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## Procurement Handbook

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For: **Information**

# Procurement Handbook: DRAFT

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## Acronyms

<i>BOLT</i>	<i>Build, Operate, Lease and Transfer</i>
BOO	Build, Operate and Own
BOOT	Build, Operate, Own and Transfer
BOQ	Bill of quantities ()
BOT	Build, Operate and Transfer
COSOP	Country Strategic Opportunities Paper
CPM	Country Programme Manager
CPMT	Country Programme Management Team
DBMF	Design, Build, Maintain and Finance
DBOM	Design, Build, Operate and Maintain (usually referred to as DBO)
DBOMF	Design, Build, Operate, Maintain and Finance
EOI	Expression of Interest'
MfDR	Management for Development Results

## Definitions

The following terms have the following meanings whenever used in these Guidelines:

“Borrower/recipient” means the party designated as such in the Financing Agreement or other agreement and refers equally to loan beneficiaries and to grant recipients.

Community” refers to individuals or groups of project beneficiaries, community groups with no legal status, associations or groups with legal status but with or without separate legal personality as a group, small-scale artisans and other small commercial organizations and guilds, and small local-level organizations that support and facilitate rural agricultural and social activities. The “community” in such cases may participate as procurement agent, implementing agency, or contractor and supplier of goods, works and related services for project activities.

“Procurement process” is the entire procurement cycle starting from identification of need through to the completion of the contract.

“Project Management” means the party designated as such in the Financing Agreement by the Borrower/Recipient and responsible for implementation and management of the project and refers equally to Project Coordination Units (PCU) and Project Implementation Units (PIU).

“Services” is a general term referring to both consultancy and non-consultancy services.

# Introduction

## 1. Purpose and Use of the Handbook

This handbook further elaborates on the Procurement guidelines to be followed in the procurement of goods, works and services under IFAD financed loans and grants and aims at the followings:

- give advice and assistance to IFAD staff to help them carry out their own procurement responsibility and to help IFAD Borrower/recipients/Recipients on how to handle procurement actions using IFAD financing;
- provide detailed guidance for assessing the procurement capacity of the borrower/recipient as would be required to implement the provisions made in applying the Borrower/recipient's procurement regulations, provided that they are deemed to be consistent with IFAD's guidelines as per the amendment of the General Conditions in April 2009; and
- act as a principal reference in situations where it is deemed that Borrower/recipient's procurement systems are not acceptable or consistent with IFAD Procurement guidelines.

These guidelines are designed to:

- (i) provide detailed guidance on the procurement processes;
- (ii) provide uniform measures for the procurement of goods, works and services;
- (iii) ensure transparency and accountability in all operations, and consistency with the IFAD Procurement Guidelines;
- (iv) improve the efficiency and effectiveness of procurement operations;
- (v) promote the consistent application of best procurement practices and international standards.

The handbook is intended to provide straightforward, but detailed, practical guidance to IFAD Staff and Borrower/recipients on the steps to be followed when conducting procurement. It is designed to be simple to use and understand, by breaking the overall procurement process down into a series of individual procedural steps and breaking each stage down into step-by-step instructions.

It comes in two parts:

- Part I provides the general introduction and provisions which apply to all procurement activity;
- Part II comprises individual modules on specific aspects of procurement. This enables modules to be amended or updated individually if required.

The Handbook covers the procurement cycle from planning to final delivery or performance and contract completion. It will help to:

- (i) remove or minimise the need for making new decisions every time a comparable situation arises;
- (ii) introduce procedures for all routine procurement activities;
- (iii) provide a point of reference against which principles and practices can be evaluated; and
- (iv) serve as a training handbook for Borrower/recipient and IFAD staff and provide guidance based on best international practices.

Consistent application of the provisions and procedures of the Handbook is essential to achieve improved efficiency, transparency, uniformity of documents and decisions, and reduced costs of procurement.

### 1.1 Deviations

Deviations to the provisions of this Handbook may arise for a number of reasons including the following:

- a special situation, such as an extreme emergency or any other circumstances that IFAD may consider as a special situation;
- one-off requirements introduced as special provisions in a loan or credit facility which are not otherwise covered in this Handbook and do not constitute a revision to the Handbook,
- the necessary use of non-standard processes for specialist procurements;
- legislation or government policy which causes any part of this Handbook to be inconsistent with the new provisions until an appropriate revision has been approved.

### 1.2 Revisions

It is intended that the modules will be subjected to continuous upgrading by IFAD to reflect amendments in IFAD, changing needs, the commercial environment, and the adoption of new improved procedures and practices. A number of factors may necessitate a need for revision of a modules including:

- policy changes by IFAD;
- introduction of new improved practices, policies or procedures;
- removal of outdated practices, policies or procedures;
- lessons gained from practical experience.

Any proposed amendments to a module or practical improvements suggested by users shall be submitted to IFAD for review.

An up to date list of latest modules will be available on the IFAD website and users of the Handbook are responsible for ensuring that they have the latest versions. Each module has an issue date/version number on the bottom, right-hand corner of each page for reference.

## 2. General Provisions

### Outputs of the assessment:

The overarching objective of the implementing agency assessment is to draw final conclusions within the project design document as to where the largest risks arise in the procurement component of the project.

The assessment may detect critical deficiencies that need to be addressed before project launch (i.e., setting up of a procurement unit or preparation of critical bidding or contracting documentation). In the event that the implementing agency cannot finance these activities, the project team should discuss and agree with the borrower/recipient alternative financing sources.

Any actions proposed in order to manage each risk identified should be incorporated as project components in the design document and funded through the financing resources as needed. Till such time that the Borrower/recipient/implementing agency's capacity to manage the cluster is fully developed and found to be acceptable, the provisions made in the Handbook for that specific element would apply. The procurement of goods, works and consulting services under any given project is to be undertaken by observing the following specific requirements:

- (i) Procurement is to be carried out in accordance with the IFAD's Procurement Guidelines, the respective loan agreement, and any duly agreed amendments thereto; and Borrower/recipient's procurement regulations or this handbook, as applicable.
- (ii) Procurement is to be conducted within the project implementation period, except as provided under Article 4.8(a)(ii) of IFAD's General Conditions for Agricultural Development Financing or where the loan agreement provides for retroactive financing and then within the limits therein specified.
- (iii) The cost of the procurement is not to exceed the availability of duly allocated funds as per the loan agreement.
- (iv) Procurement is to be consistent with the duly approved annual workplan and budget (AWP/B) including a procurement plan for at least the initial 18 months<sup>1</sup>.
- (v) Procurement is to result in the best value for money as defined by the IFAD Procurement Guidelines.

### **3. Advance contracting and retroactive financing**

In certain circumstances, such as to accelerate project implementation, the Borrower/recipient may proceed with the initial steps of procurement before signing the related IFAD financing agreement. In such cases, the procurement procedures, including advertising, are to be in accordance with these guidelines in order for the eventual contracts to be eligible for IFAD financing (i.e. reimbursement after loan effectiveness), and the normal IFAD review process is to be followed. Borrower/recipients undertake such advance contracting at their own risk, and any concurrence by IFAD with the procedures, documentation or proposal for award does not commit IFAD to make a loan for the project in question. If the contract is signed, reimbursement by IFAD of any payments made by the Borrower/recipient under the contract prior to loan signing is referred to as retroactive financing and is only permitted within the limits specified in the financing agreement.

### **4. Joint Ventures**

Suppliers, contractors and consultants from the Borrower/recipient's country are encouraged to participate in the procurement process in as much as IFAD encourages the development of domestic capacity. They may bid independently or in joint venture with foreign firms, but IFAD will not accept bidding conditions that require mandatory joint ventures or other forms of mandatory association between domestic and foreign firms.

### **5. Codes of Conduct and Conflicts of Interest**

#### ***Codes of Conduct***

Negative perceptions of procurement can quickly and easily be formed by individuals or groups looking in at the process from the outside. It is therefore imperative that procurement is not only conducted in an ethical, transparent and fair manner, but that it is seen to be conducted that way.

To guide Borrower/recipients and IFAD staff as to what is expected, the IFAD Procurement Guidelines set out the requirements for ethical conduct.

They require that no person or entity shall use his/her/its authority, position or office for personal gain, which will be defined as soliciting, accepting or otherwise benefiting from anything of material value, in any form,<sup>2</sup> either in person or indirectly through close relatives or associates, as a result of procurement financed by IFAD.

<sup>1</sup> The procurement plan will form part of the project AWP/B and will include all major procurement expected to be made within a period of at least 12 months (i.e. 18 months for the initial plan). Projects with community participation in procurement may seek appropriate flexibility from IFAD with regard to this requirement.

<sup>2</sup> Including but not restricted to gifts, services, favours or hospitality

They also state that Borrower/recipient officials engaged in procurement activity have a duty to:

- A) maintain and enhance the reputation of the Borrower/recipient country by:
  - (i) maintaining the highest standards of honesty and integrity in all professional relationships;
  - (ii) developing the highest possible standards of professional competence;
  - (iii) maximising the use of IFAD funds and other resources for which he or she is responsible for the purposes for which they were provided to the Borrower/recipient country; and
  - (iv) complying both with the letter and the spirit of:
    - the financing agreement;
    - the laws and regulations of the Borrower/recipient country;
    - accepted professional ethics; and
    - contractual obligations.
- B) respect the confidentiality of information gained in the course of duty and not use such information for personal gain or for the unfair benefit of any bidder or supplier or contractor. Information given in the course of his or her duty shall be true, fair and not designed to mislead.

Two of the most common areas of uncertainty in this area are the rules of accepting gifts and hospitality and what to do in the case of conflicts of interest. These are discussed in more details below:

### ***Gifts and Hospitality***

Any IFAD staff member or public official of the Borrower/recipient involved in IFAD- funded procurement activity shall:

- (i) not be permitted to accept any business gifts<sup>3</sup> from current or potential suppliers, contractors or consultants unless such gifts are of very small intrinsic value such as a calendar or business diary;
- (ii) refrain from accepting any business hospitality that might be viewed by others as having an influence in making a business decision as a result of accepting that hospitality; and
- (iii) has a duty to promptly report refer any cases of irregular practices which include but not limited to fraud and corruption as defined in IFAD's Anti-Corruption Policy<sup>4</sup> by a colleague, bidder, supplier, contractor or consultant to IFAD and National Authorities as required

### ***Conflicts of Interest***

- (i) It is a requirement of the IFAD Procurement Guidelines that any public official of the Borrower/recipient involved in IFAD-funded procurement activity shall declare any personal interest that may affect, or might reasonably be deemed by others to affect, impartiality in any matter relevant to his duties (conflict of interest).
- (ii) Upon being aware of such a situation of this nature arising or having the potential to arise, the official(s) concerned should immediately recuse themselves from any aspect of the procurement process to avoid being placed in a position of conflict.

<sup>3</sup> In accordance with IFAD's Code of Conduct as contained in the Human Resources Procedures Manual as may be updated from time to time.

<sup>4</sup> As defined in IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations (EB 2005/ 85/R.5) or as may be updated from time to time.



- (iii) Where IFAD becomes aware of a situation where a conflict of interest may have existed but was not declared then this is sufficient grounds to declare mis-procurement in line with the IFAD Procurement Guidelines.

Where there is doubt that a conflict of interest, or potential conflict or interest, may exist or arise, IFAD may be consulted for advice or guidance, however the general principle is that if there is uncertainty then it is safer to recuse oneself from the process than to risk a negative perception of the process and mis-procurement being declared.

## **6. Application and Limitations**

The Handbook applies to all procurement operations undertaken by projects using IFAD's funds irrespective of the type of funding in cases where the procurement process of the Borrower/recipient has been assessed to be unsuitable.

Consistent application of the provisions and procedures of the Handbook is essential to achieve improved efficiency, transparency, uniformity of documents and decisions, and reduced costs of procurement.

It is intended that the Guidance Sheets will be subjected to continuous upgrading by IFAD to reflect amendments in IFAD, changing needs, the commercial environment, and the adoption of new improved procedures and practices.

# Module A: Project Cycle Overview

## Purpose of Module:

This module sets out the basic considerations for the procurement aspects of three primary elements of the project cycle, namely:

- project design;
- financing negotiations; and
- supervision of implementation.

It should be read in conjunction with IFAD's Project Design Guidelines and IFAD's Supervision Guidelines.

## Applicability:

This module applies to all IFAD funded projects.

## 1. Introduction

The Aid Effectiveness agenda has substantially changed the context within which IFAD-supported projects are designed and implemented.

The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action to which, as signatories IFAD are fully committed, emphasizes systematic support for nationally owned strategies for attaining development results, the increased use of national administration systems, and more jointly coordinated and predictable actions among aid donors. It also requires a focus on Management for Development Results (MfDR).

Most IFAD project concepts are first identified in the Country Strategic Opportunities Paper (COSOP). Thereafter the project is established in the financing plan before entering into the design stage. This is followed by negotiation and then finally, supervision of implementation.

These three areas of the project cycle are discussed in more detail in the following sections.

## 2. Project Design

This stage involves comprehensive review of all aspects of procurement to be undertaken by the Borrower/recipient or its Lead Implementing Agency responsible for procurement<sup>5</sup>.

The IFAD Country Programme Manager (CPM) and the design team<sup>6</sup>, are required to work closely with the Borrower/recipient to fulfil the following procurement-related activities:

- assess the experience, knowledge and capacity of the Lead Implementing Agency(ies) (see Module D for guidance on this task);
- establish the resources required and available for procurement;
- develop a capacity building programme for Borrower/recipient's staff or staff of implementing agencies involved in procurement;
- indicate a coherent overall procurement strategy for the life of the project;
- preparation by the Borrower/recipient, and assisted by the CPM and Procurement Specialist, an initial 18-month procurement plan. This plan includes the agreements reached on the procurement activities, methods of procurement, prior review thresholds, quantities, estimated costs and definition of a practical implementation schedule (see Module E – Procurement Planning);
- provide for retroactive financing where advance contracting is foreseen;
- outline preliminary steps for the Borrower/recipient to initiate processes required for the first-year of implementation including setting up of procurement monitoring

<sup>5</sup> See Module B for guidance on procurement responsibilities.

<sup>6</sup> Refer to Section IV, Project Design Process of IFAD's Project Design Guidelines (v.2007) - configuration of the Country Programme Management Team (CPMT) to include a Procurement Specialist (staff or contracted specialist).

systems, preparation of bidding documents, seeking IFAD clearances and advice, as well as issuing General Procurement Notices;

- stipulate and agree on project audit arrangements.

Consequently, the IFAD Country Programme Management Team (CPMT)<sup>7</sup> will discuss the draft provisions of the Letter to the Borrower/recipient and/ or Financing Agreement in which procurement arrangements shall be specified.

The outcome of the above steps will be documented in the Project Design Document with a view to informing stakeholders on the following issues:

- (b) **coherence of procurement actions:** outlining the overall project objectives, Annual Work Plan and Budget, Procurement Plan, and timing within the project implementation period;
- (c) **compliance with procurement principles and IFAD guidelines:** procurement must be conducted in compliance with applicable rules and procedures and the Design Document is expected to make specific reference to how the project will ensure these are observed;
- (d) **assessment of Borrower/recipient/ Implementing Agency capacity:** reporting on the assessment findings and providing a clear decision for IFAD's approach on the use of national procurement systems, defining the participation of the parties in the procurement process as well as IFAD's proposal's for developing or strengthening procurement capacity;
- (e) **risks and mitigation strategies:** identifying potential risks involved in implementation of the procurement plan, Borrower/recipient/Implementing Agency capacity, and what measures could put adopted to mitigate these. Such measures may include proposing disbursement conditionalities, a high level of direct supervision, enhancing the procurement skills and/or knowledge of the Borrower/recipient staff or any other mitigation measures considered appropriate and reasonable;
- (f) **allocation of resources:** this section of the Design Document serves as the instrument to emphasise and integrate management priorities for implementation, forecasting procurement requirements and facilitating the mobilisation of staff and resources when they are needed;
- (g) **supervision arrangements:** the level of supervision considered necessary as a tool for Project Management, cost control and a basis against which subsequent supervision and monitoring of procurement matters can be assessed.

When the loan provides funds to a financial intermediary institution (such as an agricultural credit bank or a development finance company) for on-lending to beneficiaries (such as individual farmers, farmer groups, farmer associations or cooperatives, private-sector microenterprises or autonomous commercial enterprises in the public sector for the partial financing of subprojects), procurement is usually undertaken by the respective beneficiaries in accordance with established local private-sector or commercial practices acceptable to IFAD. However, even in these situations, limited international or national competitive bidding may be the most appropriate procurement method for the purchase of large single items or in cases where large quantities of like goods can be grouped together for bulk purchasing.

The Project Implementation Document shall describe the procedures to be followed and define the main responsibilities of the financial intermediary institutions or sub-loan beneficiaries. These shall inter-alia include provisions such as assessment of the capacity of the beneficiaries, agreeing to supervision and oversight arrangements under each sub-loan, and maintaining all relevant records for post-review by IFAD and audits when requested.

<sup>7</sup> Primarily a resource group of stakeholders in IFAD's country programme who participate in the entire country programme design and implementation, from the COSOP through the various stages of project and programme design, implementation and supervision. It has an in-house component and an in-country component. It has a variable membership since not all CPMT members will be involved in every process and will change depending on the activity undertaken.

### 3. Financing Negotiation:

Negotiating the loan agreement is a critical stage in procurement start-up as this process has implications for all facets of the project.

The Borrower/recipient and IFAD enter into negotiations to agree on the project's scope, implementation requirements and terms and conditions of the financing. In relation to procurement, both parties review the Project Design Document to discuss and finalise the procurement provisions to be defined in the procurement plan and Letter to the Borrower/recipient as legal obligations; procurement matters are generally not included in the Financing Agreement except when deemed necessary by the negotiating parties.

The objective is to ensure that the Borrower/recipient and IFAD are in agreement on the specific aspects of the procurement process. Any changes to the agreements reached at Negotiations will require mutual endorsement or through consultations with the representatives of the borrower/recipient prior to amending the Letter to the Borrower/recipient.

One of the primary procurement aspects to be resolved is the determination of prior and post review by IFAD. Generally the level of prior review will depend on a number of factors including contract value, the procurement capacity of the Borrower/recipient and complexity of the procurement. The following table however provides IFAD stated thresholds for which prior review must be undertaken.

<b>Category</b>	<b>Estimated Contract Value</b>
<i>Goods</i>	<i>Above USD 200,000</i>
<i>Works</i>	
<i>Services</i>	<i>Above USD 100,000</i>

### 4. Project Supervision

The act of procurement takes place in the implementation phase and despite all safe-guards and risk mitigation measures put in place there are always risk factors that can only be mitigated through constant vigilant practices starting from the time of procurement planning up to completion of the procurement cycle.

Although the primary responsibility for procurement lies with the Borrower/recipient, IFAD staff has an oversight role to ensure compliance with IFAD Procurement Guidelines and should use its supervisory function not only to ensure Borrower/recipient compliance but also to capture lessons learnt and build on this experience for improvement of future project designs and enhancement of policies and procedures.

Procurement needs may evolve over the implementation phase of the project and therefore good supervision requires adaptation and flexibility within existing policies without compromising the basic principles.

Generally, the IFAD CPMT should maintain a problem-solving approach without violating the Fund's policies and ensure that consistent messages should be conveyed at all times to the Borrower/recipient, whether verbal or in writing, in order to facilitate better understanding of IFAD's expectations and standards.

The Supervision Guidelines provide a detailed review of the IFAD supervisory function however specifically in respect of procurement supervision IFAD staff (CPMs and Procurement Specialists) is encouraged to carry out the following tasks which have been found to enhance project effectiveness:

- ensure a project start-up workshop is held to introduce and explain procurement procedures and requirements to Borrower/recipient's staff;
- ensure that any further procurement training is based on a training needs assessment;
- undertake periodic updates of any significant changes in the Borrower/recipient's procurement system and practices;

- review the procurement plan and ensure that any revisions are applied where necessary;
- guide the Borrower/recipient in the preparation of the bidding documents;
- provide applicable IFAD No-Objections (for bidding and for award) for procurement limited to prior review;
- in civil works' contracts, pay close attention to the contract terms in particular on proposed variations (schedule and price);
- undertake field missions on a regular basis;
- conduct ex-post reviews and monitor contract performance;
- monitor overall procurement process performance and recommend improvements and/ or make necessary adjustments;
- ensure that adequate allocation of resources (both time and money) should be availed to ensure that IFAD can properly execute its advisory and oversight functions.

## Module B: Procurement Responsibility

### Purpose of Module:

This module sets out the general responsibilities of Borrower/recipients and IFAD staff in respect of the procurement arrangements for IFAD funded projects.

It provides general guidance and is neither designed nor intended to override any specific provisions for an individual project which may be outlined in the Financing Agreement or Letter to the Borrower/recipient.

### Applicability:

This module applies to all IFAD funded projects.

### 1. General Principles for Procurement Responsibilities

The Borrower/recipient has the primary responsibility for procurement and its management whereas IFAD has a fiduciary responsibility to ensure its proceeds are used only for intended purposes in accordance with the applicable Financing Agreement(s).

The Borrower/recipient is legally and operationally in charge, as client, of all the purchasing transactions for the project, utilizing IFAD proceeds for these purposes.

IFAD's fiduciary responsibility is exerted through both oversight and advisory roles. In this latter role, IFAD promotes capacity building for achieving economy, efficiency and social equity mainly through its implementation support activities.

### 2. Lead Implementing Agency

The 'Lead Implementing Agency' is designated and defined in Schedule 1 or 3 (as applicable<sup>8</sup>) of the Financing Agreement and has overall responsibility for the execution of the project.

In most cases this will be a central government Ministry who will have the main contractual obligation on behalf of the Borrower/recipient Government.

In accordance with the IFAD General Conditions for Agricultural Development Financing, ('General Conditions') the tasks of the Lead Implementing Agency in respect of procurement include:

- monitoring procurement management and also ensuring fiduciary responsibilities are being adhered to;
- to decide on who will be responsible for the day-to-day implementation of the project;
- to prepare the project Annual Workplan and Budget (AWPB);
- to establish and maintain an information management system in accordance with IFAD's Guide for Project Monitoring and Evaluation;
- to monitor the progress of the implementation of the project;
- to retain and present records as required by IFAD;
- to furnish IFAD with periodic progress reports on the project as defined by the General conditions;
- to carry out a joint mid-term review of project implementation;
- follow-up and taken action on any finding, recommendation and non compliance and internal control issue;

<sup>8</sup> The precise Schedule depends on the version of the Financing Agreement in use; older (pre-April 2009) ) versions would normally define this in Schedule 3, and the new (post-April 2009) Financing Agreements outline the implementation arrangements in Schedule 1.

- keep IFAD apprised of any condition that interferes with, or threatens to interfere with, project implementation or achieving project objectives;
- notify IFAD of any allegations of fraud or corruption which relating to the project;
- maintain separate accounts to reflect operations, resources and expenditures related to the project.

### **3. Implementation Unit**

For each project, the Lead Implementing Agency may decide to appoint an Implementation Unit to manage the day-to-day operational activities of that project.

In such a case, the procurement may be undertaken by:

- an already existing Project Implementation Unit from a current project;
- a new Project Implementation Unit created for that specific project;
- the existing procurement department of the Lead Project Agency;
- an existing procurement department of another government agency;
- a commercial procurement organization contracted by the Government for the purpose;
- a United Nations Agency.

Where an auxiliary Implementation Unit is appointed for this purpose, the Lead Implementing Agency retains overall responsibility and accountability for the project to IFAD and is therefore required to ensure that it oversees the work of the Implementation Unit at all times.

In respect of procurement, an Implementation Unit would be responsible for the entire procurement process, including but not limited to functions such as:

- preparing procurement plans;
- preparing statements of requirements, specifications, terms of reference and/or bills of quantities;
- agreeing with IFAD on the procurement method or method of selection for each procurement activity;
- undertaking pre-qualifications, advertising, management of expressions of interest and short-listing;
- preparing bid solicitation documents and draft contracts;
- issuing bidding documents, responding to clarification requests and overall management of the bidding process;
- bid receipt, bid opening and bid evaluation;
- evaluation reporting;
- bid cancellation;
- contract award and negotiation;
- drafting contract documents and contract placement;
- contract management;
- invoicing and payment;
- dispute resolution;
- contract completion and assessment.

It would also be responsible for ensuring that procurement proceedings are approved in accordance with any national levels of authority which may exist and/or in accordance with the IFAD supervision requirement of the project.

#### **4. Procurement Agents/Management Contractors**

Where the Borrower/recipient lacks the necessary organization, resources or experience to deal with international procurement, it may wish (or be required to by IFAD) to employ, as its procurement agent, a firm or entity specializing in handling international procurement. The cooperating institution is not to act as a procurement agent. The agent is to follow all the procedures outlined in the Financing Agreement on behalf of the Borrower/recipient.

Management contractors may also be employed in a similar manner and on a fee basis to contract for miscellaneous works involving reconstruction, repairs, rehabilitation or new construction in emergency situations, or where large numbers of small contracts are involved.

The process of procuring the services of procurement agents and management contractors are as per those for consultancy services outlined in this handbook.



## Module B1: IFAD Procurement responsibilities

\*\*\* IFAD RESTRICTED ONLY \*\*\*

### Purpose of module:

This module provides details as to the various tasks involved in the different stages of the procurement process and the different IFAD internal actors or roles involved.

### Applicability:

The provisions of this module apply to all IFAD funded projects.

## 1. Introduction

The primary responsibility for execution of procurement activities lies with the Borrower/recipients. It is however, the fiduciary responsibility of IFAD staff to ensure compliance with IFAD policies and procedures, and provide implementation support to encourage proper procurement practices by the Borrower/recipients.

The challenge remains with IFAD staff who have to strike the right balance between these advisory and oversight roles. While in principle these roles need not be contradictory, in practice they are likely to generate inconsistent approaches owing to different priorities and perceptions. Procurement is not a science and thus largely depends on Borrower/recipient's capacity and experience in procurement; these vary widely between countries and even within countries. Therefore, it is essential that IFAD staff, involved in these processes, are well-versed in procurement with specific professional knowledge, have the necessary skill-set and experience, and possess a broad understanding of development issues in order to make sound and independent judgments on procurement issues.

In fulfilling its fiduciary responsibility, IFAD will have to take an informed decision about the level of intensity of oversight and support that the situation or the project will generally require. In so doing, the Fund should carry out the following activities:

- Borrower/recipient and Implementing Agency procurement capacity assessment;
- Strengthen Borrower/recipient/Implementing Agency capacity through training and appropriate guidelines;
- Establish clear procedures and support their implementation; and
- Continuous supervision, both through desk reviews and field visits, including audits.

These wide ranging activities cannot be done in isolation and therefore in order to maximize efficiency of operations a team approach is required which includes the following (listed alphabetically):

- Country Programme Manager (CPM)
- Financial Services Division
- Office of Audit and Oversight
- Office of the General Counsel
- Procurement Accredited Staff or Procurement Specialist.

The roles of each of these parties are elaborated below:

## 2. Country Programme Manager (CPM)

The CPM has the overall responsibility and is accountable for monitoring procurement and ensuring compliance to IFAD Policies and Procedures.

S/He is expected to call upon the detailed support of a Procurement Accredited Staff or a contracted Procurement Specialist assigned to their respective Regional Divisions.

The CPM's main responsibilities must include but not be limited to the following:

- working closely with the borrower/recipient/project management, ensure appropriate staffing of the project teams with the relevant procurement expertise;
- validate the findings on national procurement systems' or agency capacity assessments;
- working closely with the borrower/recipient/project management, ensure proper, realistic and timely procurement plans are prepared for each project in the prescribed format to include description of procurement items, methods of procurement, review thresholds, quantities, cost estimates, implementation schedules, etc;
- monitor the timely execution of such procurement plans and provide the necessary implementation support;
- working closely with the borrower/recipient/project management, prepare or organise for the preparation of the procurement section of the Project Design Document;
- review or delegate the review of technical specifications of procurement items and bidding documents for goods, works and consultancy services during prior and post reviews;
- provide IFAD No-Objection for procurement actions subject to prior review;
- ensure compliance with IFAD procurement policies and procedures;
- ensure adequate allocation of technical and financial resources during project implementation.

### **3. Financial Services Division**

The Financial Services Division is responsible for the financial aspects in project supervision and to ensure the Fund's guidelines, policies and conditions of the Financing Agreements are adhered to. To maintain a proper segregation of duties, the Disbursement Officers will be responsible for:

- verifying that payments to be made are in accordance with the terms and conditions of approved contracts;
- contributing towards the formulation and/or revision of procurement policies, guidelines, and the handbook; and
- ensuring proper integration between the procurement monitoring with the loans and grants systems managed by them.

### **4. Office of Audit and Oversight**

The Office of Audit and Oversight is responsible for carrying out routine audits of IFAD's performance in executing its procurement supervision functions to verify that the necessary standards and procedures set forth in the Fund's guidelines and instructions are adhered to.

They submit recommendations to the Fund's Senior Management based on their findings to enhance compliance and assign responsibilities.

### **5. Office of the General Counsel**

The Office of the General Counsel is responsible for the legal aspects of procurement. Specifically, the legal officers are responsible for:

- providing legal advice and support to Regional Divisions on interpretation and application of the procurement policy or on contracts that require legal interpretation;
- reviewing and recommending actions on specific cases that involve waiver requests or exceptions to the existing guidelines and policies;

- contributing towards the formulation and/or revision of procurement policies, guidelines and the handbook; and
- reviewing and providing legal advice on procurement complaints submitted on legal grounds.

The General Counsel, as a member of the Fund's Sanctions Committee, reviews allegations of fraud and corruption and recommends appropriate legal action to the President.

## **6. Procurement Accredited Staff or Procurement Specialist**

The CPM may opt to rely on the expertise of an accredited staff<sup>9</sup> or a contracted Procurement Specialist.

The over-riding principle is to ensure that procurement reviews are carried out professionally by staff capable of:

- (i) applying the Fund's policies and procedures to the full range of IFAD financed procurement; and
- (ii) provide accountable opinion on Borrower/recipient's procurement actions and advise CPMs, as needed.

One or more Procurement Specialists (staff or pre-selected specialised consultants) may have to be assigned or identified depending on size, value, frequency and complexity of portfolio of each regional division. This person will be responsible for:

- accompanying CPM's mainly on design and selective supervision missions including to carry out post-reviews;
- conducting assessments of the procurement management capacity of the Borrower/recipient's implementing agency(ies);
- collating external data relating to procurement in Borrower/recipient countries, ensuring that data is, as far as possible, current and complete, and validate its relevance to IFAD;
- discussing and advising CPMs on submitted procurement plans including on identifying the levels of prior and post reviews;
- supporting Borrower/recipients on procurement planning, implementation and contracts' management;
- conducting training needs assessment and advise or carry out capacity building programmes for Borrower/recipients;
- providing opinions to CPMs seeking advice prior to issuing No-objections, in particular for procurement valued at more than USD 500 000;
- monitoring quality of procurement and reporting on major deficiencies;
- serving as a procurement mentor providing a full range of procurement advice and assisting the Regional Division or CPM on how to arrange for adequate post-review and procurement audit coverage;
- advising on responses to complaints from bidders on procurement actions;
- channelling information about procurement policy changes and developments to the respective Regional Divisions;
- contributing to procurement provisions in the Project documents; and
- supporting CPMs to ensure overall fiduciary compliance in procurement actions both at IFAD and with Borrower/recipients.

<sup>9</sup> IFAD staff who have successfully undergone a procurement certification course certified by a procurement licensing authority (CIPS membership Level 3 and above or equivalent).

IFAD RESTRICTED ONLY

## Module C: Correspondence & Records Management

### Purpose of Module:

Essential to the evidencing of a transparent and auditable procurement process is the maintenance of accurate record keeping and use of procurement reference numbering systems.

Effective correspondence and communications are critical to the management of relationships with bidders, suppliers, contractors and consultants but may commit or bind originators and recipients to a course of action with legal, contractual or financial implications.

Documentary records, both in print or electronic format, are therefore essential for efficient and effective management of activities as they provide evidence in support of decisions and actions taken, and provide an audit trail for verification of transparency, accountability and effectiveness.

Efficient records management is also essential to ensure effective storage, retrieval and use with due regard to security, integrity and confidentiality.

The IFAD General Conditions for Agricultural Development Financing require that Borrower/recipients/Recipients retain documents and records for review by IFAD at any time within a period of three years after completion of the bid or contract. Pursuant to that requirement, this module provides general rules for the maintenance of basic procurement communication and records.

### Applicability:

It is expected that most governments will have procedures for the keeping of records within the public procurement system. Where it is agreed that the national system of correspondence and record keeping is to be used for project procurement then this module will not apply.

In circumstances where no such procedures exist, or IFAD has determined that they do not meet its requirements, this module is to be used.

### 1. Correspondence and Communication

To ensure that the purpose and objectives of the procurement records can be best realised all communications, decisions and instructions between IFAD and Borrower/recipients/Recipients and between Borrower/recipients/Recipients and bidders, suppliers, contractors or consultants should be exchanged or recorded<sup>10</sup> in writing;

### 5. Records to be retained

Best practice determines that each procurement activity should have its own separate file or folder or dossier where records are kept properly coded in chronological order, relating only to the matter of the procurement in question. Documents relating to the procurement of other times must not be mixed in the procurement record. The purpose is to be able to review at any one moment the entire historical record of the procurement of one requirement in a logical and sequential manner.

The following table shows what procurement files, folders or dossiers should contain:

<sup>10</sup> Where meetings are held as a method of communication minutes should be produced to record information provided and actual discussions that have taken place.

Document	Preferred Format
(i) a copy of the published advertisement or shortlist (if applicable) *	Hard copy
(ii) a copy of the published pre-qualification and invitation documents and any amendments, extensions or clarifications that were requested and issued*	Hard copy
(iii) a record of tender opening signed by all present	Hard copy
(iv) a full copy of each bid received and evaluated, plus clarifications requested and responses received	Hard copy
(v) a copy of the evaluation report*	Hard copy
(vi) signed minutes of all meetings relating to the procurement, including pre-bid and negotiation meetings where these were held	Hard or soft copy
(vii) a contract award notice*	Hard copy
(viii) any letter of tender acceptance to the supplier, contractor or consultant*	Hard copy
(ix) the signed contract document and contract acceptance*	Hard copy
(x) any contract amendments*	Hard copy
(xi) all contractual correspondence between the procuring entity and a supplier, contractor or consultant	Hard or soft copy
(xii) post-contract documents relating to the fulfilment of contract obligations, in particular <u>photocopies</u> of bank guarantees or payment guarantees	Hard copy
(xiii) signed minutes of any meetings related to contract management, including contract progress or review meetings	Hard copy
(xiv) signed delivery documents evidencing delivery of supplies or signed completion certificates in relation to a contract for services or works under the contract including any contract delivery records	Hard copy
(xv) a copy of all invoices for works, services or supplies including work-papers verifying the accuracy of payments claimed and details of the actual payment authorised	Hard copy
(xvi) a copy of cumulative payment worksheets/records evidencing management of all payments made	Soft copy
(xvii) a copy of all submissions to and all decisions of the appropriate approval authority related to the procurement including the approval of the invitation documents, approval of the evaluation report(s), contract award, approval of contract documents and contract amendments and any decision to suspend or cancel procurement proceedings.	Hard copy
(xviii) a copy of any claims made by the procuring entity in respect of any warranty, non-warranty, short supply, damage and other claims upon the provider or upon the procuring entity	Hard or soft copy
(xix) in the case of IFAD prior review, all submissions and correspondence in relation to the seeking of IFAD's 'no objection'	Hard or soft copy
(xx) any other communications relating to the procurement in questions including internal entity correspondence.	Hard or soft copy

\* Ideally, drafts of these published documents and reports should also be retained for completeness and to provide a full picture of how the published document evolved. It is however accepted that where issues of space exist this may not always be possible in practice.

## Module D: Assessing Borrower/recipient Procurement Capacity

### Purpose of Module:

This module is designed to assist IFAD staff and consultants when undertaking an assessment of a Borrower/recipient's procurement capacity as required by the Procurement Guidelines.

### Applicability:

It applies to any occasion where a procurement system needs to be assessed.

### 1. General Considerations

As stated in the Procurement Guidelines, the IFAD General Conditions were revised in April 2009 to take into account IFAD's new approach to procurement financed by its loans and grants.

Specifically in relation to procurement, the General Conditions focus on the emphasis placed on using the Borrower/recipient/Recipient's procurement regulations, provided they are deemed to be consistent with IFAD's guidelines. This is in line with the various commitments of the international donor community to work towards increasing the use of national systems where they can be shown to be compatible with the requirement of the donors.

The Guidelines further elaborate a two tiered approach to the review, by IFAD, of a Borrower/recipient's procurement systems as follows:

#### **Stage 1: Overarching country assessment**

This is a desk-based review for purposes of the COSOP and is to provide a high level assessment of the status of two aspects:

- the overall legislative and regulatory framework, and
- national structure for public procurement.

#### **Stage 2: Project specific assessment**

During project design stage, IFAD will undertake a more comprehensive assessment of:

- (i) the degree of practical implementation of the regulatory framework, and
- (ii) the procurement capacity of agency designated to undertake the project procurement.

Assessing the systems, structures, processes and activities within a national system allows IFAD to be well informed and in its approach to decision making and risk assessment/mitigation. Sharing the findings of such assessments with Borrower/recipients also has a capacity development component as it helps develop existing country capacity by supporting them to undertake their implementation functions.

The sections below elaborate further on the specific activities to be undertaken during each of these steps.

#### **Stage 1: Overarching country assessment**

When considering a national procurement system it is necessary to have a clear definition of what the term 'national system' refers to.

Any procurement 'system' has a number of component parts which come together to form the 'system' and it is therefore necessary to ensure that each component part is addressed on its own merits. These components (sometimes referred to as 'core' issues) can often be categorised under two distinct environments, namely:

- the overall enabling environment, and
- the organisational/operational environment.

A few examples of the components (or 'core issues') that fall within each environment are shown in the table below:

<b><i>Enabling Environment</i></b>	<b><i>Organisational/Operational Environment</i></b>
<i>Legal framework/policy</i>	<i>Organisational structure</i>
<i>Level of leadership / political will</i>	<i>Practical application of processes</i>
<i>Institutional structure</i>	<i>Human resources</i>
<i>Scope of processes and procedures</i>	<i>Physical resources</i>
<i>Availability of tools and guidance</i>	<i>Accountabilities</i>
<i>Public engagement and perception</i>	<i>Level of leadership</i>

For the purposes of the preparation of the COSOP, the Country Programme Managers (CPM's) are responsible for collecting existing data relating to public procurement within the country in question.

**Sources of such data to be used** will vary according to availability and completeness of information and size of overall country portfolio, but will usually include:

- results from OECD-DAC Assessments of National Procurement Systems;
- recent reports and findings from other implementing agencies, donors and development partners (such as the World Bank Country Procurement Assessment Report);
- other institutions working in the procurement domain (i.e. Transparency International or national public procurement authorities);
- previous working experience from IFAD projects.

The table on the next page gives an indication of some the tools used to assess the performance of a national procurement system. Many of these documents are available to download from the internet or are available from country offices of the development partners during the COSOP preparation mission.

	<b>OECD-DAC tool</b>	<b>World Bank CPAR</b>	<b>World Bank UCS</b>	<b>UNDP Capacity Assessment</b>
<b>Main Objective</b>	Capacity assessment	Risk assessment	Risk Assessment	Capacity development
<b>Target audience</b>	Partner countries and donors/dev partners	World Bank and its partners	World Bank and its partners	Partner countries and donors/dev partners
<b>Assessment team</b>	Partner country (lead), donors/consultants	World Bank (lead), other donors/consultants	Mixed	UN lead
<b>Assessment design</b>	Quantitative and qualitative assessment	Qualitative assessment	Quantitative and qualitative assessment	Quantitative and qualitative assessment
<b>Expected outcome</b>	Strengthened country procurement system	Efficient World Bank operations	Consistency with WB guidelines/ Identification of fiduciary risk elements /	Capacity development strategies
<b>Available From</b>	<a href="http://www.unpcdc.org">www.unpcdc.org</a> <a href="http://www.oecd.org/dac/effectiveness/procurement">www.oecd.org/dac/effectiveness/procurement</a>	<a href="http://www.worldbank.org">www.worldbank.org</a> <a href="http://www.unpcdc.org">www.unpcdc.org</a>	<a href="http://www.go.worldbank.org/KB821V1XI0">www.go.worldbank.org/KB821V1XI0</a>	<a href="http://www.unpcdc.org">www.unpcdc.org</a>

The purpose of collating this data is to be able to have:

- 1) an overall appreciation of the current status of public procurement in the country; and,



- 2) an understanding of the overall international perceptions of the strength and maturity of the public procurement system,

in order to be able to identify where the biggest fiduciary and operational risks may exist.

In so doing, it is necessary to consider the following aspects:

- (i) the existence of enforceable laws, decrees, regulations or procedures governing procurement of goods, works and services to internationally acceptable standards and meeting the requirements of Section B of the Guidelines;
- (ii) the level of dissemination and availability of any such laws, decrees, regulations or procedures to the public;
- (iii) the organisational arrangements in respect of centralisation or decentralisation of the procurement function;
- (iv) systems and policies which define and ensure segregation of duties and responsibilities within the procurement process;
- (v) the existence of implementing manuals, guidelines, handbooks, model forms/templates for standard documents, contracts and conditions of contract;
- (vi) the level of dissemination and availability of any such implementing manuals, guidelines, handbooks, model forms/templates for standard documents, contracts and conditions of contract;
- (vii) the presence of a fully functioning system to regulate procurement;
- (viii) the existence of an acceptable system for complaints and appeals relating to procurement;
- (ix) processes and procedures for independent audit or review of procurement;
- (x) the perceived level of fiduciary risk to IFAD.

As a result of this review, the COSOP should include an informed opinion as to whether a particular country's procurement system could be considered as an acceptable system for undertaking project-funded procurement activity. In this regard, the COSOP is expected to classify the system as either:

- a) suitable for use without any adjustment;
- b) suitable for use but with some provisions to be considered during project design to mitigate against perceived risks;
- c) not suitable for use at this stage.

Where it is assessed that a system cannot be used in its entirety, IFAD will recommend the utilisation of aspects of the systems where possible and will consider, during project design, supporting activities to improve such systems as a separate program activity during the implementation process.

The COSOP should also outline any projects, programmes or initiatives, either planned or in progress, which may impact on the public procurement system, structure or capacity during the life of the COSOP, such as:

- procurement reform projects (or components within wider public financial management projects);
- training initiatives focusing on procurement;
- planned recruitment drives.

IFAD will share its findings with the Borrower/recipient country identifying the weaknesses found. Such sharing not only serves as a means of promoting transparency, but provides a useful tool that the Borrower/recipient can use to undertake a capacity building programme to improve its systems.

## ***Stage 2: Project specific assessment***

When undertaking project design, designers are required to undertake the following steps:

### ***(i) Familiarise themselves with the comments within the COSOP***

It is imperative for project designers to be aware of the issues raised in the COSOP to ensure that they can be addressed in the project.

Depending on how old the COSOP is at the time of the project design it may be necessary to re-validate the findings and conclusions contained within it so as to take into account any improvements or deteriorations in the system since the COSOP was produced.

As a general rule, if the COSOP is more than 12 months old then re-validation would be considered necessary as per *step (ii)*. If the COSOP is less than 12 months old then, unless the COSOP concluded that the system was 'not suitable for use'<sup>11</sup>, move straight to *step (iii)*.

### ***(ii) Revalidate the COSOP***

Revalidation of the COSOP is not intended to be a lengthy or arduous process. It should involve a desk review of the findings followed by a brief update of the situation as it stands at the time of project design.

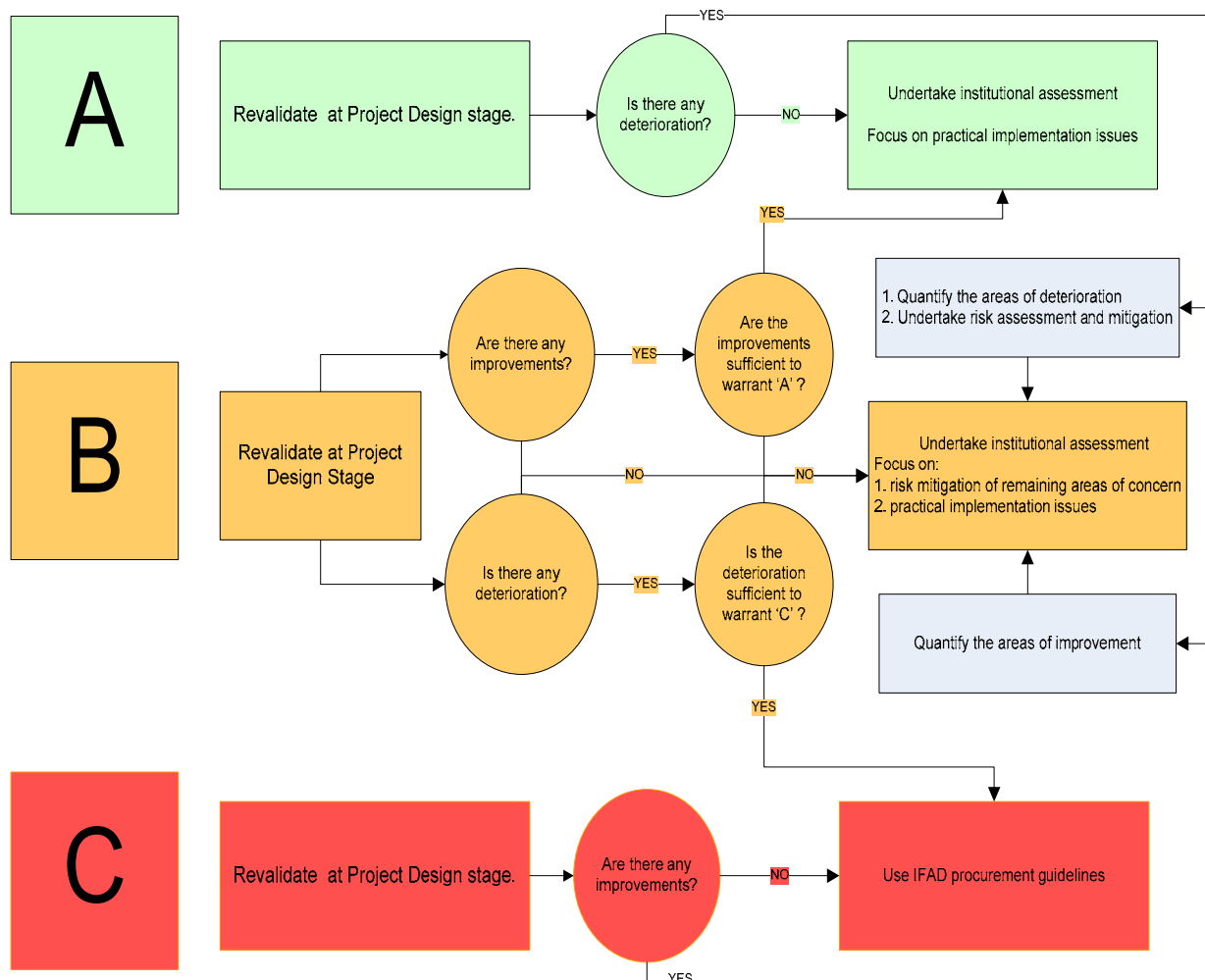
The project design team should identify the areas from the COSOP which represented the greatest risks and ascertain whether there has been significant change to warrant reconsidering the COSOP conclusions.

One of the quickest ways to do this would be to consult with the Borrower/recipient government and other donor organisations active in country to understand their positions in this respect. This could be followed up by the review of any new reports or publications issued since the COSOP was published.

As a result of this revalidation process it can be concluded whether the existing situation is better, worse or unchanged from the time of the COSOP. The decision tree below provides a graphic illustration of the steps to be taken as result of this revalidation process.

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<sup>11</sup> If so, then the country system should not be used, no stage 2 assessment is required and the IFAD methods of procurement apply.



### (iii) Undertake institutional assessment

Although national level data on legal frameworks and structures can most likely be readily available from other sources (such as World Bank Procurement Assessment Reports or OECD Procurement Assessments), experience shows that there is very little data available at the decentralised field level at which most IFAD projects operate.

A stage 2 institutional procurement assessment on the proposed implementing agency for the project is required in all cases except where it has been concluded, both in the COSOP and through the revalidation of the COSOP, that the country system is not suitable for use.

The objectives of the stage 2 procurement assessment are to:

- evaluate the capability of the implementing agency and the adequacy of procurement and related systems in place, to administer project funded procurement;
- assess the risks (institutional, political, organizational, procedural, etc.) that may negatively affect the ability of the agency to carry out the procurement process;
- develop an action plan to be implemented as part of the project, as necessary, to address the deficiencies detected by the capacity analysis and to minimize the risks identified by the risk analysis; and
- propose a suitable procurement supervision plan for the project considering the relative strengths, weaknesses and risks revealed by the assessment.

In order to be able to undertake an assessment of procurement at an operational level where existing data is unlikely to exist from other sources, IFAD will have to carry out its own review and in so doing will need a tool to facilitate and standardise that process. The tool attached to the back of this module (see *Appendix 1*) should be used during the project design mission. The tool, which has been developed from the World Bank's Agency Assessment checklist, covers a range of issues to review in order to assess capacity and should be applied flexibly depending on each case.

### **The Assessment Tool**

The tool is an evidence based assessment containing a range of issues to be assessed. It covers aspects such as legal status of the agency being assessed through to the procurement skills of its staff.

Again, in order to keep it as simple as possible, each issue will be rated in only one of three categories: 3 - Fully Satisfactory, 2 - Partially Satisfactory, 1 – Unsatisfactory, based on percentage bands. This will help to reduce subjectivity amongst different assessors. Ratings will be given on actual, not anecdotal, evidence as seen by the assessor. It is expected that the criteria used in the ratings will be objective and consistent.

The ratings given for each criterion will not be aggregated but each indicator will be assessed on its own merit under a "cluster area," for example, procurement planning or contract administration, etc. A decision for not using a particular cluster area in whole or in part of the national procurement system should be made on the basis of the individual ratings taking into account the significance of the deficiencies found; some cluster areas may consist of a mix of ratings which would require a decision to be made on whether to use part or all of the cluster area.

It is expected that in completing this assessment, assessors will review a minimum of 5 procurement activities undertaken by the entity/agency within the last 12 months (at least 1 each of goods, works and services)

### **Application of the Tool**

The relevant rating for each assessment indicator should be inserted into the 'Rating' column on the 'Scoring Sheet'. Depending on the rating input, the indicator will then automatically turn red (if the rating is 1), orange (if 2) or green (if 3), to identify those areas which require urgent attention (red issues) in project design.

To provide a graphic representation of the problem areas, the tool already has an automated colour coded functionality linked to the three rating categories. The lowest of the three ratings, representing areas of concern, will be highlighted as RED (Unsatisfactory); any issues achieving the highest rating will be shaded as GREEN (Fully Satisfactory) and those issues in the mid-range will be ORANGE (Partially Satisfactory). This 'traffic-light' system is commonly used in assessment and risk management and provides an instant focus on the issues requiring priority attention.

As it currently stands, the percentage ranges are indicated as follows:

0-25% compliance amongst files witnessed = rating 1 (red)  
 26-74% compliance amongst files witnessed = rating 2 (orange)  
 75 – 100% compliance = rating 3 (green)

however, it is likely that these will be adjusted and refined with experience.

The Scoring Sheet will be accompanied by assessors' notes to guide the assessors as to how to apply the ratings to each cluster area and indicator. For example, one of the indicators to be rated under the Procurement Planning cluster area is:

*"Are procurement plans prepared ahead of time as a norm and realistic?"*

For this issue, the assessors' notes would inform the assessor that they should ask to see a minimum of 5 procurement plans for existing projects being implemented by the agency. It will state, that where a higher number of plans are available the selection of

which plans to review is the decision of the assessor, not the agency. This is to ensure that the agency does not provide only the 'best' samples for review.

The assessor will be instructed that if no plans are available the rating given is 1 (red).

Where plans are given those plans will then be reviewed to check for timely completion and how practical and complete they were in terms of timescales and values, thus guiding the assessor to be able to rate the agency's performance on this issue.

In the case of *new borrower/recipients or implementing agencies* it may be necessary to go over the entire range of items listed in Appendix 1. However, if the agency being assessed is well known to IFAD, much of the information listed in the tool is likely to be available already and the majority of the assessment can be done without consultation, leaving only critical parts of the assessment to be updated or carried out in the field, if necessary.

For projects involving several implementing agencies, the project design team should assess the capacity of the agency nominated as the lead or coordinator for the project, and all those having a major role in procurement administration for the project, or a representative sample of agencies if all play a similar role. This assessment, as in the case of a single agency, will be the basis for designing the capacity strengthening and procurement supervision plans.

#### Who should undertake the assessment?

The implementing agency assessment should be carried out by a Procurement Specialist or a Procurement Accredited Staff<sup>12</sup> assigned to the project at design stage and using the attached tool to ensure consistency in the approach.

Those aspects of the assessment that deal with the financial and administrative controls in place should be carried out with the help of the disbursement or financial management specialist assigned to the project. This approach is necessary due to the specialised nature of assessing financial controls and because an assessment is also required for Financial Management purposes. The Office of the General Counsel should also be involved as necessary in relation to any issues related to legal aspects of the procurement process which may arise.

The assessment and development of the action plan should be carried out with the full participation of the Borrower/recipient and of the implementing agency to ensure ownership of the proposed actions.

#### How long should it take?

There is no definitive timescale and the duration of the assessment will depend on a number of issues such as:

- the size of the project;
- the number of implementing agencies being assessed;
- the amount of data already available;
- the number and severity of the risks.

However, as a general guide only, it would be expected that the minimum time for a thorough assessment to be undertaken would be 5 working days. Any less than this and it is unlikely that the assessment will be sufficiently detailed for the needs of the comprehensive design.

#### Risk analysis:

A key aspect of the assessment is the analysis of risks in the procurement process. This analysis should include the risks in all areas covered by the assessment and is closely related to the transparency and predictability of the agency's implementation of the procurement process.

This assessment should culminate with a rating of the procurement risks as **high**, **average**, or **low** and is key in the determination of the supervision approach to be recommended.

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<sup>12</sup> See module B1 for details.

Any risk assessment requires considerable professional judgment and there are no precise instructions or steps leading to a clear cut overall assessment. Moreover, different institutions may present weaknesses in the same areas but with varying degrees of severity. In general, an institution showing severe deficiencies in key areas covered by the assessment should fall into the high risk category, and one showing satisfactory ratings in most of them should be in the average risk zone. Only those showing good or better ratings in all areas should be rated as low risk.

*Outputs of the assessment:*

The overarching objective of the implementing agency assessment is to draw final conclusions within the project design document as to where the largest risks arise in the procurement component of the project.

The assessment may detect critical deficiencies that need to be addressed before project launch (i.e., setting up of a procurement unit or preparation of critical bidding or contracting documentation). In the event that the implementing agency cannot finance these activities, the project team should discuss and agree with the borrower/recipient alternative financing sources.

Any actions proposed in order to manage each risk identified should be incorporated as project components in the design document and funded through the financing resources as needed. Till such time that the Borrower/recipient/ implementing agency's capacity to manage the cluster is fully developed and found to be acceptable, the provisions made in the Handbook for the specific element(s) would apply.

## THE ASSESSMENT TOOL - SCORING SHEET

Appendix 1

<b>COUNTRY:</b>	<b>ASSESSOR NOTE:</b> Checking the status of the agency is important to be able to ascertain the legality of its operations. In a situation where an agency does not fall under the national laws and regulations, careful consideration must be given to using that agency as the implementing vehicle for the project.
<b>NAME OF ENTITY/AGENCY BEING ASSESSED:</b>	
<b>DATE OF ASSESSMENT:</b>	
<b>IFAD ASSESSMENT TEAM:</b>	
<b>GENERAL FEATURES</b>	
What is the legal corporate status of this agency? (i.e. a government department, a state corporation, a parastatal enterprise?) Do the national laws and regulations apply to this agency? Refer to existing assessment tools (i.e. CPAR, OECD assessment) for analysis of the legal system.	enter text here (if national laws do not apply, describe its own regulations and does it cover all essentials?)

RATING (enter 1, 2 or 3)

<b>PROCUREMENT PLANNING</b>	
Are procurement plans prepared ahead of time as a norm and realistic? (see handbook module E)	
Are the methods of procurement being used in accordance with the national framework?	
Are project components appropriately packaged for procurement purposes? (see handbook module E)	

<b>BIDDING DOCUMENTS</b>	
Does the agency have capable staff for preparation of bidding documents?	
What is the general quality of documentation produced by the agency? Identify improvements needed.	
Are technical specifications and Terms of Reference clear, neutral and accurate (including schedules of requirements)	
Do standard bidding documents (either national or international) exist for goods, works and consultants? If so list them.	
Do bidding documents contain all information necessary (see modules H1-3 of the Procurement Handbook) to prepare responsive bids and clearly communicate the evaluation criteria?	
Are the contractual conditions contained in the bidding documents include the minimum requirements to ensure adequate protection for the procuring entity? (See General Conditions of Contract, WB template and the national procurement laws)	
Are standard purchase orders (or equivalent order) used for shopping?	

<b>PRE-QUALIFICATION</b>	
Is pre-qualification carried out when appropriate? (see Handbook module G for when pre-qualification may be appropriate)	
Do pre-qualification documents clearly and completely describe all requisites for submitting responsive applications and the qualification requirements?	
Is financial information required and analyzed to assess financial capabilities to perform contracts?	

RATING (enter 1, 2 or 3)

ADVERTISEMENT	
Are contracts to be awarded by competitive bidding publicly advertised in a widely circulated media?	
Is the required minimum time allowed to obtain documents and prepare bids observed? (check the national regulations for minimum timescales)	

COMMUNICATIONS BETWEEN BIDDERS AND THE PROCURING AGENCY	
Are requests for clarifications answered promptly and completely in a written form and communicated to all prospective bidders?	
Are clarifications, minutes of the pre-bid conference, if any, and modifications of the documents promptly communicated to all prospective bidders?	

RECEIPT OF BIDS AND OPENING	
Are bids received prior to the deadline securely stored (i.e. secure tender box or other lockable facility)?	
Are public bid openings conducted?	
If public bid openings are conducted, are they done within 48 hours following the deadline for submission?	
Do bid opening procedures generally follow those specified in the Guidelines? Are minutes kept?	

BID EXAMINATION AND EVALUATION	
Are evaluations conducted by a suitably qualified evaluating committees? (see Handbook module L1 for guidance)	
Is responsiveness determined on the basis of the documentary requirements described in the documents?	
Are bid evaluations carried out thoroughly and on the basis of the criteria specified in the documents?	
Are evaluations completed within the original bid validity period?	
Are bid evaluation reports prepared containing all essential information (see Handbook group L for details)	

CONTRACT AWARD AND EFFECTIVENESS	
Are contracts required to be awarded to the lowest evaluated responsive bidder who has been determined to be qualified to perform the contract satisfactorily?	
Are unsuccessful bidders informed in writing that they have not won the contract?	
Are conditions precedent to contract effectiveness clearly defined in the contract? (i.e performance security, advance payment etc)	



RATING (enter 1, 2 or 3)

CONTRACT ADMINISTRATION	
Is there a contract monitoring system, either in manual or electronic format, in use? Review sample	
Is there a process being used to monitor delivery of goods and services to verify quantity, quality and timeliness?	
Are contract amendments handled promptly in accordance with the contract conditions and established practice? (see Handbok module N2)	
Are contractual disputes handled in accordance with a formal complaints /arbitration system? (see Handbook module O)	
Are works contracts supervised by Independent Engineers or a named Project Manager?	
Are contracts completed on schedule and within the originally approved contract price?	
Are final payments and contract final closure handled in accordance with the relevant national procedure (or if no procedure exists, in line with Handbook module O)?	

ORGANISATION AND FUNCTIONS	
Do procurement staff have access to copies of the national procurement regulatory framework (i.e. law, regulations, manuals/user guides)?	
Are the procurement and financial management functions separated?	

SUPPORT AND CONTROL SYSTEMS	
Independent auditing arrangements are in place and audits are undertaken	
Does the unit have access to legal advice and is there evidence that it utilises that service?	

RECORD KEEPING	
Does the agency maintain a complete record of the process? This would include e.g. copies of all public advertisements, pre-qualification documents (if used), the pre-qualification evaluation report documenting any decisions not to pre-qualify certain potential bidders, the bidding documents and any addenda, a record of any pre-bid meetings, the bid opening minutes, the final bid evaluation report (including a detailed record of the reasons used to accept or reject each bid, copies of bids, appeals against procedures or award recommendations, a signed copy of the final contract and any performance and advance payment securities issued, etc	
Are adequate contract administration records maintained? (These would include contractual notices issued by the supplier, contractor, purchaser or employer; a detailed record of all change or variation orders issued affecting the scope, quantities, timing or price of the contract; records of invoices and payments; progress reports; certificates of inspection, acceptance and completion; records of claims and disputes and their outcome; etc.)	
Are periodic reports prepared on overall procurement activities?	
Is a record of contract prices maintained? How is it used? To establish national price indices?	

STAFFING	
Is the agency staffed with trained procurement personnel in line with any requirements within the national regulatory framework?	

## Module E: Procurement Planning

### Purpose of Module:

It is a requirement of the IFAD Procurement Guidelines that at the outset of each project, the Borrower/recipient/Recipient, in conjunction with IFAD, establishes a procurement plan covering the first 18-months of the project followed by 12 month successive plans synchronised with the Annual Work Plans and Budget during implementation.

Planning is a critical part of the procurement process to enable objectives and priorities to be set, workloads to be estimated and resources allocated. It enables the procuring entity to plan, organise, forecast and schedule its procurement activities and to identify potential areas for aggregation of needs. For IFAD, it provides a tool by which it can monitor project implementation.

As far as possible, procurement planning should be integrated with financial planning of a project so that budgets and procurement needs are synchronised as far as is practical.

This document provides Borrower/recipient/Recipients and IFAD staff with practical guidance on how to prepare a plan, what should be included in a plan and when plans should be updated.

### Applicability:

This Module applies to all IFAD-funded projects.

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### 1. Plan Format

Where national procurement plan templates exist and are agreed by IFAD for use on a project then such templates can be used.

If no such templates exist or are approved by IFAD, then IFAD and the Borrower/recipient/Recipient should agree to adopt a format from other IFIs with which the Borrower/recipient/Recipient is familiar and which are in use for other projects. An example of which is attached to this module.

### 2. Data to be included:

As a minimum, each procurement plan must contain the following information:

***A brief description of each procurement activity to be undertaken during the period or the plan;***

The plan should be divided into goods, works and services and a brief description of each individual activity given. A 'brief description' is one which is sufficient to be clearly identifiable as an individual procurement activity but not so detailed that it becomes a specification.

***Example 1:***

"Vehicle" would be considered to be insufficient;

"4x4 project vehicle, 6 seats" would be brief and adequate

"4x4 project vehicle, engine capacity ..., vehicle weight ..., power steering, left hand drive" would be moving into specification and therefore too much detail at this stage.

***Example 2:***

"civil works" is too vague

"construction of small generator house" would be adequate

"generator house for a household 10KVA genset, concrete block construction, 6'x6'x6', flat roof" would be too specific for planning purposes

The nature and quantity of goods/works/services must be consistent with activities in the annual work plan and it is the Borrower/recipient/Recipient that is required to complete

this information in the draft procurement plan. IFAD will either agree or suggest amendment as required.

For this section of the Procurement Plan, please also refer to the 'F' group of modules for further assistance.

***The estimated value of each activity;***

To ensure that the plan and budget are, as far as possible, harmonised, it is necessary to include the estimated expenditure for each procurement activity.

Estimated prices can be obtained from a number of sources, including but not limited to:

- previous similar purchases (these could be from a previous/existing project or recent projects in an adjoining country);
- published prices available from potential suppliers;
- any national price lists which exist;
- the internet.

The key is having a realistic budget based on informed data as the estimated value of a procurement activity may have a direct influence on the method of procurement to be adopted and the IFAD method of review for that activity.

It is the Borrower/recipient/Recipient that is required to complete this information in the draft procurement plan.

***The method of procurement to be adopted for each activity;***

The plan should state the procurement method to be adopted for each separate procurement activity. Module F5 provides information on how methods should be selected.

***The method of review IFAD will undertake for each activity;***

The plan must contain the agreed method of review which IFAD will adopt for each individual procurement activity. This will need to be determined by IFAD during its review of the plan.

For more details about the review methods, please refer to Module A.

***Other data***

In addition to the minimum information above it is considered good practice for a procurement plan to capture additional information such as:

- planned timing of the procurement activities<sup>13</sup> (or at least the commencement and completion dates);
- procurement by project component;
- dates for IFAD prior review;
- the responsible entity, in case different entities are carrying out project procurement (such as the Project Coordination Unit, District A, the Ministry of Agriculture).

Whilst this is not compulsory data, this information aids the management of the project by making the procurement plan more of an active tracking and monitoring tool as opposed to just an initial list of procurement activities.

### **3. When to update a plan**

As already stated above, the initial 18-month project procurement plan is required to be prepared at the outset of each project with successive 12 month procurement plans to follow during the course of implementation.

Once this initial plan receives a 'no objection' from IFAD the plan should form the basis of the procurement activity for the project.

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<sup>13</sup> When plans are updated or amended, it is good practice to retain the original planned dates as a point of reference.

It is important however that procurement plans are not static documents. They should be considered as 'live' documents and updated on a regular basis. Any major adjustments or amendments should be done promptly, but in any event plans should be reviewed and updated at least annually but ideally every quarter. Any major adjustment or amendments would require IFAD no objection.

## Country/Organisation:

Project/Programme:

Loan #:

## BASIC DATA

## Bid Documents

### Bidding Period

### Bid Evaluation

## Contract Finalization

[illegible]

**Fill gray cells only!**

Project/Programme:

### Basic Data

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Project/Programme:							Request for Expression of Interest		Terms of Reference		Short List		Request for Proposal		Bid Proposals		Bid Evaluation Technical (T) & Financial (F)									Contract Finalization		
Description*	Selection Method	Lumpsum or Time-Based	Estimated Amount in US \$	Prior/Post Review	Plan vs. Actual	Date Published	Closing Date	Date Proposed	Date No-objection	Date Proposed	Date No-objection	Plan vs. Actual	Date Prepared	Date No-objection	Invitation Date	Submission/Opening Date	Submission Evaluation Report (T)	No-objection Evaluation Report (T)	Opening Financial Proposals	Submission Eval Report (T) & (F)	No-objection Eval Report (T) & (F)	Plan vs. Actual	Contract Amount in US \$	Contract Award	Contract Signature			
					Plan							Plan										Plan						
					Actual							Actual										Actual						
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Total Cost			0.00		Plan							Plan										Plan	0.00					
			0.00		Actual							Actual										Actual	0.00					

## Module F1: Identification of need

### Purpose of Module:

This module is part of the 'F' cluster ('Defining Procurement') and provides advice to Borrower/recipients/Recipients and IFAD staff on the following aspects of needs identification:

- types of need
- needs or wants
- alternatives
- procurement drivers.

It also contains a flow-chart of activities as a summary.

### Applicability:

This module applies to all IFAD-funded projects.

### 1. Types of need:

Generally, needs (or 'requirements') fall into one of the following categories:

(i) Projected requirements

These are the forecasted needs for the project and will form the basis of the AWP/procurement plan and budget.

These requirements will be known at the beginning of the project and will form a bulk of the planned procurement.

(ii) Interim requirements

These will result from the identification of requirements where an element of 'bridging' or 'restocking' is necessary. It is expected that the requirements would not represent more than 1/12<sup>th</sup> or 2/12<sup>ths</sup> of the overall supply requirement for any particular items and that the procurement would normally be of low value.

Interim requirements will normally be regarded as minor restocking to avoid nil stock situations until the annual requirements are delivered. They will not usually have been identified specifically at the beginning of the project and precise details are unlikely to be known until a complete delivery schedule of the annual requirements is reviewed.

(iii) Specific, one-off, emergency requirements

These needs result from unexpected requirements which are one-off in nature and are unlikely to be known until needed. There may be a small general contingency within the budget to cover such circumstances.

For reasons of planning it is obviously preferable to have at least 90% of the project falling under the 'Projected Requirements' category as this is the most proactive type and give the buyer the best chance of getting value for money. The other categories are reactive and therefore can limit the potential for value for money (see 'Procurement Driver' below).

### 2. 'Needs' or 'wants'

It is often easy to fall into the trap of confusing what is 'needed' with what is 'wanted'. Two good examples of this in terms of goods are the procurement of vehicle and computers, although it applies equally to services and works.



**Examples:**

*For vehicles, the primary 'need' is a vehicle to transport people from point A to point B. Add to this a need for some degree of comfort (the longer the journeys are likely to be to more comfort is desired) and maybe the terrain over which the vehicle is likely to be used. So at its most basic, that is the 'need'.*

*Compare this with a 'want' – a large 4x4 with leather interior, CD player and you can begin to see the dilemma. If, for example, the vehicle is only to be driven short distances in an urban environment, the requirement for 4 wheel drive becomes a 'want', not a 'need'.*

*In the case of desk-top computers, the basic 'need' could be classed as having basic office functions, such as spreadsheets and word processing, internet access, a CD/DVD-ROM and a reasonable speed and size of hard drive .*

*Compare this with 'wants' such as high graphics card specification, multiple hard drives or DVD writer and the specification suddenly begins to increase.*

There is a phrase in procurement that 'the best is the enemy of the good' – which essentially means that although something may be perfectly adequate for our needs we discard it because there is something available that we prefer, even though we don't actually 'need' some of it's features.

Product marketing will often attempt to sell additional features as benefits by trying to stimulate the buyers 'want' emotion. Invariably however 'wants' will increase the specification beyond what is functionally necessary and therefore will increase the price.

Another reason that 'wants' are often procured instead of 'needs' is when there is an element of status or prestige attached to certain goods (again, vehicles are a good example of this). A good way to avoid this problem, for some items at least, is to have standardised specifications for certain prestigious items such as vehicles, computers or mobile telephones. This is discussed further in Guidance Sheet F2.

In summary, it is necessary to check that the requirements for procurement are reflective of the legitimate and justifiable needs of the entity concerned.

**3. Alternatives**

For every action we take there is always an alternative and procurement is no different. In this sub-section we will look briefly at two aspects in considering 'alternatives' in procurement.

**(i) Alternative to the need**

This is the issue of whether the perceived 'need' is actually the solution at all and the asking of the pivotal question "is there another way to achieve the same outcome".

In order to determine this, it is necessary to consider the main reason behind the need? Is it a symptom of something else which, if not fixed will still be an issue.

**Example:**

*Training is often seen as a solution to under-performance however it may not be the solution if the cause of the under-performance is not related to a lack of skills or knowledge. If the underlying issue is related to the lack of morale, motivation or interest, or linked to a lack to tools to do the job properly (i.e. not having the right equipment or facilities), then delivering skills training is not going to solve the core problem. If morale, motivation or attitudes are the causes of performance this is an issue of personnel management. Similarly, if lack of adequate facilities is impeding performance then provision of those facilities is a priority.*

*Although alternative options are usually easier to identify when procuring services, this concept applies equally to goods and services as well. A good example is that of a bridge to span a river. There is more than one way to cross the river and viable alternatives could be a tunnel or a boat service.*

The key is to question and challenge the procurement at its earliest stages to ensure that the 'need' is really going to achieve the goals.

(ii) The purpose of procurement

The other question is that of ownership. Procuring on an ownership basis is what we do over 90% of the time in our private life. It is a simple cycle of we have a need, we buy it, we own it. After ownership we may consume it (i.e. foodstuffs, raw materials) or we may keep it.

In terms of project procurement however there is a much greater scope for adopting a different strategy and one which still meets our need but does not necessitate us actually taking on ownership; that is, to lease or rent.

This lends itself mainly to goods procurement but can be a very cost efficient way to meet a need without the expense of owning a product. Items such as office equipment, vehicles, farm/construction equipment do not necessarily need to be procured as new and owned by the project, especially if the need is only short-term. They could be rented/leased for a defined period and returned upon completion.

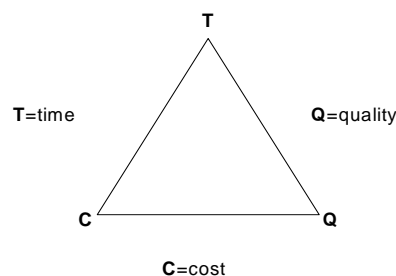
#### 4. Procurement Drivers

Faced with the question *"What do we want to achieve from this procurement exercise"*, the common response might be *"To ensure that we get what we want, when we want it and at a good price."*

As an overall statement of intention it would be difficult to disagree with this. Failure to meet any of those criteria is likely to lead to dissatisfaction with the procurement process. However, this statement is somewhat simplistic. For example, how do we reach agreement on defining what the *right* time, *right* price and *right* quality are in the first place? Unless we have defined and agreed the *"rights"*, how can we begin to try and deliver them? And how realistic/achievable is it to expect to achieve all three?

Essentially it comes down to a consideration, on a case-by-case basis of what will define success for each individual procurement activity. Is it the cheapest cost, the quickest delivery, the highest quality? Whilst the ideal scenario would be to obtain all three in equal proportion the reality is that the three objectives can often contradict each other. *"Is the cheapest cost necessarily the best quality?" "If time were of the essence would you be prepared to pay extra to ensure prompt delivery?"*

This reality can be represented by the following simple graphic, often referred to as the 'Procurement Triangle' or 'TCQ Triangle':



The dilemma is that the triangle can be rotated to give one clear priority (as in the example above) or a combination of priorities that need to be understood and carefully balanced to ensure that the exercise is a success.

Only when the priorities are clearly identified and understood by all parties can we be sure that we are synchronising our efforts and working towards the same objectives.

Initially, as mentioned above, it may appear that all three objectives have equal priority. This is a natural reaction but further consideration of the requirements will always reveal that there is a hierarchy among the objectives. One aspect will always have less elasticity than the others. This process is called identifying the Driver and is a key part of the need identification process.

Once the Driver has been established it enables the procurement process to proceed with focus being applied to the right objective. Of course, this does not mean that the other

objectives are no longer considered. They are still a vital part of the process, but the Driver influences the decision-making process by virtue of being the highest priority.

The table below shows how the Driver can influence decisions made about the way the procurement activity is approached:

<b><i>If the Driver is....</i></b>	<b><i>(example)</i></b>	<b><i>Focus on.....</i></b>	<b><i>Consider....</i></b>
Quality	-Safety equipment -Highly skilled consultancy	Getting the specifications right	Recruiting a technical specialist to assist with specifications
Cost	-Stationery -Basic works	-Cutting out non-essentials -Commercial aspects	The entire life-time costs, not just price
Time	-Seasonal demands -Emergency needs	Speed of procurement	Planning and milestones

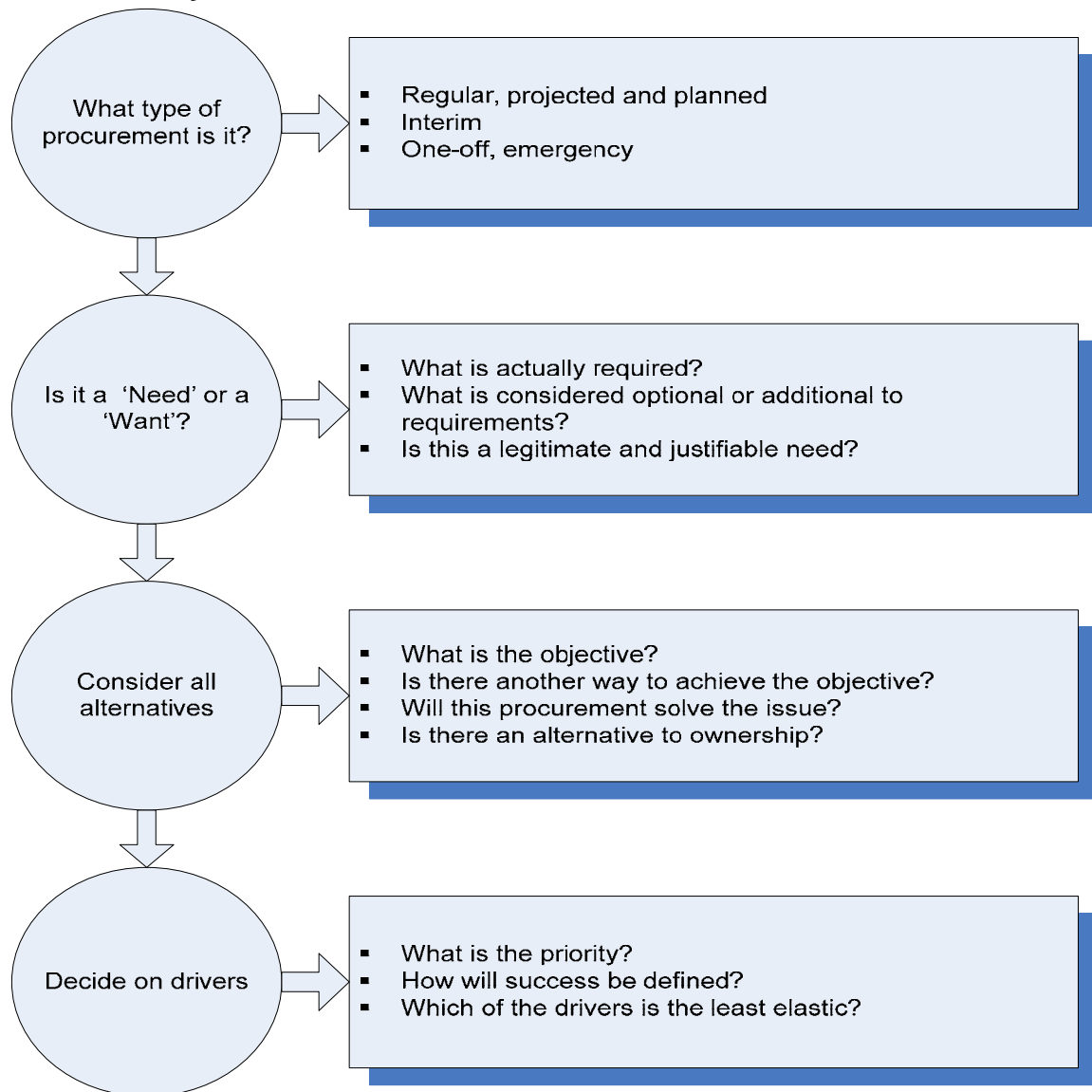
As can be seen, different Drivers determine different areas of focus and it would not be beneficial to spend weeks on preparing the best possible specification if Time was the priority.

As a final point, it is worth noting that of all of the Drivers which exist, the least favourable one from a procurement perspective is that of Time. This is because when the procurer is under a time pressure invariably the price goes up and/or value for money goes down. This happens for a number of reasons, but primarily because:

- the buyer is reactive and so cannot plan the procurement;
- there is usually insufficient time to undertake a competitive procurement process;
- the balance of power in negotiation is with the bidder, supplier, contractor or consultant as they are aware that the buyer does not have time for protracted discussions;
- goods are usually 'off-the shelf' and therefore may not meet all of the specification requirements.

Although it is recognised that not every event can be planned and unforeseeable situations arise. Often however pressure of time is brought upon through lack of planning and for this reason it is preferable to have as much procurement as possible planned as possible so as to avoid being forced into the position where Time is the driver (see module E for details on Procurement Planning).

## 5. Summary flow chart



## Module F2: Statements of requirements and specifications for goods

### Purpose of Module:

The statement of requirements is a key document which is used throughout the procurement process to:

- inform prospective bidders of the procuring entity's requirements through its inclusion in the invitation document;
- provide the technical standard against which tenders are evaluated;
- forms part of the contract, defining the goods to be supplied; and
- set the technical standard against which the goods supplied can be inspected, prior to acceptance.

This module provides good practice advice on how to prepare the statement of requirements and specifications and what issues need to be considered. It is not designed or intended to be an exhaustive list but a general guide to the major considerations.

### Applicability:

This module is applicable to any IFAD-funded procurement for goods. Separate modules are available to address requirements for works and services.

### 1. Preparing the list of items

The preparation of the description of requirements should start with the brief description of the requirement taken from the procurement plan (see module E).

The goods to be procured under a specific procurement exercise should then be grouped together and a complete list of items for that tender should be prepared

The list of goods should briefly describe each of the goods that the procuring entity requires and specify the quantities of each. Consideration should be given to including any spare parts or consumable items required, either by specifying the items required or requesting the spares or consumables normally required for a specified period of operation, such as one year. The list of goods should also describe any incidental works or services required, such as installation and commissioning, preparation of the site for installation or user training.

Each item should be numbered sequentially on the list for reference purposes. Along with the quantity, the unit of measure must also be specified e.g. kilograms, litres, reams etc. Complete items, such as vehicles or computers, should be given a unit of measure of "each".

### Example:

<i>Item number</i>	<i>Brief Description of Goods and Related Services</i>	<i>Quantity</i>	<i>Unit of Measure</i>
1	<i>Personal Computer, desktop type</i>	2	<i>Each</i>
2	<i>LaserJet Printer A4 paper (Black and white printing)</i>	1	<i>Each</i>
2a	<i>Toner Cartridge for item 2</i>	2	<i>Each</i>
3	<i>Uninterruptible Power Supply</i>	1	<i>Each</i>
4	<i>PC Office Software (word and spreadsheet facilities)</i>	1	<i>Set</i>
5	<i>Scanner</i>	1	<i>Each</i>

## 2. Preparing specifications

When the list of items has been prepared, the technical specifications need to be produced. Well-prepared specifications will facilitate the preparation of bids by potential suppliers and the smooth evaluation of tenders by the procuring entity, so it is important to spend time getting them right.

### 1.1 Different types of specification

There are essentially three types of specification as follows:

- (i) **Performance:** This describes:
  - what the item should do,
  - the measurable performance of the item, and
  - the qualities of the item.

The bidder then selects their most appropriate approach or product to meet the performance required. This approach allows new ideas and technologies to be offered but it is not always easy to evaluate unless the performance parameters are clearly defined.

- (ii) **Functional:** a Functional Specification describes:
  - the general function of the item – what it is and how it to be used;
  - a name that is understood by the supplier and the purchaser; and
  - a generic item.

- (iii) **Technical (or ‘design’):** This includes:
  - A full description of the technical and physical characteristics of each element;
  - How it is made and what it should look like,

This is generally only used for a complex product where components need to be inspected or tested individually or where adherence to a specific manufacturing process or use of a particular material is mandatory in order to meet a required standard. It ensures that each supplier responds with similar offers thus is easier to evaluate however it requires an excellent technical knowledge of the product required as the buyer is dictating exactly how the object should be made and the materials that should be used. The risk is that by being so prescriptive the procuring entity takes on a far greater the responsibility in the event that the goods do not perform. It is therefore a high risk approach and one which should be used with caution and always with the advice of a technical expert in the product area.

### 1.2 What to include in a specification?

Usually most specifications include elements of both Performance and Functional data. Depending on the type of specification some general best practice rules for preparing specifications are as follows:

- (i) Include the **general purpose and intended use** of the goods and whether any special requirements exist (e.g. for use off-road in mountainous terrain or to use desktop publishing programmes). It is often useful to include a short functional description of the goods including the conditions in which the goods must operate (e.g. temperature or humidity ranges). For vehicles, this can often be covered by stating “suitable for use in [country X]”.
- (ii) The specifications should define the **minimum technical characteristics, performance parameters and quality standards** of the goods required by the procuring entity. This includes any outputs, timescales and any indicators or criteria by which satisfactory performance can be judged or assessed. The evaluation will then assess whether tenders meet this minimum standard. Credit in evaluation should not be given for exceeding the standard.

- (iii) Always require that goods are **new and unused**<sup>14</sup>. It is also often seen in specifications that they should be 'of the most recent or current models, including all latest improvements in design and materials'. Although this can prevent 'old stock' from being supplied there is a counter balance in that it is not always necessary or economical to have the latest models (see module F1).
- (iv) Technical specifications should contain a **complete, precise and unambiguous description** of the goods required, by specifying:
  - the various functions or characteristics required e.g. colour printing for a printer, double-sided copying for a photocopier, dimensions of items, the dosage of a drug, air-conditioning in a vehicle;
  - the performance required e.g. the speed of a printer, a photocopier or a computer processor or the accuracy of laboratory equipment; and/or
  - the quality standards for equipment, materials or workmanship.
- (v) Specifications **must be generic** i.e. they must not refer to a particular trademark, brand name, make or model, patent, catalogue number or any other detail which would limit the specification to a specific manufacturer.

**Example:**

*A specification for a printer must not state Hewlett Packard or Canon, but should give the characteristics of the printer e.g.*

*"LaserJet printer, black and white, minimum print speed 20 pages per minute, minimum print quality 1200x1200 dpi, minimum input capacity of 200 A4 sheets" etc*

In exceptional cases, where there is no sufficiently precise way of describing the goods without use of a brand name or similar, the words "or equivalent" must be included. The use of particular makes or models may also be permitted for reasons of compatibility (e.g. spare parts or consumables for a piece of equipment where the manufacturers part numbers should be stated to ensure the correct part is procured. In such a case it is also sensible to include the make, model and description of the primary equipment the spares are required for).

- (vi) Include any **environmental or safety features required of the goods** in order to meet applicable industry, national or international standards. It is important however that standards specified **must not be restrictive** so where possible, recognised international standards should be used. Where other standards are used, they should normally be followed by a statement that "other authoritative standards that ensure at least a substantially equal quality will also be acceptable".
- (vii) State any **documentation required** (e.g. operating/maintenance manuals, user guides, licences, test certificates) and in what language.

Depending on the nature of the requirements, the following may also be necessary:

- (viii) **Descriptions of required manufacturing processes, workmanship or materials.** This would only be applicable for very specialised requirements where adherence to a specific manufacturing process or use of a particular material is mandatory in order to meet a required standard (see 'Technical Specification' in Part 2.1 above).
- (ix) Any **packaging, marking and labelling requirements**, such as a requirement for pills to be packaged in blister packs corresponding to weekly dosages, for HIV test kits to be individually packaged, along with the required protective gloves and instructions for use or for drugs to be marked with their expiry date.
- (x) When procuring plant machinery any **site plans for installation** should be included so as to provide the potential bidders with as much information as possible about the

<sup>14</sup> Unless it has been agreed by IFAD that reconditioned and fully guaranteed equipment can be procured.

final proposed location of the equipment (i.e. building/site dimensions, availability of water and power, building/site access).

(xi) Details of any **incidental works or services required**. For example:

- where the supplier is responsible for preparing a site for installation, the current state of the site and the work required should be stated e.g. a particular thickness of concrete base for machinery;
- the number of people to be trained in use, maintenance or repair of equipment, the location for training, the standard to be attained etc.

### 1.3 Who should prepare specifications?

It is the responsibility of the Borrower/recipient/Recipient to prepare the initial draft specifications.

Where it does not possess the required technical expertise to do so it may seek technical advice from external sources such as other government bodies or external specialists in preparing specifications.

IFAD's role in specifications is limited to its review of the specification as part of any prior review process it undertakes on the bid solicitation document.

### 1.4 Use of standardised/previous specifications.

Preparation of specifications can be a time-consuming exercise, therefore it is not uncommon to see standardised specifications either within a national procurement system or within specific Government Ministries or Agencies.

These are useful tools but need to be used carefully as there are essentially two types of standard specifications, both with very different characteristics:

- firstly, there are those which represent a national or corporate standard for purposes of standardisation. These are usually issued from a central authority point, are mandatory and prescribe exactly what is to be procured. They are a useful tool for very standard, commonly procured items which are unlikely to change over time (i.e. stationery) but can equally be used to 'control' procurement of other, more valuable items such as vehicles (to ensure consistency of fleet and make servicing easier), computers and mobile telephones. This 'control' ensures that all staff of the same grade/rank/status have the same equipment and avoid issues of 'wants' over 'needs' (see Module F1);
- secondly, there are those which serve as generic templates to provide a starting point for a more detailed specification to be prepared which reflects the specific needs of the procurement activity being handled. As every procurement activity is unique, it should not be assumed that any such generic templates (or previously specifications) can be adopted in their entirety; indeed it is not the intention that this should be the case. They are simply outlines to be used as a guide and it is essential that they are assessed and enhanced to ensure that they fully meet the requirements for the specific activity in question.

When using standardised specifications it is therefore imperative to know which type of 'standard' it is.

## 3. Delivery Schedule

The delivery schedule should specify the delivery period and place for each of the goods. Where any related works or services are included, the delivery schedule should also state the completion period and the site.

In preparing the delivery schedule, the following guidance should be taken into account:

- (i) The delivery and completion periods should be realistic. Unrealistically short delivery or completion expectations may result in restricted competition or may prompt complaints



from prospective bidders. There are a number of ways to express delivery and completion periods. Usually:

- as a specific time (i.e. but 30<sup>th</sup> June). This should only be used when time is the primary driver (See Module F1) and no slippage can be tolerated. This may apply in circumstances such as specific events (such as a conference) or in order to meet a seasonal demand; or
  - as a desirable number of days, weeks or months from the date of contract award.
- (ii) The delivery period should take into account whether the procurement is of standard, readily available goods or goods which are likely to be manufactured to order.
  - (iii) Consider whether delivery of a whole contract amount in one consignment is logistically possible in terms of receiving and storage facilities. Where appropriate, different delivery periods could be given for different items or the total requirement should be split into several batches, with phased deliveries.
  - (iv) The delivery period requested should take into account whether the goods are likely to be available in country or require importing. Where the goods are likely to be sourced internationally, the location of the goods and likely transport times should be considered.
  - (v) Ensure that the delivery period specified takes into account the Incoterm specified for delivery. It must be remembered that under some Incoterms the 'delivery' of goods takes place when they are delivered to the carrier, not when they are delivered to the final destination. Under other Incoterms, a realistic time should be allowed for delivery considering the mode of transport.

#### **4. Common problems causing procurement to be cancelled, delayed or restarted**

It is worth noting there are a number of areas in the development of statements of requirements and specifications that can cause problem during tendering and which can cause tendering to be cancelled, delayed or restarted. Most commonly these are:

- unintended stipulations in the functional or performance specifications that limits bidders to just one make or model of equipment of ;
- unrealistic delivery period stated effectively limiting sources of supply to those in country;
- imprecise specifications which result in a number of widely varying tenders which are difficult to technically evaluate meaningfully.

#### **5. In summary.....**

When preparing statements of requirements and specifications for goods:

- list out all of the goods required, their quantities and the unit of measurement;
- be aware of the type of specification being used;
- prepare the specification by including all relevant details;
- consider using a technical expert if the knowledge to prepare the specification does not exist 'in-house';
- be aware of any mandatory standard specifications which may need to be used;
- don't forget that each procurement is unique so use previous specifications or generic templates as a starting point and a guide only;
- consider the delivery requirements and logistics;
- be aware of the common mistakes and try to avoid them;
- if in doubt, always seek advice or guidance.

## Module F3: Statements of requirements for works

### Purpose of Module:

The statement of requirements is a key document which is used throughout the procurement process to:

- inform prospective bidders of the procuring entity's requirements through its inclusion in the invitation document;
- provide the technical standard and, for some requirements the estimated quantities, against which tenders are evaluated;
- form part of the contract, defining the works to be performed and the technical standard against which the works can be inspected prior to acceptance; and
- provide for some types of contracts, the rates and estimated quantities against which actual work is measured for payment purposes.

This module provides good practice advice on how to prepare the statement of requirements and specifications/bills of quantity and what issues need to be considered. It is not designed or intended to be an exhaustive list but a general guide to the major considerations.

### Applicability:

This module is applicable to any IFAD-funded procurement for works. Separate modules are available to address requirements for goods and services.

## 1. Introduction

The statement of requirements for works should be prepared by an engineer with appropriate technical qualifications and experience. Where the procurer does not have access to this skill, external technical advice should be sought.

The preparation of the statement of requirements should start with a general, summary description of the requirement (e.g. construction of classrooms or repair of airport road) taken from the procurement plan (see module E). This will normally be developed into a more detailed design brief for the engineer.

A statement of requirement for works is not one single document but instead is made up of a number of component parts as follows:

## 2. Drawings

Technical drawings help to define the works required by the procuring entity. The construction drawings, even if not fully developed, must show sufficient detail to enable bidders to understand the type and complexity of the work involved and to price their bid appropriately and accurately.

In addition to the construction drawings, a simplified map showing the location of the Site in relation to the local geography, including major roads, posts, airports and railroads, is helpful.

When preparing the bid solicitation invitation document (see module H2), it is normal practice to insert a list of drawings, although the drawings themselves are often bound and issued in a separate volume, particularly where they are numerous or issued in large format, such as A1 or A2 paper.

## 3. Specifications

A set of precise and clear specifications is a prerequisite for bidders to respond realistically and competitively to the procuring entity's requirements without qualifying or conditioning their tenders.

Specifications must be drafted to permit the widest possible competition and, at the same time, present a clear statement of the required standards of workmanship, materials, and

performance of the related goods and services to be procured. The specifications should require that all materials to be incorporated in the works, be new and unused, although this does not apply to equipment used to facilitate the works (e.g. construction vehicles and tools). If it is required that latest design improvements and/or materials are to be used then this should be specified, although care must be taken in drafting specifications to ensure that they are not restrictive or exclusive.

In the specification of standards for goods, materials, and workmanship, recognised international standards should be used as much as possible. Where national, or other, standards are used, the specifications should state that goods, materials, and workmanship that meet other authoritative standards, and which ensure substantially equal or higher quality than the standards mentioned, will also be acceptable.

There is no standard set of international specifications for universal application in all sectors, although there are established principles and practices. Most specifications are normally written specially to suit the specific works in hand however there are considerable advantages in standardising General Specifications for repetitive works in recognised public sectors, such as highways, ports, railways, urban housing, irrigation, and water supply, in the same region or where similar conditions prevail.

Where such General Specifications exist, they are usually issued from a central national or regional authority point and generally cover all classes of workmanship, materials, and equipment commonly involved in construction, although not necessarily all to be used in a particular works contract. Deletions or addenda can then be used to adapt General Specifications to the particular works being procured.

#### **4. Bill of quantities (BOQ)**

For contracts to be placed on an admeasurement basis<sup>15</sup> a BOQ must be prepared for inclusion in the bid solicitation document.

The primary objectives of the bill of quantities are twofold:

- to provide sufficient information on the quantities of works to be performed to enable bids to be prepared efficiently and accurately; and
- to provide a priced bill of quantities for use in the periodic valuation of works executed, once a Contract has been entered into.

In order to attain these objectives, works should be itemised in the bill of quantities in sufficient detail to distinguish between the different classes of Works, or between Works of the same nature carried out in different locations or in other circumstances which may give rise to different considerations of cost. IFAD does not have a prescribed layout or format for a BOQ as many variations will exist within Borrower/recipient/Recipient countries which can be used. However, the general rule is that any BOQ should be as simple and brief as possible.

For admeasurement contracts, bidders are required to price the bill of quantities in their tenders and the priced bill of quantities becomes part of the contract. Payment is then made using the rates in the priced bill of quantities, but based on the quantity of materials used which is measured by the customer<sup>16</sup> on a regular basis.

#### **5. Activity schedule**

For lump sum contracts<sup>1</sup> an activity schedule should be prepared for inclusion in the bid solicitation document.

Tenderers are required to tender a lump sum price, based on the activity schedule and the successful bidder's tender price becomes the contract price. The actual work performed will not be remeasured for payment purposes, as under an admeasurement contract, so the breakdown of price on the activity schedule is only used for contract variations.

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<sup>15</sup> Refer to Module I2.

<sup>16</sup> Usually by a Quantity Surveyor employed directly by the customer for this purpose.

Therefore, the objective of the activity schedule is to provide a breakdown of the activities and their associated cost that form the works to be paid on a lump sum basis. The breakdown is intended to be used:

- as the basis for certifying any interim payment to the supplier; and
- to assist in valuing any ordered variations.

The works should be broken down by consideration of the nature of each activity and if applicable by the location. The procuring entity will have to determine the degree to which the works need to be broken down by consideration of the complexity of the works and the stated time for completion.

Schedules can be provided for each discrete element of the works. If the works require plant and equipment to be provided, separate schedules for the supply only of the plant and equipment may be provided.

As with the BOQ, the activity schedule should be as simple and brief as possible.

## **6. Required completion schedule**

The completion schedule should specify the completion period and site for each part of the works. In preparing the completion schedule, it is necessary to ensure that the completion periods are realistic. Unrealistically short completion periods may result in restricted competition or may prompt complaints from prospective bidders.

There are a number of ways to express delivery and completion periods. Usually:

- as a specific time (i.e. but 30<sup>th</sup> June). This should only be used when time is the primary driver (See module F1) and no slippage can be tolerated. This may apply in circumstances such as construction for specific and immovable events (the Olympic Games for example); or
- as a desirable number of days, weeks or months from the date of contract award.

## **7. Overall scope of works**

The scope of works should provide:

- a description of the works;
- approximate quantities of major items;
- a background narrative to the work required, where appropriate; and
- the objectives of the works required, where appropriate.

The scope of works will normally form the first part of the statement of requirements, but will need to be prepared last, once approximate quantities etc are known. A description of approximately 1-2 pages is appropriate for most contracts.

## **8. Supervision requirements**

The scope of works should provide:

- (i) details of the supervision that will be applied to the works including the name of the supervisory organisation and the level of supervision;
- (ii) details of the management reporting arrangements that will apply to the works;
- (iii) details of other administrative arrangements that will be required for the works and the eventual contract.

## **9. Inspection and testing requirements**

Consideration should be given to how the final completion will be checked and verified as meeting the contractual standard. This is usually done through inspection and testing requirements and although the specific level of inspection and testing will depend on the

type, scale, value and complexity of the works it is important that any requirements in this regard should be included in the statement of requirements so that bidders are aware that it will be undertaken. The two primary issues to mention are:

- details of the specific inspection requirements for the works including, where appropriate, the name of nominated inspectors and a summary of their scope of services;
- details of the specific testing requirements for the works including, where appropriate, the name of the specific test to be carried out and the name of nominated testing laboratory/organisation.

## **10. Common problems causing procurement to be cancelled, delayed or restarted**

It is worth noting there are a number of areas in the development of statements of requirements that can cause problems during tendering and which can cause tendering to be cancelled, delayed or restarted. Most commonly these are:

- Over-specification that limits competition;
- Unrealistic completion periods;
- Imprecise specifications/BOQ's which result in a number of widely varying tenders which are difficult to technically evaluate meaningfully.

## **11. Summary**

When preparing statements of requirements for works:

- take the basic description of the works from the procurement plan;
- appoint a technical specialist;
- prepare the drawings and specifications for the works;
- decide on whether the most suitable contract type is admeasurement or lump sum (see Module I2);
- prepare a bill of quantities or activity schedule as required;
- prepare the required completion schedule;
- prepare an overall scope of works, which will form the first part of the statement of requirements;
- consider the supervision requirements, working relationships and other administrative arrangements;
- think about the inspection and testing requirements;
- be aware of the common mistakes and try to avoid them.

## Module F4: Statements of requirements (Terms of Reference) for services

### Purpose of Module:

The statement of requirements is a key document which is used throughout the procurement process to:

- inform prospective bidders of the procuring entity's requirements through its inclusion in the invitation document;
- provide the terms of reference against which tenders or proposals are evaluated;
- form part of the contract, defining the services to be supplied; and
- set the technical standard and/or deliverables against which the services performed can be judged, prior to acceptance.

A statement of requirements for services generally is known or referred to as Terms of Reference (TOR). Throughout this module the terminology TOR will therefore be used.

This module provides good practice advice on how to prepare TOR for both consulting and non consulting services, and what issues need to be considered. It is not designed or intended to be an exhaustive list but a general guide to the major considerations.

### Applicability:

This module is applicable to any IFAD-funded procurement for services. Separate modules are available to address requirements for goods and works.

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### 1. Differences between consulting and non-consulting services

The term 'services' is a general expression which can be used to describe either consultancy services or other services which are not by their nature consultancy related. A brief explanation of these variations follows:

- (i) **'Consultancy services'** are those types of service of an intellectual or advisory nature, provided by a practitioner who is skilled and qualified in a particular field or profession. The consultant can either be an individual or a consulting company.

It is generally said that when buying consultancy services you are hiring the 'mind' of the consultant to advise, support or guide the customer or, in the case of training, to transfer knowledge. They are often short-term in nature and some examples include:

<i>engineering design or supervision</i>	<i>financial services</i>
<i>architecture</i>	<i>procurement services</i>
<i>quantity surveying</i>	<i>training and capacity building services</i>
<i>accountancy</i>	<i>policy studies</i>
<i>auditing</i>	<i>marketing</i>

- (ii) **'Non-consultancy services'**, by contrast, are services whereby you appoint a company or individual to undertake a task for you. Although this also includes a level of specialist knowledge or skill, you are purchasing the service itself.

To aid differentiation, the term 'service provider' is often used to describe a firm or an individual who provides a non-consultancy service.

Some examples of non-consultancy services include:

<i>catering services</i>	<i>security services</i>
<i>cleaning services</i>	<i>driving services</i>
<i>maintenance / repair services</i>	<i>gardening services</i>

It is important to know what type of service it is which is being acquired as the information required to be provided to the bidders in the TOR can be different as shown in more detail below.

## **2. Writing a TOR**

Any TOR should provide sufficient information to enable bidders to understand the services required by the procuring entity and should be complete, precise and clear. Well-prepared TOR will facilitate the preparation of bids by bidders and the evaluation of bids by the procuring entity.

IFAD does not have a specific preferred template for TOR as many standard templates already exist and are in use in most Borrower/recipient countries. A good TOR, whether for consultancy or non-consultancy services, should however include the following information:

- Background
- Purpose and Objectives of the assignment
- Scope of work
- Skills and knowledge of consultant/service provider
- Level of input
- Location
- Schedule of Reports and Deliverables
- Services to be provided by the Client
- Institutional and organization arrangements.

The precise contents of each of these sections will be determined by the individual assignment, but generally should include the information contained in the following table, where applicable:

Non consultancy	Consultancy
<b>Background section</b>	
A short narrative (1-2 page) of why the services are required	A short (1-2 page) narrative to introduce the assignment, including details of any larger project which the assignment is be part of
<b>Purpose and Objectives</b>	
A high level statement of what the activity is expected to achieve	A high level statement what the assignment is expected to achieve
<p align="center"><b>Scope of Work</b></p> <p align="center"><i>The scope should be as detailed as possible to enable bidders to understand the needs of the work but should not be overly prescriptive</i></p> <p align="center"><i>It is important to ensure that the scope required is consistent with any budgetary constraints which may exist.</i></p>	
The actual duties/tasks to be performed or a description of the scope of the services required	The actual scope of the services required or a list of specific tasks/ deliverables required, such as study reports and recommendations, software, databases, invitation documents, drawings, specifications, maps, software, training materials etc
<p align="center"><b>Skills and knowledge of consultant/service provider</b></p> <p><i>This is a key aspect of the TOR as it is the skills, knowledge an experience of the consultant/service provider that is being purchased. It is important to ensure:</i></p> <ul style="list-style-type: none"> <li><i>- that there is the right balance between the academic qualifications (theory) and the practical experience (practice) of consultants being appointed;</i></li> <li><i>- that the qualifications/experience being demanded are consistent with the budget available. Advice is cheap but good advice is not;</i></li> <li><i>- that the requirements specified are realistic and not restricting, either intentionally or unintentionally, competition.</i></li> </ul>	
<p>The role, qualifications and experience of any key staff required. 'Key staff' would generally include the staff to undertake the work and their supervisors.</p> <p>These would include issues such as:</p> <ul style="list-style-type: none"> <li>- professional qualifications/training (i.e. catering certificates, security training);</li> <li>- years of practical experience of similar assignments;</li> <li>- local knowledge (useful for issues such as catering, driving and gardening)</li> </ul>	<p>The role, qualifications and experience of the key consultant(s) required. 'Key consultants' are those specifically undertaking the work. This would include issues such as:</p> <ul style="list-style-type: none"> <li>- academic qualifications;</li> <li>- years of practical experience of similar assignments;</li> <li>- knowledge of the country, region, sector;</li> <li>- language skills;</li> </ul> <p>It is useful to state whether it is envisaged that one consultant or a team is needed. If the latter, an indicative team composition is useful.</p>
<b>Level of input</b>	
The duration of the contract or expected completion date	The period of the assignment and expected completion dates. Where a completion date is not flexible and cannot be exceeded this must be stated.
The hours of work or hours when the service provider will have access to the site/premises	



Non consultancy	Consultancy
An estimate of the amount or value of work involved, where the scope of the services cannot be precisely defined e.g. vehicle repair services for 50 vehicles for a one-year period;	A number of person-day inputs can also be specified if desired/ known. This can be specific or an estimate depending on the type of work and the budget available
<b>Location</b>	
The location(s) or premises for the performance of the services e.g. specify the address, where services are to be performed;	The location of premises for the performance of the assignment
<b>Schedule of Deliverables and Reports</b>	
Details of the expected standards, quantifiable service/performance levels (i.e. offices cleaned daily, repairs to be carried out within X days) and any reports which may be required in the contract	Details any quantifiable outputs or reports required, including inception, progress and final reports and by when.
<b>Services to be provided by the Client</b> <i>Is it important that any statements of services or staff to be provided are honoured otherwise you could be in breach of contract</i>	
Any facilities, services or resources to be provided by the procuring entity. This could include facilities, toilets, storage rooms, counterpart staff etc)	Any facilities, services or resources to be provided by the procuring entity (i.e. office space, vehicles, communications, documents, counterpart staff)
<b>Institutional and organization arrangements</b>	
Arrangements for (management) reporting to the procuring entity, including lines of communication and the contact point(s) for management and administration of the assignment	Arrangements for management reporting to the procuring entity, including lines of communication and the contact point for management of the assignment, as well as details of where to submit deliverables/reports.
<b>Other possible inclusions</b>	
Inspection or quality testing requirements or indicators/definitions of successful performance	Details of indicators of successful performance
Any particular equipment or resources to be provided by the supplier e.g. security screening equipment for a building security contract;	Requirements for the transfer of knowledge or training programmes
Any other details or requirements relevant to the assignment	Any other details or requirements relevant to the assignment

When writing, reviewing or approving a TOR it is important to consider the following:

- ***What is the expected outcome?***  
What is it that we expect to have changed, improved, been done or achieved as a result of this TOR?
- ***What will success look like?***  
Having established what the expected outcome is, how will we know if it has been successful in achieving that?
- ***Are the deliverables quantifiable?***  
In trying to ascertain success, are the defined deliverables in the TOR aligned to achieving the expected outcome and are they measurable?
- ***What skills are needed?***  
In order to deliver the expected outcome, what specific skills and knowledge are required? Is experience more important than academic qualifications or *vice versa*?
- ***How long will it take to accomplish?***  
It is often easy to underestimate how long work may take to complete. This is particularly the case if the TOR is for consulting services and there is an element of familiarization or background research to be done.
- ***Are there any specific constraints to completing the work?***  
Is there anything which may prove to be an obstacle to successful completion? Some common problems in this regard include the availability of counterpart funds or approvers of outputs, restricted access to facilities or equipment, etc.  
Also, is there anything which the client is providing that needs to be procured or organised before the services can commence? e.g. vehicles, office equipment, additional keys, security passes etc.
- ***How will monitoring information be gained during implementation?***  
It is good practice to monitor the contract on a regular basis throughout its duration (see module N). In order to do this, thought should be given to what mechanisms can be included in the TOR to allow for interim monitoring to take place. This can usually be achieved through mechanisms such as progress reporting, exception reports, defined milestones or progress meetings.
- ***Will these TOR's deliver the result?***  
As a final check, it is always useful to consider whether the written word in the TOR conveys the nature and type of result that is expected from the work. If not, then revisit the TOR again.

### 3. Who should write a TOR?

It is the responsibility of the Borrower/recipient/Recipient to prepare the initial draft TOR.

It is preferable that a TOR be authored by specialists in the technical field and with the support of personnel with knowledge of local conditions and needs. Where it does not possess the required technical expertise in-house, the Borrower/recipient/Recipient should seek technical support from external sources such as other government bodies or external technical specialists.

IFAD's role in specifications is limited to its review of the specification as part of any prior review process it undertakes on the bid solicitation document.

### 4. Use of standardised/previous TOR

Preparation of TOR can be a time-consuming exercise, however unlike specifications for goods or works it is not very common for standardised TOR to exist either within a national procurement system or within specific Government Ministries or Agencies.

Where they do exist they can be useful and timesaving tools, but need to be used carefully as there are essentially two types of standard, both with very different characteristics:

- firstly, there are those which represent a national or corporate standard for purposes of standardisation. These are usually issued from a central authority point, are mandatory and prescribe minimum standards. They may exist for very standard, commonly procured services which are unlikely to change over time (e.g. security services);
- secondly, there are those which have been used previously and can serve as generic templates to provide a starting point for a more specific TOR to be prepared which reflects the specific needs of the service now required. As every procurement activity is unique, it should not be assumed that a previous TOR for a similar service is appropriate in its entirety – indeed, it is extremely rare that this is the case as lessons learned from previous experiences should be included to the TOR as part of a process of continuous improvement.

When using exiting/previous/standard TOR is it therefore imperative to know the history of the template, to ensure that it includes all of the aspects listed in section 2 above and is relevant to the current assignment in hand.

## **5. Common problems causing procurement to be cancelled, delayed or restarted**

There are a number of areas in the development of TOR that can cause problem during tendering and which can cause tendering to be cancelled, delayed or restarted. Most commonly these are:

- inconsistencies or contradictions between the different sections of the TOR;
- ambiguity in the TOR which means widely varying tenders are received which are difficult to technically evaluate;
- an over prescriptive TOR which does not allow bidders to present their own solution, approach or methodology;
- unrealistic scope of work within the time frame;
- unintended stipulations in the qualifications or experience which restricts competition;
- the omission of any of the information integral to the process of compiling a bid.

## **6. In summary.....**

When preparing a TOR:

- know whether it is a consultancy service or a non-consultancy service;
- be aware of any mandatory standard TOR which may need to be used;
- don't forget that each procurement is unique so use previous specifications or generic templates as a starting point and a guide only;
- prepare the TOR by including all relevant information as shown above;
- obtain external specialist input if the knowledge to prepare the TOR does not exist 'in-house';
- review the draft TOR to consider whether it is likely to achieve the desired outcomes and objectives;
- be aware of the common mistakes and try to avoid them;
- if in doubt, always seek advice or guidance.

## Module F5: Selection of a procurement method

### Purpose of Module:

The decision of a procurement method is often regarded as the key decision in the procurement planning process and is one of the mandatory entries in the Annual Procurement Plan (see module E).

There are many methods and certain circumstances are particularly appropriate to each procurement method for goods and works<sup>17</sup>. The correct choice of procurement method at the outset of the procurement activity is therefore an important factor in the success of the exercise as an incorrect decision could have a negative impact on the bidding process.

This module provides advice to Borrower/recipients/Recipients and IFAD staff on making an informed decision regarding the most appropriate method of procurement for each circumstance.

It also contains an indicative decision-tree as a summary page.

### Applicability

This module applies to all IFAD-funded procurement.

### 1. What methods exist for Goods and Works?

There are a number of different methods and processes and differing terminology in use between individual countries and development organisations/financial institutions. Notwithstanding this, there are general characteristics which are evident in the methods adopted or preferred by most countries/development organisations/financial institutions.

The most commonly known and used methods of procurement for goods and works, and those as defined in the IFAD Procurement Guidelines, are as follows:

**Table 1**

PROCUREMENT METHOD	ALTERNATIVE TERMINOLOGY
International Competitive Bidding (ICB) <sup>18</sup>	Open Competitive Tendering (or Bidding)
Limited International Bidding (LIB)	Restricted Tendering (or Bidding) / Limited Tendering (or Bidding)
National Competitive Bidding (NCB)	
National /International Shopping	Requests for Quotations
Direct Contracting <sup>19</sup>	Single Sourcing / Sole sourcing

Table 2 on the next page sets out the general applications or circumstances generally thought to be most appropriate to each procurement method, together with an indication of the time-span likely to be required. Please note that, for purposes of consistency, the terminology used in Table 2 is that as used in column one of Table 1 above.

<sup>17</sup> For procurement of services, the focus is more on the method of selection. See Point 2 below.

<sup>18</sup> Where ICB is being used, the World Bank ICB procedures, as set forth in their Procurement Guidelines, will apply in all cases

<sup>19</sup> Direct Contracting may only be used in exceptional circumstances as below and only with the express agreement of IFAD

Table 2

PROCUREMENT METHOD	BASIC DESCRIPTION	SUITABLE APPLICATIONS	CHARACTERISTICS	INDICATIVE TIME RANGE FOR EACH METHOD
<b>MOST COMMON METHODS</b>				
<b>INTERNATIONAL COMPETITIVE BIDDING (ICB)</b>	The default process for goods and works on the international market with open competition	<ul style="list-style-type: none"> <li>The large value contracts for goods and works</li> <li>Where foreign bidders are thought likely to want to participate</li> <li>The subject of the procurement (be it goods or works) is widely available.</li> </ul>	<ul style="list-style-type: none"> <li>Open advertising</li> <li>Domestic preference can apply</li> <li>Public bid opening</li> <li>Bids generally in 'major' currencies</li> </ul>	<ul style="list-style-type: none"> <li>Works with pre-qualification: 16-20 months</li> <li>Works without pre-qualification: 8-12 months</li> <li>ICB for goods: 8-10 months.</li> </ul>
<b>LIMITED INTERNATIONAL BIDDING (LIB)</b>	As per ICB but by direct invitation instead of open advertising	<ul style="list-style-type: none"> <li>Only a few suppliers are known (and in such a case all should be permitted to bid)</li> <li>Low value.</li> <li>Exceptional circumstances, such as emergency action concerning a major natural disaster, which may justify waiving any advertising for competitive bids.</li> </ul>	<ul style="list-style-type: none"> <li>No public advertising</li> <li>Bid list is restricted</li> <li>No domestic preference</li> <li>Public Opening</li> </ul>	Goods: 4-6 months.
<b>NATIONAL COMPETITIVE BIDDING (NCB)</b>	<p>Usually the most common process used on the domestic market.</p> <p>A full tendering process where the opportunity to submit bids/tenders is only announced to the national marketplace</p>	<ul style="list-style-type: none"> <li>The goods or works are available locally at prices significantly below those of the international marketplace.</li> <li>Maybe the most efficient and economical way of procuring goods or works that, by their nature or scope, are unlikely to attract foreign competition.</li> <li>The likely value of the contract is below the minimum level at which foreign bidders wish to compete for such business, given the capability and competitiveness of local bidders.</li> <li>Where works are spread geographically, or over time, in a way that upsets the economies of scale.</li> </ul> <p>The costs involved in implementing ICB are disproportionately high.</p>	<ul style="list-style-type: none"> <li>Advertising usually restricted to the national press</li> <li>Bidding documents may be in the official language of the borrower/recipient country</li> <li>Local currency generally used for evaluation</li> <li>Public Opening</li> </ul>	Goods: 5-6 months

PROCUREMENT METHOD	BASIC DESCRIPTION	SUITABLE APPLICATIONS	CHARACTERISTICS	INDICATIVE TIME RANGE FOR EACH METHOD
<b>NATIONAL /INTERNATIONAL SHOPPING</b>	Comparison of price quotations from at least 3 companies	<ul style="list-style-type: none"> <li>• Goods required are readily available off-the-shelf, or are standard commodities of a relatively low value</li> <li>• Works, where the scope of work is simple and straightforward.</li> </ul>	<ul style="list-style-type: none"> <li>• No advertising</li> <li>• No public opening</li> <li>• 'Price Quotations' instead of 'Bids'</li> </ul>	<ul style="list-style-type: none"> <li>• Goods: 2-4 months</li> <li>• Works: 2-6 months</li> </ul>
<b>DIRECT CONTRACTING</b>	Contracting to one company without competition	<ul style="list-style-type: none"> <li>• Where an extension to an existing contract for goods or works is required under 25% in value</li> <li>• Where the equipment required is proprietary, there is only one source and no alternative exists.</li> <li>• There is a need to standardise upon existing equipment and to achieve compatibility in spare parts.</li> <li>• Cases of emergency, where urgent delivery is required.</li> </ul>	<ul style="list-style-type: none"> <li>• Price negotiation</li> <li>• Usage generally requires special permission/waiver due to lack of competitive forces</li> </ul>	<ul style="list-style-type: none"> <li>• Goods and Works: 1-3 months</li> </ul>
<b>OTHER METHODS</b>				
<b>PROCUREMENT FROM COMMODITY MARKETS</b>	Procurement of goods from commodity markets	<ul style="list-style-type: none"> <li>• Any product bought and sold on the commodities market. e.g. oil, metals, grains.</li> </ul>	<ul style="list-style-type: none"> <li>• Short bid validity</li> <li>• Single (market) currency for bid and payment</li> <li>• Awards can be divided among providers to ensure complete order quantity is achieved</li> </ul>	Can be as short as a few weeks
<b>WORK BY FORCE ACCOUNT<sup>20</sup></b>	Use of the Borrower/recipient's own personnel and equipment to perform construction work	<ul style="list-style-type: none"> <li>• Where it is difficult to define works quantities.</li> <li>• Small, scattered works in remote locations</li> <li>• No disruption of on-going operations</li> <li>• Emergency situations requiring rapid reaction</li> </ul>	<ul style="list-style-type: none"> <li>• Can be hard to quantify value of input</li> <li>• No competition or procurement process</li> </ul>	
<b>PROCUREMENT FROM UN AGENCIES</b>	Procurement of specific goods from specialized UN agencies	<ul style="list-style-type: none"> <li>• Small quantities of off-the-shelf goods, primarily in the fields of education and health.</li> <li>• Specialized products where the number of suppliers is limited such as for vaccines or drugs</li> </ul>	<ul style="list-style-type: none"> <li>• No advertising</li> <li>• No competition</li> <li>• Use of UN agency rules and procedures</li> </ul>	Depends on the product

<sup>20</sup> Also known as "direct labour," "departmental forces," or "direct work."

## 2. What methods exist for Services?

For services there is only one method of procurement because for services procurement the emphasis is put more on the methods of selection of the service providers/consultants. However depending on the value of the procurement there are two procurement processes which can be followed:

- Request for Proposals, or
- Request for Quotation.

Methods of selection for services procurement are covered by Module H3

## 3. Decision factors

On the majority of occasions, the method of procurement for an individual activity will be determined by a pre-agreed monetary threshold. For ICB, the table below shows the financial threshold above which ICB becomes the mandatory method of procurement for IFAD funded activities:

<b>Category</b>	<b>Contract Value</b>
<i>Goods</i>	<i>Above USD 200,000</i>
<i>Civil works</i>	<i>Above USD 1,000,000</i>
<i>Services</i>	<i>Above USD 100,000</i>

Below these figures, either national thresholds, where they exist, or specific project thresholds agreed between IFAD and the Borrower/recipient at the time of Loan Negotiation (see Module A) can apply.

In any event, It is important that activities must not be unjustifiably separated into smaller activities just to avoid using the specified procurement method defined by a financial threshold. If it is determined that any such separation has taken place for this purpose, IFAD will withhold the 'no objection' of the plan until this has been corrected.

Conversely, there will be occasions where low value procurement activities are grouped together under one tender for purposes economies of scale. In such circumstances, the total cumulative estimated amount of the tender should be used to determine the procurement method.

Whilst they are considered to be the 'default position', monetary thresholds are not the only determining factor in selecting a procurement method. Other Financial Institutions and Bi-lateral Donors, in general favour open/international competitive bidding, however, under the planning process the choice of procurement method should also take full account the individual circumstances or context of the procurement activity. For example:

- *Nature of goods or works to be procured:*  
Some goods are very highly specialised and may only be available from certain markets of the world or from specific suppliers. Where such cases genuinely exist then this may be considered sufficient to over-ride any financial thresholds.
- *The likely interest of international bidders in a specific bidding opportunity:*  
There are occasions whereby, despite a large value, international suppliers/contractors are not attracted to bid because of associated issues, such as security, language, custom or country knowledge. This is particularly prevalent for areas where there has been recent or on-going conflict or possibly a resistance to international companies working in a specific area or region of a country.

Where such circumstances legitimately exist and can be evidenced, either through previous experience or explicit statements from potential international suppliers, then it may be more appropriate to consider limiting bidding to regional or national sources only.

- *The number of potential national suppliers:*

If the required goods or works are widely available on a competitive basis in the domestic market then it may be reasonable to consider restricting the procurement process to domestic providers. This also has an advantage of supporting national companies.

Conversely, although a requirement may be under a pre-agreed threshold for international bidding, if it is only available internationally, then international bidding would be appropriate.

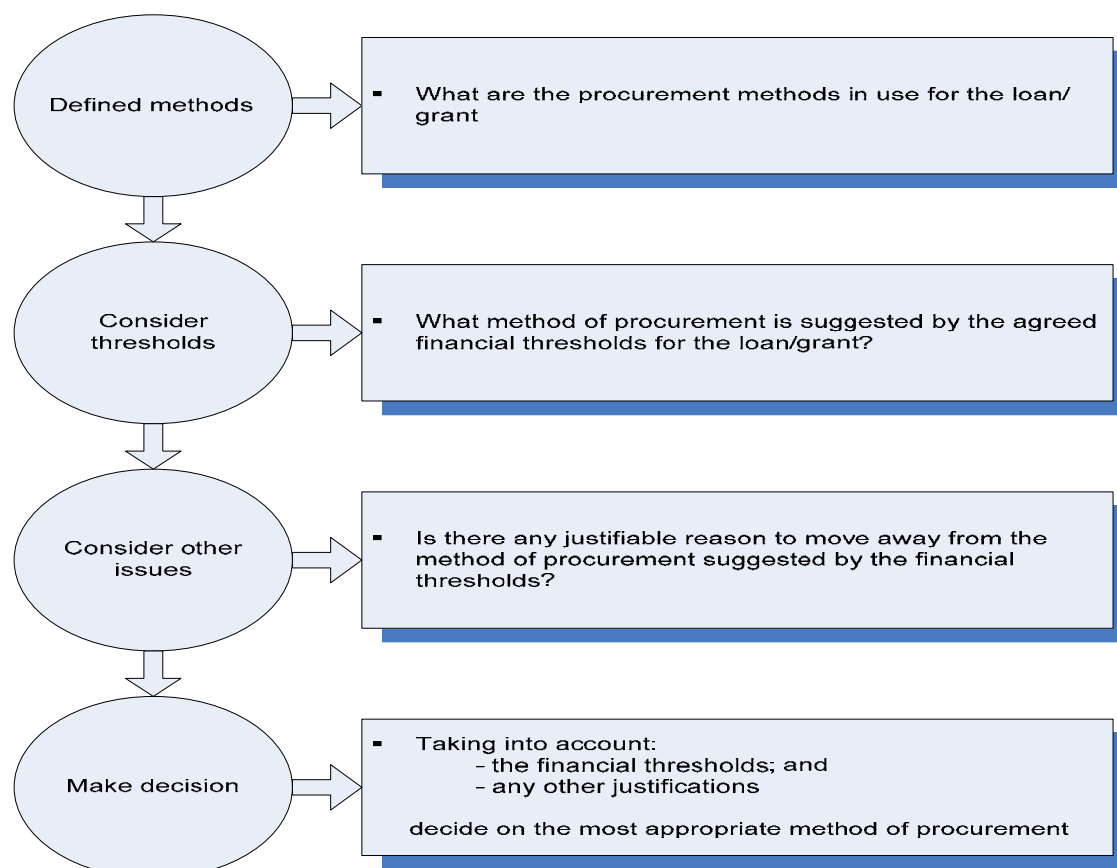
- *Any critical dates for delivery.*

If there are genuine reasons (i.e. not reasons resulting from dilatory conduct) why there is insufficient time to undertake a full tendering process then, subject to approval by IFAD, procurement timeframes may be shortened and /or alternative, quicker, methods of procurement may be investigated.

The final decision relating to the procurement method to be used for each specific procurement activity should be discussed and agreed with IFAD as part of the procurement plan review process.

#### 4. Summary

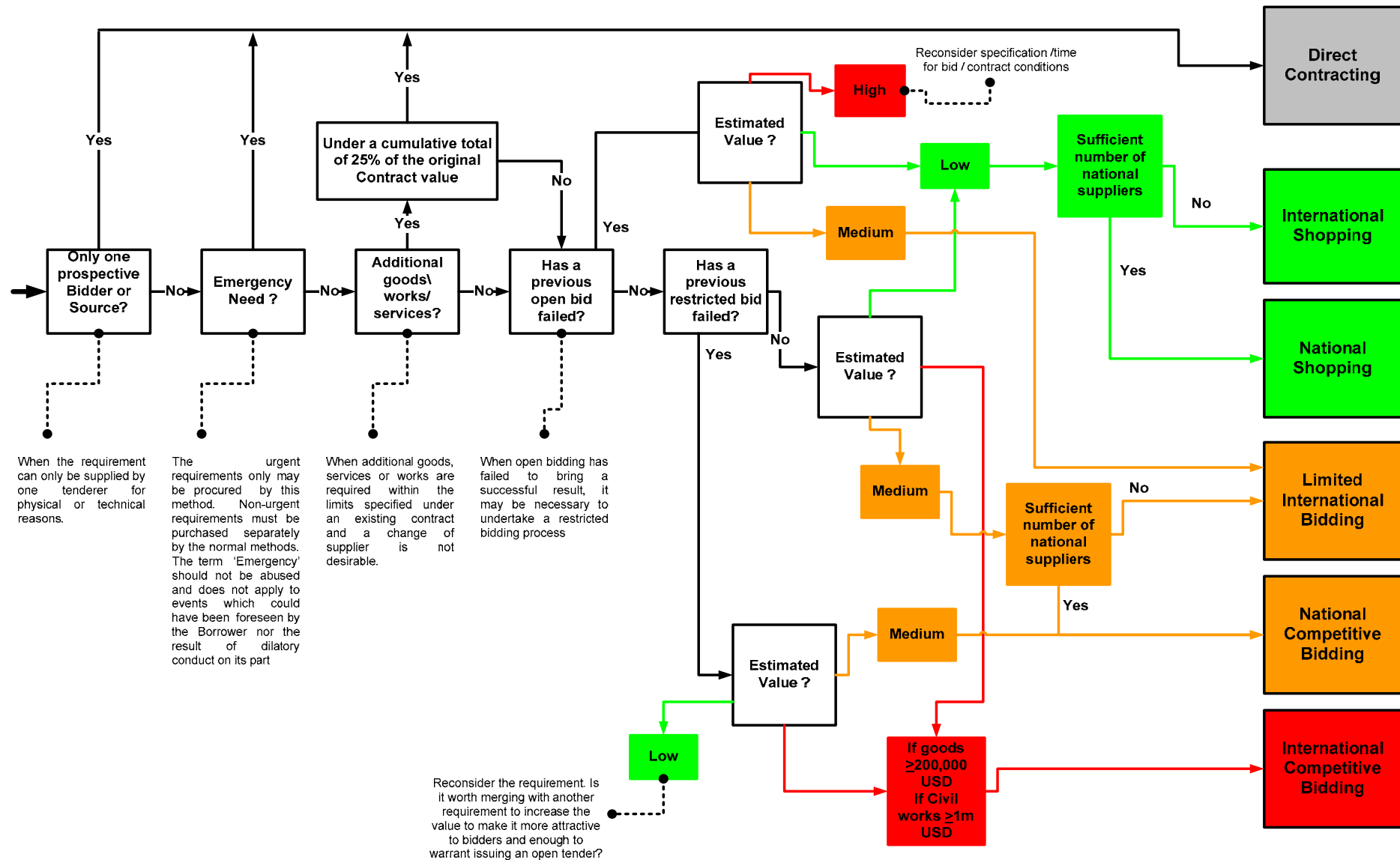
For each procurement activity, consider:





The following decision tree can also be used to give an indication of the method of procurement likely to be the most suitable. It should however be noted that this tool alone cannot provide a conclusive decision in respect of each individual procurement event as each activity will have its own set of unique circumstances and context as discussed in this Module. It does however provide a good starting point to guide the decision making process.

# Selection of Procurement Method for Goods and Works



## Module G: Identifying sources of supply

### Purpose of Module:

Locating relevant and reliable sources of supply, in sufficient number, for goods, works and services can often be a challenge.

This module offers assistance in a number of common aspects of this process, namely:

- Pre-qualification
- Expressions of Interest
- Short listing.

It is not designed nor intended to be a comprehensive analysis of each approach but a step-by-step guide to some general good practices and approaches which can be adopted to assist with identifying supply sources.

### Applicability:

This module is a good practice guide and therefore applicable to any IFAD-funded procurement.

Where ICB is the method of procurement the WB guidelines for General Procurement Notices and pre-qualification will apply.

## 1. Pre-qualification

### (i) *What is it?*

Pre-qualification is used to identify bidders who have adequate capabilities, resources and experience to perform a contract, prior to the invitation and submission of detailed tenders<sup>21</sup>.

It obtains and assesses information on the qualifications of potential bidders, in order to restrict actual tendering to a list of qualified bidders. This is achieved through the publication of a pre-qualification notice, the receipt of submissions and the evaluation of submissions against pre-defined criteria.

### (ii) *When is it used?*

Pre-qualification is used for goods, works or non consulting services. Pre-qualification for consulting services is achieved through obtaining and assessing Expressions of Interest (see part 2).

In most national procurement arrangements the use of pre-qualification is generally not mandatory and there is no single rule to when it must and must not be used.

It is a tool that can be used as deemed appropriate but is often under the International Competitive Bidding/Open Tendering method of procurement (see module F5) for procurement of a particularly high value or complexity, as:

- the preparation of detailed tenders can be costly and this may discourage competition if bidders feel that they are competing against a large number of bidders;
- the evaluation of a large number of detailed bids can require excessive time and resource from the procuring entity so it is preferable to receive a manageable number;
- the supplier's capabilities, resources and experience may be key to the successful performance of the contract and therefore bidding should be limited to qualified bidders only.

<sup>21</sup> The terms 'tender' / 'bid', 'tenderer' / 'bidder' are used interchangeably in this Module and convey the same meaning.

It can also be beneficial however for a group of similar or regular contracts, with the list of qualified suppliers used as a basis for preparing shortlists for use in Limited Tendering and Request for Quotations or for identifying a source for Single Source Procurement. When used in this way, it avoids the need for repeated pre-qualification procedures and also allows a bidder to be pre-qualified up to a certain value or size of contract or contracts.

The alternative to pre-qualification is 'post-qualification'. This essentially covers the same issues as pre-qualification but is undertaken after the evaluation process for a specific procurement activity. Post-qualification is covered in more detail by Module L10.

The decision on whether or not to use pre-qualification or post-qualification is generally made at the procurement planning stage and is often a time-based decision. Although pre-qualification can ensure that all short listed bidders are capable of performing the contract, consideration needs to be given to the time required for the process, including evaluation of the results. The following table provides some of the advantages and disadvantages of each process:

	<b>Advantages</b>	<b>Disadvantages</b>
<b>Pre-qualification</b>	<ul style="list-style-type: none"> <li>- assists short-listing</li> <li>- all shortlisted bidders meet minimum criteria therefore evaluation time is reduced</li> <li>- also saves time at contract award and placement stage as it can move ahead quickly without the need for lengthy post-qualification</li> </ul>	<ul style="list-style-type: none"> <li>- delays the initial issuance of tenders</li> </ul>
<b>Post-qualification</b>	<ul style="list-style-type: none"> <li>- tenders can be issued quickly without the need for a pre-qualification process</li> </ul>	<ul style="list-style-type: none"> <li>- evaluation may be undertaken on bidders which later turn out to be unsuitable</li> <li>- can create delays between contract award and placement stage whilst carried out</li> </ul>

### **(iii) Templates**

IFAD does not have its own predefined templates for pre-qualification as most national procurement systems will have their own formats. Where no national formats exist, templates are available from the websites of the World Bank ([www.worldbank.org](http://www.worldbank.org)) or the regional development banks.

### **(iv) How to do it**

Once the decision has been made to undertake pre-qualification, the Procuring Entity should manage the pre-qualification process in consultation with procurement and technical specialists, on drafting and application of the pre-qualification criteria.

The pre-qualification process is effectively a mini tendering process, involving the invitation, receipt and evaluation of applications to pre-qualify. These instructions therefore generally follow the general guidance on the various steps in the bidding process.

1. *Select a template.*

2. *Draft the pre-qualification document for the requirement, including the qualification criteria<sup>22</sup>, a description of the type of goods, works or services to which the pre-qualification applies and the location/address, deadline and format (email/hard copy) for submission of applications.*
3. *Draft and publish an invitation to pre-qualify notice (see Module K1 for assistance).*
4. *Issue pre-qualification documents to all applicants who request them (see Module K1 for details) ensuring that any minimum tendering periods are complied with.*
5. *Receive applications up until the deadline, remembering that late applications must not be accepted (see Module K4).*
6. *Open the applications and record the names of all applicants. No public tender opening is required.*
7. *Assess each application against the criteria defined in the pre-qualification document and determine whether each bidder is qualified or not qualified. Record the results of the evaluation.*
8. *Prepare a list of pre-qualified bidders and obtain IFAD approval for the evaluation and the pre-qualified list. This approval can normally be obtained at the same time as approval for the invitation to tender document.*

## **2. Expression of Interest**

### **(i) What is it?**

The term 'Expression of Interest' (EOI) is used to refer to a pre-qualification process for consulting services.

As with the pre-qualification for goods, works and non-consulting services, the (EOI) procedure obtains and assesses information on the qualifications and experience of potential bidders, in order to restrict actual tendering to a list of qualified bidders. This is achieved through the publication of a notice calling for expressions of interest, the receipt and assessment of expressions of interest against a pre-defined criteria and the development of a limited shortlist.

### **(ii) When is it used?**

The EOI procedure is used for consulting services only. In most national procurement arrangements its use is not mandatory, but it is recommended for all but the smallest and simplest assignments (the development of a shortlist without use of the EOI procedure is covered under point 3).

It is used to identify consultants (whether individuals or companies) who have adequate capabilities, personnel and experience to perform a consulting assignment, in order to establish a limited shortlist and invite detailed proposals from three to six qualified tenderers. The EOI procedure offers the following benefits:

- publication of a notice calling for EOI's assists the procuring entity in identifying qualified potential consultants;
- only a limited number of consultants are required to prepare detailed proposals and keep key staff available for the validity period. Consultants are more likely to commit resources to proposal preparation, and where applicable, keep staff available, if they feel that they are only competing against a limited number of other consultants;

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<sup>22</sup> Prequalification shall be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their (a) experience and past performance on similar contracts, (b) capabilities with respect to being able to supply or provide the goods, works or services needed, (c) financial position and (d) legal or tax status. State minimum requirements to be met for purposes of assessment. References can be requested at this stage or left for submission as part of the bidding process.

- the procuring entity does not have the time and resources for the evaluation of a large number of detailed proposals;
- the bidding process is limited to the consultants who have been shown to have the capabilities, personnel and experience required for the successful performance of the contract.

### **(iii) Templates**

IFAD does not have its own predefined templates for EOI's as most national procurement systems will have their own formats. Where no national formats exist, templates can be obtained from projects funded by the World Bank ([www.worldbank.org](http://www.worldbank.org)) or the regional development banks.

### **(iv) How to do it**

The EOI process is effectively a mini tendering process, involving the invitation, receipt and evaluation of applications to pre-qualify. These instructions therefore generally follow the general guidance on the various steps in the bidding process.

1. *Decide whether you are looking for individual consultants or consulting firms. It is not considered good practice to have a mix of individuals and firms because of a lack of direct comparison during the final bidding process. This is because firms will have higher costs such as overheads and liability insurance which individual consultants would not have, thereby making a true cost comparison impossible. The positive side to using consulting firms however is a larger pool of experts (especially valuable if the assignment requires a team approach), corporate accountability/insurances and a stronger financial position which can reduce the need for high advance payments.*
2. *Draft a notice calling for expressions of interest to include:*
  - *whether it is for individuals or consulting firms;*
  - *the name and address of the procuring entity;*
  - *a brief description of the project, if any, of which the assignment forms a part;*
  - *a brief description of the proposed assignment;*
  - *a statement of the key criteria for short listing, which shall be related to the applicant's experience, qualifications, personnel and any other factor related to their ability to successfully perform the assignment<sup>23</sup>;*
  - *details of the information to be included in the EOI, including any information or documentation required to verify the applicant's eligibility or qualifications;*
  - *instructions on the location/address, deadline and format (email/hardcopy) for submission of EOI's.*
3. *Publish the EOI notice ensuring that any minimum deadline periods are complied with (see Module K1 for assistance).*
4. *Receive EOI's applications up until the deadline, remembering that late submissions must not be accepted (see Module K4).*
5. *Open the EOI's and record the names of all applicants. No public tender opening is required.*
6. *Assess the EOI's for the key skills, experience or capabilities required for the assignment and document the results of the evaluation in a report which should contain details of the long-list and marks achieved by each applicant<sup>24</sup>.*

<sup>23</sup> References can be requested at this stage or left for submission as part of the bidding process.

7. *Prepare a shortlist of three to six consultants who are the best qualified for the proposed assignment. Obtain IFAD approval for the shortlist when obtaining approval for the Request for Proposals document.*

### **3. Short-listing**

#### **(i) What is it?**

Short-listing is the process of creating a list of potential supply sources to who the procuring entity is going to directly invite to participate in a bidding process.

#### **(ii) When is it used?**

A short-list will be used:

- a) follow an advertised and open pre-qualification or EOI process in cases where open bidding is required (for goods, works or non-consultancy services) or where an EOI was undertaken (for consultancy services);
- b) under Limited (or Restricted) bidding and Request for Quotations for goods or works where not pre-qualification was undertaken<sup>25</sup>;
- c) for a bidding process for consultancy services where no notice calling for expressions of interest was published.

Generally, the only case where a bidding process does not require a shortlist to be selected is for an open competitive bid (either international or national) which is being directly advertised without any form of pre-qualification exercise and any companies are entitled to submit a bid in response.

#### **(iii) Templates**

A shortlist is just a list of companies or individuals to be approached for a specific tender. Therefore there is no specific template which needs to be adopted for the list itself.

The process of selecting the shortlist does however need to be documented in the evaluation report which will be issued upon completion of the bid evaluation process (see module group L). Templates for evaluation reports are widely available either from national procurement systems or from the World Bank or regional development banks.

#### **(iv) How to do it**

This process can be adopted regardless of whether or not the short-listing process is being done following a pre-qualification or EOI process or without such process having taken place:

##### **1. Prepare a "long-list":**

*Develop a "long list" of potential supply sources using a number of sources of information.*

- a) *For purposes of transparency and fairness, where a specific pre-qualification/EOI exercise was conducted for an individual procurement activity, the "long-list" should only be made up of the responses received to that process, unless the level of response to that pre-qualification was not sufficient to compile a "long list", in which case the other sources of information listed below may be used.*
- b) *Where no pre-qualification/EOI exercise was conducted specifically for this procurement activity, or where a specific pre-qualification/EOI exercise was*

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<sup>24</sup> This report forms a section of the overall evaluation report (see module group L).

<sup>25</sup> Ensure that the grounds for use of Limited Bidding are known, as this affects the development of the shortlist. Grounds will be either that only a limited number of sources exist or that the value of the procurement falls under any agreed project threshold for a limited process. Request for Quotations is almost always only used on grounds of the relatively low value of the procurement being under the agreed project threshold for this method.

conducted but failed to produce a sufficient number of respondents to prepare a “long list”, the following sources of information can be used:

- any general pre-qualification/EOI exercise which may have been conducted at the outset of the project;
- any existing registration scheme or database operated by the procuring entity or the Borrower/recipient;
- previous bids received or contracts placed by the procuring entity, or another procuring entity, or IFAD;
- information available from trade or professional bodies;
- chambers of commerce in the Borrower/recipient country and abroad;
- trade representatives within embassies for foreign sources;
- existing knowledge of the market by procurement or technical specialists;
- market research, using trade journals, the internet, trade directories etc.

Note that suppliers that appear on any list of debarred suppliers issued by the Borrower/recipient or IFAD must not be included on a (long list or) shortlist.

## 2. Prepare the “shortlist”

Based on the initial “long list” of potential suppliers, it is required to develop the “short-list” of those potential sources of supply who will receive the bidding documents.

Where competition is limited because the goods, work or services are only available from a restricted number of suppliers, all potential sources must be included on the shortlist. Where competition is limited because of the relatively low value of the procurement, a minimum of three tenderers<sup>26</sup> must be included on the shortlist.

Other factors for consideration in selecting the shortlist are:

- there should be a rotation of different tenderers on successive shortlists i.e. the same supplier should not be included every time, where numerous sources exist;
- suppliers who are not expected to be able to submit responsive tenders or meet qualification requirements should not be included;
- a shortlist should not consist entirely of tenderers with the same ownership;
- for goods, a shortlist should not consist entirely of tenderers offering the same brand of goods;
- suppliers included on any list of debarred suppliers issued by the Borrower/recipient or IFAD must not be included on a shortlist;
- some short listed tenderers may choose not to submit tenders. Therefore, it is recommended that more than three sources are included on the shortlist, so that at least three tenders are received. The number of sources included should be proportionate to the value of the procurement requirement but generally no more than 8;
- where the goods, works or services are available at competitive prices from at least three sources within the Borrower/recipient country, the shortlist may be restricted to local suppliers. International tenderers must be included where at least three, competitive local sources do not exist or where a national tendering procedure has failed.

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<sup>26</sup> For an international procurement activity, at least 2 different countries should be represented.



#### 4. Summary

There are a number of ways to identify potential sources of supply and in this module we have looked at:

- Pre-qualification
- Expressions of Interest
- Short listing

It is important to remember that there is no single rule which can be applied to the use of these approaches and, as can be seen in Part 3, the use of either a pre-qualification or an EOI process does not then alleviate the need for short listing.

The basic matrix is designed to assist understanding of when these approaches can be used, although again it is stressed that this is neither mandatory nor exhaustive.

	Pre – qualification?	Eoi?	How to short-list
<b>Open Competitive Bidding<sup>27</sup></b>	If yes then		From pre-qualification
	If no, then		No shortlist needed
<b>Restricted /Limited Bidding</b>	If yes, then		From pre-qualification
	If no, then		Prepare from other sources
<b>RFQ's</b>	No		Prepare from other sources
<b>Consultancy</b>		If yes	From EOI results
<b>Small Consultancy</b>		If no	Prepare from other sources

<sup>27</sup> For goods, works or non-consultancy services.

## Module H: Invitation to bid documents

This cluster of modules provides general assistance of good practices when preparing invitation documents.

The invitation document is at the heart of the bidding process. A clear, concise and well drafted document should result in a successful procurement process and, equally, an unclear, ambiguous and badly drafted document will result in confusion and create delays in the process. Getting the document right is therefore critical to the success of any procurement activity.

A good invitation document should inform potential bidders of:

- the precise description of the goods, works or services required;
- the rules for the tendering process;
- the evaluation criteria and methodology which will be applied;
- any qualification criteria which will be applied; and
- the type and conditions of the proposed contract.

There are 3 modules in this cluster as follows:

H1: Bidding documents for Goods

H2: Bidding documents for Works

H3: Bidding documents for Consultants

These modules are not designed nor intended to be a detailed walk-through of completing a specific bidding document template. Instead, they are a general guide to the issues which need to be taken into account when preparing any invitation document.

There are also some generic provisions which apply to all three modules and must be read in conjunction with them. These are shown below.

### 1. Types of bidding document

Before preparing to draft any bidding document two pivotal questions need to be asked:

#### **(i) What standard model or template to use?**

At the outset of the project a decision would have been taken by IFAD, in consultation with the Borrower/recipient/Recipient, regarding the bidding document templates for use when undertaking procurement activities. This decision would have either:

- a) stated that any existing national templates could be used, or;
- b) templates of other international financing institutions or donors should be adopted (i.e. World Bank or regional development banks).

In order to comply with this provision it is necessary to know which templates have been approved for use for the specific project in question. The use of an unapproved template may result in IFAD withholding its 'no objection' to the draft bidding documents (in the case of prior review) or declaring misprocurement in accordance with its Procurement Guidelines (in the case of post-review).

Templates have also been designed and are available for procurement of specific equipment such as textbooks, pharmaceuticals or IT systems.

For very high value or complex civil works/construction contracts (i.e. above USD5m) the bidding documents and contract forms published by the *Fédération Internationale des*

*Ingénieurs-Conseils* (FIDIC) are recommended for use to ensure adequate legal protection for the purchaser during the performance of major contracts.

For consultancy services, there are usually only two types of document:

- a short 'request for quotation' document for use with low value assignments with a short duration; or
- a full form 'request for proposals' document for all other services requirements.

**(ii) What procurement method is being used?**

The method of procurement<sup>28</sup> being used will usually determine the size and complexity of bidding document to be used. For high value or complex procurement, the bidding document will generally contain a number of different sections, detailed instructions, conditions, evaluation criteria and submission templates and can be in the region of 60-100 pages long. For low value procurement it is likely that the document will be quite short, maybe 3-5 pages, and only include basic information such as the bid closing time, items to be procured and minimal instructions relating to bid submission and evaluation.

The table below gives an example of some differentiations between methods and document types for goods and works<sup>29</sup>. Please note that this is just an indicative illustration for the purposes of demonstration and should not be considered as a mandatory instruction for use.

PROCUREMENT METHOD	DOCUMENT TYPE
International Competitive Bidding (ICB)	Full version of bidding document (in some countries this is called the 'Goods' document)
Limited International Bidding (LIB)	Can be the full version of the bidding document or a shortened version
National Competitive Bidding (NCB)	
National /International Shopping	Requests for Quotations

## 2. Who should prepare them?

The Borrower/recipient/Recipient is responsible for undertaking the procurement activity and operational arrangements should have been made at the outset of the project.

Preparation of a bidding document is not a task easily done in isolation however and, subject to the value and complexity of the procurement, may require consultation with or inputs from:

- the ultimate end-user of the goods (if not drafting the document);
- technical specialists;
- parent ministries or other national bodies or authorities.

IFAD's role is restricted to review (either prior or post) of documents as part of its project supervision activities. Whilst it may make suggestions and recommendations during prior review this does not in any way absolve responsibility from the Borrower/recipient/Recipient.

<sup>28</sup> See Module F6.

<sup>29</sup> For consultancy services procurement there is no specific method of procurement. Instead the focus is on the method of selection which is covered in Module H3.

## Module H1: Bidding documents for goods

### Purpose of Module:

To provide Borrower/recipients/Recipients and IFAD staff with some general advice on what should be included in bidding documents.

This module does not refer to any specific standard model or template but instead addresses issues of good practice for consideration when preparing or reviewing a bidding document.

Please note that this Sheet only covers specific aspects of goods procurement and therefore must be read in conjunction with the module group Cluster H which gives advice on generic issues relating to bidding documents.

### Applicability

As a guide to good practice, this module applies to all procurement for goods.

### 1. What should be included?

The template to be used will define the structure and overall content of the bidding document, however there are some generic requirements which any goods bidding document should have. These include:

#### **(i) References, contract points and contractual arrangements**

This defines who the overall purchaser is (i.e. the Ministry of XYZ), who the final user will be (if different), points of contact regarding the bidding process and under what project the procurement is being undertaken. For purposes of identification, each procurement activity should have its own specific reference number which should be stated on the document.

#### **(ii) The description and specifications of the goods required**

This is obviously of critical importance as without a clear Statement of Requirements and specification the procurement is likely to fail. Module F2 gives assistance on how to prepare statements of requirements and specifications.

#### **(iii) Relevant information regarding bid submission**

This would include issues such as:

- eligibility of bidders;
- the last date for bidders to request clarifications;
- the currency of the bid;
- the bid submission date;
- when bids will be opened (See module K5);
- how long bids are to be valid for.

In the large bidding documents there is often a section entitled 'information to bidders' or 'instructions to bidders' (ITB) where data to assist the bidder is provided.

#### **(iv) The rules for the procurement process**

These are the rules which guide the entire process. The level of detail will be related to the value of the procurement being undertaken but as a minimum should include:

- the overarching law, regulations, rules, instructions or authority under which the procurement is being undertaken (i.e. the Procurement Law of the country);
- the address and any specific instructions (i.e. number of copies, in hard or soft copy, literature/brochures to be provided, references) for submission of a bids;

- requirements for bid bonds/securities<sup>30</sup>.

**(v) The evaluation criteria and methodology which will be applied**

- There are a number of reasons why the criteria for evaluation need to be included in the bidding documents. These include:
  - so as to be able to determine whether the bids received will meet your requirements;
  - to ensure that all bids are evaluated against the same parameters; and
  - so as to provide prospective bidders with details of that criteria and on what basis a contract award decision will be made.

Providing all prospective bidders with this information engenders fairness and transparency in the process and enables all bidders to consider these aspects when compiling their bids.

The evaluation criteria will be specific to each individual procurement activity however some criteria are common to all procurement, such as:

- technical competence / expertise;
- experience / track record;
- cost;
- quality / Specification;
- compliance with requirements of the bid.

For the majority of goods procurement, the criteria it is likely to be lowest total cost which meets the specification and is compliant with all aspects of the bidding documents.

In the event that the award decision is based on time, not cost (See module F1 for assistance on setting priorities), then any specific time-related delivery requirements must also be stated (i.e. delivery by a certain time or delivery in staggered consignments over a certain period).

Where cost is the primary factor, the cost of transportation is a significant component of the overall cost of goods purchased. It is thus an important factor in the evaluation of bids and therefore needs to be addressed in the bidding documents. Bidders will need to know what degree of transportation they are expected to be responsible for, what levels of insurance they should have and when the delivery of the goods is deemed to have been completed. Similarly, buyers need to know what is included in the quoted prices to enable a like-for-like comparison to be made between different bids.

The easiest way to capture this information and avoid uncertainties in interpretation between contracting parties is through the use of INCOTERMS, a set of rules for the interpretation of the most commonly used trade terms in international trade which are issued periodically by the International Chamber of Commerce.

The basic purpose of each Incoterm is to clarify how functions, costs and risks are split between the buyer and supplier in connection with the delivery of the goods as required by the contract. Each term clearly specifies the responsibilities of the seller and the buyer and the terms range from a situation in which everything is fundamentally the responsibility of the buyer to the other extreme where everything is fundamentally the responsibility of the supplier.

For purposes of bidding and evaluation, prices are requested in accordance with one or more of the Incoterms so as to ensure continuity across all bids received. The latest version of Incoterms, plus full instructions on their use, is available from the International Chamber of Commerce ([www.iccwbo.org/Incoterms](http://www.iccwbo.org/Incoterms)).

Other evaluation criteria can include:

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<sup>30</sup> See module J.

- availability of spare parts / local agent /servicing facilities;
- cost of ownership (i.e. price and usage rate of consumables, service intervals);
- compliance with samples (see below);
- terms and duration of warranty;
- compatibility with existing items;
- environmental issues (i.e. environment friendly products, level of recycling used in manufacture, potential for recycling after use);
- adjustments for preference for national bidders (if using national procurement systems this provision may appear under a national law/regulation to support indigenous bidders).

Procurement by sample can be effective there are a number of variations as to how this works and the purchaser must make it very clear as to the role of the sample in the procurement process. Options are:

- i) where the purchaser has a sample of the product, colour or style it requires bidders to match. This is usually where there are issues of standardisation or corporate style (such as colours). The purchaser states in the bidding document that a sample is available for inspection by bidders, stating when and where it can be viewed, and that compatibility with the sample will be a key factor in evaluation. When using this approach is it good practice to ask bidders to confirm in writing that they have viewed, or had the chance to view, the sample so as to avoid any complaints later in the process;
- ii) where the purchaser requires that bidders submit a sample of their product with their bid. In this case it is essential to state whether the samples supplied are either (a) considered indicative of the type of product, quality, colour to be supplied, or (b) an actual representation of the product to be supplied. If (a) then the sample is examined at bid evaluation stage and either returned to the bidder or retained for information depending on the provisions of the bidding document<sup>31</sup>. If (b) then the sample submitted with the bid is kept secure and forms part of the contract. The goods supplied under the contract are checked against it to determine compliance to sample. Where goods do not match the sample they are rejected and payment is withheld. This is often done in procurement of clothing.

**(vi) Any qualification criteria which will be applied**

If no prequalification<sup>32</sup> has been conducted it will be necessary to include any documentary evidence which bidders must provide to evidence their qualification to be considered for a contract. This generally includes issues such as:

- experience and past performance on similar contracts;
- capabilities with respect to being able to supply or provide the goods;
- financial position;
- legal and/or tax status.

State minimum requirements to be met for purposes of assessment.

**(vii) The type and conditions of the proposed contract**

It is widely considered good practice to provide bidders with a template of the proposed contract and the contractual conditions (including payment arrangements<sup>33</sup> and timing) that they will be

<sup>31</sup> Returning samples to bidders is not usually done for international tendering because of the cost of return. It is more appropriate for national bidding where costs would be lower. Alternatively, bidders can be informed that they may collect their sample if desired, otherwise it will either be retained or disposed of.

<sup>32</sup> See module G.

subject to in the event that they are awarded a contract. This early disclosure of contractual requirements has a number of benefits:

- it provides bidders with the opportunity to make a bid or no bid decision based on the full picture of the procurement process;
- by disclosing the contract template and contractual conditions at the outset there is no argument later in the process that bidders were not aware of contractual provisions or obligations (this is particularly relevant in respect of payment terms);
- it speeds up the process from contract award to contract signing as the bidder has already seen and agreed, by virtue of submitting their bid, the format and general conditions of the contract.

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<sup>33</sup> See module group J.

## Module H2: Bidding documents for works

### Purpose of Module:

To provide Borrower/recipients/Recipients and IFAD staff with some general advice on what should be included in bidding documents.

This Module does not refer to any specific standard model or template but instead addresses issues of good practice for consideration when preparing or reviewing a bidding document.

Please note that this Sheet only covers specific aspects of works procurement and therefore must be read in conjunction with the module group H which gives advice on generic issues relating to bidding documents.

### Applicability

As a guide to good practice, this module applies to all procurement for works.

### 1. What should be included?

The template to be used will define the structure and overall content of the bidding document, however there are some generic requirements which any works bidding document should have. These include:

#### **(i) References, contract points and contractual arrangements**

This defines who the overall purchaser is (i.e. the Ministry of XYZ), who the final user will be (if different), points of contact regarding the bidding process and under what project the procurement is being undertaken. For purposes of identification, each procurement activity should have its own specific reference number which should be stated on the document.

#### **(ii) The description and specifications of the works required**

This is obviously of critical importance as without a clear Statement of Requirements and specification the procurement is likely to fail. Module F3 gives assistance on how to prepare statements of requirements.

#### **(iii) Relevant information regarding bid submission**

This would include issues such as:

- eligibility of bidders;
- the last date for bidders to request clarifications;
- the currency of the bid;
- the bid submission date;
- when bids will be opened (See Module K5);
- how long bids are to be valid for.

In the large bidding documents there is often a section entitled 'information to bidders' or 'instructions to bidders' (ITB) where data to assist the bidder is provided.

#### **(iv) The rules for the procurement process**

These are the rules which guide the entire process. The level of detail will be related to the value of the procurement being undertaken but as a minimum should include:

- the overarching law, regulations, rules, instructions or authority under which the procurement is being undertaken (i.e. the Procurement Law of the country);
- the address and any specific instructions (i.e. number of copies, in hard or soft copy, drawings/plans to be provided, references) for submission of a bids;



- requirements for bid bonds/securities<sup>34</sup>;
- options for site visits.

**(v) *The evaluation criteria and methodology which will be applied***

There are a number of reasons why the criteria for evaluation need to be included in the bidding documents. These include:

- so as to be able to determine whether the bids received will meet your requirements;
- to ensure that all bids are evaluated against the same parameters; and
- so as to provide prospective bidders with details of that criteria and on what basis a contract award decision will be made.

Providing all prospective bidders with this information engenders fairness and transparency in the process and enables all bidders to consider these aspects when compiling their bids.

The evaluation criteria will be specific to each individual procurement activity however some criteria are common to all procurement, such as:

- technical competence / expertise;
- experience / track record;
- cost;
- quality / specification;
- compliance with requirements of the bid.

For the majority of works procurement the criterion is likely to be lowest completion cost which meets the technical requirements and is compliant with all aspects of the bidding documents.

In the event that the award decision is based on time, not cost (See Module F1 for assistance on setting priorities), then any specific time-related delivery requirements then these must also be stated (i.e. completion by a certain time for a specific event).

Other evaluation criteria can include:

- qualifications of key staff
- labour day rates (for long term construction this may include annual pay increases and paid holiday)
- the degree of sub-contracting as the majority of works should be undertaken by the main (or 'prime') contractor
- work plan / completion time
- design drawings
- annual construction turnover
- plant and equipment to be provided by the contractor
- site management /security capabilities
- use of local labour, equipment and/or materials
- cost of ownership (i.e. price and usage rate of consumables, service intervals)
- terms and duration of warranty/defect liability
- environmental issues in the design and, where relevant, operation (i.e. use of environment friendly products, level of recycling used in the completion of the work, use of natural power sources)
- any margin of preference for indigenous bidders .

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<sup>34</sup> See Module J.

**(vi) Any qualification criteria which will be applied**

If no prequalification<sup>35</sup> has been conducted it will be necessary to include any documentary evidence which bidders must provide to evidence their qualification to be considered for a contract. This generally includes issues such as:

- experience and past performance on similar contracts;
- capabilities with respect to being able to complete the works;
- financial position;
- legal and/or tax status.

State minimum requirements to be met for purposes of assessment.

**(vii) The type and conditions of the proposed contract.**

It is widely considered good practice to provide bidders with a template of the proposed contract (whether lump sum or admeasurement<sup>36</sup>) and the contractual conditions (including payment arrangements<sup>37</sup> and timing) that they will be subject to in the event that they are awarded a contract. This early disclosure of contractual requirements has a number of benefits:

- it provides bidders with the opportunity to make a bid or no bid decision based on the full picture of the procurement process;
- by disclosing the contract template and contractual conditions at the outset there is no argument later in the process that bidders were not aware of contractual provisions or obligations (this is particularly relevant in respect of payment terms);
- it speeds up the process from contract award to contract signing as the bidder has already seen and agreed, by virtue of submitting their bid, the format and general conditions of the contract.

For very high value or complex contracts (i.e. above USD5m) the bidding documents and contract forms published by the *Fédération Internationale des Ingénieurs-Conseils* (FIDIC) are recommended for use to ensure adequate legal protection for the Employer during the performance of major contracts.

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<sup>35</sup> See Module G.

<sup>36</sup> See Module I2.

<sup>37</sup> See module group J.

## Module H3: Bidding documents for consultancy services

### Purpose of Module:

To provide Borrower/recipients/Recipients and IFAD staff with some general advice on what should be included in bidding documents and to provide an explanation of the different selection methods which can be used.

The procurement of consultancy services is a specialised form of procurement requiring bidding procedures and documents which are very different to those for standard goods and works. The standard bidding document for consultancy services is usually called 'Request for Proposal' (RFP) and most national procurement systems will either have their own version of this document or use a standard template from an international donor. The alternative is for low value services of short duration (i.e. a one or two day study) where it is possible to use a short 'Request for Quotation' type document of which there are many templates widely available from other projects or national systems.

This module does not refer to any specific standard model or template but instead addresses issues of good practice for consideration when preparing or reviewing a bidding document.

Please note that this Sheet only covers specific aspects of consultancy services procurement and therefore must be read in conjunction with the module group H which gives advice on generic issues relating to bidding documents.

### Applicability

As a guide to good practice, this module applies to all procurement for consultancy services.

#### 1. What should be included?

The template to be used will define the structure and overall content of the bidding document, however there are some generic requirements which any goods bidding document should have. These include:

#### 2. References, contact points and contractual arrangements

This defines who the overall purchaser is (i.e. the Ministry of XYZ), who the services are for (if different), points of contact regarding the bidding process and under what project the assignment is being undertaken. For purposes of identification, each procurement activity should have its own specific reference number which should be stated on the document.

#### 3. The description and specifications of the services required

This is obviously of critical importance as without a clear Statement of Requirements and specification the procurement is likely to fail. Module F4 gives assistance on how to prepare statements of requirements (terms of reference) for services.

#### 4. Relevant information regarding bid submission

In the RFP document there is generally a section entitled 'information to bidders' or 'instructions to bidders' (ITB) and a section entitled 'Bid Data' where information to assist the bidder is provided. This would include issues such as:

- eligibility of bidders;
- the last date for bidders to request clarifications;
- the currency of the bid;
- the bid submission date;
- when bids will be opened (See Module K5);
- how long bids are to be valid for;

- the address and any specific instructions for submission of a bids (i.e. two-envelope bidding<sup>38</sup>, number of copies, in hard or soft copy, references).

## 5. The rules for the procurement process

These are the overarching laws, regulations, rules, instructions or authorities under which the procurement is being undertaken (i.e. the Procurement Law of the country) and which will guide the entire process.

## 6. The evaluation criteria and methodology which will be applied

There are a number of reasons why the criteria for evaluation need to be included in the bidding documents. These include:

- so as to be able to determine whether the bids received will meet your requirements;
- to ensure that all bids are evaluated against the same parameters; and
- so as to provide prospective bidders with details of that criteria and on what basis a contract award decision will be made.

Providing all prospective bidders with this information engenders fairness and transparency in the process and enables all bidders to consider these aspects when compiling their bids.

The evaluation criteria will be specific to each individual procurement activity however some criteria are common to all procurement, such as:

- technical competence / expertise;
- experience / track record;
- cost;
- quality / specification;
- compliance with requirements of the bid.

Unlike the majority of goods and works procurement the prime selection criteria for consultancy services is unlikely to be lowest cost. The general competence of the Consultants, their relevant experience, and the quality of the technical proposal submitted, are usually of far greater importance than the simple cost of the services and therefore the evaluation is more of a compromise between professional quality of the services supplied and the cost of those services.

This compromise is achieved through the use of a **merit-point scoring system** in which points are awarded for technical capability and cost, according to criteria specified in the Request for Proposals, and the bidder scoring the highest number of points is usually recommended for the award of contract.

When using merit-point scoring, the breakdown of the evaluation criteria and number of points to be awarded to each criterion is critical to the evaluation process and to achieving a satisfactory result in the selection of the winning bid.

To assist in the decision regarding the level of compromise between professional quality of the services supplied and the cost of the services for each specific case, a number of alternative selection methods have been developed for the selection of Consultants. Each of these methods has slightly different evaluation priorities depending on the individual circumstances of the activity and it is essential that the method of selection being used is disclosed in the RFP. The methods of selection are:

<sup>38</sup> Where quality and cost are evaluation factors under a merit point system, technical and financial bids are submitted in separate sealed envelopes. To avoid any chance of the bidder's price influencing the technical evaluation the financial envelope must only be opened after the technical evaluation is completed and approved. In the interests of transparency, a second Public Opening of the financial bids of those bidders who have passed the technical evaluation stage is held. See Module L6 for more detailed information.

(i) Quality and Cost-Based Selection (QCBS).

This is considered the standard (or 'default') method of selection for most consultant services and should be used when:

- a compromise between quality and cost is required;
- the scope of work of the assignment can be precisely defined and the TOR are well specified and clear, and
- the client and the consultants can estimate with reasonable precision the staff time as well as the other inputs and costs required of the consultants.

Both technical and financial point aspects of each bid received are assessed and scored out of 100 points. During final evaluation<sup>39</sup> however, the scores are adjusted by applying a weighting percentage stated in the RFP for technical and financial scores before being combined to provide a total score.

The best compromise between technical quality and cost of the services is often achieved by allocating between 70% or 80% of the total points to the technical features of the proposal and between 20% - 30% to the financial score. Whatever ratio is decided upon it is imperative that it is clearly declared in the RFP so bidders are aware of the weighting to be applied and can factor this into their bid preparation.

The main technical evaluation criteria (or '**primary criteria**') also need to be specified in the RFP. These should include:

- *a set amount of relevant experience for the assignment<sup>40</sup>;*
- *the quality of the methodology proposed;*
- *minimum expected qualifications and experience of the key staff proposed;*

subject to the nature of the assignment, it may also include:

- *provisions for training/capacity building of local staff<sup>41</sup>;*
- *the extent of participation by nationals among key staff in the performance of the assignment<sup>42</sup>.*

Once the criterion has been selected, a total of 100 points is divided among each technical criterion relative to its importance to the assignment. These points must also be declared in the RFP.

The table over page provides an example of how a range of points is usually distributed. Please note this is just an indicative example and each case will need to be considered in relation to the criteria selected and the specific circumstances of the assignment.

<sup>39</sup> See Modules L6/L7 and L8 for information on evaluation of consultancy services.

<sup>40</sup> Unless already evaluated as part of a pre-qualification or shortlisting process. See Module G.

<sup>41</sup> Transfer of knowledge may be the main objective of some assignments; in such cases, it should be given a higher weight to reflect its importance.

<sup>42</sup> As reflected by national consultants among key staff presented by foreign and national firms.

<b>Primary Criteria:</b>	<b>Usually between:</b>
<i>Specific relevant experience<sup>43</sup>:</i>	<i>0 to 10 points</i>
<i>Response to the TOR and Methodology Proposed:</i>	<i>20 to 50 points</i>
<i>Key personnel<sup>44</sup>:</i>	<i>30 to 60 points</i>
<i>Training:</i>	<i>0 to 10 points</i>
<i>Participation by nationals:</i>	<i>0 to 10 points</i>
<i>Total:</i>	<i>100 points</i>

Note that the total MUST add to 100.

As these primary criteria are quite wide ranging they should then be divided into **sub-criteria** to (a) place emphasis on the important components of the criteria, and (b) assist the objectivity of the evaluation by ensuring a closer range of scores between the various evaluators than if they had to pick a subjective number between, for example, 20-50 points.

Each sub-criteria has its own maximum score against which it should be rated. These sub-scores are then added to give a total score for the primary criteria. The number of sub-criteria should be kept to the essential minimum and must be fully detailed within the RFP. But be wary of having too many sub-criteria as having less than 5 points awarded to a criteria or sub-criteria risks making it irrelevant to the evaluation.

Some examples of this using the primary criteria shown in the table above are:

- *for response to TOR and methodology:* if 40 points were allocated in total, these could be divided into:

- o degree of innovation = 25 points
- o level of detail = 10 points
- o proposed work plan = 5 points

thus placing a lot of an emphasis on an innovative technical proposal and less on the work plan.

- *for key personnel:* it is normal to use sub-criteria for key staff to evaluate their qualifications, technical experience, national/regional knowledge or experience and, if relevant, language capabilities. If 40 points were also allocated to this primary criteria, these could be divided as follows:

- o General Qualifications<sup>45</sup> = 10 points
- o Adequacy for the Assignment<sup>46</sup> = 15 points
- o Experience in the country/region<sup>47</sup> = 15 points

thus giving a fairly balanced spread of points amongst the sub-criteria.

Note however that these are the total points available for this sub-criteria. These points then need to be apportioned across the key personnel to show the maximum amount of points available for each person. In a scenario where there may be 3 key personnel required for the assignment, the apportionment of points may be as follows:

- o Team Leader = 50%<sup>48</sup>

<sup>43</sup> The points given to experience can be low if this criterion has already been taken into account when short-listing the bidders.

<sup>44</sup> Only the key personnel should normally be evaluated since they will determine the quality of performance. More points should be assigned if the proposed assignment is complex.

<sup>45</sup> Issues such as general education and training, professional qualifications, length of experience, positions held.

<sup>46</sup> Specific experience relevant to the assignment in the sector, field, subject, process or activity.

<sup>47</sup> Knowledge of culture, administrative systems, government organisations and structures etc.

- Specialist 1 = 30%
- Specialist 2 = 20%
- This informs the bidders that the Team Leader is considered to be a highly important *position* for this work and that Specialist 1 is considered slightly more important than Specialist 2. It also clarifies the maximum number of points available to be awarded for each individual position as follows:

Position	% age Points	Sub-criteria			Max. score
		General Qualifications (10 points)	Adequacy for assignment (15 points)	Reg. / Nat. Experience (15 points)	
Team leader	50	10x50% = 5	15x50% = 7.5	15x50% = 7.5	20
Specialist 1	30	10x30% = 3	15x30% = 4.5	15x30% = 4.5	12
Specialist 2	20	10x20% = 2	15x20% = 3	15x20% = 3	8

The RFP must also specify the **minimum qualifying technical score** to be achieved for a technical proposal to proceed to the Financial Evaluation. Usually the minimum score required for qualification of the technical proposal is at least 70%.

Finally, in addition to specifying the weighting for technical and financial scores, the RFP must specify the **formula** for award of points for each bid price. Normally the lowest priced bid receives 100 points and the other bids receive points based on dividing their prices by the lowest priced bid and multiplying by 100. This is usually shown as the following formula:

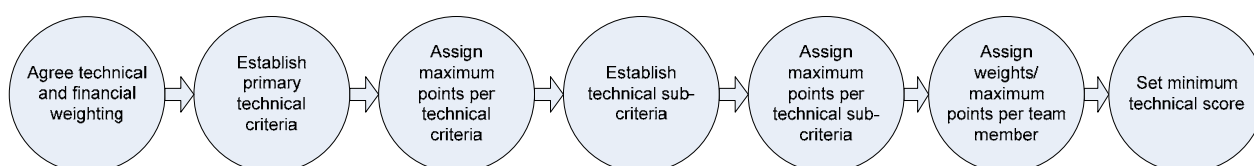
$$\text{Final Score} = \frac{100 \times F_z}{F_y}$$

Where  $F_z$  = Lowest priced proposal and  $F_y$  = Price of proposal being evaluated

The application of the evaluation criteria, awarding of merit points and calculation of technical and financial scores are covered by Modules L6, L7 and L8.

The standard procedures for correcting arithmetic and other errors in bid prices will apply to adjust the bid price before the points are awarded to each bid.

In summary, in preparing the evaluation criteria for QCBS the steps to be taken are:



## (ii) Quality Based Selection (QBS)

Quality Based Selection (QBS) may be appropriate for complex or highly specialised assignments, or those which invite innovations where the best expertise available is required without consideration of the price. For example:

- where it is difficult to define precise TOR and the required input from the consultants, and for which the client expects the consultants to demonstrate innovation in their proposals (i.e. country economic or sector studies, multi-sector feasibility studies,

<sup>48</sup> As the primary team member, the Team Leader should usually be allocated more points than any other team member. The exception is when the performance of another key specialist in a team is more critical to the assignment and in this case more points should be allocated for this person to reflect their importance in evaluation.

design of a hazardous waste remediation plant or of an urban master plan, financial sector reforms);

- assignments that have a long term impact and in which the objective is to have the best experts available (for example, feasibility and structural engineering design of such major infrastructure as large dams, policy studies of national significance, management studies of large government agencies); and
- assignments that can be carried out in very different ways, and therefore proposals may not be directly comparable (for example, management advice, or policy studies in which the value of the services depends on the quality of the analysis).

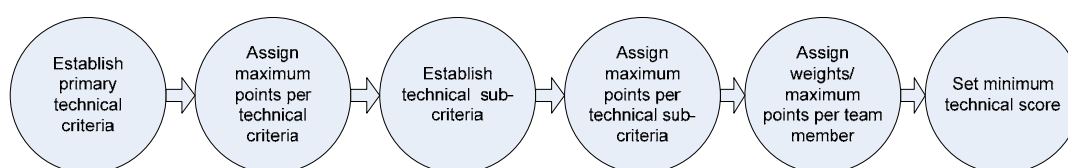
*As the selection is based solely on the quality of the proposal without consideration of the cost it is not often used for project-funded procurement.*

*When using QBS, the majority of steps in preparing the evaluation criteria are the same as with QCBS, the primary difference being that there is no requirement to provide a weighting between financial and technical scores as the award is made purely on the highest technical score.*

*Some other specific aspects of QBS are:*

- The Request for Proposals (RFP) should not indicate the estimated budget, but may provide the estimated number of key staff and time, specifying that this information is given as an indication only, and that consultants are free to propose their own estimates.
- The RFP may require submission of a technical proposal only (without a financial proposal), or request submission of both technical and financial proposals at the same time, but in separate envelopes (two-envelope system). Only the financial envelope of the highest ranked technical proposal is opened.
- If technical proposals only are invited, after evaluating the technical proposals the Consultant with the highest ranked technical proposal will be invited to submit a detailed financial proposal.
- The Procuring Entity and the Consultant shall then negotiate the financial proposal and the contract.

In summary, in preparing the evaluation criteria for QBS the steps to be taken are:



### (iii) Fixed Budget Selection (FBS)

This is used when:

- the assignment is simple;
- it can be clearly defined, and
- there is a strictly limited budget available for the services.

Is it often used towards the end of projects when only finite amounts of funding remain in the the loan account and therefore there is no financial flexibility.

Bidders are invited to submit their best technical proposal within the fixed budget price and award of contract will be made to the highest scoring technical proposal within that budget.

When using FBS, the majority of steps in preparing the evaluation criteria are the same as with QCBS, the primary difference being that there is no requirement to provide a weighting

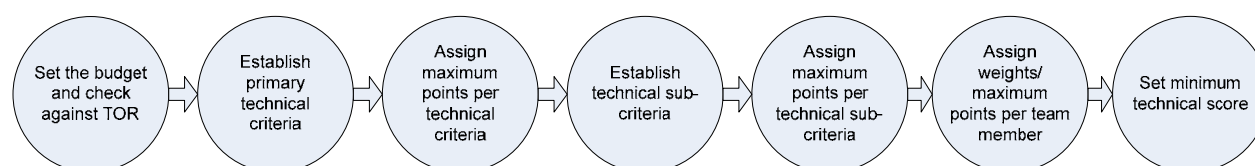


between financial and technical scores as the award is made purely on the highest technical score within budget.

Some other specific aspects of FBS are:

- The RFP must indicate the available budget and request the consultants to provide their best technical and financial proposals in separate sealed envelopes, within the stated budget.
- Because the budget is fixed the Terms of Reference have to be carefully prepared to ensure that the budget and TOR are consistent and realistic to enable the consultants to perform all of the expected tasks. See Module F4 for advice on preparing Terms of Reference.
- Technical proposals will be evaluated and bidders who pass the minimum technical score will be invited to a public opening of their financial envelopes.
- Bidders whose technical proposals fail to meet the minimum technical score will have their financial envelopes returned unopened.
- Any financial proposals that exceed the indicated budget shall be rejected.
- The Consultant who has submitted the highest ranked technical proposal within the budget will be selected for award of contract.

In summary, in preparing the evaluation criteria for FBS the steps to be taken are:



#### (iv) Least Cost Selection (LCS)

Least Cost Selection is appropriate to use when selecting consultants for small value services of a routine nature such as audits, simple engineering design or supervision where well-established practices and professional standards exist. There may also be budgetary constraints or pressures which necessitate having cost as the main driver<sup>49</sup> for procuring certain services.

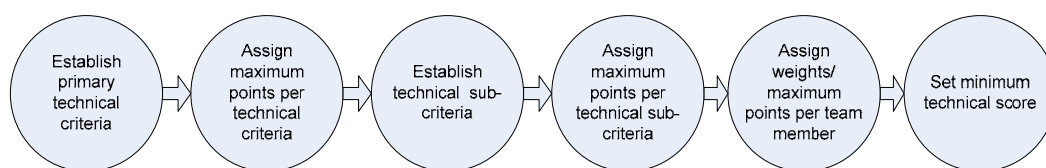
Technical proposals are examined to ensure that they pass a specified minimum technical score and the lowest priced bidder of those passing this minimum technical qualification score will be selected for contract award.

The advantage of this method of selection is that the Procuring Entity acquires competent services at the lowest price. The disadvantage however is that because the award is made on the basis of the lowest priced bid meeting a minimum technical score, the process will generally not result in acquiring the highest degree of technical qualifications, experience or expertise available. Although this disadvantage can be offset by the price, in the event that more of a balance between financial and technical aspects is desired, and on the basis that financial resources exist, then consideration should be given to using QCBS.

When using LCS, the majority of steps in preparing the evaluation criteria are the same as with QCBS, the primary difference being that there is no requirement to provide a weighting between financial and technical scores as the award is made purely on the lowest costs bid meeting the stated minimum technical threshold.

In summary, in preparing the evaluation criteria for LCS the steps to be taken are:

<sup>49</sup> Refer to Module F1.



(v) Selection Based on Consultants' Qualifications (CQS)

This method may be appropriate for very small assignments where the need for a full bid process with submission and evaluation of detailed competitive proposals is not justified.

As it is not a full bid process there is no formalised technical or financial scoring announced and expressions of interest and information on the consultants' experience and competence relevant to the assignment are requested through an advertisement. A closing date and place for submission of interest and information is given in the advertisement as well as any other instructions such as the number of copies of submissions required and whether submissions should be in hard or soft copy.

Although there is no disclosure of technical scoring, an evaluation panel does have to assess all submissions against some criteria so as to ensure that the evaluation is as subjective as possible. Certain technical criteria do therefore have to be established by the Procuring Entity preferably at the time the advertisement is being drafted but in any event before the closing date for submissions.

As when setting technical criteria for other methods of selection, due consideration needs to be given to:

- *basic data to establish the legal status and general experience of the consultant (i.e. copies of valid trading licences, tax clearance documents or audited accounts);*
- *any specific skills, knowledge or experience required for the assignment;*
- *minimum expected qualifications and experience of the key staff proposed.*

Points should be allocated as for other methods of selection but the main difference is that they are for internal use only.

Once the submissions are received, the assessment of submissions is undertaken against the pre-agreed criteria and the firm or individual that is judged by the evaluation panel to have the most appropriate qualifications and references is selected.

The selected firm is invited to submit a more comprehensive combined technical and financial proposal. If this is technically and financially acceptable to the Procuring Entity the bidder is invited to negotiate the contract.

(vi) Sole-Source Selection (SSS)

As with single sourcing (direct contracting) for any other type of procurement, sole-source selection of consultants lacks the benefit of competition in regard to quality and cost, is not transparent in selection, and may encourage unacceptable practices. Therefore, sole-source selection should only be used in exceptional circumstances and only with the express agreement of IFAD.

Any request for sole-source selection by a Borrower/recipient/Recipient must be accompanied by a detailed justification which will be examined carefully to ensure that IFAD is content there are no other alternative selection methods which can be used.

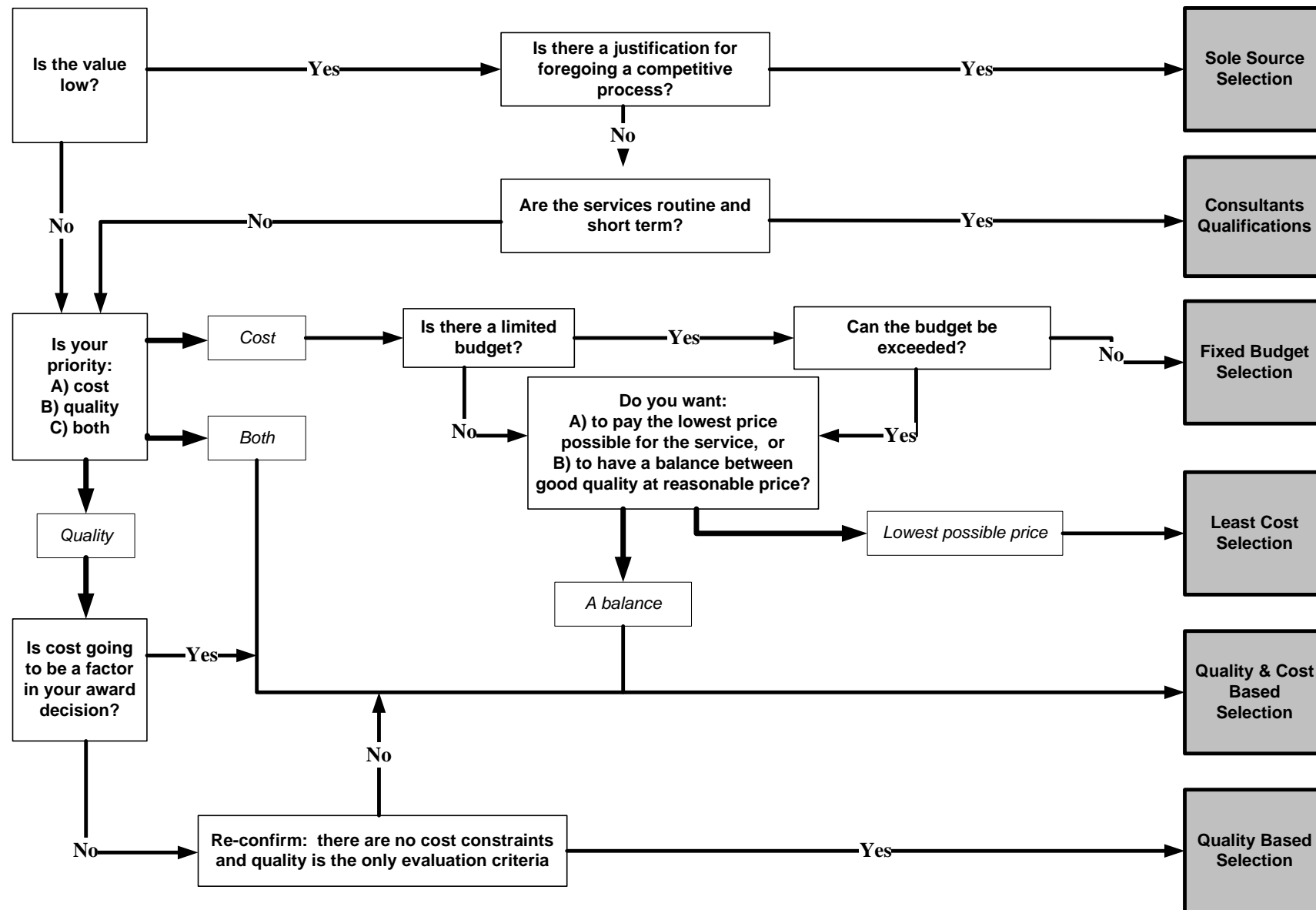
*In order to receive approval it is necessary to demonstrate that there is a clear advantage over competitive selection. Some example of such circumstances may be:*

- for tasks that are a natural continuation of previous work carried out by the consultant;
- where rapid selection is essential (for example, in an emergency situation);
- for very low value assignments;
- when only one firm is qualified or has the necessary experience for the assignment.

A summary table of these different selection methods is shown below and an indicative flow chart for the selection of methods also follows:

<b><i>Selection method</i></b>	<b><i>Use when looking for....</i></b>	<b><i>Restrictions for use</i></b>	<b><i>Criteria to disclose</i></b>	<b><i>Basis for award</i></b>
<b><i>QCBS</i></b>	<i>Quality and Cost balance</i>	<i>None</i>	<i>Technical and Financial</i>	<i>Highest combined score</i>
<b><i>QBS</i></b>	<i>Highest available quality at any cost</i>	<i>Budgetary constraints</i>	<i>Technical only</i>	<i>Highest technical score</i>
<b><i>LCS</i></b>	<i>Competence at lowest cost</i>	<i>None</i>	<i>Technical passmark</i>	<i>Lowest price meeting technical threshold</i>
<b><i>FBS</i></b>	<i>Quality within a financial limit</i>	<i>None</i>	<i>Available budget</i>	<i>Highest technical score within budget</i>
<b><i>CQS</i></b>	<i>Skills, knowledge and experience</i>	<i>Low value only</i>	<i>Skills, knowledge and experience</i>	<i>Best qualified</i>
<b><i>SSS</i></b>	<i>Continuity/speed/ unique skill, knowledge or experience</i>	<i>Low value or exceptional circumstances</i>	<i>N/A</i>	<i>Negotiation</i>

## Deciding on selection methods for consultancy services



## **7. The budget?**

If the method of selection is FBS then disclosure of the budget is essential.

With other methods the RFP generally shows either:

- an estimated number of key staff and input time, or
- the estimated budget ,

but usually not both since prescribing the budget and the input days is essentially setting the consultants daily fee rate and therefore can potentially limit competition between bidders in this area.

## **8. Any qualification criteria which will be applied**

If no prequalification<sup>50</sup> has been conducted it will be necessary to include any documentary evidence which bidders must provide to evidence their qualification to be considered for a contract. This generally includes issues such as:

- experience and past performance on similar contracts;
- capabilities with respect to being able to complete the services;
- financial position (i.e. audited accounts or statements of financial solvency from a bank);
- legal and/or tax status (i.e. copies of valid trading licences or tax clearance documents);
- state minimum requirements to be met for purposes of assessment.

## **9. The type and conditions of the proposed contract**

It is widely considered good practice to provide bidders with a template of the proposed contract and the contractual conditions (including payment arrangements<sup>51</sup> and timing) that they will be subject to in the event that they are awarded a contract. This early disclosure of contractual requirements has a number of benefits:

- it provides bidders with the opportunity to make a bid or no bid decision based on the full picture of the procurement process;
- by disclosing the contract template and contractual conditions at the outset there is no argument later in the process that bidders were not aware of contractual provisions or obligations (this is particularly relevant in respect of payment terms);
- it speeds up the process from contract award to contract signing as the bidder has already seen and agreed, by virtue of submitting their bid, the format and general conditions of the contract.

The different contract types used in consultancy services are explained further in Module I3.

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<sup>50</sup> See Module G1.

<sup>51</sup> See module group J.

## Module I1: Contract Types for Goods

### Purpose of Module:

This module provides general advice on the main contract types usually encountered for the procurement of goods and when they are appropriate for use.

### Applicability

This module applies to procurement of goods only. Accompanying modules are available regarding contract types for works and services procurement.

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### 1. General Considerations

Just as there are a number of different methods of procurement and selection, there are also a number of different types of contract which can be used depending on the procurement being undertaken.

The main considerations as to which contract type to use are:

- the nature and degree of definition of the Contract; and
- the distribution of risk between the Contracting Parties.

A third, but less critical, consideration is the level of supervision the Borrower/recipient may be able to undertake.

### 2. Contract Types

#### (i) Supply only

On the majority of occasions goods will be contracted on a supply only basis. This means that the contract will be considered complete when goods are satisfactorily 'delivered' as per the Incoterms<sup>52</sup> in the contract.

Full payment (or final payment if the contract has provision for advance payment<sup>53</sup>) will be made upon delivery; however it is important to note that the definitions of 'delivered' and 'delivery' vary between Incoterms. In some cases 'delivered' means physically delivered into the hands of the customer however in most Incoterms it is upon documentary evidence that goods have been despatched. It is therefore critical that Incoterms and their implications are fully understood.

Supply only contracts will generally contain the following information:

- the source of funds;
- the contract price;
- the contract delivery terms (e.g. method of despatch, Incoterms);
- the delivery date, calculated from the supplier's delivery period;
- the applicable conditions of contract;
- the description/specifications for the goods in accordance with the bid;
- payment terms/Method of payment;
- performance Guarantee, if required;
- delivery/shipping requirements, where shipment being arranged by the supplier;
- insurance requirements, if insurance to be arranged by the supplier;
- documentation required;
- details for distribution of the documentation;
- packing requirements, and

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<sup>52</sup> See Module H1.

<sup>53</sup> See Module J.

- shipping marks/consignee address.

### **(ii) Supply and Service**

This type of contract is suitable when the goods to be supplied require some element of service to be undertaken by the Contractor following delivery. This could be either:

- installation or commissioning (i.e. processing plants);
- final assembly (in the case of products supplied in a semi-complete or 'knock-down' form for purposes of shipment;
- training on the operation and/or maintenance of the product (usually only for highly specialist goods;
- directly undertaking servicing or maintenance.

Payment is often made separately for the goods and the services elements and final payment should only be made when the services have been completed as per the contract.

The contract should contain all information as per 'supply only' but also include:

- the dates for commencement of each element of service;
- full price breakdown to reflect the separate cost of each service element;
- the payment terms for the respective services;
- the responsibility of each party to provide labour, equipment, utilities;
- the duration of the service and number of Contractor's staff required;
- the costs of flights, living expenses, insurance etc for the Contractor's staff;
- the documentary requirements to evidence completion of each service i.e. Installation Completion Certificate);
- any relevant drawings and diagrams.

### **(iii) Framework contracts**

Framework (or "call-off") contracts can provide an efficient, cost effective and flexible means to procure goods, works or services that are required continuously or repeatedly over a set period of time.

Framework contracts are particularly useful for goods works and services items that are readily available in the local market, or are for goods of relatively short shelf life. Although there are no set rules for the use of framework contracts, it is generally considered that if there is a high level of cumulative annual expenditure, or if there are more than 10-15 separate procurement processes initiated in a year, for a grouping of similar goods, then a framework contract should be considered.

The objective of framework contracts is to minimise the cost and effort wasted in preparation of multiple similar small procurement processes by agreeing fixed prices with a supplier for a set period of time. The aggregation of requirements will result in greater price competition among providers to win the right to supply all requirements for the subject of the framework contract.

Spare parts, office supplies, and medical supplies are examples of the types of goods that may be efficiently purchased under a framework contract.

## **3. Summary**

To summarise:

<b><i>Contract characteristics</i></b>	<b><i>Use</i></b>
Contract is completed upon delivery of the goods	Supply only
Contract includes any of the services listed above	Supply and Service
Repeated supply over a set period	Framework

## Module I2: Contract Types for Works

### Purpose of Module:

This module provides general advice on the main contract types usually encountered for the procurement of works and when they are appropriate for use.

### Applicability:

This module applies to procurement of works only. Accompanying modules are available regarding contract types for goods and services procurement.

## 1. General Considerations

Just as there are a number of different methods of procurement and selection, there are also a number of different types of contract which can be used depending on the procurement being undertaken.

The main considerations as to which contract type to use are:

- the nature and complexity of the requirement;
- size and duration of the contract;
- degree of definition of the requirement and the element of risk/uncertainty;
- the technical capability, design and supervisory resources of the Employer;
- the budget;
- previous experience;
- degree of definition of the Contract.

## 2. Contract Types

There are generally considered to be eight (8) main types of Works Contracts as follows:

- *Lump Sum (LS);*
  - *Bill of Quantities (BOQ), Unit Rate (UR) or Ad/Re-Measurement;*
  - Cost Reimbursable Plus Fee (Cost Plus);
    - o With Fixed Fee.
    - o With Variable (or percentage) Fee.
  - Target Cost (+ Incentive Fee or Bonus);
  - Supply and Erect/Install;
  - Design and Construct;
  - Turnkey; and
  - Management Contracts.
- } these are the most common

Most of the above contract types have price adjustments during implementation either on account of physical contingencies or price contingencies or both. Physical Contingencies relate to increases or decreases in project scope (normally referred to as "Variation Orders") while Price Contingencies relate to price movements due to inflation, legislation or government policy.

The different contract types are described below with brief comments on usages, advantages and disadvantages (Please note that for very high value or complex civil works/construction contracts (i.e. above USD5m) the bidding documents and contract forms published by the *Fédération Internationale des Ingénieurs-Conseils* (FIDIC) are



recommended for use to ensure adequate legal protection for the purchaser during the performance of major contracts):

**(i) Lump Sum Contracts**

Lump Sum or Fixed Sum Contracts refer to contracts where the price is determined at the start and remains unchanged during implementation. It is suitable if the scope and schedule of the project are sufficiently defined to allow the estimating of project costs to a high degree of accuracy.

<b>When to Use</b>	<ul style="list-style-type: none"> <li>- Small well-defined works or buildings with short duration</li> <li>- Large industrial process plant (Turnkey)</li> </ul>
<b>Advantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Fixed sum for budgeting</li> <li>- Easy to administer</li> <li>- Little or no re-measurement</li> <li>- Less documentation</li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Inflexible to changes</li> <li>- High risk to Contractors, leading to higher prices</li> </ul>

**(ii) Bill of Quantities (BOQs)/ Unit Rate (UR) or Ad/Re-Measurement Contracts**

Used for the majority of construction projects, these contracts are based on estimated quantities of work items and agreed unit prices included in the contract document as a priced Bill of Quantities. Payment is based on measurements of work quantities executed by applying the agreed unit rates. The final contract price is therefore dependent on the total quantities of work carried out at completion.

In general this contract is suitable for construction projects where there are different types of items that can be accurately identified in the contract documents. It is not unusual to combine a BOQ Contract for some parts of the project with a Lump Sum Contract for aspects (e.g. labour and materials on a unit rate basis and a lump sum for management fee)

<b>When to Use</b>	Used for the majority of construction projects where the design has not been finalized at the tender stage
<b>Advantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Equitable basis for bidding</li> <li>- Facilitates bid comparison and evaluation</li> <li>- Adaptable to changes</li> <li>- Periodic payments follow contracts cash flow</li> <li>- Normally little difference between bid price and final contract cost</li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Problems with unbalanced bids/unit rates</li> <li>- Preparing and monitoring a detailed BOQ contract can be time consuming</li> </ul>

**(iii) Cost Plus Contracts**

With Cost Plus Contracts, the Employer agrees to pay the cost of all labour and materials plus an agreed amount to the Contractor to cover overheads and profit.

The fee could be a fixed percentage of the cost of labour and materials (Variable Fee) or an agreed fixed amount (Fixed Fee), irrespective of the final cost of labour and materials. With Variable Fee, the incentive paid to the Contractor increases with the cost of labour and materials. It is however remains unaltered at a predetermined amount for a Fixed Fee contract.

This type of contract is favoured where the scope of the work is indeterminate or highly uncertain and the kinds of labour, materials and equipment needed are also uncertain. It is often found in circumstances of an emergency nature where speed is of the essence and there is no time for a fully costed proposal to be prepared. Under this type of contract, detailed and complete records must be kept of all time, materials and equipment used by

the Contractor on the works and there is a larger responsibility on the Employer to ensure that costs are monitored and claims for payment are justified.

<b>When to Use</b>	<ul style="list-style-type: none"> <li>- Open-ended emergency situations (earth quakes and flood disasters) - with fixed Fee</li> <li>- High risk and uncertainty (tunnelling) – with variable Fee (%)</li> </ul>
<b>Advantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Early mobilisation and rapid start</li> <li>- Contractor assumes little or no risk therefore contingencies are not paid</li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Inappropriate for competitive bidding</li> <li>- With fixed fee, no incentive for quality or timely work</li> <li>- With % fee, no incentive to limit costs</li> <li>- Additional staff needed to monitor costs</li> </ul>

Because of the uncertainty over final budget, this contract type is not often seen in development projects.

### (iii) **Target Cost**

Essentially a Target Cost contract is the same as a Cost Plus contract but with financial incentives. With a Target Cost contract, the Employer and Contractor negotiate and agree on the final cost of the project - the "Target Cost". A fee is agreed to be paid to the Contractor over and above the target cost.

As an incentive for economy, the contracting parties would also agree to share any savings or cost overruns in accordance with a predetermined ratio (i.e. 50/50, 60/40).

This implies that payments due to the Contractor on completion of a project at:

<b>If the final contract is at.....</b>	<b>then payments to be made are.....</b>
the agreed Target Cost	<ul style="list-style-type: none"> <li>- the Target Cost <b>plus</b></li> <li>- the Agreed Fee</li> </ul>
20% lower than Target Cost (i.e. 20% savings)	<ul style="list-style-type: none"> <li>- the Final Cost <b>plus</b></li> <li>- the Agreed Fee <b>plus</b></li> <li>- Bonus of x% of the 20% savings</li> </ul>
20% higher than Target Cost (i.e 20% cost overrun)	<ul style="list-style-type: none"> <li>- The Final Cost <b>plus</b></li> <li>- Agreed Fee <b>minus</b></li> <li>- Penalty of X% of the 20% cost overrun</li> </ul>

<b>When to Use</b>	<ul style="list-style-type: none"> <li>- For conditions of high uncertainty and Unquantifiable Risk</li> <li>- When it is necessary to have a Cost Plus contract but with incentives</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>- Savings or cost overruns shared according to final target cost</li> <li>- Risk shared by both Employer and Contractor</li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Inappropriate for competitive bidding</li> <li>- Additional staff needed to monitor costs</li> </ul>

### (iv) **Supply & Erect/Install Contracts**

These contracts are a combination of goods and works as they involve the supply and installation of materials by the Contractor. Design and supervision is provided by the Employer or an agent acting on behalf of the Employer.

<b>When to Use</b>	Usually only used for activities such as major bridges, public buildings, pumping stations, pipelines and transmission towers
<b>Advantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- A part-goods, part-works contract with high equipment component</li> <li>- One Contractor responsible for the project so less contract management</li> <li>- Lump Sum or combination Lump Sum/Unit Rate or BOQ</li> <li>- Design &amp; build/construct</li> <li>- Allows for innovation and explores latest concepts in design and construction techniques</li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- <i>Very complex to evaluate due to variations in equipment and life-cycle costs between bidders</i></li> <li>- Usually comes with a high degree of quantity and price variation which makes budgeting difficult</li> </ul>

**(v) Design & Construct Contracts (also known as Design and Build)**

Under a Design and Construct Contract the Contractor has an expanded scope of responsibility as they are responsible for both the design and construction.

These contracts are usually limited to simple structures such as non-complex buildings, warehouses and small projects where there is no justification for separate design and construction processes. Mass produced prefabricated components to standard dimensions are common.

<b>When to Use</b>	<ul style="list-style-type: none"> <li>- For relatively quick erection where little time is available for normal design and tendering process by Employer</li> <li>- <i>Typically used for simple requirements such as warehousing, camp sites, storage facilities and office blocks</i></li> <li>- Often used where client does not have design capability</li> </ul>
<b>Advantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- <i>Can be lump sum</i></li> <li>- <i>One Contractor responsible for the project so less contract management</i></li> <li>- <i>Allows for innovation, latest/new designs and construction techniques</i></li> <li>- <i>A quick solution</i></li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- <i>Inflexibility as most component are fabricated to standard dimensions/designs</i></li> <li>- <i>Contractor bears the design risk so will charge a premium for this</i></li> <li>- Employer often needs to check design calculations or employ consultant</li> <li>- Difficult to evaluate on a like-for-like basis</li> </ul>

**(vi) Turnkey Contracts**

Turnkey Contracts are similar to Design and Construct in that the Contractor has responsibility for both design and construction. However, the key difference is that turnkey contracts are usually employed in more complex situations where it is usually not feasible to formulate the full project scope and detailed specifications at the onset.

A two stage tendering process is sometimes employed for turnkey contracts. The first stage is to solicit for design concepts that aim to capture the vision of the Employer for the intended works based on initial thoughts and preliminary briefings. The Request for proposals on the design concept may be issued to a pre-qualified list of Contractors. The concept that best meets the Employer's vision is accepted and detailed technical and financial proposals are then sought on the selected concept during the second stage of the tendering process.

As the Contractor is responsible for completion of the entire project it is normally to see turnkey contracts done on a lump-sum basis. Depending on the duration of the contract

possibly there may also be a price adjustment provision to cover annual salary increases or extreme fluctuations in market prices of materials.

<b>When to Use</b>	Similar to Design and Build but complexity is much higher (i.e. complex industrial processing plants)
<b>Advantages for the Borrower/recipient</b>	<i>The Contractor is responsible for the complete working package for the specific end product therefore there is very little time input from the Employer</i>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Very expensive as Contractor is taking all risks</li> <li>- Will often have price adjustment formula which makes budgeting difficult</li> </ul>

#### **(vii) Management or PPP Contracts**

Management or Public-Private-Partnerships (PPP) contracts are essentially concessionary turnkey contracts including financing by an investor when the owner has limited budget or borrowing capacity. Some of the common management or PPP contracts are defined below.

- BOT- Build, Operate and Transfer
- BOO - Build, Operate and Own
- BOOT- Build, Operate, Own and Transfer
- DBOM –Design, Build, Operate and Maintain (usually referred to as DBO)
- DBMF - Design, Build, Maintain and Finance
- DBOMF- Design, Build, Operate, Maintain and Finance
- BOLT – Build, Operate, Lease and Transfer

There are a number elements which require careful consideration when considering this type of contract, including:

- Project should be economically viable for the public sector
- Project should be financially viable for the private sector
- Appropriate balance of risk and reward between the public and private sectors
- *Public sector must achieve value for money.*

The proposed tariff (revenue to investor) is a major consideration in bid evaluation.

<b>When to Use</b>	For revenue generating projects (toll roads, power, water, transport, health and education)
<b>Advantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- <i>Comes with financing so relatively cheap in terms of budget outlay</i></li> <li>- Bringing in resources and expertise from the private sector</li> <li>- Improved value for money in the procurement of public services through competition</li> <li>- Improved operational and commercial performance</li> <li>- Cost and risk borne by investor</li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- <i>Needs careful planning and review</i></li> <li>- <i>Overall price is high because contractor takes the majority of the risk</i></li> <li>- <i>Can be very risky is the expected revenues are not met</i></li> </ul>

#### **(viii) Framework contracts**

Framework (or “call-off”) contracts can provide an efficient, cost effective and flexible means to procure goods, works or services that are required continuously or repeatedly over a set period of time.

Framework contracts are particularly useful for small scale works that are readily available from the local supply market. Although there are no set rules for the use of framework

contracts, it is generally considered that if there is a high level of cumulative annual expenditure, or if there are more than 10-15 separate procurement processes initiated in a year, for a grouping of similar activities then a framework contract should be considered.

The objective of framework contracts is to minimise the cost and effort wasted in preparation of multiple similar small procurement processes by agreeing fixed prices with a supplier for a set period of time. The aggregation of requirements will result in greater price competition among providers to win the right to supply all requirements for the subject of the framework contract.

Routine refurbishment, repair and/or maintenance of offices and grounds are examples of the types of works that may be efficiently purchased under a framework contract.

## Module I3: Contract Types for Consultants

### Purpose of Module:

This module provides general advice on the main contract types usually encountered for the procurement of consultants and when they are appropriate for use.

### Applicability:

This module applies to procurement of consultants only. Accompanying modules are available regarding contract types for goods and works procurement.

### 1. General Considerations

Just as there are a number of different methods of procurement and selection, there are also a number of different types of contract which can be used depending on the procurement being undertaken.

The main considerations as to which contract type to use are:

- the nature and degree of definition of the Contract; and
- the distribution of risk between the Contracting Parties.

A third, but less critical, consideration is the level of supervision the Borrower/recipient may be able to undertake.

### 2. Main Contract Types

There are essentially only two main variations on contract types for consultants:

#### (iv) **Lump Sum**

Lump Sum (or Fixed Sum) Contracts refer to contracts where the price is determined at the start and remains unchanged during implementation. It is suitable if the scope and schedule of the project are sufficiently defined to allow the estimating of project costs to a high degree of accuracy.

<b>When to Use</b>	<i>Relatively simple and well defined assignments or assignments where there are no external factors which could influence the outcome and therefore outside of the Consultant's control.</i>
<b>Advantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- The contract price is fixed and includes professional fees and expenses</li> <li>- Cost risk is transferred to the Contractor/Consultant therefore any cost overruns are not charged to the customer</li> <li>- There are no reimbursable elements to consider</li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- High risk to Contractors, leading to higher prices</li> <li>- Any savings in terms of fees or expenses are not passed on to the customer</li> </ul>

Payment of the lump sum is made either:

- 100% at the end of the assignment (or 10% in advance and 90% upon completion);
- at specific milestones during the assignment; or
- upon specific deliverables during the assignment.

#### (v) **Time Based**

A time based contract is one where the Consultant provides services based on a pre-agreed unit rate (i.e. per hour, per day) and charges for time spent in executing the assignment. Actual expenses are also charged to the Borrower/recipient on a reimbursable basis against a pre-agreed budget estimate. This type of contract must include a maximum amount of total

payments (the contract ceiling) to be made to the consultants, which may or may not include a contingency allowance.

<b>When to Use</b>	<ul style="list-style-type: none"> <li>- Widely used for complex studies, supervision of construction, technical advisory services, and training assignments.</li> <li>- Used when the nature and scope of the services cannot be established with sufficient precision or where the duration and amount of inputs are subject to variables outside of the Consultant's control</li> </ul>
<b>Advantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Lower unit prices as the Consultant is taking less cost risk</li> <li>- Any cost savings are passed on to the Borrower/recipient</li> </ul>
<b>Disadvantages for the Borrower/recipient</b>	<ul style="list-style-type: none"> <li>- Cost risk is with the Borrower/recipient</li> <li>- <b>Need to be closely monitored and administered to ensure that the assignment is progressing satisfactorily, and payments claimed by the consultants are appropriate.</b></li> </ul>

Payments are based on:

- For remuneration: the agreed unit fee rates multiplied by the number of units worked;
- Reimbursables: Reimbursable items using actual expenses incurred

As with any contract, the time that payment are made will depend on the specific nature of the contract itself, its duration, the work plan and deliverables, however it is normal for this type of contract to have a small advance payment (up to a maximum of 10% is usually recommended) secured by a guarantee<sup>54</sup>, followed by staged payments which are triggered on either:

- the expiry of a lapsed time (i.e. monthly, quarterly);
- the completion of a specific task; or
- the presentation/acceptance<sup>55</sup> or a specific deliverable.

### 3. Other contract types

A number of other types of contract which are available but are rarely used under IFAD financed projects. For the sake of completeness however, they are very briefly described below:

#### (i) Framework contracts

Framework (or "call-off") contracts can provide an efficient, cost effective and flexible means to procure services that are required continuously or repeatedly over a set period of time.

Framework contracts are particularly useful for small scale services that are readily available from the local supply market. Although there are no set rules for the use of framework contracts, it is generally considered that if there is a high level of cumulative annual expenditure, or if there are more than 10-15 separate procurement processes initiated in a year, for a grouping of similar activities then a framework contract should be considered.

The objective of framework contracts is to minimise the cost and effort wasted in preparation of multiple similar small procurement processes by agreeing fixed prices with a supplier for a set period of time. The aggregation of requirements will result in greater price competition among providers to win the right to supply all requirements for the subject of the framework contract.

<sup>54</sup> See module J.

<sup>55</sup> Whether payment is made against presentation or client acceptance of a deliverable (i.e. report) is open to negotiation (see module M2). Contractors will generally prefer payment to be triggered upon presentation of an output as this is within their influence and it eliminates the risk of payments being delayed due to a lack of expressed acceptance by the client, whereas buyers will insist that the deliverable should be accepted prior to payment being made so as to ensure that the deliverable meets their requirements. It is usual to reach a compromise position whereby if a deliverable has been presented and no comments have been received from the customer within a certain time-period payment is triggered.

**(ii) Retainer and/or Contingency (Success) Fee Contract**

Retainer and contingency fee contracts are frequently used when consultants (banks or financial firms) are undertaking specialist financial activities such as preparing companies for sale, in mergers of firms, or in privatisation operations.

The remuneration of the Consultant includes a retainer and a success fee, the latter being normally expressed as a percentage of the sale price of the assets.

**(iii) Percentage Contract**

These contracts are commonly used for architectural services but may be also used in similar circumstances such as for procurement and inspection agents.

Percentage contracts directly relate the fees paid to the Consultant to the estimated or actual project construction cost, or the cost of the goods procured or inspected.

Contracts are negotiated on the basis of market standards for the services and/or estimated staff-month costs for the services, or competitively bid.

In the case of architectural or engineering services, percentage contracts lack any incentive for economic design or performance. The use of a percentage contract format for architectural services is only recommended if based on a fixed target cost and covers precisely defined services.

**(iv) Indefinite Delivery Contract (Price Agreement.**

These contracts are used when there is a need for “on call” specialised services to provide advice or services, the extent and timing of which cannot be defined in advance.

These are commonly used to retain “advisers” for implementation of complex projects expert adjudicators for dispute resolution panels, institutional reforms, procurement advice, technical troubleshooting, etc. normally for a period of a year or more.

The Procuring Entity and the firm agree on the unit rates to be paid, and payments are made on the basis of the time and resources actually used.



## Module J: Payment terms, Securities, Retentions and Guarantees

### Purpose of Module:

This module provides an explanation of the different types of payment terms and methods and also describes the various types of securities which are often used in procurement.

### Applicability:

As all contracts require payment, section 1 of this module applies to all contracts placed. Not all contracts however require securities and guarantees so section 2 will only apply where such instruments are necessary.

## 1. Payment

When thinking about payment there are two primary issues which need to be considered; these are 'how' payment is to be made (payment methods) and 'when' payment is to be made (payment terms). These aspects are discussed further in the next sections of this module.

Regardless of the methods and terms, the contract must stipulate the currency of payment, the process for any exchange rate calculations and any formula for calculating interest on late payments.

### 1.1 Payment Methods (the 'how')

There are a number of different methods of making payments to suppliers, contractors or consultants as follows:

**Petty Cash** only used for low value transactions during the day-to-day operation of a project;

**Cheque Payment** is used for in-country payment of goods and services where facilities for issuing cheques from bank accounts exist;

**Bank transfer** – for payment directly into the supplier's account. This is frequently used for international payments or for regular payments to the same recipient;

**Letter of Credit (L/C)** – This is a document issued by a financial institution (usually a reputable Bank) which provides an irrevocable payment undertaking to a beneficiary against the provision of compliant documents as stated in the credit. International suppliers frequently require this payment method as once instigated it cannot be revoked and therefore provides them with a guarantee of payment. There are costs involved in this method because of the fees charged by the financial institution to set up and manage the L/C but it can often be negotiated with the supplier that they cover these costs, both in their own country and in the originating country as essentially the L/C is for their benefit.

L./C's are not generally not used for services procurement where the definition of successful contract completion is more subjective and therefore not appropriate for a independent financial institution to assess.

For further details on Letters of Credit, their operation and best practice, the following website is a useful guide: <http://www.sitpro.org.uk/trade/lettc Cred.html>

### 1.2 Payment Terms ('the 'when')

Within the aspect of 'when' payment will be made, there are two sub-aspects; how long payment will take to be transferred and when can payment be claimed.

**- How many days will it take to make payment?**

The standard payment duration for public procurement are usually within the range of 30 to 60 days from acceptance<sup>56</sup> by the procuring entity of the goods, works or services.

When agreeing payment duration it necessary to be realistic. There can often be lengthy internal processes involved in making payments to suppliers or contractors therefore it is necessary to be as realistic as possible when agreeing the payment terms of the contract.

Cashflow is an important issue for suppliers and contractors so they may offer discounts in return for prompt payment as this is financially advantageous for them. It is the case that the longer a supplier or contractor is required to wait for payment the higher the price of the goods, works or services will be, however there is no benefit to either contractual party in making promises of quick payment if this is not feasible due to systems or procedures which exist within the national system or the project.

Such false promises only serve to create difficulties during implementation when payment is made later than stated in the contract as this can lead to loss of reputation, increased pricing for future contracts, claims for interest or in, the most extreme cases, legal contractual remedies.

**- When can payments be claimed?**

It is not always the case that 100% of payment is made at the end of the contract. In fact, it is often only in the most simple of supply contracts that this is the case.

Payments may be made either:

- 100% on completion of the contract;
- At time-defined stages of the contract;
- Based on agreed percentage amounts or actual amounts as detailed in the contract;
- On completion of events, milestones, deliveries or deliverables;

**- Advance payments**

These are very popular with suppliers and contractors and are made at the start of a contract before any goods have been supplied or work or services undertaken.

They are a standard component of many tender processes and are often the subject of negotiation prior to contract signature. Suppliers, contractors and consultants will often request an advance payment for the following reasons:

- o for goods: to cover cost of production materials,
- o for works: to cover costs of hire and or procurement of specialist plant/equipment,
- o for services: to cover costs of mobilisation (flights, visas) ,

so as to ensure that their cashflow is not negative during the early stages of a contract.

Whilst this generally acceptable in principle, a good procurement officer will challenge and examine requests for advance payment to ensure that the amount of the advance payment is justified and genuine. This can be done by asking the supplier, contractor or consultant to provide evidence of the upfront expenditure which they are claiming they will incur and checking that the amount of the advance requested equates to the actual expenditure.

As a general guide, goods which are purchased 'off-the' shelf though a trader or dealer should not usually require an advance payment. The supplier will not have excessive upfront costs to bear and may even have credit terms on the goods which means they will not have actually made any cash outlay at the time of supply to you.

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<sup>56</sup> As deemed by the contract.

Advance payments should never be used to cover the normal costs of doing business or 'tools of the trade' - you would not give a carpenter an advance payment for him to buy a new hammer.

It is often seen that advance payments are shown as a percentage figure of the total contract price. Whilst showing the figure as a percentage is not entirely wrong, it is clearer within a contract to show precise amounts to be paid instead. This is because if the figure is based on a percentage and the component of the contract on which that percentage is calculated increases then the value of the advance also increases even though an increase in the advance may not be justified.

If the figure to be paid is shown as a percentage it is also not always appropriate to base that percentage on the total contract price. Instead it should be calculated as a percentage of the component part of the contract in question.

**Example:**

*A total contract price (TCP) for a piece of equipment is US\$ 20,000 for delivery in 6 months. This is made up of:*

- *equipment US\$ 15,000*
- *shipping costs US\$ 5,000*

*The contractor requests a 10% advance payment to cover some initial production costs which is agreed to by the procurer. The contractor asks for 10% of the TPV = US\$ 2,000.*

*Although US\$ 2,000 is 10% of the TCP it is 13.3% of the cost of the equipment. As the equipment cost is the only component of the contract to which the advance should apply to, this is therefore incorrect.*

*The correct amount of the advance for initial production costs should be 10% of US\$15,000 (i.e. US\$ 1,500).*

*By agreeing to 10% of the TCP, the customer would have been paying an advance on the shipping costs as well which is not justified.*

Any advance payments must always be secured by a guarantee, issued by a financial institution prior to payment (see below). Making advance payments without a security in place represent a significant financial risk to the purchaser and is not recommended.

Once paid, an advance payment can be recovered in instalments or be amortised over a period of time between six and twelve months. The period is normally agreed during contract negotiations.

**- Retentions**

Retentions are the opposite to advance payments where a specific percentage or lump sum is retained by the procuring entity pending an action or event such as:

- Deducted from progress payments
- Set aside from the payment schedule

Retentions may be released early in return for a payment security or bond guaranteeing the return of the payment should the contractor default on its responsibilities or obligations.

There are generally two types of retention:

Warranty / Guarantee: where the retention is linked to the expiry of the warranty / guarantee / defects liability period of the items procured. The amount of the retention normally varies between 2.5 and 10 percent of the amount of the items.

**Final acceptance:** This is where provisional acceptance has been made subject to final handover, installation or start-up of the items being procured. It is more common in works procurement.

## **- Price Adjustment Provisions**

These are only allowed if expressly provided for in the contract or in any legislation and should only be used to take account of changes in 'economic circumstances'. Frequently these provisions apply to contracts for the employment of consultants that extend over more than a single year or for works contracts where raw materials prices are subject to annual increases.

Changes in price shall be subject to approval by the Purchaser or in the case of works contracts to the approval of the "Engineer". However, in many countries approval must be obtained at senior level within the appropriate ministry.

Arrangement for adjustment must be clearly detailed in the contract with the methodology and formula clearly laid out. The methodology normally employs the utilisation of inflation statistics issued by the central government statistical authority.

It is normally more economical to utilise a price adjustment methodology than to pay a premium to the contractor/consultant to take on all the risks of any increase in costs, although an upper limit to any adjustment should be specified in the contract.

## **2. Bonds and Guarantees**

### **2.1 Forms and Types**

A bond is a written guarantee given by one party (Surety) to another (Beneficiary) in order to secure the fulfilment of certain contractual obligations undertaken by a third party (the supplier). It is used to protect public/project funds by providing financial recourse in the event of non-performance by a supplier, contractor or consultant.

When talking of bonds the terminology used refers to 'forms' and 'types'.

The two forms of bond are:

***Default Bonds (or Conditional Bonds).*** These place the onus on the procurement entity to prove the default of the contractor and associated loss. Payment is to the amount of the buyer's actual loss up to the value of the bond or guarantee.

***On-Demand Guarantees.*** These are payable "on-demand" at any time for their full amount, irrespective of the extent of the buyer's loss. They can therefore be called whether or not the exporter has fulfilled his contractual obligations. However the procuring entity can be subject to a legal counterclaim should the guarantee be claimed inappropriately.

The main types of Bond and Guarantee are:

#### **- Bid Bond (or 'Bid Security')**

This provides the procuring entity with protection against the cost of going out to bid again if the winning bidder does not enter into the contract awarded to him, or fails to provide any further bonds required under the contract.

It ensures that the bid is 'serious' and complies with the bid requirements.

Bid bonds are returned to the successful bidder and all other bidders upon contract effectiveness.

#### **- Advance Payment Guarantee**

This is used to secure any advance payment made to the contractor. Payment is not made until the guarantee is received and the amount of the guarantee is always equal to the amount of

money to be paid. Ideally, it should reduce as work is performed and the advance payment is 'earned'.

### **- Performance Bond**

This is used to protect against the failure of the contractor to perform the contract and is often a conditionality of contract effectiveness. If the contractor fails to perform, the procuring entity can 'call' the bond and use the money to cover the additional cost of having the contract completed.

Performance bonds generally amount to 5% or 10% of the contract price.

## **2.2 General principles**

The format and wording of the bond/guarantee should be as per the draft provided in the tender document. If a national procurement system does not have its own format and wording, templates are available from financial institutions and donors.

The guarantor must be reputable and acceptable to the procuring entity. Some countries demand that it is confirmed by a "local" financial institution.

The amount, currency and duration/validity must be correct. The expiry date should be at least one month after the anticipated expiration of the event or period so as to allow for sufficient time for claims to be made. Any amendment to the contract completion date requires a parallel extension to the bond.

Bid Bonds and Performance Bonds are generally not recommended for consultancy services. Bid bonds are contentious because where negotiations fail the reasons for failure may be complex and attributable in equal amounts to the procuring entity and the contractor. The use of performance bonds for consultancy contracts is difficult as an assessment of performance is a very subjective process and can result in legal challenge where it is difficult to prove that the performance of the consultant is the sole reason for poor performance. International consultants may not bid for work where performance bonds are required because of the risks involved, thus reducing competition in the market.

All bonds cost the supplier money as they are required to pay a fee to the surety for the bond. The costs are generally worked out by the surety on a quarterly basis and often charged as a percentage of the bond value. Whilst they are not extreme in terms of cost they are a financial commitment from the supplier and therefore they may seek to recoup this cost by charging slightly higher rates.

## **2.3. Managing Bonds and Guarantees**

There are three things that can happen to a bond:

- **Extended:** Possible reasons to extend a bond are if :
  - a) *A contract award has been delayed* (Bid Bond only). In this instance all bidders should be asked to extend their bond for a specified period
  - b) *An amendment of the contractual delivery / completion date*. Request the Contractor to extend bond for a period that coincides with the new.
- **Returned.** Reasons to return a bond are:
  - a) The contract has been awarded to another bidder (Bid Bond only)
  - b) The tasks covered by the Bond/Guarantee have been performed satisfactorily
  - c) The warranty period has expired
  - d) The value of payment has been recovered (Advance Payment Guarantee only).

- ***Invoked (or 'called')*** Reasons to invoke (or 'call') a bond are:

- a) The Contractor has withdrawn from the bid (Bid Bond only)
- b) The Contractor has defaulted on the contract;
- c) The Contractor has failed to honour the warranty/defect liability;
- d) The Contractor has refused a valid request to extend the security (does not apply to Bid Bonds).

When calling' a payment demand must be in writing to the issuing party at least 1 week before expiry but preferably at least a month prior if practical.

Finally, bonds and guarantees are financial instruments (cash) and must always:

- be properly recorded;
- be stored in a safe or other secure place within the Procuring Entity;
- not be annotated in any way;
- be monitored and managed to ensure they do not expire too early;
- be returned upon expiry if not used;
- be recorded and kept on file;
- be subject to a mechanism for monitoring expiry dates and for arranging for them to be renewed. This should be done at least four weeks prior to the scheduled expiry of the bond/guarantee.

## Module K1: The Issue of Bidding Documents

### ***Purpose of Module:***

To provide information to Borrower/recipient and IFAD staff on acceptable processes for issuing bidding documents.

### ***Applicability:***

This module is applicable where guidance is required on the subject areas covered and no other sources of reference are available. Where a national procurement system is being used which contains accepted provisions for these topics then those instructions should be used instead.

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### **1. Introduction**

Bidding documents must be issued promptly to provide bidders with sufficient time to prepare and submit their tenders. Delays in issuing bidding documents can result in reduced competition, which itself may lead to the cancellation of a tendering process or higher prices begin paid for goods, works or services.

Bidders must be issued with the same information (i.e. exactly the same document), at the same time, to ensure that the procurement process is fair.

It is essential that records are kept of all the documents issued, in case of queries or complaints from bidders.

### **2. When and how**

The issue of bidding documents is a task for the procuring entity but it cannot proceed until the document has been agreed to either:

- by IFAD in the case of prior review, or
- where prior review is not being undertaken, in accordance with the authority levels set within the procuring entity or national structure.

Bidding documents can either be sold or given away without charge. Whether to sell or give away the documents should be determined by the procuring entity and IFAD. The reason for selling bid documents is only to recoup the costs of printing and sending large documents by courier to bidders – it is not a ‘for profit’ exercise or a means of raising revenue for the procuring entity. Therefore the main issue for consideration is whether the bidding documents are going to be issued electronically or in hard copy. If documents are being issued electronically there is no justification for selling the documents.

If documents are being issued in hard copy and sold, the procuring entity must ensure that:

1. Sufficient copies of the document have been printed or that arrangements are in place to print copies to order quickly.
2. Arrangements are in place to receive and account for payment (i.e. secure money handling facilities, a designated account for the fees, official receipts are in place, staff are delegated and familiar with the process).
3. Facilities are contracted for the document to be despatched either by registered post or more likely by courier, especially to international bidders.

### **3. *The process for open bidding***

1. Arrange publication of the advertisement (open competitive bidding only). This can be via the United Nations Website "Development Business", local, regional and international newspapers.
2. Bidders may request to preview the documents prior to purchase. If preview is going to be permitted, arrangements must be put in place to permit this, including stating the address and time for preview in the published notice.
3. Documents must be dispatched promptly to those who respond to any notice. If documents are being sold, they must be dispatched immediately on receipt of the request or payment of the fee, whichever is later.
4. Any fees received must be fully accounted for and deposited into a designated Account;
5. A register must be kept of all bidders issued with a document. This will be used to contact bidders in the event that a bid clarification or extension needs to be issued. The register must contain the following minimum information:
  - the name and reference number of the bid document along with the date it was available for purchase and the closing date of the document;
  - the reference assigned to each bidder that buys the document;
  - the name, address and contact details of the purchaser (telephone, mobile telephone, facsimile, and email address).
6. In all cases bidders must be required to confirm receipt of the document.

### **4. *The process for restricted bidding***

1. Where documents are being issued to bidders on a shortlist or pre-qualified list, the documents must be dispatched to all bidders at the same time.
2. A record must be kept of the issue of documents.



## Module K2: Pre-Bid Conferences and Site Visits

### ***Purpose of Module:***

To provide information to Borrower/recipient and IFAD staff on when, why and how to use pre-bid conferences and site visits as a tool during the bidding process.

### ***Applicability:***

This module is applicable where guidance is required on the subject areas covered and no other sources of reference are available. Where a national procurement system is being used which contains accepted provisions for these topics then those instructions should be used instead.

### **1. Introduction**

Pre-bid conferences or site visits are not mandatory, but a useful technique where the procurement is highly technical, where a significant number of requests for clarification are likely to be received or where knowledge of the site is important to tender preparation.

At a pre-bid conference, the procuring entity briefs bidders on the procurement requirement and responds to questions in order to assist bidders in preparing their bids.

For a site visit, bidders are given the opportunity to view the site where goods are to be installed or works or services performed.

A pre-tender conference or site visit can offer the following benefits:

- the procuring entity is able to provide additional information to bidders, ensuring that all bidders receive the same information;
- bidders are assisted in preparing tenders which should be based on more detailed and accurate information, responsive to the procuring entity's needs and less likely to include reservations, conditions or caveats;
- the procuring entity is able to get early warning of any unforeseen queries or problems, while there is still time to modify the invitation document if necessary;
- the majority of likely requests for clarification can be addressed at the same time;
- the possibility of contractual disputes, caused by a bidder's misunderstanding of the procuring entity's requirements, is reduced.

Where both a pre-tender conference and a site visit are to be held, they should be arranged to coincide wherever possible, particularly where international bidder are likely to need to travel to participate. The need for pre-tender conferences or site visits must be considered at the procurement planning stage and appropriate provisions must be included in the bidding document.

Pre-tender conferences and site visits should not normally be required under the Request for Quotations method, as this method is only used for simple, low value procurement requirements.

Pre-tender conferences and/or site visits may be required for goods, works, non consulting services or consulting services.

### **2. The pre bid conference**

It is recommended that a pre-bid conference is held for all complex assignments so that bidders can ask for clarification of the Request for Proposals and also gather information from the Procurement Entity or the Implementing Agency about the assignment. This is of benefit to both

the Procuring Entity and the bidder as the process can identify errors or omissions early in the procedure.

It is recommended that for complex assignments bidders are also given the opportunity to visit the project site, prior to the bid closing date to ensure they are familiar with local conditions. This can take place in conjunction with a pre-bid conference for convenience.

A transparent selection process increases the quality of competition by creating an environment of trust between the parties involved, reducing perceived and actual business risks for consultants, and minimizing the occurrence of complaints and claims. Transparency dispels the suspicion of discretion and unfairness in the selection process.

### **2.1 Notes for pre-bid conferences**

1. The decision to hold a pre-bid conference should be included in the bidding document along with the address of the venue and the date and time.
2. They should be held early during the invitation period, to allow bidders time to take the information into account in preparing their tenders.
3. The venue must be booked in advance and be large enough to hold all interested bidders. If bid documents are being sold, bidders may arrive who have not yet purchased the bidding document, so arrangements must be available for the sale of the document.
4. The venue should include facilities for the Procurement Entity to make a presentation to bidders if required and to install a computer to make a record of proceedings that will become the formal minutes of the conference.
5. Typically, the structure of a pre-bid conference might include:
  - opening and welcome by the procuring entity;
  - a brief presentation by the procuring entity on the procurement requirement;
  - questions by tenderers and closing.

Where requests for clarification have been received prior to the conference, these may be used to determine the agenda and prepare responses. Procurement staff involved in the pre-tender conference should be briefed on their responsibilities and anticipated questions and answers.

### **2.2 Actions Required Following Completion of the pre-bid conference**

1. The Procurement Entity will need to prepare authorised Minutes of the proceedings which will be sent to all organisations that have been issued with a copy of the document.
2. The Procurement Entity will have to determine whether it is necessary to issue a formal bid clarification in addition to the Minutes.
3. The Procuring Entity must determine whether it is necessary to amend the tender closing date as a consequence of the bid clarifications. The decision to extend the closing date should be made quickly. It will save time and work if it is issued with the bid clarification.

## **3. Site visits**

For complex assignments bidders should be encouraged to undertake a site visit to ensure they are familiar with local conditions and the working environment that will prevail during the contract implementation.

By undertaking a site visit, the bidders are better informed and therefore in a position to provide a more accurate and appropriate bid, thus replacing bids based on assumptions and secondary data with bids based on facts and first-hand information. This raises the quality of bids which in turn should make the evaluation process smoother.

The precise management of any site visit will be determined by the nature and size of the site and the type of procurement envisaged however the Procuring Entity must ensure that the following arrangements are in place prior to any site visit:

1. Arrangements are in place to ensure the health and safety of all visitors to the site.
2. That all staff are aware of the need to give equal access to the site to all bidders.
3. Bidders should be given a tour of as much of the site as possible and be allowed to view any facilities which are being provided by the procuring entity.
4. That staff do not provide different information to different bidders, thus giving some bidders an unfair advantage, and leaving the Procuring Entity open to complaints.

## Module K3: Bidder clarifications, modifications and cancellations

### ***Purpose of Module:***

To provide information to Borrower/recipient and IFAD staff on general practices to be followed during the bidding process when faced with the need to clarify, modify or cancel a bid.

### ***Applicability:***

This module is applicable where guidance is required on the subject areas covered and no other sources of reference are available. Where a national procurement system is being used which contains accepted provisions for these topics then those instructions should be used instead.

### **1. Introduction**

Ideally, bidder clarifications, modifications and extensions to the tender deadline should not be required. However, where they are required, it is important that they are issued promptly and in sufficient time before the tender closing date. It is also essential that the same information is issued to all bidders at the same time.

Mishandling of bidder clarifications, modifications and extensions may result in complaints from bidders, unnecessary delays to the invitation process or a reduced number of tenders.

This section therefore establishes some standard operating procedures for responding to bidder clarifications, issuing modifications to an invitation document and granting extensions of the tender deadline.

### **2. Bid Clarifications**

These refer to clarification requests from bidders relating to any aspect of the bid and may originate from a pre-bid conference or from a written communication from a bidder. The Procurement Entity must not prepare or issue a clarification in response to a verbal request from a bidder.

A deadline for submitting a request for clarification will normally be stated in the bidding document and requests after this date should be rejected, unless the Procuring Entity determines that it will detrimentally affect the bidding process. In this situation it may be necessary to extend the closing date of the bid.

#### ***2.1 Processes upon Receipt of a Clarification Request:***

1. Record the request in a register.
2. Check it was received within the deadline stated in the tender document. If not then it should be ignored, unless the request is about a serious flaw in the bidding document which is likely to defeat the purpose of the bid.
3. Develop a response to the clarification and respond within the time specified in the bidding document. Ensuring that all necessary authorisations are obtained prior to releasing the response.
4. Send the clarification request and the response to all bidders simultaneously but without identifying the original source of the clarification request. The response must be sent to all by the same method. Email is currently the fastest method.
5. Retain a copy on the bid file.

The following considerations should be taken into account when preparing the response:

1. Does the clarification require any modifications to the specification or terms of the bidding document?
2. Does the response necessitate bidders undertaking additional work, or make extensive modifications to their bids which cannot reasonably be completed by the submission date? If so consider extending the closing date for submission of bid.

If so then consult the next section on bid modifications.

### **3. Bid Modifications**

Modifications are formal amendments to the invitation document, which the procuring entity may choose to make, either in response to a bidders clarification or on its own initiative.

They may be as a result of mistakes in the original document, adjustments to any part of the specification or terms of the bidding document (possibly as a result of a bid clarification, site-visit or pre-bid conference) or an extension to the deadline for submission of tenders, to give bidders more time in which to prepare their tenders to the bidding period.

When issuing a modification it is necessary to consider whether it necessitates extending the closing date for submission of bid. Not all modifications will require an automatic extension to the bidding period and justifiable reasons for extending the closing date for bid submission would be:

- modifications to the bidding documents which may require bidders to modify their bids and undertake additional work to be compliant;
- requests for a time extension received from more than one bidder where a failure to agree may reduce competition;
- unforeseen events which make the original bid closing date inappropriate.

Before deciding to extend a bidding period it is necessary for the procuring entity to consult with:

- the end user to ensure that the revised timing is appropriate; and
- those involved in bid opening and bid evaluation to ensure their availability. This is particularly important in cases where specific individuals are required for evaluation due to their unique skills, knowledge or experience.

When issuing a modification which does not require an extension to the bid period:

1. Send the modification to all bidders simultaneously and by the same method. Email is currently the fastest method.
2. Retain a copy on the bid file.

When issuing a modification relating to an extension of the bid period, follow steps 1 and 2 above but also :

3. State also the revised time and date for any public tender opening to avoid any misunderstandings.
4. Ensure that arrangements for the receipt of tenders and any public tender opening are revised by notifying the person responsible for the coordination of the bid opening; and
5. Ensure that the evaluation committee is made formally aware of the revisions to the procurement timeframe and the new timescales.

### **4. Bid Cancellation**

A bidding process may be cancelled before the bid closing date.

Any decision to cancel a bidding process is of great importance as it has consequences for the procuring entity (in terms of wasted resources and a potential loss of confidence from the market place) and bidders alike (wasted time and effort up to the point of cancellation). There is also the issue to time lost on the project to consider.

As a result of the above negative consequences, the decision to cancel a procurement process requires proper authorisation from within the Procurement Entity and IFAD.

Justifications for cancellation are:

- the need no longer exists;
- the need has changed significantly to the extent that recommencement of the procurement process is required;
- the funding is no longer available;
- there is evidence of collusion among bidders;
- it is deemed to be in the interest of national security.

When cancelling a bidding process after bid issue but before bid opening the procuring entity must:

- notify all bidders who have purchased or received bidding documents of the cancellation;
- refund all fees received from the sale of bidding documents (if applicable);
- any bids already received must be returned unopened;
- notify IFAD plus all departments, units and committees involved in the bidding process.

The actions to be taken following cancellation will depend on the reason for the cancellation. The table below gives some suggestions as to next actions based on the justifications shown above:

<b><i>Reason for cancellation</i></b>	<b><i>Possible next step.....</i></b>
<i>The need no longer exists</i>	<i>No action necessary</i>
<i>The need has changed significantly</i>	<i>Adjust the documents and re-issue tender</i>
<i>The funding is no longer available</i>	<i>No action necessary</i>
<i>There is evidence of collusion among bidders</i>	<i>Re-issue the tender to a new set of bidders</i>
<i>National security</i>	<i>Consider alternative approach</i>

## Module K4: Receipt of Bids

### **Purpose of Module:**

To provide information to Borrower/recipient and IFAD staff on acceptable processes for:

- receiving bidding documents;
- closing the bid process at the time of the deadline; and
- safe-keeping of bids until the time for bid opening.

### **Applicability:**

This module is applicable where guidance is required on the subject areas covered and no other sources of reference are available. Where a national procurement system is being used which contains accepted provisions for these topics then those instructions should be used instead.

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## **1. Introduction**

The procedure for the formal receipt of bids, closing of a bidding process and safe-keeping of bids is essential to the integrity of the bidding process for the following reasons:

- it ensures that submitted bids are kept unopened until the time for the bid opening<sup>1</sup>, to promote fair competition;
- it ensures that bidding is closed at the precise date and time of the deadline and that no late bids are accepted;
- it ensures that a record is kept of all bids submitted on time, to help avoid the opening of any late bids at the opening.

It is the responsibility of the procurement entity to make arrangements for the receipt and secure storage of bids until the designated bid opening time.

The preferred method of storage is through the use of a locked tender box. However, this may not be appropriate for:

- complex assignments where the documents are voluminous; or
- for very small bids conducted under national shopping (see module F5).

In this situation it is necessary to adopt a Formal Receipt method of bid receipt and will be necessary to arrange for a secure room to be allocated to retain the bids.

In any event, the decisions regarding methods and arrangements for receiving bid should have been made as part of the preparation of the bidding document and included in the bidding document as an instruction to bidders.

## **2. Step-by-Step Instructions**

### **2.1 Where a tender box is used**

- (i) Where a tender box is to be the method of receiving bid, make a lockable box available during the bidding period, to allow bidders to deposit their bids in the box;
- (ii) The tender box must have an opening which is sufficiently large to allow the deposit of most bids, but no so large that a person could reach inside the tender box and remove a bid;

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<sup>1</sup> See module K5.

- (iii) Bids, or samples, that are too large for placing in a tender box should be handed to the Procurement Entity in exchange for a signed receipt showing the time and date of submission and the name of the officer receiving the bid. The receiver will be responsible for storing the bid in a secure room or manner until bid opening and must place a copy of the receipt in the tender box to ensure that the bid is taken into account during bid opening;
- (iv) The tender box must be locked at all times during the bidding period;
- (v) The tender box must be in a location which is accessible to the public during normal working hours. The tender box may need to be labelled with the procurement reference number, where several tender boxes are in use at any one time - for tenders closing at different times;
- (vi) Ensure that staff have been nominated to manage the tender closing and that they know the date, time and location of the closing;
- (vii) The tender box opening must be sealed closed at the precise date and time of deadline for submission. The sealing or the closing of the tender box should be in such a manner to prevent anyone depositing a late tender;
- (viii) Any bids received late to be immediately marked with the time and date of receipt and stamped or marked "Received late – Not to be Opened";
- (ix) It is recommended that the chairman of the bid opening team (see module K5) is present at the precise time of closing to verify the time and ensure that no late tenders are accepted. Equally it is important the official closing the Tender Box closes it at the correct time - not early and not late;
- (x) Take the sealed tender box, along with any tenders or other items which were too large for the tender box, to the location for the bid opening and deliver it into the custody of the bid opening team for the opening. The tender box must not be opened or left unsupervised between the bid closing and the bid opening.

## **2.2 Where there is no tender box (Formal Receipt method)**

- (i) By this method bidders will deliver their bids to the location stated in the invitation document. An official or officials should be selected to be responsible for receiving and securely holding the sealed tenders until the bid opening. The responsible official(s) will issue a receipt to the bidders confirming the date and time of delivery as proof of delivery prior to the deadline for submission;
- (ii) A copy of the receipt is retained by the procuring entity and the details should be entered onto a Record of Receipts document (sample attached at the end of this module). The Record of Receipts document is then handed to the Chairman of the Bid Opening Team when the bids are handed over for the bid opening so as to verify all bids have been accounted for. It can also be used as an annex to the evaluation report;
- (iii) The nominated official(s) should manage the bid closing and must be at the location for tender receipt *before* the time of bid closing. For practical purposes it is recommended that all staff involved in the closing are at the location to assist at least 60 minutes prior to the closing. (Many tenders will be delivered within the closing hour of the tendering period and it is not unusual for a queue to develop over the final 15 minutes prior to closing);
- (iv) All bids must be transferred to the bid opening venue in time for opening.



**SAMPLE RECORD OF RECEIPTS: TENDER DOCUMENTS OR SAMPLES****Procurement Reference Number:**

<b>Name &amp; address of Supplier/Consultant package received from</b>	<b>Time &amp; Date of Receipt (Spell month)</b>	<b>Number of packages received</b>	<b>Receipt Serial no.</b>	<b>Contents (if known) (documents/samples)</b>	<b>Condition (damaged/undamaged, sealed/unsealed)</b>	<b>Name and Signature of Receiver</b>

## Module K5: Bid Opening

### ***Purpose of Module:***

To provide information to Borrower/recipient and IFAD staff on acceptable processes for bid opening.

### ***Applicability:***

This module is applicable where guidance is required on the subject areas covered and no other sources of reference are available. Where a national procurement system is being used which contains accepted provisions for these topics then those instructions should be used instead. Where ICB is the method of procurement, then the World Bank procedures, as set forth in their guidelines, will apply instead.

### **1. Introduction**

Bids which have been received on time are usually opened publicly in the presence of bidders. This is an important step in the bidding process as:

- opening bids publicly helps to demonstrate that the bidding processes is transparent and increase bidders' confidence in the fairness of the system;
- reading out technical scores and prices at the financial opening should avoid any disputes regarding changes of price or the evaluation results at a later date;
- the formal procedure, which coincides with the bid closing, should prevent late bids from being included in the evaluation.

The bid document will state whether there will be a public bid opening, including details of the full location of the bid opening along with the date and time of the bid opening.

The Procurement Entity is responsible for ensuring that the designated room is available at the designated time and is of a suitable size and configuration. Things to consider when selecting a room are:

- How many bids are expected and how many bidders' representatives will turn up? It is not uncommon for two or three representatives to be present from a single bidder;
- What size will the room need to be? Bidder's representatives must be placed away from the opening committee;
- What furniture will be required in the room? This must be sufficient to enable bids to be easily unpacked, distributed to each member of the bid opening committee and for the document to be examined by each and the findings read out. It is normal practise for all bidders to be given somewhere to sit;
- Will a computer be used to record bid details? Will a projector be used to display the information from each bid? This is now common practise as it provides a transparent process that enables bidders to see and accurately record the details of each bid, thus reducing the opportunity for error and subsequent complaint.

### **2. A one or two envelope process**

There are essentially two types of bidding process:

- a one envelope process whereby technical and financial bids are contained in the same envelope and opened at the same time. Summary details, including technical scores and prices, are read out and recorded;

- a two envelope process where one (outer) envelope contains two envelopes containing separate technical and financial tenders. The envelope containing the tenders received on time are opened publicly to obtain the separate technical and financial proposals within. The technical proposals are also opened and summary details read out and recorded. Financial proposals are kept sealed until the technical evaluation has been completed and approved.

The financial proposals of tenders proceeding to the financial evaluation are opened publicly at a separate tendering opening, at a date and time notified after the technical evaluation. Summary details, including technical scores and prices, are read out and recorded.

The two envelope process is generally only used for consultancy services procurement, with the one envelope system being used for most other procurement.

### **3. The bid opening ceremony**

#### **3.1 Preparations for opening**

It is necessary to prepare the room prior to the bid opening time. Staff must ensure that appropriate resources, both physical and human, are available to manage the tender opening efficiently.

- (i) Physical resources for an efficient bid opening include:
  - a room which is accessible to bidders, arranged so that bidders' representatives are seated at a short distance from the table where the opening is to be conducted. It is important that bidders witness, rather than participate in, the bid opening procedure;
  - office materials, (i.e. scissors, marker pens) for opening and marking of tenders;
  - a copy of the bidding document, in case there is a need to refer to the invitation instructions or other details;
  - blank forms for recording tender details;
  - blank attendance records and pens, for all bidders and other attendees to sign their attendance;
  - access to photocopying facilities for distributing copies of the tender opening record will also be required.
- (ii) Human resources should be sufficient to ensure that the opening proceeds efficiently.
  - the bid opening team/committee should comprise a minimum of three members. It may include members of the designated evaluation committee although where possible it is preferred that the identity of the evaluation committee is unknown by bidders;
  - in addition to the committee there should be some administrative staff present to record all the information read out, re-pack bids into their original packaging and ensure that the attendance record is completed.

#### **3.2 The bid opening procedure**

All bidders' representatives wishing to be present must sign a register, detailing their name, the name and address of the company they represent. In some instances bidders' representatives may be required to provide a Power of Attorney confirming their status as the bidder's representative before they are admitted.

The committee chairperson will formally open proceedings, introducing the members of the committee and their role in proceedings along with details of how the opening will be conducted. Bidders' representatives should be reminded that they are not to interrupt proceedings.

The next steps are:

1. Check that the bids are marked for the correct bid opening.
2. Check for any withdrawals and confirm that such withdrawal is authentic.
3. Check that bid packaging shows no sign of tampering. If there is damage then this must be stated and included in the minutes.
4. Open each bid one by one. The following details for each bid will be read out:
  - (i) Name and domicile of the bidder, including the names of all parties to a joint venture, consortium or association;
  - (ii) Confirmation that the bid is or appears to be complete;
  - (iii) Any initial observations regarding the responsiveness of the bid. This would include:
    - Was the bid delivered late?
    - Was the bid sealed?
    - Was the bid signed correctly?
    - Were the correct number of copies included?
    - If required, was a correct bid security included along with other required documentation?
    - If required, were any required samples included with the bid?
    - If using a two-envelope system, is there a sealed envelope containing the financial proposal (note that the financial envelope **must** remain unopened);
  - (iv) If using a single envelope process, the currency of the bid and total bid price;
  - (v) No additional information should normally be read out unless expressly provided for in the bidding document.
5. Assign a unique reference number to each bid and write it on each copy of the bid document.
6. All copies of the bid are signed by all members of the opening committee.
7. The chairperson may select open the meeting to questions from bidders but this is not compulsory. If this is done, responses given should normally be restricted to information which is included in the bidding document. The committee must take care not to answer questions regarding the acceptance or rejection of proposals, or to discuss the specific details of any proposal or price. A standard response of "that will be decided by the evaluation committee" may be given to such questions.
8. The chairperson should close the tender opening meeting, reminding bidders that they must not seek to influence the evaluation process and that the successful proposal will be published in due course.
9. Copies of the bid opening record should be distributed to bidders. The original record should be added to the procurement file.
10. All proposals should be immediately taken to a place of safe keeping until the evaluation committee is ready to meet and commence its work.
11. Where tender openings for more than one procurement process are conducted at the same time, they must be conducted consecutively, with one opening completed, recorded and proposals removed, before the next opening commences.

### 3.3 Additional guidance for opening of financial proposals in a two envelope system

Where a two envelope system is in use financial proposals are opened only after the completion and approval/no objection of the technical evaluation.

The first step is to ensure that all bidders whose proposals are proceeding to the financial opening have been notified of the time, date and location for the opening, in sufficient time<sup>2</sup> prior to the opening.

Although most of the other steps to be followed are generally as per the processes above, there are some subtle differences. The process is shown below:

1. The chairperson should welcome bidders to the financial opening and request them all to sign the record of attendance.
2. The chairperson briefly explains the procedure which will be followed, which is normally:
  - 2.2 reading out technical scores;
  - 2.3 opening of financial proposals;
  - 2.4 reading out and recording of financial information by the procuring entity;
  - 2.5 opportunity for bidders to ask questions;
  - 2.6 closing of meeting; and
  - 2.7 removal of financial proposals for safe-keeping and evaluation.
3. Read out the names and technical scores of all bidders whose proposals are proceeding to the financial evaluation; The bid opening committee must not discuss the technical scores or the results of the technical evaluation in any way.
4. Check that the bids are marked for the correct bid opening, if there are any withdrawals and confirm that such withdrawals are authentic.
5. Check that the financial envelope shows no sign of tampering. If there is damage then this must be stated and included in the minutes.
6. Open each bid one by one. The following details for each bid will be read out:
  - (i) Name and domicile of the bidder, including the names of all parties to a joint venture, consortium or association;
  - (ii) the number of copies of the financial proposal received;
  - (iii) the currency and total price of the financial proposal. The bid opening committee must not make any comments regarding the prices or the financial evaluation;
  - (iv) No additional information should normally be read out unless expressly provided for in the bidding document.
7. When all relevant financial proposals time have been opened, read out and recorded and signed by all members of the opening committee, the chairperson may allow tenderers to ask questions.
8. The chairperson should close the tender opening meeting, reminding tenderers that they must not seek to influence the financial evaluation and that the successful proposal will be published in due course.
9. Copies of the tender opening record should be distributed to bidders. The original record should be added to the procurement file.

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<sup>2</sup> A minimum of a week is usually recommended to ensure that bidders can make arrangements to attend. Unless all bidders are very closely located to the opening locations any less than one weeks notice period is likely to be unfavourable to some bidders and therefore risks compromising the principle of fairness.

10. All financial proposals should be immediately taken to a place of safe keeping, until the evaluation committee is ready to meet.
11. Where tender openings for more than one procurement process are conducted at the same time, they must be conducted consecutively, with one opening completed, recorded and proposals removed, before the next opening commences.

### **3.4 Minutes of the Bid Opening**

The minutes are prepared by the bid opening committee based upon the information recorded during the ceremony. Given the use of modern computer equipment and software, some organisations now issue the minutes of the bid opening to bidders' representatives immediately after the closure of the meeting. They must also be forwarded to the contact address of each bidder.

#### **4. The main rules of any bid opening are:**

1. Be well organised.
2. Late bids must be rejected.
3. Once started, the bid opening should not be halted or postponed once the process begins for purposes of transparency.
4. Also for purposes of transparency, all work in relation to bid opening for a particular piece of procurement must be concluded in one session.
5. No bidder shall make an unsolicited communication during the bid opening process.
6. No bidder shall be allowed to interfere with the bid opening process, the bid opening committee or the evaluation committee.
7. Any objections by a bidder to the procedures or decisions of the bid opening should be made in writing to the official designated in the appropriate complaints procedures.

#### **5. Templates for bid opening records**

The following pages provide some useful generic templates for:

- bid opening records (for one and two envelope methods); and
- attendance sheets.

**TENDER OPENING RECORD (1 ENVELOPE METHOD ONLY)****PAGE No:    OF****Procurement Reference Number:****Time & date of Opening:**

Serial	Name & brief address of bidder	Number of copies of bid	Currency of bid	Amount of bid	Bid security? Value?	Withdrawals or Modifications		Noted Discrepancies
1								
2								
3								
4								
5								
6								
7								

**Signed:**

.....

**Chairperson of the Tender Opening**

.....

**Name of Chairperson**

.....

**Date.**

**BID OPENING RECORD (2 ENVELOPE METHOD-TECHNICAL PROPOSALS ONLY)**

PAGE No:    OF

Procurement Reference Number:

Time &amp; date of Opening:

Serial	Name & brief address of bidder (or joint venture, consortium or association )	Number of copies of technical proposals	Bid security? Value?	Withdrawals or Modifications	Sealed Financial Proposal received?	Noted Discrepancies
1						
2						
3						
4						
5						
6						
7						

Signed:

.....

Chairperson of the Tender Opening

.....

Name of Chairperson

.....

Date.



**BID OPENING RECORD (2 ENVELOPE METHOD-FINANCIAL PROPOSALS ONLY)****PAGE No:    OF****Procurement Reference Number:****Time & date of Opening:**

Serial	Name & brief address of bidder (or joint venture, consortium or association )	Technical score	Currency of Tender	Amount of Tender	Withdrawals or Modifications	Number of copies of Financial Proposal	Noted Discrepancies
1							
2							
3							
4							
5							
6							
7							

**Signed:**

.....

**Chairperson of the Tender Opening**

.....

**Name of Chairperson**

.....

**Date.**



## Module L1: Evaluation Committees<sup>3</sup> and General Evaluation Rules

### ***Purpose of this module:***

This module sets out general good practice for evaluation by committee.

The purpose of evaluation is to objectively assess and compare all tenders received, in accordance with the pre-defined methodologies, to determine the successful bidder to be awarded a contract. A well conducted evaluation should ensure that:

- competition is fair and that all bidders have an equal opportunity of winning contracts;
- the goods, works or non consulting services purchased under the contract are of appropriate quality; and
- the procuring entity gets the best possible value for money.

The appointment of a committee for the purposes of evaluation is common practice and is considered to have a number of advantages over the award of contracts being the decision of an individual. Some of these advantages include:

- a wider degree of accountability amongst a group;
- a more transparent approach;
- potentially a lesser degree of undue influence being brought to bear on a committee than an individual.

### ***Applicability:***

It is expected that most national procurement systems will have some type of provision for evaluation by committee. Where a national system is being used for purposes of evaluation then those provisions should apply. Where they do not exist within the national procedures then this module provides some generic advice on the subject. Where ICB is the method of procurement, then the World Bank procedures, as set forth in their guidelines, will apply instead.

## **1. General Evaluation Rules**

The following general rules for evaluation apply:

- an evaluation shall use only the evaluation methodology and criteria stated in the invitation document and all criteria shall be applied equally to all tenders in the determination of the best evaluated tender;
- no other evaluation methodology or criteria shall be used or introduced except that stipulated in the invitation document;
- the evaluation committee's determination of a tender's responsiveness shall be based on the contents of the tender itself subject to any clarifications received;
- the evaluation committee may in writing ask bidders for clarification of their tenders in order to assist in evaluation, but no changes in the substance of tenders, including changes in price, shall be permitted after the date and time of tender closing (see below for further details);

<sup>3</sup> Sometimes also referred to as Evaluation Panels.

- the failure of a bidder to reply to a request for clarification is grounds for the rejection of its tender;
- a substantially responsive tender is one which conforms to all the instructions, requirements, terms and conditions of the tender documents, without material deviation, reservation or omission;
- where a tender is substantially responsive, the evaluation committee may waive, clarify or correct any non-conformity, error or omission, which does not constitute a material deviation;
- the non-material non-conformity, error or omission shall be quantified in monetary terms to the extent possible and taken into account in the financial evaluation and comparison of tenders;
- the evaluation committee may correct purely arithmetical errors in tenders in accordance with the procedure stated in the invitation document;
- bidders shall be notified of any arithmetical corrections and requested, in writing, to agree to the correction;
- any Bidder who does not accept the correction of an arithmetical error shall be rejected and the bid<sup>4</sup> security of that Bidder may be forfeited;
- no communications accepting or rejecting any tender, or indicating which is the successful tender, must be sent to any tenderer before this approval is obtained.

## **2. The Evaluation Committee**

### **2.1 Composition**

Evaluation committees are generally *ad hoc* and appointed for each procurement requirement by the authorising officer<sup>5</sup> of the procuring entity undertaking the procurement.

They should include members with a relevant type of skills, knowledge and experience relevant to the procurement requirement as far as possible, which may include:

- technical skills;
- end-user representatives;
- procurement and contracting skills;
- financial management or analysis skills;
- legal expertise.

The number of members of the evaluation committee shall depend on the value and complexity of the procurement requirement, but shall in all cases be a minimum of three. The members of the evaluation committee shall be of an appropriate level of seniority and experience, depending on the value and complexity of the procurement requirement.

A member of the evaluation committee may be external to the procuring entity where the required skills or experience are not available within and must always declare when he or she has a conflict of interest in the procurement requirement which may impact on their impartiality in the evaluation process.

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<sup>4</sup> See Module J.

<sup>5</sup> Or controlling officer.

## 2.2 Role of Chairperson

Often the members of the committee shall select a chairperson from among their number. In some cases however a chairperson is appointed when the committee is constituted. There are advantages and disadvantages with both approaches so either one is considered suitable for use.

The chairperson of the evaluation committee has an important role as they shall generally be responsible for:

- ensuring all members have a common understanding of the evaluation methodology and criteria to be used;
- supervising and coordinating the committee members during the evaluation process but they shall not direct members in decisions relating to the evaluation or canvas them on any issue for a specific outcome;
- ensuring the evaluation is in accordance with all requirements and the provisions of the invitation document;
- chairing all meetings of the evaluation committee and ensuring that discussions are productive, open and participatory;
- ensuring all members are aware of their responsibilities including the need for confidentiality;
- ensuring the security of the tenders and other documentation;
- ensuring that decisions are made in a timely manner;
- managing communications between the evaluation committee and the tenderer;
- ensuring the evaluation committee has access to adequate resources;
- ensuring that the final evaluation report is prepared accurately and on time.

The appointed chairperson must be made aware of their duties prior to accepting the role.

## 2.3 When to appoint

When to appoint the evaluation committee is often one of the most commonly asked questions relating to evaluation. There are a number of points during the bidding process at which this can be done, each with their own advantages and disadvantages. A brief summary of these follows:

<b>When</b>	<b>Positive aspects</b>	<b>Negative aspects</b>
<i>During the preparation of the bidding document so the committee input to the evaluation criteria</i>	<i>The members can be proactively selected and committee is fully conversant with the criteria and why it was chosen. This alleviates any disagreements or misunderstandings during evaluation between the committee and the authors of the bidding document</i>  <i>The bid closing can be set for when the committee are available</i>	<i>It can be argued that the committee is not then fully independent and segregation of duties is compromised.</i>  <i>There is also often a concern that the earlier a committee is appointed the more opportunity there is for manipulation /lobbying of its members</i>
<i>When the bidding document is submitted for internal approval or IFAD 'no objection'</i>	<i>The members can be proactively selected and bid closing can be set for when the full committee is available. This also gives the committee sufficient notice to familiarise themselves with the bidding</i>	<i>Although they are now independent of the bidding document construction, there is a risk that the committee will disagree with the evaluation criteria set in the bidding document or not understand its</i>

<b>When</b>	<b>Positive aspects</b>	<b>Negative aspects</b>
	<i>documents, requirements and criteria.</i>	
	<i>The composition of the committee can be reviewed and considered as part of the submission</i>	<i>intentions.</i>
<i>Immediately after the bidding document has been issued</i>	<i>The members can be proactively selected and the committee has sufficient notice to familiarise themselves with the bidding documents, requirements and criteria.</i>	<i>The second concern expressed above also still applies</i>
<i>Just before bid closing</i>	<i>There is minimal opportunity for lobbying of committee members if they are not known until the last moment</i>	<i>It is usually a case of who is available to sit as opposed to who is best placed/more qualified to.</i>  <i>There is no time for the committee to familiarise themselves with the bidding documents, requirements and criteria.</i>

So as can be seen from the table above there is no single solution to this issue as in terms of being most proactive in terms of committee selection, involvement and preparation time it is favourable to appoint the committee as early as possible, This does however increase the risk of potential 'interference' of committee members.

In practice, the decision should be made on a case-by-case basis taking into account the complexity and value of the procurement and a balanced assessment of any potential risk associated with the decision as indicated above. For example, how great is the risk of potential manipulation of the committee if the procurement value is low? Or if a procurement is highly specialised and technical input is required to the committee then can you risk not having an appropriate specialist appointed to the committee?

As with most issues related to procurement, it is therefore a risk mitigation decision taking into account the unique circumstances and demands of each activity.

## 2.4 The work of the committee

Before the evaluation process commences, the members of the evaluation committee should initially meet to review the evaluation methodology and criteria specified in the invitation document and ensure that it is fully understood by all evaluators.

The evaluation of bids is then a sequential process consisting of:

- (i) **Preliminary examination**, to eliminate tenders which do not meet the basic requirements of the invitation document and bidders who do not meet mandatory eligibility requirements.

See modules L2 and L6 for an explanation of the responsiveness and preliminary examination.

- (ii) **Assess responsiveness and undertake detailed technical evaluation**, to determine whether tenders are substantially responsive to the technical and commercial requirements of the invitation document. This includes seeking clarifications.

The detailed technical evaluation of bids will depend on whether the evaluation uses:

- an assessment of whether the tender conforms to all terms and conditions of the invitation document or a simple pass or fail system; or
- a merit point system.

In the event of a) above, the detailed evaluation shall normally be conducted jointly by the evaluation committee unless the evaluation is deemed particularly complex or lengthy, in which case the evaluation committee may initially conduct a detailed evaluation individually, before discussing and agreeing their results at a meeting of the evaluation committee.

In the event of b) above, the detailed evaluation should always be conducted as outlined in module L2.

In the event that during the evaluation the committee requires clarifications from bidders then this should be done in accordance with module L2.

**(iii) Financial evaluation** to compare the costs of responsive tenders and determine which is the successful bidder and should be recommended for award of contract.

The financial comparison shall always be conducted jointly by the evaluation committee.

## 2.5 Records and reporting

All records relating to the evaluation, including:

- copies of all correspondence with bidders, such as letters relating to clarifications;
- any correction of arithmetic errors;
- extensions of the tender validity;
- individual signed score sheets for a merit point evaluation; and
- minutes of all meetings signed by all members of the evaluation committee to confirm that the minutes are an accurate and complete record of each meeting shall be retained as part of the procurement record for audit purposes.

The committee is also required to prepare an **evaluation report**, signed by all personnel who were involved in the evaluation. Although there is no specific IFAD template for an evaluation report, it should include the following information as a minimum standard:

- background to the bidding process;
- the invitation document for the procurement requirement that has been evaluated;
- bid issue, extensions and response to clarifications received from bidders;
- bid closure and opening;
- a summary of the tenders received and opened including the prices read out for each tender;
- selection and composition<sup>6</sup> of the evaluation committee;
- the results of the preliminary examination of bids;
- adjustments and corrections;
- the results of the detailed technical and financial evaluation and comparison;
- details of any non material deviations, errors or omissions accepted, clarified or corrected and, where relevant, the way in which deviations or omissions have been quantified and taken into account in the financial evaluation;
- the reasons any tenders were declared non responsive and were rejected;
- the evaluated price of each tender, showing any correction or adjustments to the tender price and the conversion to a common currency;

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<sup>6</sup> Including the designation of the committee members.

- the ranking of the tenders, according to their evaluated price; Copies of the minutes of the evaluation committee (usually as an Annex);
- a statement of the best evaluated tender, for each lot where applicable;
- the results of any post-qualification;
- state any disagreements, including the reasons, the discussions held on the issue and the names of those holding the alternative views;
- a recommendation to award the contract or contracts to the best evaluated tender or combination of tenders, or other appropriate recommendation , such as cancellation of the procurement process or re-tendering; and
- any issues or points for clarification prior to contract placement.

When **reviewing an evaluation report** as part of its supervision process, IFAD will consider:

- the presence of the above information;
- whether there is consensus in the evaluation panel;
- whether the evaluation was conducted using only the stated criteria;
- if evaluation was undertaken using merit points, was this done accurately and consistently?
- the suitability of supplier/contractor (post-qualification);
- the status of any bid clarifications;
- whether the bid validity need to be extended;
- have all logistics issues been addressed?
- were any bids rejected during detailed evaluation and if so was this justified?
- are all bidders being treated equally?
- have any of the procurement principles detailed in the IFAD Procurement Guidelines been compromised?

## 2.6 Other general provisions

- An evaluation committee meeting should not normally be held unless all members of the evaluation committee are present unless it is not possible or practical for all members to meet;
- Where a member is absent from a meeting of the evaluation committee, he or she shall be informed of the proceedings and decisions of the meeting. If the absent member disagrees with any of the decisions taken, he or she shall immediately inform the chairperson of the evaluation committee, who shall call a further meeting to resolve the disagreement;
- The business of the meeting shall be determined by the evaluation methodology specified in the invitation documents and coordinated by the Chairperson;
- A decision of the evaluation committee shall be by unanimity, except where individual scores or marks are required in accordance with the evaluation methodology;
- Where the evaluation committee is unable to reach a unanimous decision, the findings and recommendations of the majority shall be stated in the evaluation report;
- Where an evaluation committee is unable to agree on any part of an evaluation and the disagreement is significant and likely to substantially affect the results of an evaluation, they shall consult with the approving authority.



## Module L2: General Evaluation Procedures for Goods, Works and Non Consulting Services

### ***Purpose of this module:***

This module sets gives general guidance for evaluating tenders for goods, works and non consulting services. It must be read in conjunction with the relevant module for the particular evaluation methodology to be used, which will be either:

- Module L3: Evaluating offers for goods;
- Module L4: Evaluating offers for works; or
- Module L5: Evaluating offers for non consulting services.

The purpose of evaluation is to objectively assess and compare all tenders received, using a pre-defined methodology and criteria, to determine which is the successful bidder who should be awarded a contract. A well conducted evaluation should ensure that:

- competition is fair and that all bidders have an equal opportunity of winning government funded contracts;
- the goods, works or services purchased under the contract are of appropriate quality; and
- the procuring entity gets the best possible value for money.

Evaluations will vary for goods, works and non consulting services, but the evaluation methodology will always consist of a number of stages:

- a preliminary examination, to eliminate tenders which are not responsive to the basic requirements of the invitation document and bidders who do not meet mandatory eligibility requirements;
- a technical and commercial evaluation, to determine whether tenders are substantially responsive to the technical and commercial requirements of the invitation document;
- a financial evaluation to compare the costs of responsive tenders and determine which is the successful bidder and should be recommended for award of contract.

A diagram summarising this evaluation methodology is attached at the end of this module.

### ***Applicability:***

The general principles in this module apply to the evaluation of tenders for goods, works and non consulting services. The technical methodologies for each are included in modules L3, L4 and L5 respectively. Note that where ICB is the method of procurement, then the World Bank procedures, as set forth in their guidelines, will apply.

The evaluation of proposals for consulting services, under the Request for Proposals method, is covered by modules L6, L7 and L8.

## **1. Step-by-Step Instructions:**

### **1.1. Review and list the requirements, instructions and evaluation criteria**

The evaluation committee should review and list the requirements, instructions and evaluation criteria specified in the invitation document and ensure that these are clearly understood, seeking clarification from the person(s) responsible for writing the invitation document, where

necessary. The evaluation must apply the criteria specified in the invitation document, and no new or varied criteria must be introduced.

## **1.2. Preliminary examination**

This is conducted to determine whether tenders have complied with the basic instructions and requirements of the invitation document. It enables the evaluators to eliminate the weakest tenders, without the time and effort spent in conducting a detailed evaluation. Where no pre-qualification has been conducted, the preliminary examination can also be used to assess whether bidders meet the mandatory requirements.

The preliminary examination test is conducted on a pass or fail basis, with tenders that are not substantially compliant being rejected. The criteria to be used for the preliminary examination depend on the requirements and instructions of the invitation document, so the preliminary examination must always start with a review of the invitation document to list the requirements to be met. As guidance only, the preliminary examination might typically include checks of the following:

- the tender has been submitted in the correct format;
- any required tender security has been submitted, in the correct form and amount and valid for at least the period required;
- the tender has been submitted without material reservations or deviations from the terms and conditions of the tender document;
- the tender has been correctly signed and authorised;
- the correct number of copies of the tender have been submitted;
- the tender is valid for at least the period required;
- all key documents and information required have been submitted;
- any required samples have been submitted;
- the tender meets any other key requirements of the invitation document; and,
- there have been no alterations or changes to the tender documents, except those required as part of the tender requirement.

Eliminate tenders which do not pass this review.

## **1.3. Assess responsiveness**

In evaluating tenders, the evaluators are required to decide whether a tender is “responsive”<sup>7</sup> (i.e. meets the procuring entity’s requirements) or “non responsive” (i.e. does not meet the procuring entity’s requirements).

In practice, few tenders are perfect and therefore the key test is whether a tender is “substantially responsive”. A “substantially responsive” tender is defined as a tender that conforms to all the instructions, requirements, terms and conditions of the invitation document without material deviation, reservation, or omission. In other words, minor (or “non material”) errors or problems can be accepted by the evaluator(s) or corrected by the bidder, while tenders with major (or “material”) errors or problems must be rejected.

As a general rule, a material deviation, reservation, or omission is one that –

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<sup>7</sup> The ways of assessing responsiveness will vary considerably between evaluations for goods, works and non consulting services. Therefore, further guidance on the technical evaluation is included in modules L3, L4 and L5 respectively.

- affects the scope, quality or performance of the goods, works or services in a substantial way; or
- would limit the procuring entity's rights or the bidders obligations under the contract in a substantial way; or
- would unfairly affect the competitive position of other bidders if it were corrected.

Determining whether a deviation is material or non material is a decision for the evaluators and one which must be based on the contents of the tender only. Additional information or previous knowledge of a product or bidder must not be taken into account.

What is a material or non material deviation will vary between different tendering procedures, depending on the particular requirements of each. However, decisions on what constitute material and non material deviations must be applied consistently to all tenders which are part of the same evaluation process.

In deciding whether deviations are material or non material, the evaluator(s) should consider the impact on key factors, such as cost, risk, time and quality of the procurement. As guidance only, material deviations, reservations or omissions are likely to include:

- unacceptable schedules for delivery or completion;
- unacceptable technical details, such as design, materials, workmanship, specifications, standards or methodologies; and
- unacceptable counter-proposals on key contract terms and conditions, such as payment terms, price adjustment, liquidated damages, sub-contracting or warranty.

As guidance only, non material deviations, reservations or omissions are likely to include:

- minor differences in delivery or completion schedules, where time is not critical;
- the omission of minor items;
- arithmetic errors;
- alternative technical details, such as design, materials, workmanship, specifications, standards or methodologies, which are substantially responsive and acceptable to the procuring entity; and
- minor amendments to contract terms and conditions, which are acceptable to the procuring entity.

Where a tender is determined to be substantially responsive, the evaluator(s) may waive, clarify or correct the non-conformity, error or omission in the tender – see below for further details.

#### **1.4. Undertake a technical and commercial evaluation**

Only of those tenders which passed the responsiveness test.

The technical evaluation itself is usually conducted on a pass or fail basis; only tenders that are responsive, or substantially responsive, to the requirements of the invitation document are included in the subsequent financial evaluation. Non responsive tenders are eliminated from the evaluation. See modules L3, L4 and L5 for more details regarding specifics of evaluation of goods, works and non-consultancy.

The commercial evaluation is conducted by assessing whether the tender conforms, or substantially conforms, to all the terms, conditions and requirements of the invitation document. The criteria will therefore depend on the invitation document, but might include:

- acceptance of key contract conditions, such as payment, warranty and liquidated damages for delay;

- delivery schedule for goods within the time period specified;
- completion schedule for incidental services within the time period specified, where installation and commissioning or user training is required;
- availability of spare parts and consumable items;
- service arrangements, such as a requirement for a local agents.

As with the technical evaluation, the commercial standard must be set by the terms and conditions of the invitation document and tenders should be evaluated as responsive or non responsive against this standard. No extra benefit should be given to tenders that exceed the standard required, except where this is done through the application of non-price criteria – see modules L3 and L4).

### **1.5. Correct tenders or seek clarification from bidders as required**

Where information contained in a tender is unclear, the evaluation committee may seek clarification of the information from the bidder. Clarifications can not be used to amend the price of the tender (with the exception of the correction of arithmetic errors), to correct material deviations or to make other significant changes to any aspect of the tender.

Requests for clarification must be addressed to the bidder in writing and must state that a written response is required by a specified date. The request must also state that failure by the bidder to respond to the request may result in the rejection of their tender.

Where a tender includes non material deviations, errors or omissions, the evaluator(s) may choose to accept or to correct them. In order to make the evaluation fair to all bidders, the nonconformity should be quantified and expressed in monetary terms, wherever possible. This amount should then be added to the tender price, for purposes of the financial evaluation only, to reflect the price or cost of the missing or non-conforming item.

For example, where a tender for goods does not include the price of a spare part or consumable item, the price of the missing item should be added to the tender price, using the highest price for the same item from the other tenders.

As a further example, where a tender includes a slightly later delivery date than required by the invitation document and this delay is acceptable to the procuring entity, the later delivery could be quantified and expressed in monetary terms, using the monetary penalties for liquidated damages contained in the draft contract.

### **1.6. Conduct a financial evaluation**

Only the tenders which passed the technical evaluation are financially assessed to determine the lowest priced tender.

Unless otherwise required by the instructions in the invitation document, the procedure for determining the evaluated price of each tender is usually as follows:

- take the total tender price as read out at the tender opening, including or excluding particular costs, as indicated in the invitation document (e.g. the invitation document may give particular instructions on the inclusion of all taxes and duties in the tender price or the exclusion of provisional sums and contingencies, but the inclusion of competitively priced dayworks, in tenders for works);
- correct any arithmetic errors. The procedure for correcting arithmetic errors is normally stated in invitation documents and the procedure stated must be used. Where no specific procedure is stated in the invitation document, if there is a discrepancy between the unit price and the total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail and the total price shall be corrected. Bidders should be notified in

writing of any arithmetic corrections made and requested to agree to the corrections in writing;

- apply any non-conditional discounts offered by bidders. Bidders may be permitted to offer discounts to their tender prices. Discounts, or any other change in price, is not permitted after the tender closing date and only non-conditional discounts should be taken into account in the evaluated price of the tenders. Conditional discounts, such as discounts for prompt payment by the procuring entity, must not be taken into account in the financial evaluation, but should be included (as a contract term), if the tender is accepted. If so stated in the invitation document, bidders may be permitted to offer conditional (or cross) discounts i.e. discounts which are conditional on the simultaneous award of contracts for more than one lot. Conditional discounts should be also however excluded from the main financial evaluation. Following completion of the financial evaluation and determination of the successful tender(s), a further financial comparison should be conducted to take any conditional discounts into account. This comparison must identify the best overall value for money for the procuring entity i.e. the combination of contract awards which offers the lowest total price;
- convert all tenders to a single evaluation currency for purposes of comparison, using the currency and the source and date of the exchange rate specified in the invitation document;
- apply any margin of price preference; and
- determine the total evaluated price of each tender.

#### **1.7. Rank the tenders**

This is done to determine the lowest evaluated tender.

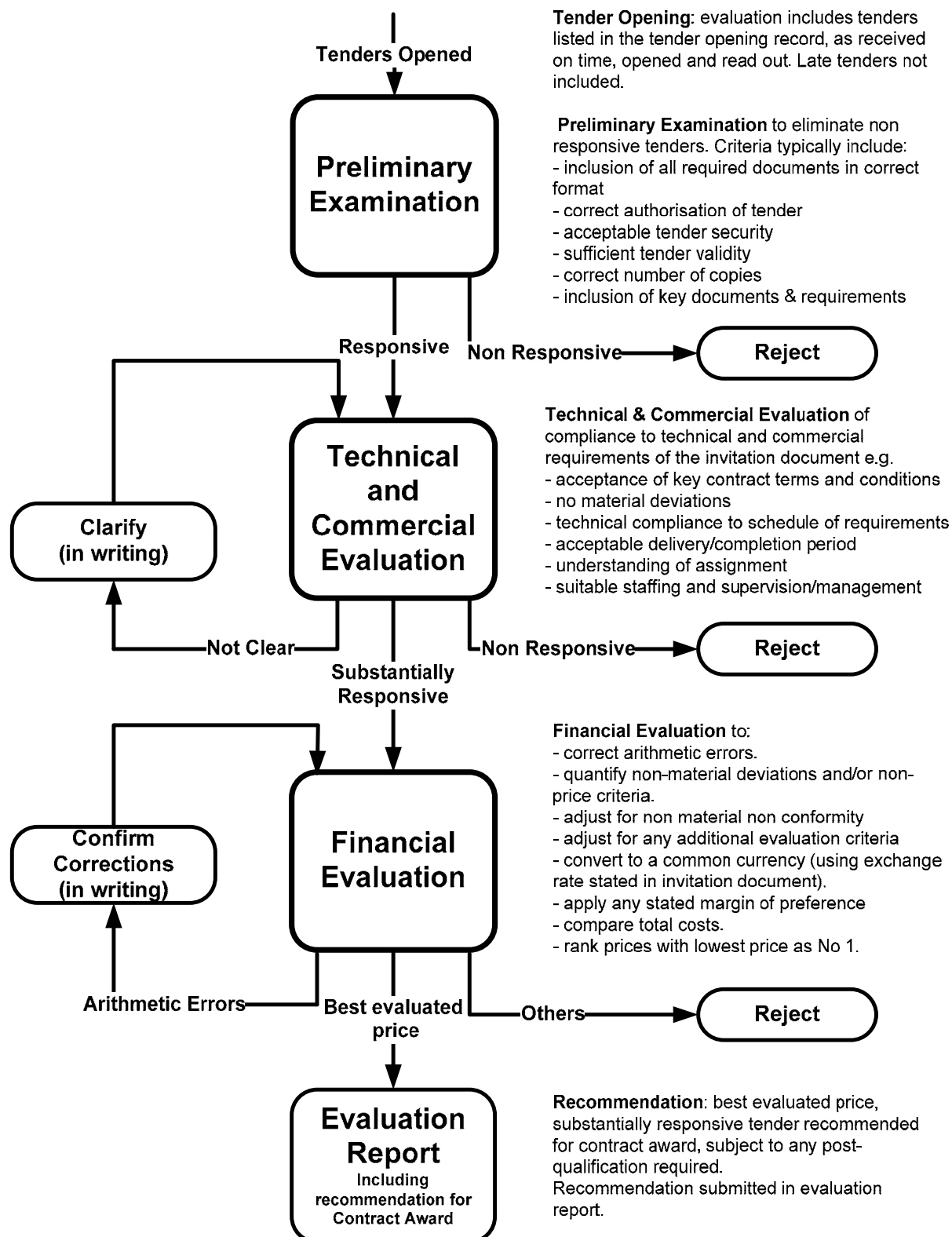
#### **1.8. Conduct a post-qualification**

If required, conduct a post-qualification on the lowest evaluated bidder – see module L10.

#### **1.9. Prepare an evaluation report**

For submission to the approving body. See module L1 for details of the contents of an evaluation report.

## Evaluation Procedure for Goods, Works and non Consulting Services



## Module L3: Goods specific evaluations

### ***Purpose of this module:***

Module L2 provides the components of the evaluation for goods comprising three stages:

- a preliminary examination;
- a detailed technical and commercial evaluation;
- a financial evaluation.

This module provides more practical guidance to consider during goods evaluation. It must be read in conjunction with module L1: Evaluation Committees and General Evaluation Rules and module L2: General Evaluation Procedures for Goods, Works and non-consulting Services.

The best evaluated tender will be the lowest priced tender, which is substantially responsive to the requirements of the invitation document.

### ***Applicability:***

This module applies to evaluations for goods only. Where a national system is being used for purposes of evaluation then those provisions should apply. Note that where ICB is the method of procurement, then the World Bank procedures, as set forth in their guidelines, will apply instead of this module or any national procedures.

The evaluation of tenders for works and non consulting services are covered by modules L4 and L5 respectively. Evaluations for consulting services under the Request for Proposals method are covered by modules L6, L7 and L8.

### **1. Evaluating to the specification**

The technical evaluation for goods is conducted by comparison with the specification in the invitation document. This specification provides a minimum standard or requirement, which tenders must reach. Tenders which do not reach this standard are non responsive. Tenders which equal or exceed the standard are responsive.

The evaluation is conducted on a pass or fail basis, so no extra credit or benefit is given to tenders which exceed the standard, except where this is provided for by non-price criteria – see below. Substantially responsive tenders may be considered to have passed the technical evaluation.

For example, the specification in an invitation document for a photocopier specifies a copy speed of 25 pages per minute:

- tender A is offering a copy speed of 15 pages per minute so would be non responsive;
- tender B is offering a copy speed of 24 pages per minute so *may* be substantially responsive, if the evaluator(s) so decide;
- tender C is offering a copy speed of 25 pages per minute so would be responsive;
- tender D is offering a copy speed of 33 pages per minute so would be responsive, but would receive no additional preference in the evaluation compared to the tender offering 25 pages per minute.

Consider the difference if the specification said that the minimum speed was 25 pages per minute:

- tender A would still be non responsive;

- tender B now becomes 100% non responsive as it fails to meet the minimum standard;
- tenders C and D are still responsive.

A third option scenario is if the specification states a speed of between 20-25 pages per minute:

- tender A would still be non responsive;
- tender B now becomes 100% responsive as it falls within the range;
- tenders C and D are still responsive.

It is therefore important when conducting the technical evaluation that all aspects of the technical specification must be considered and technical advice sought, where required. In particular, technical advice and advice from the end user on the precise purpose and use of the goods will be required in determining whether deviations from the specification are material or non material. For example:

- failure to offer the specified engine size would almost certainly be a material deviation in an evaluation for a vehicle;
- failure to offer the specified colour of vehicle may be a non material deviation if the vehicle is for general use, but may be a material deviation if the vehicle is for police or military use and requires a particular colour or markings for identification or camouflage purposes.

## **2. Applying non-price criteria**

The successful tender for goods is normally the lowest priced tender, which has met the procuring entity's technical and commercial requirements, as determined by the technical evaluation. However, procuring entities are permitted to apply non-price criteria, as long as this are specified in the invitation document.

Non-price criteria must be given a relative weight or expressed in monetary terms wherever possible. Examples of non-price criteria might include:

- a penalty for late delivery and/or a bonus for early delivery, based on the delivery schedule stated in the invitation document. Penalties and bonuses could be expressed in monetary terms, by increasing or reducing the evaluated price by a specified amount for each day or week that delivery will be late or early. The amount could be calculated using the rates normally applied to liquidated damages for late deliveries;
- a penalty for payment terms, which require payment earlier than specified in the invitation document. The penalty could be expressed in monetary terms, by calculating the interest which would be earned on the money, using a defined interest rate;
- inclusion of the estimated cost of spare parts and/or consumable items for a specified period of operation. This could be expressed in monetary terms, by requiring bidders to provide prices for a specified list of items, which would be added to the evaluated price;
- inclusion of the costs of operating and maintaining equipment during its projected lifetime;
- a penalty or bonus for productivity or performance of equipment below or above a specified level.



## Module L4: Works specific evaluations

### ***Purpose of this module:***

Module L2 provides the components of the evaluation for works comprising three stages:

- a preliminary examination;
- a detailed technical and commercial evaluation;
- a financial evaluation.

This module provides more practical guidance to consider during works evaluation. It must be read in conjunction with module L1: Evaluation Committees and General Evaluation Rules and module L2: General Evaluation Procedures for Goods, Works and non-consulting Services.

The best evaluated tender will be the lowest priced tender, which is substantially responsive to the requirements of the invitation document.

### ***Applicability:***

This module applies to evaluations for works only. Where a national system is being used for purposes of evaluation then those provisions should apply. Note that where ICB is the method of procurement, then the World Bank procedures, as set forth in their guidelines, will apply instead of this module or any national procedures.

The evaluation of tenders for goods and non consulting services are covered by modules L3 and L5 respectively. Evaluations for consulting services under the Request for Proposals method are covered by modules L6, L7 and L8.

## **1. Evaluating to the specification**

The purpose of the evaluation methodology for works is to determine the best evaluated tender, which is responsive to the requirements of the invitation document. This ensures that the procuring entity only purchases works of the required standard, and does not pay any more than necessary for the performance of those works.

The technical evaluation is conducted by assessing whether the tender conforms, or substantially conforms, to all the terms, conditions and requirements of the invitation document. The criteria will therefore depend on the invitation document, but might include:

- acceptance of key contract conditions, such as payment, price adjustment, warranty, insurance, liquidated damages, dispute resolution, liability and performance security, or inclusion of only minor deviations which are acceptable to the procuring entity and can be quantified in the evaluation;
- completion schedule for the works within the time period specified and/or meeting key milestones of the construction programme;
- equipment, material, workmanship and design of the standards or codes specified in the invitation document or equivalent;
- use of construction methods specified in the invitation document or acceptable alternatives;
- suitability of the contractor's key staff, taking into account their qualifications and experience;
- tender based on the design specified in the invitation document or an acceptable alternative design, where alternatives are permitted by the invitation document;

- compliance with applicable regulations, such as those concerning labour; and/or
- sub-contracting within the amounts and in the manner permitted by the invitation document and sub-contractors meeting requirements specified in the invitation document.

The standard for responsiveness must be set by the terms, conditions and requirements of the invitation document and tenders should be evaluated as responsive or non responsive against this standard. Tenders which are substantially responsive may be accepted, although the minor deviations, errors or omissions should be quantified and taken into account in the financial evaluation. No extra benefit should be given to tenders which exceed the standard required, except where this is done through the application of non-price criteria – see below.

The technical evaluation of tenders for works will require technical input from staff qualified in the relevant field and staff representing the end user.

## **2. Applying non-price criteria**

The successful tender for works is normally the lowest priced tender, which has met the procuring entity's technical and commercial requirements, as determined by the technical evaluation. However, evaluation committees are permitted to apply non-price criteria, as long as they are specified in the invitation document.

Non-price criteria must be given a relative weight or expressed in monetary terms wherever possible. Examples of non-price criteria might include:

- a penalty for late completion and/or a bonus for early completion, based on the completion schedule stated in the invitation document. Penalties and bonuses could be expressed in monetary terms, by increasing or reducing the evaluated price by a specified amount for each day or week that delivery will be late or early. The amount could be calculated using the rates normally applied to liquidated damages for late deliveries;
- a penalty for payment terms, which require payment of any sums earlier than specified in the invitation document. The penalty could be expressed in monetary terms, by calculating the interest which would be earned on the money, using a defined interest rate.

## Module L5: Non consultancy services specific evaluations

### ***Purpose of this module:***

Module L2 provides the components of the evaluation for non-consultancy services comprising three stages:

- a preliminary examination;
- a detailed technical and commercial evaluation;
- a financial evaluation.

This module provides some guidance to consider during evaluation of non consultancy services. It must be read in conjunction with module L1: Evaluation Committees and General Evaluation Rules and module L2: General Evaluation Procedures for Goods, Works and non-consulting Services.

The best evaluated tender will be the lowest priced tender, which is substantially responsive to the requirements of the invitation document.

### ***Applicability:***

This module applies to evaluations for non consultancy services only.

The evaluation of tenders for goods and works are covered by modules L3 and L4 respectively. Evaluations for consulting services under the Request for Proposals method are covered by modules L6, L7 and L8.

### **1. Detailed technical and commercial evaluation**

The purpose of the evaluation methodology for non consulting services is to determine the lowest priced tender, which is responsive to the requirements of the invitation document. This ensures that the procuring entity only purchases services of the required standard, but does not pay any more than necessary for the performance of those services.

The technical evaluation is conducted by assessing whether the tender conforms, or substantially conforms, to all the terms, conditions and requirements of the invitation document and responds adequately to the terms of reference. The criteria will therefore depend on the invitation document, but might include:

- acceptance of key contract conditions, such as payment, insurance, dispute resolution and liability or inclusion of only minor deviations which are acceptable to the procuring entity and can be quantified in the evaluation;
- suitability of the bidder's key staff, taking into account their qualifications and experience;
- equipment, material and workmanship of the standards specified in the invitation document or equivalent;
- acceptable methodology for performance of the services;
- compliance with applicable regulations, such as those concerning labour; and/or
- sub-contracting within the amounts and in the manner permitted by the invitation document and sub-contractors meeting requirements specified in the invitation document.

The standard for responsiveness must be set by the terms, conditions, requirements and terms of reference in the invitation document and tenders should be evaluated as responsive or non responsive against this standard. Tenders which are substantially responsive may be accepted,

although the minor deviations, errors or omissions should be quantified and taken into account in the financial evaluation. No extra benefit should be given to tenders that exceed the standard required, except where this is done through the application of non-price criteria.

## Module L6: General Evaluation Procedures for Consultancy Services

### ***Purpose of this module:***

Precise evaluation procedures for consultancy services vary between the different methodologies for selection (see module H3), but all consist of three stages:

- a preliminary examination, to eliminate proposals which do not comply with the basic requirements of the request for proposals document and Consultants who do not meet mandatory qualification requirements;
- a technical evaluation, to assess the technical quality of the proposals against the evaluation criteria using a merit point scoring system and to determine the technical score of each technical proposal and to determine which proposals have attained the minimum technical score to proceed to the financial opening and evaluation;
- a financial evaluation and comparison to determine the best evaluated proposal according to the specific selection procedures and which is the successful proposal that should be recommended for award of contract.

This module sets out general procedures for evaluating proposals for consulting services. There are two parallel modules focusing on the two most common evaluation methodologies which should be read in conjunction with this module, namely:

- Module L7 for quality and cost based selection (QCBS);
- Module L8 for least cost selection (LCS).

Module L1 also provides a description of the method of selecting an Evaluation Committee and General Evaluation Rules which apply.

### ***Applicability:***

The general principles in this module apply to all evaluations under the Request for Proposals method.

## **1. Introduction**

The purpose of evaluations for consulting services is to assess and compare all proposals received, in as objective a manner as possible, using a pre-defined methodology and criteria, in order to determine which is the successful Consultant to be awarded a contract. A well conducted evaluation for consulting services should ensure that:

- competition is fair and that all Consultants have an equal opportunity of winning government funded contracts;
- the consultant selected has appropriate staff and experience to successfully perform the services; and
- the consulting services purchased under the contract offer the procuring entity an appropriate balance of quality and cost, depending on the objectives and circumstances of the procurement requirement.

## **2. Step-by-Step Instructions**

Read this section in conjunction with the detailed step-by-step instructions in module L7 or L8 as appropriate.

## **2.1 Review requirements**

The Evaluation Committee should review the list the requirements, instructions, terms of reference and evaluation criteria specified in the request for proposals document, and the maximum number of points allocated to each criterion. Ensure that these are clearly understood and seeking clarification from the person responsible for writing the request for proposals document, where necessary.

The evaluation must apply the criteria and scores specified in the request for proposals document, and no new or varied criteria may be introduced.

The Evaluation Committee should also review the methodology specified in the request for proposals document and ensure that it is understood.

## **2.2 Conduct a preliminary examination**

The preliminary examination is conducted to determine whether proposals comply with the basic instructions and requirements of the request for proposals document. It enables the evaluators to eliminate the weakest proposals, without the time and effort spent in conducting a detailed merit point evaluation. The preliminary examination can also be used to assess whether Consultants meet the mandatory eligibility requirements.

The preliminary examination is conducted on a pass or fail basis, with proposals that are not substantially compliant being rejected. The criteria to be used for the preliminary examination depend on the requirements and instructions of the request for proposals document, so the preliminary examination must always start with a review of the request for proposals document to list the requirements to be met. As guidance only, the preliminary examination might typically include checks of the following:

- that the proposal has been submitted in the correct format (all forms and documents required, including, in particular the proposal submission form);
- that the proposal has been submitted without material reservations or deviations from the terms and conditions of the request for proposal document;
- the proposal has been correctly signed and authorised (including any required power of attorney required by the request for proposal document);
- that an original and the correct number of copies have been submitted;
- that a separately sealed financial proposal has been submitted and that no financial details are contained in the technical proposal;
- that the proposal is valid for at least the period required;
- signed curriculum vitae by proposed consultants have been submitted;
- that any additional documentation required in the request for proposals document have been submitted.

Eliminate proposals which do not pass the preliminary examination.

## **2.3 Conduct a detailed technical evaluation**

The detailed evaluation must only be conducted on proposals which were determined to be substantially responsive during the preliminary examination.

The actual criteria for evaluation, together with the maximum points for each criteria, is determined and described in the request for proposals document.

Where a detailed technical evaluation uses a merit point system the following procedure should apply:

- (i) the evaluation committee shall jointly discuss the criteria and any sub-criteria to ensure that all members have a common understanding of the criteria and their relative importance. This should include:
  - agree the rating system to be used for the technical evaluation
  - agree the grades to be used with the rating system
  - decide the grades definitions

Modules L7 and L8 provide specific details on these aspects;

- (ii) the Evaluation Committee should prepare the scorecards and tables that will be used during the evaluation to ensure uniformity of information and scoring data collected;
- (iii) each member of the evaluation committee shall conduct an evaluation independently, considering each tender and awarding scores for each against each criterion; the evaluator shall record his or her scores using a score and shall sign his score sheet;
- (iv) the chairperson of the evaluation committee shall call a meeting to collect, collate and compare scores. Individual scores shall not be collected by the chairperson or any member of the team except at an evaluation committee meeting;
- (v) the scores from each evaluator shall be compiled during the meeting to produce a score sheet for each tender, and the average score for each tender shall be calculated;
- (vi) the evaluation committee shall jointly compare the scores of each evaluator for each tender in order to verify that there has been a consistency of approach to the evaluation and a common understanding of the criteria of each tender by all members of the evaluation committee;
- (vii) the evaluation committee shall note any significant deviation from the average score or inconsistencies in scoring and these shall be discussed and each evaluator shall explain and justify his or her scores where required;
- (viii) where the evaluation committee agrees that there has not been a consistency of approach or where discussions reveal a misunderstanding of a criterion or a tender, one or more evaluators may be permitted to adjust their individual scores;
- (ix) no evaluator shall be obliged to make adjustments to his or her scores.

The evaluation committee shall agree which member of the evaluation committee may adjust their scores and for which tenders or criteria they may be adjusted.

An adjustment shall only be permitted to the extent necessary to correct any inconsistency of approach or genuine misunderstanding of a criterion or a tender; no adjustment shall be permitted except for that specifically agreed by the evaluation committee.

Where any score is adjusted, the original score sheet shall be kept as part of the record of the evaluation and the adjusted score shall be recorded on a new score sheet.

An adjustment of a score shall be completed as soon as possible after the original meeting and a further meeting shall be called; until such time as a further meeting is called, the chairperson of the evaluation committee shall keep all copies of individual and consolidated score sheets in a secure location.

Once an individual score has been finalised, the calculation of the final technical score for each tender and all other aspects of the evaluation shall be conducted jointly by the evaluation committee.

The total averages scores for each proposal are compared to the minimum qualifying score provided in the request for proposals document. Those proposals not attaining this minimum score are eliminated from further consideration.

#### **2.4 Conduct interviews if required**

Interviews may be conducted as part of a merit point evaluation, provided that this was clearly stated in the RFP document. Consultants must be given reasonable notice of the arrangements for any interview and, within reason, the Evaluation Committee should be flexible as to the precise date and time for the interview, to give the Consultant a reasonable opportunity to attend. This is particularly important where foreign Consultants are invited for interview.

Interviews should be conducted after evaluation against all other technical evaluation criteria. In the case of QCBS and LCS, only Consultants who are still able to reach the minimum technical threshold should be invited for interview.

Interviews should only be held with key staff or consultants, such as the team leader.

Interviews should be managed by the Chairperson of the Evaluation Committee, but involve the Committee members responsible for the merit point evaluation. The questions to be addressed at the interview should be planned and agreed in advance by all members involved in the merit point evaluation.

Detailed minutes must be kept of the interview and of the subsequent discussion and decision on the number of points to be awarded. These minutes should form part of the technical evaluation report.

#### **2.5 Determine which proposal or proposals should proceed to the financial opening and evaluation, according to the evaluation methodology used.**

#### **2.6 Prepare a technical evaluation report for submission and approval**

The technical evaluation report should include the following information:

- the Tender Opening Record for the technical proposals (and any minutes if produced);
- the results of the preliminary examination with reasons why any proposals were rejected as being non responsive to important aspects of the terms of reference and the reasons;
- the technical scores awarded by each evaluator for each proposal;
- a summary of the relative strengths and weaknesses of each proposal;
- an analysis of any significant discrepancies or inconsistencies in scoring and an explanation of any adjustments made to scores;
- the total technical score for each proposal;
- a list of the proposals which reached the minimum technical qualifying mark and a recommendation to open the financial proposals of these bidders; and
- a recommendation to reject all other proposals.

#### **2.7 Inform consultants**

Once the technical evaluation report has been accepted the Purchaser can open the next stage of dialogue with the bidders. It should:

- notify Consultants whose financial proposals are to be opened of the date, time and location for the financial tender opening and conduct the tender opening – see module K5 for further guidance on the financial opening;



- notify Consultants whose proposals are being rejected, stating that their financial proposals will be returned unopened after completion of the evaluation process.

## **2.8 Conduct financial evaluation**

The proposal or proposals proceeding to the financial evaluation will be determined by the relevant methodology (see module H3) for the technical evaluation.

The financial evaluation is conducted to determine the evaluated price of proposals, compare the proposals and determine the successful proposal i.e. the proposal which should be recommended for award of contract. The financial evaluation and the determination of the successful proposal differs between different evaluation methodologies and modules L7 and L8 provide details for conducting financial evaluations for Quality and Cost Based Selection and Least Cost Selection.

Notwithstanding the content of those specific modules, there are some general good practices which follow below and should be followed unless otherwise required by a national procurement system which has been adopted for the project:

- determine whether the financial proposals are complete and have costed all corresponding inputs in the technical proposal, costing any missing items and adding these into the proposal price; the total proposal price, e.g. the request for proposals document may state that all taxes and duties are to be included in the evaluation;
- correct any arithmetic errors in accordance with the procedure as stated in the request for proposals document. Where no specific procedure is stated in the request for proposals document and there is a discrepancy between the unit price and the total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail and the total price shall be corrected. Consultants should be notified in writing of any arithmetic corrections made and requested to agree the corrections in writing;
- assess whether all items are included in the proposal price and add the cost of any missing items;
- convert all proposals to a single evaluation currency for purposes of comparison, using the currency and the date and source of the exchange rate specified in the request for proposals document;
- apply any margin of price preference;
- determine the total evaluated price of each proposal.

## **2.9 Prepare a combined evaluation report for submission for approval**

A combined evaluation report is one which includes both technical and financial evaluation details. As the technical evaluation report has already been issued it is usually appropriate to prepare a specific financial report and add the technical report as an annex.

The financial evaluation report should include the following information:

- the Bid Opening Record for the financial proposals (and any minutes if produced) which will include the total proposal prices and technical scores read out at the financial proposal opening;
- the evaluated price of each proposal, following any corrections or adjustments to the price and the conversion to a single currency;
- the financial scores of each proposal and the methodology for allocating financial scores;
- the weighting of technical and financial scores;
- the total score for each proposal;

- a recommendation to award the contract to the bidder obtaining the highest total score subject to any negotiations required;
  - the currency and price of the proposed contract, subject to any changes following negotiations.
12. It would be good practice to include the areas or issues that require negotiations in the financial evaluation report.

All evaluation reports must be signed by all staff who have been involved in the evaluation.

**Next Steps:**

- Proceed to module L10: Post qualification if consultants were not pre selected, then;
- Proceed to module M2: Conducting negotiations for consulting services, where negotiations are required;
- Proceed to module M1: Issuing a Letter of Tender Acceptance, where no negotiations are required.

## Module L7: Evaluating Proposals for Consulting Services using Quality and Cost Based Selection (QCBS)

### ***Purpose of this module:***

This module provides the standard operating procedure for the evaluation of proposals for consulting services, using the QCBS methodology. It must be read in conjunction with module L6: General Evaluation Procedures for Consulting Services.

There is also an Annex attached to this module which provides detailed guidance regarding how to define grading for evaluation criteria.

### ***Applicability:***

The general principles in this module apply to all evaluations under the Request for Proposals method where QCBS is used as the method of selection (see module H3).

## **1. Introduction**

For QCBS evaluations the Evaluation Committee combines the technical and financial points to identify the proposal that has scored the highest number of points. This system of evaluation is shown schematically at the end of this module.

The evaluation is weighted in favour of quality over price. The technical aspects receive a weighting of 70 (or 80) and the financial receive a weighting of 30 (or 20). The total weighting of technical and financial evaluations should be 100 therefore if the technical weighting was decided to be 70 then the financial weight would be 30. Similarly if the technical was 80 the financial would be weighted at 20. The weighting of quality/price should be close to 80/20 respectively.

## **2. Step-by-Step Instructions**

### **2.1 Evaluation committee review evaluation criteria and establish scorecard**

The technical evaluation of consulting services must review the criteria required by the bidding document. An example of how this may look is shown here:

<b>Criteria</b>		<b>Maximum Points</b>		
(i)	<i>Specific experience of the Consultants relevant to the assignment:</i>		<b>20</b>	
(ii)	<i>Adequacy of the proposed methodology and work plan in responding to the Terms of Reference:</i>		<b>30</b>	
	a) <i>Technical approach and methodology</i>	10		
	b) <i>Work plan</i>	10		
	c) <i>Organization and staffing</i>	10		
(iii)	<i>Key professional staff qualifications and competence for the assignment:</i>		<b>40</b>	
	a) <i>Team Leader</i>	15		
	b) <i>Water Supply and Sanitation Specialist</i>	10		
	c) <i>Legal and Institutional Expert</i>	10		
	d) <i>Socio-Economist</i>	5		
(iv)	<i>Participation by Nationals among proposed Team</i>		<b>10</b>	
<b>Total</b>				<b>100</b>

Technical scores must be awarded using only the criteria specified in the bidding document. The above illustration therefore forms the basis of the technical evaluation so that an individual evaluator's typical scorecard would be:

<b>Consultants' names</b>		<b>[Name of Consultant 1]</b>	<b>[Name of Consultant 2]</b>	<b>[Name of Consultant 3]</b>	<b>[Name of Consultant 4]</b>
	<b>Max</b>	<b>Scores</b>	<b>Scores</b>	<b>Scores</b>	<b>Scores</b>
<b>Criteria</b>					
<b>(i) Specific Experience</b>	<b>20</b>				
<b>(ii) Methodology &amp; Work plan</b>					
a) Tech approach & methodology	<b>10</b>				
b) Work plan	<b>10</b>				
c) Organisation & staffing	<b>10</b>				
<b>(iii) Proposed staff</b>					
a) Team Leader	<b>15</b>				
b) Water & Sanitation Specialist	<b>10</b>				
c) Legal & Institutional Specialist	<b>10</b>				
d) Socio-Economist	<b>5</b>				
<b>(iv) Participation of nationals</b>	<b>10</b>				
<b>Total score</b>	<b>100</b>				
<b>Rank</b>					

Note: actual criteria for any evaluation would be taken from the bid document. The above is for illustrative purposes only.

## **2.2 Evaluation committee finalise method of technical scoring**

A commonly used practice has evolved for the scoring of consulting services that uses a pre-agreed grade and rating system which standardises the scoring of technical proposals among evaluators.

Prior to receiving the technical proposals, the Evaluation Committee should agree on the definition of each grade for each criterion (or sub criterion). That is, the committee should agree the grades to be used and establish the rating for each grade.

To make the scoring easier and transparent, it is recommended that the rating scale is divided into a number of discrete grades. The rationale behind this is to ensure that a satisfactory response in a proposal is established as this links to the qualifying score. It is then important to identify those proposals where the responsiveness is judged to be good and very good. Finally there is only a need to identify those responses that are poor. It is normal to give scores based on the following grades:

<b>Grade</b>	<b>Rating*</b>
<i>Poor</i>	40%
<i>Satisfactory</i>	70%
<i>Good</i>	90%
<i>Very Good</i>	100%

\* the rating is the percentage of the maximum score available

These may be modified or changed but should be agreed **before** any evaluation is commenced by the Evaluation Committee. The scoring system will need to be described and explained in the technical evaluation report.

A zero rating is not realistic, since it would imply that the consultant has not responded at all to the TOR under the criteria in question and so is not used.

### 2.3 Defining the grade for each criteria

Since each of the criteria (or sub criteria) refers to a different aspect of the proposal, the definition of grades needs to be considered so that each evaluator marks against a standardised definition. A typical evaluation therefore could produce a technical scorecard from one evaluator as shown below:

<b>Consultant's Name</b>		<b>Consultant 1</b>		<b>Consultant 2</b>		<b>Consultant 3</b>		<b>Consultant 4</b>	
<b>Criteria</b>	<b>Max Score</b>	<b>Rating</b>	<b>Scores</b>	<b>Rating</b>	<b>Scores</b>	<b>Rating</b>	<b>Scores</b>	<b>Rating</b>	<b>Scores</b>
<b>Specific Experience of Firm</b>	<b>20</b>	90%	18.0	70%	14.0	100%	20.0	40%	8.0
<b>Methodology &amp; Work-Plan</b>	<b>30</b>								
a) Tech approach & methodology	10	70%	7.0	70%	7.0	100%	10.0	40%	4.0
b) Work-Plan	10	70%	7.0	70%	7.0	100%	10.0	40%	4.0
c) Organisation & staffing	10	40%	4.0	70%	7.0	100%	10.0	40%	4.0
<b>Proposed staff</b>	<b>40</b>								
a) Team Leader	15	90%	13.5	70%	10.5	100%	15.0	40%	6.0
b) Water & Sanitation Specialist	10	90%	9.0	70%	7.0	100%	10.0	40%	4.0
c) Legal & Institutional Specialist	10	90%	9.0	70%	7.0	100%	10.0	40%	4.0
d) Socio Economist	5	70%	3.5	70%	3.5	100%	5.0	40%	2.0
<b>Participation of nationals</b>	<b>10</b>	70%	7.0	70%	7.0	100%	10.0	40%	4.0
<b>Total Score</b>			78.0		70.0		100.0		40.0
<b>Rank</b>			<b>2</b>		<b>3</b>		<b>1</b>		<b>4</b>

These would represent the scores of one evaluator and need to be combined with the scores of the other evaluators and averaged to arrive at a final technical score for the evaluation.

Scoring technical proposals by this method offers the following advantages:

- it provides the Evaluation Committee with a shared definition of the grades, making the evaluation easier and comparable;
- it minimizes the risk of scoring inconsistencies and discretion;
- it binds each committee member to justify their individual evaluation on the basis of a common definition of grades, discouraging intentionally biased evaluations;
- it adds transparency and fairness to the evaluation process.

Defining the grades is a difficult exercise that requires a thorough knowledge of the terms of reference, the main technical issues to be covered by the consultant assignment, and the qualifications expected from the consultants. However, it should substantially improve the quality of the evaluation. Rating proposals without using agreed upon predefined grades of responsiveness leaves the definition of the grades to each evaluator, very likely making the scoring subjective and difficult to compare.

Ratings should not be too rigid. In the likely event that a firm does not satisfy all the conditions set forth in one of the grade definitions, but that particular grade appears to reflect the overall specific experience of the firm better than the lower grade, the upper grade may be assigned.

Further guidance in defining the grades for each criteria and sub criteria is provided in Annex A of this module.

## 2.4 Awarding Financial Scores

Financial scores must be awarded using the method specified in the RFP document. This is normally as follows:

- the lowest priced proposal is given a financial score of 100
- all other proposals are given a financial score proportionate to this, using the formula:

$\text{Final Score} = \frac{100 \times F_z}{F_y}$ <p><i>Where Fz = Lowest priced proposal and Fy = Price of proposal being evaluated</i></p>
--

For example, if prices were as follows:

Proposal	Evaluated Proposal Price
A	US\$ 500,000
B	US\$ 450,000
C	US\$ 600,000

- Proposal B has the lowest price and would be awarded 100 points.
- The formula would be applied to Proposal A as follows:  $100 \times (450,000/500,000) = 90$  points.
- The formula would be applied to Proposal C as follows:  $100 \times (450,000/600,000) = 75$  points.

Proposal	Evaluated Proposal Price
A	US\$ 500,000
B	US\$ 450,000
C	US\$ 600,000

lowest price

Financial score
90
100
75

## 2.5 Weighting Scores to Calculate the Total Score

The technical and financial scores must be weighted using the weights stated in the RFP document. This is normally in the range of 70-90% for the technical score and in the range of

10-30% for the financial score. The combined weights must always total 100%. *[It is acceptable to express the weight either as a percentage or a decimal fraction ie 80%/20% or 0.8/0.2].*

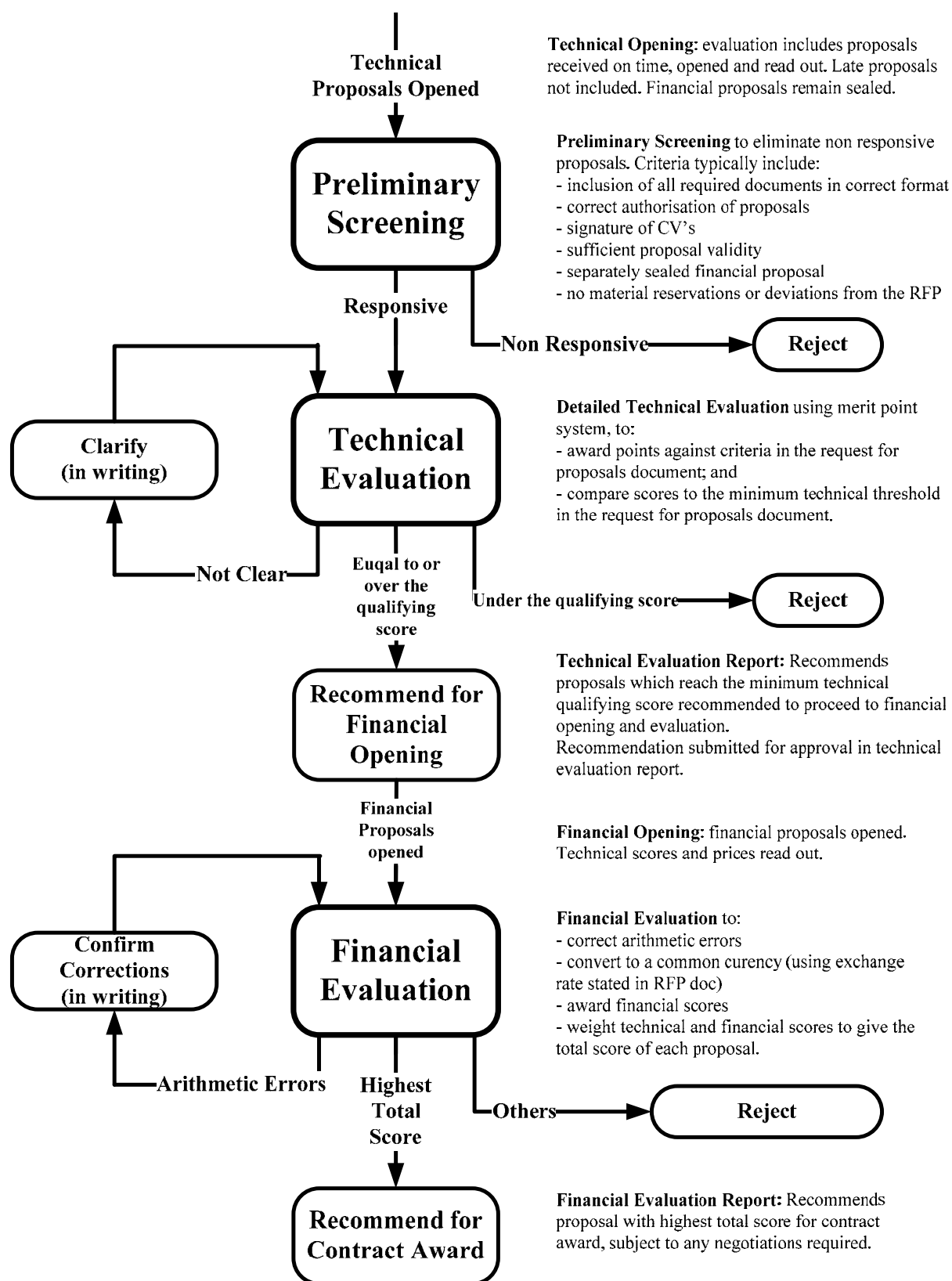
To determine the weighted scores, multiply the actual technical and financial scores by the weights stated in the RFP document.

To determine the total score, simply add the weighted technical and weighted financial scores together.

The example in the table below shows the technical and financial scores received by a proposal, the weights stated in the RFP document, the calculation required, the weighted scores and the total score:

Consultant's Name		Consultant 1		Consultant 2		Consultant 3		Consultant 4	
	Weight	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
Technical	80%	78.0	62.4	70.0	56.0	100.0	80.0	40.0	Eliminated
Financial	20%	90.0	18.0	100.0	20.0	75.0	15.0	N/A	
<b>Total</b>			<b>80.4</b>		<b>76.0</b>		<b>95.0</b>		N/A

## Evaluation Procedure for Consulting Services (Quality and Cost Based Selection)





## ANNEX A TO MODULE L7

This Annex provides detailed guidance in defining the grading for evaluation criteria described in section 2.3 of this module.

### **Criteria:**    ***Specific Experience Of The Firm*** (Aspects to Consider for the Evaluation)

The Evaluation Committee should consider the following aspects in evaluating this criteria:

- **Experience in Similar Projects.** Evidence of having successfully carried out similar assignments.
- **Experience in Similar Areas and Conditions.** The consultants have worked in regions or countries with physical, cultural, social, and institutional characteristics comparable to those in the country of operation.
- **Size, Organization, and Management.** The consultants have the capacity for instance, staff, organization, and managerial skills, to carry out the assignment. For some assignments, consider how long the consultants have been established.
- **Specialization.** For some assignments it may be important to evaluate the consultants' specialized skills and access to particular technologies related to the assignment.
- **Experience in Transfer of Knowledge and Training.** The consultants' experience in transfer of knowledge and training of client's personnel (if relevant).

An example of the definition of these grades based on the specifics listed above is given below (definitions may differ from case to case depending on the characteristics of the assignment). These definitions need to be agreed prior to the commencement of evaluation.

- **Poor:** The consultants have no recent or little relevant experience in the field of the assignment but have not dealt with critical issues specific to the assignment. The consultants are not experienced enough in the use of standard approaches and methodologies required for the assignment. The consultants' permanent staff is insufficient for the assignment.
- **Satisfactory:** The consultants have relevant experience in the field of the assignment but have not dealt with critical issues specific to the assignment, such as delicate social or environmental issues. The consultants are fully experienced in the use of standard approaches and methodologies required for the assignment. The consultants' permanent staff is adequate.
- **Good:** The consultants have extensive experience in the field of the assignment and have worked in countries with similar physical and institutional conditions, including similar critical issues. Permanent staff is adequate and highly specialized to cover the needs of the assignment, and the firm has additional resources at its command to cope with unexpected requirements. The consultants have experience with advanced approaches and methodologies for dealing with the specific requirements of the assignment.
- **Very Good:** The consultants have outstanding, state-of-the-art expertise in assignments similar to the one being considered. Quality and composition of the consultants' staff easily cover the needs of the assignment and ensure an excellent level of backstopping, and consultants' staff includes top experts in the field of the assignment. The consultants are considered world-class specialists in the

approaches and methodologies dealing with specific issues of the assignment. The consultants operate according to well-established quality management procedures.

**Criteria:** ***Adequacy of Proposed Methodology and Work Plan (Aspects to Consider for the Evaluation).***

The Evaluation Committee should consider the following aspects in evaluating this criteria:

- **Understanding the Objectives of the Assignment.** The extent to which the consultants' technical approach and work plan respond to the objectives indicated in the TOR.
- **Completeness and Responsiveness.** Does the proposal respond in an exhaustive manner to all the requirements of the TOR?
- **Clarity.** Are the various elements coherent and the decision points well defined?
- **Creativity and Innovation.** Does the proposal suggest any new approaches to the assignment or new methodologies that help achieve better outcomes?
- **Timeliness of Output.** Is the proposed activity schedule realistic? Are the requested outputs provided on time?
- **Quality of Resource Utilization.** Is the staffing schedule appropriate, with neither too many short-term experts nor too many generalists? Is the proposed staff permanent or composed of external consultants? In the latter case, it should be clarified whether the external consultants have worked on previous assignments with the consultants' permanent staff. This aspect should always be considered.
- **Flexibility and Adaptability.** Are the methodology and work plan flexible and easy to adapt to changes that might occur during implementation of the assignment? This aspect is especially relevant when the assignment takes place in potentially changing environments.
- **Technology Level.** Does the methodology propose the use of state-of-the-art technologies and the adoption of innovative solutions?
- **Logistics.** If the consultants must work at remote sites, the consultants' approach to logistics could also be considered.
- **Quality Management.** Especially for large and complex assignments, the TOR may include a requirement to provide a Quality Plan or its detailed list of contents.

Usually this criteria is evaluated by considering the following three sub criteria (only as stated in the RFP document):

- a) **Technical approach and methodology**
- b) **Work plan**
- c) **Organization and staffing**

An example of the definition of the four grades for the three sub criteria listed above may include the following (definitions may differ from case to case, depending on the characteristics of the assignment):

**(a) Technical approach and methodology:**

- **Poor.** The technical approach or the methodology (or both) envisaged to carry out important activities indicated in the TOR is inappropriate or very poorly presented, indicating that the consultant has misunderstood important aspects of the scope of work. The list of contents of the Quality Plan (if required in the TOR) is missing.

- **Satisfactory.** The way to carry out the different activities of the TOR is discussed generically. The approach is standard and not specifically tailored to the assignment. Although the approach and methodology are suitable, they do not include a discussion on how the consultant proposes to deal with critical characteristics of the assignment. The list of contents of the Quality Plan (if required in the TOR) is provided, but it is generic and does not reflect the specific features of the assignment.
- **Good.** The proposed approach is discussed in detail, and the methodology is specifically tailored to the characteristics of the assignment and flexible enough to allow it to adapt to changes that may occur during execution of the services. The list of contents of the Quality Plan (if required in the TOR) is tailored to the specific characteristics of the assignment.
- **Very Good.** In addition to the requirements listed above under “good,” important issues are approached in an innovative and efficient way, indicating that the consultants have understood the main issues of the assignment and have outstanding knowledge of new solutions. The proposal details ways to improve the results and the quality of the assignment by using advanced approaches, methodologies, and knowledge. A detailed description of the Quality Plan is provided in addition to its list of contents (if required).

#### **(b) Work Plan:**

- **Poor.** The activity schedule omits important tasks; the timing of activities and correlation among them are inconsistent with the approach or methodology proposed. There is a lack of clarity and logic in the sequencing.
- **Satisfactory.** All key activities are included in the activity schedule, but they are not detailed. There are minor inconsistencies between timing, assignment outputs, and proposed approach.
- **Good.** The work plan responds well to the TOR; all important activities are indicated in the activity schedule, and their timing is appropriate and consistent with the assignment outputs. Moreover, the interrelation between the various activities is realistic and consistent with the proposed approach. There is a fair degree of detail that facilitates understanding of the proposed work plan.
- **Very Good.** In addition to the requirements listed above under “good,” decision points and the sequence and timing of activities are very well defined, indicating that the consultants have optimized the use of resources. A specific chapter of the proposal explains the work plan in relation to the proposed approach. The work plan allows flexibility to accommodate contingencies.

#### **(c) Organization and Staffing:**

- **Poor.** The organization chart is perfunctory, the staffing plan is weak in important areas, and the staffing schedule is inconsistent with the timing of the most important outputs of the assignment. There is no clarity in allocation of tasks and responsibilities. The proposed specialists have never worked together as a team.
- **Satisfactory.** The organization chart is complete and detailed, the technical level and composition of the staffing arrangements are adequate, and staffing is consistent with both timing and assignment outputs.
- **Good.** In addition to the definition above in “satisfactory,” the staff is very well balanced (that is, they show good coordination, clear and detailed definition of duties and responsibilities, not too many short-term experts, not too many

generalists, staff skills and needs are matched precisely, and they enjoy good logistical support). Some members of the project team have worked together before to some extent.

- **Very Good.** Besides meeting all the requirements for a “good” rating, the proposed team is integrated, and several members have worked together extensively in the past; a detailed explanation of the Borrower/recipient’s role and integration in the assignment is provided. The proposal contains a detailed discussion showing that the consultants have optimized the use and deployment of staff with efficiency and economy, based on the proposed logistics.

**Criteria:**      ***Proposed Key Staff (Aspects to Consider for the Evaluation).***

Usually this criteria is evaluated by considering the following three sub criteria (only as stated in the RFP document):

- a)      ***General Qualifications***
- b)      ***Adequacy for the assignment***
- c)      ***Experience of the Region and Language***

The Evaluation Committee should evaluate key staff (junior, clerical or administrative staff shall not be evaluated). Consideration should be given to the following aspects:

- **General Qualifications.** It is important to consider the number of years of professional experience of the consultants in the technical field in which they will work under the assignment. For evaluation purposes, the value of prior university education diminishes with age. Experts with more than 10 years of experience should be evaluated on their acquired university degrees. Because experience accumulates with age, staff members who are 60 years or older are often satisfactorily employed on complex or sensitive assignments. Long-term experience in consulting assignments may be advantageous, but evaluators should not give points to older candidates when age is not especially relevant for the assignment. When knowledge of recent approaches, methodologies, and technologies is critical, younger experts may be preferable or more desirable.
- **Adequacy for the Assignment.** This is the most important aspect and should be carefully evaluated. Appropriate capabilities, adequate professional skills, and experience should always be the key evaluation aspects. While the previous aspect, “general qualifications,” evaluates the general experience of the staff in the technical field in which they will work under the assignment, “adequacy for the assignment” is meant to assess their capability to execute the specific functions entrusted to them. Has the expert recently held similar positions? If yes, were such positions relevant to assignments similar to the one under consideration? Has the proposed team leader held such a position before? If yes, has he or she managed a team similar to the one proposed (size, technical disciplines involved, similar mix of home and expatriate personnel, and so forth)? How well do the knowledge and skills of the staff offered meet the needs of the assignment?
- **Experience in the Region and Language.** When evaluating experience in the region, consider factors such as the number of assignments carried out in the country or in countries with similar cultures, administrative systems, and government organizations. For expatriate staff, the RFP should specify, national/local language requirements for adequate communication in the country of the assignment, if needed. Scores should be given only for the local language. In scoring national consultant staff, their knowledge of one of the primary working languages of IFAD should be evaluated, instead of the local language.

As long as key staff are eligible<sup>8</sup>, they should be evaluated on their skills and suitability for the job, irrespective of their nationality. The qualifications of the team leader should be carefully evaluated because this position plays a crucial role in the assignment. If the team leader is acting as both project manager and expert, his or her qualifications must be evaluated for each function, and the scores are assigned to each function proportional to the time effort dedicated to each of them (if the two functions overlap). Full marks for each function are assigned only if the functions can be clearly separated without affecting the quality of the services.

The Evaluation Committee should determine for each of the three sub criteria the definition of each of the grades indicated.

An example of the definition of the four grades for each of the three sub criteria listed above may include the following:

**(a) General Qualifications:**

- **Poor.** The proposed expert has less than 10 years of relevant experience.
- **Satisfactory.** The proposed expert has 10 years or more of overall working experience relevant to the assignment, with relevant academic education and training.
- **Good.** The proposed expert has more than 15 years of overall working experience; a substantial part of that experience relates to consulting assignments similar to the one under consideration; the expert's professional achievements, such as position within the firm and level of responsibility, have steadily increased over time.
- **Very Good.** The proposed specialist has more than 20 years of specialized experience in the field of the assignment and is recognized as a top expert in his or her field. The specialist is fully up to date on the state of the art of the discipline.

**(b) Adequacy for the Assignment:**

- **Poor.** The proposed expert has never or only occasionally worked in a position similar to the one required under the assignment. His or her qualifications do not match closely the assigned position. (For instance, the position requires a highly experienced project manager, while a relatively junior professional with brief experience is proposed).
- **Satisfactory.** The experience of the proposed expert fits the assigned position; in the past 10 years or more, he or she has successfully held positions similar to the one proposed for the assignment in at least one project of a similar nature. The proposed expert's skills (either professional or managerial, as the proposed position may require) are adequate for the job.
- **Good.** The qualifications of the expert are suitable for the proposed position; over the past 10 years, he or she has held several similar positions in similar assignments; the expert's skills (either professional or managerial) are fully consistent with the position and characteristics of the assignment.
- **Very Good.** In addition to the criteria under "good," the expert has qualifications and experience that substantially exceed the requirements for positions similar to the one being considered.

**(c) Experience in the Region and Language (this example refers to expatriate staff):**

<sup>8</sup> As defined by the IFAD Procurement Guidelines.

- **Poor.** The proposed expert has never or only occasionally worked in countries similar to the one of the assignment, and his or her knowledge of the local language is insufficient to properly communicate orally and in writing.
- **Satisfactory.** The expert has worked in countries with cultural, administrative, and governmental organizations similar to the country in question; his or her knowledge of one of the IFAD official languages is adequate.
- **Good.** In recent years, the expert has worked in the region of the assignment for at least one year; and he or she is fluent in one of the IFAD official languages, as well as in the local language.
- **Very Good.** In addition to meeting the above definition of “good,” the expert has detailed, direct knowledge of the country and the language resulting from years of professional experience in the country.

If the key staff proposed by the consultants do not fully satisfy all the conditions set forth by the definition of one of the grades, but the grade under consideration appears to reflect the overall adequacy of the key staff better than the lower grade, the upper grade may be assigned.

**Criteria:      *Participation by National Consultants among Proposed Key Staff***  
*(Aspects to Consider for the Evaluation).*

In the evaluation, these points should be allocated to each proposal in a proportion equal to the percentage share of national key staff in the total key staff time effort proposed. (If, for example, 10 points are attributed to this criterion, and 50 percent of total staff-months or staff-hours of key staff is allocated by the consultants to national experts/consultants, the proposal will receive 5 points).

This criterion covers only the quantitative aspect of participation by nationals; qualitative aspects such as experience of national key staff are captured by the criteria ***Proposed key professional staff qualifications and adequacy for the assignment.***

The participation of national consultants as domestic consultants, as local branches of foreign consultants, or as individual experts should be considered equally.

## Module L8: Evaluating Proposals for Consulting Services using Least Cost Selection (LCS)

### ***Purpose of this module:***

This module provides the standard operating procedure for the evaluation of proposals for consulting services, using the LCS methodology. It must be read in conjunction with module L6: General Evaluation Procedures for Consulting Services.

There is also an Annex attached to this module which provides detailed guidance regarding how to define grading for evaluation criteria.

### ***Applicability:***

The general principles in this module apply to all evaluations under the Request for Proposals method where Least Cost Selection is used as the method of selection (See module H3).

## **1. Introduction**

The evaluation of LCS is not weighted as it is in the QCBS methodology. Although the technical evaluation is scored using the same scoring method as QCBS those proposals that have reached the minimum qualifying score are examined and the lowest priced proposal is awarded the contract.

The merit point system used is the same as that used in the QCBS methodology and consulting firms are still required to present separate technical and financial proposals at the same time as with QCBS.

Those bids which achieved the minimum qualifying score have their financial proposals opened publicly at a financial tender opening and the prices read out together with the technical score. For LCS the financial evaluation of each proposal determines the evaluated price of each proposal and the lowest priced proposal is awarded the contract.

This system of evaluation is shown schematically at the end of this module.

## **2. Step-by-Step Instructions**

### **2.1 Evaluation committee review evaluation criteria and establish scorecard**

The technical evaluation of consulting services must review the criteria required by the bidding document. An example of how this may look is shown here:

<b>Criteria</b>		<b>Maximum Points</b>		
(i)	<i>Specific experience of the Consultants relevant to the assignment:</i>		<b>20</b>	
(ii)	<i>Adequacy of the proposed methodology and work plan in responding to the Terms of Reference:</i>		<b>30</b>	
	a) <i>Technical approach and methodology</i>	10		
	b) <i>Work plan</i>	10		
	c) <i>Organization and staffing</i>	10		
(iii)	<i>Key professional staff qualifications and competence for the assignment:</i>		<b>40</b>	
	a) <i>Team Leader</i>	15		

<b>Criteria</b>		<b>Maximum Points</b>		
b)	Water Supply and Sanitation Specialist	10		
c)	Legal and Institutional Expert	10		
d)	Socio-Economist	5		
(iv)	Participation by Nationals among proposed Team		10	
<b>Total</b>				<b>100</b>

Technical scores must be awarded using only the criteria specified in the bidding document. The above illustration therefore forms the basis of the technical evaluation so that an individual evaluator's typical scorecard would be:

<b>Consultants' names</b>		<b>[Name of Consultant 1]</b>	<b>[Name of Consultant 2]</b>	<b>[Name of Consultant 3]</b>	<b>[Name of Consultant 4]</b>
	<b>Max</b>	<b>Scores</b>	<b>Scores</b>	<b>Scores</b>	<b>Scores</b>
<b>Criteria</b>					
<b>(i) Specific Experience</b>	<b>20</b>				
<b>(ii) Methodology &amp; Work plan</b>					
a) Tech approach & methodology	<b>10</b>				
b) Work plan	<b>10</b>				
c) Organisation & staffing	<b>10</b>				
<b>(iii) Proposed staff</b>					
a) Team Leader	<b>15</b>				
b) Water & Sanitation Specialist	<b>10</b>				
c) Legal & Institutional Specialist	<b>10</b>				
d) Socio-Economist	<b>5</b>				
<b>(iv) Participation of nationals</b>	<b>10</b>				
<b>Total score</b>	<b>100</b>				
<b>Rank</b>					

Note: actual criteria for any evaluation would be taken from the bid document. The above is for illustrative purposes only.

## **2.2 Evaluation committee finalise method of technical scoring**

A commonly used practice has evolved for the scoring of consulting services that uses a pre-agreed grade and rating system which standardises the scoring of technical proposals among evaluators.

Prior to receiving the technical proposals, the Evaluation Committee should agree on the definition of each grade for each criterion (or sub criterion). That is, the committee should agree the grades to be used and establish the rating for each grade.



To make the scoring easier and transparent, it is recommended that the rating scale is divided into a number of discrete grades. The rationale behind this is to ensure that a satisfactory response in a proposal is established as this links to the qualifying score. It is then important to identify those proposals where the responsiveness is judged to be good and very good. Finally there is only a need to identify those responses that are poor. It is normal to give scores based on the following grades:

<b>Grade</b>	<b>Rating*</b>
<i>Poor</i>	40%
<i>Satisfactory</i>	70%
<i>Good</i>	90%
<i>Very Good</i>	100%

*\* the rating is the percentage of the maximum score available*

These may be modified or changed but should be agreed **before** any evaluation is commenced by the Evaluation Committee. The scoring system will need to be described and explained in the technical evaluation report.

A zero rating is not realistic, since it would imply that the consultant has not responded at all to the TOR under the criteria in question and so is not used.

### 2.3 Defining the grade for each criteria

Since each of the criteria (or sub criteria) refers to a different aspect of the proposal, the definition of grades needs to be considered so that each evaluator marks against a standardised definition. A typical evaluation therefore could produce a technical scorecard from one evaluator as shown below:

<b>Consultant's Name</b>		<b>Consultant 1</b>		<b>Consultant 2</b>		<b>Consultant 3</b>		<b>Consultant 4</b>	
<b>Criteria</b>	<b>Max Score</b>	<b>Rating</b>	<b>Scores</b>	<b>Rating</b>	<b>Scores</b>	<b>Rating</b>	<b>Scores</b>	<b>Rating</b>	<b>Scores</b>
<b>Specific Experience of Firm</b>	<b>20</b>	90%	18.0	70%	14.0	100%	20.0	40%	8.0
<b>Methodology &amp; Work-Plan</b>	<b>30</b>								
a) Tech approach & methodology	10	70%	7.0	70%	7.0	100%	10.0	40%	4.0
b) Work-Plan	10	70%	7.0	70%	7.0	100%	10.0	40%	4.0
c) Organisation & staffing	10	40%	4.0	70%	7.0	100%	10.0	40%	4.0
<b>Proposed staff</b>	<b>40</b>								
a) Team Leader	15	90%	13.5	70%	10.5	100%	15.0	40%	6.0
b) Water & Sanitation Specialist	10	90%	9.0	70%	7.0	100%	10.0	40%	4.0
c) Legal & Institutional Specialist	10	90%	9.0	70%	7.0	100%	10.0	40%	4.0
d) Socio Economist	5	70%	3.5	70%	3.5	100%	5.0	40%	2.0
<b>Participation of nationals</b>	<b>10</b>	70%	7.0	70%	7.0	100%	10.0	40%	4.0
<b>Total Score</b>			78.0		70.0		100.0		40.0
<b>Rank</b>			<b>2</b>		<b>3</b>		<b>1</b>		<b>4</b>

These would represent the scores of one evaluator and need to be combined with the scores of the other evaluators and averaged to arrive at a final technical score for the evaluation.

Scoring technical proposals by this method offers the following advantages:

- it provides the Evaluation Committee with a shared definition of the grades, making the evaluation easier and comparable;
- it minimizes the risk of scoring inconsistencies and discretion;
- it binds each committee member to justify their individual evaluation on the basis of a common definition of grades, discouraging intentionally biased evaluations;
- it adds transparency and fairness to the evaluation process.

Defining the grades is a difficult exercise that requires a thorough knowledge of the terms of reference, the main technical issues to be covered by the consultant assignment, and the qualifications expected from the consultants. However, it should substantially improve the quality of the evaluation. Rating proposals without using agreed upon predefined grades of responsiveness leaves the definition of the grades to each evaluator, very likely making the scoring subjective and difficult to compare.

Ratings should not be too rigid. In the likely event that a firm does not satisfy all the conditions set forth in one of the grade definitions, but that particular grade appears to reflect the overall specific experience of the firm better than the lower grade, the upper grade may be assigned.

Further guidance in defining the grades for each criteria and sub criteria is provided in Annex A of this module.

## **2.4 Awarding Financial Scores**

Having determined the proposals which met or exceeded the minimum qualifying score (representing at least the satisfactory proposals), the financial evaluation comprises:

- an examination of the proposal price to determine any arithmetical errors;
- conversion to the evaluation common currency; and
- making adjustments for non material omissions and errors as provided for in the bidding document;

to arrive at the evaluated price. The bid with the lowest cost is then ranked as the first bid.

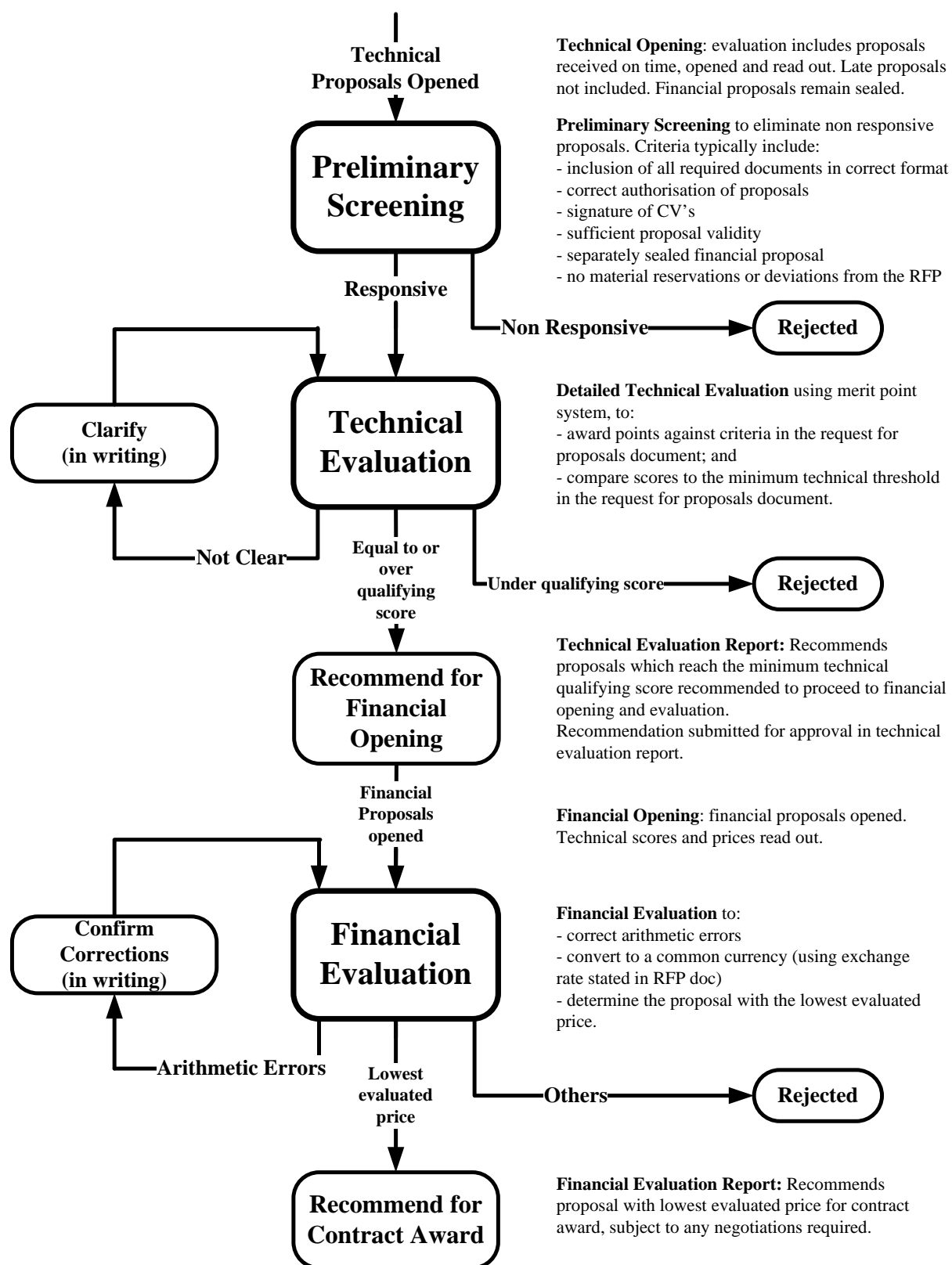
The table overpage illustrates a typical financial examination of proposals and represents the type of table that should be central to the financial evaluation report.

	Fin Opening		Financial Evaluation							
	Currency	Amount	Arithmetic Errors		Conversion to E		Non material omissions		Evaluated Price	
Consultants name (Notes)			Errors (+/-)	Revised total	Rate	Revised total	Value	Revised total		Revised price
<b>Consultant 1</b>	US\$	750,000.00								
A			5,980.00	755,980.00						
					1.90	1,436,362.00		1,436,362.00		<b>1,436,362.00</b>
<b>Consultant 2</b>	£	580,000.00								
B			-8,900.00							
C			-60,864.00							
D			30,000.00							
			-39,764.00	540,236.00	2.70	1,458,637.20		1,458,637.20		1,458,637.20
<b>Consultant 3</b>	£	510,000.00			2.70	1,377,000.00				
E							75,000.00	1,452,000.00		1,452,000.00
<b>Consultant 4</b>	US\$	680,000.00								
F			87,000.00	767,000.00	1.90	1,457,300.00				
<b>Consultant 5</b>	SAR	1,460,000.00								
			0.00	1,460,000.00	1.00	1,460,000.00		1,460,000.00		1,460,000.00

- Notes:
- A Adjustment for incorrect extension in Table 2 of proposal
  - B Adjustment for incorrect extension in Table 1 of proposal
  - C Adjustment for incorrect extension in Table 3 of proposal (Team Leader)
  - D Adjustment for incorrect extension in Table 5 of proposal (Administrative staff table)
  - E Adjustment for lack of required training or capacity development in proposal (value taken from Consultant 2 costs)
  - F Adjustment for .....

In this example the evaluated price for Consultant 1 is the lowest and is the proposal that would be recommended for award in the financial evaluation report.

## Evaluation Procedure for Consulting Services (Least Cost Selection)



## ANNEX A TO MODULE L8

This Annex provides detailed guidance in defining the grading for evaluation criteria described in section 2.3 of this module.

### **Criteria:**    ***Specific Experience Of The Firm*** (Aspects to Consider for the Evaluation)

The Evaluation Committee should consider the following aspects in evaluating this criteria:

- **Experience in Similar Projects.** Evidence of having successfully carried out similar assignments.
- **Experience in Similar Areas and Conditions.** The consultants have worked in regions or countries with physical, cultural, social, and institutional characteristics comparable to those in the country of operation.
- **Size, Organization, and Management.** The consultants have the capacity for instance, staff, organization, and managerial skills, to carry out the assignment. For some assignments, consider how long the consultants have been established.
- **Specialization.** For some assignments it may be important to evaluate the consultants' specialized skills and access to particular technologies related to the assignment.
- **Experience in Transfer of Knowledge and Training.** The consultants' experience in transfer of knowledge and training of client's personnel (if relevant).

An example of the definition of these grades based on the specifics listed above is given below (definitions may differ from case to case depending on the characteristics of the assignment). These definitions need to be agreed prior to the commencement of evaluation.

- **Poor:** The consultants have no recent or little relevant experience in the field of the assignment but have not dealt with critical issues specific to the assignment. The consultants are not experienced enough in the use of standard approaches and methodologies required for the assignment. The consultants' permanent staff is insufficient for the assignment.
- **Satisfactory:** The consultants have relevant experience in the field of the assignment but have not dealt with critical issues specific to the assignment, such as delicate social or environmental issues. The consultants are fully experienced in the use of standard approaches and methodologies required for the assignment. The consultants' permanent staff is adequate.
- **Good:** The consultants have extensive experience in the field of the assignment and have worked in countries with similar physical and institutional conditions, including similar critical issues. Permanent staff is adequate and highly specialized to cover the needs of the assignment, and the firm has additional resources at its command to cope with unexpected requirements. The consultants have experience with advanced approaches and methodologies for dealing with the specific requirements of the assignment.
- **Very Good:** The consultants have outstanding, state-of-the-art expertise in assignments similar to the one being considered. Quality and composition of the consultants' staff easily cover the needs of the assignment and ensure an excellent level of backstopping, and consultants' staff includes top experts in the field of the assignment. The consultants are considered world-class specialists in the approaches and methodologies dealing with specific issues of the assignment. The consultants operate according to well-established quality management procedures.

**Criteria:** ***Adequacy of Proposed Methodology and Work Plan (Aspects to Consider for the Evaluation).***

The Evaluation Committee should consider the following aspects in evaluating this criteria:

- **Understanding the Objectives of the Assignment.** The extent to which the consultants' technical approach and work plan respond to the objectives indicated in the TOR.
- **Completeness and Responsiveness.** Does the proposal respond in an exhaustive manner to all the requirements of the TOR?
- **Clarity.** Are the various elements coherent and the decision points well defined?
- **Creativity and Innovation.** Does the proposal suggest any new approaches to the assignment or new methodologies that help achieve better outcomes?
- **Timeliness of Output.** Is the proposed activity schedule realistic? Are the requested outputs provided on time?
- **Quality of Resource Utilization.** Is the staffing schedule appropriate, with neither too many short-term experts nor too many generalists? Is the proposed staff permanent or composed of external consultants? In the latter case, it should be clarified whether the external consultants have worked on previous assignments with the consultants' permanent staff. This aspect should always be considered.
- **Flexibility and Adaptability.** Are the methodology and work plan flexible and easy to adapt to changes that might occur during implementation of the assignment? This aspect is especially relevant when the assignment takes place in potentially changing environments.
- **Technology Level.** Does the methodology propose the use of state-of-the-art technologies and the adoption of innovative solutions?
- **Logistics.** If the consultants must work at remote sites, the consultants' approach to logistics could also be considered.
- **Quality Management.** Especially for large and complex assignments, the TOR may include a requirement to provide a Quality Plan or its detailed list of contents.

Usually this criteria is evaluated by considering the following three sub criteria (only as stated in the RFP document):

- a) **Technical approach and methodology**
- b) **Work plan**
- c) **Organization and staffing**

An example of the definition of the four grades for the three sub criteria listed above may include the following (definitions may differ from case to case, depending on the characteristics of the assignment):

**(a) Technical approach and methodology:**

- **Poor.** The technical approach or the methodology (or both) envisaged to carry out important activities indicated in the TOR is inappropriate or very poorly presented, indicating that the consultant has misunderstood important aspects of the scope of work. The list of contents of the Quality Plan (if required in the TOR) is missing.

- **Satisfactory.** The way to carry out the different activities of the TOR is discussed generically. The approach is standard and not specifically tailored to the assignment. Although the approach and methodology are suitable, they do not include a discussion on how the consultant proposes to deal with critical characteristics of the assignment. The list of contents of the Quality Plan (if required in the TOR) is provided, but it is generic and does not reflect the specific features of the assignment.
- **Good.** The proposed approach is discussed in detail, and the methodology is specifically tailored to the characteristics of the assignment and flexible enough to allow it to adapt to changes that may occur during execution of the services. The list of contents of the Quality Plan (if required in the TOR) is tailored to the specific characteristics of the assignment.
- **Very Good.** In addition to the requirements listed above under “good,” important issues are approached in an innovative and efficient way, indicating that the consultants have understood the main issues of the assignment and have outstanding knowledge of new solutions. The proposal details ways to improve the results and the quality of the assignment by using advanced approaches, methodologies, and knowledge. A detailed description of the Quality Plan is provided in addition to its list of contents (if required).

**(b) Work Plan:**

- **Poor.** The activity schedule omits important tasks; the timing of activities and correlation among them are inconsistent with the approach or methodology proposed. There is a lack of clarity and logic in the sequencing.
- **Satisfactory.** All key activities are included in the activity schedule, but they are not detailed. There are minor inconsistencies between timing, assignment outputs, and proposed approach.
- **Good.** The work plan responds well to the TOR; all important activities are indicated in the activity schedule, and their timing is appropriate and consistent with the assignment outputs. Moreover, the interrelation between the various activities is realistic and consistent with the proposed approach. There is a fair degree of detail that facilitates understanding of the proposed work plan.
- **Very Good.** In addition to the requirements listed above under “good,” decision points and the sequence and timing of activities are very well defined, indicating that the consultants have optimized the use of resources. A specific chapter of the proposal explains the work plan in relation to the proposed approach. The work plan allows flexibility to accommodate contingencies.

**(c) Organization and Staffing:**

- **Poor.** The organization chart is perfunctory, the staffing plan is weak in important areas, and the staffing schedule is inconsistent with the timing of the most important outputs of the assignment. There is no clarity in allocation of tasks and responsibilities. The proposed specialists have never worked together as a team.
- **Satisfactory.** The organization chart is complete and detailed, the technical level and composition of the staffing arrangements are adequate, and staffing is consistent with both timing and assignment outputs.
- **Good.** In addition to the definition above in “satisfactory,” the staff is very well balanced (that is, they show good coordination, clear and detailed definition of duties and responsibilities, not too many short-term experts, not too many

generalists, staff skills and needs are matched precisely, and they enjoy good logistical support). Some members of the project team have worked together before to some extent.

- **Very Good.** Besides meeting all the requirements for a “good” rating, the proposed team is integrated, and several members have worked together extensively in the past; a detailed explanation of the Borrower/recipient’s role and integration in the assignment is provided. The proposal contains a detailed discussion showing that the consultants have optimized the use and deployment of staff with efficiency and economy, based on the proposed logistics.

**Criteria:** ***Proposed Key Staff (Aspects to Consider for the Evaluation).***

Usually this criteria is evaluated by considering the following three sub criteria (only as stated in the RFP document):

- a) **General Qualifications**
- b) **Adequacy for the assignment**
- c) **Experience of the Region and Language**

The Evaluation Committee should evaluate key staff (junior, clerical or administrative staff shall not be evaluated). Consideration should be given to the following aspects:

- **General Qualifications.** It is important to consider the number of years of professional experience of the consultants in the technical field in which they will work under the assignment. For evaluation purposes, the value of prior university education diminishes with age. Experts with more than 10 years of experience should be evaluated on their acquired university degrees. Because experience accumulates with age, staff members who are 60 years or older are often satisfactorily employed on complex or sensitive assignments. Long-term experience in consulting assignments may be advantageous, but evaluators should not give points to older candidates when age is not especially relevant for the assignment. When knowledge of recent approaches, methodologies, and technologies is critical, younger experts may be preferable or more desirable.
- **Adequacy for the Assignment.** This is the most important aspect and should be carefully evaluated. Appropriate capabilities, adequate professional skills, and experience should always be the key evaluation aspects. While the previous aspect, “general qualifications,” evaluates the general experience of the staff in the technical field in which they will work under the assignment, “adequacy for the assignment” is meant to assess their capability to execute the specific functions entrusted to them. Has the expert recently held similar positions? If yes, were such positions relevant to assignments similar to the one under consideration? Has the proposed team leader held such a position before? If yes, has he or she managed a team similar to the one proposed (size, technical disciplines involved, similar mix of home and expatriate personnel, and so forth)? How well do the knowledge and skills of the staff offered meet the needs of the assignment?
- **Experience in the Region and Language.** When evaluating experience in the region, consider factors such as the number of assignments carried out in the country or in countries with similar cultures, administrative systems, and government organizations. For expatriate staff, the RFP should specify, national/local language requirements for adequate communication in the country of the assignment, if needed. Scores should be given only for the local language. In scoring national consultant staff, their knowledge of one of the primary working languages of IFAD should be evaluated, instead of the local language.



As long as key staff are eligible<sup>9</sup>, they should be evaluated on their skills and suitability for the job, irrespective of their nationality. The qualifications of the team leader should be carefully evaluated because this position plays a crucial role in the assignment. If the team leader is acting as both project manager and expert, his or her qualifications must be evaluated for each function, and the scores are assigned to each function proportional to the time effort dedicated to each of them (if the two functions overlap). Full marks for each function are assigned only if the functions can be clearly separated without affecting the quality of the services.

The Evaluation Committee should determine for each of the three sub criteria the definition of each of the grades indicated.

An example of the definition of the four grades for each of the three sub criteria listed above may include the following:

**(a) General Qualifications:**

- **Poor.** The proposed expert has less than 10 years of relevant experience.
- **Satisfactory.** The proposed expert has 10 years or more of overall working experience relevant to the assignment, with relevant academic education and training.
- **Good.** The proposed expert has more than 15 years of overall working experience; a substantial part of that experience relates to consulting assignments similar to the one under consideration; the expert's professional achievements, such as position within the firm and level of responsibility, have steadily increased over time.
- **Very Good.** The proposed specialist has more than 20 years of specialized experience in the field of the assignment and is recognized as a top expert in his or her field. The specialist is fully up to date on the state of the art of the discipline.

**(b) Adequacy for the Assignment:**

- **Poor.** The proposed expert has never or only occasionally worked in a position similar to the one required under the assignment. His or her qualifications do not match closely the assigned position. (For instance, the position requires a highly experienced project manager, while a relatively junior professional with brief experience is proposed).
- **Satisfactory.** The experience of the proposed expert fits the assigned position; in the past 10 years or more, he or she has successfully held positions similar to the one proposed for the assignment in at least one project of a similar nature. The proposed expert's skills (either professional or managerial, as the proposed position may require) are adequate for the job.
- **Good.** The qualifications of the expert are suitable for the proposed position; over the past 10 years, he or she has held several similar positions in similar assignments; the expert's skills (either professional or managerial) are fully consistent with the position and characteristics of the assignment.
- **Very Good.** In addition to the criteria under "good," the expert has qualifications and experience that substantially exceed the requirements for positions similar to the one being considered.

**(c) Experience in the Region and Language (this example refers to expatriate staff):**

<sup>9</sup> As defined by the IFAD Procurement Guidelines

- **Poor.** The proposed expert has never or only occasionally worked in countries similar to the one of the assignment, and his or her knowledge of the local language is insufficient to properly communicate orally and in writing.
- **Satisfactory.** The expert has worked in countries with cultural, administrative, and governmental organizations similar to the country in question; his or her knowledge of one of the IFAD official languages is adequate.
- **Good.** In recent years, the expert has worked in the region of the assignment for at least one year; and he or she is fluent in one of the IFAD official languages, as well as in the local language.
- **Very Good.** In addition to meeting the above definition of “good,” the expert has detailed, direct knowledge of the country and the language resulting from years of professional experience in the country.

If the key staff proposed by the consultants do not fully satisfy all the conditions set forth by the definition of one of the grades, but the grade under consideration appears to reflect the overall adequacy of the key staff better than the lower grade, the upper grade may be assigned.

**Criteria:      *Participation by National Consultants among Proposed Key Staff***  
*(Aspects to Consider for the Evaluation)*

In the evaluation, these points should be allocated to each proposal in a proportion equal to the percentage share of national key staff in the total key staff time effort proposed. (If, for example, 10 points are attributed to this criterion, and 50 percent of total staff-months or staff-hours of key staff is allocated by the consultants to national experts/consultants, the proposal will receive 5 points).

This criterion covers only the quantitative aspect of participation by nationals; qualitative aspects such as experience of national key staff are captured by the criteria ***Proposed key professional staff qualifications and adequacy for the assignment.***

The participation of national consultants as domestic consultants, as local branches of foreign consultants, or as individual experts should be considered equally.

## Module L9: Extending Bid Validity

### ***Purpose of this module:***

This module gives some of the main issues to be considered when requesting bidders to extend their bid validities.

### ***Application:***

Whenever the extension of a bid validity is going to be requested.

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The tender or proposal validity period requested in the invitation document should normally be sufficient to enable an Evaluation Committee to undertake both the technical and financial evaluations, obtain approval and for the procuring entity to place a contract. Therefore, extensions to the validity of tenders should not normally be required.

However, where an extension to the validity of proposals is required, all bidders still involved in the evaluation process should be requested, in writing, to extend the validity of their proposals for an additional specified period of time. This request should be issued a reasonable period before the expiry of the validity of proposals, to give sufficient time for responses to be received.

The request should be worded in such a way that a lack of response to the request will be considered as non agreement to the extension of the validity. A sample request for extension of validity is attached to this module for reference.

Bidders must either agree or disagree to extend the validity of their bid and should not be permitted to change their financial proposal, or any details of their bid or proposal, when extending the validity.

In the event that a consultant does not wish to extend the validity of their bid, they are withdrawn from the evaluation.

Where a tender security is required, bidders extending the validity of their tenders must also extend the validity of their tender securities by the same period of time. Any bidder is free to refuse to extend the validity of his tender, without forfeiting any tender security submitted.

For purposes of fairness and transparency, the deadline for responses to bid validity extensions should be treated in the same fashion as a bid closing deadline. Only positive responses received in writing by the deadline will be considered. A late response after the deadline should not be considered.

**\*\*\*A sample request for extension of validity \*\*\***

We make reference to your bid shown below and hereby request an extension to your bid validity, and Bid Security *[delete if no Bid Security was required by the bid]*, in order to enable us to conclude the evaluation process.

<b>Procurement Reference:</b>	
<b>Subject of Procurement:</b>	
<b>Your Bid Reference:</b>	
<b>Original Bid Validity :</b>	
<b>New Bid Validity requested:</b>	<i>Enter the proposed new validity date.</i>
<b>Bid Security Number:</b>	<i>Delete if no bid security required</i>
<b>Requested Expiry of Bid Security:</b>	

Please note that in the event that you do not wish to extend the validity of your bid:

- 1) Your bid will be withdraw from the evaluation process.
- 2) You will not forfeit your Bid Security and this will be returned to you upon its original expiry. *[delete if no Bid Security required]*

You are kindly requested to confirm your decision by completing either Part A or Part B of the attached draft letter and return this to us by \_\_\_\_\_. ***[enter deadline for receipt of responses]***. If we do not receive your confirmation of validity extension by this date we shall consider that you do not wish to extend your validity and your bid will be withdrawn from the evaluation process.

**PART A:** We agree to extend our bid validity, and Bid Security *[delete if no Bid Security was required by the bid]*, as requested and reconfirmed as follows:

<b>New Bid Validity:</b>			
<b>Bid Security Number:</b>	<i>Delete if no bid security required</i>		
<b>Requested Expiry of Bid Security:</b>			
<i>Name</i>		<i>Signature</i>	
<i>Position</i>		<i>Date</i>	

**PART B:** We are not able to extend our bid validity as requested. In doing so we understand that our bid will be withdrawn from the evaluation process. We further understand that any Bid Security provided by us for this bid will not be forfeited but instead be returned upon its original expiry.

<i>Name</i>		<i>Signature</i>	
<i>Position</i>		<i>Date</i>	

## Module L10: Post-qualification

### ***Purpose of Module:***

To provides advice to Borrower/recipients/Recipients and IFAD staff on the process of post-qualification as part of the bid evaluation process.

### ***Applicability***

This module applies to procurement of goods, works and non consulting services.

### **1. What is post-qualification?**

Post-bid qualification (or 'post-evaluation qualification'), is used to determine whether a successful bidder has the resources, experience and qualifications required to satisfactorily perform a contract before a contract is awarded.

The 'post' aspect of the name refers to it being carried out after the evaluation process. This is in contrast to 'Pre-qualification' which is carried out before the bidding process and is covered by module G.

### **2. When is it used?**

Post-qualification is primarily used for the Open Tendering procurement method where no pre-qualification or short-listing was undertaken.

If pre-qualification was conducted, the lowest evaluated responsive bid should be recommended for the award of contract, unless, since the time of being pre-qualified:

- the bidder's qualifications, ownership or legal status have materially deteriorated;
- the bidder has received additional work that reduces its available capacity; or
- the bidder has been added to a debarred list of suppliers.

Where pre-qualification did not take place, the lowest evaluated responsive bid should be subjected to post-qualification, according to the procedures described in the bidding documents.

A decision on whether to use pre or post-qualification is generally made at the procurement planning stage and is often a time-based decision. Some factors to consider are shown below:

	<b><i>Advantages</i></b>	<b><i>Disadvantages</i></b>
<b><i>Pre-qualification</i></b>	<ul style="list-style-type: none"> <li>- assists short-listing</li> <li>- all shortlisted bidders meet minimum criteria therefore evaluation time is reduced</li> <li>- also saves time at contract award and placement stage as it can move ahead quickly without the need for lengthy post-qualification</li> </ul>	<ul style="list-style-type: none"> <li>- delays the initial issuance of tenders</li> </ul>
<b><i>Post-qualification</i></b>	<ul style="list-style-type: none"> <li>- tenders can be issued quickly without the need for a pre-qualification process</li> </ul>	<ul style="list-style-type: none"> <li>- evaluation may be undertaken on bidders which later turn out to be unsuitable</li> <li>- can create delays between contract award and placement stage whilst carried out</li> </ul>

Post-qualification will not normally be required under the Request for Quotations method, as contracts will be of relatively low value and complexity and quotations will be invited from known suppliers.

Post-qualification will also not normally be required under the Request for Proposals method, as the successful bidder's experience and staff are taken into account in the shortlisting or evaluation process.

### 3. Who does it?

Post-qualification will normally be conducted by the Evaluation Committee. [Where required, technical advice will be sought, normally from the member of staff who provided technical inputs to the evaluation].

### 4. What to do

**A:** The following are some generic instructions for undertaking post-qualification where no pre-qualification was carried out. National procurement systems may have their own variations on these points:

13. *Before bid issue, determine the post-qualification criteria<sup>10</sup>;*
14. *Identify the best evaluated bidder through the evaluation process;*
15. *Review the invitation document for details of the post-qualification criteria set and the evidence of post-qualification requested from bidders;*
16. *Examine the evidence submitted by the successful bidder and assess whether it meets the criteria. Seek clarifications or updated information from the bidder if required (where post-qualification requires a visit to the successful bidder, or any other checks which are likely to incur significant costs, obtain approval of the evaluation report before contract acceptance);*
17. *Where it is determined that best evaluated bidder is qualified, include this information in the evaluation report and proceed to complete the report, with the recommendation for award of contract;*
18. *If the contract is under IFAD prior-review, submit the evaluation report to IFAD;*
19. *Where the successful bidder is not considered qualified, conduct a post-qualification check on the bidder with the next lowest evaluated price and repeat this process as required until a qualified bidder is identified. Include the results of all post-qualification checks in the evaluation report, with reasons why any bidder was determined to be not qualified and a clear recommendation for contract award. Bidders must not be notified of their rejection at the post qualification stage prior to obtaining approval of the post-qualification results.*

**B:** Where pre-qualification was carried out, there are some minor aspects of re-confirmation to consider as outlines in point 2 above. In this case:

1. *Review the pre-qualification document for details of the post-qualification criteria set and the invitation document for updated information requested from bidders;*
2. *Examine the updated information submitted by the successful bidder and assess whether it still meets the original pre-qualification criteria. Seek clarifications or further updates from the bidder as required;*

<sup>10</sup> Criteria shall be based upon the capability and resources of the winning bidder to perform the particular contract satisfactorily, taking into account their (a) experience and past performance on similar contracts, (b) capabilities with respect to being able to supply or provide the goods, works or services needed, and (c) financial position. State minimum requirements to be met for purposes of assessment. References should be requested.

3. *Where the successful bidder is still qualified, include this confirmation in the evaluation report and proceed to complete the report, with the recommendation for award of contract;*
4. *If the contract is under IFAD prior-review, submit the evaluation report to IFAD;*
5. *Where the successful bidder is no longer qualified, verify the pre-qualification information of the bidder with the next lowest evaluated price and repeat this process as required until a qualified bidder is identified. Include the results of all checks on pre-qualified bidders in the evaluation report, with reasons why any bidder was determined to be no longer qualified and a clear recommendation for contract award. Bidders must not be rejected prior to obtaining approval of the post-qualification results.*

## Module L11: Cancelling procurement proceedings after bid opening

### ***Purpose of Module:***

This module provides a standard operating procedure for cancellation of procurement proceedings prior to award of contract.

Where there is a need to cancel a requirement after contract award, module N3 should be used.

### ***Applicability***

This module applies to all types of procurement. Note that where ICB is the method of procurement, then any World Bank procedures covering cancellation of procurement after bid opening, as set forth in their guidelines, will apply.

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### **1. Introduction**

The cancellation of procurement proceedings should be avoided, wherever possible, as it represents a waste of time and resources for both the procuring entity and the bidders. This is especially true after the tender has closed as a lot of resources have already been expended at this point.

Notwithstanding however, where there is a justified reason to do so, procurement proceedings may be cancelled at any stage prior to the award of a contract.

This information below provides good practice to ensure that any unavoidable cancellations are handled properly and in a manner which is fair to all bidders.

### **2. Step-by-Step Instructions**

Identify the need to cancel procurement proceedings and the grounds which may justify the cancellation.

The grounds for cancelling procurement proceedings must be approved by IFAD and where required, any national approvals authority, and could include:

- there is no longer any need for the procurement in question;
- the technical, contractual or other details have changed to such an extent that it is more appropriate to issue a new tender, than to modify the existing invitation document;
- the procurement requirement can be met by a substantially less expensive article;
- there is evidence of collusion among bidders;
- adequate funding is no longer available for the requirement;
- there is a lack of responsive tenders.

It is important that the cancellation is discussed and agreed with all relevant parties before the final decision is made.

Prepare a notice cancelling the procurement proceedings, which must be identical for all bidders who submitted tenders. This notice should normally state the grounds for cancellation, to avoid enquiries from numerous bidders. However, the notice does not have to justify the grounds for cancellation.

Promptly return any unopened tenders (including separately sealed financial proposals in the case of the Request for Proposals method) and any bid securities.



In the event that cancellation occurs after bid opening but before bid evaluation, inform the Evaluation Committee of the cancellation.

### **3. Documents/Records Required**

A record of the cancellation notice sent to all bidders, along with the approval of the cancellation from IFAD and where required, any national approvals authority, must be kept on the procurement file. The procurement file must also contain information on the decision to cancel the procurement proceedings, including the grounds for cancellation.

## Module M1: Letters of Tender Acceptance

### ***Purpose of Module:***

This module sets out the procedure for issuing a letter of tender acceptance to form a contract by accepting the tender or proposal of the successful bidder. It is of great importance that this procedure is handled properly and correctly, as the notice of acceptance is normally a contractually binding notice, which results in the entry into force of a contract.

It is important to note that this module provides the most commonly used procedure for sending notices of tender acceptance. If the national procurement system or invitation document states an alternative procedure for the notice or an alternative means of entry into force of the procurement contract, the terms of the invitation document will prevail over this module.

### ***Applicability:***

This module applies to goods, works, consulting and non consulting services.

### **1. Introduction**

Sending a notice of tender acceptance to the successful bidder provides a rapid means of forming a contract, rather than waiting while the complete contract document is prepared. This offers a number of potential benefits:

- the contract comes into force on an earlier date, meaning that delivery or mobilisation periods start sooner and overall contract completion should be achieved sooner;
- where the validity of a tender is due to expire shortly, it can be accepted quickly, before there is a need to request an extension to the validity, with the risk that the bidder is not prepared to extend the validity.

### **2. Basic process**

Where a notice of tender acceptance is deemed necessary it will be issued by the procuring entity after the approval of the appropriate approvals authority has been obtained.

In preparing the notice the procuring entity should:

1. Ensure that the approval of the decision to award the contract has been received in writing. The recommendation for a contract award is made in the evaluation report, so the written approval of that report must be received.
2. Obtain any other necessary approvals, including financial approval for commitment of the required funds.
3. Ensure that the successful bidder's tender is still valid and that any modifications to the tender have been confirmed in writing by the bidder.
4. Prepare the notice of tender acceptance – see below for guidance on contents.
5. Ensure that the notice is signed by the authorised signatory of the procuring entity.
6. Dispatch the notice to the successful bidder, keeping evidence of dispatch, such as proof of posting. The contract has now entered into force (unless otherwise stated in the invitation document, the tender is no longer valid or the notice of tender acceptance contains any provisions which are contrary to the tender i.e. a counter-offer).
7. Ensure the bidder's confirmation of receipt of the letter of tender acceptance is received.

### 3. Contents of the notice

The contents for the notice vary slightly depending on the nature of the procurement.

For goods, works and non-consultancy requirements as a minimum, the letter of tender acceptance should include:

- the name and address of the procuring entity, which is party to the contract;
- the name and address of the bidder/supplier;
- the date of the letter of tender acceptance;
- the reference number of the procurement transaction and a brief description of the goods, works or services procured;
- the date and any reference number of the bidder's tender;
- reference to any modifications to tender resulting from clarifications or corrections, and any items excluded from the contract or variations in quantity or any other detail;
- the currency and total contract price;
- the wording that *"the letter of bid acceptance constitutes a contract between the procuring entity and the bidder until such time as a formal contract is signed and the bidder shall sign a contract and provide any required performance security within a maximum of 14 days of the date of the letter of tender acceptance"*.

The letter should be signed by the authorised signatory of the procuring entity and should request that the bidder confirms receipt of the letter of tender acceptance and confirms that they are proceeding with contract performance.

For consultancy services the letter of tender acceptance should include:

- the name and address of the procuring entity, which is party to the contract;
- the name and address of the bidder/consultant;
- the date of the letter of tender acceptance;
- the reference number of the tender being accepted;
- the wording that *"the letter of tender acceptance constitutes a contract between the Procuring Entity and the bidder subject to the conclusion of satisfactory negotiations"*;
- the date and time of proposed negotiations.

The letter should be signed by the authorised signatory of the procuring entity and should request that the bidder confirms receipt of the letter of tender acceptance and confirms that they will attend the negotiations on the date and time specified in the notice.

### 4. Record keeping

A copy of the letter of tender acceptance, along with approval of appropriate approval authority to the letter, must be kept on the procurement file. Evidence of dispatch of the notice must also be kept on the procurement file; this is of critical importance as the contract enters into force when the notice is dispatched.

## Module M2: Negotiation for Consultancy Services

### ***Purpose of Module Sheet:***

This Desk Instruction provides guidance on when negotiations are permitted, what areas may be subject to negotiations and the procedure for holding negotiations with a consultant.

### ***Applicability:***

This module applies only to procurement of consultancy services.

### **1. Introduction**

The purpose of negotiations is to discuss and finalise certain details of a contract with the successful bidder, prior to contract placement. Negotiations should lead to a contract which is acceptable to both parties and therefore reduce the likelihood of disputes or the need for contract amendments.

Negotiations are not held with the intention of making substantial changes to a contract or of obtaining price reductions from the successful bidder. The only exceptions are:

- where the single sourcing/direct contracting method of procurement has been used; or
- where price has not been a factor in the bid evaluation process (i.e. quality based selection<sup>11</sup>).

### **2. The negotiation team**

The negotiation team has the overall responsibility for conducting negotiations and making recommendations on the results of the negotiations for approval. However, negotiations should always be conducted by a minimum of three people, who will include staff with technical knowledge of the services being procured and who are able to represent the needs of the end user.

Negotiations should normally be managed by an experienced member of the team, although additional procurement staff with greater experience or particular skills may also be involved. That member of staff will then be responsible for coordinating inputs from other staff, ensuring that the negotiations are conducted in accordance with all applicable rules and procedures and preparing minutes of the negotiations and recommendations for the appropriate approval authority.

Where it offers benefits of continuity or significantly reduces the amount of preparation work required, staff who contributed to the evaluation should be used, as they will already be familiar with the requirements of the procuring entity, as defined in the invitation document, the contents of the successful tender, the reasons why negotiations were recommended, the areas requiring negotiations and the objectives of those negotiations. The appropriate number and type of staff will depend on the type, value and complexity of the procurement, the areas which require negotiations and the extent of the negotiations.

In identifying staff to be involved with negotiations, procuring entity must consider the type of skills, knowledge or experience needed, which might include:

- procurement and contracting skills, including experience of negotiations;
- technical knowledge;

<sup>11</sup> See module H3.

- legal expertise;
- representation by the end user.

It is important that members of the appropriate approvals authority are not involved in conducting negotiations, but only in approving the results and recommendations, so that they do not end up reviewing and approving their own work.

### **3. Areas which may be subject to negotiations**

Except as provided for in section 1 above, negotiations may not relate to the price or substance of tenders or proposals, but only to minor technical, contractual or logistical details. As guidance only, negotiations may normally relate to the following areas:

- minor alterations to technical details, such as the terms of reference, proposal assignment methodology or staffing;
- minor amendments to the Special Conditions of Contract;
- mobilisation arrangements;
- inputs required from the procuring entity;
- finalising the payment arrangements;
- agreeing final completion schedules to accommodate any changes required by the procuring entity;
- clarifying details that were not apparent or could not be finalised at the time of tendering;
- the bidder's tax liability.

Negotiations must not be used to:

- substantially change the technical quality or details of the proposal, including the tasks or responsibilities of the bidder;
- materially alter the terms and conditions of contract stated in the invitation document;
- reduce fee rates (see above) or reimbursable costs except where changes are required to reflect any agreed changes to the technical proposal; or
- substantially alter anything which formed a crucial or deciding factor in the evaluation of the tenders or proposals.

The bidder should not be allowed to substitute key staff, unless the procuring entity and the bidder agree that delays in the procurement process, changes in the terms of reference or other circumstances beyond its reasonable control make it necessary and unavoidable.

### **4. The negotiation process**

The Evaluation Committee will have made recommendations in the evaluation report, as to whether negotiations are required and the issues to be negotiated. The recommendation to negotiate should be approved by the appropriate approvals authority before any preparations are made.

Following approval to proceed to negotiate:

1. The procuring entity must nominate a negotiating team to manage the negotiations – see notes above for assistance in selecting staff;
2. The successful bidder should be invited for negotiations, proposing the time, date and location for negotiations. The invitation letter may state that the bidder's tender has been evaluated as the successful tender, but it is important that no contractual commitment is

made to the bidder at this stage (i.e. the letter must not make any reference to the tender being accepted or a contract being awarded);

3. The negotiators should prepare by reviewing the invitation document, the tender from the successful bidder and the evaluation report to identify areas where negotiations are required. For each area, the procuring entity should identify and quantify the objectives which it wishes to achieve from the negotiations, and where possible set maximum and minimum negotiating parameters;
4. When holding the negotiations with the successful bidder it is important that the negotiators do not commit the procuring entity to any arrangements or agreements during the negotiations;
5. It is important that a record of what is agreed during negotiations is signed by the bidder upon completion of the negotiations;
6. Prepare a record of the negotiations and make recommendations on how to proceed;
7. Seek the approval for the recommendations and proceed as appropriate. Where the recommendation is for further negotiations with the successful bidder or negotiations with the next bidder, repeat this process from step 2 onwards.

Following negotiations, the recommendations made to the appropriate approval authority may include:

1. proceed with contract award to the successful tenderer, incorporating the revisions agreed during negotiations;
2. revise the objectives of the negotiations and negotiate further on specified areas;
3. terminate the negotiations, where they have failed to result in an acceptable contract, reject the bidder and award the contract or hold negotiations with the next best ranked tenderer;
4. cancel the procurement proceedings, where it is believed that the original invitation document was flawed, the need has changed or the budget is insufficient for the requirement (see module L11).

The results of any negotiations, and the resulting recommendations, must be approved at the appropriate level within the procuring entity before any contract award or other commitment is made to any bidder.

## **5. Records**

A record of any negotiations must be completed and kept on the procurement file with the procuring entity. At a minimum, this record should include:

- the name of the tenderer with whom negotiations were held and the names of the tenderer's representatives;
- the names of all Procuring Entity staff involved in the negotiations;
- the time, date and location of the negotiations;
- the areas subject to negotiation and the main points or requests made on each side;
- the final agreement reached on each area of negotiation;
- any points where agreement was not reached or further discussion is required.

The record of the negotiations must be signed by all participating staff of the procuring entity involved in the negotiations, and the representative of the bidder.

Any other correspondence or information relating to the negotiations must also be kept on the procurement file, including letters inviting the bidder to negotiate and the procuring entity's preparation of its negotiating position.

## Module M3: Preparing and Issuing Contract Documents

### ***Purpose of Module:***

This module provides guidance on the preparation of contract documents, obtaining approval and issuing the contract documents.

### ***Applicability:***

This module applies to goods, works, consulting and non consulting services.

### **1. Introduction**

The contract document confirms in writing the contract which has been agreed and formed between the procuring entity and the supplier, contractor or consultant. It defines the goods, works or services to be provided, the price to be paid for the goods, works or services and establishes the rights and obligations of each party. The contract is the governing document for administration of the contract.

It is therefore important that the contract document is prepared clearly, correctly and with attention to detail as any mistakes or ambiguities will impede effective implementation of the contract.

The procuring entity is responsible for the preparation of contract documents getting the approved contract document signed and issuing the document.

### **2. Content of contract document**

The contents of the contract document will depend on the sample contract included in the bidding document. The contents of a contract and the order of precedence are normally listed in the contract form or special conditions of contract. As guidance only, contract documents normally consist of the following:

- The General Conditions Of Contract - a statement of the General Conditions that will apply;
- The Special Conditions Of Contract;
- A statement that the special condition of contract prevail over the general conditions of contract and the order of priority of other contract documents;
- A clear description of the goods, works or services purchased in the contract, including the technical requirements, quantity and delivery or completion schedule, based on the statement of requirements included in the invitation document and the supplier's tender subject to any modifications agreed;
- The total contract price and, if applicable, the conditions applicable to varying, adjusting, modifying or recalculating the actual price payable;
- The payment conditions, including the payment period, schedule currency and documentation required;
- Any requirement for performance securities;
- The procedure agreed for dispute settlement.

### **3. Preparation of the Contract Document**

In order to "create" the actual contract document the following steps are usually necessary:

1. Ensure that all necessary approvals to proceed to contract have been obtained.
2. Ensure that the bid being accepted is still within validity.



3. Collect copies of all the documents which will form part of the contract document.
4. Assemble the complete contract document, by including all necessary documents in the correct order. Ensure that the contract does not include any new terms or conditions which were not included in the bidding document or have been subsequently discussed and agreed with the bidder. It is the responsibility of the authorising officer signing the contract to ensure the contract is in line with the approved evaluation report recommendation.
5. Make the required number of copies of the approved contract and bind or secure the pages in such a way that pages cannot be replaced or lost. The number of copies required must be at least two – one for the supplier and one for the procuring entity. (Good practise suggests that once the two copies are signed by the procuring entity one photocopy is made of the contract document, so that there is a record of the two document copies that were sent to the bidder. This is retained on file until one signed copy is countersigned and returned by the bidder).
6. The authorised signatory for the procuring entity should sign all copies of the contract.
7. Send all copies of the contract to the supplier, with a covering letter instructing the supplier to counter-sign all copies, retain one for its records and return all other signed copies to the procuring entity.

The original signed contract document returned by the supplier must be kept in a secure location, with a copy kept on the procurement file for reference.

## Module M4: Rejection of Tenders and Debriefing Unsuccessful Bidders

### ***Purpose of Module:***

This module gives general guidance for notifying unsuccessful bidders that they have not won a contract.

It also provides guidance on debriefing unsuccessful bidders, where a request is received.

### ***Applicability:***

This module applies to goods, works, consulting and non consulting services.

### **1. Introduction**

The publication of contract award information for higher value contracts increases the transparency of public procurement.

It is important that unsuccessful bidders are notified that they have not been awarded a contract, as soon as possible after the entry into force of the contract, and that they are provided with information on why they failed to win, if they request it. This practice of notifying and debriefing unsuccessful bidders has a number of benefits:

- open communication should encourage unsuccessful bidders to submit tenders again for future opportunities and assist them in submitting more responsive or competitive tenders. This contributes to greater competition, which should result in increased value for money for the procuring entity;
- it provides unsuccessful bidders with a fair opportunity to appeal, under the prevailing administrative review procedures, if they feel that the procurement has not been properly conducted. As applications for administrative review usually have to be submitted within a specified time of the bidder becoming aware of the circumstances giving rise to the complaint, this official notification provides a definite start point for the time period, reducing the likelihood of applications being made long after the decision that is being appealed.

### **2. Issuing the unsuccessful bid letter**

The standard process for issuing the unsuccessful bid letter is:

1. Ensure that the contract has entered into force with the successful bidder and that any required performance security has been received.
2. Prepare a standard letter to notify unsuccessful bidders of the contract award. This letter should state the name of the winning bidder and the contract price;
3. Send a copy of the letter to each unsuccessful bidder.
4. Where a request for a debrief is received from an unsuccessful bidder, prepare and send a debrief letter, within seven days of receipt of the request.

### **3. Content of debriefing letters**

Where an unsuccessful bidder has requested a more detailed debrief regarding their bid the procuring entity can issue a debrief letter. Debrief letters should contain sufficient detail to provide the unsuccessful bidder with an explanation of why the contract was not awarded to them, without providing excessive details or taking too much time to prepare.

Debrief letters must be prepared individually for each unsuccessful bidder as they should not disclose information on other tenders, with the exception of the limited information on the successful tender.

The debrief letter should state which stage of the evaluation the tender was rejected at i.e. preliminary review, detailed evaluation or financial evaluation.

### **2.1 Where a tender was rejected during the preliminary review**

The letter should give a brief statement of the reason or reasons for rejection. For example:

- *your tender security was not issued by an acceptable institution;*
- *your tender was not signed and authorised; or*
- *your tender was not valid for the required period.*

### **2.2 Where a tender for goods, works or non consulting services was rejected during the detailed evaluation**

The letter should give a brief statement on how it failed to meet the technical specification or standard required or how it was commercially unacceptable. For example:

- *your tender did not meet the required specification, as the engine size was too small;*
- *your tender did not meet the required specification, as the processor speed was too slow;*
- *your proposed payment terms did not comply with the conditions stated in the invitation document and were not acceptable to the evaluation committee; or*
- *your supervisory staff did not have appropriate qualifications or sufficient experience for the contract.*

### **2.3 Where a proposal for consultancy services evaluated using QCBS or LCS was rejected during the detailed technical evaluation**

The letter should state that the proposal failed to reach the minimum qualifying score and provide a brief statement on the main weaknesses of the proposal. For example:

- *the key personnel included in your proposal did not have sufficient experience of this type of work or of work in the conditions prevailing in (country or southern region);*
- *your team leader did not have sufficient management experience or experience of working at this level; or*
- *your methodology didn't address the capacity building component of the terms of reference adequately or would not achieve sufficient transfer of knowledge.*

### **2.4 Where a tender was rejected during the financial evaluation**

The letter should state:

- *for goods, works or non consulting services, that the tenderer did not submit the lowest priced, responsive tender;*
- *for consultancy services evaluated using QCBS, that the tenderer did not submit the proposal offering the best overall combination of quality and price;*
- *for consultancy services evaluated using LCS, that the tenderer did not submit the lowest priced proposal, which reached the minimum qualifying score.*

The price of the contract will already have been provided in the letter notifying the unsuccessful bidder and, for consultancy services, the technical scores and prices will have been read out at

the financial opening. However, the procuring entity may repeat these details in the debrief letter, for the sake of completeness.

No further debate or discussion should be entered into with the bidder once the debrief letter has been issued.

## Module M5: Contract Placement, Effectiveness and Commencement

### ***Purpose of Module:***

This module provides a general procedure for the commencement of a contract, following the issue of a contract document or purchase order.

### ***Applicability:***

This module applies to goods, works, consulting and non consulting services.

### **1. Introduction**

Following an award of contract, there are usually three important stages:

- contract placement (covered by module M3);
- contract effectiveness;
- contract commencement.

It is important that once a contract is awarded, any necessary conditions are put in place to enable the obligations and duties of the contracted parties to perform.

### **2. What is Contract Effectiveness?**

Within many contracts it is not unusual for there to be conditions to be met before the contract becomes effective.

One of the most common being the provision of an advance payment. It is good practice for an advance payment to be made by a procuring entity only upon receipt of an advance payment guarantee. The provision of an advance payment would normally be a condition for effectiveness and therefore the provision of an advance payment guarantee would similarly be a condition for effectiveness.

Additionally, the provision of a performance guarantee by the Supplier or contractor would also be a condition for effectiveness. Similarly, another condition for effectiveness could be the establishment of a letter of credit.

There may be other conditions for effectiveness and these would be detailed in the contract conditions (as indicated in the original invitation document) but the ones referred to above are the most common.

Conditions for effectiveness are therefore conditions that need to be met to enable either or both parties of the contract to proceed with the contract.

### **3. What is Contract Commencement?**

Contract commencement is often the date or the period from contract effectiveness that the contract is regarded as commencing from. For civil works and consultancy assignments this also linked to the mobilisation period but its importance is to set a timescale for the contract to commence its primary activities or duties for which the contract is placed. As an example:

<i>Award of contract:</i>	<i>1 February</i>
<i>Contract placement:</i>	<i>14 February [accomplished within 2 weeks]</i>

<i>Contract effectiveness</i>	<i>10 March [3½ weeks to receive advance payment Guarantee and make advance payment]</i>
<i>Contract mobilisation:</i>	<i>24 March [2 weeks later]</i>
<i>Contract commencement:</i>	<i>24 March [Consultant team ready to commence activities]</i>

The above example represents a reasonable timescale to establish a large consulting service contract. Many of the timescales could be reduced should the relationship between the procuring entity and the consulting firm be closer.

It is not unreasonable to set period deadlines in a contract for effectiveness, mobilisation and commencement as targets to be accomplished by the contractor/consultant.

### **3.1 Contract mobilisation**

In consulting services and works contracts, there is often a period of mobilisation following on from contract effectiveness. This represents a period from contracts effectiveness to actually commencing the primary duties or purpose of the contract. For consulting services the mobilisation would cover the marshalling of the nominated a team of consultants together, organising and arranging their movement to the country of assignment and establishing themselves as an operating unit in country prior to commencing the work they are selected for. For works contracts this would be the time from contract effectiveness, to arrange and organise the resources necessary for the works to commence in terms of specialists, work teams and equipment to site. Mobilisation for goods contracts is rarely a common feature.

## **4. Basic process**

1. Ensure that the contract has been awarded correctly and in accordance with the procedure stated in the invitation document.
2. Ensure that a signed copy of the contract or confirmation of the order is received from the supplier and that contract placement has been correctly completed.
3. Ensure that any conditions for effectiveness are met or at least initiated by the procuring entity (required performance security or advance payment security is received from the supplier).
4. Ensure that the procuring entity meets any immediate conditions of effectiveness, (such as payment of an advance payment, opening of a letter of credit or assistance with obtaining visas for the supplier's foreign staff, etc).
5. Address any mobilisation issues for the supplier/contractor or consultants (such as providing access to a works site, readiness of an office for consultants/contractors, preparation of letters of introduction for government departments party to a study/survey etc).
6. Prepare any other matters that may be necessary for the commencement of actual contract duties and that will enable the supplier/contractor or consultant to complete their deliverables.

All documents relating to the contract award, placement, effectiveness and, where applicable, mobilisation should be recorded in the procurement file with the procuring entity.

## Module N1: Contract Management<sup>12</sup>

### ***Purpose of Module:***

This module provides a general procedure for managing/administering contracts, following the issue of a contract document or purchase order.

Contract administration procedures are largely determined by the terms and conditions of each individual contract and the description of requirements for the goods, works or services. Therefore, this module provides general rules and principles only and staff must be guided by the contents of each contract.

### ***Applicability:***

Good contract management is necessary for all contracts therefore the advice contained in this module applies equally to goods, works, consulting and non consulting services.

## **1. Introduction**

Effective contract administration is critical to successful contract implementation and meeting the objectives of the procurement requirement. Contract administration procedures are designed to ensure that:

- the supplier performs the contract in accordance with the terms and conditions specified in the contract;
- the procuring entity fulfils its obligations and duties under the contract; and
- swift remedial or preventative action is taken when problems arise or are foreseen.

The procuring entity has the overall responsibility for contract management, but will draw on other resources, such as technical expertise, payment services, legal services and supply management systems, as required. Where such other services and systems are used, the procuring entity will remain responsible for monitoring their performance and ensuring that their activities, in relation to the contract, are completed on time and in accordance with procurement rules. Day-to-day contract management/administration will often be assigned to an end user or technical expert.

## **2. Contract Management functions**

### ***2.1 Establish contract management responsibility***

The procuring entity will always retain overall responsibility for contract management but not necessarily the day-to-day functional activity which can often be undertaken from outside the procuring entity if deemed to be appropriate.

For example, the procuring entity will normally retain control of contract amendments, payments and dispute resolution, but may allocate day-to-day liaison with the supplier, contractor or consultant to the end user.

When considering the most appropriate person or team to manage/administer the contract the procuring entity should take into account:

- whether supervision needs to be conducted by a person with appropriate technical skills, such as for construction contracts or the installation of complex plant and machinery. If so, contract administration is best allocated to the end user or an external consultant;

<sup>12</sup> The terms 'management' and 'administration' are used interchangeably in this module and have the same meaning.

- where contract administration is likely to be time-consuming or require skills not available within the procuring entity, an external contract administrator should be appointed, such as a project manager for a major construction contract;
- where goods are to be delivered directly to the end user, contract administration is best allocated to either the end user or procurement staff;
- where a consultant is required to work with the end user in conducting a study, providing advice or building capacity, contract administration is best allocated to the end user and particular counterpart staff may need to be designated to work with the consultant.

Where services are provided in support of the general management or administration of the procuring entity, contract administration is best allocated to the member of staff responsible for that function.

## **2.2 *Manage contract start-up issues***

The nominated Contracts Manager or Contracts Management Team should:

- carry out a review of the contract to assimilate the details of the requirements and the program for fulfilling them;
  - o ensure that a signed copy of the contract is received from the supplier, contractor or consultant;
  - o ensure that any required performance security or advance payment security is received from the supplier, contractor or consultant;
  - o ensure that the procuring entity meets any immediate obligations, such as payment of an advance payment, opening of a letter of credit or assistance with obtaining visas for the supplier's foreign staff;
  - o for larger contracts, prepare a contract implementation plan, showing key milestones, such as dates for mobilisation, deliveries or completion of certain deliverables or sections of work, and the procuring entity's obligations, such as providing access to a works site, payment or approval of reports.

The contract implementation plan is a key management tool to ensuring that the contract is performed as intended and within the obligations undertaken in the contract by both parties. It enables the Contract Manager to formulate an expediting plan for the contract to proactively ensure that deliverables are received on time.

## **2.3 *Monitor implementation***

The task of contract monitoring is to ensure that both parties to the contract perform in accordance with that contract and to take action as required to address any problems or delays, whether actual or anticipated.

For goods contracts, this goods focuses on ensuring that goods are delivered on time, that the goods are acceptable to the procuring entity, in terms of quantity, quality and supporting documentation, and that the procuring entity meets its obligations to pay for the goods delivered.

Contracts administration for works is often complex and time-consuming, as it involves supervision of the progress of the works, ordering variations where unforeseen conditions are encountered and measuring the work completed for payment purposes. For major contracts, the procuring entity will normally use a full-time supervising engineer or project manager, who will exercise control and supervision of the contract on behalf of the procuring entity.



When managing services contracts, the focus is on ensuring that services are delivered on time and to an acceptable quality. This can be difficult, as the quality of services, particularly consultancy services, can be subjective and difficult to measure. A good working relationship with the consultant and ongoing monitoring of services is therefore important, to ensure successful contract performance. The procuring entity must also ensure that it meets its obligations, particularly where the performance of consultancy services is dependent on certain inputs or information from the procuring entity or where staff must be made available to benefit from capacity building initiatives.

Specific tasks for these three types of contract follow as annexes A, B and C to this module.

## **2.4 Claims management**

Claims can occur in any type of contract and for many reasons. The most common types of claims made are in respect of:

- **Short supply or over supply claims:** which result from discrepancies between the statement from suppliers attesting to the contents of a consignment and that which is found in the consignment on arrival. These differences can be less than (short supply) or greater than (over supply) than the contract and/or delivery documentation stated.
- **Warranty claims:** these are dependant on the provisions of the warranty or guarantee clause in the contract. Generally a warranty clause seeks to protect against faulty materials and/or workmanship and such defects typically only become apparent during the use of the goods or after construction of works. Warranty claims are therefore made against the supplier, manufacturer or contractor to remedy the fault.
- **Insurance claims** are claims against the insurance policy for the loss of or damage to items received.

The action in respect of any one claim will need to be considered on their individual merits but in general the following tasks will need to be undertaken:

- **Identification of a cause for a claim:** Upon receipt of all deficiency/discrepancy reports, the procuring entity will need to identify whether there is a claim to be made. The claim will need to be categorized (as insurance, or short supply as it is unlikely that these reports will reveal any warranty defects). The reports will need to be further examined and reviewed or discussed with the end user prior to a claim being made to the party involved.
- **Lodging of a claim:** Where the claim is felt to be an insurance claim, suitable action will need to be taken with the local insurance agent providing details of the claim and facts supporting the claim.
- Where the claim is felt to be a short or over supply by the supplier, a communication will need to be sent to the supplier providing the facts relating to the short supply and requesting their suggested remedies.
- Where the claim is felt to be a warranty claim a communication will need to be sent to the supplier providing the facts relating to the alleged warranty claim requesting their suggested remedies.
- **Resolution of claim** A majority of suppliers will respond to claims made where clearly the error is theirs. The resolution of each claim will depend upon the accuracy and strength of the facts and the completeness of the technical specification detailed in the contract.

The successful settlement of claims may be the result of negotiation depending on the reason or origin for the discrepancy or deficiency. Suppliers will usually make good attributable errors on

their part and the expectation would be the procuring entity will in certain cases need to recognize their own failings if they could in some way be partially responsible.

Where amicable settlements cannot be reached, more formal dispute resolution remedies may need to be invoked as outlined in Module O.

### **2.5 Contract amendments**

Where contract amendments are required at any stage, see module N2 for further details.

### **2.6 Contract completion**

Module N3 provides guidance on contract completion issues.

## **3. Documents/Records Required:**

All correspondence and documentation relating to contract administration must be kept on the procurement file. In particular, records are required of:

- all invoices and other payment documents;
- all documentation relating to contract performance, such as delivery notes, progress reports and other deliverables;
- all contract variations;
- all contract amendments;
- all documents relating to claims under the contract, including warranty claims;
- all documents relating to contract disputes and dispute resolution.

## **Annex A: Contract Administration tasks for Goods**

For goods contracts, the tasks typically required by the contract administrator are:

- ensuring that the actual dates when deliveries are due are agreed with the supplier, based on the date of contract effectiveness;
- expediting during the delivery period, to ensure that manufacturing, freight-forwarding and deliveries are proceeding on schedule;
- ensuring that all deliveries, targets or deliverables are completed by the supplier. Maintaining a Contracts Delivery Record is a good way to control and monitor the contracts deliverables;
- witnessing tests or approving samples, where required;
- arranging collection, freight-forwarding, customs clearance or delivery, where the procuring entity is responsible for any of these tasks;
- arranging for receipt and inspection of the goods;
- checking all documentation relating to the goods, such as delivery notes, and ensure that documentation is correct before signing;
- recording any missing, damaged or incorrect items and initiating claims against insurance policies or the supplier;
- reporting any contractual problems or requests for contract amendments to the procuring entity;
- checking invoices and supporting documentation for payment are correct and arranging payment;
- managing any securities, such as performance or payment securities, by ensuring that they are kept securely, ensuring that extensions to their validity are obtained in good time, when required, reducing their value, when required and releasing them promptly, when all obligations have been fulfilled;
- ensuring all documentation and information relating to warranties and warranty claims are in good order;
- ensuring that assets are registered and labelled, where required;
- ensuring all user guides, manuals, licences etc are kept with the goods or in an appropriate place; and
- ensuring goods are recorded in the procuring entity's asset records and issued to the end user in accordance with any national or institutional stores and supply management procedures which may be applicable.

## **Annex B – Contract Administration tasks for Works**

Where a project manager is used, the procuring entity must:

- ensure that the role of the project manager is clearly defined, in particular his powers to issue contract variations, which result in changes to the overall cost, completion date, quality and design of the works and to settle disputes;
- establish arrangements for keeping the procuring entity informed of contract progress, variations issued and any disputes; and
- designate a contract administrator within the procuring entity, who will be the contact point for the project manager.

This contract administrator is typically responsible for:

- ensuring that the actual mobilisation and completion dates are agreed with the supplier, based on the date of contract effectiveness;
- monitoring the overall progress of the works and the performance of the project manager;
- referring any requests for contract variations, which are outside the authority of the project manager, to the designated authority, for approval;
- reporting any contractual problems or requests for contract amendments to the procuring entity;
- checking invoices and supporting documentation for payment are correct and arranging payment;
- managing any securities, such as performance or payment securities, by ensuring that they are kept securely, ensuring that extensions to their validity are obtained in good time, when required, reducing their value, when required and releasing them promptly, when all obligations have been fulfilled;
- ensuring all final acceptance and hand-over arrangements are completed and documented satisfactorily; and
- ensuring all final drawings, manuals etc are received and kept in an appropriate place.

## **Annex C: Contract Administration tasks for Services**

For services contracts, the contract administrator is typically responsible for:

- ensuring that the actual dates for mobilisation, key milestones or deliverables and completion are agreed with the supplier, based on the date of contract effectiveness;
- monitoring contract performance to ensure that levels of service are maintained and that deliverables are submitted or completed on time;
- ensuring that all required reports are submitted on time;
- ensuring that, where required, the procuring entity provides written comments or approvals to deliverables or reports in a timely manner;
- ensuring that any resources, assistance or counterpart staff to be provided by the procuring entity are made available at the appropriate time;
- checking invoices and supporting documentation for payment are correct and arranging payment;
- managing any securities, such as performance or payment securities, by ensuring that they are kept securely, ensuring that extensions to their validity are obtained in good time, when required, reducing their value, when required and releasing them promptly, when all obligations have been fulfilled;
- notifying the service provider in writing of any failings in performance or failure to meet targets; and
- ensuring all reports or deliverables are kept in an appropriate place and circulated or implemented as required.

## Module N2: Contract Amendments

### ***Purpose of Module:***

This module provides general guidance for amending a contract, when required, during the period of performance of the contract.

### ***Applicability:***

The advice contained in this module applies equally to contracts for goods, works, consulting and non consulting services.

### **1. Introduction**

Ideally, a contract which has been placed should not need any amendment, but sometimes it is necessary to make changes to the terms and conditions of a contract or the description of requirements. Contract amendments provide a formal, legal way of amending a contract and of ensuring that both parties have agreed to the changes.

The procuring entity is responsible for preparing all contract amendments and obtaining the approval of the appropriate approvals authority and, in the case of prior review, IFAD.

### **2. Basic instructions**

1. Identify the need for a contract amendment – this will normally be done by the contract manager/administrator. A contract amendment is required where there is a need to change any terms or conditions of the contract e.g. the delivery or completion period, the technical description of the goods, works or services, the quantity of an item purchased, the price etc.
2. Provide full details on the amendment required to the procuring entity.
3. The procuring entity should discuss the amendment with the supplier, if required.
4. Prepare the contract amendment. The contents of a contract amendment will be determined by the reason for the amendment and the term or condition which is being amended. However, all contract amendments should include at least the following details:
  - the procurement reference number and date of the contract which is being amended and a brief description of the subject of the contract;
  - the number of the contract amendment i.e. "Contract Amendment No 1, 2, 3";
  - the date of the contract amendment;
  - a clear statement of the part of the contract which is being amended, including relevant clause or annex numbers;
  - a clear statement of how the contract is amended e.g. "the completion period is hereby extended by one week, to give a revised completion period of thirteen weeks" or "the quantity for item 3 is hereby increased by two (2) to give a revised quantity of five (5)";
  - where the contract price is being amended, a clear statement of the amount by which the contract is increased or decreased and the revised total contract price i.e. "the contract price is hereby increased by a sum of \$5,000, giving a revised total contract price of \$135,000";

- a statement that all other terms and conditions of the contract remain unchanged; and
  - a request to the supplier, contractor or consultant that they acknowledge their acceptance of the amendment;
  - A suggested draft Contract Amendment is attached for information.
5. Obtain the approval of the appropriate approvals authority to the contract amendment.
  6. Obtain any other necessary approvals, including financial approval for the commitment of any additional funds.
  7. Make the required number of copies of the approved contract amendment. The number of copies required must be at least two – one for the supplier and one for the procuring entity.
  8. The authorised signatory for the procuring entity should sign all copies of the contract amendment.
  9. Send all copies of the contract amendment to the supplier, with a covering letter instructing the supplier to counter-sign all copies, retain one for his records and return all other signed copy to the procuring entity.

### **3. Documents/Records Required:**

A copy of all contract amendments, signed by both parties, along with the approval of the appropriate approvals authority for each amendment, must be kept on the procurement file.

\*\*\* **Suggested draft Contract Amendment template** \*\*\***Contract Amendment Number 1****Date of Amendment:** .....**Subject:** .....**Procurement Reference:** .....

We refer to the above referenced contract between *[name of supplier/contractor/consultant]* and the Government of ..... dated ..... the for the *[supply/construction/provision]* of *[enter the subject of the contract]* and hereby issue the following amendment:

*[Enter details of the amendment here – an example follows]*

*The following items are to be added to the contract as new items:*

<b>New item</b>	<b>Description</b>	<b>Qty</b>	<b>Unit price £</b>	<b>Total price £</b>
25	Sewerage pumps (specification same as item 15)	1	74,000.00	74,000.00
26	Couplings, pipes and fittings (specification same as item 16)	set	12,000.00	12,000.00
27	Spares and consumables (specification same as item 17)	set	3,500.00	3,500.00
	<b>Total</b>			<b>89,500.00</b>

The total contract price is hereby *[increased/decreased]* by *[enter the amount of the increase/decrease in contract value]* thereby *[increasing/decreasing]* the total contract price from the existing amount of *[insert contract price prior to the amendment]* to a new figure of *[state new contract price]* *[include Incoterms if a goods contract]*

All other terms and conditions of contract remain unchanged.

You are requested to please sign and return one copy of this amendment as your acknowledgement of this amendment.

Your faithfully:

Agreed on behalf of (the Supplier)

.....  
 Authorised signatory for the

.....

.....  
 Authorised signatory for and on behalf of (the Supplier)



## Module N3: Contract Completion

### ***Purpose of Module:***

This module provides a brief general outline for completing a contract and closing the procurement file, once all contractual obligations of both parties have been fulfilled.

### ***Applicability:***

The advice contained in this module applies equally to goods, works, consulting and non consulting services.

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### **1. Introduction**

It is important that contracts are formally reviewed and the procurement file closed, once all contract activities and obligations have been completed. It is necessary to ensure that the contract has in fact been completed and that no outstanding deliverable, claims, payments, retentions or warranties are overlooked.

### **2. Basic instructions**

The Contracts Manager, in conjunction with the designated contract administrator, is responsible for completing contracts and closing the procurement file.

Before closing a procurement file, the Contracts Manager or Contract Administrator should check that:

- all goods have been delivered, works completed and handed-over, services performed and contract deliverables received;
- there are no warranties or guarantees still in place;
- there are no outstanding claims for missing or damaged items against either the supplier or an insurance company;
- all necessary payments have been made;
- the total payment total is correct, taking into account any contract amendments, variations, price variations and the amortisation of any advance payment;
- all guarantees and securities have been returned;
- all necessary documentation is in place and correct; and
- the overall performance of the contract has been reviewed and any serious failings have been identified and resolved.

### **3. Retention of documents**

The procuring entity is required to retain all records relating to a contract for purposes of audit for the period defined in the IFAD General Conditions for Agricultural Development Financing.

## Module N4: Contracts Termination

### ***Purpose of Module:***

This module provides a general procedure for terminating a contract, after it has been awarded.

Where a procurement requirement needs to be cancelled prior to contract award, module L11 will apply.

### ***Applicability:***

The advice contained in this module applies equally to goods, works, consulting and non consulting services.

### **1. Introduction**

As a general rule contracts should not be terminated unless it cannot be avoided. Termination should be seen as a 'last resort' although sometimes it is necessary and unavoidable:

- to avoid or minimise further loss to the procuring entity or poor performance by the supplier;
- where contract performance has become impossible; or
- where a supplier is no longer qualified or has engaged in corrupt practices.

The procuring entity is responsible for terminating contracts, subject to the approval to terminate by the appropriate approvals authority.

### **2. Typical Grounds for Termination**

The grounds for termination of a contract will depend on the terms and conditions of the individual contract concerned. The following notes provide guidance on typical grounds for termination of a contract, but it is essential that the procuring entity is guided by the contract document itself:

- **Termination for convenience:** most contracts include a condition which enables the procuring entity to terminate the contract for its own convenience, without there having been any default by the supplier. Where the procuring entity terminates for its own convenience, it must make payment for all goods, works or services satisfactorily completed prior to termination and any other expenses incurred by the supplier.
- **Termination for default:** most contracts include a condition which enables the procuring entity to terminate the contract, where the supplier has failed to perform its obligations under the contract or to comply with an agreement reached through arbitration or other dispute resolution mechanism. The contract will often specify a procedure by which the procuring entity must formally notify the supplier of the default and give them time to correct the default, before actually terminating the contract. Where the procuring entity terminates because of the supplier defaulting, it is normally permitted to procure the goods, works or services from another source and charge the original supplier for any additional costs incurred.
- **Termination for corrupt practices:** most contracts include a condition which enables the procuring entity to terminate the contract, where the supplier has engaged in corrupt or fraudulent practices in competing for or implementing the contract. As with termination for default, the procuring entity is normally permitted to procure the goods, works or services from another source and charge the original supplier for any additional costs incurred.

- **Termination for insolvency:** most contracts include a condition which enables the procuring entity to terminate the contract, where the supplier has become bankrupt or insolvent. In such cases, there is normally no compensation to the supplier.
- **Termination for force majeure:** most contracts include a condition which enables the procuring entity to terminate the contract, where the supplier has been unable to perform the contract for a specified period of time, due to an event of force majeure. In such cases, the procuring entity must normally make payment for all goods, works or services satisfactorily completed prior to termination and any other expenses incurred by the supplier.

The procuring entity should note that a contract will also give the supplier grounds for termination, which normally include failure by the procuring entity to make payments which are overdue by a specified period of time, force majeure or failure of the procuring entity to comply with an agreement reached through arbitration or other dispute resolution mechanism.

### **3. *Basis steps***

The following are basic steps to be taken when considering termination:

1. Check the contract or order document, to confirm the conditions of contract relating to termination. Identify which of the grounds for termination will be used and ensure that the procuring entity has sufficient justification for using the selected grounds. Seek legal advice prior to proceeding.
2. Estimate the cost, if any, which will be due to the supplier following termination.
3. Prepare a formal notice, clearly terminating the contract and stating the grounds for termination.
4. Obtain the approval of the appropriate approvals authority to the notice and the justification for terminating. Ensure that the appropriate approvals authority are informed of any costs of terminating the contract.
5. Consult with IFAD regarding the termination and obtain agreement to proceed.
6. Issue the termination notice and ensure that it is received by the supplier.
7. Take any follow-up action required, including making any payments which may be due to the supplier under the contract and referring default or corrupt practices by the supplier, contractor or consultant to IFAD and the appropriate national authorities.
8. In the event that a supplier disputes the termination notice then this becomes an issue of dispute resolution under module O.

### **4. *Records Required***

A copy of the notice terminating the contract, and the approval by the appropriate approvals authority to terminate, must be kept on the procurement file.

Any other correspondence or documentation relating to the termination must also be kept on the procurement file.

### **5. *Next Steps***

No further action is required following termination of a contract.

Any new procurement proceedings, in place of the terminated contract, should be treated as a completely separate procurement process and started again from the requisition stage. Consideration should be given to the reasons resulting to termination of the contract, to ensure that they are not repeated in any new procurement process.

## Module O: Complaints and Disputes

### ***Purpose of this module:***

This module gives general guidance on how to address complaints. Complaints can arise from many sources but this module focuses on the two most common types of complaint or dispute, namely:

- those from unsuccessful /aggrieved bidders; and
- those arising between contractual parties.

Where other types of complaint are experienced, the general principles of this module can still be adopted in a generic way.

### ***Applicability:***

This module applies where a complaint or dispute arises and national provisions either do not exist or have been deemed to be non-suitable for adoption by the project.

### **1. Complaints by Unsuccessful Bidders**

This is a procedure whereby potential or actual bidders can complain about a breach of duty by a Procuring Entity in the implementation of a specific procurement under applicable Procurement Regulations or bidding documents.

Many countries have created an enforcement body for Public Procurement that has responsibility for the purposes of independently overseeing complaints which cannot be resolved between the primary parties.

**Requesting a Review.** An application for review must usually contain:

- details of the relevant procurement process;
- details of the provisions of the procurement regulations or bidding procedures which have been breached ;
- details of the act of omission or contravention;
- any documentary evidence.

Applications for review must be submitted within a normal range of 5 to 15 working days of first becoming aware of the circumstances relating to the complain.

#### **Who to complain to?**

Initially complaints should be addressed to the senior office of the Procuring Entity. However, many countries have an independent Procurement Authority that has responsibility for ultimately adjudicating on all complaints.

Ultimately a complaint can be taken to a Court of Law if a remedy cannot be found through the official complaints procedure.

Typical Complaints Process will include:

#### **Stage 1 – Procurement Entity**

If a contract has not already been entered into force then no award of contract can be made until resolution of the complaint has been finalised.

The procurement entity must attempt to resolve the complaint by mutual agreement, if this cannot be achieved, procurement proceedings must be suspended and the complaint investigated. A set time is frequently set for the complaint to be investigated and a decision made. A suggested period would be 5 working days.

If the complaint is upheld the procurement process may be cancelled and the bidding process re-opened or tenders may have to be re-evaluated.

### Stage 2 – Regulatory Authority

If written a decision is not forthcoming within the stipulated period or the complainant is dissatisfied with the decision then a further complaint can be lodged with the Regulatory Authority.

The Request for Regulatory Authority review must be submitted within 10 working days from the procurement entity decision being published. Often a fee is payable as a deterrent to frivolous complaints being lodged.

Complaints will not normally be heard by a Regulatory Authority if they:

- are not accompanied by the correct fee (if applicable);
- fail to comply with the requirements of the requisite law or regulation;
- have no evidence of a basis in fact;
- have been filed in outside the required timescales;
- relate to contract implementation not award;
- relate to qualifications of a competing bidder.

Valid complaints will result in the procurement proceeding being suspended unless it is of 'urgent public interest'. A written decision should be issued within a set number of days following receipt of the complaint.

### *Remedies:*

- an instruction is issued prohibiting the procuring entity from acting in an unauthorised manner in the future;
- the Regulatory Authority annuls all or part of any act or decision of a procuring entity, other than where such act or decision resulted in bringing the contract to force;
- reversing the procurement decision, except where that decision resulted in bringing the contract to force;
- awarding costs to the complainant.

## **2. Complaints\disputes by\with Contractors**

This area is frequently referred to as "Dispute Resolution" as Contractors frequently come into conflict during contract execution. Disputes frequently occur through:

- a lack of understanding of the risks entailed in undertaking a contract. This can be by either or both parties to the contract;
- a lack of preparation in depth for the contract;
- a failure to communicate between the parties;
- inaccurate assumptions on what the contract entailed;
- unexpected events that materially impact upon the ability to complete the contract;

- mistakes in supervision by the Contracting Entity;
- changes in needs after work is understood.

### **Managing Complaints\Disputes**

Attempts should be made to resolve all disputes amicably through sensible discussion and agreement, however, in the event that the dispute cannot be resolved, any formal complaints should be referred to the Head of the Procurement Entity to authorise further correspondence or negotiation.

#### **Actions to be taken:**

The Procurement Entity will review the Contract to ascertain the validity of the complaint\dispute. This will require a detailed review of the Contract Conditions to identify the contractual position.

The Procurement Entity should invite the contractor for formal discussions with the aim of reaching an amicable solution to the dispute. These discussions and any agreements that result must be minuted and agreed by both parties, any decisions should be put in writing and agreed during the course of the meeting.

If discussions fail, then independent conciliation or arbitration should be used, as detailed in the contract. There should be standard conciliation and arbitration clauses in all contracts for Works and Services.

Contract Closure has large and potentially expensive consequences for both parties and every effort should be made to resolve the dispute before it reaches this stage.

## Module P: Procurement with Community Participation

### ***Purpose of this module:***

The IFAD Procurement Guidelines make provision for procurement involving community participation and provide some general guidance on the various approaches which can be adopted.

This module builds on that information by providing more detailed information in respect of:

- the benefits of community participation;
- considerations during project design;
- the organisational arrangements and functions of the community .

### ***Applicability:***

This module applies to all IFAD funded projects.

## **1. Introduction**

Experience from projects in the agricultural and rural development sectors, in which IFAD has been one of the prominent lenders, has shown that it is highly desirable to have the communities affected by the projects participate in design and implementation. The nature and extent of community participation in development projects have evolved over the years, from providing voluntary labour or NGO assistance in initial capacity-building to playing a more direct and active role that can range from determining the nature of the subprojects to, more recently, acting as implementing agency. As a result, communities are increasingly becoming receivers, users and managers of significant amounts of project funds and, accordingly, active participants in procurement-related activities.

As stated in the IFAD Procurement Guidelines, procurement with community participation is not a distinct method of procurement in itself, but rather the simplification and adoption of normally accepted procurement methods (primarily national competitive bidding, national shopping and direct contracting) and their implementation through participation by the project's beneficiary community or community institutions, either as procurement agents, implementing agencies, or contractors and suppliers of goods, works and related services.

In projects with community participation, the role of the project management or other project parties will be to review, supervise and guide the procurement, disbursement and physical implementation of the relevant activities carried out by the community, thereby ensuring that principles and standards as stated in the IFAD Procurement Guidelines are maintained.

Procurement with community participation is not to be introduced in a project to the exclusion of any other method, particularly national competitive bidding, inasmuch as the basic principles of competition, transparency and fairness are to be balanced with the advantage of community participation.

Procurement with community participation, like any other procurement method used in IFAD funded projects, is to be outlined in the project documents and provided for in the respective Financing Agreement between IFAD and the Borrower/recipient.

## **2. Benefits of community participation**

Consistent with IFAD's mandate of achieving economy, efficiency and social equity within the rural and relatively poor communities in which IFAD-funded projects are located, the following benefits have been noted in projects where community participation in procurement has been incorporated:

- increased relevance of project assistance at the beneficiary community level, and project activities that are demand-driven;
- enhanced community ownership and empowerment leading to sustainability of the project;
- and contribution to a reduction in poverty;
- increased economy and efficiency in procurement, through reductions in transport costs
- and timely availability of materials at point of use;
- enhanced capacity and skills within the community;
- generation of employment and economic opportunities within the community;
- reduction in project implementation burden on the central PCU through decentralization and delegation; and
- greater chance of achieving desired project goals and objectives.

## **3. Considerations during project design**

The project environment and the collective institutional capacity of the community targeted by the project to participate actively and contribute to project implementation are critical elements in involving the community in procurement. Given the fact that both the economic and the socio-cultural contexts within which communities operate have a significant bearing on project success, community leaders, institutions, grass-roots organizations and, when available, local NGOs functioning in the area should be consulted during project appraisal.

Project designers are required consider the following issues in order to determine *prima facie* whether and how the community will play a constructive and beneficial role in procurement under the project:

### **(i) Borrower/recipient's regulatory framework**

As part of the assessment of the national system for procurement (see Module D) the legal, governmental and other regulatory framework within which development projects operate, and the extent of decentralization permitted and prevailing in the country for community groups, grass-roots organizations and NGOs to function effectively at the project level, will have been assessed.

### **(ii) Organizational capacity.**

Again, using the results of the procurement assessment it will be necessary to ascertain:

- (a) the existence or lack of formal or informal community organizations, and if they are representative of the community's interests;
- (b) the institutional capacity of community organizations to undertake resource management responsibilities;
- (c) homogeneity within the beneficiary community group and the possibility of smooth interaction within the group and with the PCU; and
- (d) the existence of mechanisms for ensuring accountability within the community, or – if such mechanisms are lacking – the possibility of designing and introducing them.

### **(iii) Capacity and technical skills**

Examine the prevailing:



- (a) primary occupation(s) of community members and the crops or other outputs they produce vis-à-vis the proposed project activities, with an eye to opportunities for integration;
  - (b) means and methods used to procure goods and works for the community's needs; and
  - (c) availability and timing of surplus labour within the community.
- (iv) Administrative and accounting skills**  
Assess the community's ability to receive, secure, use and account for group funds in a reliable manner, and identify training and capacity building needs, if any.
- (v) Intermediaries**  
Ascertain the presence and function of intermediaries (such as community centres, cooperatives, NGOs, branches of rural development banks, etc.) operating within the community.
- (vi) Cost-benefit analysis**  
Work out incremental costs of involving the community, including training costs, quantifiable risks and benefits, such as increased sustainability of project activities, more effective operation and maintenance of project facility, and cost-sharing; and
- (vii) Beneficiary community's contribution**  
Establish the possibility of contribution from the community and identify the physical and financial parts of such contribution for appropriate inclusion in cost and financing tables during project design.

#### **4. Procurement arrangements**

Once a preliminary determination is made that it is viable and desirable to incorporate the involvement of community groups in procurement under the project, the next step is to identify the following, as clearly as possible within the project or project component where community participation in procurement is expected:

- (i) the goods, works and related services to be procured;
- (ii) the procurement schedule, based on implementation timing and targets; and
- (iii) the role to be played by the community and/or its representatives.

This information would help determine the most suitable procurement methods and the role and responsibility of the community in the procurement process. In determining procurement needs, it is normal to separate goods, works and services. The nature, quantity and source for each procurement category should then be identified.

In some projects, the procurement plan of a community may form part of the microplan prepared by the community to implement the project at the local level. In such cases, the procurement plan would be reviewed and approved by the PCU along with the community microplans.

#### **5. Quantity and value of procurement**

Estimating the quantities of goods and the nature and amount of works and services required under the community component of the project is critical for procurement planning (see module E) and preparation. If procurement contracts are expected to be large, it may not be economical, efficient or possible to meet the general consideration of broader and open competition as required under the IFAD Procurement Guidelines. Community participation should be planned only when contract values are appropriate, depending on the assessed administrative and financial capacity of the targeted project community.

It is common in many agricultural and social sector projects for the quantities procured to be demand-driven, and they are therefore undetermined until project implementation through community-initiated subprojects. In such cases, it may be permissible to allocate a certain total sum out of the loan as “undetermined procurement”, provided there is a well-defined institutional arrangement whereby individual procurement needs under that component are determined and accountability for the funds is ensured (e.g. self-help projects initiated by the beneficiary community).

## **6. Source of procurement**

Identification of the source of procurement is an important step. Communities can be involved in procurement as suppliers or contractors only when the goods, works or services are of the type commonly produced or provided by the communities. Similarly, communities can be procurement agents only when the goods are of a type readily available in local markets, or works are of a type provided by contractors in the project areas, or the services are of a type that are provided by persons or groups within their reach.

## **7. Community groups as implementing agencies**

When informal community groups are brought in to act as implementing agencies that will undertake procurement, their institutional capacity needs to be examined and evaluated. The following questions should be addressed during project design, or by start-up at the latest, in order to assess the capacity-building investment required by the community groups:

- (i) Organizational capacity of the group**  
Can they formalize themselves into a legal entity? If so, are there available regulatory procedures to do so?
- (ii) Rules of operation**  
Does the group have rules of membership, by-laws for its operation and transparency of information to its members?
- (iii) Accountability of group leaders**  
Are they elected? Who do they report to? Do officers have the skills to administer procedures and account for funds?
- (iv) Ability to receive public funds**  
Are there any Borrower/recipient regulations that inhibit receipt of funds? What are the audit arrangements, if any? Is there a commercial banking facility and, if so, what are the procedures for the group to access funds?
- (v) Ability to contract**  
Does the group have legal status to enter into contracts? If not, can the project provide or build this capacity?
- (vi) Dispute resolution**  
What are the existing formal dispute resolution processes available? How will disputes be resolved within the group, with outsiders, and with the PCU? Are there any quicker, simpler local dispute-resolution methods that the community would respect and accept?
- (vii) Financial status of the community**  
What is the capacity of the community to contribute, either in cash or in kind? How will equitable contribution from members be ensured? Do they have the capacity to provide collateral or security for any advances received from project?

## **8. Intermediaries as implementing agents**

Where the project's beneficiary community does not have adequate institutional capacity to receive and account for funds or administer procurement reliably, it may be necessary to

introduce intermediaries to act on behalf of the community. Such intermediaries could be civil society organizations (CSOs), cooperative societies, private entities or others. The project management will ensure that such intermediaries have adequate capacity to perform such duties.

When CSOs or other entities are included as implementing agencies for weak community groups, the following aspects should be addressed during project design:

**(i) *Legal status of intermediary***

Regulations governing registration (with the government or local authority), functioning in specific sectors, authority to receive and account for public funds, and ability to participate in the project;

**(ii) *Role of intermediary (contractor or consultant)***

If acting purely in a training or supervisory capacity vis-à-vis the community groups, the intermediary may be hired as a consultant under the consultant guidelines. If the intermediary needs to act as executing agent assisting actively in the building of infrastructure using community labour, it may be more appropriate to hire it as contractor, either through a transparent competitive process (if more than one intermediary is available) under IFAD's procurement guidelines, or via sole-source direct contracting (if only one functioning intermediary exists in the project area); and

**(iii) *Financial viability and administrative capacity***

The intermediary's primary source of funding, staffing, management, administrative capacity and accountability via independent audits, etc., should be examined to ensure safety and security for handling public funds on behalf of the project management and the community.

## **9. *Procedures and documentation***

Project designers are to ensure that simple yet reliable arrangements are in place within the project to follow the various stages of the procurement procedures, such as transparent bid advertising, open competition (even within the community), public bid opening, award of contract to the lowest evaluated bidder, etc., so as to preserve the integrity of the process to the extent possible. Bidding documents, contracts, etc. may have to be simplified and/or standardized to enable easy understanding and use by community participants. While documentation and records are allowed to be in the Borrower/recipient's official language(s), translation should be available when required for independent reviews by IFAD or auditors. Appropriate procedures for regular monitoring and audit of community procurement activities and the relevant records by the project management.