

Guidance
Note on
Procurement in
Fragile,
Conflict-Affected States
and Emergency Situations
in Islamic Development Bank
financed Procurements

January 2019

This Guidance Note is intended to complement the Guidelines for Procurement of Goods and Works and related services and for the Procurement of Consultant Services under Islamic Development Bank Financing, approved by the Board of Executive Directors (BED) of the Islamic Development Bank, and published September 2018. This document may be used and reproduced for non-commercial purposes. Any commercial use, including without limitation reselling, charging to access, redistribute, or for derivative Works such as unofficial translations based on these documents is not allowed.

For additional information on this document, please contact:

Project Procurement (PPR)

Office of the Vice-President, Country Programs

The Islamic Development Bank

P.O. Box 5925, Jeddah 21432

Kingdom of Saudi Arabia

ppr@isdb.org

www.isdb.org

Common Abbreviations and Defined Terms

Common abbreviations and defined terms that are used in these Guidelines. Defined terms are written using capital letters.

| Abbreviation / term | Full terminology / definition |
|---------------------------------|---|
| BED | Board of Executive Directors |
| Beneficiary | A Beneficiary is the recipient of IsDB Project Financing. This term includes any entity involved in the implementation of an IsDB financed project on behalf of the Beneficiary. |
| Bid | An offer, by a Bidder, in response to a Request for Bids, to provide the required Goods, and/or Works and/or related services. |
| Bidder | A Firm that submits a Bid for the provision of Goods and/or Works and/or related Services |
| Consultant | A Consultant Firm or Individual Consultant that provides Consultant Services. A Consultant is independent of both the Beneficiary and IsDB. |
| Consultant Service(s) | Consultant Services are those intellectual services delivered by a Consultant Firm or an Individual Consultant. Consultant Services are normally of a professional, expert or advisory nature. Consultant Services are governed by these Guidelines. |
| CSOs | Civil Society Organizations |
| Goods | A category of procurement that includes, for example: consumables, equipment, machinery, vehicles commodities, raw materials or industrial plant. The term may also include related services, such as: transportation, insurance, installation, commissioning, training or initial maintenance. |
| IsDB | Islamic Development Bank |
| MC | Member Country |
| MDB | Multi-Lateral Development Bank |
| NGO | Non-Government Organization |
| Non-Consulting Services: | Services which are not Consulting Services. Non-Consulting Services are normally Bid and contracted based on performance of measurable outputs, and for which performance standards can be clearly identified and consistently applied. Examples include: drilling, aerial photography, satellite imagery, mapping, and similar operations. |
| PAD | Project Appraisal Document |
| Prequalification | The shortlisting process, which can be used prior to inviting Request for Bids in the procurement of Goods, Works and related services. |

| Abbreviation / term | Full terminology / definition |
|-----------------------------------|--|
| Procurement | The function of planning for, and sourcing Goods, Works, Non-Consulting Services, and/or Consulting Services to meet required objectives. |
| Procurement Documents | A generic term used in these Guidelines to cover all Procurement Documents issued by the Beneficiary. It includes: GPN, SPN, EOI, REOI, Prequalification document, RFB and RFP, including any addenda. |
| PPR | Project Procurement |
| RFQ | Request for Quotation |
| SBDs | Standard Bidding Documents |
| Standard Bidding Documents | Standardised procurement documents issued by IsDB to be used by Beneficiaries for IsDB financed projects. These include IsDB's standard documents for, e.g.: GPN, SPN, Prequalification, LOI, RFB and RFP. |
| UN | United Nations |
| Works | A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training. |

Contents

| | |
|---|-----------|
| Section 1 – Introduction | 1 |
| 1.1 Overview | 1 |
| Section 2 - Procurement in Fragile, Conflict-Affected States | 3 |
| 2.1 Overview | 3 |
| 2.2 Fragile, Conflict-Affected States..... | 3 |
| 2.2.1 Fragility..... | 3 |
| 2.2.2 Conflict | 3 |
| 2.2.3 Disasters and Emergency Situations | 4 |
| Section 3 – Procurement in Fragile, Conflict-Affected States | 5 |
| 3.1 Project Design and Procurement Planning..... | 5 |
| 3.2 Procurement Preparedness..... | 6 |
| 3.3 Situational Response | 7 |
| 3.4 Application of IsDB Regulations and Procedures during Emergencies | 8 |
| 3.5 Operational Context and Market Conditions | 8 |
| 3.5.1 Security Requirements in the Country..... | 9 |
| 3.5.2 Contracting Core Government Services to External Providers | 9 |
| 3.5.3 Governance | 9 |
| 3.6 Organizational and Institutional Support..... | 9 |
| 3.7 Use of Procurement Agents | 10 |
| 3.8 Flexible Arrangements for Procurement | 10 |
| 3.8.1 Approach to National versus International Markets | 11 |
| 3.8.2 Flexible Arrangements for the Selection of Consultants | 11 |
| 3.8.3 Flexible Arrangements for Procurement of Goods, Works, and Non-Consulting Services | 11 |
| 3.8.4 Request for quotations | 12 |
| 3.8.5 Simplification of pre- and post-qualification criteria | 12 |
| 3.8.6 Community participation | 13 |
| 3.8.7 Force account..... | 13 |
| 3.8.8 Use of second-hand goods..... | 13 |
| 3.8.9 Commodities | 14 |
| 3.8.10 Accelerated bid or proposal preparation times..... | 14 |
| 3.8.11 Bid security and performance security requirements | 14 |

| | | |
|--|-------------------------------------|-----------|
| 3.8.12 | Advance payment | 14 |
| 3.8.13 | Fiduciary oversight | 15 |
| 3.8.14 | Specialist procurement support..... | 16 |
| Annex I. IsDB Member Countries | | 17 |
| Annex II. Summary of Measures for Fragile, Conflict-Affected and Emergency Situations | | 19 |

Section 1 – Introduction

1.1 Overview

This Guidance Note relates to Procurements in Fragile, Conflict-Affected States and emergency situations.

Operating in countries experiencing fragility, with weak institutions, or emerging from conflict, or confronted with an emergency, carries several challenges for both the public institutions involved in the design and implementation of projects and for financiers such as the Islamic Development Bank (IsDB).

IsDB's updated Guidelines for the procurement of Goods, Works and related services under IsDB Project Financing and the Guidelines for the Procurement of Consultant Services under IsDB Project Financing allow for greater differentiation in the procurement process to respond to country conditions, on projects financed in whole or in part by IsDB.

This Guidance Note elaborates on how procurements should be approached in Fragile, Conflict-Affected States noting that it is not a step-by-step guide. There is no single solution that will successfully address all the different circumstances in any given context.

This Guidance Note proposes measures that can facilitate procurement in such situations, and Beneficiaries are strongly encouraged to work closely with the assigned IsDB project team and procurement specialist to discuss these specific flexibilities and options, as well as any other measures that the situation warrants.

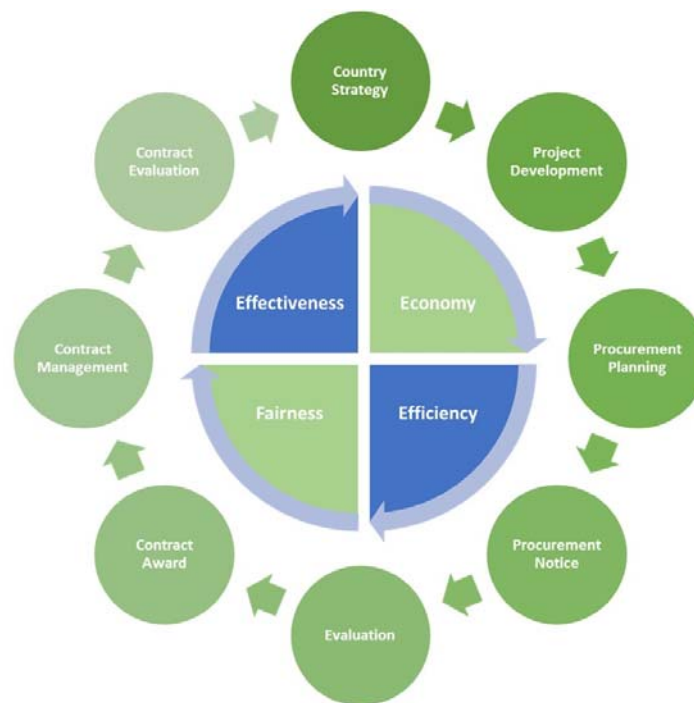


Figure 1 – IsDB Procurement Cycle

IsDB may accept the use of appropriate and procurement arrangements in accordance with the relevant provisions of the Procurement Guidelines or other suitable procedures that facilitate more responsive mobilization as required by the circumstance which apply across IsDB's procurement cycle.

Section 2 - Procurement in Fragile, Conflict-Affected States

2.1 Overview

In Fragile, Conflict-Affected States, as determined by IsDB’s Resilience and Social Development Division, the design and implementation of projects financed in whole or in part by IsDB can benefit from special considerations which consider the particular circumstances of each country and the situation. Similarly, in emergency situations, IsDB may agree to the following.

- Condensed stages of identification, preparation, and appraisal;
- Authorizing negotiations after a simplified review of a project’s documentation; and
- Reduced turnaround times at key stages of the procurement process.

The design of a Fragile, Conflict-Affected States or emergency project must reflect the specifics of the Beneficiaries situation as well as the related constraints and risks, to ensure that the project adequately responds to the Beneficiary’s needs and that it can achieve its intended project results efficiently.

Furthermore, Beneficiaries and IsDB project teams must ensure that they “do no harm” and that they develop and implement plans to avoid, minimize, mitigate, or compensate for the potential adverse impacts of assistance projects.

2.2 Fragile, Conflict-Affected States

IsDB identifies Fragile or Conflict-Affected States as those of its Member Countries (MC) with weak governance, ineffective public administration and rule of law, and civil unrest. It distinguishes between Fragility and Conflict-Affected.

Fragile, Conflict-Affected States are countries that IsDB determines as being fragile. To determine these countries, IsDB will take into account the World Bank’s Harmonized List of Fragile Situations as published each year¹.

2.2.1 Fragility

Fragility is a state with weak capacity to carry out the basic functions of governing a population and its territory, that lacks the ability or political will to develop mutually constructive and reinforcing relations with society, or that is affected by other specific vulnerabilities, such as for small states.

2.2.2 Conflict

Conflict is a violent or nonviolent process in which two or more parties disagree about interests and values. Although it may provide an opportunity for change, if not managed correctly and peacefully, it can escalate into violence. Conflict can be a cause, symptom, or consequence of

¹ <http://pubdocs.worldbank.org/en/892921532529834051/FCList-FY19-Final.pdf>

fragility. Regardless, a lack of state responsiveness may raise the risk of conflict and the possibility of violence.

Fragile, Conflict-Affected States are generally characterized by political instability, weak governance and institutional capacity, economic and social insecurity, high levels of poverty, wide gaps in the level of social and economic services, lack of competition, disputes over access to resources and the sharing of their profits, and greater vulnerability to the effects of natural hazards and climate change. Public service delivery systems seldom function well, and the ability of the government to guarantee the basic security of its people is often limited.

2.2.3 Disasters and Emergency Situations

IsDB identifies disasters and emergency situations as follows:

- Disaster means a sudden, calamitous event that seriously disrupts the functioning of a community or society, causing widespread human, material, economic, or environmental losses that exceed the community's or society's ability to cope using its own resources.

Disasters can be caused by natural events, technological or industrial accidents, or conflict.

- An emergency occurs after a natural or anthropogenic disaster, or conflict, when unforeseen circumstances require immediate action, and local capacity is insufficient to address and manage traumatic events. Emergencies may involve deaths, injuries, displacement of people, disease, disability, food insecurity, damage or loss of infrastructure, weakened or destroyed public administration, and reduced public safety and security.

Section 3 – Procurement in Fragile, Conflict-Affected States

3.1 Project Design and Procurement Planning

In Fragile, Conflict-Affected States it is critical that the Project Planning and Strategy outlined in the project documents covers a detailed assessment of the needs, conditions, and expectations, including the origins and nature of conflicts and in the case of emergencies, initial damage assessments. The strategy should provide critical policy recommendations for the response to immediate priorities along with accompanying long-term actions.

IsDB's policies allow for flexibility in the processing of Fragile Conflict-Affected States projects and emergency assistance, the initial environmental examination, environmental impact assessment, resettlement plan, and/or indigenous people's plan prepared based on the approved frameworks must be formulated and approved by IsDB before any project-related activities start.

The project strategy should identify immediate priority assistance objectives as well as medium-term objectives which may include.

- A proposal for technical assistance and other forms of investment required to meet the stated objectives;
- An assessment of potential impediments to rapid disbursement, including associated fiduciary risks and proposed mitigation measures;
- Identification of the exceptional measures required to undertake rehabilitation or reconstruction works;
- An assessment of risks, risk mitigation strategies, and contingency responses; and
- Benchmarks and performance monitoring indicators.

The project implementation arrangements detail the circumstances considered in the preparation of the procurement plan, and include a description of procurement processing, procurement risks, and selection methods. The project's procurement plan must be updated regularly and a justification for changes to the procurement plan must be given².

It is important that the following is considered during the design and preparation for projects in Fragile Conflict-Affected States and emergency situations.

- Keeping the design of the Project Appraisal Document (PAD) and the related procurement plan short, simple, and fit for purpose;
- Understanding the prevailing political economy, cultural sensitivities, and the severity and geographic spread of any conflict that may affect the country;

² See the Guidance Note of Procurement Planning and Strategy for further details on the Procurement Planning Process

- Understanding the supply chain limitations (access to imports, primary inputs, labour, electricity, water supply, banking services, etc.) and constraints to communications, transport, and other logistical factors affecting the country;
- Assessing labour risks and other key social factors, including child labour conditions, and ensure that workers are neither trafficked nor working under forced labour, especially under Advanced Contracting;
- Using procurement and selection methods that suit the situation and that will deliver the best project outcomes;
- Considering adaptable project controls, such as levels of procurement reviews, which can be adjusted as capacity improves;
- Considering using framework agreements where appropriate;
- Considering the need to supplement the capacity of the implementing agency with consultant support in managing and administering contracts;
- Considering relying on other institutions with operations in the country, such as United Nations (UN) agencies, other Multilateral Development Banks (MDB's), donors and Civil Society Organizations (CSOs); and
- Enabling communities to participate in the design and subsequent implementation of Works.

3.2 Procurement Preparedness

Procurement is a key component of emergency, conflict, and disaster preparedness and response. Various measures can be taken before an emergency, conflict, or disaster occurs to optimise the capacity of procurement systems to respond effectively to the given situation. The measures outlined below are essential to address the challenges to procurement preparedness in any such situation.

Emergency procurement preparedness involves actions taken in advance of an emergency that will enhance the capacity of authorities to address the situation as detailed below.

- ***Legal and Institutional Infrastructure for Emergency Response***
 - Integration of procurement into national disaster preparedness and risk reduction plans;
 - Establishment of a governance structure and legal framework that governs the application of emergency procedures;
 - Setting up of emergency procurement teams, pooling the most skilled experts;
 - Setting up of emergency contract or supply chain management teams;
 - Capacity building for undertaking emergency procurement, including due diligence checks in preselecting Firms, Suppliers, Contractors (including sub-Contractors) or Individuals; and

- The use of framework agreements for faster deployment of resources and critical Goods and Services.
- ***Allocation of Resources for Emergency Procurement Facilities and Teams***
 - Office space;
 - Communications and connectivity equipment;
 - Storage and distribution facilities;
 - Transportation resources, including local Firms for in-country transportation of people and cargo;
 - Publicly-accessible free website to ensure wide dissemination of information; and
 - Reserve budget for the work of the emergency procurement team.
- ***Development of Emergency Procurement Procedures and Tools***
 - Legal framework that authorizes and specifies special procedures for emergency situations (e.g., use of Direct Selection, Force Account and Framework Agreements);
 - Use of electronic procurement and related processes;
 - Adapted prequalification procedures;
 - Standard emergency forms of contracts etc;
 - Principles and procedures applicable to cost reimbursements; and
 - Asset tracking procedures.
- ***Readiness for Contractor and Supplier Mobilization***
 - Identification of frequently required emergency Goods and Services, related Suppliers, and estimated costs (temporary shelter, water, food/nutritional supplements, communication equipment, vehicles, medical supplies);
 - Establishment and periodic updating of a list of pre-qualified Firms, Suppliers, Contractors (including sub-Contractors) and service providers;
 - Assessment of countrywide (as well as region-wide, where relevant) markets for common supplies needed in case of emergency;
 - Framework Agreements for Consulting Services, Goods, supplies, and Works developed and used in emergency situations;
 - Prepositioning of supplies and establishment of linkages with other humanitarian organizations' depots; and
 - Standby contracts with prequalified Firms, Suppliers, Contractors (including sub-Contractors).

3.3 Situational Response

IsDB allows for a broad spectrum of response measures in emergency situations, in terms of financing and simplified procedures for project processing and implementation.

IsDB's 2018 Guidelines for the procurement of Goods, Works and related services under IsDB Project Financing also allow for greater flexibility in designing and conducting procurement. Below is a list of measures that can be adopted in consultation with Beneficiary and other development partners:

- Fiduciary arrangements normally required during the preparation period may be deferred to the implementation stage. For example, the finalization of the PAD may be postponed, and the procurement plan pushed back to after project start-up, and a simplified PAD and initial procurement plan may be used in project processing documents.
- Procurement may be conducted using the Beneficiary's national procurement arrangements, if these are acceptable to IsDB and consistent with IsDB's core procurement principles and procurement guidelines.
- Where no viable implementation capacity or alternative exists, IsDB may, at the request of the Beneficiary, execute start-up activities on behalf of the Beneficiary. For example, under a loan or grant project, IsDB may select the project implementation support consultant who will assist the Beneficiary with the implementation of the project, including in the conduct of further procurement activities.
- The Vice-President of Country Programs may provisionally increase the delegation thresholds granted to procurement staff, so they are fully empowered to act and provide clearances in a timely manner.

The Appendix lists measures that may, at the request of the Beneficiary, be considered and put into place to answer the challenges of procurement in Fragile, Conflict-Affected States and emergencies.

3.4 Application of IsDB Regulations and Procedures during Emergencies

During the immediate response and recovery phase of an emergency or conflict, IsDB may accept the use of the Beneficiary's national procurement arrangements, provided that these procedures are consistent with IsDB's core procurement principles and Anticorruption Policies and Integrity Principles and Guidelines.

Normally, IsDB's prior review will not be required during the immediate response phase of an emergency, since available time is limited. Prior review should only be used in exceptional cases and responses will be provided promptly. IsDB's oversight of procurement may be enhanced through increased implementation support and/or increased post reviews.

3.5 Operational Context and Market Conditions

The supply market and local market conditions should be assessed periodically. More information on how to access supply markets and detailed market analysis are detailed in the Guidance Note on Procurement Planning and Strategy.

Although periodic market assessments may be undertaken for Fragile, Conflict-Affected States, it may be necessary to conduct an update of local conditions, especially in the aftermath of an

emergency event. This can be achieved quickly through informal, ad hoc surveys and by involving local authorities, communities, workers, workers' representatives, CSOs, groups of people with disabilities, and businesses in the affected areas. IsDB's resident missions can provide assistance post emergency.

In addition to market assessments, the following aspects may also be considered when preparing the procurement plan of projects in Fragile, Conflict-Affected States and emergency situations.

3.5.1 Security Requirements in the Country

Each country will present different security issues that have an impact on procurement processes and the performance of contracts. Security considerations are often reflected in the prices quoted for goods, works, and services. To ensure greater transparency and more realistic pricing, the cost of security should be identified as a separate line item in contracts to facilitate and manage the impact on cost if the security situation in the country changes during contract implementation.

3.5.2 Contracting Core Government Services to External Providers

Contracting core government services to external providers may be an option when local government is recovering from conflict and, as a result, has little or no capacity to deliver essential public services or functions, e.g., on public financial management, legislative drafting, treasury reform, management of health services, private sector development, management of state-owned enterprises, etc.

The contracting out of these services is a possible short-term solution; however, there are potential political and technical risks associated with this approach that need to be considered at the project appraisal stage. Contracting for these services should be subject to appropriate procurement procedures to ensure that quality services are contracted.

3.5.3 Governance

There is an inherently high risk that procurement in Fragile, Conflict-Affected States and emergency operations could be affected by conflicts of interest or by fraudulent or corrupt activities of some of the stakeholders involved in the procurement process. Also, the likelihood of complications, cost overruns, delays, and poor quality of goods and services may be very high due to capacity constraints, urgency, and general disorder.

Developing a sound governance and anticorruption plan for the project is a key consideration to help mitigate those risks. In small states, conflict of interest is often an issue and appropriate mitigation measures must be designed to address such situations.

3.6 Organizational and Institutional Support

Any development assistance project must be supported by sufficient attention to the Beneficiary's organizational and institutional arrangements for implementation, including for procurement. Measures that can be considered for Fragile, Conflict-Affected States and emergencies include the following.

- ***Within the country.*** Rapid and appropriate assistance requires IsDB to work in a flexible and pragmatic way with other institutions.
 - In countries with weak implementation capacity, IsDB may consider a request from the Beneficiary to contract other institutions such as nongovernment organizations (NGOs) and CSOs, UN agencies, or other multilateral or bilateral institutions to undertake all or part of project implementation, including the procurement functions.
 - Use of the alternative procurement arrangements of another multilateral or bilateral agency or organization involved in the project, or accredited agency of the Beneficiary should be considered during project design in accordance with Chapter 4 of IDB Guidelines for Procurement of Goods, Works and Related Services Under IsDB Project Financing, September 2018. In such cases, IsDB may agree to rely on and apply the procurement rules and procedures of the agency or organization and may agree to such party taking a lead role in providing implementation support and monitoring of procurement activities.
- ***Within IsDB.*** IsDB procedures and regulations provide several options that support the timely processing of transactions in particularly urgent or compelling circumstances. For example, in Fragile, Conflict-Affected States and emergencies, IsDB may provide direct assistance to the Beneficiary by:
 - financing individual consultants to support the Beneficiary in project implementation, including procurement;
 - drafting procurement documents;
 - handling the selection of consultants on behalf of the Beneficiary;
 - assisting in the identification of strengths and weaknesses in Bids/Proposals; and
 - acting as observer in contract negotiations or in dialogues between the Beneficiary and its Firms, Suppliers, Contractors (including sub-Contractors) or Consultants.

In any event, the ultimate responsibility for procurement remains with the Beneficiary, and direct assistance by IsDB must never result in IsDB entering into contracts on behalf of the Beneficiary.

3.7 Use of Procurement Agents

When the Beneficiary does not have the required in-house capacity for the necessary procurement or project management activities, hiring a procurement agent or project management consultant may be the most efficient option. The procurement agent should be selected in accordance with Paragraph 3.47 of the 2018 Guidelines for the Procurement of Consultant Services under IsDB Project Financing.

3.8 Flexible Arrangements for Procurement

In Fragile, Conflict-Affected States and emergencies, the selection methods, selection arrangements, and market approaches used to procure goods, works, and services should be

simplified, consistent with the provisions of the 2018 Guidelines for the procurement of Goods, Works and related services under IsDB Project Financing and Guidelines for the Procurement of Consultant Services under IsDB Project Financing.

Below are some measures for consideration.

3.8.1 Approach to National versus International Markets

Bidding procedures targeting the national market using the Beneficiary's own procurement rules and procedures may be used when the procedures for international advertising are considered inappropriate or too complex due to the Beneficiary's weak implementation capacity, where there is clearly no international market appetite to participate in the procurement process, or when speed is of the essence.

3.8.2 Flexible Arrangements for the Selection of Consultants

The Single Source of consulting firms and individuals as per Paragraphs 3.43 and 3.44 of the 2018 Guidelines for the Procurement of Consultant Services under IsDB Project Financing should be used if it presents a clear advantage over competition for the required consulting services. Firms and individuals that are already working in the country and have a proven track record in similar assignments may be the most suitable option for start-up activities. Consultants selected on a Single Source selection basis may be given the opportunity to participate in future assignments under the same project, provided there is no unresolved conflict of interest with the tasks performed under the initial contract.

Framework agreements may be appropriate for the procurement of Consultant Services in emergency situations or for crisis planning, such as for natural disasters. Such framework agreements may be existing Beneficiary agreements to be used in IsDB operations, or they may be established by the Beneficiary specifically for the IsDB project.

3.8.3 Flexible Arrangements for Procurement of Goods, Works, and Non-Consulting Services

Single Source selection for contracts for goods, works, and non-consulting services may be used to extend an existing contract or to award new contracts in response to disasters or emergencies. Firms, Suppliers, Contractors (including sub-Contractors) or Individuals selected under projects financed by other development partners may also be considered for Single Source selections under an IsDB-financed emergency project.

The Single Source selection may be from the Firms, Suppliers, Contractors (including sub-Contractors), Individuals, UN agencies or NGOs that are already mobilized and working in the emergency areas.

Framework agreements may be appropriate for the procurement of goods, works, and services in emergency situations or for crisis planning (such as for natural disasters). Such framework agreements may be existing Beneficiary agreements to be used in IsDB operations, or they may be established by the Beneficiary specifically for the IsDB project.

3.8.4 Request for quotations

Request for Quotations (RFQ) is a competitive method based on comparison of prices obtained from Firms, Suppliers, Contractors (including sub-Contractors) or Individuals for the provision of goods, works, or services that are generally of low value, low risk, not complex, and can be specified through simple requirements. This method may be appropriate to procure limited quantities of readily available, off-the-shelf goods or services, standard specification commodities, or simple civil works of small value, when it is more efficient than using more competitive methods of procurement.

Quotations should be obtained through advertisement, or when limited competition is justified, through an RFQ to a limited number of firms. To ensure competition, the Beneficiary should request quotations from as many Firms, Suppliers, Contractors (including sub-Contractors) or Individuals as possible to allow comparison of normally at least three responsive quotations. In situations where less than three Firms, Suppliers, Contractors (including sub-Contractors) or Individuals available (or when less than three responsive quotations are received), the Beneficiary should note the situation in the procurement records and proceed with the award of contract. There is no requirement for the Beneficiary to obtain a no-objection from IsDB when there are fewer than three quotations; however, those RFQ contracts may be prioritized for IsDB post review).

Firms, Suppliers, Contractors (including sub-Contractors) or Individuals must be given sufficient time to prepare and submit their quotations. RFQs must include the description and quantity for the works, goods, or services, including any installation requirements as appropriate. The request must also indicate the deadline for submission of quotations and specify whether quotations are accepted by letter, facsimile, or other electronic means. The evaluation of quotations and contract award is carried out based on the criteria specified in the RFQ. The terms of the accepted quotation must be incorporated in a contractually binding document. The Beneficiary must keep records of all proceedings regarding RFQs.

In emergency situations, the RFQ method can also be used even for higher-value contracts; the justification should be noted in the PAD or procurement records as appropriate. Such contracts may be prioritized for post review.

3.8.5 Simplification of pre- and post-qualification criteria

The pre- and post-qualification criteria should be set to optimize the participation of local or regional Firms, Suppliers, Contractors (including sub-Contractors) or Individuals and may, therefore, be based on the conditions that prevail in the local and regional markets.

Prequalified Firms, Suppliers, Contractors (including sub-Contractors) or Individuals. Using lists of prequalified Firms, Suppliers, Contractors (including sub-Contractors) or Individuals to whom periodic invitations are issued can also help accelerate the procurement process. Prequalification documents may use a simplified format that is acceptable to IsDB. Firms, Suppliers, Contractors (including sub-Contractors) or Individuals are then asked to provide quotations for simple, common items such as commodities.

Contracts should be awarded on a competitive basis, and may be for multiyear durations, with provisions on price escalation whenever justified, and the possibility of extension upon agreement between the client and the Firm, Supplier, Contractor (including sub-Contractors) or Individual.

3.8.6 Community participation

The active participation of local communities in disaster, emergency, post-disaster, or post-conflict situations, in the identification and design of immediate relief efforts will ensure that their most urgent needs are met. Their contribution to the oversight of procurement or to the execution of works contracts, and their own implementation of small works and related remuneration through various means, either in-kind or through cash transfers, can engage the communities onto the path of faster recovery and actively contribute to the immediate improvement of their living conditions.

3.8.7 Force account

In Fragile, Conflict-Affected States and emergencies, including in small-state situations, when construction Firms are unlikely to Bid at reasonable prices because of the location of and risks associated with the project, or when a certain government agency has the sole right to operate in certain sectors (e.g., railway and power transmission), force account for repair or reconstruction using the Beneficiary's own personnel and equipment, or a government-owned construction unit, may be the only practical method as detailed in Paragraphs 3.12 and 3.13 in IsDB's 2018 Guidelines for the procurement of Goods, Works and related services under IsDB Project Financing.

3.8.8 Use of second-hand goods

In Fragile, Conflict-Affected States and emergencies, in exceptional circumstances, IsDB may finance the procurement of second-hand goods when they are considered to provide the most economical and efficient means of satisfying the objectives of the project.

It must be noted that a procurement package for goods shall not mix second-hand goods with new goods. The technical requirements/specifications should describe the minimum characteristics of the items that could be offered second-hand for example the age and condition. If IsDB agrees to the procurement of second-hand goods, the simplified bidding documents should set out.

- Clear specifications that provide acceptable standards;
- Performance requirements of the goods to be procured;
- Clear criteria on how bids will be evaluated; and
- Any Inspection requirements and requirements for assessment and certification of the residual life of the goods by recognized licensed entities.

The warranty and defect liability provisions in the contract shall be written or adapted to apply to second-hand goods. Any risk mitigation measure that may be necessary in relation to the procurement and use of second-hand goods must be reflected in the procurement plan.

3.8.9 Commodities

In Fragile, Conflict-Affected States and emergencies, the most efficient way of procuring commodities such as seeds, grain, cereals, cooking oil, and fertilizers may be through specialized agencies, such as the UN or others, or directly from the Firms or Suppliers. In countries where customs duties for emergency commodities are abnormally high, the Beneficiary may be asked to waive or to reduce customs duties to bring them to a reasonable level for example 10% to 12%. In emergency situations, priority commodities must be determined in response to the basic needs resulting from the event, particularly the needs of the poorest citizens. Pre-shipment inspection for commodities is normally required.

3.8.10 Accelerated bid or proposal preparation times

Bid/Proposal preparation periods during the immediate response and recovery phases of an emergency may be reduced to fifteen (15) working days for international competition and seven (7) working days for national competition. Shorter periods must be approved by IsDB, taking into consideration the capacity of Firms, Suppliers, Contractors (including sub-Contractors) or Individuals to prepare responsive Bids/Proposals within a short period.

3.8.11 Bid security and performance security requirements

For small contracts for goods or works, the preparation of Bids by small and medium-sized Firms, Suppliers, Contractors (including sub-Contractors) or Individuals can be accelerated by not requiring a bid security as detailed in Paragraphs 2.37 to 2.39 of IsDB's 2018 Guidelines for the procurement of Goods, Works and related services under IsDB Project Financing. Instead, the Beneficiary may require Bidders to sign a declaration accepting that, if they withdraw or modify their Bid during the period of validity or when they are awarded the contract, or if they fail to sign the contract or to submit a performance security before the deadline defined in the Bidding documents, the Bidder will be suspended from Bidding for any contract with the entity that invited Bids, for the period of time specified in the Bidding document. Similarly, in the case of small contracts for works or supply of goods, the Beneficiary may decide to not require a performance security. However, in works contracts, the Beneficiary may retain the retention money during the defects liability period, and in contracts for goods, will request the manufacturer warranties.

3.8.12 Advance payment

Where it is not easy for Firms, Suppliers, Contractors (including sub-Contractors) or Individuals to obtain lines of credit from banks, the Beneficiary may consider increasing the amount of advance payment under works or supply contracts, provided that the Firm, Supplier, Contractor (including sub-Contractors) or Individual provides a bank guarantee for the same amount. In some environments, the only Firms, Suppliers, Contractors (including sub-Contractors) or

Individuals willing to execute a contract may not be able to obtain bank guarantees for the advance payment. In such cases, the Beneficiary must provide a situational analysis and provide options along with appropriate risk mitigation measures. For example, contracts with CSOs, NGOs, and other institutions with track records of good performance may be offered the payment of an appropriate amount of advance without being required to provide a bank guarantee.

3.8.13 Fiduciary oversight

In general, in rapid response situations, there is an increased risk of fraud and corruption, particularly in the use of simplified procurement procedures, less complex due diligence, false delivery certification, inflated invoices, theft of goods or commodities, and poor quality of materials and services procured or delivered for the project.

The capacity of national institutions in these circumstances is often weak and post-conflict political economies are often prone to corruption; thus, contractual terms and conditions may not be observed or applied. Mitigating such risks normally includes oversight by IsDB in close coordination with the Beneficiary's oversight agencies, to ensure appropriate scope, design, speed, supervision, and controls of the operations. Project teams involved in the preparation of Fragile, Conflict-Affected States and emergency operations may consider using some of the following measures:

- ***Consider involving an external consultant***, (e.g., private sector firm, procurement agent, CSO, NGO, UN agency) as management consultant to the Beneficiary to assist with the selection, contract negotiations, and contract management of Firms, Suppliers, Contractors (including sub-Contractors) or Individuals in situations where the possibility of corruption is high.
- ***Take a sequenced approach*** in emergency programs that allows low-risk components and activities to move ahead, while necessary assessments are done for activities that represent higher risks.
- ***Lower post review thresholds for small states***. Depending on the risk assessment of the executing agency, the reliability of the project management entity, and the risks associated with the capacity of the Beneficiary in a small state, IsDB may consider applying lower post review thresholds than those normally applied to projects in the same sector in other countries.
- ***No prior review requirement in the immediate response and recovery phases of emergency and conflict situations***. In such cases, IsDB oversight is done through post reviews, project monitoring missions, or even independent procurement review.
- ***To use of a monitoring and/or procurement agent***, who will provide fiduciary assurance to IsDB and the Beneficiary by pre-screening procurement documents and the award of major contracts, and by bringing issues of concern to the attention of IsDB and the Beneficiary for quick resolution. Procurement agents may also be given the responsibility to handle procurement on the Beneficiary's behalf, in accordance with the procurement

procedures set out in the financing agreement and elaborated in the procurement plan approved by IsDB.

- ***Provide for pre-shipment inspection*** and local independent verification at delivery, to ensure the qualitative and quantitative compliance of the execution of contracts for goods. When a procurement agent is hired to support the Beneficiary, the related terms of reference may include management of inspection and acceptance of delivery.
- ***Intensify IsDB supervision*** to address and mitigate the increased risks associated with emergency operations. This may be accomplished by more frequent monitoring missions involving a procurement specialist and/or constant supervision by IsDB staff in-country.

3.8.14 Specialist procurement support

Recognizing that procurement support to an operation in Fragile, Conflict-Affected States and emergencies will expectedly be more demanding, additional support can be sought from IsDB staff based at the IsDB resident mission in the region, if there is one, or based at IsDB headquarters.

Annex I. IsDB Member Countries

The Islamic Development Bank is made up of fifty-seven (57) Member Countries.

- Afghanistan
- Albania
- Algeria
- Azerbaijan
- Bahrain
- Bangladesh
- Benin
- Brunei
- Burkina Faso
- Cameroon
- Chad
- Comoros
- Cote D'Ivoire
- Djibouti
- Egypt
- Gabon
- Gambia
- Guinea
- Guinea Bissau
- Guyana
- Indonesia
- Iran
- Iraq
- Jordan
- Kazakhstan
- Kuwait
- Kyrgyz Republic
- Lebanon
- Libya
- Malaysia
- Maldives
- Mali
- Mauritania
- Morocco
- Mozambique
- Niger
- Nigeria
- Oman
- Pakistan
- Palestine
- Qatar
- Saudi Arabia
- Senegal
- Sierra Leone
- Somalia
- Sudan
- Suriname
- Syria
- Tajikistan
- Togo
- Tunisia
- Turkey
- Turkmenistan
- Uganda
- United Arab Emirates
- Uzbekistan
- Yemen

Annex II. Summary of Measures for Fragile, Conflict-Affected and Emergency Situations

| Measure | Operational Situation | |
|---|--|--|
| | Emergency Response | Recovery, Reconstruction, Post-Conflict, or Fragile Situation |
| Flexibility on Eligibility: Country of Origin | May be waived With approval from IsDB's Board of Directors | Regional experts used as "national" experts Where local capacity is poor or insufficient |
| Special Procurement Arrangements | Yes Simplified procurement arrangements allowed, including community participation and the use of the Beneficiary's national procurement procedures acceptable to IsDB | Yes Simplified procurement arrangements allowed, including the use of the Beneficiary's national procurement procedures acceptable to IsDB |
| PAD and Procurement Plan | Use Simplified Template Completion of PAD and full procurement plan may be deferred to project implementation | In accordance with normal Practices |
| Risk Assessment | Quick and simple | Country-level risk assessment can be regional |
| Allowance for Split Packaging | Yes To broaden pool of qualified local Firms, Suppliers, Contractors (including sub-Contractors) or Individuals | Yes To broaden pool of qualified local Firms, Suppliers, Contractors (including sub-Contractors) or Individuals |
| IsDB Processing of Start-Up Activities (Consulting Services) | Yes Upon written request from Beneficiary | Yes Upon written request from Beneficiary |
| Increased Approval Threshold for Procurement Staff | Yes Granted by the Office of the Vice-President, Country Programs, | No |
| Flexibility in Review Thresholds | Normally no prior review | Based on local conditions |

ANNEX II. SUMMARY OF MEASURES FOR FRAGILE, CONFLICT-AFFECTED & EMERGENCY SITUATIONS

| | | |
|--|--|--|
| Flexible Use of Direct Selection | Yes, as appropriate Normally without prior review | In accordance with normal Practices |
| Use of Framework Agreements | Yes, encouraged | Yes, encouraged |
| Use of Other Entities to Support Implementation | Yes e.g., entities with operations in the area, CSOs and NGOs, UN agencies | Yes Especially entities familiar with the context or country, CSOs and NGOs, UN agencies, community participation Consultants (firms or individuals) to support implementation |
| Use of Procurement Agents, Including Contract Management Support works involved | Yes Especially when large-volume procurement involved | Yes Especially when large or complex works involved |
| Use of Force Account Practices | Yes Especially when government has onsite resources | In accordance with normal Practices |
| Use of Request for Quotations (Shopping) | Yes Without pre-imposed ceiling, adapted to circumstances | In accordance with normal Practices |
| Procurement of Secondhand Goods, Leasing, and Renting | Yes | In accordance with normal Practices |
| Enhanced Use of Local Advertising | Yes, given the urgency | In accordance with local conditions |
| Flexible Time for Bid or Proposal Preparation | Expected to be shortened | In accordance with normal Practices |
| Lower Bidder Qualification Requirements | Yes | Yes |
| Bid Security | Not mandatory Use of bid securing declaration acceptable | Not mandatory Use of bid securing declaration Acceptable |
| Waiver of Performance Security | Yes For goods and small works | Yes For goods and small works |

| | | |
|--|---|-------------------------------------|
| Increase in Amount of Advance Payment | Can be increased | Can be increased |
| Waiver of Advance Payment Security | <p>Yes</p> <p>For low-value contracts and contracts with reputable Firms, Suppliers, Contractors (including sub-Contractors)</p> | No |
| Use of Alternative Forms of Contracting | <p>Yes</p> <p>Increased use of lump sum and output-based contracts is recommended. Consider also using framework agreements (for repeat orders, assignments, or works), community participation, fee-based contracting, etc.</p> | <p>Yes</p> <p>Encouraged</p> |



For any additional information, such as Standard Bidding Documents (SBDs), Guidance, training materials and briefing, please see

www.isdb.org/procurement

