actions or quick interventions to address gaps.	Comprehensive report highlighting strengths, risks, and gaps of the CPS
3	Equivalence and Consistency with Bank Policies	2-4 weeks	GPO: Evaluate whether the country's procurement system is equivalent and consistent with IsDB's procurement policies and standards.	Risk mitigation plan and tentative approval of UCPS, contingent upon addressing the identified risks
4	Selection and Evaluation of Executing Agencies for UCPS	3-4 weeks	FPO/RPO: Evaluate the capacity and effectiveness of the specific EAs that will manage procurement under UCPS GPO: Reviews recommendations from FPO and RPO and finalize assessment report. Manager: Approves the use of UCPS if all criteria are met.	Final approval or rejection of the use of UCPS for the project, with conditions (if any) noted
5	Monitoring and implementation	ongoing	FPO & RPO: Monitor the project, ensuring compliance with IsDB's procurement guidelines and UCPS standards. TCD Specialist: Offers ongoing capacity support as needed. GPO: Periodically reviews procurement performance and resolves any escalated issues.	Ongoing compliance reports and periodic evaluations to ensure the smooth functioning of UCPS throughout the project

Annex 3 - USPC approval process

Staff	Role	Process	Output
FPO	Data collection and initial assessment	○ The FPO conducts an initial assessment of the country procurement system. ○ They review whether the system meets basic criteria for transparency, efficiency, and alignment with IsDB procurement standards, leveraging tools like MCPAR and the UCPS guidance note. ○ The FPO gathers relevant data from the EAs and country procurement systems to understand any gaps or risks.	A preliminary report assessing the feasibility of using UCPS for the specific project
RPO	Review and support and offers strategic oversight	○ The RPO reviews the FPO's preliminary report and assessment, providing regional insights or benchmarks from similar countries or projects. ○ If gaps are identified, the RPO works with the FPO to refine the assessment, possibly coordinating capacity-building efforts or risk mitigation strategies with the Procurement Capacity Building Specialist.	A refined assessment, with input on regional procurement trends and risks
GPO	Ensures that the UCPS proposal aligns with IsDB's overarching procurement policies and global standards	○ Once the assessment has been refined and regionally validated, the RPO and FPO submit the report to the GPO for review. ○ The GPO reviews the country's procurement system against IsDB's global procurement framework, ensuring that UCPS meets the bank's standards and risk appetite.	The GPO can either clear the use of UCPS or request additional risk mitigation strategies if the system shows deficiencies
Procurement Capacity Building Specialist	Ensure that countries are equipped to handle their procurement systems effectively when using UCPS	○ If the assessment identifies capacity issues in the country's procurement system, the Procurement Capacity Building Specialist provides targeted support. ○ This could involve designing capacity-building programs or offering guidance to strengthen the country's system to meet IsDB requirements.	Capacity-building recommendations or training interventions

Procurement Governance Specialist	Ensure that the procurement system upholds the principles of good governance and that any potential risks are adequately mitigated	○ Before final approval, the Procurement Governance Specialist conducts a governance and compliance check to ensure that the UCPS proposal adheres to international standards, transparency, and risk management guidelines. ○ They evaluate the governance risks, accountability structures, and audit trails in the UCPS	Compliance and governance risk assessment, with approval or additional recommendations for risk mitigation
PPFM Manager	Final decision-maker	○ After the PPFM Manager approval, the final decision on using UCPS is made. ○ If all assessments are positive, UCPS is approved for use in the specific project. ○ The final decision is communicated back to the FPO, RPO, and the EA.	Official approval and inclusion of UCPS in the project's strategy and procurement plan

Annex 4 - Step-by-Step Guide for Using UCPS

Introduction:

This guide provides a systematic approach for using Country Procurement Systems (UCPS) in IsDB-financed projects. It outlines the necessary steps to assess, implement, and monitor the use of UCPS, ensuring alignment with IsDB procurement guidelines and international best practices.

Step 1: Preliminary Assessment and Information Gathering

Objective: Identify potential member countries (MCs) whose procurement systems could be used in IsDB-financed projects.

Collect and Review Relevant Information:

- Review the status and effectiveness of the MCs' Public Procurement systems at MCPS/CEF stages.
- Based on work done by MDBs, DFIs, and Donors to maintain and updates Member Country Procurement System Assessment reports.
- Analyze performance of past and ongoing projects. Also assessing quality and readiness of AWP projects to understand existing procurement arrangements and performance.
- Gather audit reports, ex-post review reports, supervision reports, portfolio review reports, project completion and Independent Procurement Review reports.
- Review any earlier assessments conducted using the IsDB Guidance Note on "Risk-Based Approach for Project Procurement."
- In case that country has an e-GP system in place, undertake an assessment based on the template agreed by MDBs
- Assess the extent and effectiveness of information technology (IT) usage in procurement within the MCs.
- Collect latest MAPS assessment reports and assessment reports prepared by MDBs, if available.

Analyze the Data:

- Determine the strength of the MCs' procurement systems. If weakness and risk are high, exclude the country from further consideration.
- Otherwise, examine procurement performance in past and ongoing projects of the Bank and other MDBs both in term of efficiency and outcomes.
- Assess the project complexities, size, markets, institutional capacity and risks in designing procurement arrangements which are fit for purpose

- If available, evaluate the usage of e-GP in procurement processes and include those of MDBs.
- Consider the procurement arrangements of other MDBs of similar size and type of projects in common MCs and using UPCS in the country.
- Design a mechanism for monitoring, handholding support and timely post review to timely identify issues and take mitigation steps.

Categorize the MCs:

- Divide the MCs into three categories: “Ready,” “Near Ready,” and “Not Ready” for UCPS implementation based on the analysis.

Step 2: In-Depth Review of Country Procurement Assessments

Objective: Conduct a thorough review of existing procurement assessments to evaluate the readiness of shortlisted MCs.

Gather Assessment Reports:

- Obtain relevant information from existing MCPS/CEF/MCPAR of IsDB, and MAPS reports of OECD and from other MDBs.
- Portfolio review in the country and independent evaluation reports of IsDB and other MDBs which highlights strengths and weaknesses of the procurement process for projects implemented in the country.
- Review of past performance of EAs in managing similar type, size and complexity of procurement process for projects. Based on findings and recommendations prepare an action plan specific for the project.

Evaluate Progress:

- Determine if the country has shown improvement in its procurement systems since the last assessment available at country/sector and EAs portfolio or project level.
- Check the status of the implementation of action plans and any improvements made to the procurement systems and capacity enhancements.
- Identify the need for technical assistance and strengthening of EAs and build capacity aspects in setting-up of PMUs to further improve the procurement systems capacity in the MCs.

Finalize Readiness:

- Undertake as part of project preparation process procurement systems assessment and performance to identify risks based on size, nature and complexity of projects.

- Include countries with strong progress in implementing recommendations in the "Ready" category for potential UCPS.
- Recommend technical assistance for those that are slow in implementation and working collaboratively with other MDBs in the country.
- If a country has no recent procurement assessment, ascertain its willingness to undergo a MAPS assessment or any other independent assessment.

Step 3: Equivalence and Consistency with IsDB Policies

Objective: Ensure that the country's procurement procedures align with IsDB's Competitive Bidding requirements.

Compare Bidding Procedures:

- Assess the country's bidding procedures against IsDB's CB requirements focusing on eligibility, notification, pre-qualification, bid validity, pricing, currency, bid opening procedures, evaluation, complaint handling and contract management requirements.
- Review Standard Bidding Documents for comprehensiveness, objectivity and quality assurance.
- Compare the standard bidding documents of the country with those of IsDB.

Prepare for Executing Agency Selection:

- Move forward with the Selection and assessment of EAs within the countries in "Ready Categories" on their capacity and performance in implementing similar size and complexity procurement.

Step 4: Selection and Evaluation of Executing Agencies (EAs)

Objective: Identify and evaluate the EA that will implement UCPS.

- In addition to capitalizing on information available, collaborate with Sector and Operations Managers to identify EAs and assess their capacity for UCPS.
- Conduct a thorough assessment of the selected EA's processes to ensure alignment with project strategic goals as part of project procurement strategy.
- Evaluate the adequacy of the EA's internal operations, resources, systems and expertise in managing similar complexity procurement.
- Identify risks and propose mitigation as part of project procurement and implementation arrangements.

Analyze Internal Processes:

- Examine past performance of the EA in adherence to procurement arrangements in the past, deviations and risks
- Examine the EA's adherence to covenants of financing arrangements, approved procurement plan and process, legal obligations and procurement performance.
- If e-GPs are available, ensure the EA has functioning e-GP systems with required level of security, functionality and publishing of procurement information.
- Assess the feasibility of using Alternative Procurement Arrangements (APAs) and undertaking time post reviews depending on maturity of the EA's procurement systems.
- If assessment positive, conduct assessment for APA and past performance before using EA's procurement systems.

Step 5: Planning, Implementation and Monitoring

Objective: Implement UCPS in IsDB-financed projects and continuously monitor their performance.

Phased Implementation:

- Review AWP for ready countries and identify potential projects for implementation of UCPS
- Start assessment process early with pilot projects to test and refine the UCPS before broader application.
- Use a phased approach to manage risks and ensure successful implementation.

Monitoring and Evaluation:

- Establish timely post review and monitoring frameworks to track the performance and effectiveness of the UCPS at project level.
- Use performance indicators and assessment frameworks to measure progress and take timely corrective measures.

Continuous Improvement:

- Annual review of the MCs progress in enhancing their procurement systems and their potential for UCPS implementation
- Make necessary adjustments and updates in the MCPAR reports based on review, feedback and performance data.

Annex 5 - Methodology for Assessing Procurement Systems 2018: An Overview[6]

The Methodology for Assessing Procurement Systems (MAPS) is an internationally recognized tool designed to evaluate public procurement systems. Developed in 2003 by the World Bank and later updated in 2018, it provides a structured and comprehensive framework to assess the strength, transparency, and efficiency of procurement systems worldwide. The 2018 version of MAPS reflects contemporary challenges and the evolving nature of public procurement, incorporating insights from global best practices and emphasizing the importance of sustainability, integrity, and digitalization. This essay delves into the key aspects of the 2018 MAPS methodology, highlighting its objectives, structure, and impact on global procurement systems.

Objectives of MAPS 2018

MAPS 2018 was created to serve several crucial objectives. Firstly, it aims to provide a consistent and standardized tool for assessing public procurement systems across different countries, enabling comparisons and benchmarking. This standardized approach allows governments and organizations to identify strengths and weaknesses within their procurement frameworks, fostering improvements and reforms. Secondly, MAPS 2018 emphasizes the importance of transparency and accountability in procurement processes. By assessing the extent to which procurement systems adhere to principles of transparency and integrity, the methodology helps governments reduce the risk of corruption and misuse of public funds. Furthermore, MAPS 2018 encourages the integration of sustainability considerations into procurement practices. This reflects a growing recognition of the role that public procurement can play in promoting sustainable development, by prioritizing environmentally friendly and socially responsible procurement practices.

Structure of MAPS 2018

The MAPS 2018 methodology is structured around four key pillars, each containing several indicators and sub-indicators. These pillars provide a holistic framework for assessing various aspects of procurement systems:

Pillar I: Legal, Regulatory, and Policy Framework

This pillar examines the legal and regulatory environment that governs public procurement. It assesses whether the laws and policies are clear, coherent, and in line with international best practices. Key indicators include the comprehensiveness of procurement laws, the existence of a national procurement policy, and the alignment with international standards.

Pillar I of the Methodology for Assessing Procurement Systems (MAPS) 2018 focuses on "Legal, Regulatory, and Policy Framework." It assesses the adequacy of the procurement

[6] This methodology is currently under revision.

system's legal framework to support a competitive, transparent, and fair procurement process.

The indicators under Pillar I are as follows:

Indicator 1. Legislative and Regulatory Framework

- 1(a). Scope of Application and Coverage of the Procurement Regulatory Framework
- 1(b). Procurement Methods
- 1(c). Advertising Rules and Time Limits
- 1(d). Rules on Participation
- 1(e). Procurement Documentation and Technical Specifications
- 1(f). Tender Evaluation and Award Criteria
- 1(g). Submission, Receipt, and Opening of Tenders
- 1(h). Right to Review
- 1(i). Public Procurement Oversight and Regulation

Indicator 2. Existence of Implementing Regulations and Documentation

- 2(a). Implementing Regulations that Provide Defined Processes and Procedures
- 2(b). Model Procurement Documents for Goods, Works, and Services
- 2(c). Standardized Bidding Documents and Forms
- 2(d). User's Guide or Manual for Procurement Officials

These indicators provide a structured way to evaluate how well the procurement system's legal and regulatory framework supports its overall objectives.

Pillar II: Institutional Framework and Management Capacity

This pillar evaluates the institutional setup and the capacity of procurement authorities to effectively manage the procurement process. It considers the adequacy of organizational structures, the professionalism of the procurement workforce, and the effectiveness of procurement planning and management. Pillar II focuses on "Institutional Framework and Management Capacity." This pillar evaluates the organizational aspects of the procurement system, including the roles and responsibilities of key institutions, management systems, and capacity.

The following are the indicators under Pillar II:

Indicator 3. Public Procurement Institutional Framework

- 3(a). The Structure and Organization of the Procurement Function

- 3(b). The Role and Responsibilities of Public Procurement Institutions
- 3(c). Collaboration and Coordination among Institutions
- 3(d). Enforcement and Compliance Monitoring

Indicator 4. Public Procurement Operations and Market Practices

- 4(a). Procurement Planning and Data Management
- 4(b). The Procurement Cycle Process
- 4(c). Contract Management and Administration
- 4(d). Procurement Information and Transparency
- 4(e). Procurement Capacity Development

Indicator 5. Public Procurement Professionalization

- 5(a). Professionalization Strategy
- 5(b). Competence Levels and Training Programs
- 5(c). Career Development, Recognition, and Retention
- 5(d). Capacity to Develop and Implement New Policies and Practices

These indicators are designed to assess the effectiveness of the procurement system's institutional arrangements and the capability of the procurement workforce to carry out their responsibilities effectively.

Pillar III: Procurement Operations and Market Practices

This pillar focuses on the operational aspects of procurement, including the efficiency and competitiveness of the procurement process. It assesses the transparency of procurement operations, the use of competitive bidding procedures, and the accessibility of procurement opportunities to a wide range of suppliers. Pillar III focuses on "Procurement Operations and Market Practices." This pillar evaluates the actual procurement processes, the performance of procurement operations, and how well the procurement system engages with the private sector and the market.

The following are the indicators under Pillar III:

Indicator 6. Efficiency of the Public Procurement System

- 6(a). Procurement Planning and Implementation
- 6(b). Procurement Cycle Times
- 6(c). Competitiveness of the Procurement Process
- 6(d). Contract Management Practices

Indicator 7. Functionality of the Public Procurement Market

- 7(a). Market Conditions and Competitiveness
- 7(b). Private Sector Capacity and Participation
- 7(c). Access to Procurement Opportunities
- 7(d). Dialogue and Communication between Public and Private Sector

Indicator 8. Contract Management and Performance

- 8(a). Contract Execution and Performance Monitoring
- 8(b). Risk Management in Contracting
- 8(c). Dispute Resolution Mechanisms
- 8(d). Post-Award Contract Management

These indicators assess how well the procurement system operates in practice, how it interacts with the market, and how effectively it manages contracts to ensure value for money and performance.

Pillar IV: Accountability, Integrity, and Transparency of the Public Procurement System

This pillar addresses the mechanisms in place to ensure accountability and integrity in procurement. It includes indicators related to the prevention of corruption, the existence of effective audit and oversight mechanisms, and the availability of channels for stakeholders to lodge complaints and seek redress. Pillar IV focuses on "Accountability, Integrity, and Transparency of the Public Procurement System." This pillar evaluates how well the procurement system promotes accountability, ensures transparency, and upholds integrity in its processes.

The following are the indicators under Pillar IV:

Indicator 9. Transparency and Civil Society Engagement

- 9(a). Access to Information
- 9(b). Disclosure of Procurement Information
- 9(c). Civil Society Engagement in the Public Procurement Process

Indicator 10. Complaints and Appeal Mechanisms

- 10(a). Rights to Challenge and Appeal
- 10(b). Independence and Impartiality of the Review Body
- 10(c). Timeliness and Effectiveness of the Complaints Process
- 10(d). Remedies and Follow-up

Indicator 11. Ethics, Professionalization, and Anti-corruption Measures

- 11(a). Code of Conduct, Ethics, and Integrity Standards
- 11(b). Measures to Prevent and Combat Corruption
- 11(c). Mechanisms for Reporting and Addressing Misconduct
- 11(d). Capacity Building and Awareness-Raising in Ethics and Integrity

Indicator 12. Audit and Oversight Mechanisms

- 12(a). Internal Audit and Control Mechanisms
- 12(b). External Audit and Independent Oversight
- 12(c). Mechanisms for Implementing Audit Recommendations
- 12(d). Follow-up on Audit Findings and Recommendations

These indicators are intended to ensure that the procurement system operates with a high degree of transparency and integrity, and that there are effective mechanisms for holding the system accountable and addressing any issues of misconduct or non-compliance.

Implementation and Impact of MAPS 2018

The implementation of MAPS 2018 involves a comprehensive assessment process that includes the collection and analysis of data, stakeholder consultations, and the preparation of an assessment report. The process is typically led by national governments with the support of international development organizations, ensuring that the findings are relevant and actionable.

Annex 6 – Executing Agency Assessment

Step-by-Step Guide for Executing an Agency Procurement Capacity Assessment

1) Preparation and Planning:

- *Objective Setting:* Define key objectives such as identifying strengths/weaknesses, ensuring compliance with procurement policies, and improving processes.
- *Document Collection:* Gather essential documents, including procurement policies, procedures, and past performance reports.
- *Form an Assessment Team:* Assemble a multidisciplinary team with expertise in procurement, finance, and relevant sectors.

2) Review of Procurement Policies and Procedures:

- *Policy Examination:* Review the agency's procurement policies to ensure alignment with national and international standards (e.g., World Bank or IsDB regulations).
- *Procedure Evaluation:* Check if procedures are comprehensive, clear, consistently applied, and support transparency and competitiveness.
- *Manuals and Tools:* Verify if the agency uses a procurement manual, standard bidding documents, and other procurement tools.

3) Assessment of Organizational Structure and Accountability:

- *Structure Review:* Analyze the agency's structure for clear roles, responsibilities, and lines of accountability for procurement.
- *Staff Capacity:* Evaluate the qualifications, skills, and expertise of procurement staff, identifying any training or staffing needs.

4) Internal Controls and Procurement Oversight:

- *Control Systems:* Assess internal control mechanisms, including audit systems and procurement oversight, to ensure transparency and accountability.
- *Compliance:* Review past procurement processes for adherence to regulatory requirements, particularly with international donors (e.g., IsDB).

5) Evaluation of Procurement Processes:

- *Process Review:* Examine the procurement cycle, including planning, bidding, evaluation, contract award, and dispute resolution mechanisms.
- *Contract Administration:* Evaluate contract management practices such as reporting, monitoring, and handling variations.
- *Procurement Performance:* Assess metrics like cost savings, procurement cycle time, and supplier performance.

6) Risk Management and Mitigation:

- *Risk Identification:* Identify potential risks in procurement processes, such as delays, fraud, or supply chain disruptions.

- *Risk Categorization:* Based on the findings, categorize procurement risks as high, substantial, moderate, or low.
- *Mitigation Plan:* Develop a risk mitigation plan, which may include additional supervision, capacity-building, or enhanced oversight mechanisms.

7) Stakeholder Engagement:

- *Interviews and Surveys:* Conduct interviews with procurement staff, suppliers, and beneficiaries to gather feedback on procurement processes.
- *Focus Groups:* Organize focus groups to explore specific procurement challenges and areas for improvement.

8) Reporting and Recommendations:

- *Findings Summary:* Prepare a detailed report summarizing the assessment's findings, including strengths, weaknesses, and areas for improvement.
- *Actionable Recommendations:* Provide specific recommendations, such as training programs, process improvements, or hiring external experts if needed.
- *Action Plan:* Develop an action plan with timelines and assigned responsibilities for implementing the recommendations.

9) Ongoing Monitoring and Supervision:

- *Implementation Monitoring:* Continuously monitor the implementation of recommendations to ensure they address identified issues.
- *Post-Procurement Reviews*: Conduct reviews to ensure compliance with guidelines and address any emerging challenges during project execution.
- *Capacity Strengthening:* Where necessary, implement capacity-building measures like training workshops, technical assistance, or improving internal controls.

10) Key Documents for Procurement Capacity Assessment:

- Procurement manuals, policies, and procedures.
- Organizational charts and job descriptions.
- Procurement plans, performance reports, and audit records.
- Bidding documents, contracts, financial reports, and compliance / legal documents.

11) Challenges in Document Collection:

- *Common Challenges:* Outdated or incomplete records, decentralized storage, inconsistent formats, and confidentiality issues.
- *Mitigation Strategies:* Start document collection early, build relationships with stakeholders, use technology, and assure confidentiality.

Annex 7 – UCPS Assessment Report Structure

Country Procurement System (CPS) Assessment Report Template

[Insert Country Name]
Date: [Insert Date]

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   - Risk Identification and Mitigation Measures
7. Phase V: Planning, Implementation, and Monitoring
   - UCPS Implementation Plan
   - Monitoring and Feedback Mechanisms
8. Conclusions and Recommendations
9. Annexes

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1. Executive Summary

Provide a concise summary of the assessment's purpose, key findings, and main recommendations.

2. Introduction

Objectives of the CPS Assessment

Define the purpose of the assessment (e.g., determining readiness for UCPS adoption in IsDB-financed projects).

Scope of the Assessment

Specify the sectors, procurement methods, and executing agencies (EAs) reviewed. Outline the rationale for focusing on the selected areas.

3. Phase I: Information Gathering

Data Collection

- Gather key documents such as past procurement performance reports, MAPS assessments, and MCPAR findings.
- Collect data on the country's public procurement and financial management systems.

Initial Screening and Categorization

- Evaluate high-level readiness of the procurement system.
- Categorize countries as "Ready," "Near Ready," or "Not Ready" based on data collected.

4. Phase II: Review of Existing Country Procurement Assessments

Summary of Diagnostic Work

- Summarize findings from existing MAPS assessments, MCPAR, and MDB evaluations.

Implementation Status of Recommendations

- Analyze the implementation of procurement reforms and action plans.
- Identify gaps requiring technical assistance or further capacity building.

5. Phase III: Equivalence and Consistency with IsDB Policies

Legal and Policy Framework Analysis

- Evaluate the compatibility of the country's procurement laws and policies with IsDB guidelines.
- Identify gaps in areas like bidding processes, eligibility criteria, and complaint mechanisms.

Institutional and Operational Consistency

- Assess the alignment of the institutional framework with international standards.
- Examine procurement practices for competitiveness, transparency, and efficiency.

6. Phase IV: Evaluation of Executing Agencies (EAs)

EA Capacity Assessment

- Assess the capacity of EAs to implement procurement processes effectively under UCPS.
- Review internal controls, staffing, e-GP systems, and previous performance.

Risk Identification and Mitigation Measures

- Identify fiduciary, operational, and compliance risks.
- Propose risk mitigation strategies such as monitoring, training, and additional oversight.

7. Phase V: Planning, Implementation, and Monitoring

UCPS Implementation Plan

- Outline a phased implementation approach for UCPS in IsDB projects.
- Detail required capacity-building initiatives for EAs and procurement institutions.

Monitoring and Feedback Mechanisms

- Establish KPIs for tracking UCPS performance.
- Include feedback loops for continuous improvement and risk management.

8. Conclusions and Recommendations

Summarize key findings and provide actionable recommendations for UCPS adoption. Highlight the next steps, including capacity-building actions and technical assistance requirements.

9. Annexes

Annex I: Assessment Table Using MAPS Indicators

Provide detailed scoring and analysis across the four MAPS pillars:

1. Legal, Regulatory, and Policy Framework.
2. Institutional Framework and Management Capacity.
3. Procurement Operations and Market Practices.
4. Accountability, Integrity, and Transparency.

Annex II: Procurement Capacity Development Action Plan

List specific capacity-building initiatives required to strengthen the CPS.

Annex III: Procurement Risk Assessment

Include a detailed risk assessment table identifying risks, likelihood, impact, and mitigation measures.

Annex IV: List of Consulted Stakeholders

Provide a list of stakeholders involved in the assessment, including their roles and inputs.

IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

For any additional information, please visit
https://www.isdb.org/project-procurement/