



Procurement and Operational Efficiency

**An analysis of How IDB-
Financed Projects are Executed**

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**Inter-American
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ACRONYMS

AOP	Annual Operating Plan
CAN	Country Department Andean Group
CCB	Country Department Caribbean Group
CDH	Country Department Haiti
CID	Country Department Central America, Mexico, Panama and the Dominican Republic
CMF	Capital Markets and Financial Institutions Division
CSC	Country Department Southern Cone
CTI	Competitiveness and Innovation Division
EA	Executing Agency
EDU	Education Division
ENE	Energy Division
FMM	Fiscal and Municipal Management Division
GDI	Gender and Diversity Division
ICS	Institutional Capacity of State Division
IFD	Institutions for Development Sector
INE	Infrastructure and Environment Sector
INT	Integration and Trade Sector
MDB	Multilateral Development Banks
PTL	Project Team Leader
PP	Procurement Plan
PEP	Project Execution Plan
PMR	Project Monitoring Report
RND	Environment, Rural Development Disaster Risk Management Division
SEPA	Procurement Plan Execution System (in <i>English</i>)
SPD	Office of Strategic Planning and Development Effectiveness
SPH	Social Protection and Health Division
TIU	Trade and Investment Unit of the Integration and Trade Sector
TSP	Transport Division
VPC	Vice Presidency for Countries
VPS	Vice Presidency for Sectors and Knowledge
WSA	Water and Sanitation Division

EXECUTIVE SUMMARY

An important challenge faced by the Multilateral Development Banks (MDB) is to mitigate delays in the implementation of its operations.

To this end, the Inter-American Development Bank (IDB) sponsored a study to identify implementation procurement factors that cause implementation delays. The study found that 26 percent of the sovereign guaranteed investment lending portfolio financed by the IDB experienced procurement-related delays, primarily explained by nine factors, including:

- 1) Internal executing agency's procedures, which include multiple procurement authorization processes that are rigid and vertical.
- 2) Procurement planning process conducted by the executing agency.
- 3) Experience level in procurement management and the turnover rate in the executing agency.
- 4) Estimation of project duration during the design phase, assuming a standard contractual execution period.
- 5) Low levels of participation by contractors and suppliers in the procurement processes.
- 6) Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).
- 7) The country's prior controls over procurement processes.
- 8) Executing agency's management and contract supervision capacity.
- 9) Degree of project maturity at the time the operation was approved.

This study identifies and evaluates the key procurement-related factors affecting project execution, based on surveys and information from internal and external Bank sources. The paper is divided into three sections: methodology, results and conclusions.

METHODOLOGY

The methodology includes both quantitative and qualitative measurement methods. The quantitative methods used structured questionnaires with closed, controlled and filtered questions to: i) validate presented hypotheses regarding project execution delays; and ii) compile standardized and objective data. The qualitative work focused on reviewing multiple project-related documents, interviewing Focus Groups, and conducting one-on-one meetings with private sector representatives from selected countries. The following concepts and definitions were applied:

Procurement cycle includes three main activities: i) procurement planning; ii) the procurement process *per se*, from the bid invitation to the contract award and signature; and iii) the awarded contract's execution or management.

Procurement-related factors are those elements and actions that intervene or affect directly or indirectly procurement processes in project execution, including planning, management, bidding and supervision of awarded contracts.

Execution delays is defined as a minimum 6-month gap between the planned and actual product and results delivery.¹

Sectors are the sector divisions of the IDB.

The ***hypotheses*** included the following 21 factors (next page):

¹ Per annual operational plan and progress monitoring reports (PMR), among other planning documents.

Table 1. Procurement-related Factors that Could Affect Project Execution

Factor No.	Name	Label (top9 factors)
F1	Time periods and procedures defined in the national budget law that affect the development of the procurement processes	
F2	National procurement systems and subsystems that fail to meet international standards.	
F3	Low levels of participation by contractors and suppliers in the procurement processes.	<i>Contractor Participation</i>
F4	The country's prior controls over procurement processes.	<i>Country's prior controls</i>
F5	Experience level in procurement management and the turnover rate in the EA.	<i>EA's experience and high staff turnover</i>
F6	Procurement planning process conducted by the EA.	<i>EA's procurement Planning</i>
F7	Internal EA procedures, which include multiple procurement authorization processes that are rigid and vertical.	<i>Internal flows at EA</i>
F8	The EA's preference for the Bank to conduct ex-ante reviews of the procurement processes.	
F9	Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).	<i>Coordination among participants</i>
F10	Executing agency's management and contract supervision capacity.	<i>Management of contracts</i>
F11	Estimation of project duration during the design phase, assuming a standard contractual execution period.	<i>Project duration</i>
F12	The procurement plan and its updates are formulated separately from the project's integral planning process.	
F13	Availability of budgetary resources to execute procurement.	
F14	Degree of project maturity at the time the operation was approved.	<i>Project maturity</i>
F15	Risk and institutional capacity analysis for procurement performed when the executing unit and/or management teams have yet to be formed.	
F16	Bank procurement policies.	
F17	Use of standard IDB tender documents that are not aligned with the country's particular practices.	
F18	The project team leader's experience level in procurement.	
F19	Experience level of the operational analysts that support project oversight.	
F20	Quantity of human resources assigned to Bank procurement matters.	
F21	Possibility of fiduciary support from the Bank's Procurement Specialist.	

^a These factors were selected based on an analysis of more than 40 preliminary hypotheses from various IDB units.

Study universe. The quantitative analysis was based on a universe of 487 sovereign guarantee operations that were active in November 2012.

Surveys. Project team leaders (PTL) and executing agencies were asked to select and prioritize what they believed were the most important factors from Table 1 (up to a maximum of 10), and then identify the causes and effects applicable for each factor. Survey participants were asked whether the project under their supervision/execution had experienced delays of more than six months and, if this were the case, if these delays were related to procurement. Likewise, each Chief of Operations reviewed and coordinated the surveys of the PTLs, and also expressed their opinions.

Meetings with the executing agencies and the private sector. Focus groups were set up with the executing agencies of 68 projects in Colombia, Bolivia, Brazil, Haiti, Jamaica and Nicaragua. These projects were selected according to the results of the PTL surveys and specific criteria related to project execution timeframes, percentage disbursed, “alert” or “problem”² classification in the project monitoring reports (PMRs), and the input of the Chief of Operations for each country office. Information was also gathered during in-person meetings with private sector representatives in four of the six countries (Bolivia, Haiti, Jamaica and Nicaragua).

Documentation. The study analyzed the Project Monitoring Reports of 487 projects and the internal sector monitoring reports of 143 projects classified as “alert” or “problem,” in addition to the portfolio review reports of 119 projects and the semi-annual execution reports of 27 projects.

Consolidation of results and empirical evidence. The results of the PTL and EA surveys were consolidated.³ Also, IDB teams provided additional information, in order to verify the results and conclusions, when required.

² The PMR classifications are “satisfactory,” “alert” or “problem,” according to the performance indicator of the project. This indicator calculates the relationship between the physical achievements and costs incurred during product delivery according to a specific formula.

³ Annex II presents a table of the various calculations used to consolidate the factors, which all produced similar results, which were used to obtain the top nine procurement-related factors.

RESULTS

The response rates for both the PTL and EA surveys were 83 and 56 percent, respectively.⁴

MAIN FINDINGS

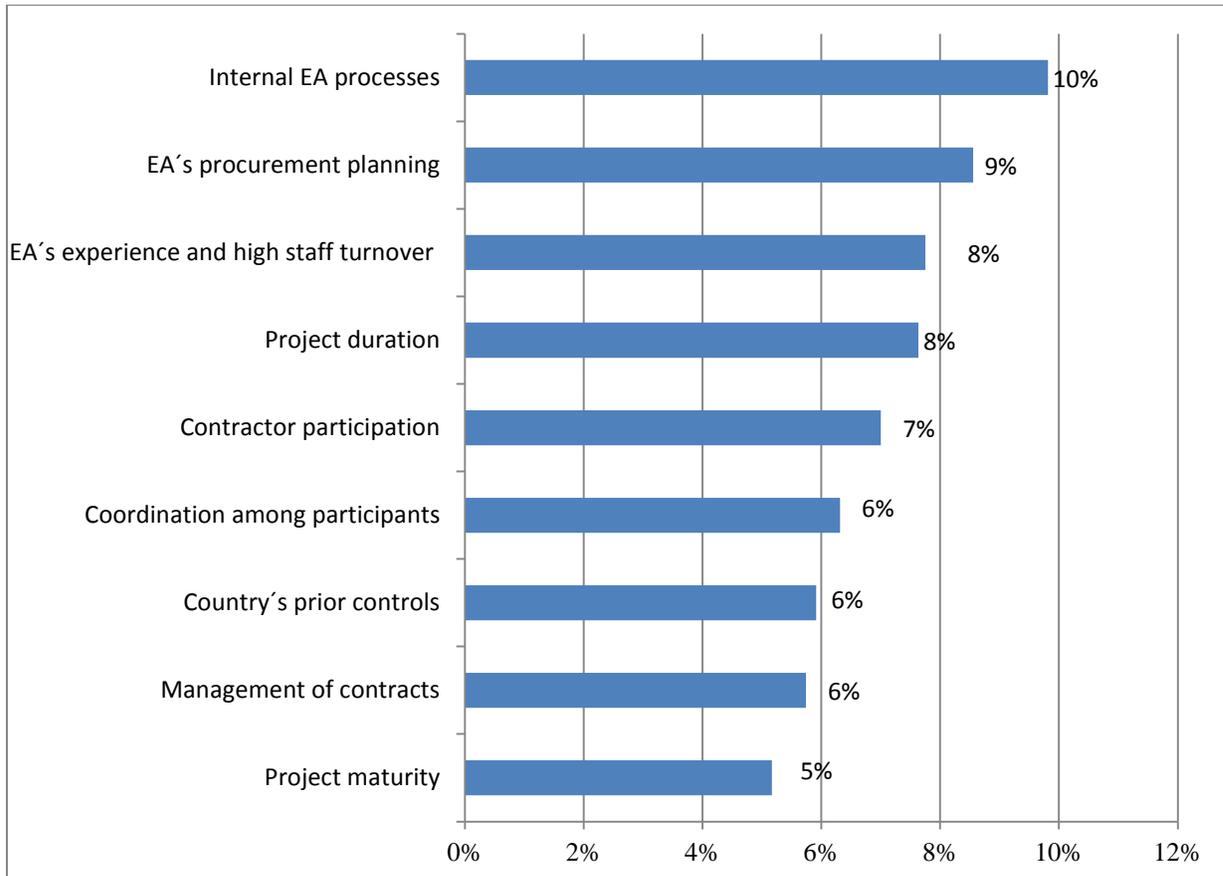
1. 30 percent of the projects did not report delays of more than six months.
2. In 44 percent of the projects, delays in execution were reported due to factors that were not related to procurement.
3. In 26 percent of the projects, procurement-related delays in execution were reported as follows:
 - (i) Nine high-frequency factors accounted for approximately 64 percent of total procurement-related delays.⁵ These factors were present in all regions, and mainly affected projects in the water and sanitation, urban development and housing, environment and natural disasters, and reform and modernization of the State sectors.
 - (ii) Low-frequency factors, each accounting for less than five percent of the factors, explained the remaining procurement-related delays.

Figure 1 illustrates the nine factors (hereinafter referred to as the “Top 9”) that contributed most frequently to procurement-related delays, all having an individual share equal to or greater than five percent.

⁴ By the time the EA survey was conducted, 17 projects had been completed. This explained the difference between the universes of both surveys. To access the surveys statistics, please see Annex I. Survey Statistics.

⁵ The most important factors (“Top 9”) are represented by those factors that are equal to or greater than five percent of the total factors. The frequency represents the quantity of times that this factor was selected by the participants.

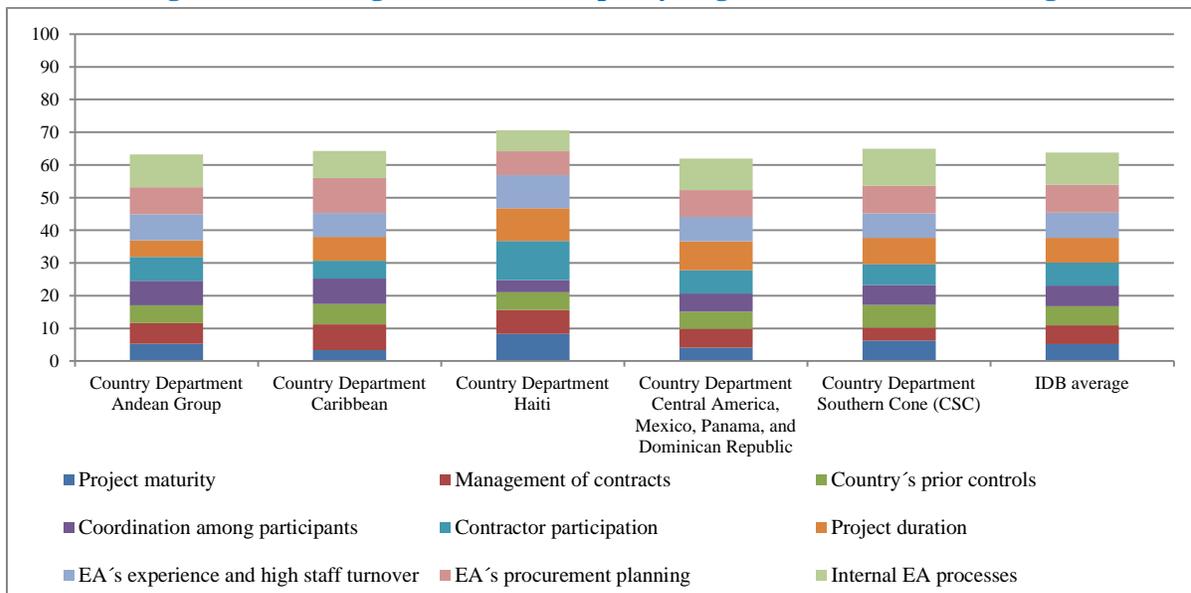
Figure 1. Share of the Top 9 Factors in Procurement-related Delays



Source: Analyses performed by the authors, based on data from the surveys.

Analysis by region. The results by region suggest that the Top 9 factors per region are similar to the Bank’s average of 64 percent (see Figure 2)⁶.

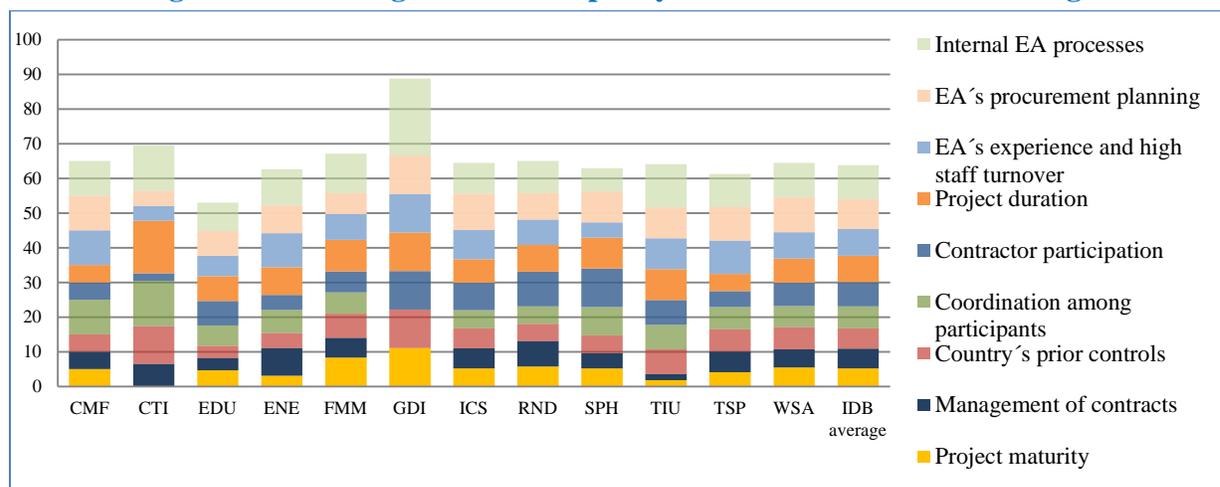
Figure 2. Percentage Share of the Top 9 by Region versus the IDB Average



Source: Analyses performed by the authors, based on data from the interviews conducted.

Analysis by sector. The results by sector suggest that the Top 9 factors per region are similar to the Bank’s average of 64 percent (see Figure 3)⁷.

Figure 3. Percentage Share of Top 9 by Sector versus the IDB Average



Source: Analyses performed by the authors, based on data from the interviews conducted.

⁶ For further details regarding the share of Top 9 factors according to country department and sector (figure 3), please see Tables A2.3 and A2.5 in [Annex II](#)

⁷ A sector-based analysis suggests that the Top 9 factors had a significant presence on procurement-related delays in the water and sanitation, urban development and housing, environment and natural disasters, and reform and modernization of the State sectors, due the high participation of these sectors in the Bank’s portfolio. Please see Tables A2.4 in [Annex II](#)

MOST IMPORTANT FACTORS

1) Internal EA processes. All active projects are executed by public sector agencies, which must abide by laws that affect their procedural and public oversight departments, of both a legal and operational nature. Methods to overcome these traditionally bureaucratic challenges range from setting up ad-hoc execution or management units to outsourcing project management processes. Given the results of the surveys analyzed, more work is needed in this area to increase operational efficiency.

Other challenges in this area included delays in EA response times, due to a lack of organization and of well-defined responsibilities that are adapted to the nature and characteristics of each project, poorly adapted internal administrative procedures, and a lack of autonomy in key activities for timely project implementation.

Empirical evidence

Along with the analysis of the two surveys, information received from personal meetings, and information provided by the Bank from a sample study of 44 projects in 7 countries (Dominican Republic, Ecuador, Haiti, Nicaragua, Paraguay, Peru, and Uruguay), the following results confirmed the importance of this factor:

- ✓ ***Evaluation stage:*** the “evaluation of tenders,” which includes the call for tender, the evaluation report, and the Bank’s non-objection, is an important phase for the EA. In the sample, this phase took an average of 71 days. In other words, this phase equated to 33 percent of the average length of the process (seven calendar months or 210 days).

- ✓ ***Contract signing stage:*** this phase, which falls under the responsibility of the EA, begins after the Bank’s non-objection and includes the completion of the evaluation report and the signing of the contract by the EA. It takes an average of 59 days. In other words, this phase accounts for 28 percent of the average length of the process (seven calendar months).

- ✓ The two stages combined equate to an average of 130 days, or 4.3 months, which is more than 60 percent of the average length of the process. Both stages are mandatory in any procurement process, regardless of the regulatory framework of the policies or their origin (e.g., from the Multilateral Development Banks (MDBs) or the country's national system).
- ✓ Among the above-mentioned stages, the time between the call for tender and the completion of the evaluation report includes a value-added work process by the EA, which takes an average of 41 days or 32 percent of the time. The remaining 68 percent of the time is attributed to internal administrative procedures for approvals and monitoring.

2) EA's procurement planning. The results showed: (i) a lack of integrated planning and project management tools; (ii) limited expertise of EA staff in project planning; (iii) differences between the procurement plan drafted during the design phase and the one that is finally executed; (iv) unrealistic estimates of the duration of the procurement procedures; and (v) excessive modifications to the procurement plan during execution, both in terms of content and costs.

Empirical evidence

The sample was based on 29 projects from four IDB sectors (INE, IFD, SCL, INT) in 10 countries.⁸ All these projects reported that: this factor had the highest frequency of all factors; all had procurement plans in the Procurement Plan Execution System (SEPA, in Spanish); and the factor's significance was confirmed by the following results:

- ✓ The average number of modifications to the procurement plans (PP), whether in terms of adding new processes or making changes to contracting methods or agreed-upon timeframes, was 3.5 times per year, which demonstrates the relative instability of the initial planning process and the weakness of the overall guidelines for project

⁸ Argentina, Bolivia, Colombia, El Salvador, Guatemala, Guyana, Nicaragua, Paraguay, Peru, and Uruguay.

management. Generally, the procurement planning process coincides with the drafting of the Annual Operating Plan (AOP), which happens once per year.

- ✓ Given the dispersion among countries and projects in terms of planning, and the lack of coordination and integration of programming tools for project execution (e.g., project execution plan [PEP], AOP, PP, etc.), the Bank has proposed the development of an integrated information system, including the design phase, to cover the entire project cycle.

3) EA's experience and high staff turnover. The following aspects were identified in relation to this factor: (i) the training given by the Bank in terms of procurement is limited to staff who deal directly with procurement matters and is primarily focused on theory; (ii) given the high staff turnover rate, the level of knowledge transfer is limited and, consequently, a large part of the training is lost; and (iii) the EA personnel find that the standard Bank documents on this matter are complex, long and difficult to understand.

Empirical evidence

According to the EAs' responses to the survey questions, the results are as follows:

- ✓ Of the 54 projects from the portfolio of active operations that were classified as "alert" or "problem" in November 2012 (38 percent of the total), the biannual progress reports, and the sector monitoring records, execution delays were often related to the general lack of knowledge and expertise on behalf of the EA staff in terms of procurement, as well as high staff turnover and the lack of job stability.
- ✓ According to the survey data collected from the EAs, 52 percent of the staff responsible for procurement stayed in their jobs for more than two years, and 48 percent stayed for less than two years. With regard to procurement experience, 58 percent of those responsible for procurement have more than three years of experience, and 42 percent have less than three years. In particular, the data highlights

the deficiencies of the EAs' technical capabilities when it comes to formulating the terms of reference and the required technical specifications.

4) Project duration. According to the analysis, the timeframes established during this phase were not estimated in accordance with the projects' needs, the country's legal framework (which, in some cases, requires parliamentary ratification), or the demands of the execution plan (which, in the case of decentralized programs at the provincial or departmental level, require legislative procedures).

Empirical evidence

- ✓ Considering that the average timeframe for IDB project execution is around 7 years, and that the average annual rate of approved extensions ranges between 2.6 and 3 years, the implementation deadlines estimated during the design phase are often not consistent with the actual situation in the country or the complexity of the operation.

5) Contractors participation. This factor relates to the market capacity to respond, which is often overlooked during the design phase or when it comes to preparing the technical specifications of the works, goods, or consultancies to be contracted. Inadequate market analysis (of prices, local industry conditions, available technology, economic-institutional context, etc.), translates often to low levels of participation by suppliers in the tender process and prices that are higher than the estimated costs. The extreme case is a complete lack of participation by suppliers in the tender process (known as "voided tenders"), with a consequent delay in execution. In other cases, a lack of competition means that contracts are repeatedly rewarded to contractors from the same few firms, which can lead to some degree of cartelization and delays in signing the contracts with the EAs. Based on the surveys, potential causes may include the lack of trust in the public officer responsible for purchasing the works, goods or services; confusion regarding technical specifications and contractual responsibilities of contractors; and "outdated" budgets. Additional research is suggest to better understand this factor for each country.

Empirical evidence

- ✓ Based on meetings with the private sector in Bolivia, Haiti, Jamaica, and Nicaragua, there appeared to be a general lack of awareness regarding procurement policies and a lack of clarity in terms of contractual obligations and technical specifications. This could discourage greater private sector participation in IDB-financed procurement processes.

- ✓ According to a sample of 191 notifications of international tenders awarded for IDB-financed projects in 2012, approximately 57 percent of the calls for tender involved no more than three competing contractors, which exemplifies overall low participation levels.

6) Coordination among participants. This factor seemed to affect project execution throughout the project cycle. According to the survey, problems in this area arose due to the lack of communication and prioritization of actions among the different actors involved in the project.

Empirical evidence

Based on the sector monitoring report and the Bank's analyses, this factor has led to delays in the execution in 17 projects from the study universe. Three examples are detailed below to illustrate the types of difficulties related to this factor.

- ✓ **Bolivia.** Delays in decision making and project management in an urban development program were identified, as a result of a complex execution phase that involved four government actors of different hierarchical levels in charge of execution (the Vice-Ministry of Housing and Town Planning, the National Fund for Regional Development, the municipalities, and the municipal councils).

- ✓ **Colombia.** Difficulties in inter-institutional coordination between and among the main actors of a water and sanitation sector program (the water company, another

sanitation-related program in the same city, and the Environmental Secretariat) led to delays in the execution phase.

- ✓ *Uruguay.* Delays were reported, due to poor coordination in decision making and project management among the three agencies designated to oversee the execution of a water and sanitation program (the State's sanitary company (*Obras Sanitarias del Estado*), the administration, and a public limited company that was created as part of project execution).

7) Country's prior controls. This factor refers to a country's mandatory steps throughout the procurement processes, such as approvals by ministry councils, contracting commissions or committees in the various institutions; authorizations of monitoring and auditing companies; etc.

Empirical evidence

- ✓ Given their similarities, please refer to the F9. By way of illustration, the following agencies serve as examples: the external monitoring agencies of Costa Rica and Panama, Uruguay's Audit Office (*Tribunal de Cuentas*), Paraguay's National Public Procurement Directorate (*Dirección Nacional de Contrataciones Públicas*), and Jamaica's National Procurement Committee.

8) Management of contracts. An analysis of this factor reveals shortcomings in the following areas (i) monitoring contract execution, (ii) contractors' performance levels, (iii) the slow-moving nature of managerial and administrative decision making on technical modifications or constructive methods to respond to unforeseen circumstances, and (iv) the lack of authority to apply fines and sanctions in the case of noncompliance.

Empirical evidence

- ✓ Given their similarities, please refer to factors 5 and 6. Likewise, the EAs have little expertise in contract management and few integrated contractual monitoring tools that

would enable the prevention of the delays in contract execution early on in the project.

9) Project maturity. The surveys and the Bank documents revealed that the quality of operations was affected by factors such as: pressure to comply with lending programs, a lack of pre-investment studies, inadequate depth of the institutional analysis of projects with a high degree of execution complexity (e.g., decentralized or subnational projects), outdated budgets, and incomplete project design. During the design phase, therefore, emphasis must be placed not only on design, but also on the budget and the necessary conditions for successful project implementation.

Empirical evidence

- ✓ Of the 34 projects included in the study's universe of active projects classified as "alert" or "problem," internal IDB documentation points out that not allowing the design to fully mature during the preparation phase has thereafter affected project execution.⁹

- ✓ A report on overspending in transport projects analyzes a sample of 26 projects from this sector approved between 2005 and 2011, which incurred overspending and represented on average 60 percent of the programmed budget (a similar percentage to the comparators). The report points to incomplete designs, and higher-than-expected quantities and prices in the tender process as the principal causes of this problem.

- ✓ The study "*So you think you know what drives disbursements at the IDB?*"¹⁰ Identified a correlation between a project's preparation time and its possible complexity, which would suggest that the amount of time involved in preparing an operation would provide an approximation of the degree of difficulty in subsequent execution.

⁹ The sample includes 6 projects from RND, 6 from WSA, 3 from ICS, 3 from ENE, 2 from FMM, 1 from TSP, 1 from CTI, 1 from INT and 11 from SPH.

¹⁰ Carola Álvarez et al (2012)

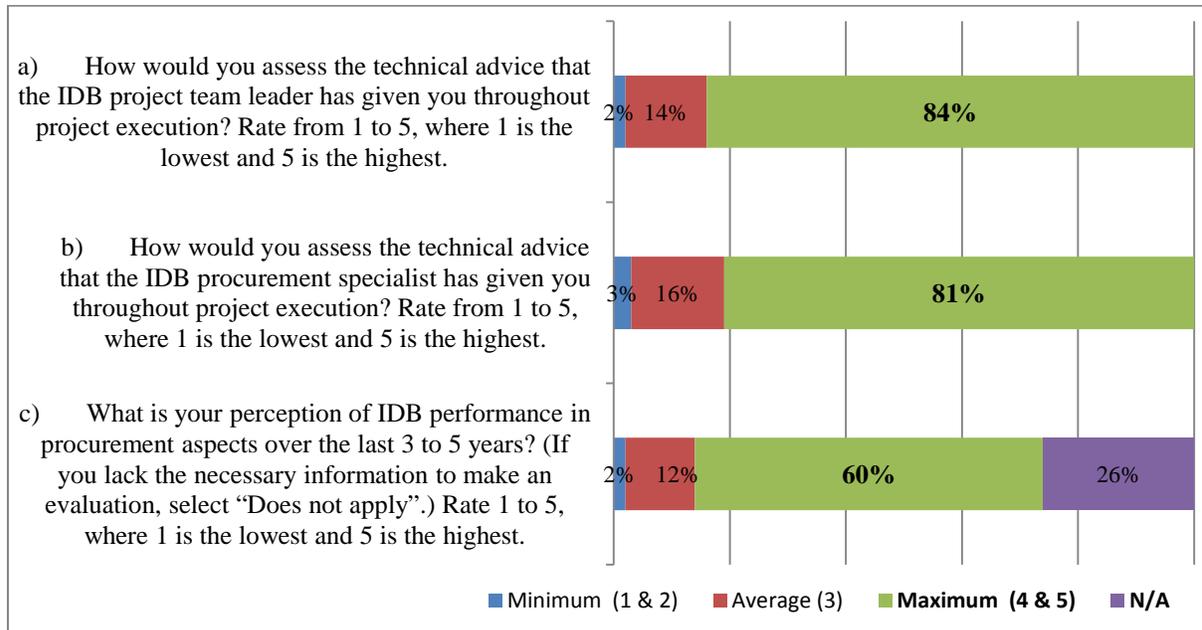
Annex III presents the possible causes and effects of the Top 9 factors stemming from the PTL and EA surveys, providing the percentage of observations or the frequency of each cause and effect.

OTHER FACTORS

Among the less-frequent factors that contributed to procurement-related delays, with an individual share of less than five percent, two principal factors stand out: (i) difficulties encountered by the EAs in making effective use of the standard tender documents and, (ii) the lack of integrated planning (PEP, AOP, and PP). Next, factors having a share of less than three percent include those factors that refer to the PTL’s experience in procurement, the EAs’ preference for the IDB to perform ex-ante reviews of the procurement processes, and the realization of risk and institutional capacity analyses before the EA’s management unit has been formed.

Bank intervention and technical assistance. In general, both external clients (EAs) and internal clients (PTLs) expressed satisfaction in aspects related to procurement (see Figure 4).

Figure 4. Degree of Satisfaction with the Procurement Process



Source: Analyses performed by the authors, based on data from interviews.

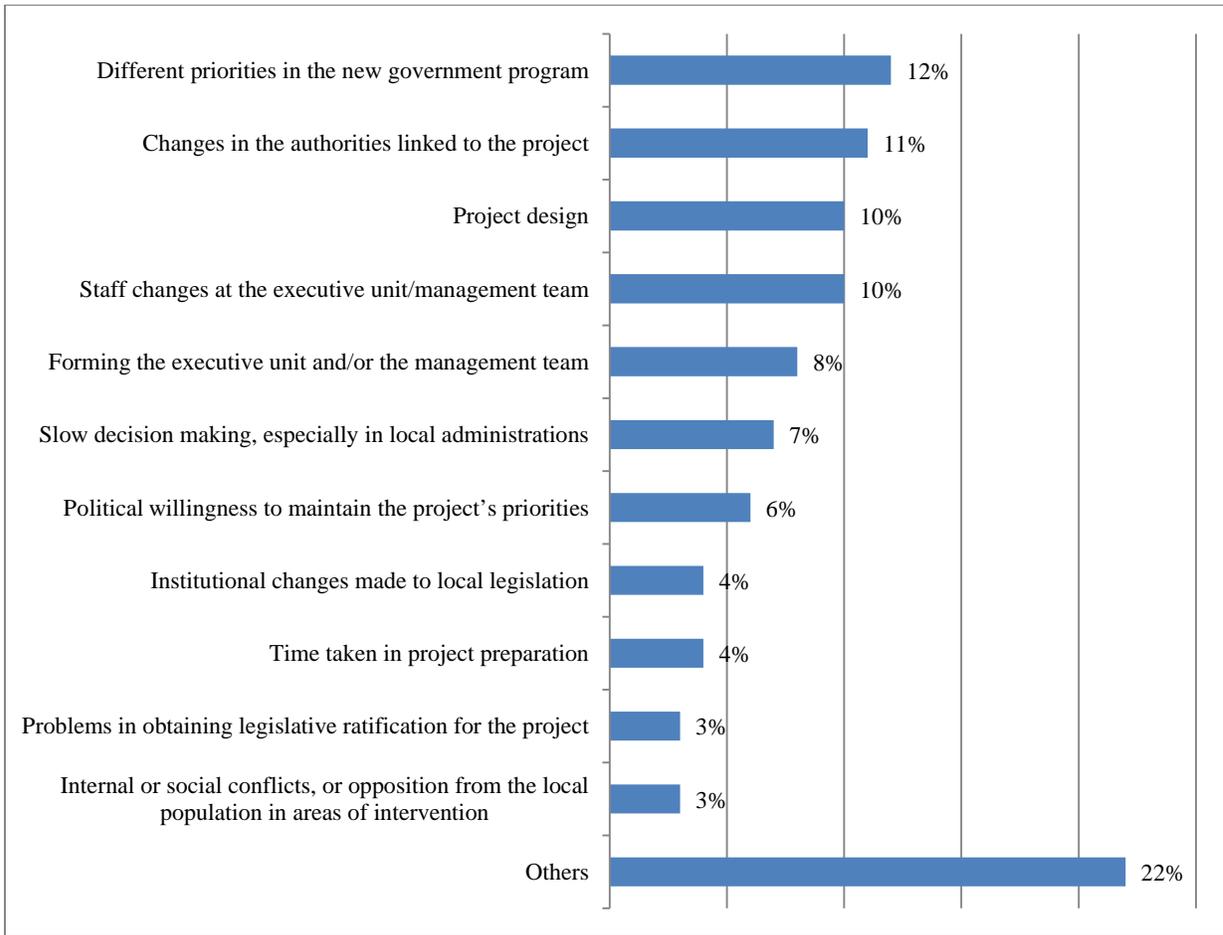
When faced with the question regarding the Bank's performance in terms of procurement during the past 3 to 5 years, 60 percent of EA employees surveyed reported maximum levels of satisfaction (4 and 5 on a scale of 1 to 5).¹¹

With respect to the Bank's procurement policies, 76 percent of the EAs regard them as a better option (mainly based on their guarantee of integrity) than those of the national procurement systems. Therefore, it is important to continue to strengthen the countries' procurement systems, so that these too can guarantee economy, efficiency and transparency.

With regard to the delays that were unrelated to procurement, the most important were "different priorities in the new government program" and "changes in the authorities linked to the project," with a share of 12 and 11 percent respectively, followed by "project design" (ten percent). The option "others" included a combination of factors that turned out to be heterogeneous and of lesser frequency, but that could be further analyzed in a complementary study.

¹¹ This figure is similar to the response given by 73 percent of those included in the survey, according to other IDB studies.

Figure 5. Delays Unrelated to Procurement



Source: Analyses performed by the authors, based on data from interviews.

During the focus groups, both EAs and private sector representatives stated that, at the top of the highest-frequency factors, there were two aspects that warranted attention when it came to improving project execution. The EAs recognized the lack of planning in project management and understood the need to make improvements in relation to their expertise, organizational structure, and staff experience, in order to better manage procurements in accordance with IDB policies. The open dialogue with the EAs in the six countries surveyed helped the Bank to explore areas for improvement in its performance. Other feedback for the IDB included the need to simplify the tender documents, which are not aligned with local practices; standardize the responses and improve their timing; and restructure procurement-related training.

CONCLUSIONS

The study found that 26 percent of the sovereign guaranteed investment lending portfolio financed by the IDB experienced procurement-related delays, primarily explained by nine factors. The principal conclusions are as follows:

- (a) The **most significant procurement-related factor** identified “internal executing agency procedures” as the primary cause for delays. The empirical evidence regarding the timeframes of each phase of the procurement cycle suggested that the stages following the call to tender (i.e., evaluation, awarding of the contract, and signing) created most of the delays, with significant time dedicated to administrative procedures that do not add value but have to be followed according to local rules and practices. These obstacles would have to be addressed at the project design level, via a profound analysis of the processes that cause bottlenecks and the EA’s institutional capacity, or at the country level by reforming the system that has an impact on procurement and therefore, efficiency in project execution.
- (b) A **second group of procurement-related factors** demonstrated institutional weaknesses that negatively affected the timely and effective management and operation of projects. Considering the institutional capacities of the countries in the Latin America and Caribbean Region, each project team should conduct an institutional analysis of the EA, so that mitigating measures, including adequate execution mechanisms and measures to strengthen the EA’s planning capacity and project management, may be implemented, based on a number of factors, including the project’s complexity, the sector, and the number of actors involved. Furthermore, the IDB should place greater emphasis on pre-investment during the design phase, to help ensure that execution is also effective (Factors: “level of experience in procurement management and the executing agency staff turnover rate;” “procurement planning process carried out by the executing agency;” “coordination between the interested parties (e.g., government, donors, the Bank, beneficiaries);” and “the EA’s management and contract supervision capacity.”).

- (c) **Subsequent factors** were related to “estimated project duration during the design phase, assuming a standard contractual execution period” and “degree of project maturity at the time the operation was approved.” According to the surveys responses, there is room for improving the technical design aspects, setting more realistic execution timeframes, and developing operational mechanisms based on the nature and complexity of the projects (multidimensional, decentralized, and so on). An analytical paper on the loans portfolio released by the Vice Presidency for Sectors (VPS) of the IDB in 2012 concentrates on the projects that were identified as “alert” or “problem”, and identified a series of design aspects that affect project implementation, including the following: (i) execution timeframes that fail to reflect the country’s real conditions; (ii) insufficient analysis of the EAs institutional capacity; (iii) projects with too many goals; (iv) an excessive number of actors involved in the execution phase; and (v) unrealistic disbursement projections. The pressure to fulfill lending programs often leads some projects to move toward execution well before they are ready.
- (d) Finally, the factor related to the “low participation by contractors and suppliers in procurement processes” is linked to the negative perception that the private sector has of public sector procurement processes, mainly with regard to the quality of human resources. Also, the factor related to a country’s prior controls over procurement processes was primarily caused by the peculiarities of the organizational and procedural rules that regulate each country’s public sector vis-à-vis public procurement. Further strengthening of the national procurement processes in each country will help to improve project execution.

The above conclusions coincide with the findings of other Bank studies, such as “*So you Think you Know What Drives Disbursements at the IDB, Think*”, Think Again, an appraisal of disbursements that stresses the importance of the country factor and the PTL as key factors in project performance; and (ii) the results of the 2012 and 2013 customer satisfaction surveys, the Bank’s external feedback system, which revealed that the client (EAs) was satisfied with the IDB procurement process, but also required tailor-made solutions to tackle the specific performance issues in each country.

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ANNEXES

Annex I. Survey Statistics ¹²

Table A1.1. Statistics from Interviews with Project Team Leaders

Regions/ countries	Completed and verified	Percent response rate	Under review ^a	In process ^b	Not started	Total
CAN	88	100				88
Bolivia	25	100				25
Colombia	16	100				16
Ecuador	21	100				21
Peru	16	100				16
Venezuela	10	100				10
CCB	46	96		2		48
Bahamas	4	100				4
Barbados	9	100				9
Guyana	12	100				12
Jamaica	8	80		2		10
Suriname	7	100				7
Trinidad and Tobago	6	100				6
CDH	28	80			7	35
Haiti	28	80			7	35
CID	126	91	11	1		138
Belize	7	100				7
Costa Rica	5	63	3			8
Dominican Republic	16	100				16
El Salvador	7	100				7
Guatemala	11	92		1		12
Honduras	25	100				25
Mexico	6	43	8			14
Nicaragua	28	100				28
Panama	21	100				21
CSC	116	66		14	47	177
Argentina	29	64		2	14	45
Brazil	47	63		5	23	75
Chile	5	100				5
Paraguay	16	80		4		20
Uruguay	19	59		3	10	32
RG	1	100				1
Regional	1	100				1
Total	405	83	11	17	54	487

^a The projects *under review* (Costa Rica and Mexico) are those in which there were differences in criteria between the PTL and the Chief of Operations and thus, due to logistical difficulties, were not completed.

^b The projects *in process* correspond to surveys that were not fully completed.

¹² In some figures and tables, the totals may not coincide when they have been rounded up.

Table A1.2. Statistics from Surveys of Executing Agencies

Regions/ countries ^a	Completed	Percent response rate	In process	In process /under consideration	Pending	Total
CAN	41	55	3	3	30	74
Bolivia	5	23	2	2	15	22
Colombia	6	55	0		5	11
Ecuador	13	68	1	1	5	19
Peru	13	87	0		2	15
Venezuela	4	57	0		3	7
CCB	21	41	10	5	20	51
Bahamas	0	0	4	2	3	7
Barbados	6	67	6		2	14
Guyana	2	17	2	1	8	12
Jamaica	7	70	1		2	10
Suriname	3	43	1	1	3	7
Trinidad and Tobago	3	50	1	1	2	6
CDH	6	17	5	4	24	35
Haiti	6	17	5	4	24	52
CID	97	72	7	4	30	134
Belize	7	100	0		0	7
Costa Rica	7	88	0		1	8
Dominican Republic	11	69	0		5	16
El Salvador	5	71	0		2	7
Guatemala	9	90	0		1	10
Honduras	22	92	1	1	1	24
Mexico	11	79	1		2	14
Nicaragua	13	48	5	3	9	27
Panama	12	57	0		9	21
CSC	97	55	17	5	62	176
Argentina	21	48	5	2	18	44
Brazil	42	56	4	3	29	75
Chile	5	100	0		0	5
Paraguay	10	53	3		6	19
Uruguay	19	70	0		8	27
Total	262	56	42	21	166	470

^a Regions: CAN: Andean Group; CCB: Caribbean Group; CDH: Country Department Haiti; CID: Central America, Mexico, Panama and the Dominican Republic; and CSC: Country Department Southern Cone.

^b Of the total number of surveys in process, the current study considered the results of only 21, as these were the ones that responded further than question 1.6. (Has the project experienced delays in execution—a gap before achieving its outputs and outcomes—of more than six months in 2010, 2011, or 2012?). Therefore, the total number of surveys included in this study is 283.

ANNEX II. Consolidated Analysis of the Survey Factors ¹³

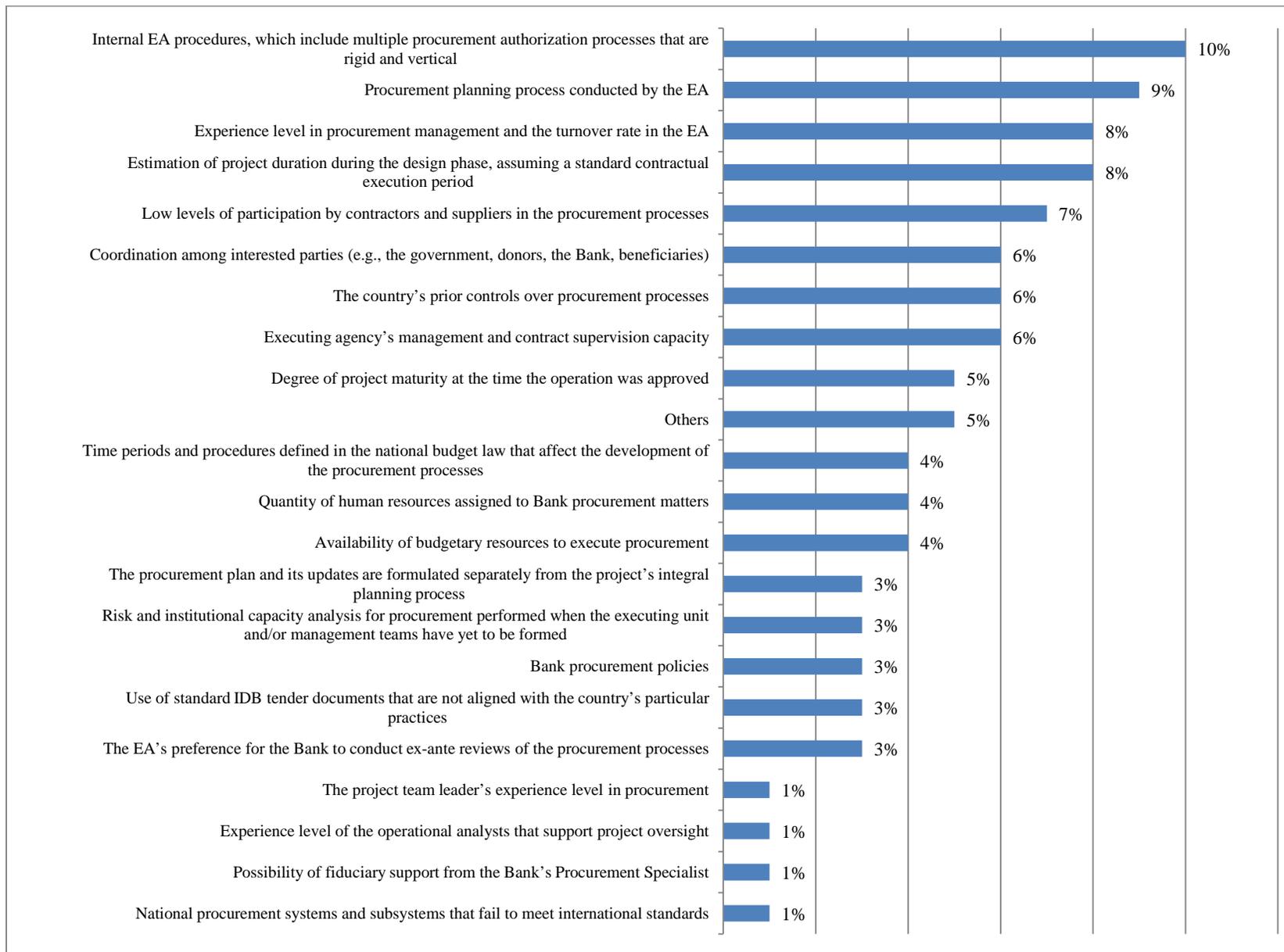
Table A2.1. Consolidated Results

Factor (Top 9 in bold)	Interviews with PTLs	Percentage	Interviews with EAs	Percentage	Total from both surveys	Percentage	Percent weighted average for number of responses	Percent weighted average for coverage
Time periods and procedures defined in the national budget law that affect the development of the procurement processes	15	2.2	58	5.5	73	4.2	4.6	3.4
National procurement systems and subsystems that fail to meet international standards.	5	0.7	17	1.6	22	1.3	1.3	1.1
Low levels of participation by contractors and suppliers in the procurement processes.	49	7.1	73	7.0	122	7.0	7.0	6.5
The country's prior controls over procurement processes.	49	7.1	54	5.1	103	5.9	5.7	6.2
Experience level in procurement management and the turnover rate in the EA.	76	11.0	59	5.6	135	7.7	7.2	8.6
Procurement planning process conducted by the EA.	74	10.7	75	7.1	149	8.6	8.2	9.0
Internal EA procedures, which include multiple procurement authorization processes that are rigid and vertical.	57	8.2	114	10.9	171	9.8	10.1	9.2
The EA's preference for the Bank to conduct ex-ante reviews of the procurement processes.	22	3.2	25	2.4	47	2.7	2.6	2.7
Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).	27	3.9	83	7.9	110	6.3	6.7	5.0
Executing agency's management and contract supervision capacity.	57	8.2	43	4.1	100	5.7	5.3	6.0
Estimation of project duration during the design phase, assuming a standard contractual execution period.	50	7.2	83	7.9	133	7.6	7.7	7.0
The procurement plan and its updates are formulated separately from the project's integral planning process.	19	2.7	36	3.4	55	3.2	3.2	3.0
Availability of budgetary resources to execute procurement.	20	2.9	54	5.1	74	4.2	4.5	3.6
Degree of project maturity at the time the operation was approved.	38	5.5	52	5.0	90	5.2	5.1	5.2
Risk and institutional capacity analysis for procurement performed when the executing unit and/or management teams have yet to be formed.	20	2.9	25	2.4	45	2.6	2.5	2.5
Bank procurement policies.	7	1.0	41	3.9	48	2.8	3.0	2.1
Use of standard IDB tender documents that are not aligned with the country's particular practices.	19	2.7	41	3.9	60	3.4	3.6	3.1
The project team leader's experience level in procurement.	3	0.4	17	1.6	20	1.1	1.3	0.8
Experience level of the operational analysts that support project oversight.	6	0.9	12	1.1	18	1.0	1.1	6.1
Quantity of human resources assigned to Bank procurement matters.	26	3.8	42	4.0	68	3.9	3.9	3.7
Possibility of fiduciary support from the Bank's Procurement Specialist.	13	1.9	8	0.8	21	1.2	1.1	1.2
Time periods and procedures defined in the national budget law that affect the development of the procurement processes	40	5.8	38	3.6	78	4.5	4.3	4.0
Totals	692	100	1.05	100	1.742	100	100	100

Note: This table shows each factor's share according to the surveys, as well as the calculations made. The nine most relevant factors (Top 9) are those that show shares greater than five percent. The factor calculations are shown using the following methods: (i) simple addition of the results from both surveys for each one of the factors investigated and structural percentage of the total; (ii) weighting of the results of each factor according to the percentage of total responses obtained in the survey with respect to the total number of responses; and, (iii) weighting of the results of each factor according to the percentage of coverage of each survey. The table reveals that, regardless of the method selected, the results are rather similar whenever the Top 9 factors are considered as the most important.

¹³ In some figures and tables, the totals may not coincide where they have been rounded up.

Figure A2.1 Frequency Percentage of the Consolidated Factors in the Surveys



Note: The Top 9 are identified and numbered in brackets, according to their importance.

Table A2.2. Top 9 Factor Frequency by Region and the Bank

Factors	CAN	CCB	CDH	CID	CSC	Bank
Internal EA procedures, which include multiple procurement authorization processes that are rigid and vertical.	40	17	7	51	56	171
Procurement planning process conducted by the EA.	33	22	8	44	42	149
Experience level in procurement management and the turnover rate in the EA.	32	15	11	40	37	135
Estimation of project duration during the design phase, assuming a standard contractual execution period.	20	15	11	47	40	133
Low levels of participation by contractors and suppliers in the procurement processes.	29	11	13	38	31	122
Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).	30	16	4	30	30	110
The country's prior controls over procurement processes.	22	13	6	28	34	103
Executing agency's management and contract supervision capacity.	25	16	8	31	20	100
Degree of project maturity at the time the operation was approved.	21	7	9	22	31	90
Subtotal "Top 9"	252	132	77	331	321	1,113
Total	399	205	109	534	495	1,742

Table A2.3. Top 9 Share Percentage by Region and the Bank

Factors	CAN	CCB	CDH	CID	CSC	Bank
Internal EA procedures, which include multiple procurement authorization processes that are rigid and vertical.	10.0	8.3	6.4	9.6	11.3	9.8
Procurement planning process conducted by the EA.	8.3	10.7	7.3	8.2	8.5	8.6
Experience level in procurement management and the turnover rate in the EA.	8.0	7.3	10.1	7.5	7.5	7.7
Estimation of project duration during the design phase, assuming a standard contractual execution period.	5.0	7.3	10.1	8.8	8.1	7.6
Low levels of participation by contractors and suppliers in the procurement processes.	7.3	5.4	11.9	7.1	6.3	7.0
Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).	7.5	7.8	3.7	5.6	6.1	6.3
The country's prior controls over procurement processes.	5.5	6.3	5.5	5.2	6.9	5.9
Executing agency's management and contract supervision capacity.	6.3	7.8	7.3	5.8	4.0	5.7
Degree of project maturity at the time the operation was approved.	5.3	3.4	8.3	4.1	6.3	5.2
Subtotal "Top 9"	63.2	64.4	70.6	62	64.8	63.9

Note: This table shows each factor's share in each region and in the Bank total. The share is calculated as the co-efficient between the frequency of each factor by region and Bank, and the total frequency of each region and of the Bank total. The subtotal line shows the accumulated share of the Top 9 in each region and the Bank total.

Table A2.4. Top 9 Factor Frequency by Sector and the Bank

Factors	CM F	CTI	EDU	ENE	FMM	GD I	ICS	RN D	SPH	TIU	TSP	WS A	Ban k
Internal EA procedures, which include multiple procurement authorization processes that are rigid and vertical.	2	6	7	17	26	2	17	24	9	7	21	33	171
Procurement planning process conducted by the EA.	2	2	6	13	14	1	20	20	12	5	21	33	149
Experience level in procurement management and the turnover rate in the EA.	2	2	5	16	17	1	16	19	6	5	21	25	135
Estimation of project duration during the design phase, assuming a standard contractual execution period.	1	7	6	13	21	1	13	20	12	5	11	23	133
Low levels of participation by contractors and suppliers in the procurement processes.	1	1	6	7	14	1	15	26	15	4	10	22	122
Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).	2	6	5	11	14		10	13	11	4	14	20	110
The country's prior controls over procurement processes.	1	5	3	7	16	1	11	13	7	4	14	21	103
Executing agency's management and contract supervision capacity.	1	3	3	13	13		11	19	6	1	13	17	100
Degree of project maturity at the time the operation was approved.	1		4	5	19	1	10	15	7	1	9	18	90
Subtotal "Top 9"	13	32	45	102	154	8	123	169	85	36	134	212	1,113
Total	20	46	85	163	230	9	191	260	135	56	218	329	1,742

Table A2.5. Top 9 Share Percentage by Sector and the Bank

Factors	CMF	CTI	EDU	ENE	FMM	GDI	ICS	RND	SPH	TIU	TSP	WSA	Bank
Internal EA procedures, which include multiple procurement authorization processes that are rigid and vertical.	10.0	13.0	8.2	10.4	11.3	22.2	8.9	9.2	6.7	12.5	9.6	10.0	9.8
Procurement planning process conducted by the EA.	10.0	4.3	7.1	8.0	6.1	11.1	10.5	7.7	8.9	8.9	9.6	10.0	8.6
Experience level in procurement management and the turnover rate in the EA.	10.0	4.3	5.9	9.8	7.4	11.1	8.4	7.3	4.4	8.9	9.6	7.6	7.7
Estimation of project duration during the design phase, assuming a standard contractual execution period.	5.0	15.2	7.1	8.0	9.1	11.1	6.8	7.7	8.9	8.9	5.0	7.0	7.6
Low levels of participation by contractors and suppliers in the procurement processes.	5.0	2.2	7.1	4.3	6.1	11.1	7.9	10.0	11.1	7.1	4.6	6.7	7.0
Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).	10.0	13.0	5.9	6.7	6.1	0.0	5.2	5.0	8.1	7.1	6.4	6.1	6.3
The country's prior controls over procurement processes.	5.0	10.9	3.5	4.3	7.0	11.1	5.8	5.0	5.2	7.1	6.4	6.4	5.9
Executing agency's management and contract supervision capacity.	5.0	6.5	3.5	8.0	5.7	0.0	5.8	7.3	4.4	1.8	6.0	5.2	5.7
Degree of project maturity at the time the operation was approved.	5.0	0.0	4.7	3.1	8.3	11.1	5.2	5.8	5.2	1.8	4.1	5.5	5.2
Subtotal "Top 9"	65.0	69.6	52.9	62.6	67.0	88.9	64.4	65.0	63.0	64.3	61.5	64.4	63.9

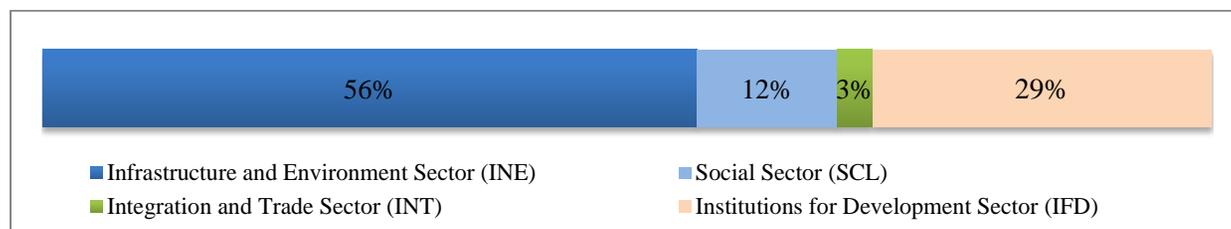
Note: This table shows each sector's share for each of the factors. Share is calculated as the co-efficient between the frequency of each sector for each factor, divided by the total frequency of each factor, expressed as a percentage. The subtotal line shows the average share of each sector in the combination of the Top 9.

Table A2.6. Each Sector’s Share in the Top 9

Factors	CMF	CTI	EDU	ENE	FMM	GDI	ICS	RND	SPH	TIU	TSP	WSA	Bank
Internal EA procedures, which include multiple procurement authorization processes that are rigid and vertical.	1.2	3.5	4.1	9.9	15.0	1.2	9.9	15.0	5.3	4.1	12.3	19.3	100
Procurement planning process conducted by the EA.	1.3	1.3	4.0	8.7	9.4	0.7	13.4	13.4	8.1	3.4	14.1	22.1	100
Experience level in procurement management and the turnover rate in the EA.	1.5	1.5	3.7	11.9	12.6	0.7	11.9	14.1	4.4	3.7	15.6	18.5	100
Estimation of project duration during the design phase, assuming a standard contractual execution period.	0.8	5.3	4.5	9.8	15.8	0.8	9.8	15.0	9.0	3.8	8.3	17.3	100
Low levels of participation by contractors and suppliers in the procurement processes.	0.8	0.8	4.9	5.7	11.5	0.8	12.3	21.3	12.3	3.3	8.2	18.0	100
Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).	1.8	5.5	4.5	10.0	12.7	0.0	9.1	11.8	10.0	3.6	12.7	18.2	100
The country’s prior controls over procurement processes.	1.0	4.9	2.9	6.8	15.5	1.0	10.7	12.6	6.8	3.9	13.6	20.4	100
Executing agency’s management and contract supervision capacity.	1.0	3.0	3.0	13.0	13.0	0.0	11.0	19.0	6.0	1.0	13.0	17.0	100
Degree of project maturity at the time the operation was approved.	1.1	0.0	4.4	5.6	21.1	1.1	11.1	16.7	7.8	1.1	10.0	20.0	100
Sub-Total “Top 9”	1.2	2.9	4.0	9.2	13.8	0.7	11.1	15.2	7.6	3.2	12.0	19.0	100

Note: This table shows each sector’s share for each of the factors. The share is calculated as the co-efficient between the frequency of each sector for each factor, divided by the total frequency of each factor, expressed as a percentage. The subtotal line shows the average share of each sector in the combination of the Top 9.

Figure A2.3. Share of each Sector’s Management in the Top 9



Source: Analysis performed by authors, based on the consolidated results of the surveys.

ANNEX XII. Possible Causes and Effects of the Top 9

Factor Description	Possible causes according to PTL and EA surveys	Possible effects according to PTL and EA surveys
Internal EA procedures, which include multiple procurement authorization processes that are rigid and for procurement.	<ul style="list-style-type: none"> - Absence of adequate organization and definition of functions at the EA (34%). - Lack of clarity regarding the responsibilities of the EA (34%). 	<ul style="list-style-type: none"> - Fragmentation of responsibilities in the decision-making process, leading to delays in project execution (51%). - Greater transactional costs for the EA and the Bank (20%).
Procurement planning process conducted by the EA.	<ul style="list-style-type: none"> - Lack of sufficient expertise at the EA in terms of planning and procurement (45%). - Integral planning tools not used, such as the results matrix, AOP, or PP, which enable monitoring and oversight (35%). 	<ul style="list-style-type: none"> - Deficiencies in forecasting disbursements (44%). - Continual updating of the procurement plan, which implies inadequate planning (49%).
Experience level in procurement management and the turnover rate in the EA.	<ul style="list-style-type: none"> - EA staff with limited technical expertise and experience in procurement (61%). - Civil service or administrative career either inexistent or under development (26%). 	<ul style="list-style-type: none"> - Project execution time greater than planned for in: (i) preparing technical specifications; (ii) evaluating offers (from the call for tenders to the presentation of the evaluation report); and (iii) signing contracts (45%). - Affects the timing, quality, and cost of the procurement processes, as well as the project execution timeframes (20%). - Limited planning and execution of the procurement processes (15%). - Difficulty in capacity building at the EA (15%)
Estimation of project duration during the design phase, assuming a standard contractual execution period.	<ul style="list-style-type: none"> - The planned timeframes are not estimated in accordance with the project's needs or within the procurement process timeframes (85%). 	<ul style="list-style-type: none"> - The projects are not executed within the planned timeframes (91%).
Low levels of participation by contractors and suppliers in the procurement processes.	<ul style="list-style-type: none"> - The private sector's degree of confidence in public procurement processes (27%). - Lack of market price studies (16%). - Lack of clarity in the technical specifications and the contractors' contractual responsibilities (14%). 	<ul style="list-style-type: none"> - Voided tenders (30%). - Delays in achieving agreed-upon timelines, due to the need to make new calls for tender (25%). - Reduced competition and increased estimated costs (15%).
Coordination among interested parties (e.g., the government, donors, the Bank, beneficiaries).	<ul style="list-style-type: none"> - Shortcomings in communication and prioritization of activities by the actors involved (63%). 	<ul style="list-style-type: none"> - Delays in decision making (86%).
The country's prior controls over procurement processes.	<ul style="list-style-type: none"> - Delay caused by internal monitoring of decision making (41%). - The country's institutional procedures and rules (36%). - Numerous intermediary monitoring procedures, due to the lack of trust in the country's institutionality (14%). 	<ul style="list-style-type: none"> - Gaps in the project execution timeline (58%). - The EA unable to take measures in time and form, and delays in the procurement process (22%). - Programmed timeframes in the project design fail to consider the pre-existing monitoring in place in the country (16%).
Executing agency's management and contract supervision capacity.	<ul style="list-style-type: none"> - Deficient monitoring of contract execution and performance by contractors (54%). - Lack of clarity regarding the goal and range of contract oversight by the contracting party (31%). 	<ul style="list-style-type: none"> - Delays in signing contracts and project implementation (29%). - Postponement of contract execution, extending that which was originally agreed in terms of amounts and quantities, due to inadequate supervision by the contracting party (36%). - Delays in project execution, due to inadequate use of the contractual conflict

Factor Description	Possible causes according to PTL and EA surveys	Possible effects according to PTL and EA surveys
		resolution mechanisms (28%).
Degree of project maturity at the time the operation was approved.	<ul style="list-style-type: none"> - Haste in creating and approving operations (44%). - Lack of pre-investment studies undertaken during project design process (32%). 	<ul style="list-style-type: none"> - Delays in planned execution timeframes (25%). - Projects still being designed during execution (37%). - Overspending due to extending contracts for additional tasks and/or spending gaps regarding project (31%).

Source: Analyses performed by authors, based on information obtained during interviews.