



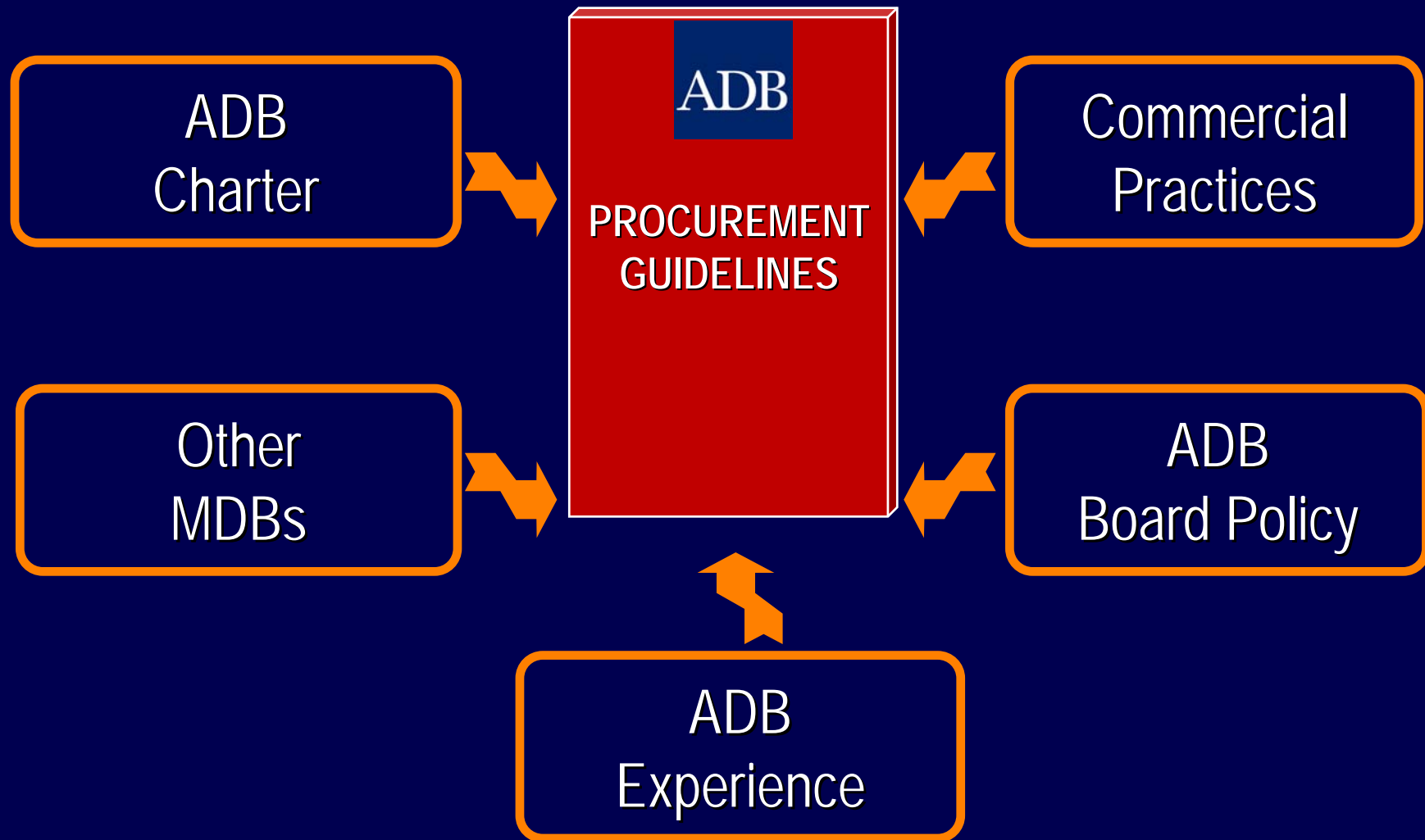
2006 Orientation Program for DMC Officials

Procurement Guidelines

- Introduction
- International Competitive Bidding
- Bidding Procedures
- Other Forms of Procurement
- ADB Review
- EA Capacity Assessment



Procurement Guidelines Sources





Procurement Guidelines

Purpose

- ↳ To inform Borrowers as well as Suppliers, Manufacturers, Contractors of the general principles and procedures to be observed in carrying out procurement under ADB finance
- ↳ Additional arrangements may be set out in the Loan Agreement



Procurement Guidelines Responsibilities

- ū The Borrower (Executing Agency) is responsible for all procurement activities
- ū ADB has the obligation to review the procurement activities to ensure that the proceeds of its finance are used with due attention to considerations of economy and efficiency, fairness, and transparency



Procurement Guidelines Documents Governing Procurement

Documents Governing Procurement Actions

- ↳ Loan Agreement (Schedule 4)
- ↳ Procurement Guidelines
- ↳ Standard Bidding Documents
- ↳ Internal Instructions (PAI)
- ↳ Handbooks and Guides



Procurement Guidelines

Procurement Principles

- Source of Procurement
- Economy and Efficiency
- Fairness
- Transparency
- Promotion of Domestic Industries



Procurement Guidelines Applicability

Contracts financed by ADB entirely or partly

- ↳ Guidelines must be followed

Contracts not financed by ADB but part of Project

- ↳ Borrower may adopt its own procurement procedures.

- ↳ Works/goods to be procured must be . . .

- . . . of satisfactory and compatible quality

- . . . completed and/or delivered in timely fashion

- . . . priced not to affect adversely viability of project



Procurement Guidelines

Eligibility

Limitation for Participation

- Ideally only by bidders' capability to fulfill the contract

Exceptions

- Compliance with UN Security Council decision
- Conflict of interest
- Government owned enterprises
- Declaration of ineligibility by ADB



Procurement Guidelines

Advance Action & Retroactive Financing

Advance Procurement Action

- Initial steps of procurement prior to loan signing
- Encouraged by ADB for efficiency
- Procedures must follow Procurement Guidelines
- Borrower's own risk
- ADB to review process
- ADB not committed to finance

Retroactive Financing

- Reimbursement of eligible payments by ADB within limits specified in loan agreement



Procurement Guidelines

Misprocurement

If Procurement is not carried out as agreed
ADB will

- ... declare misprocurement
- ... cancel corresponding portion of financing
- ... exercise other remedies

If appropriate, ADB may permit rebidding



Procurement Guidelines

Fraud and Corruption

Corrupt Practice

the offering, giving receiving, or soliciting, directly or indirectly, of any thing of value to influence the action of any party in the procurement process or the execution of a contract

Fraudulent Practice

a misrepresentation or omission of facts in order to influence a procurement process or the execution of a contract

Collusive Practice

a scheme or arrangement between two or more bidders, with or without the knowledge of the Borrower, designed to influence the action of any party in a procurement process or the execution of a contract

Coercive Practice

the harming or threatening to harm, directly or indirectly, persons, or their property to influence their participation in a procurement process, or affect the execution of a contract



Procurement Guidelines

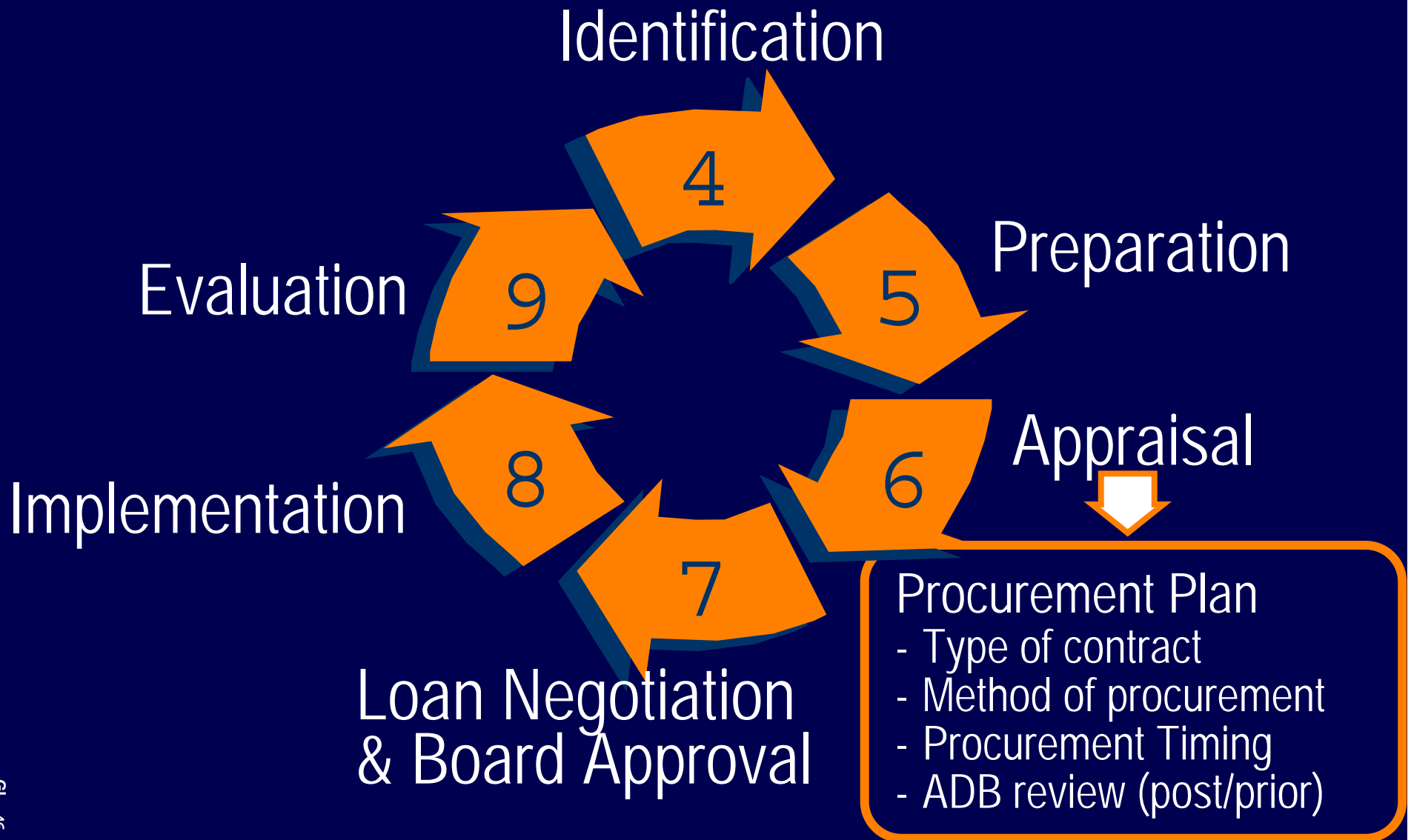
Fraud and Corruption

ADB's Anticorruption Policy requires all parties to observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, ADB will

- Reject a proposal to award contract
- Cancel the corresponding portion of a loan
- Declare a firm ineligible either indefinitely or for a stated period of time
- Inspect accounts and records of suppliers and contractors and have them audited by auditors appointed by the Bank

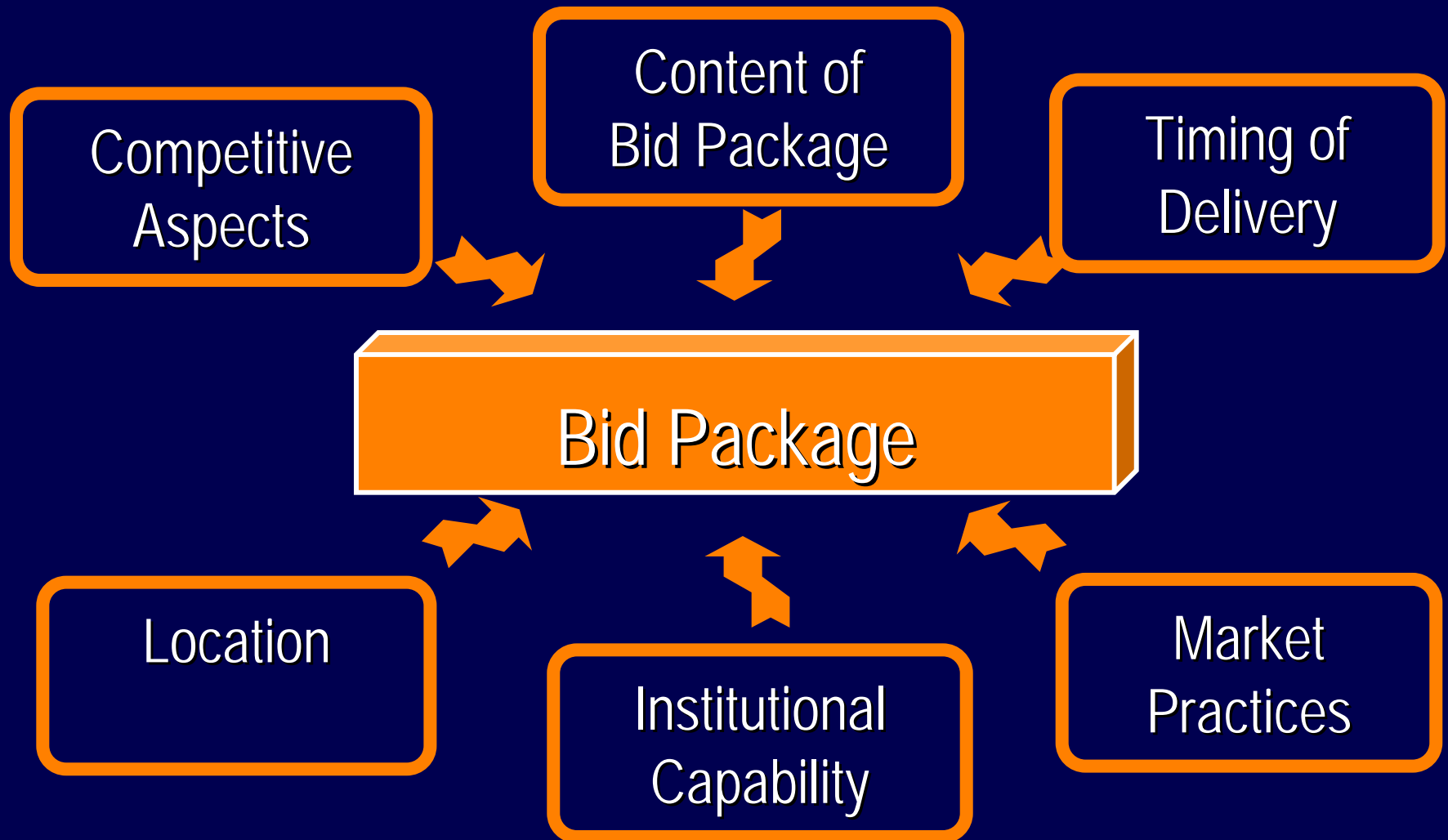


Procurement Guidelines Procurement Plan





Procurement Guidelines Procurement Plan





Procurement Guidelines

International Competitive Bidding

Essentials of ICB

- **Threshold**
Contracts valued in excess of **US\$ 1,000,000**
- **Value for Money**
For Borrower, wide range of choices in bid selection from among competing suppliers / contractors
- **Fairness, Transparency**
For prospective bidders from eligible source countries, adequate, fair and equal opportunities



International Competitive Bidding Type and Size of Contracts

Type: Supply, Design-Supply-Install (Turnkey), Works

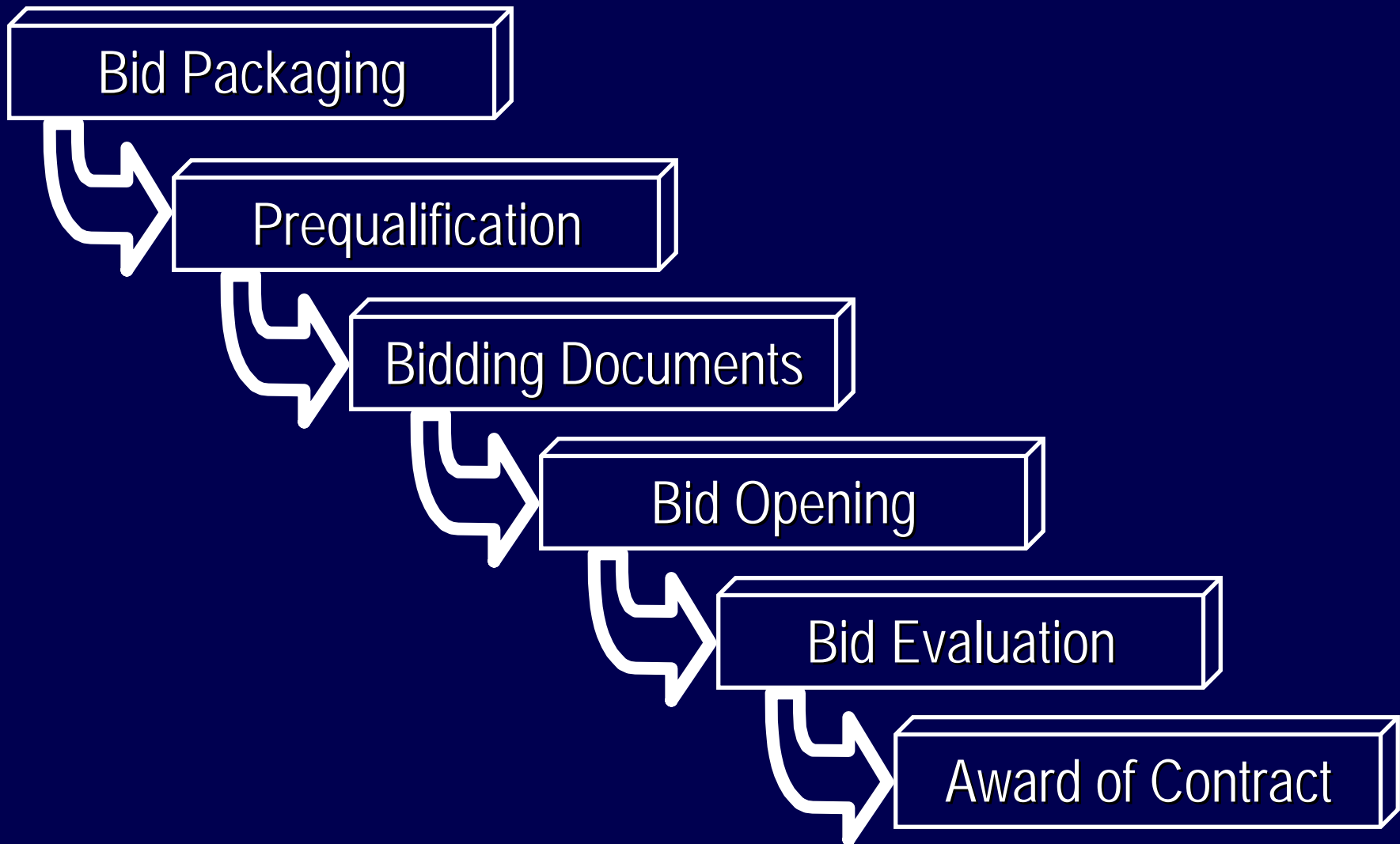
Size: Dependent on magnitude, nature and location of project

Payment: Unit Price, Lump Sum, Combination

Slicing: A bid may consist of multiple contracts (slices)

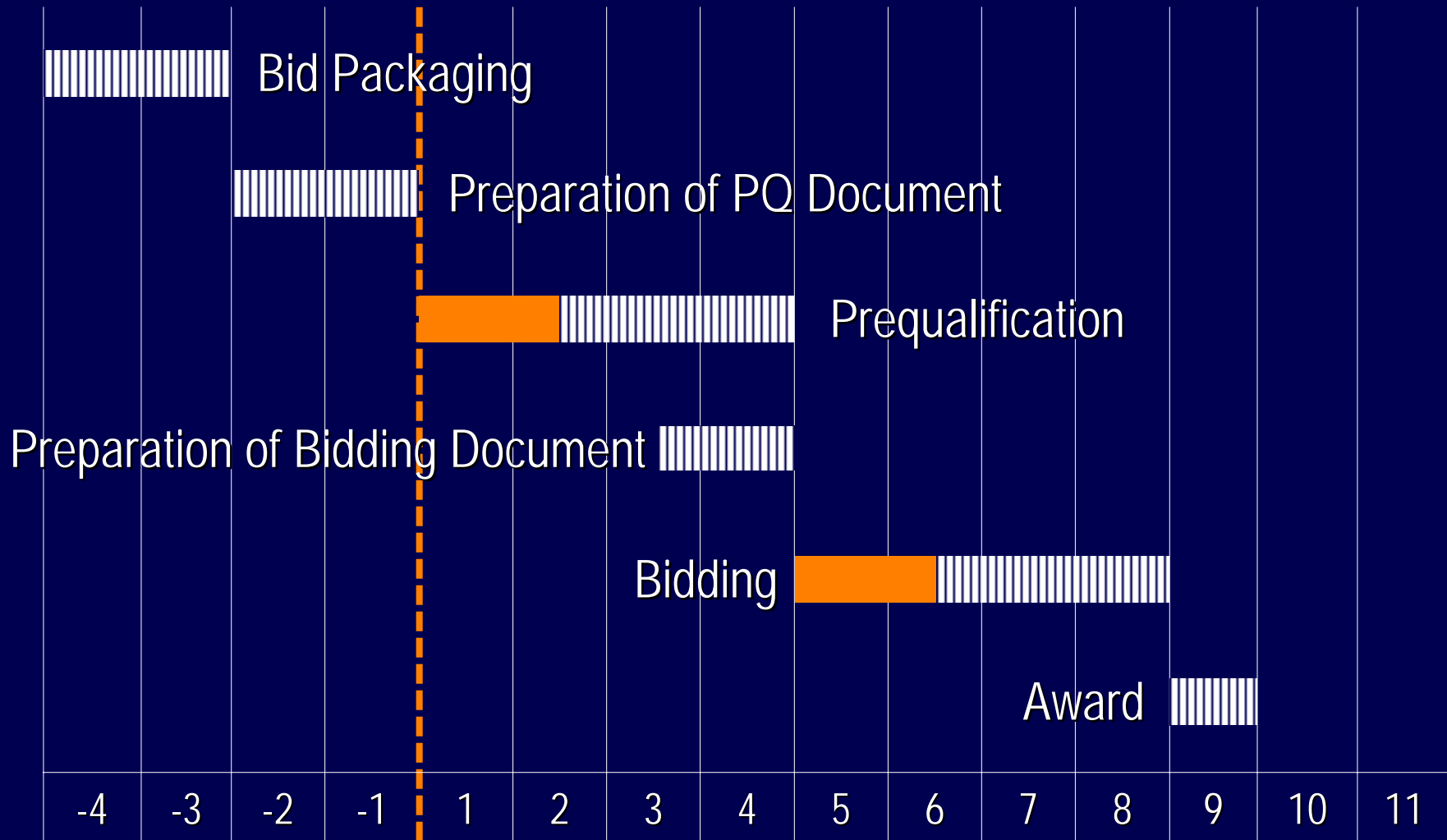
Procedure: Single/Two-Stage, One/Two-Envelope

International Competitive Bidding Procurement Flow Chart





International Competitive Bidding Typical Time Requirements





International Competitive Bidding Advertisement and Notification

Invitation for Bids or Prequalification to be published

- ... by ADB on ADB's web site, and
- ... by EA in English language newspapers of national circulation, or
- ... internationally known and freely accessible website

In case of Prequalification

Invitation for Bids will be send to prequalified bidders only



International Competitive Bidding Prequalification

Purpose

to ensure that bids are submitted only by firms that have the necessary qualifications in terms of

- Eligibility
- Experience
- Financial Capacity
- Pending Litigation

to undertake the work for which bids are to be invited.



International Competitive Bidding Prequalification

Prequalification process usually used for

- Large complex works contracts
- Turnkey contracts
- Contracts for fabrication of custom designed plant and equipment
- Specialized service contracts
- Complex IT contracts



International Competitive Bidding Prequalification

Benefits

for EA

- Protects EA from unqualified bids
- Simplifies and expedites bid evaluation
- Permits more objective assessment of bidder qualifications
- Provides indication on number of firms interested to bid

for Bidder

- Protects unqualified firms from cost of bidding
- Assures bids will not be rejected on qualification grounds



International Competitive Bidding Bidding Documents

Bidding Documents shall :

- Comply with requirements of the ADB's Procurement Guidelines
- Comply with agreed modifications or departures from the Guidelines
- Comply with the format of the ADB's appropriate Standard Bidding Documents (SBDs)



International Competitive Bidding Bidding Documents

Part I: Bidding Procedures

- Section 1 Instruction to Bidders
- Section 2 Bid Data Sheet
- Section 3 Evaluation and Qualification Criteria
- Section 4 Bidding Forms
- Section 5 Eligible Countries

Part II: Requirements

- Section 6 Supply or Works Requirements

Part III: Conditions of Contract & Contract Forms

- Section 7 General Conditions of Contract
- Section 8 Particular Conditions of Contract
- Section 9 Contract Forms



International Competitive Bidding Bidding Procedures

Single-Stage: One-Envelope

Single-Stage: Two-Envelope

Two-Stage: Two-Envelope

Two Stage



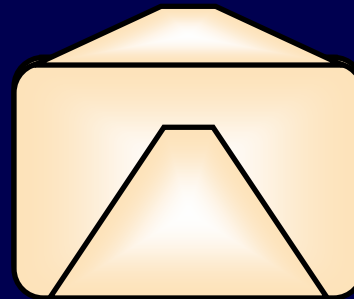
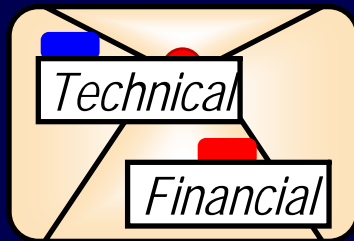
Bidding Procedures

Single-Stage: One-Envelope

Deadline



ADB Approval

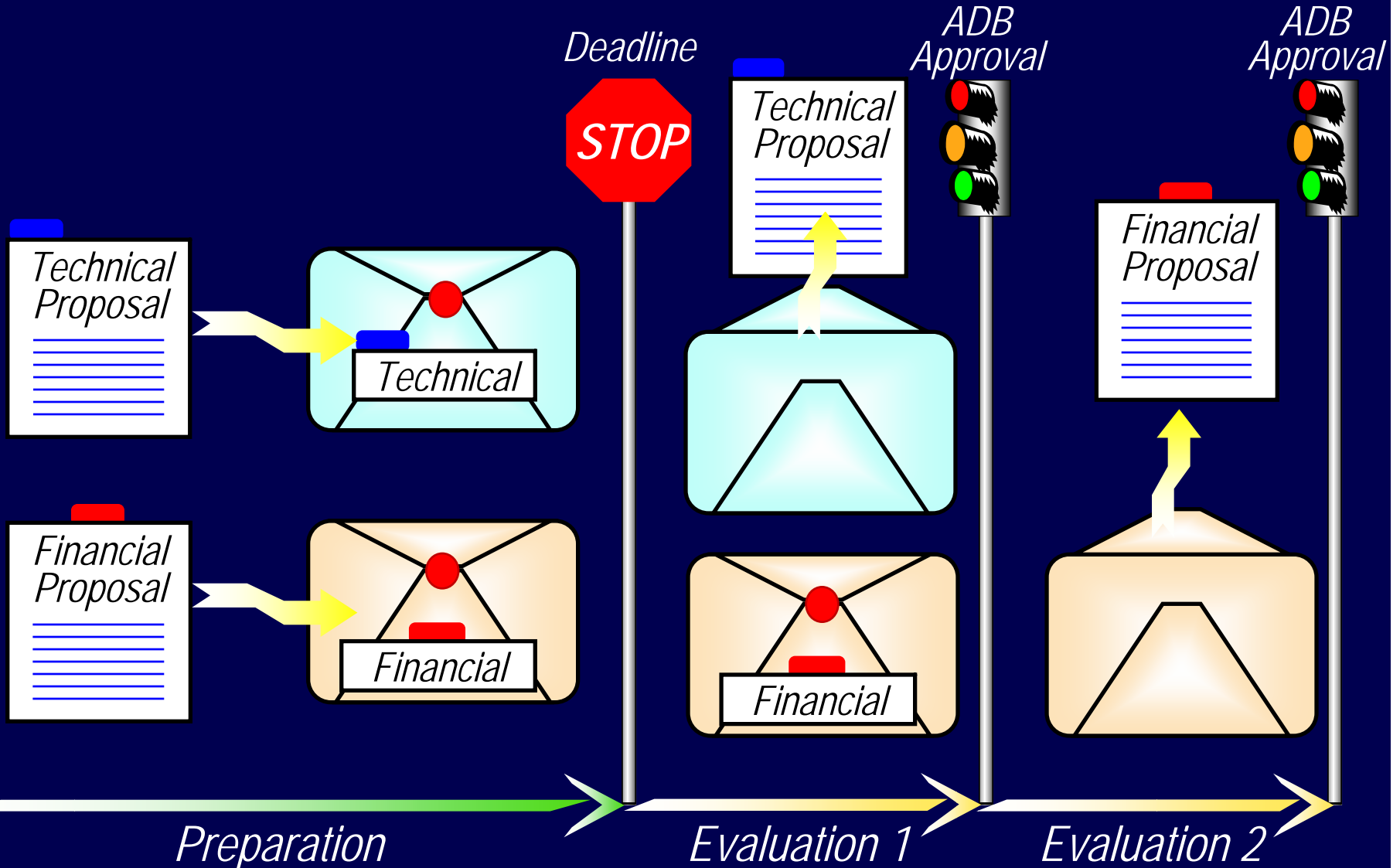


Preparation

Evaluation

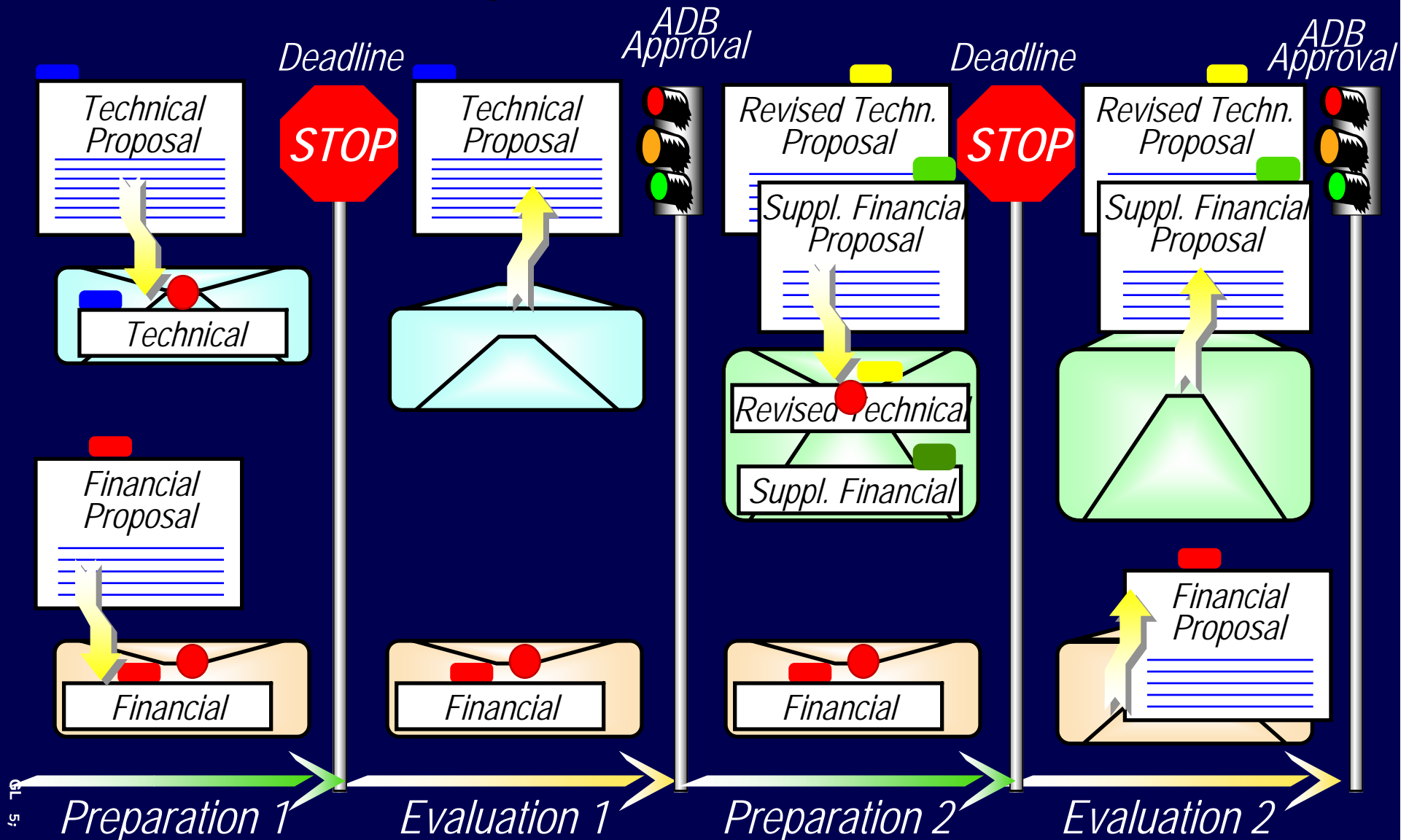
Bidding Procedures

Single-Stage: Two-Envelope

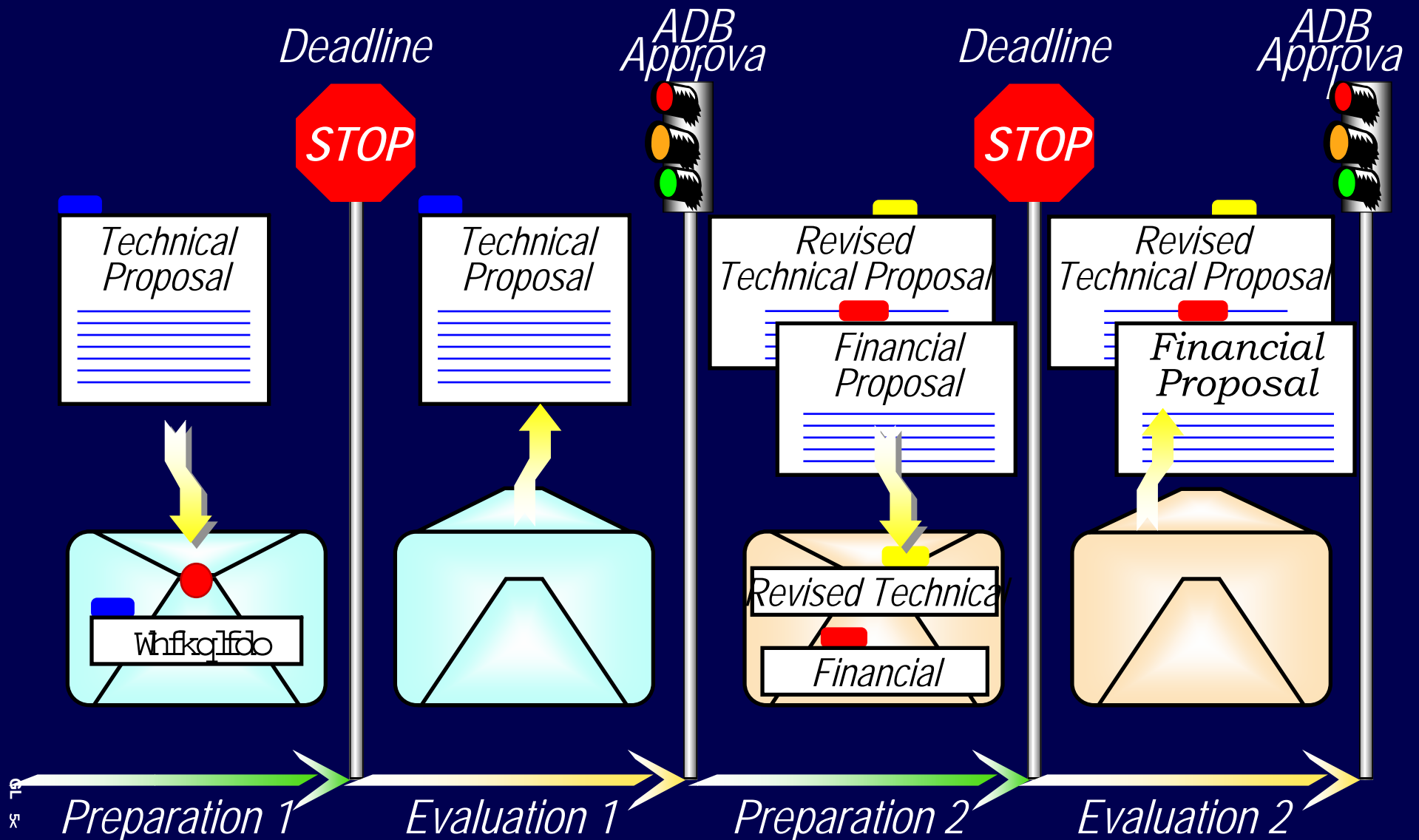


Bidding Procedures

Two-Stage: Two-Envelope



Bidding Procedures Two Stage





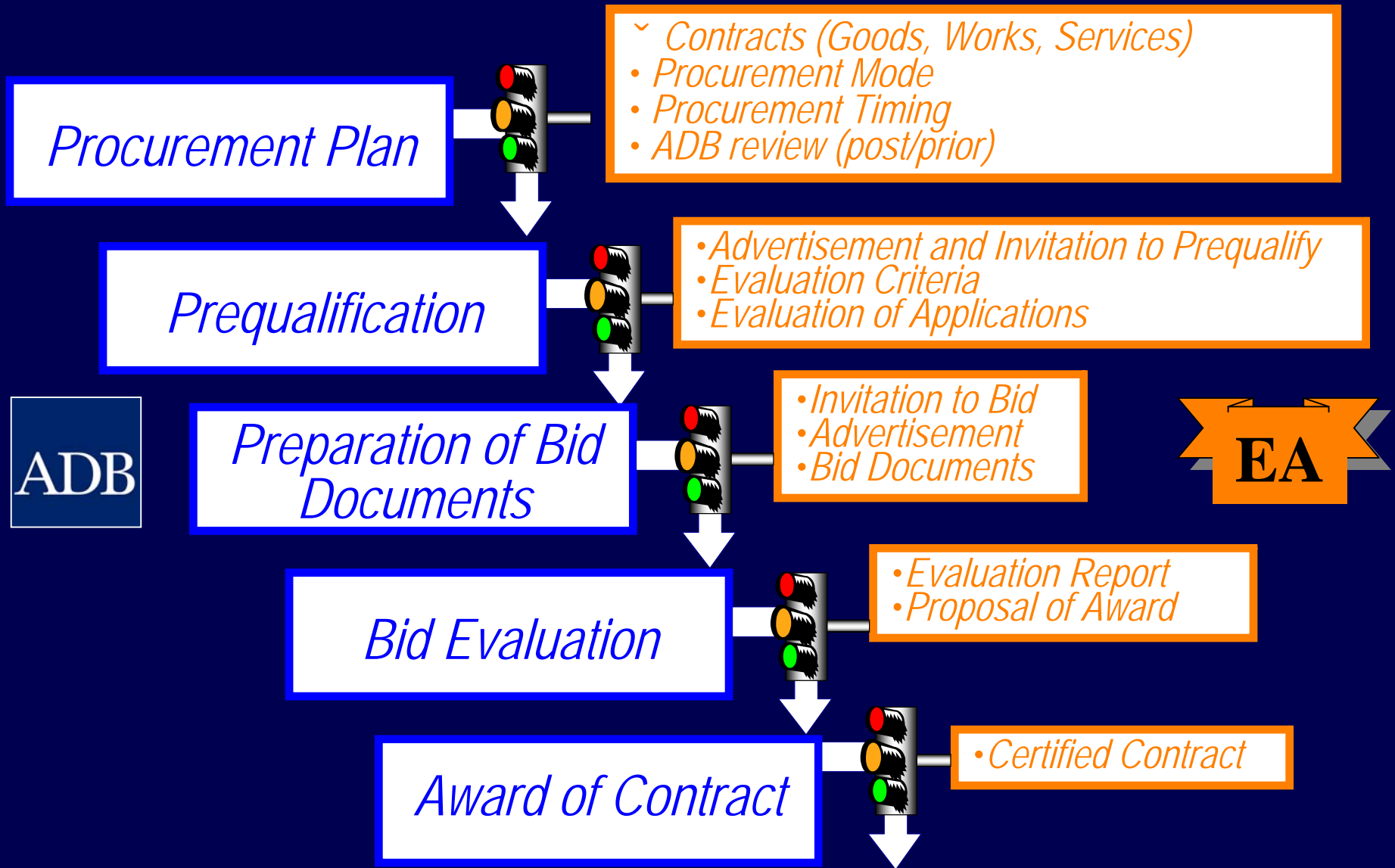
Procurement Guidelines

Other Forms of Procurement

- Limited International Bidding
- National Competitive Bidding
- Shopping
- Direct Contracting
- Force Account
- Procurement from Specialized Agencies
- Procurement Agents
- Inspection Agents
- Procurement in Loans to Financial Intermediaries
- Procurement under BOO / BOT / BOOT, Concessions and Similar Private Sector Arrangements
- Performance Based Procurement
- Procurement under Loans Guaranteed by ADB
- Community Participation in Procurement
- Procurement under Disaster and Emergency Assistance

Procurement Guidelines

ADB Prior Review





Procurement Guidelines

ADB Prior Review

Additional ADB Approval Requirements

- Extension of bid validity
- Complaints from bidders after contract award
- Change in contract award recommendation
- Change in the terms and conditions of contract
- Time extensions, modifications of conditions, change orders increasing in aggregate the original contract amount by more than 15%



Procurement Guidelines

ADB Post Review

Prerequisite

- EA capacity assessment

Procedure

- Prior review of 1st set of procurement documents in project only
- Advertisement provided after posting
- ADB reviews contract award decisions post facto

Timing

- BER and contract documents to be submitted as soon as completed
- ADB must respond in 6 months
- EA required to keep files for 2 years

Risk

- Misprocurement → cancellation of funds



Procurement Guidelines

EA Capacity Assessment

- Objective** - Determination of EA's capability to handle ADB procurement → Action Plan
- Who** - Project departments in coop with COSO
- Timing** - Ideally during project processing
- Scope**
- Legal and regulatory regime
 - Organizational and functional structure
 - Operational management and controls
 - Documentation and Records
 - Staffing
 - General institutional environment



Procurement Guidelines EA Capacity Assessment

