



Orientation Program for DMC Officials

Procurement of Goods, Works and Consulting Services

Monday - 20th October 2008



Orientation Program for DMC Officials

Central Operations Services Office (COSO)

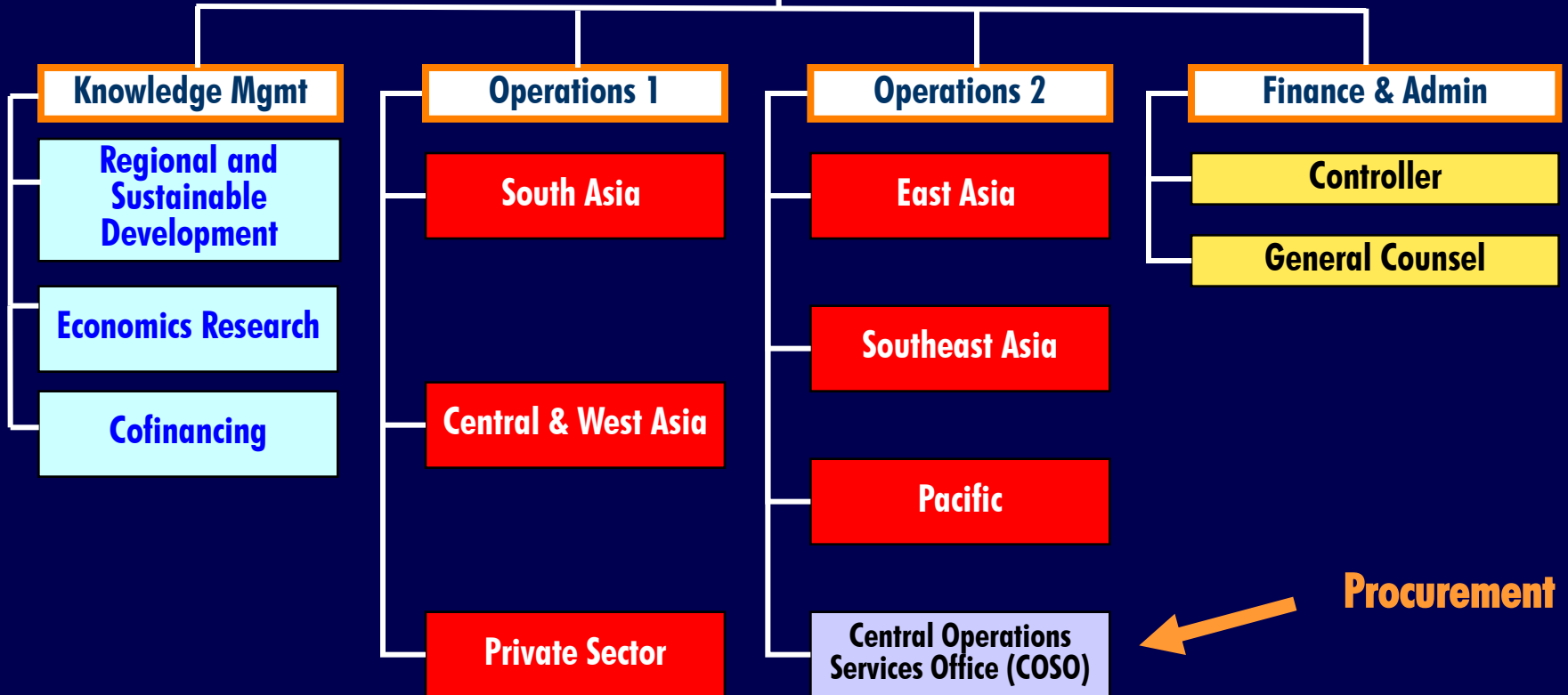


Simplified ADB Organization Structure

BOARD OF GOVERNORS

BOARD OF DIRECTORS

President





Central Operations Services Office (COSO) Organization Chart

Hamid I. Sharif
Principal Director,
COSO

Dan Yang
Director, COS1

Ignatius Santoso
Director, COS2

CWRD + OREI
[AFG, ARM, AZE, GEO,
KAZ, KGZ, PAK, TAJ,
TKM, UZB]

SARD + PSOD
[BAN, BHU, IND, MLD,
NEP, SRI]

EARD
[MON, PRC]

SERD
[BRU, CAM, INO, LAO,
MAL, PHI, THA, VIE]

PARD
[COO, FIJ, KIR, RMI, FSM,
NAU, PNG, SAM, SOL,
TIM, TON, TUV, VAN]



Procurement Role of Central Operations Services Office (COSO)

- 1. Procurement of Consulting Services for ADB-TAs**
- 2. Procurement Oversight of Consulting Services for Delegated ADB-TAs**
- 3. Procurement Oversight of Consulting Services for ADB Loan Projects**
- 4. Procurement Oversight of Goods and Works for ADB Loan Projects**
- 5. Procurement Capacity Development (including training)**



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Procurement in the ADB Project Cycle



Procurement in the ADB Project Cycle

Country Partnership Strategy (CPS)





1. Country Partnership Strategy (CPS)

- **Definition of:**
 - **Non-Lending Products (TA Projects)**
 - **Lending Products (Loan Projects)**
- **Early Indication of procurement requirements**



2. Project Preparation

Procurement of consulting services

- **Two possibilities**
 - **ADB responsible**
 - **ADB seeks EA concurrence on short-list and first ranked consulting entity**
 - **ADB contracts consultant**
 - **EA responsible (Delegated TA)**
 - **ADB conducts EA procurement capacity assessment**
 - **EA prepares procurement plan**
 - **EA selects and contracts consultant (oversight by ADB)**
- **Advance contracting of TA consulting services**



3. Appraisal

- **ADB conducts EA Procurement Capacity Assessment**
- **EA prepares draft procurement plan; NCB Annex appended**
- **Advance contracting and retroactive financing discussed**



4. Loan Negotiations

- **Reviewing and agreeing procurement plan**
- **Loan Agreement - Schedule 4**
- **Advance contracting**
- **Retroactive financing (expenditure before date of loan effectiveness)**



5. Project Implementation

- **Recruitment of consultants for Loan TA**
- **Procurement of goods and civil works**
- **Contract administration**



6. Evaluation

- **Project Completion Report (PCR)**
 - **Efficiency of procurement**
 - **Performance of consultants, contractors and suppliers**



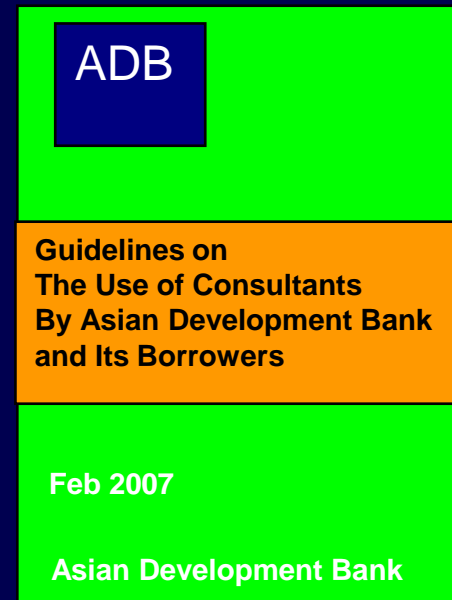
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Procurement of Consulting Services



Guidelines on the Use of Consultants

- Policies and procedures for selecting, contracting and monitoring consultants required for loan and technical assistance (TA) projects





Guidelines on the Use of Consultants

Guiding Principles

- **High quality services**
- **Economy and efficiency**
- **Opportunity for all qualified consultants to compete**
- **Encourage use of national consultants**
- **Transparency**
- **Increasing focus on anticorruption and ethics**



Guidelines on the Use of Consultants

Key Issues

- **Applicability**
- **Conflict of interest**
- **Unfair competitive advantage**
- **Eligibility**
- **Misprocurement**
- **Fraud and corruption**
- **Performance**








Selection Methods for Consulting Firms

- **Quality and Cost Based Selection (QCBS)**
- **Quality Based Selection (QBS)**
- **Fixed Budget Selection (FBS)**
- **Least Cost Selection (LCS)**
- **Consultants Qualification Selection (CQS)**
- **Single Source Selection (SSS)**

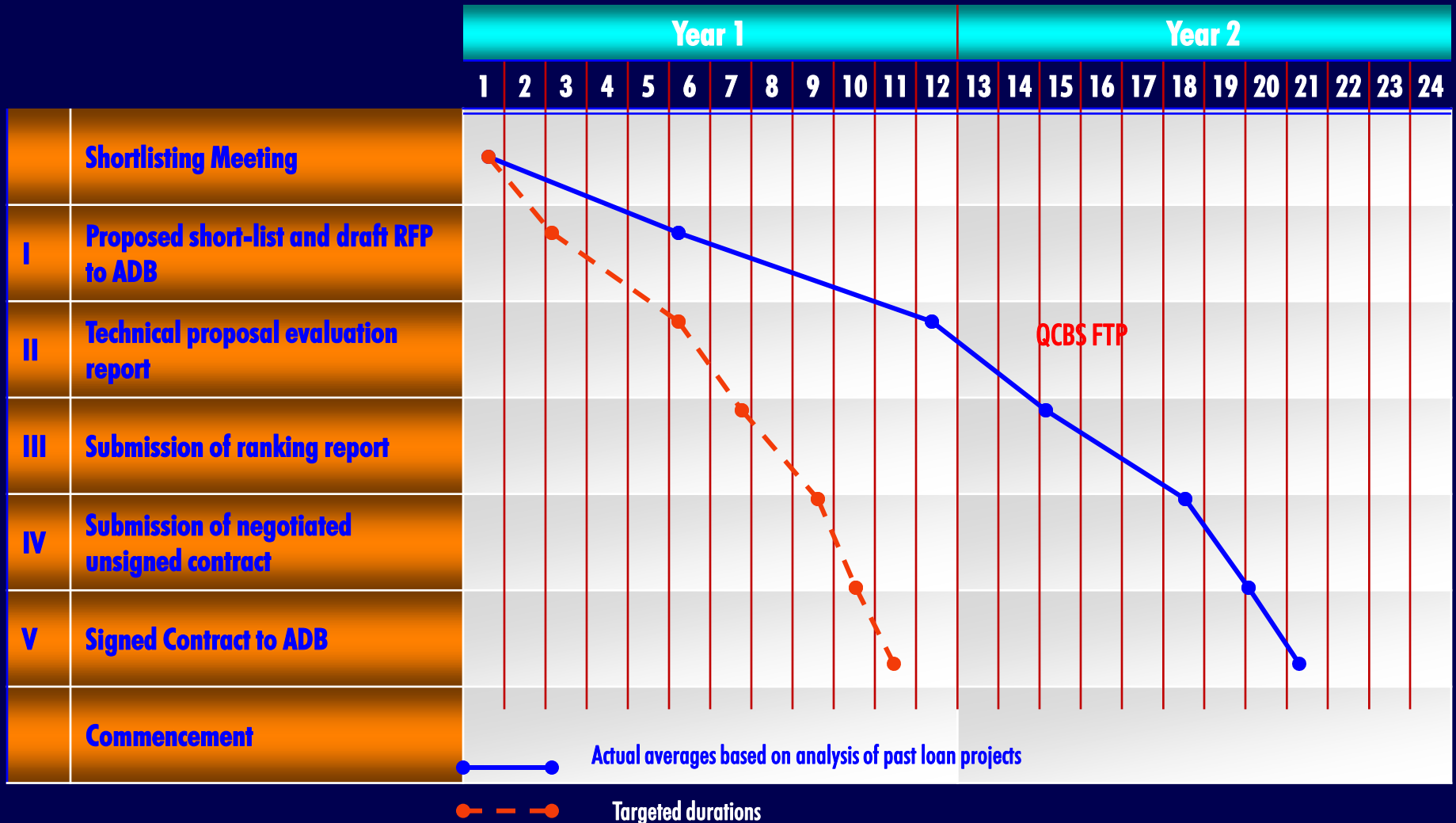


Procurement of Consultants using Quality and Cost Based Selection (QCBS)

1. EA Advertises and requests Expressions of Interest (EOIs)
2. EA prepares draft short-list and Request for Proposal (RFP)
3. EA issues RFP **Submission 1 to ADB**  1
4. EA evaluates Technical Proposal
5. Public opening of Financial Proposal  2
6. EA does overall ranking
7. EA conducts negotiations and signs draft contract  3
8. EA finalizes contract  4
-  5



Procurement of ADB-Loan Project Consultants





Types of Contract

- **Time based**
- **Lump sum**
- **Small assignments contract**
- **Performance Based- & Hybrid-contracts**
- **Indefinite Delivery Contract (IDC)**

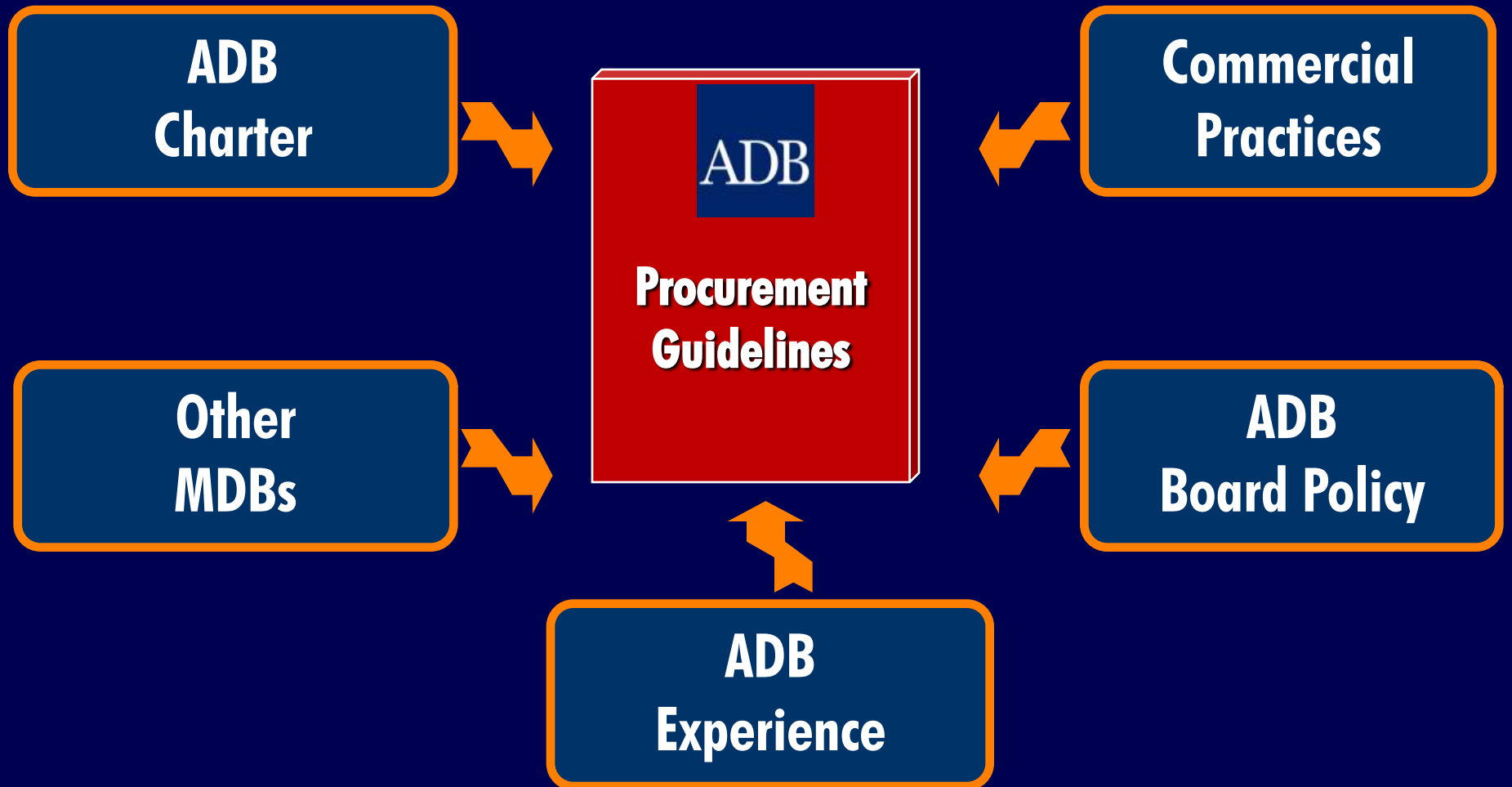


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Procurement of Goods and Civil Works



Procurement System Guidelines





Procurement System Policies

- The *Guidelines*
- Supporting Documents
- Covers Works, Goods, Turnkey contracts
- Maintained by ADB

***Borrowers must comply on ADB-financed
contracts***



Procurement System

Price Competitive Bidding

- **Sealed tender for 90% of procurement**
- **Bidders must be qualified**
- **Bidders must be eligible**
- **Bids must meet technical specifications**
- **Between qualified, eligible bidders, contracts are awarded on basis of price**



Procurement Methods

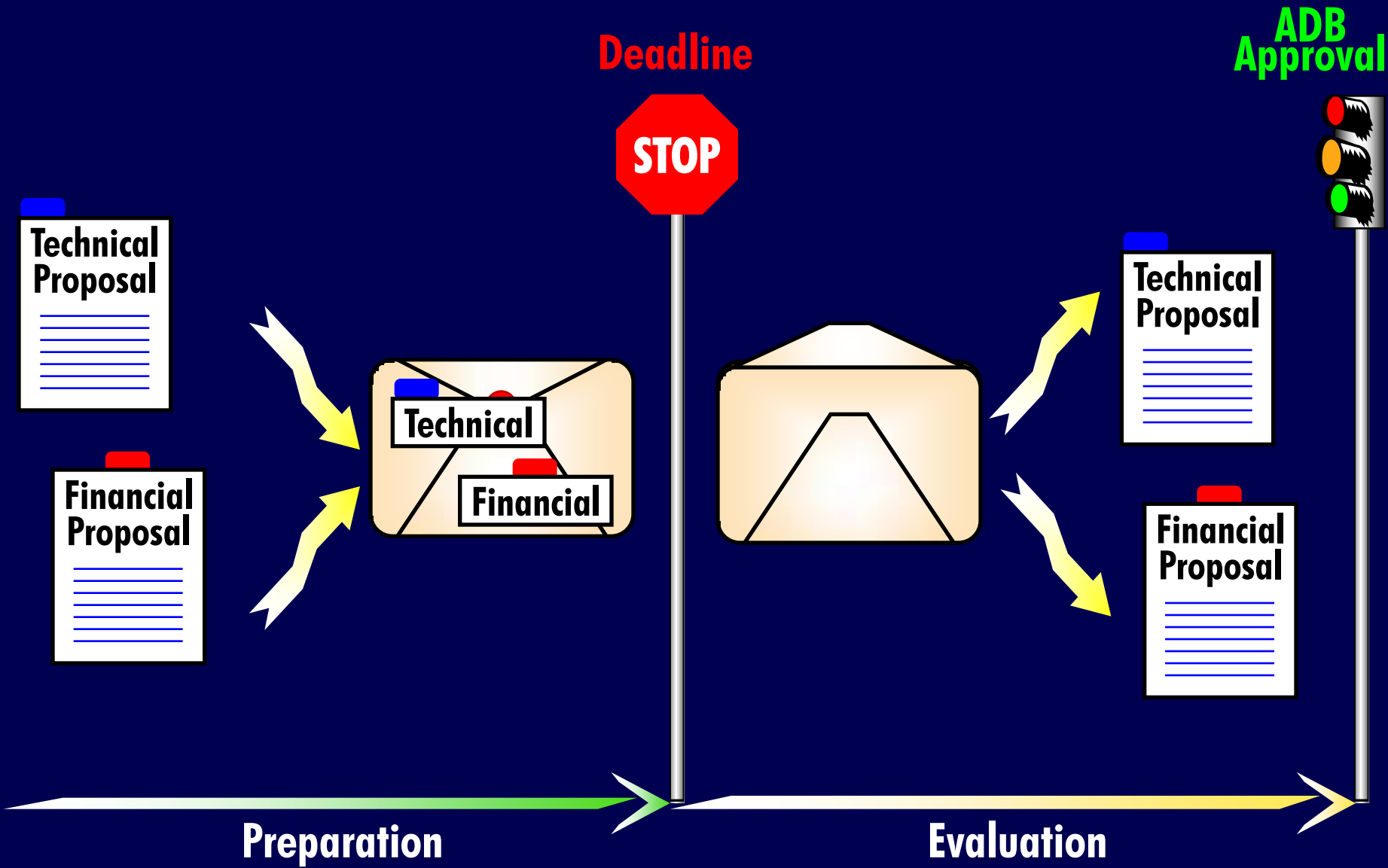
Contract Award

Contract is awarded to the lowest evaluated price and substantially responsive bid



Procurement Methods

Sealed Tender Procedure





Procurement Methods

Other Methods

- International Competitive Bidding
- Limited International Bidding
- National Competitive Bidding
- Shopping
- Direct Contracting (Single Source)
- Force Account
- Performance-based procurement
- Procurement under Loans to Financial Intermediaries
- Procurement under Private Sector Loans
- Procurement under Disaster and Emergency Assistance
- Community Participation in Procurement



Procurement Methods

Last points

- **Eligibility**
- **Domestic Preference**
- **Currency Provisions**
- **Joint Ventures**
- **Treatment of Taxes and Duties**



ADB Review

Procurement Committee

Award of contracts for values of \$10.0m and above must be approved by the ADB

— Procurement Committee —

Chairman : Principal Director, COSO

Members : Assistant General Counsel
Director, Sector Division

Secretary : Senior Procurement Specialist
(Non-Voting)



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National Competitive Bidding (NCB)



National Competitive Bidding

***“NCB is the competitive bidding procedure used in the country of the borrower [...determined...] acceptable for ADB-financed procurement”
(Guidelines 3.3)***

- **NCB Annex specifies “acceptability”**
- **Annex to Procurement Plan**
- **Referenced in Loan Agreement**



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Country Systems



Country Systems

The country systems approach supports the development and implementation of effective government policies across a range of activity...national arrangements and procedures for public financial management, accounting, auditing, procurement....



Paris Declaration on Aid Effectiveness (HLF2—March 2005)

- **Donors to use Partner Country procurement systems (indicator 5a)**
- **Partner countries to have procurement systems that adhere to “broadly accepted good practice” (indicator 2b)**

***Reaffirmed by Accra Action Agenda, HLF3,
September 2008***

- **Formed following HLF2**
- **Continuation of OECD/WB Roundtable**
- **Baseline Indicator Methodology (BLI or BLS)**

Baseline Indicator Methodology

- **Currently on Version 4**
- **Pilot tested in 22 countries (8 in Asia)**
- **Basis for assessing indicator 2b**



World Bank

- **Board policy to “pilot” country procurement**
- **Role-out to start this year**
- **Two to three countries per region**



World Bank

- **Country level (country selection)**
 - **BLI is basis**
 - **“equivalence” to WB procedures**
- **Project/Sector level (project selection)**
 - **Performance**
 - **Risk**
- **Excludes consulting services**



ADB

- **RETA ongoing**
- **Supporting BLI testing**
- **Will coordinate with WB pilots in Asia/Pacific**



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e-Procurement



Principles of MDB Procurement Systems

- **Economy, efficiency and transparency**
- **Nondiscrimination and equality of access**
- **Open competition**
- **Accountability**
- **Security of process**



e-Bidding Requirements for MDB Loans, Grants and Credits – A Guide

- **Sets standards for MDB-financed procurement (goods, works, services, consulting, prequalification)**
- **Applicable to any or all bidding stages**
 - **Advertising and publishing results**
 - **Issuance of documents**
 - **Receipt of bids and evaluation**
- **Applies to third party systems**



Guide Coverage

- **System characteristics**
 - **Access**
 - **Standards**
 - **Security**
- **Advertising and disseminating information**
- **Bidding (or prequalification) procedures**
 - **Documents, correspondence, notices**
 - **Bid submission**
- **Evaluation and contract award**



Payment

- **No payment for notification (advertisement)**
- **Free reading and downloading is best practice but reasonable fee may be charged**
- **No payment to submit bid**



Information Security

- **Management systems**
 - **Access security and authorization**
 - **Confidentiality**
 - **Integrity (electronic and digital signatures)**
- **Audit issues**
- **Records management**
 - **Master documents**
 - **Transactions and communications**



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EA Procurement Capacity Assessment



Procurement Capacity Assessment at the Project Level

- **Purpose of EA Procurement Capacity Assessments**
 - **Identify capacity, procedural and organizational constraints**
 - **Determine overall procurement risk and link this to ADB oversight (prior/post review) defined in the procurement plan**
 - **Define (with the EA) capacity development including training requirements**



Procurement Capacity Assessment at the Project Level

- **Undertaking an EA Procurement Capacity Assessment**
 - **Conducted at TA or Loan Fact Finding stages**
 - **Modeled on World Bank approach**
 - 1. Assessment of the national procurement environment**
 - 2. Assessment of the EAs resources**
 - 3. Procurement Assessment Report**



Disorganized Procurement Unit





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Procurement Plan



Procurement Plans

- **Lists all procurement in a project**
- **Prepared as project developed (PPTA)**
- **Referenced in Loan Agreement**
- **Updated throughout project implementation**



Procurement Plans

- **Linked to Capacity Assessment**
- **Templates for major borrowers available**
- **Establishes**
 - **Methods**
 - **Thresholds**
 - **Contract estimates**
 - **Review procedures**
- **Flexible (can change without amending LA)**
- **Defines NCB “suitability”**



Procurement Plans—NCB Annex

- **NCB Annex is Section 3 of the Procurement Plan**
- **Available for 22 countries**
- **Constantly updated**