

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

Report No.: PIDC83420

Project Name	Enhancing the implementation of Public Procurement in Macedonia
Region	EUROPE AND CENTRAL ASIA
Country	Macedonia, former Yugoslav Republic of
Lending Instrument	IPF
Project ID	P160951
Borrower Name	Ministry of Finance
Implementing Agency	Public Procurement Bureau, Public Procurement Bureau
Environment Category	C - Not Required
Date PID Prepared	01-Sep-2016
Estimated Date of Approval	30-Sep-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

The Former Yugoslav Republic (FYR) of Macedonia is an upper middle-income country that has made great strides in reforming its economy over the last decade. While the country has made significant progress in terms of its economic development, efforts across a range of areas are still needed to generate economic growth that will create jobs and improve living standards for all.

The government and the World Bank Group are currently working on boosting competitiveness while creating a favorable environment for local businesses that is necessary for putting the FYR Macedonia on a sustainable growth path, create more and better jobs, and promote shared prosperity of the bottom forty percent of the population. Policies to improve educational outcomes and other public services, and to remove labor market constraints will be needed to support growth and make sure that a large part of the population reaps the benefits of sustained growth.

Sectoral and Institutional Context

FYR Macedonia has made significant progress in public financial management reform during the recent years. In spite of this, gaps remain and capacity is low in many areas of recent legislative and institutional changes.

The proposed assistance is targeting two main areas - public procurement and anti-corruption - allowing to strengthen efficiency and transparency in public procurement. The development of performance indicators by making various cross-references of the data, so that future trends and patterns could be projected, is expected from the proposed activity. Also is expected the development of red flags and indicators through the analysis of data that could be integrated in the e-procurement system. The Public Procurement Bureau management has shown extensive interest

to the proposed activities. The proposed assistance serves as a support for strengthening the country's capacities as well as to increase the use of country system in terms of fiduciary aspects for present and/or future projects. The sophistication of the e-procurement portal will allow for the enhancement of procurement efficiency and result in cost and time savings. The effective implementation of these reforms within timeframes specified at the start of the reform process will improve the public financial management, particularly in the procurement area.

The capacity-building of the Public Procurement Bureau's staff will lead to presentations and public release of papers on best practices and lessons learned. The close collaboration with the World Bank and European Union Procurement professionals will allow for knowledge transfer between public officials in different countries (through conferences, seminars, bilateral interaction) and will also strengthen the collaboration between FYR Macedonia, other countries in the Western Balkan region and EU member states. The newly acquired knowledge of the procurement officials in FYR Macedonia will help carrying out the aforementioned reforms in the best way possible.

Relationship to CAS/CPS/CPF

As part of the Country Partnership Strategy (CPS), which covers the period FY12-FY18, the ongoing public sector reform agenda remains on focus for moving forward with reforms of central governance systems and reducing opportunities and incentives for corruption.

As envisaged in the CPS, the World Bank engaged with the Government on a comprehensive Public Finance Review (PFR), completed and published in July 2015, which helped identify the scope for further reforms in this area. In relation to public procurement, the PFR recommended that the Government could take further steps to increase competitive bidding and improve transparency and accountability in public procurement by ensuring e-Tendering is used for all procurement activities.

The grant-financed project is designed to strengthen efficiency and transparency in public procurement through targeting the two main areas of e-procurement and anti-corruption. The assistance will contribute to more effective implementation of the reforms in these areas within the time frame of the project, and will eventually lead to improved public finance management and transparency, particularly in the area of public procurement. By focusing on the targeted areas, the project will complement the country's medium to long-term development objectives in its efforts of continuous improvement of its public finance management and is in line with Pillar 1: Growth and Competitiveness in the current Country Partnership Strategy.

II. Project Development Objective(s) Proposed Development Objective(s)

The objective of the grant is to support the Government to enhance the performance of public procurement in FYR Macedonia by improving the existing e-procurement system functionalities and developing performance indicators for monitoring the performance of the public procurement system and building capacity of the Public Procurement Bureau (PPB). The grant will finance the following activities:

Performance Indicators

The Public Procurement Bureau (PPB) has comprehensive database of all procurement procedures. This is a result of the reporting requirements contracting authorities have according to the law. This data is also well presented in PPB's annual reports. However, further assistance is needed to develop public procurement performance indicators by making various cross-references of this data, so that future trends and patterns could be projected. Furthermore, this data has a strong anticorruption potential that is currently not being used, and therefore red flags need to be integrated in the e-procurement system.

E-procurement (security & software updates (new functionality)

Currently, PPB owns and manages the national e-procurement system used by all public sector entities. Technical assistance is requested to include new functionalities to the existing system, such as (i) publication of procurement notices of international donors, in order to increase transparency given the fact that local economic operators know the e-GP system as a unique place to search for business opportunities with the public sector; (ii) e-Appeal functionality as currently it is paper-based between the Economic Operators and State Appeals Commission; and (iii) pre-view of the tender documents for Economic Operators without subscribing to the system.

Capacity Building

Assistance is needed for building capacity of PPB staff on using the new performance indicators that will be introduced as a result of project activities and red flags. This includes sharing experiences with other countries on these topics.

Key Results

The key short-term results are as follows:

- (i) The newly built set of performance indicators will allow for the identification of flaws and difficulties in the procurement process. In that way, the procurement professionals in FYR Macedonia will gain knowledge on what must be improved which includes, in the longer term, cost savings and procurement efficiency enhancing.
- (ii) The expected new E-procurement portal with additional functionalities will allow for the streamlining of electronic procurement procedures by making it available to all procuring entities and thus, allowing both costs and time savings. It will also provide more opportunities to economic operators to access procurement notices of international donors, e-Appeal and pre-view of tender documents without subscription to the ESPP system.
- (iii) A well-executed procurement procedure is often the result of well-trained staff. Capacity-building of staff on procurement performance indicators and red flags would enhance the efficiency of public procurement in FYR Macedonia. With a capacity-building topic such as anti-corruption, the staff will be more aware of malpractices in procurement processes and will avoid the mismanagement of public funds. Additionally, such a training will be a good starting point for a potential EU adhesion since the performance indicators will help identify areas of improvement and bottlenecks in this regard.

The expected longer term results and impacts are as follows:

- (iv) Improved economic growth of Macedonia with enhanced public spending with the help of the performance indicators
- (v) A better alignment with the European Union's directives on public procurement.
- (vi) A better pace alignment with Macedonia's regional counterparts who are also in the reform process of their public procurement systems such as Serbia, Bosnia, Albania etc.
- (vii) Increased procurement efficiency with the continuous use of the procurement performance indicators manual.
- (viii) Time and cost savings with the new e-procurement functionalities

III. Preliminary Description

Concept Description

The Public Procurement Bureau in FYR Macedonia continues to expand its e-Procurement efforts. As part of the agency's draft strategy for the development of the e-Procurement system (2016-2020) it is planned to completely automate the procurement processes by 2018. This works well with the activities proposed in this proposal. Furthermore, many non-governmental organizations including the Center for Civil Communications sponsored by USAID have supported the similar initiatives. The concrete tools and capacity-building in this project will be sustainable. The enhancement of the e-procurement portal, and the performance indicators will be used on a daily basis in the forthcoming years which will result in improving significantly the efficiency and transparency of public procurement in FYR Macedonia on the long term and will permit a better collaboration both with other countries in the Region and with international organizations such as the European Union and the World Bank. The important aspect is better knowledge of the integrity threats in the procurement processes by being able to identify corruption and fraud which will lead to a constant improvement of procurement practices.

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:	0.3	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Strengthening Accountability and the Fiduciary Environment			0.3

VI. Contact point

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