



Selection of Contractor for Works under Islamic Development Bank Financing



Agenda

Introduction

Flowchart: Eight Steps in Contractor Selection Process

Step 1: Draft Prequalification Document

Step 2: Advertisement for Prequalification & Submission of Applications

Step 3: Evaluation of Applications & Prequalification Report

Step 4: Draft Bidding Documents

Step 5: Bid document sent to prequalified firms

Step 6: Receipt of Bids & Bid Opening

Step 7: Bid Evaluation Report & Recommendation

Step 8: Notification of Intention to Award & Contract Award



Introduction

The selection of Contractors for Works is covered under the Guidelines for the Procurement of Goods & Works and related services under IsDB Project Financing.

The related services include services such as:

- Transportation
- Insurance
- Installation
- Commissioning
- Training
- Initial maintenance
- Non-consultant services

Non-consultant services are contracted on the basis of measurable physical output.

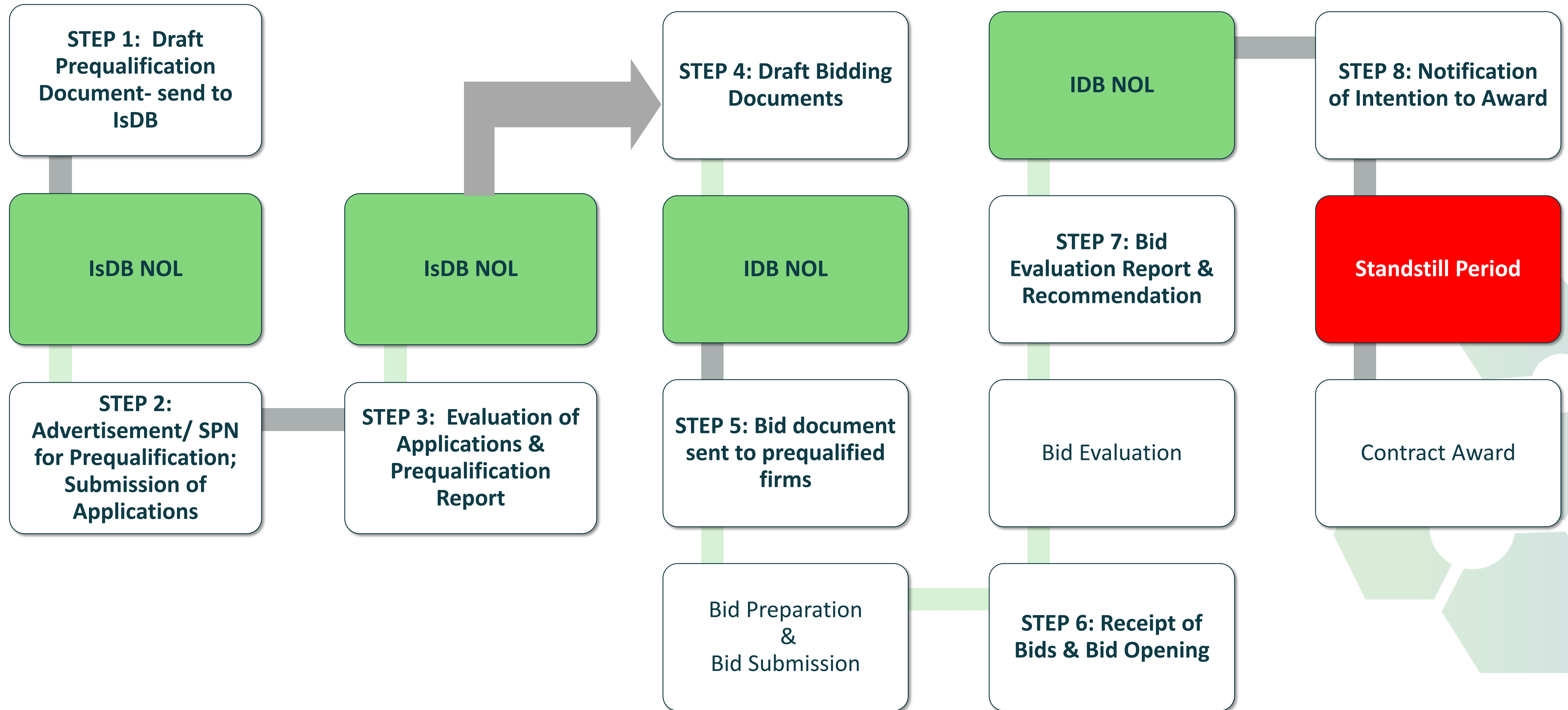


Bidding Process – Procurement Steps

- Notification/Advertising
- **Prequalification**
- Issue of bidding documents
- Submission of bids
- Public opening of bids
- Evaluation of bids
- Selection of Lowest Evaluated Bid (LEB)
- Post qualification of LEB (post bid verification in case of prequalification)
- Contract award
- Publication of bidding results
- Contract performance



Eight Steps in Contractor Selection Process (based on ICB/MC with prequalification)



Step 1: Draft Prequalification Document

What is Prequalification ?

The PQ is the assessment of the Capability of firms to carry out a particular contract prior to being invited to submit a bid.

When should prequalification (PQ) be used ?

PQ is appropriate for:

- Large and/or complex contracts
- Turnkey contracts
- Management contracting



Step 1: Draft Prequalification Document

Advantages of Prequalification

- Evaluation of bids on price and merit of bid itself are separate from the evaluation of qualifications of bidders
- Prior assessment by implementing agency of bidders' capability to execute contract
- Better opportunity to form joint ventures to meet capability requirements
- Exposes conflict of interest between consultants, suppliers and contractors
- Promotes interest of leading contractors to compete with others of similar capability.
- Reduce potential for controversies



Step 1: Draft Prequalification Document

PQ Criteria

- Eligibility
- Historical Contract Non-performance
- Financial Situation & Performance
- Experience



Step 1: Draft Prequalification Document

PQ document preparation

❖ Information to be Provided to Firms in PQ Document

- Description of works or equipment
- Scope of contract
- Source of finance
- Implementation schedule
- Eligibility criteria
- Prequalification requirements

❖ Information Requested from Applicants

- Minimum necessary
- Avoid certificates requirements
- Use standard questionnaire
- General/ Specific experience
- Financial capabilities
- Personnel capabilities
- Equipment capabilities
- Litigation history



Step 1: Draft Prequalification Document

PQ Procedure

❖ Submission of Applications

- No public opening
- Late submission (two options: a. Employer reserves the right to accept; b. late submissions rejected)

❖ Evaluation

- Minimum financial/physical targets
- Specific resources/equipment

❖ Number Prequalified

- All firms that meet criteria
- No maximum



Step 1: Draft Prequalification Document

Submission to IsDB for No Objection PQ document

The Beneficiary shall, before Prequalification submissions are invited, furnish IsDB with

- the draft Bidding Documents to be used,
- including the text of the invitation to prequalify,
- the Prequalification questionnaire,
- the evaluation methodology and
- a description of the advertising procedures to be followed.

The Beneficiary shall introduce such modifications in said procedures and Bidding Documents, as IsDB shall reasonably request



Step 2: Advertisement for Prequalification & Submission of Applications

Requirements for Advertising

- The notification for Prequalification shall be advertised in the same manner using the same media as the GPN.
- The Beneficiary shall then inform all applicants of the results of the Prequalification and will also publish the results using the same media as are used for the GPN.

Time allowed for submission

Not less than four (4) weeks should be allowed for preparation and submission of Prequalification applications by prospective applicants.



Step 3: Evaluation of Applications & Prequalification Report

Evaluating the PQ Applicants

- Beneficiary responsible for conducting prequalification
- Screening process
- Pass/Fail system
- No limit to number of qualified bidders
- Use of “slice and package” process
- Specific requirements to qualify joint ventures
- Defined criteria for bidders' qualification
- Verification of qualifications confirmed at time of award of contract



Step 3: Evaluation of Applications & Prequalification Report

Preparation of PQ report

- The Beneficiary shall furnish to IsDB for its comments the Evaluation Report evaluating the applications it received.
- This report shall include the list of the recommended Prequalified applicants
- The Beneficiary shall furnish this information to IsDB before the applicants are notified of the Beneficiary's decision,
- The report on the process, including the final list of pre-qualified Firms shall be submitted to IsDB for No-Objection.
- The Beneficiary shall obtain **No objection** for the PQ of Bidders Evaluation results.



Step 3: Evaluation of Applications & Prequalification Report

All qualified firms permitted to bid

When the Prequalification is employed, all Firms which are found to be qualified shall be invited to Bid.

Informing successful applicants and publishing results

The Beneficiary shall then inform all applicants of the results of the Prequalification and will also publish the results using the same media as are used for the GPN



Step 4: Draft Bidding Documents

Preparation of Bidding Documents is based on:

- Type of Contract- lump sum / unit rate
- Scope of Contract- Works; Maintenance
- Division into lots
- Design Build (Turnkey contract) for industrial plant
- BDs include: ITB; BDS; CoC; BoQ; Specifications..etc.



Step 4: Draft Bidding Documents

Bidding Documents Objectives

- Provide equal information to all bidders
- Instruct bidders on procedures for submission of bids
- Describe goods or works with technical requirements to be procured
- Inform the bidders of criteria for evaluation
- Define conditions of contract
- Encourage participation through reasonable fees, such as sale of bidding document, bid security, performance security etc.



Step 4: Draft Bidding Documents

Poor Bidding Document has negative Impact

- Clarifications/complaints from bidders
- Undefined application of instructions and criteria
- Selection of poorly qualified bidder
- Delays in project implementation
- Misprocurement
- Lack of credibility of institutions



Step 4: Draft Bidding Documents

Salient Aspects of SBD Clarity and Consistency

- Ensure consistency between different sections of SBD
- Quantifiable factors for evaluation
- Avoid redundant information
- Ensure specifications to be intelligible to bidders
- Schedule pre-bid conference to provide clarity, if necessary
- Amendment/modifications to be sent to each recipient of bidding documents



Step 4: Draft Bidding Documents

Salient Aspects of SBD Payment Terms

- Payment for mobilization (Except for minor contracts)
- Advance payment for materials/plant
- Progress (monthly) payment
- Small retention amount
- Guarantees for defect liability period



Step 4: Draft Bidding Documents

Conditions of Contract Contents

- Scope of Works to be executed
- Rights and obligations of the Beneficiary and of the contractor
- Functions and authority of project/construction manager
- Risk and liabilities allocation between the Beneficiary and the contractor
- Procedures for execution of works
- Procedures for payments, damages, penalties and performance guarantees
- Procedures for termination and settling disputes
- Applicable law



Step 4: Draft Bidding Documents

Special Features of Contract Performance Security

- Protection of Beneficiary against breach of contract
- Performance security to be issued by institutions with enforceable instrument
- A portion of performance security to cover warranty, defect liability or maintenance period
- Performance security required for works (10% of the contract price)

Special Features of Contract Liquidated Damages

- Cost deducted from the contract price for delays and/or unperformed services
- Applicable rate of damages
- After reaching 10% of the contract price as liquidated damages, the Beneficiary has a right to terminate the contract



Step 4: Draft Bidding Documents

Special Features of Contract Settlement of Disputes

Principle: Avoid disputes through direct negotiations between the Beneficiary and the contractor, however, if no solution, then confirm through written communication the breach of contract

❖ Provisions in SBD

- Dispute Review Board
- Adjudicator
- Independent Engineer (In accordance with FIDIC conditions)



Step 4: Draft Bidding Documents

Special Features of Contract Settlement of Disputes

- ❖ **Arbitration/Litigation:** Arbitration enables access to speedy and efficient mechanism compared to Litigation in a court of Law.
- ❖ **Arbitration Institutes:** International Chamber of Commerce, Paris (Network in 57 Countries)
- ❖ **Arbitration Rules:** UNCITRAL: Appointing authority, place of arbitration



Step 5: Bid document sent to prequalified firms; Bid Preparation & Bid Submission

- BD made available after PQ is complete
- All Firms which are found to be qualified shall be permitted to Bid. The Bidding Documents shall be made available to the prequalified Bidders.
- Generally not less than six (6) weeks, and 12 weeks for large complex works for preparation of bids and submission;



Step 5: Bid document sent to prequalified firms; Bid Preparation & Bid Submission

- Pre-bid conferences and site visits for large complex works
- Preparation & submission in accordance with the requirements of the Standard Bidding Documents.
- Unless otherwise agreed, IsDB requires that Bids are submitted in accordance with the procedures described in IsDB's Standard Bidding Documents (SBDs).



Step 6: Receipt of Bids & Bid Opening

Procedures for receipt and public opening:

- Bids received after this time shall be returned unopened.
- Bids not opened and read out shall not be considered for evaluation
- The name of the Bidder and total amount of each Bid and of any alternative Bids, if they have been requested or permitted, shall be read aloud and recorded.



Step 6: Receipt of Bids & Bid Opening

Procedures for receipt and public opening:

- The date, hour and place for the receipt of Bids and for the Bid opening shall be announced in the invitation to Bid.
- The time for Bid opening shall be the same as for the deadline for the receipt of Bids, or if Bids are received in a location different from the place of Bid opening, promptly thereafter, allowing just sufficient time to take the Bids to the place announced for Bid opening.
- Bids shall be opened in public and Bidders or their representatives shall be allowed to be present.



Step 6: Receipt of Bids & Bid Opening

Mode of bid submission

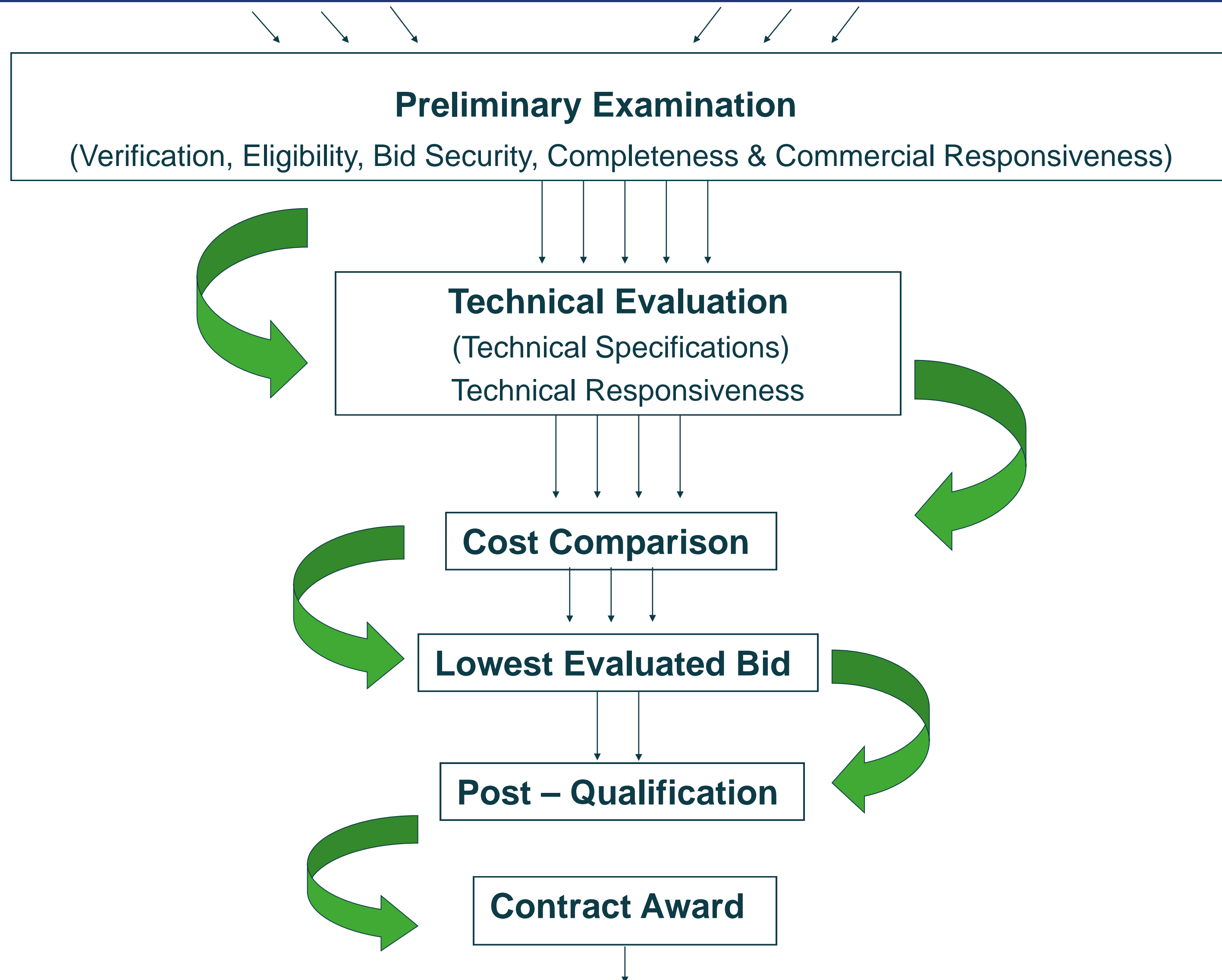
- Hand
- Mail
- Electronic

Record of bid opening to be sent to IsDB

- A copy of this record shall promptly be sent to all Bidders who submitted Bids, as well as IsDB after the Bid opening.



Step 7: Bid Evaluation Report & Recommendation



Step 7: Bid Evaluation Report & Recommendation

- Bid Evaluation, Preliminary Examination
- **Verification**
 - Signature of Bid Form (bidder, joint venture)
 - Validity of bid
 - Documents (authorization signature, joint venture declaration,)
- **Eligibility**
 - Bids from pre-qualified bidders
 - Government owned enterprise
 - Conflict of interest
 - Eligible under sanction policy



Step 7: Bid Evaluation Report & Recommendation

Bid Evaluation, Technical Examination

- Responsiveness to specifications
- Phasing of scope of work
- Degree of sub-contracting in comparison to requirements
- Deviations to critical requirements
- Minor omissions for adjustments



Step 7: Bid Evaluation Report & Recommendation

Bid Evaluation, Unacceptable Deviations

- Late bid
- Unsigned bid
- Inadequate bid security
- Bidder is different to prequalified firm(s)
- Different price conditions
- Unacceptable alternative, timing and phasing
- Unacceptable sub-contracting
- Qualification of arbitration rules
- Unacceptable applicable law



Step 7: Bid Evaluation Report & Recommendation

Bid Evaluation, Acceptable Deviations

- Different payment terms
- Alternative bids/methods (if permissible)
- Minor omissions
- Limitation of liability
- Liquidated damages



Step 7: Bid Evaluation Report & Recommendation

Bid Evaluation

Computational Correction

- Correction of errors binding on bidder
- Written acceptance by bidder of corrections
- Consideration of contingencies, provisional sums, modifications to bid (submitted before bid opening) and discounts



Step 7: Bid Evaluation Report & Recommendation

- Bid Evaluation, Cost Comparison

❖ Objective

- To determine lowest evaluated bid on date specified

❖ Bid Price

- Established at bid opening in different currencies

❖ Common Currency

- Beneficiary's currency or any other specified in the bidding documents

❖ Exchange Rate

- Selling exchange rate for similar transactions
- Official source specified in the bidding documents (Central Bank)
Internationally circulated newspaper (Financial Times)



Step 7: Bid Evaluation Report & Recommendation

Cost Comparison

Prices

- Bid price at site, including all taxes, duties and levies

Adjustments

- Exclude provisional sums and contingency
- Add monetary cost of quantifiable variations with timing implications, if applicable
- Add benefits foregone for longer time of completion, if applicable
- Adjustment for “acceptable” quantifiable deviations



Step 7: Bid Evaluation Report & Recommendation

Clarification of bids

- The Beneficiary may need to ask clarifications from Bidders, for example in the event that some pages of supporting information are not initialed, if required in the Bidding Documents, or if the Bidder has not sent the required number of copies or omitted a form.
- Requests for clarification and Bidder's responses shall be made in writing and any discrepancies noted shall be recorded in the Bid Evaluation Report.
- However, the Beneficiary shall not ask nor allow Bidders to change the substance or price of the Bids after Bid opening



Step 7: Bid Evaluation Report & Recommendation

Extension of bid validity

- An extension of Bid validity, if justified by exceptional circumstances, shall be requested in writing from all Bidders before the expiration date stated in the Bidding Documents.
- The extension shall be for the minimum period required to complete the evaluation, obtain the necessary approvals and award the contract.
- In the case of fixed price contracts, requests for second and subsequent extensions will be permissible only if the request for extension provides for an appropriate adjustment mechanism of the quoted price to reflect changes in the cost of inputs for the contract over the period of extension.



Step 7: Bid Evaluation Report & Recommendation

Extension of bid validity

- Whenever an extension of Bid validity period is requested, Bidders shall not be requested or be permitted to change the quoted (base) price or other conditions of their Bid.
- Bidders shall have the right to refuse to grant such an extension without forfeiting their Bid security, but those who are willing to extend the validity of their Bid shall be required to provide a suitable extension of their Bid security.



Step 7: Bid Evaluation Report & Recommendation

Post-qualification

- Objective: Determine capacity and resources of Lowest Evaluated Bidder to execute the contract
- Application: Only for lowest evaluated bidder
- The factors to be assessed: Past experience (size/complexity); Financial capacity; Personnel resources; Equipment resources; Litigation history
- In case of pre-qualification, confirmation of current status to be substantially the same as at prequalification

The Beneficiary obtains No Objection to Bid Evaluation Report from IsDB.

Step 7: Bid Evaluation Report & Recommendation

Rejection of bids & re-bidding

- Rejection of all Bids is justified when there is lack of effective competition, or when Bids are not substantially responsive.
- However, lack of competition shall not be determined solely on the basis of the number of Bidders.
- If, following IsDB No-Objection, all Bids are rejected, the Beneficiary shall review the causes justifying the rejection and consider making revisions to the conditions of Bidding Documents, design and specifications, scope of the contract, or a combination of these, before inviting new Bids.



Step 8: Notification of Intention & Contract Award

- Notification of Intention to Award
- Standstill Period
- Debriefing
- Negotiation
- BAFO
- Contract award and signature



Step 8: Notification of Intention & Contract Award

Notification of Intention to Award

The Beneficiary shall notify, each responsive Bidder of its intention to award a contract to the successful Bidder. The transmission of the Notification of Intention to Award activates the **Standstill Period**. The Notification of Intention to Award shall contain:

- a. the successful Bidder's name, its address and the contract price;
- b. the names of all Bidders that submitted responsive Bids and their Bid price and evaluated price;
- c. to each of the unsuccessful Bidders, a brief statement of the reasons why it's Bid was unsuccessful.



Step 8: Notification of Intention & Contract Award

- d. the date the Notice of Intention to Award was transmitted;
- e. the date the Standstill Period is due to end; and
- f. instructions on how to request a debriefing and/or submit a procurement-related complaint in relation to the decision to award the contract.



Step 8: Notification of Intention & Contract Award

Standstill Period

The Beneficiary shall include in the applicable Bidding Documents a Standstill Period (which shall be a minimum of ten (10) Business Days) between the date of transmission of the Notification of Intention to Award the contract and the contract signature. (which period may be extended due to debriefing).



Step 8: Notification of Intention & Contract Award

Debriefing

An unsuccessful Bidder not satisfied on the results may seek a debriefing from the Beneficiary.

The Beneficiary is required to provide a debriefing.

The Standstill Period shall automatically be extended until 5 Business Days after such debriefing is provided.

The Bidder shall bear its own costs of attending a debriefing meeting.

The debriefing shall not include: point-by-point comparisons with another Bidder's Bid; and information that is confidential or commercially sensitive to other Bidders.

A written summary of each debriefing shall be included in the official procurement records, and copied to IsDB for contracts subject to Prior Review.



Step 8: Notification of Intention & Contract Award

Negotiation

- In ICB procurement subject to Prior Review, IsDB may agree to the Beneficiary's use of negotiations following Bid evaluation and before final contract award.
- Any negotiation shall be in accordance with the requirements of the RFB.
- If negotiations are undertaken, they shall be held in the presence of a Probity Assurance Provider, agreed with IsDB.



Step 8: Notification of Intention & Contract Award

Negotiation

- Negotiations may involve terms and conditions, price, and/or social, environmental, and innovative aspects, as long as they do not change the minimum requirements of the Bid.
- The Beneficiary shall negotiate first with the Bidder that has been evaluated as offering maximum VfM.
- If the outcome is unsatisfactory or an agreement is not reached, the Beneficiary may then negotiate with the Bidder offering next best VfM, and so on down the list until a satisfactory outcome is achieved.



Step 8: Notification of Intention & Contract Award

Best and Final Offer [BAFO]

- In ICB subject to Prior Review, IsDB may agree to the Beneficiary's use of BAFO.
- BAFO is an option under which the Beneficiary invites Bidders that have submitted substantially responsive Bids to submit their BAFOs.
- If a BAFO is to be used, the Beneficiary shall inform Bidders in the RFB document: that Bidders are not obliged to submit a BAFO; and that there will be no negotiation after the BAFO.
- If BAFO is to be applied, the Beneficiary shall engage the services of a Probity Assurance Provider, agreed with IsDB.



Step 8: Notification of Intention & Contract Award

Contract award and signature

- The award of contract is subject to IsDB No-Objection following the Standstill Period and shall be made, within the period of the validity of Bids.
- The Beneficiary shall furnish to IsDB a copy of the signed contract, together with the first request for disbursement and the performance guarantee

Contract Award Notice

After the award of contract, the Beneficiary shall publish a Contract Award Notice on UNDB online or Dg Market website in addition to IsDB's external website.



Step 8: Notification of Intention & Contract Award

Contract award and signature

- In the case of NCB, the contract award notice should be published using the same media as used for the SPN.
- The Contract Award Notice shall contain: The name and reference number of the contract being awarded; the name of the awardee; the subject matter of the contract; the value and duration of the contract.

A Prior Review contract awarded without IsDB No-Objection, shall not be eligible for IsDB Financing.





Thanks!

Any questions?

