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Abbreviations and Acronyms

AP	Andhra Pradesh
APIKP	Andhra Pradesh Indira Kranthi Pratham (also referred to as the Andhra Pradesh Rural Poverty Reduction Project or APRPRP)
BPL	Below Poverty Line
CBO	Community Based Organization
CBP	Community Based Procurement
CDD	Community Driven Development
DPC	District Planning Committee
DPMU	District Project Management Unit
FGD	Focus Group Discussion
GP	Gram Panchayat
KDP	Kecamatan Development Program
MoU	Memorandum of Understanding
MP	Madhya Pradesh
MPDPIP	Madhya Pradesh District Poverty Initiatives Project
NCB	National Competitive Bidding
NGO	Non-Governmental Organization
O&M	Operation and Maintenance
PFT	Project Facilitation Team
PIP	Project Implementation Plan
PIP	Participatory Identification of the Poor
PRI	Panchayati Raj Institution
PSA	Procurement Service Agency
PWD	Public Works Department
RBP	Relationship Based Procurement
RES	Rural Engineering Services
TAG	Technical Advisory Group
TN	Tamil Nadu
TNVKP	Tamil Nadu Vazhdhu Kaattuvom Project (also referred to as Tamil Nadu Empowerment and Poverty Reduction Project or TNEPRP)
VfM	Value For Money
VRP	Village Resource Person

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Introduction

Core premise

One of the guiding principles underpinning community driven development initiatives is that communities have a comparative advantage in local planning based on their knowledge of their own needs and the local context. This raises the important question of whether community based procurement (CBP) reduces cost and contributes to the long term sustainability of local assets. Has developing direct informal controls significantly contributed to improved outcomes? While 'standard' procurement structures view informal networks as unreliable, it is also possible to argue that a one size fits all approach does not work and 'informal processes' can succeed where formal standards of procurement are not fully met.

Community Based Procurement in CDD projects

Community-driven development (CDD) broadly defines an approach used in projects that gives control of decisions and resources to community groups. It involves the creation of community based organizations (CBO) for design, implementation and management of local development works. There are unique features of CBP found in CDD projects. Samantha DeSilva captured these in her research on community contracting as presented below.

Community Based Procurement Models in India

In the current World Bank portfolio of projects in India, there are 22 CDD projects that have community based procurement built into the project design. Community based procurement varies in view of the actors involved and assets generated within each project. At present four distinct models are seen to be operating in CDD implementation with relation to procurement processes (i) Family Based Private Asset Generating Procurement; (ii) Village Organization Based Force Account Type Procurement; (iii) Non-Governmental Organization (NGO) Based Procurement Service Agency (PSA) Type Procurement for CDD Implementation; and (iv) Third Party Contracted Procurement. A detailed account on the main characteristics of these four models is presented in Annex 1 of the report.

Purpose of the report

In the India operations of the World Bank, there is little evidence as yet to substantiate that community based procurement results in value for money in a fair and transparent manner. In order to understand community based procurement in relation to value for money (VfM), governance and accountability, a study was needed to explore these concepts and their dynamics. The

Box 1: Community based procurement in CDD projects

There are different models of CBP, however due to the very demand driven nature of operations in CDD Projects; all of these share certain key characteristics and goals:

- Community members are involved in identifying needs and selecting a sub-project. Control over project investment planning becomes increasingly decentralized and rural communities gain greater voice in planning, implementation and monitoring activities;
- Community participation is encouraged throughout sub-project identification, preparation, implementation, operations and maintenance, and is usually done through an elected community project management committee.
- Communities provide contributions in the form of labor, cash and/or materials. Their contributions promote community ownership and hopefully eventual sub-project sustainability

Source: Community-based Contracting: A Review of Stakeholder Experience, 2001. Samantha De Silva.

present study focuses on CBP outcomes across completed sub-projects with a focus on the following key questions:

- *Value for Money* - Is community based procurement more economical for implementation?
- *Sustainability* - Is there evidence of better operation and maintenance of items and services created through CBP?
- *Participation* - What is the extent of community participation in CBP?
- *Enabling factors* - What are the facilitating processes and environmental factors that positively influence the outcomes in CBP?

The study on Community Based Procurement (CBP) was carried out in 84 successful sub-projects from three CDD Projects in India (in the states of Andhra Pradesh, Madhya Pradesh and Tamil Nadu) and local government units (Gram Panchayats¹) in the state of Kerala, to explore linkages both in terms of enablers and outcomes. This field study was undertaken in 2009.

Salient findings

Results from the study show that, while ensuring that the four basic tenets of Economy (Value for Money), Efficiency, Transparency and Fairness directed the procurement regime in these projects, the community, through various innovative approaches to procurement, followed a highly participatory process that focused on results and savings. The most salient findings of the study are:

- Better Value for Money (VfM) was achieved in the community implemented works, which

were undertaken by the community on their own without involving contractors. There were savings in actual costs and time on most of the analyzed cases;

- A strong sense of local ownership of the assets resulted in their enhanced sustainability, which could be verified from the near universal usage of the facilities and assets and the continuous involvement of the groups in Operation and Maintenance (O&M) of the facilities;
- Compared to the conventional procurement cycle, the sub-projects rated very highly in terms of need identification, procurement planning and scheduling, developing specifications, award decisions, disclosure and contract management. However, these sub-projects scored poorly in terms of market search for bidders, tendering, tender opening and evaluation. The dichotomy of delivering a successful outcome while not following the conventional procedures can be explained by the practice of Relationship Based Procurement¹, wherein the communities established a mutually beneficial and accountable commercial relationship between the purchaser and the supplier;
- A consciously articulated and implemented project design ensured inclusive participation of the intended target communities through positive discrimination, and community capacity building. This was facilitated by a highly motivated and trained project implementation team that focused on the processes rather than outcomes.

¹ Local government at the village level

² Relationship Based Procurement (RBP) is a recent concept in procurement strategies. In RBP, trust plays the most significant role between buyers and suppliers as the willingness to rely upon the actions of others, to be dependent upon them, and thus be vulnerable to their actions and in this manner build collaborative partnerships.

Scope and Methodology

The study was carried out between March and August 2009. As part of the study, the community based procurement practices in 84 completed CDD sub-projects and local government contracts in India were reviewed.

Scope

Selection of projects

The Study identified three projects out of the current portfolio of 22 CDD projects in India. The projects were selected based on four criteria: projects with CDD component, duration of projects and sub-projects, regional variations and State's responsiveness in participating in the study. In addition, sub-projects undertaken as part of the Kerala Local Self Governments were included for analysis

The State project teams selected two districts for the study, relatively near and one relatively far from the state capital. This selection criterion was based on the assumption that distance and development inputs are linked. Two blocks³ were chosen in each district, and villages within those blocks were identified based on the similar assumption of distance.

Selection of Sub-projects

The sub-projects within the village that had met all the requirements of the Project Implementation Plan (PIP) were examined on the basis of completed and audited sub-projects, distance from district headquarters and demonstrated group participation. The sub-projects required that beneficiaries: (i) participate in all phases of the project cycle; (ii) have direct control over project funds and the right to determine their own priorities; and (iii) receive technical and social facilitation and support.

In the Madhya Pradesh District Poverty Initiatives Project (MPDPIP) only those sub-projects that delivered common goods and services for the use of community at large, known as "Z category" projects were considered. In the Andhra Pradesh

Indira Kranthi Project (APIKP, formerly Andhra Pradesh Rural Poverty Reduction Project) the study focused on sub-projects for income generating activities (including dairy, sheep rearing, small manufacturing, agricultural inputs, land development), civil works, and service delivery (in education, health and nutrition and insurance). In the Tamil Nadu Empowerment and Poverty Reduction Project (TNEPRP) or locally known as Tamil Nadu Vazhndhu Kaattuvom Project (TNVKP), the sub-projects examined were civil works undertaken for common goods and services delivery and income generating sub-projects undertaken by Self Help Groups. In the Kerala Local Government project sub-projects delivering common goods and services were examined.

Sample selection

In each project, the study identified the primary institutional arrangement in the community that manages procurement (e.g. Common Interest Groups and Village Development Committees in MPDPIP, Self Help Groups and Village Organizations in APIKP, Self Help Groups and Village Poverty Reduction Committees in TNVKP). The sub-projects supervised by these community-based organizations were chosen for research.

Limitations of the study

- The limited sample of 84 sub-projects may not be considered statistically significant, but is an indicative sample.
- The study considers only completed and successful sub-projects to determine reasons that led to its success. The findings may have been impacted positively by this purposive selection. Hence, this study does not claim to be an evaluation of the project performance or the findings and conclusions, representative or universally applicable for all sub-projects implemented under this project.
- Procurement under two projects (TNVKP and APIKP) largely focused on income generating activities that represents private procurement.

³ Block is a district sub-division, intermediate level governing body for a group of Gram Panchayats

Figure 1: Selection process

Stages	Selection Criteria	Sample			
Project	<ul style="list-style-type: none"> Projects with CDD component Duration of projects and sub-projects Regional variations State responsiveness to participate in the study 	MPDPIP <i>Closed</i> (2000-08)	APIKP <i>Active</i> (2003-09)	TNVKP <i>Active</i> (2005-11)	Local Self Governments under Kerala PRI (<i>On going</i>)
Districts	<ul style="list-style-type: none"> Distance from the State capital (on the assumption that distance and development inputs are linked) 	Chattarpur Rewa	Ananthpur, Medak, Vizag	Cuddalore, Thiruvarur	Thiruvananthapuram Thrissur
Block	<ul style="list-style-type: none"> Distance from the District head-quarters (based on the assumption that distance and development inputs are linked) 	2	2	2	2
Village	<ul style="list-style-type: none"> Distance from the district head-quarters (based on the assumption that distance and development inputs are linked) 	20	13	16	12
		20	26	26	12
Sub-project	<ul style="list-style-type: none"> Sub projects that met all Projects Completed and audited sub-projects Distance from district headquarters; Demonstrated group participation Sub projects where beneficiaries (i) participated in all phases of the project cycle; (ii) had direct control over project funds; and (iii) received technical and social facilitation. 	<ul style="list-style-type: none"> Z category sub projects delivering common goods and services 	<ul style="list-style-type: none"> Sub projects delivering common goods and services; leading to income generation; encouraging livelihood at family and individual level 	<ul style="list-style-type: none"> Sub projects delivering common foods and services; leading to income generation; encouraging livelihood at family and individual level. 	<ul style="list-style-type: none"> Sub projects delivering common goods and services

- The study is limited to two types of community procurement in three livelihoods projects and a Panchayati Raj⁴ initiative, spanning four States.

Methodology

The methodology developed for this study was driven largely by the objective of improving the understanding of community based procurement by assessing the major components of procurement, value for money, governance, financial

management, participation and sustainability.

The study group employed a combination of tools and analytical approaches, using qualitative methods to evaluate sub-projects on design, implementation and results, and to determine the relevance and achievement of objectives.

Semi Structured Interview: A semi-structured questionnaire was developed to initiate discussions on participation, governance, sustainability, and procurement in sub-projects.

⁴ System of governance that has 3 levels i.e. at the village, block and district level in which Gram Panchayats are the basic units of local administration

Performance Rating Tool: To map governance, procurement and financial management practices, performance indicators were used to design a rating scale. The sub-projects were rated on a scale of 1 to 5, 1 being the worst case scenario and 5 the best case scenario. Best practice was depicted by the scenario represented in the project manual for Legal, Procurement and Community operations while the worst depicted scenarios were those unacceptable and corrupt. See Annex 2, 3 and 4.

Focus Group Discussions and In-Depth Interviews: These discussions were conducted in each village with important stakeholders like members of community based organizations, local government bodies, project staff, government line departments, beneficiary households, elderly community members, suppliers and local traders. The study team inspected supporting documents to validate these discussions.

Secondary Review: The study team also reviewed available studies and reports on process monitoring, economic analysis, information systems, internal and statutory audits, along with procurement audit reports. Information pertaining to technical quality was done through relevant documentation review, site visits and Operations and Maintenance (O&M) arrangements. Levels of participation were determined through focus group discussions (FGDs) and reviews of records on the sub-projects.

The overall performance indicators examined are shown in Table 1.

The following guidelines were used to better understand the major components of the study

- **Sustainability and ownership:** Sub-projects were analyzed in terms of information gathered on users being satisfied with the goods and services delivered through the project. If there were necessary maintenance operations taking place, records were verified on O&M and the number of families that benefited.
- **Governance:** The semi structured questionnaires provided data on need prioritization, decision making, composition of executive bodies, transparency and openness, monitoring and oversight (including social audits) and complaint redressal. The use of the rating scale helped compare on a standard measure of governance and provided insight into the CBOs capacity and ability to evolve good governance systems and processes
- **Procurement and Financial Management:** The rating scale provided a tool to analyze the community based procurement practices as against a standard procurement cycle and further analyze the sub components. Similarly the financial management tool was used to analyze the systems and practices that had been adopted by the communities and how they were operating and leading to results.
- **Value for Money:** This analysis emerged out of the focus group discussions where communities stated the savings that they had achieved while managing civil works on their own. To confirm the veracity, the study team undertook a detailed analysis of the estimates and costs incurred in the selected sub-projects. The cited and approved estimates based on Public Works Department⁵ (PWD) and Rural Engineering Services (RES) Schedules of Rates were reviewed and appraised as described in the proposal documents and then a comparison was undertaken with the actual costs incurred from financial documentation maintained, including withdrawal details from the Bank, voucher details as maintained in the cash books, muster rolls on labour costs and audit reports generated. In addition, the study team also matched the sub-project estimates with similar civil works project estimates to see if there were any savings between the works undertaken by the community and similar works undertaken by government departments like the PWD and the RES.

⁵ Public Works Department (PWD) is an agency of State Governments engaged in planning, designing, construction and maintenance of Government assets in the field of built environment and infrastructure development.

Table 1: Performance Indicators Reviewed

Factors	Indicators
Success <i>Sub-projects involving Civil Works undertaken by community</i>	(i) Age of the structure (ii) Defects, repair since completion, if any (iii) Use of facility by community (iv) Evidence of O&M plan for sustenance of facility through community action (v) Initiatives undertaken as a direct outcome of the success of the sub-project
Success <i>Sub-projects involving Microfinance related activities undertaken by community</i>	(i) Number of old Self Help Groups revived by group (ii) New Self Help Groups initiated (iii) Sustainability displayed through regularity of meetings, issues discussed and funds leveraged (iv) Micro-lending within group and linkages achieved
Success <i>Social Activities</i>	Community led innovations in providing access to/creation of service delivery in education, healthcare, nutrition, insurance, land access
Participation and Inclusion Sources: Minutes Books, FGDs, Muster Rolls, mapping of infrastructure activities. Gender and inclusion captured through the number of women participating in the local decision-making bodies in the targeted communities as evidenced through meeting minutes and FGDs [Rating on a scale of 1-5]	(i) Need prioritization (ii) Level of community awareness (iii) Access and control over resources including power and representation in the forums through mandated memberships of SC/ST, etc. (iv) Voice and decision making as reflected in FGD and minute books (v) Match between the perceived beneficiaries and the actual beneficiaries (inclusion) (vi) Gender and group relations including wage rates (inclusion)
Income, Age and Literacy profile	Source of income Age profiling Literacy profiling [The educational qualification was coded as per the following scale: 1- Illiterate 2- Class I – V 3- Class VI- VIII 4- Class IX- XII 5- College]
Governance [Rating on worst to best practices on a scale of 1-5]	(i) Participatory and Consensus Oriented (ii) Transparency – (Openness, Display) (iii) Community/ 3rd Party Oversight (iv) Information and Documentation Management Standards (v) Complaint Redressal System
Procurement Performance [Rating on worst to best practices on a scale of 1-5]	(i) Need Identification Specifications (ii) Planning and Scheduling Procurement (iii) Developing Specifications (iv) Market search for Bidders (v) Tendering/Enquiry Process (vi) Tender Opening (vii) Evaluation Process (viii) Award Process (ix) Contract Management/Completion
Financial Management [Rating on worst to best practices on a scale of 1-5]	(i) Preparation of sub-project budget and making own contribution (ii) Opening, Signatories and O&M of Bank Accounts (iii) Payment Terms in Contracts (iv) Fund Flow Arrangements and Practices (v) Financial Supervision and Oversight
Value for Money	(i) Comparison of cited and approved estimates as per proposal documents with actual costs incurred as evidenced from financial documentation maintained (ii) Cost comparison of sub-project with conventional estimates for similar civil works projects (iii) Time taken

Procurement Performance

To measure the performance, the chosen sub-projects were compared with the conventional procurement systems. At this stage, it is useful to consider briefly some of the basic concepts which will be central to the analysis of the findings.

Procurement Standards

Procurement Cycle

Figure 2 shows the conventional flow of public procurement from strategic need identification to the award process and completion. The set of principles that guide the public procurement function in the process are: (i) Economy: the *right thing* at the *right price*; (ii) Efficiency: economy in price and choice of item available at the *right time* and *right place* for its intended use. This ensures Value for Money (VfM); (iii) Transparency: letting everyone know not only facts and figures of procurement, but also mechanisms and processes followed; and (iv) Fairness: the entity conforms with rules and standards, free from discrimination and dishonesty.

World Bank Procurement Guidelines recommend Local Shopping or Direct Contracting for Community Procurement in CDD projects.

Shopping is a method that compares price quotations from a minimum of three suppliers to ensure competitive prices. Low value off-the-shelf goods or minor civil works are procured without quotes. The quotation request is made with well-defined specifications for quality, terms of delivery and timeframe.

Direct Contracting at Community Level Organizations is for food grains, seeds, livestock, seedlings, fodder and feed, or for proprietary items or in the case of emergencies. Direct contracting may also be used if urgent delivery is required for minor and dispersed works, or works at remote locations where mobilization cost for contractors is unreasonably high.

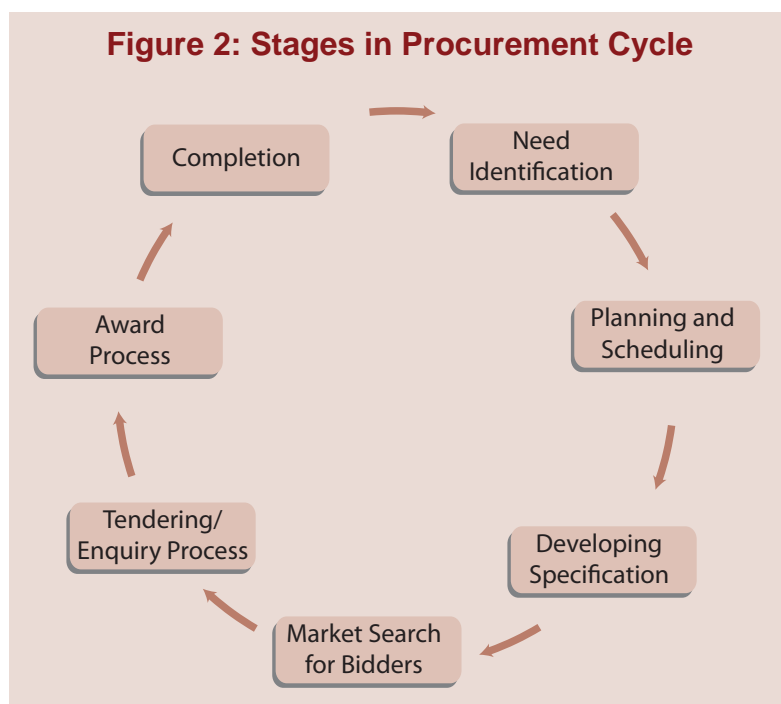
These two procedures allow for the following flexibilities:

- Procured resources satisfy economy and efficiency requirement (lower cost, best quality and timely availability);
- Project funds pay for the required resources; and
- Suppliers have an equal opportunity to compete in a transparent selection process.

Project Procurement Manual: Community procurement guidelines for the entire lifecycle of the sub-project are developed and specified in a separate manual or as a section of the Project Operations Manual.

Outcomes where communities succeed

Using the 1-5 scale rating tool of worst to best performance indicators and with the help of documentary evidence, discussions and FGDs with key stakeholders, each step in the procurement cycle was rated in all sub-projects reviewed. In order to achieve credibility, community



procurement needs to measure up at least as well as the procurement cycle on these traditional performance indicators.

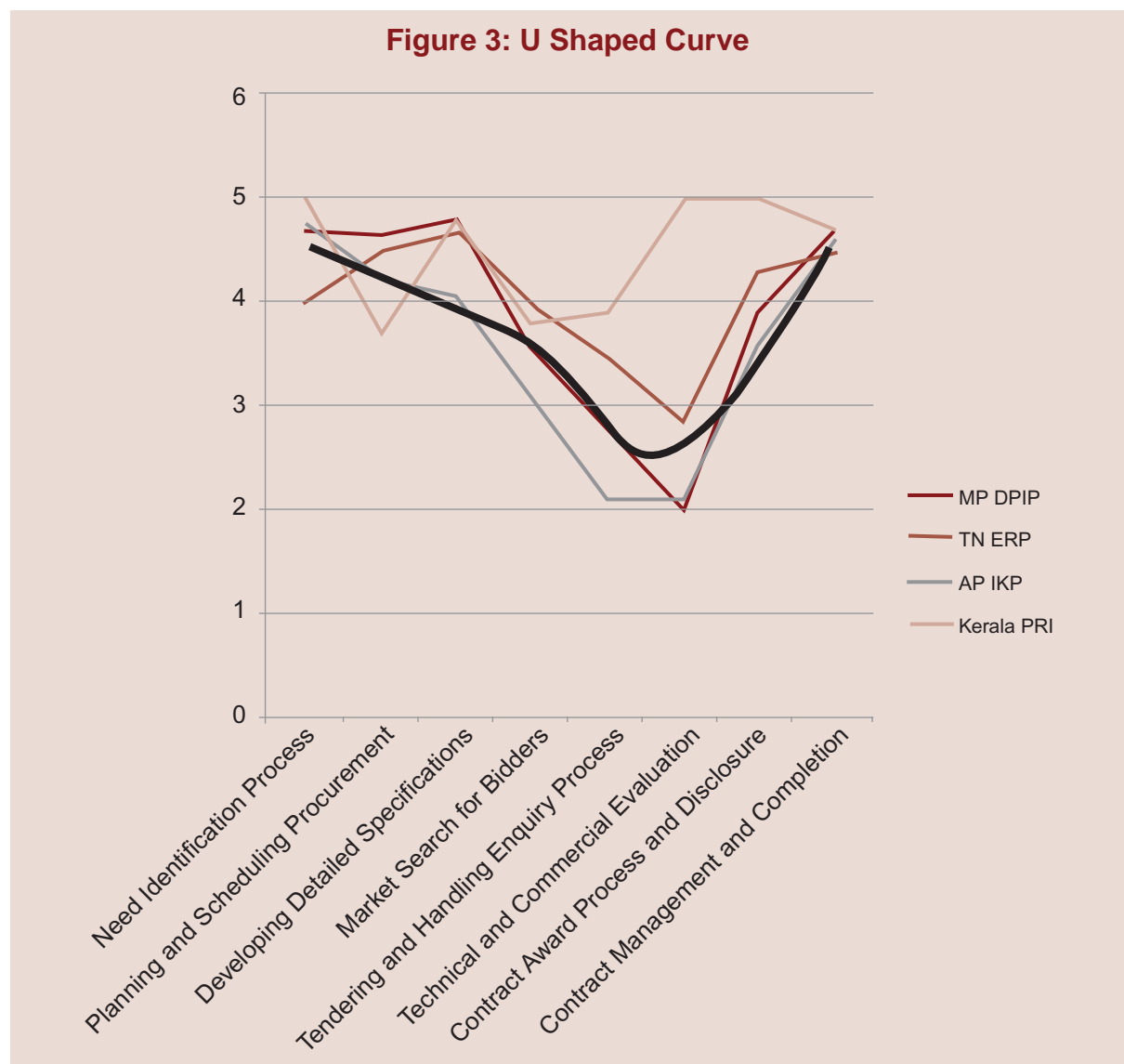
The outcome of the rating is presented below (Figure 3).

From this data it is possible to draw the following conclusions:

1. Communities excel in identifying needs and in the planning stages
2. Performance in terms of technical procedures of conventional procurement cycle, i.e. on market search for bidders, tendering, tender opening and evaluation was poor

3. Despite poor performance in the technical stages, outcomes were good and high scores were seen for completion and project implementation

The U shaped curve emerging from the analysis indicates that despite the failures in technical aspects, community based procurement delivered desired outcomes. It is in this dichotomy of delivering a successful outcome while not following the conventional procedures that the study finds the practice of **Relationship Based Procurement**. The communities establish a mutually beneficial and accountable commercial relationship between the purchaser and the

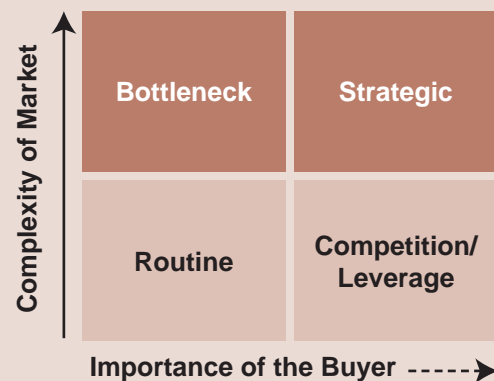


Box 2: Relationship Based Procurement

Relationship Based Procurement (RBP) is a recent concept emerging in procurement strategy. RBP partnering and alliancing was propagated in the construction sector to bring about a fundamental change in the industry traditionally characterized by disputes, fierce competitiveness and fragmentation. W. Derek and H. Keith in their book 'Procurement Strategies: A Relationship-based Approach' argue that through a RBP approach, risk and crisis can be better managed and resolved especially in the construction industry. The key to successful implementation of RBP strategies lies in trust. In a paper titled 'Building on trust: a co-operative approach to construction procurement' (2001) G. Wood, and P. McDermott defined trust as the willingness to rely upon the actions of others, to be dependent upon them, and thus be vulnerable to their actions and in this manner build collaborative partnerships.

RBP corresponds to the top- right quadrant of Strategic Procurement in the Kraljic Matrix of Buyer Supplier Relationship in limited markets, where the use of RBP can help move the buyers from a bottleneck situation to a strategic situation by using relationships to leverage the importance of the buyer in the limited rural market place to the supplier. In return, through RBP, the supplier also benefits from repeat orders from the common goods and services created, which reinforces maintaining the relationship with the buyer on a mutually beneficial long term perspective.

RBP as a method is more than Direct Contracting or Single Source Procurement, as the initial identification happens through a transparent market search among all available suppliers and as it includes vendor retention. Environmental factors like mutual dependence, trust and dependence, sharing of product and market information, and early involvement of suppliers determine the success of RBP on a longer term. An appropriate monitoring mechanism and social audit process in place could ensure that favoritism and complacency do not set in and value for money (VfM) is achieved in every transaction.



supplier, even as they compromise on a few technical aspects of the procurement cycle.

In the present study, the results from the field demonstrate trust and faith based relationships in traditional society. Community representatives reported that at times, the market is not prepared to supply three competitive quotations i.e. local shopping. In these situations, the communities work with the sole provider to supply the desired goods and services for the common good of the village. The supplier offers best solutions to build credibility and seek patronage leading to a symbiotic relationship between the buyers and suppliers. Given the faith based social fabric in

rural areas, it is not difficult to conclude that the beneficiary lead procurement for public goods, facilities and livelihood activities hinge on their informal relations to the suppliers to arrive at cost effective solutions. This relationship based procurement improves outcomes through a significant reduction in costs, and contributes to the sustainability of public assets.

Value for Money (Economy) and Efficiency

The prescribed steps of the traditional procurement chain are expected to lead to economy and efficiency. The study found

that, despite compromising formal controls as observed in the figure above, innovative systems of procurement and financial management by the communities are leading to value for money and efficiency. The informal relations between the community and the suppliers enable them to arrive at cost effective solutions through savings on storage mitigating wastage etc.

Analysis of 47 construction works show that CBP saves cost and time when compared to conventional PWD/RES estimates and the savings are higher in labor-intensive sub-projects. Absolute savings in money is achieved when beneficiaries carry out the procurement and implementation of works. The savings range from 12% to 56% across the three States (Table 2). The results of cost efficiency and actual savings through community based procurement are further validated by other research on cost efficiency in CDD Projects. Studies conducted on community-led works in the Kecamatan Development Program (KDP) and Urban Poverty Project in Indonesia have shown that absolute savings in money is achieved when beneficiaries carry out the procurement and implementation of works. These studies have shown that infrastructure projects cost some 25-56% less than similar small-scale works delivered by other public agencies. A case study of CDD projects in Indonesia cite savings

of 30-50% when community beneficiary groups have undertaken the construction activities (Wong and Guggenheim 2005).

In addition to cost saving, significant time savings were found across the three state projects. This can be attributed to the elimination of excess supervision and verification of sub-projects, and the establishment of smooth fund flow arrangements. The community and the supplier relied on each other to ensure best choice of product, just-in-time inventory system and an efficient supply chain, thus ruling out waste both in terms of material, warehousing costs and time.

Quality and Sustainability

Quality and sustainability of completed projects was analyzed on the basis of: (i) age of the structure; (ii) defects, repair or quality issues that surfaced since completion; (iii) community use of the facility as per plan; (iv) community initiatives as a result of successful sub-projects; and (v) Operations and Maintenance (O&M) by the community.

The results showed that the structures built in the sub-projects are functional with no reported flaws or repairs since 3-5 years of construction. The livelihood focused sub-projects are being managed by community groups that have evolved

Table 2: Value for Money in Selected Sub-Projects

Types of Sub-Project Activities	Savings range in % to original estimate	Average Time Taken in Months
Village Electrification Works	16 to 17	4
Lift Irrigation/ Well excavation/ Hand Pumps etc.	48 to 56	3-6
Road Construction	13 to 25	6
Buildings/Walls: Schools, community halls etc.	18 to 48	6
Stop Dams/Cause Way	14 to 33	3-6
Drinking Water Infrastructure	12 to 29	6-8
Drainage System	31 to 33	6

over the years to reach high group grading for bank linkages and leveraging funds. Similarly, the service delivery sub-projects were delivering high quality services in insurance, health and nutrition and land related legal advocacy.

The completed sub-projects were demand led investments, and included schools, check dams, drinking water supplies, cattle and insurance. When vital needs were met by the sub-projects, the community felt responsible for its upkeep and maintenance. The community took pride in the completed sub-projects, taking on the operation and maintenance of the asset in an organized manner. The consensus approach,

involvement and community monitoring ensured that the created resources were utilized well; with reductions in potential abuse.

Based on these observations here, it is suggested that **success and sustainability is directly linked to the intensity of the need of the community**. Most of the reported sub-projects served the critical needs of the community, including the provision of drinking water, drainage systems, roads and stop-dams for irrigation. In many cases the economic activities that the community groups had a direct stake in were supported by these sub-projects, which further contributed to their sustainability.

Enabling Factors for Producing Good Community Procurement

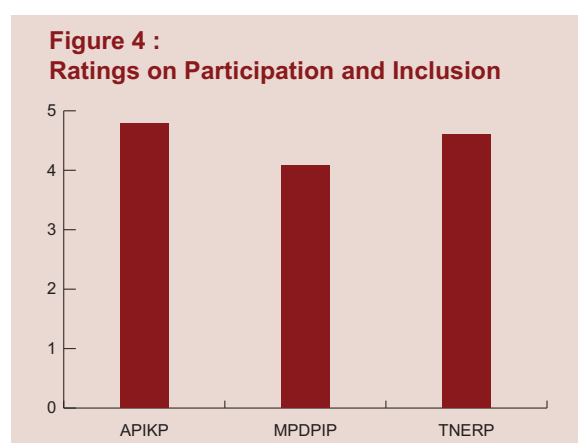
This section explores the factors that lead to the creation of an enabling environment for fostering *Relationship Based Procurement* and the successful implementation of sub-projects. In doing so, emphasis is given to the role of project design and governance in community based procurement, which enabled successful CBP outcomes despite variations from traditional procedures.

Participation and Inclusion

Using the rating tool, documents and FGDs, the extent of participation of the community in each sub-project was understood specifically through:

- Community awareness about the project and its implementation;
- Extent of participation in need prioritization;
- Access and control over resources including power and representation;
- Voice and decision making;
- Match between the perceived beneficiaries and the actual beneficiaries;
- Gender and group relations; and
- Wages for women and men.

The scores across the projects shown in the figure, confirms that good outcomes from community based procurement is underpinned by high levels of participation and inclusion.



Positive targeting of beneficiaries ensured a more or less cohesive group that worked collectively in planning, decision making. This finding is supported by other research (Bardhan and Dayton-Johnson 2001), which shows that heterogeneity has a negative impact on cooperation and commons management. Heterogeneity also weakens the cohesive potential of social norms and the application of sanctions for violating cooperative behavior and collective agreements. In a rural setting, focusing on creating a homogenous group led to a cohesive effort to address common needs.

There are a number of factors that affected participation and inclusion in sub-projects.

- **Positive discrimination:** that seeks to redress imbalances by targeting beneficiaries especially women, backward classes, youth and persons with disabilities among communities. The community resource persons were selected among the poor to ensure their representation as bookkeepers and local trainers. Fritze's (2007) case analysis and field surveys in 250 Indonesian sub-districts, reports similar findings. While CDD projects can help create spaces for a broader range of elite and non-elite community leaders to emerge, elite control of project decision making is pervasive, and project initiated "reservations" can go a long way in mitigating the dangers of elite capture and effecting a redistribution and change in the balance of power.
- **Participatory identification of the poor:** Community members collectively participated in social mapping, resource mapping and identified livelihood opportunities within their village. This provided an important foundation for collective sharing of information and prioritizing needs. The village assemblies (Gram Sabha) served as a forum to debate and jointly endorse decisions like participatory identification of the poor (PIP), community facilitator selection and election of office bearers.

- **Leadership selection:** In order to circumvent elite capture, project interventions were made to reserve leadership positions for representatives from marginalized communities to have their voices heard in the decision making process.
- **Choice of entry point activities:** Participation is influenced by community's willingness to accept the project. Entry points evoke interest and encourage mobilization and capacity building at large. Some works were initiated for common good to meet critical needs of the communities or target groups of beneficiaries.
- **Impact of income, age and education:** Homogenous and cohesive groups were found with little inter-variation in education or income. This encouraged interdependence and allowed for weaker groups to articulate their voice in decision making. The village youth and elderly participate equally to lend their vigor and experience respectively in needs prioritization, sub-project planning and implementation.

implementation, accountability, transparency, responsiveness, efficiency, and equity.

The 1-5 scale measures the sub-projects on participatory decision-making, free access to information, documentation and record keeping, supervision in fiduciary matters and complaint redressal systems. The high scores suggest well-managed, transparent and fair processes in sub-project implementation. The study found that community groups are widely accepted as reliable in delivering goods, works and services.

The rating scale gave emphasis to participation, use of local language, electing sub-project management committees, public announcements, information display and audits of community organizations. As an accountability measure, the Gram Sabhas (village assemblies) served as open public forums to authenticate sub-project related information.

Other than the formal measures of audit, disclosure and village assemblies, the field research indicated the emergence of relationship based accountability systems. Participatory identification of common needs, community monitoring and supervision and ownership brings a sense of responsibility to ensure transparency and fairness. To enhance local capacity, Social Accountability Committees and Procurement Committees were established at the local level to further enforce accountability. Many of these governance measures put in place by the sub-projects have now been extended to other procurement processes.

Governance and Accountability

Good governance is premised on well-defined processes to describe how community based organizations conduct and manage resources to guarantee desired outcomes. In the context of CDD projects, important indicators of good governance include participation in decision-making and

Table 3: Ratings on Governance

Governance Indicators	MP	AP	TN
Participatory and Consensus Oriented Decision making	4.35	5	4.1
Transparency – (Free Access, Openness, Display)	4.45	3.23	4.3
Community/ 3 rd Party Oversight	4.25	5	4.7
Info and Documentation Mgmt. Standards	4.2	4.65	4.7
Complaint Redressal System	2.4*	5	4.5

Financial Management Arrangements

Funds were directly channeled into the hands of communities with a strong emphasis on information disclosure and transparency, especially for project budgets, contracting, and procurement. Broad categories of fund were made available, and communities could use their discretion to make consensual investments decisions to meet their needs. For instance in TNVKP, funds were assigned to categories like livelihood, disabled and youth within which different activities could be undertaken.

To generate cost savings, improve ownership and accountability, communities were expected to contribute a fixed share of the project cost. To handle procurement in TNVKP and APIKP, guidelines were set for a beneficiary community to fulfill. This included assessing the communities' organizational, financial and legal status, grading groups, internally evaluating local capacities for their ability to carry out microfinance or infrastructure works. This ensured that there was a certain capacity in place for managing funds before communities were allowed to handle procurement activities.

The sub-projects visited by the study team were rated on a 1-5 scale on key financial management performance and the findings point to the extent of flexible arrangements that were put in place and supported through capacity building oversight and audit.

Funds were disbursed in multiple tranches upon completion of milestones. The project's appraisal team was entrusted with decisions related to fiduciary performance of communities, thus providing them the flexibility to put in place simple and realistic requirements. When the common interest groups in MPDPIP failed to present three quotations, the State project unit revised guidelines to facilitate disbursement. Other than external audits, local level finance and audit committees constituting community beneficiaries verified utilization. These arrangements have instilled confidence and built community capacity to regulate fund flow, plan, budget and procure; to manage sound credit management and access to credit from banks.

Capacity Building, Technical Support and facilitation

Decentralized project management involving semi-literate and illiterate groups of people requires considerable efforts of facilitation and nurturing to orient groups towards a common purpose and to ensure that they follow systems and processes that would deliver the results in an equitable and transparent manner. The facilitative role of the project staff focuses on capacity enhancement of all stakeholders i.e. both staff, and community members. A highly motivated and skilled project implementation team was institutionalized in all the three projects whose focus was on the processes that deliver the desired outcomes.

Table 4: Financial Management Ratings

Financial Management Functions as Indicators	TN	AP	MP
Preparation of sub-project budget and making own contribution	3.9	4.5	4.6
Opening, Signatories and O&M of Bank Accounts	4.8	4.1	4.25
Payment Terms in Contracts	4.45	NA	4.6
Fund Flow Arrangements and Practices	4.55	4.1	4.65
Financial Supervision and Oversight	3.85	4.1	4.1
(1- Poor, 2- Average, 3- Good, 4- Very Good and 5- Excellent) [Rating out of 5]			

Taking a step-by-step time-bound capacity building approach, the continuous improvement reflected in the sub-project outcomes. For instance, in Tamil Nadu self-help groups were trained to understand their role and functions at the time of formation. Once the Self Help Groups were able to self-rate and establish bank linkages, the next level of training was conducted to include conflict resolution, refresher courses on the roles and responsibilities of office bearers, group planning, budgeting and maintenance of records, including bookkeeping and auditing.

Staff capacity followed a two pronged approach combining: (i) selection and recruitment practice (ii) training and development in the areas of attitude building, participatory approaches augmented by field visits. The study highlighted how the multi-disciplinary teams provide a greater breadth of expertise to address diverse needs. Incentives and performance-linked remuneration were carefully considered to manage performance and deal with employee turnover.

Institution building

Creating strong community based organizations is one of the pre-requisites for good community based procurement. Further, these community organizations should be graded on readiness to perform procurement. A system of self imposed incentive and penalty can further support effective implementation. Community Operations Manuals prepared by the community, which clearly set out the rules of play in a way that is widely understood were also found to be important. A good example of this is the 'non-negotiable principles' and Governance Action Plan in the Tamil Nadu project.

Convergence in delivering successful sub-projects and CBP

While community driven projects have the potential to be more sustainable, once completed they appear to suffer from neglect by Government line departments. Unless communities lobby for inputs and training, their ability to sustain such projects may be limited. Another issue that can arise is that of institutional sustainability. Often such projects create parallel institutional structures outside the government system, with little or no attention to convergence. From the Andhra Pradesh experience, we concluded that a good institutional mechanism that seeks partnerships with other government departments aids implementation and create opportunities to leverage additional resources. Such a system takes several years to establish to ensure acceptance within the community as well as government.

The study highlights the importance of empowerment through participation and inclusion; as well as community monitoring and evaluation through good governance and social accountability. In such environments, the communities procure and innovate while subscribing to the basic principles of economy, efficiency, transparency, and fairness. An outcome based linkage that can be drawn is that the private benefits accrued by the individuals from procurement inculcate a sense of ownership in the process and outcome, in turn contributing to enhanced participation, transparency and accountability.

Emerging Practices

This section documents some of the best practices and innovations that the study team came across in the field. The compilation provides a quick reference for examples that can be replicated in future community procurement project designs and development of policies that are based on participation principles, transparency, and provide insight into ideal procurement conditions.

Needs assessment

In TNVKP the need prioritization exercise targeted the most indigent and marginalized groups within the poor—the disabled. Through participatory need prioritization, the disabled persons in each village were empowered to undertake livelihood activities and provided budgeting and procurement information. The Self Help Groups formed by the disabled community were assisted in planning for income generating activities. Aids, appliances and identity cards enabled their access to existing services letting them become self-reliant. This case signifies the need for an effective Entry Point Activity for penetrating the community and demonstrating the commitment of the project to get maximum participation from the community.

Procurement planning and scheduling process

The planning and scheduling process followed by Local Governments (Gram Panchayats or GP) in Kerala is one of the most advanced in the country. The State of Kerala has a highly decentralized local government whereby the elected representatives and beneficiaries work together in collaboration with the government line departments and their technical functionaries to implement projects. The planning and implementation guidelines provide a system for prioritization of needs, allocating resources as per the priorities identified by the state and meeting the targets as per schedule. The eight step planning process includes:

- Situation Analysis done by GP with the help of working groups

- GP undertakes a pre-Gram Sabha and Ward Sabha consultation with key stakeholders including farmers, Area Development Societies, school representatives, and political party representatives to prioritize selection of projects
- The information and feedback gathered from these consultations is then used to prepare Development Report and Vision Document
- Working groups undertake the draft plan preparation which details key strategies along with the priority schemes to be adopted for that year
- GP level Development Seminar is arranged, wherein the gist of Development and Vision Report is circulated, along with plan implementation strategies
- After Development Seminar, finalized projects are formulated by the various Standing Committees
- Technical Advisory Group (TAG) undertake the vetting of the Plan
- The projects vetted by Technical Advisory Group are presented to District Planning Committee (DPC) which considers the plans in detail and gives recommendations for change if needed

Market search for bidders

In Tamil Nadu, one of the Self Help Groups chose a livelihood activity that demanded rigorous training and a long duration of stay outside their village. Unwilling to stay away from home and to save cost, the community members chose to bring the trainer to their village at a lower cost, using the selection procedures laid out for the project. At this stage the proactive leadership by the local Government at the village level and flexible project functionaries were instrumental in allowing communities to adapt norms and guidelines to save cost and time.

Selection criteria for project functionaries/staff

The commitment of project staff is essential to ensure effective management of CDD projects. In Madhya Pradesh, facilitation skills as well as a sound technical background were among the key criteria to select project functionaries. The study team found that a clear vision of the facilitation role of the project staff by the design team resulted in a focus on capacity enhancement at every level. The key initiatives included:

- Identifying dedicated individuals with the right attitude and orientation through thorough assessments, assisted by a specialized and independent firm;
- Forming multi-disciplinary teams at the field level, in order to have a horizontal blend of expertise;
- Training and exposure visits for project facilitators and managers to reinforce project philosophy and approach over two years;
- On-the-job training during implementation, while classroom training was limited to inputs for forming and nurturing Common Interest Groups (CIGs) and recordkeeping.
- Performance linked remuneration to check employee turnover; high increments and promotion for better performing staff.

These initiatives resulted in a mix of staff members from government, non-governmental organizations and private sectors; “buy in” from staff; sharing cross-sector expertise and learning; interpreting theory to real life situations; and making this expertise available to the target beneficiaries in the form of a project facilitation team.

Results focused fund flow mechanism

The fund flow arrangement in Andhra Pradesh is an impressive approach using Project funds to draw better results with greater accountability.

The livelihood needs of the poorest of the poor in the self-help groups are prioritized to grant loans. With the help of community facilitators, SHGs identify and assess the physical, financial and human resources of each of their SHG members and explore improvements. They arrive at individual micro credit plans, integrated into a group micro credit plan. Funds are limited so the first tranche of the loan from the project is granted to the poorest members within the group. The SHG creates peer pressure on the first set of prioritized beneficiaries to utilize the loan suitably for timely repayment. Other group members who are awaiting loans are aware that failure to repay would result in no further loans being issued to the group by the project and the banks. Since funds are conditional, the beneficiaries closely monitor and facilitate each other for successful results.

Information, Education and Communication (IEC)

Information, Education and Communication (IEC) Campaigns played a major role in the success of TNVKP. The operation manual was jointly developed by the community and the project staff through a series of workshops. It lists the principles of the project, explains the livelihood approach to poverty reduction and describes the institutions that should be established or strengthened in the process. Guidelines on procurement, managing finances and social accountability are part of the manual. Community involvement in generating user-friendly guidelines ensured that the community knew what and how to do it while maintaining third party oversight. Where empowerment and socialization is emphasized as part of project planning, this can help to build social capital and ensure effective monitoring of the financial and technical aspects of sub-projects and the social aspects within the implementation groups.

Community monitoring

Community monitoring and accountability measures were supported by establishing Social Audit Committees, Financial Management

Committees, Procurement Committees, Gender Cells, Land Reform Cells which comprised of the target beneficiaries who were trained and facilitated to handle the working of these committees. In APIKP the Gender cell is managed by paralegals identified and chosen from within the target group beneficiaries. These individuals were given training and certification to handle social issues and encouraged to develop locally appropriate solutions to local issues.

Parity charts

The study found innovative efforts in procurement that have been developed by project teams to facilitate better selection of goods so that value for money is achieved. In Madhya Pradesh the district level project team established a new approach to develop a relationship based supply process with leading vendors operating at the district and sub district levels. A key component of this has been the 'parity chart', which has improved the process of market search, comparison and selection of products by the project beneficiaries.

The community members faced difficulties in making the right choice for procurement due to lack of information and market linkages. The project team organized village and district level meetings with suppliers to establish linkages, understand product specifications and their prices. The suppliers were made aware of a large untapped market that the communities represented and mutual benefits of building relationships. A fair and transparent process was followed. Selected community representatives from all villages were invited to identify and short-list their needs. Local suppliers were identified and listed with the positive and negative aspects of their quality and service. Invitations were sent to the short listed suppliers for a public demonstration and negotiations. The suppliers presented their products, prices, offers, service arrangements etc. Factors like service, guarantee, transportation cost, and payment conditions were noted. A comparative Parity Chart was made after these meetings, to facilitate decision-making by the community members.

Conclusions and the Way Forward for Developing a Framework for Community Based Procurement

The study on community based procurement in CDD projects confirms that when people are allowed to plan, implement and monitor needs that are close to their livelihoods, there would be significant savings in cost, improvement in quality and built-in operation and maintenance. The outcomes are achieved despite deviations from the standards of a technically sound procurement cycle. This confirms one of the core principles of CDD, that communities play a self-regulatory role.

These positive outcomes are the result of the capacity development efforts, which were built into project designs. While there is a need to place trust in the communities, it is also important to monitor their capacity through rating, and evaluation. Efforts are needed in the project preparation phase to create capacity and instill good governance principles among community groups. However, such positive CBP outcomes are feasible only with an enabling environment in which the community groups federate together, seek and receive technical support, and share the responsibilities in an open and accountable manner.

The study highlighted a number of critical factors for ensuring good community procurement and success in sub-projects. These include choosing a good facilitation team, intensive capacity building of the beneficiaries through skill training on bookkeeping, consensual decision making. Also important are the use of participatory tools in target group identification and need prioritization.

The review of completed sub-projects also shows that the participation of all target groups and inclusion of marginalized was institutionalized through the project design, which emphasized building community groups for facilitation and implementation. With these provisions in place, accountability and sustainability was ensured by multi-stakeholder ownership, and most importantly social capital, which was built from within the target communities.

While reviewing the community groups' performance of procurement management in CDD projects against the conventional procurement

cycle, it was found that need identification, planning and scheduling, developing specifications for the items to be procured, making the final decision on best offer and managing the contracts rate very high. Whereas the technical areas of market search, tendering and evaluation process show comparatively lower rating, reflecting inadequacies. The conclusions from reasons and factors that have led to achieving value for money and success despite the technical failure narrated above, points to the need for innovative approaches like **Relationship Based Procurement** rather than a procedures-led approach in CDD projects. The focus should be on the processes itself, especially need identification, building participation, open and transparent management, rather than exclusively on inflexible procedures.

Conventionally, **Relationship Based Procurement** systems based on family and kinship arrangements could align with elite capture and nepotism, however the sub-projects reviewed reflect that, in a rural context, if the institutional structures are in place and the group that seeks accountability is defined by a common need this can lead to better outcomes.

The Way Forward for Developing a Framework for Community Based Procurement

Further thinking for developing a Relationship Based framework for community procurement in CDD projects, could be based on the following:

- Facilitation, training and implementation should be sequential for social capital to be built at the group and village level before any procurement activities are initiated. Groups need to be graded on their maturity, trust and inter dependence before procurement responsibilities are bestowed on them. Subsequent supervision and monitoring also should be based on rating the procurement system rather than post review of transactional procurement activities.

- Some processes or standards are imperative to protect communities from fraud. These standards should be based on good governance and accountability principles, rather than prescribed and overly stringent rules. Processes should not be imposed as long as the objectives are met; instead these should be adapted to suit communities. The communities should be encouraged to find means to adopt the four principles of Economy, Efficiency, Transparency and Fairness in Public Procurement and these should be examined carefully before implementation.
- Institution building, to create strong community organizations, is one of the pre-requisites for good CBP. Self imposed incentives and penalties can enable effective implementation within the groups.
- Operational guidelines should be developed by the groups with appropriate facilitation of basic principles. The involvement of the community in generating user friendly guidelines helps ensure that it is owned by the group and local social and cultural values are integrated with guidelines for community based procurement.
- Social Accountability Committees and Procurement Committees, as part of the village level organizations, can help create peer pressure and ensure accountability. The key to the success of these committees are (i) who holds various positions, (ii) how are they selected and (iii) what is their acceptability in the relationship based model of accountability that operates in the given setting.
- Approaches like Relationship Based Procurement would have a high likelihood of success in rural projects because of the rural family and kinship based social fabric that allows for a sense of true community being built and a sense of ownership over the assets generated. They are best undertaken in a context-specific manner, with a long time horizon and with careful and well-designed monitoring and evaluation systems. This study leads to a conclusion that family and kinship networks in the rural setting help establish better accountability among the procurement committees of the groups as well as the local supplier.

Annexures

Annex 1: Models of Community Based Procurement observed in CDD Projects

Category I- Family Based Private Asset Generating Procurement: Close knit family based Common Interest Groups are formed on economic and livelihood considerations and their procurement generates private assets for livelihoods like agricultural implements, cattle, etc. In this model, funds are channeled to and managed entirely by the community. Value of procurement *per capita* is often less than \$500 and simplified shopping or direct contracting methods are used. A separate Procurement Committee undertakes procurement and the Social Audit Committee monitors the fiduciary management. Other third party consultants and statutory financial auditors are engaged for external assessment;

Category II- Village Organization Based Force Account Type Procurement: Village level community based organizations manage procurement for community goods and services like roads, check dams, community tanks, watersheds, etc. that follow more or less force account method etc. The funds are channeled to and managed entirely by the community. Value of a single procurement transaction could be between \$1000 to \$15,000 and force account; shopping or direct contracting methods are used. Separate Procurement Committee undertakes procurement and the Social Audit Committee monitors the fiduciary management. Other third party consultants and statutory financial auditors are engaged for external assessment;

Category III- NGO Based PSA Type Procurement for CDD Implementation: In this category, NGOs act as service providers (running

clinics, after-school centers etc.), agents or change managers in implementing specific activities (like forming and operating dairy federations) and procurement is often carried out for the benefit of the community. The NGOs working closely with the communities submit proposals on their behalf, and the funds flow into the books of the NGOs or in to a joint account with the community project management committee through a financing agreement. Value of a single procurement transaction could be from \$5000 to \$50,000 and shopping or direct contracting methods are used. NGO undertakes procurement, and community has limited or no responsibility for monitoring the fiduciary management.

Category IV: Third Party Contracted Procurement: Common interest groups or self help groups outsource sub-projects to contractors when the communities cannot manage sub-projects like construction of school buildings, pipelines, setting up power transformers etc. In this model, the communities participate in identifying and selecting contractors. The funds are channeled either from the project or the community organization to the contractor. Value of a single procurement transaction could be between \$15000 to \$100,000 and shopping or National Competitive Bidding (NCB) methods are generally used. Decentralized Project authorities or a separate Procurement Committee of the community groups undertakes procurement, independent Social Audit Committee monitors the fiduciary management. Other third party consultants and statutory financial auditors are engaged by the Project for external assessment;

Annex 2: Rating Tool for Procurement Performance

Subject:

Village:	Block/Mandal:	District:
State/Province:	Country:	

1.0 Need Identification

SOURCE: Focus group discussion comprising of key stakeholders (officers, community members and committee members)

1.1	Need generated by village elite/interest groups where none genuinely exists or need exaggerated	
1.2	Project reviewed and identified the need with the participation of village elite	
1.3	There were other important needs, but majority participated in the identified one	
1.4	Need prioritized to meet strategic need, but covering majority habitations and population	
1.5	Prioritize budget to meet the most important and strategic need of entire village	

2.0 Procurement Planning and Scheduling

SOURCE: Implementing/ Executive committee members, Procurement and Financial Committee Members where available

2.1	Inappropriate packaging for favoritism and fraud (in small sizes to keep within locally or larger sizes to avoid local market. Lead to considerable delay and wastage	
2.2	Unwanted split or bundle for managing interface by officials or village elite causing wastage and delays. With or without F&C intend	
2.3	Ad hoc manner of implementing sub-project and making procurement. Lack of scheduling and packaging lead to delays and wastages	
2.4	Planned splitting and packaging as needed for the planning schedule for completing tasks, however some delays and wastage happened due to poor market responses	
2.5	Planned splitting and packaging as needed for the planning schedule for completing task without delays and wastage happened. Procurement packaging and scheduling took into account the technology aspects. Using innovative approaches like Relationship Based Procurement, Parity Charts, etc. to draw best value from local market by splitting and bundling as per need of timing, package, delivery, etc.	

3.0 Specifications

SOURCE: Implementing/ Executive committee members, Procurement and Financial Committee Members where available

3.1	Due to lack of knowledge about items to be procured, the community visiting a single shop, asks for the brochure and copies the configuration/ specifications in the quotation. It is a repeated practice. Unclear and incomplete specs with outdated methodologies. Too specific and restrictive with brand names, etc.	
3.2	Over specification leading to limited competition. Proposing items and techniques which may not be necessary for outcomes	
3.3	Some lack of clarity on specs & standards leading to possibilities of bidders drawing varying conclusions of requirement	
3.4	Broad specifications are mentioned which could meet performance and delivery. However like with like comparisons difficult	
3.5	Stating what is required clear and complete. Giving Performance specs that how to do works, using generic details of items with ease of comparisons	

4.0 Market Search for Bidders

SOURCE: Focus group discussion comprising of key stakeholders (officers, community members and committee members) AND Implementing/ Executive committee members, Procurement and Financial Committee Members where available

4.1	No effort made to identify potential bidders, single source identified or pre decided was used	
4.2	Unreliable documentation present as search carried out. Not substantiated and often leading to only 1 or 2 suppliers	
4.3	Searched only the market(s) in the proximity mainly due to logistics reasons. But no discrimination among local suppliers seen	
4.4	Limited search made from Groups own knowledge. However referred to Rate/ Item Banks thus expanding the market base	
4.5	Deciding a list of potential suppliers exactly following the procedures mentioned in the Project legal agreement Annual validation of supplier list, suppliers made aware of ethical practices, for quality issues appropriate steps are taken.	

5.0 Tendering/Enquiry Process

SOURCE: Implementing/ Executive committee members, Procurement and Financial Committee Members where available

5.1	No written invitation, no records of invitees, queries, no specifications, no selection and award criteria listed. Only one bid received without any reference to tender number.	
5.2	“Sitting tenants” (same few bidders responding every time) only gave formal invitation. Written invitation sent to a select few bidders. No specifications, no selection/ award criteria, no uniform response to queries and no single point of contact.	
5.3	Written invitation sent to many bidders, weak specifications provided but no selection/ award criteria and ITT/RFP sent on different dates and no single point of contact and no uniform response to queries.	
5.4	Written invitation sent to many bidders, good specifications, selection/ award criteria provided, ITT sent on same date but no single point of interest and uniform response to queries.	
5.5	Written invitation sent to many bidders, good specifications, selection/ award criteria provided, ITT sent on same date, single point of contact, uniform response in writing to queries shared with all bidders, enquiring with invited bidders reasonably ahead of due date of tender date as to whether they will bid.	

5.0 Tendering/Enquiry Process

5.1	No written invitation, no records of invitees, queries. Mostly a single response without any reference to any enquiry made by the group	
5.2	“Sitting tenants” CLARIFY write as same few responding each time only gave formal invitation. Selective handling of giving time and answering queries, all with mal intent	
5.3	Written or oral information shared with bidders for submitting quotations, all given similar information, adequate time	
5.4	Written invitations issued with similar details and no of days for response, but not issued on same date, no uniform responses to queries and no single point of contact.	
5.5	Formal written invitations issued to all bidders on same day with adequate time. Queries answered to all and a single point of contact remained through the process	

6.0 Evaluation Process

SOURCE: Implementing/ Executive committee members, Procurement and Financial Committee Members where available

6.1	No formal comparison, no formal criteria pre-notified, no evaluation note or all quotations not available for post review	
6.2	No formal criteria pre notified or comparison tables. However minutes of community groups records receipt of quotations with prices and to whom the contract was awarded at what price	
6.3	Bidders guessed the criteria, as the same was not in bid. No separation of functions in evaluation. Minute available of a meeting where bids reviewed and winner decided	
6.4	Variations made on notified criteria subsequent to receipt of bids. Combined evaluation note without individual accountability. Bidders contacted for subjective clarifications during evaluation	
6.5	Evaluation carried out as per criteria notified in Bid. Independent members of a committee carried out written evaluation, signed individually. No contacts with bidders during the evaluation process	

7.0 Selection and Award Process

SOURCE: Implementing/ Executive committee members, Procurement and Financial Committee Members where available

7.1	Selection and Award decision made by authority irrespective of deviations in procedures. No written agreement and No formal acceptance	
7.2	Details of selection and award recommendation forwarded are not available, but bids and other reference documents are available. Post dated agreements. No detailed terms and conditions Only receipts of goods available in most cases.	
7.3	Incomplete or sketchy minutes in place of recommendations. Approvals do exist. Agreements signed, mostly as offered by Supplier including their terms and conditions	
7.4	Selection and Award decision based on proper assessment, recommendations and approval Written agreements/ revenue stamped documents in place.. Inadequate clauses available on delivery, guarantee, defect liability, liquidated damages etc.	
7.5	Formal written agreement based on approved recommendations. Signed by both parties with consignee details, security for advances and clauses for liquidated damages and other terms and conditions as per norms	

8.0 Completion rated

SOURCE: Focus group discussion comprising of key stakeholders (officers, community members and committee members) AND Implementing/ Executive committee members, Procurement and Financial Committee Members where available

8.1	Delivery details not recorded. Specific timelines weren't met. Post completion services weren't adequate	
8.2	Incomplete delivery/ delivery not as per specification. Complete details of training were there, but there was an evident lack of ownership.	
8.3	Except time delays, there were no changes which were to be made during delivery and after completion; the delivery and project completed as required, but O&M not done or details missing. Has requisite documentation	
8.4	Irrespective of some delay delivery done with requisite documentation. Properly monitored and auxiliary variations adhered to for the benefit of the outcome. O&M details were loud and clear. The project was speaking its success out and ownership was seen everywhere.	
8.5	Specific timelines were met according to the proposal and evidences of proper monitoring available. Documentation of delivery, completion and hand over perfect. No delay and no extra cost incorporated. Still functional with negligible O&M cost. Universal usage observed.	

Annex 3: Rating Tool for Governance

Subject:

Village:	Block/Mandal:	District:
State/Province:	Country:	

1.0 Participatory and consensus oriented

1.1	Elite (of village) capture of decisions, inputs and outcomes or officials lead decisions, inputs, and outcomes.	
1.2	Selection of sub-project in favor of village majority, sub-projects serving majority, but not entire village. Some habitations left without any details of fund flow, or execution by the sub-project members.	
1.3	Challenges expressed over beneficiary lists, but willingness to revise. Sub-projects divided to "buy in" consensus by habitations. Only respective CIGs know details of sub-projects.	
1.4	General consensus on beneficiary list. Consensus in sub-project selection, planning and execution. Mostly CIG members or villagers in positions of authority (Panchayat) aware of details of execution including fund flow.	
1.5	No challenges on beneficiary list. Consensus in sub-project selection, planning and execution. Majority knows funding and expenditure details.	

2.0 Transparency (Openness, Display)

2.1	Lack of awareness or felt need to have a policy for disclosure or openness of the CIG management. Most people unaware of basic project details	
2.2	Display boards not located at easily accessible sites. Missing minutes or cash and other registers. Information on basic project details is available with very few.	
2.3	CIG has awareness for the need of disclosure policy regarding the project, individual entitlement. However, information available on request basis. Display boards not available for all works undertaken or in all habitations. Minutes and cash and other registers are available but not well maintained.	
2.4	CIG aware of disclosure policy for project, individual entitlement. Practices display of beneficiary details, income and expenditure and procurement details. However, boards are not well maintained and available to all. Minutes and cash and other registers are available but not well maintained.	
2.5	CIG aware of disclosure policy for project, individual entitlement. Practices display of beneficiary details, income and expenditure and procurement details. Minutes and cash and other registers well maintained and accessible. Innovative measures like First Information Report (locally known as <i>Panchanama</i>) introduced.	

3.0 Community/3rd Party Oversight

3.1	No social or fiduciary audit in place. No oversight, maintenance by project staff. Closed meetings held and no sharing of details.	
3.2	Project staff oversight present, third party fiduciary audit is maintained. However no community oversight.	
3.3	Community/3 rd party oversight in place, but long gaps displayed in their occurrence. No steps taken to address or make any changes based on suggested recommendations.	
3.4	Information on regular community and 3 rd party oversight is available. Suggested recommendations followed through.	
3.5	Regular process of 3 rd party and community oversight. Beneficiary list known to all. Social auditing through open meetings (Gram Sabha). Details of CIG functioning shared, feedback taken during regular meetings. Sub-project progress, procurement details made publicly available for comment. Recommendations followed through.	

4.0 Info and Documentation Management Standards

4.1	Most prescribed documentation missing. No knowledge on ledger maintenance or upkeep of minute book details. No idea regarding required documentation for different procedures.	
4.2	Knowledge within the group on the importance of maintaining documentation, however no concrete efforts taken to realise this. Available minutes, registers etc. looks manufactured post facto.	
4.3	Project proposal, UC and cash registers are maintained. However, minutes book are not well maintained and there is no data on the functioning of the CIG. Most receipts are handwritten on small scraps of paper.	
4.4	Prescribed documentations including minute's book, cash registers, user group registers, measurement book, utilization certificate, proposal document etc. are available. There is no fixed responsibility for maintaining the documentations and updating is done on an as needed basis.	
4.5	Prescribed documentations including minute's book, cash registers, user group registers, measurement book, utilization certificate, proposal document etc. are available and well maintained. Each member's signature available for the days that meetings attended. There is fixed responsibility for one member to ensure all records are updated and stored in a safe manner. Each receipt voucher has a government stamp attestation.	

5.0 Complaint Redressal System

5.1	No framework or system for complaint redressal.	
5.2	Need expressed for a method. Or the current complaint redressal system is complex- money and time intensive. Involves too many procedures.	
5.3	Complaint redressal system present but the stated resolution time frame isn't followed	
5.4	Timely complaint redressal system in place. Documented incidents when this has taken place. No guidelines on escalation.	
5.5	Coherent complaint redressal system that indicates the time frame for problem resolution, escalation. Evidence of the system functioning effectively. Various minutes record, conflicts and mechanisms to resolve them.	

Annex 4: Rating Tool for Performance of Financial Management

Subject:

Village:	Block/Mandal:	District:
State/Province:	Country:	

1.0 Preparation of sub-project Budget and Own Contribution

1.1	Clear Elite/official capture of planning, preparation etc. Majority members are dormant, benefits accrue to them as wage etc.	
1.2	Sub-project is an imported idea by some village elite or project officials. Developed by limited no of people. Knowledge of funds, estimation, expenses with limited few. Possibly, own contribution was inflated in the budget estimate.	
1.3	Sub-project is an imported idea by some village elite or project officials. Developed by limited no of people. Knowledge of funds, estimation, expenses with limited few. Possibly, own contribution was inflated in the budget estimate.	
1.4	Sub-project is decided within consensus. Some Members were involved in developing detailed activities and budget. Knows sanctioned amount. Own contribution was made by each member as verified	
1.5	Sub-project is decided within community in consensus. Members developed the budget based on detailed plans, BOQ and estimates. Everyone is aware of the total proposed cost and sanctioned amount. Own contributions were made by individual members as verified.	

2.0 Opening, Signatories & O & M Bank Account

2.1	Signatories are nominated by the elite and officials. O & M is carried out by Book keeper or people other than the CIG	
2.2	Signatories are aware of the bank nuances and goes for the transaction part; however for O&M one individual overshadows others. Signatories seldom visit the bank for operations and pass book updating.	
2.3	Signatories go for the transactions, manages the passbook, knows the whereabouts of the funds, but mostly one elite or Book Keeper is in control of expenditures	
2.4	Signatories go for the transactions, manages the passbook, knows the whereabouts of the funds, but mostly one elite or Book Keeper is in control of expenditures	
2.5	The bank account is maintained by the unanimously designated signatories from amongst the villagers and performs their job effectively giving no room for any pilferages. Records are maintained well and all back tracking of expenses found required supporting documentation	

3.0 Payment Terms in Contracts

3.1	Inappropriate method including large advances leading to loss of control and contractual dispute	
3.2	On Supplier's Call and did not use the leverage of the project. Advances without security and delays	
3.3	Unclear payment terms and lack of consistency between different suppliers leading to disputes after placing orders	
3.4	Payment only on delivery, without any advances or interim payments	
3.5	Payment mainly on delivery, however, adopted flexibility to best motivate the supplier to offer and deliver in time	

4.0 Fund Flow Arrangements

4.1	Memorandum of Understanding (MoU) was just used for getting the funds. Activities changes without proper re course. Elite might have contributed for everyone on "Own contribution" component. Rampant delays in fund flow.	
4.2	Major variations between approved Memorandum of Understanding (MoU) activities, schedules and actual implementation. Flow of own contribution erratic, inadequate and not verifiable. Delays in release and receipt of installments	
4.3	Minor variations found between Memorandum of Understanding (MoU) and implementation Beneficiary contribution was collected into the pool but not timely and individual details are not traceable. Usage of the tranches was late due to delay and unavailability of resources.	
4.4	Memorandum of Understanding (MoU) with total cost, installments and milestones used for managing funds; Budget developed by the members was well executed and subsequently. Some delays and minor discrepancies on own contribution observed	
4.5	Memorandum of Understanding (MoU) with total cost, installments and milestones used for managing funds. Beneficiary contributions received in right time. 50% fund received on signing MoU within 7 days. Rest received. All the pre-requisites are met.	

5.0 Financial supervision and oversight

5.1	No support, training received from Project Facilitation Team (PFT), District Project Management Unit (DPMU). Gram Sabha Audit not seen. Audit not undertaken or has negative observations pointing to lack of capacity and monitoring.	
5.2	Some Support training received by a few members from PFT, DPMU. Gram Sabha audit was not found. Audit was undertaken and has negative observations	
5.3	Some Support training received by a few members from PFT, DPMU. Audit done by Gram Sabha and DPMU/PFT. No negative observations noticed.	
5.4	Internal auditing and other regular oversight function were undertaken by DPMU/PFT. Expenditure details were placed in GP. Training was imparted to few members. Village Resource Person (VRP) dominated the work in this task.	
5.5	Internal auditing and other regular oversight function were undertaken by DPMU/PFT. Expenditure details were placed, discussed and approved as per GP Minutes. Auditing was flawless with no neg. observations. VRP Training and orientation to other CIG members carried out.	

Annex 5: Selected Case Studies

1. Working with Suppliers to Achieve Innovative and Cost Effective Solutions

Obari is a sleepy little village some 100 kms away from the district headquarters of Rewa in Madhya Pradesh. A remote village nestled on the border with Uttar Pradesh, the area is notorious for *dacoits* (bandits) and its general inaccessibility. There is no market supporting the area and the only available resources are the natural resources: the river, the land and the forest. The challenge faced by the community and MPDPIP was in introducing any kind of income generating groups in this situation. Brainstorming generated one feasible plan: using the river water for irrigation of the surrounding lands. However, the implementation generated another challenge, since the fields were at a height of 6 meters and nearly 1600 meters away from the river. Technical guidance bolstered the faith of a few families within the village and they decided to form a common interest group (CIG) with the support of the project facilitation team (PFT) to pursue their goal.

The community members approached vendors and detailed their specifications: a pump that could lift the water to the needed height and distance, and pipes which could convey the water to the field. Based on the reliability and quality assurances made by Sanjay Agrico, the villagers chose him as the supplier. The CIG members, with inputs from the PFT, decided to choose a pump manufactured by Greaves and rail pipes manufactured by Reliance. It being a new entrant into the rail pipe market, Reliance was able to provide a number of subsidies since it wanted to get a foot hold in the market and establish a relationship with a seemingly successful project.

Amidst a large group of curious onlookers, the pump was inaugurated and it failed! The PFT now had their task cut out. They again rallied

the farmers and encouraged them to approach the vendor for a solution. The proprietor, who by now had established a good relationship with the villagers and project, did all he could do to resolve the problem. The new pump which was procured as a replacement was a modified auto rickshaw engine which had the capacity to pump the water up to the needed height. Surprisingly, this unconventional solution worked!

The community had successfully implemented the work with nearly a 50% reduction between the estimated costs and actual cost. The total amount calculated initially, including the rail pipes and the custom made motor, had been INR 6, 00,000 and the amount that was spent thanks to negotiations and meetings with involved marketing personnel of both Reliance and Greaves Cotton, was INR 3, 12,600.

2. Building a Lifeline through Community Based Procurement

In Chapran village of Chattarpur district, Madhya Pradesh, India, a habitation of about 90 Backward and *Dalit* (lower caste) households have used community contracting to build a causeway that has brought them not just livelihoods but given them a lifeline.

A few years ago, the inhabitants remained isolated for most of the year due to flooding from backwaters of a nearby dam. The only available option was to walk over a railway bridge to get across the water surrounding the village. Unfortunately, a blind turn along the railway track made it impossible for the people to get a glimpse of the coming disaster in case a goods train was headed their way. They often had no option other than jumping off the 12m high bridge or risking their life. Children were unable to attend regular school, vegetable produce could not be transported to the nearby *Mandi* (vegetable market) and no emergency medical aid could be

arranged in a timely manner. Lakshmbai, a long-term resident shared “It isn’t that we had been silent about our plight, we told the minister, we told the government officials but no one helped. It is only through MP-DPIP that we were able to achieve this feat. The facilitators of MP-DPIP asked us what we wanted, and helped us make it come true.”

The State project team worked with the community to meet the community’s self identified dire and strategic need through the Bank supported Poverty Initiatives Project. Initially the community was mobilized into an executive group and then the group was guided to bring in local technical resources for the construction. The group worked innovatively. They initiated a relationship with the only locally available supplier of building material who offered to give them good materials at whole sale market prices ensuring a Just-in-Time Supply- leading to further saving on warehousing costs and limiting wastage. The villagers of Chapran built the causeway with a cost saving of nearly 33% compared to the engineer’s estimate based on the state Public Works Department’s (PWD) Schedule of Rates.

3. Using “Parity Charts” help Community and Suppliers to engage in “Relationship Based Procurement”

During the meeting with the Project team at Chhatarpur, the study team learnt of an innovative tool put to use in Madhya Pradesh. Project official had found that the villagers faced multiple difficulties in making the right choices for procurement. Rate banks were often useless as the supplier could always change prices based on demand, and often the villagers felt that if they had more knowledge or say in market linkages they could have got a better deal. The State team headed by the District Project Managers (DPMs) of the 14 districts decided to introduce parity charts for ease in community procurement.

Keeping in mind the limitations and problems expressed by the communities that they were working with, the State Project Unit (SPU) decided on the following solution. They sent letters to the 14 DPMs to organize sequential village, cluster and district level meetings with suppliers. These meetings were held with the goal of establishing market linkages, understanding pricing and machinery specifications and helping the suppliers realize that there was a large untapped market that the communities represented and that establishing a relationship would be profitable to both.

The DPM of Chhatarpur wrote to the PFTs in Khajuraho, Rajnagar, Bijawar and Naugaon to organize cluster level meetings of suppliers and villagers. A detailed guideline entailing the following conditions was provided to the PFTs to ensure that a fair and transparent process was followed:

- Selected representatives from all villages and farmers that were under the coverage of the particular PFT should be invited to identify and short list their needs;
- In this meeting, all companies available in the local market, including the largely prevailing brands in the area, should be identified and the positive and negative aspects of their quality and service noted;
- Based on this, invitations should be sent to the authorized suppliers of short listed brands for a public demonstration of samples and for allowing negotiations to take place;
- A comparative Parity Chart should be made based on the meeting;
- Re-negotiation of prices should be undertaken in the public meeting to arrive at a final price;
- Possibilities of bringing suppliers from large cities like Indore and Bhopal should be explored.

Accordingly, the PFT at Khajuraho organized such a meeting where products were demonstrated and rates and specifications were discussed. Dealers of all major pump suppliers including Usha, Bharat and Kirloskar attended the meeting along with 26 village representatives. During the day-long demonstration meeting, suppliers presented and demonstrated their products and declared their prices, offers, service arrangements etc. Factors like service, guarantee, transport cost, fitting, oil, diesel, test run, payment conditions and procedures were all noted to generate a parity chart.

Following the cluster level meeting, suppliers were again invited to the district level for further interactions with the DPM office bearers, and representatives of Gram Sabha. During the course of this meeting negotiations were undertaken to enable a mutually beneficial fix on the minimum price of the most commonly used items, such that the villagers and the suppliers would both benefit. The suppliers were amenable to negotiating a best price, knowing that they were linking up with an untapped market full of potential. This parity chart has allowed for ease in market search, comparison and selection of products by the project beneficiaries.

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