

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC25778

Project Name	Public Procurement Modernisation Technical Assistance
Region	AFRICA
Country	Zimbabwe
Sector(s)	General public administration sector (100%)
Theme(s)	Public expenditure, financial management and procurement (70%), e-Government (30%)
Lending Instrument	Lending Instrument
Project ID	P155751
Borrower Name	Ministry of Finance, Ministry of Finance
Implementing Agency	Office of the President and Cabinet
Environment Category	C - Not Required
Date PID Prepared	13-May-2015
Estimated Date of Approval	19-Jun-2015
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Zimbabwe is a low income country with an estimated GDP of US\$12.80 billion in 2013 and Gross National Income per capita of US\$820 (in 2013). Starting in 2009, Zimbabwe emerged from nearly a decade of economic decline. It is estimated that between 1999 and 2008, the economy contracted by more than 45 percent due to disruptions caused by the land reform program and flawed macroeconomic policies, which ultimately led to hyperinflation. The economic growth rebounded in 2009 and Zimbabwe's GDP expanded by 25.2 percent over the period 2009-2011, at a constant annual rate of 7.8 percent. Despite the strong 2009-2011 economic rebound, the country remains vulnerable to shocks and adverse weather conditions. The GDP growth moderated to 4.6 percent in 2012, reduced to 2.9 in 2013 and is forecasted at 2.0 percent in 2014. The recent poverty report for the period 2011-2012 produced in 2013 by the Zimbabwe National Statistics Agency (ZimStat) reveals that 72.3 % of Zimbabweans are poor, with poverty being most prevalent in the rural areas, where 84.3% of people are deemed poor and 62.6% of households deemed poor, with 16.2% of them in extreme poverty. The Health, Education and Agriculture sectors are constrained by declining public financing, the introduction of informal fees and levies, an acute shortage of relevant personnel, dilapidated infrastructure and obsolete equipment.

Zimbabwe is different from the typical fragile and conflict-affected state because it has both the characteristics of a middle income country and also that of a typical fragile state. For example, there are high levels of backbone infrastructure and human capacity on one hand and on the other, loss of institutional capacity, especially in core government functions to deliver services to citizens, low

capacity in the private sector, and lack of systems to resolve political and economic challenges. The degradation of institutions is such that the country has difficulty in managing political, economic, and external stresses that reignite political conflict and economic vulnerability. The World Bank and development partners have been supporting analytical work in public and private sectors of the economy and also providing technical assistance in the public sector. These analytical works set the foundation for direct engagement with the public and private sectors as Zimbabwe continues to move toward re-engagement.

Sectoral and Institutional Context

Public procurement is the government activity most vulnerable to waste, fraud and corruption due to its complexity, size of financial flows it generates and the close interaction between public and private sectors. The Government of Zimbabwe recognizes that public procurement is critical in achieving its priorities and objectives of strengthening governance and accountability in the management of public resources while improving public services delivery.

In 1999, the GoZ established a procurement legal and institutional framework as enshrined in the Procurement Act No. 2/99 which established the State Procurement Board (SPB) and provided for its functions: to make provision for the procurement of goods, construction work and services by the State, statutory bodies and other persons; and to provide for matters connected with or incidental to the foregoing.

Implementation of the Act has improved the achievement of transparency, economy and efficiency in Zimbabwe state procurement since 1999. The Country Procurement Assessment Report of 2012 identified gaps in the institutional and legislative framework which constrain the transparency, accountability and value for money in procurement. The assessment which adopted the OECD-DAC methodology rated the Zimbabwe procurement system at 44% reflecting the fact that the system had more weaknesses than strengths when compared to internationally accepted systems. The legislative and regulatory framework needs to be expanded to cover all types of procurement and agencies. Additionally, it needs to be supported with detailed implementing regulations and standard bidding. Currently there is no effective procurement planning and no integration with the budgeting cycle. The regulatory agency, State Procurement Board, concentrates largely on the transactional side of procurement and does not actively perform other critical functions of building agency capacity, monitoring procurement performance and setting standards. The system relies on administrative courts for resolving procurement complaints which are not easily accessible and also take a long time to resolve procurement complaints. This calls for the modernization of the procurement institutional and legislative framework in Zimbabwe.

Recognizing this, the new Constitution of Zimbabwe requires the enactment a new public procurement law. In its national budget for the year 2015, the government committed to reforming procurement by decentralizing procurement to spending agencies, building capacity of agencies and transforming the State Procurement Board into an independent procurement regulatory authority. To complement the legislative and institutional reforms and in line with the broader e-government program already underway, the government wishes to leverage technology through electronic government procurement (e-procurement) to increase transparency, accountability and value for money. e-GP is a modular system which allows staged/phased development for : (i) increasing transparency in procurement procedures and practices; (ii) improving efficiency in the procurement process, by minimizing the procurement cycle time, maximizing value for money, and fostering accountability; (iii) improving confidentiality, integrity and authenticity of transactions between the procurement entities and the suppliers; and (iv) developing a common database and electronic trail of procurements (the Procurement Management System, which is a component of the e-GP) to

facilitate proper monitoring, reporting and planning of public procurements.

International potential savings from the implementation of e-GP have been estimated to be at least 5% of the procurement value. When combined with the greater procurement coordination, management of information and control that is facilitated by e-procurement, these savings have been reported to range between 5% and 20% in other countries

Relationship to CAS/CPS/CPF

The project will contribute to enhancing accountability, and ensuring efficient and effective management and coordination of government procurement for improved public service delivery. This objective is consistent with the Zimbabwe Accelerated and Sustainable Socio Economic Transformation (ZIM ASSET 2013-2018) which includes the resolve to “Boost the efficient use of Government resources through timely reporting and strengthening the PFMS - Fiscal Reform Measures” , and as part of the key result areas, “Encourage efficient use of public resources, financial discipline and accountability at all levels of public - resource mobilization and allocation ”. Procurement is covered under the Value Addition and Beneficiation Cluster of the ZIMAsset. Under this, e-procurement is one of the flagship projects under ZIMConnect, the e-Government program of the Government of Zimbabwe.

The proposed project is also consistent with the Bank's Interim Strategic Note 3 (ISN3) approved for Zimbabwe by the Board in 2013. The objectives of the ISN3 are to ensure the Bank’s readiness for eventual re-engagement. One of the three priorities of the ISN is “strengthening public sector core management systems”. The ISN aims at providing enhanced support to increase the efficiency of public sector core systems including capacity in procurement units to increase their efficiency and transparency, as Government's procurement capacity has withered, both centrally and in line departments.

II. Project Development Objective(s)

Proposed Development Objective(s)

The main objective of the proposed grant is to contribute to improved transparency and efficiency of public procurement through institutional and legislative reforms and improved readiness for eprocurement

Key Results

Legislative and institutional framework enhanced

Awareness and readiness for e-GP enhanced across government and the private sector

Increased transparency in procurement procedures and practices

III. Preliminary Description

Concept Description

The Project will provide technical assistance to support modernization of Public Procurement in Zimbabwe. It will support reform to the legal and institutional framework for procurement in Zimbabwe. This will include technical assistance to drafting of the new procurement law under which procurement is expected to be decentralized to spending agencies and procurement management units established within these agencies. The project will support capacity building in procurement for the spending agencies as well as the Procurement Regulatory Agency to strengthen its new monitoring function. To complement the institutional and legislative reform, the government

plans to implement e-procurement. The project will support activities to improve readiness for implementation of e-government procurement. This will include conducting a readiness assessment, development of an e-procurement implementation strategy, sensitization of stakeholders, business process engineering and developing of the system design and functional requirements.

1. Component 1 – Legislative and institutional reform and capacity building (Recipient Executed)

The objective of this component is to support legislative and institutional reforms to public procurement in Zimbabwe. In February 2015, the Government of Zimbabwe announced a roadmap for legislative and institutional reform in government procurement. The roadmap envisages the consideration of the revised procurement law by the Parliament by the end of the year 2015. The roadmap also covers (i) strengthening of the State Procurement Board as a standards setting and performance monitoring body, (ii) decentralization of procurement to spending agencies and (iii) establishment and building capacity of Procurement Management Units and associated structures in MDAs. The project shall support the implementation of the roadmap through the following:

Sub Component 1.1: Support to legislative Reform (US\$ 330,000)

The project will build on the ongoing support being provided by the African Development Bank by providing required technical assistance towards the legislative reform. This shall include stakeholder consultations on the proposed changes targeting the private sector, civil society and government agencies. The project will finance consultative and dissemination meetings with the private sector and civil society as well as with relevant committees of Parliament to seek their views on the proposed amendments.

The Project will finance technical assistance to the Office of the President and the Procurement Reform Steering Committee in drafting of the revisions to the law and facilitating stakeholder consultations. In parallel with the revision to the law, the Project will finance technical assistance to develop associated implementing regulations and standard bidding documents to be used by procuring agencies. This shall include support required to define and establish procurement structures in the spending agencies.

The absence of a procurement monitoring system in Zimbabwe has led to difficulties in obtaining any meaningful data on the performance of public procurement. The project will support the collection of baseline information on procurement performance to be used as a benchmark for assessing the effectiveness of future initiatives. Thereafter data shall be collected through the monitoring systems currently being developed as well as through e-procurement.

Sub Component 1.2: Support to institutional Reform and capacity building of MDAs (\$ 930,000)

The revised law is expected to establish relevant procurement management structures in spending agencies. Procurement Management units are expected to be established in spending agencies staffed with procurement professionals to manage day to day procurement activities. Procurement Committees shall also be established to adjudicate and oversee procurement in the spending agencies. With procurement fully decentralized to these spending agencies, capacity would need to be built within these agencies.

The project will finance training of selected Procurement Staff and Procurement Committees with priority accorded to high spending agencies and with at least 1500 government staff trained. The training will expose them to the revised procurement framework and build skills in procurement. Technical assistance will be provided to develop training content, train trainers and develop a training implementation plan taking into consideration the number of trainees to be covered. Training shall where possible be conducted through Zimbabwe Institute of Public Administration

and Management (ZIPAM) following a train the trainer approach. This shall extend to other training institutions and consultants in the country and region offering relevant procurement training. In selected agencies, coverage shall include 100% of women trainees that are eligible for training. The project will also finance equipping of approximately 100 procurement management units in spending agencies with the basic equipment to enable them to function properly. This shall include computers, printers, records storage cabinets and possibly internet connectivity. The equipment shall be provided on a needs basis with priority accorded to strategic and high spending agencies.

Sub Component 1.3: Sensitisation of the Private Sector and Civil Society (\$40,000)

Being the other contracting party in procurement, the private sector has a major stake in the success of public procurement in any country. Similarly civil society can be leveraged to work with citizens to monitor the performance of procurement agencies in the procurement process and the management and implementation of contracts.

The project shall support dissemination of the reformed procurement framework to the private sector and civil society. Dissemination will be focused on exposing them to the requirements of the new framework with regard to the procedures for preparing and submitting bids, implementing contracts, and to the complaints redress system. This shall be done through regional training workshops as well as radio, newspapers and other communication media. Similar technical assistance shall be provided to the civil society to expose them to the procurement law and contribute to the establishment of civil society coalitions to monitor public procurement and contract implementation. Work with the private sector and civil society will be primarily through their organized associations of providers or professional associations.

2. Component 2: Improving readiness for e-procurement (Bank and Receipt Executed)

Sub- Component 2.1: Development of an e-procurement strategy (\$100,000) – Bank Executed

This sub component will finance the development of a strategy and roadmap for implementation of e-procurement in Zimbabwe. The strategy will be informed by an assessment of the readiness of Zimbabwe to implement procurement to be carried out as part of strategy development. The readiness assessment shall follow the MDB e-GP Readiness Assessment Survey methodology that assesses 9 essential components for e-procurement readiness. These are government leadership, human resources, planning and management, policy, legislation, infrastructure and web services, standards, private sector integration and systems. This assessment will identify any gaps that would need to be addressed for e-procurement success. The strategy shall then articulate the government's goals and objectives in implementing and inform how these can be achieved through the various aspects of design. The strategy will include a costed implementation plan with the roles of the different stakeholders defined therein. The project will finance technical assistance to develop the strategy in close consultation with the government.

Sub- Component 2.2: Business Process Engineering and system design and e-procurement guidelines (\$ 200,000) – Bank Executed

Mere automation of the paperbased procurement system does not give desired efficiency and leverage the available technology. Paper based procurement processes and practices should be re-engineered to use modern technology. This will require changing the way the procuring entities prepare the bidding documents, bidders prepare the bids, fees are collected for the bidding dossier purchase, bid securities are handled, processes evaluated and communication with the bidders and other stakeholders is managed, contracts are managed, and complaints are handled. This project will

support the re-engineering process to ensure that the new arrangements under e-GP generate the required efficiencies and achieve the desired objectives in the strategy. This component will therefore include the following activities:

a) Development of a standard catalog for common procurement items of goods, works, and services with standards, templates, and guidelines

Procurement of goods, works, and services under e-GP will require a common catalogue, a basic standard for this type of procurement for nationwide, regional and international interoperability. The common catalogue ensures that the same product coding is used through the entire process, through publication of items online by suppliers, selection, reception and finally payment by the purchasing entity, especially for the e-framework agreements based procurement. It is important that Zimbabwe adopts a commonly-used classification system to ensure wider harmonization and ease of doing business.

The proposed project will support development of this catalogue through:

- i) Standardization of goods and services coding which will enable management data in the form of spend analyses, cost analyses, cost to suppliers, and supply searches, as it improves transparency and efficiency;
- ii) Classification of Goods, Works and Services which will allow summarization of data for reporting and analysis purposes;
- iii) Development of Unique Item Codes for specific items which helps to uniquely identify the specific goods, works or services based on their specific specification (dimensions, attributes, nature, etc.).

Common classification and item codes will improve efficiency of procurement because they will provide the basis for automated gathering and analysis of spend data for budgeting and planning, strengthen transparency and performance monitoring and reporting, enable automated price quotations for purchasing, unify financial management systems (i.e. IFMIS), and procurement reporting (for the feedback in Auditor General's report), and track requisition, purchase, supply, inventory, and procurement trends.

b) Development of e-GP Guidelines

11. While the revised procurement law is expected to provide for e-procurement, automation of processes and practices generates new relationships between stakeholders and new roles too be performed by different agencies. For example, the e-procurement system would have to be linked with different government e-services for accessing, verifying and validating the authenticity of the data to be used in e-procurement. In addition, the different laws and regulations governing electronic transactions (e.g ICT, e-Transaction and e-Signature laws), as well as national strategies and master plans, would need to be synchronized with the public procurement acts and regulations. This requires that e-GP Guidelines to govern the operation, use, and scope of the e-Procurement system in Zimbabwe be developed. The proposed project will finance development of the e-GP guidelines, which would later be approved by the State Procurement Board or the Office of the President and Cabinet, whichever is relevant in the country.

c) Design of e-gp system and bidding document

To maximize the full benefits of the e-GP System, its development ought to take into account the technical, functional and business requirements of the players in the procurement industry as well as government's objectives as articulated in the e-procurement strategy. The project will in this regard finance the development of user and functional requirements for the system which will form the system design and be an input into the bidding document. The e-GP design should define the complete scope of the e-GP system, and define the deliverables by the software supplier. To supplement this would be a ready-to-use bidding document for international competitive bidding. This component of the grant will support the development of both the e-GP and the accompanying bidding documents.

Sub - Component 2.3: Building capacity for e-GP in government and stakeholders (\$150,000) –
Recipient Executed

a) Building SPB Human Resource Capacity

To effectively implement e-GP in the country, adequate capacity will need to be built. The State Procurement Board, which is expected to be the lead agency to operate and own the national e-GP System, would need to enhance technical and technological capacity to support e-GP implementation in the country. To this effect, SPB would need to enhance the technical expertise of existing technical and management personnel and to recruit key technical experts and specialists in the areas of IT and network and security systems procurement expertise, ICT Specialists and help desk staff. Funding under this Grant can support initial hiring of the experts, which may be absorbed by the Government in subsequent years.

An e-procurement steering committee is expected to be established to oversee the implementation of e-procurement at policy level. Members from this committee and from the SPB staff will be supported to participate in a study tour with the objective of providing feedback on the model of e-Procurement operation based on the lessons learned by other countries and to recommend best e-Procurement practices as learned during the study visit. This will inform the decision on an appropriate, sustainable model for the operation of the e-procurement system, management strategy, risks and other best practices that might have relevance for procurement reform and modernization of Zimbabwe procurement.

b) Building Capacity of Other Stakeholders

SPB will engage other stakeholders to promote and support change management amongst the procurement and non procurement staff and the service providers. The project will support Stakeholder Consultations for sensitisation of public and private sector on e-GP through workshops and relevant media. This shall include working with private sector associations to sensitise service providers in the private sector about e-GP.

Sub - Component 2.3: Technical Assistance for Project Implementation (\$150,000) – Recipient Executed

This component shall also finance the required project management, procurement and financial management experts required to support project implementation in the Office of the President and Cabinet and the State procurement Board as well as equipment and furniture for their use. It shall also cover monitoring and evaluation including collection of monitoring information for the project.

3. Component 3 – Implementation Support by the World Bank (US\$ 100,000)
 Procurement reform is an engaging process requiring extensive consultations and discussions with stakeholders. Implementation Support to Government on e-GP requires extensive International expertise to provide comprehensive guidance to Government departments. The grant will support the hiring of experts in this respect to advise/support the Bank team. This will also finance preparation of the e-procurement investment project.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	2	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Zimbabwe Reconstruction Fund (ZIMREF)			2

VI. Contact point

World Bank

Contact: Howard Bariira Centenary
 Title: Senior Procurement Specialist
 Tel: 5393+2206 /
 Email: hcentenary@worldbank.org

Borrower/Client/Recipient

Name: Ministry of Finance
 Contact: Mr. Willard L. Manungo
 Title: Permanent Secretary
 Tel: 26304250967
 Email:

Name: Ministry of Finance
 Contact: PS Manungo
 Title: Permanent Secretary
 Tel:
 Email:

Implementing Agencies

Name: Office of the President and Cabinet

Contact:

Title:

Tel:

Email:

VII. For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>