

Operational and Strategic Concepts in Project Procurement



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Vice President, Country Programs

The Importance of Public Procurement as a strategic tool is recognized globally for ensuring effective use of financial resources for the delivery of the works, goods and service by the governments. Over time, the procurement function has evolved from a tool for compliance with rules and procedure to a strategic instrument for supporting national development.

Countries are undertaking public procurement reforms to bring efficiency, economy, transparency, fairness and competitiveness in the process. Many countries have adopted new public procurement regulatory frameworks, accountability and complaint redressal mechanisms, and electronic public procurement (e-GP) intending to achieve value for money.

The Multilateral Development Banks (MDBs) being at the forefront of these reforms have internally reoriented their public procurement processes to remain relevant to the evolving needs of the member countries. As such, they have introduced flexible and lean processes, and fit-for-purpose approach for public procurement. Furthermore, MDBs are also supporting countries efforts towards building their institutional capacity, undertaking reforms for strengthening public procurement systems and adopting e-GP systems. Since countries are at various stages of development, MDBs are putting in place required safeguards for countries not yet reached the required level of maturity. Public procurement system of MDBs is evolving to remain relevant to the diverse and changing needs of member countries.

In this context, the Islamic Development Bank (IsDB) has embarked on a journey of reforming the project procurement policy and related procedures. It has also decentralized the project procurement function to better serve the needs of member countries. The Bank is committed to helping member countries in strengthening country systems and promoting their greater use.

Generally, the recipient country of the Bank's financing is responsible for managing the procurement process in consultation with the Bank. The Bank ensures that the resources made available by the Bank are efficiently used for the intended purposes.

The Board on 2nd September 2018 approved new Guidelines for the Procurement of Goods, Works and Consultant Services. The Guidelines which govern procurement under all IsDB Financed Operations provide flexibility and introduces several new concepts to enable tailoring procurement solutions according to specific requirements of a project. These Guidelines are mainstreamed and applied in all IsDB Operations since April 2019.

I am pleased to introduce this report which aims to present the procurement process of the Bank and various provision of the procurement Guidelines to the key audience, including the Bank staff and executing agencies in member countries. It synthesizes crucial elements of twenty-four procurement-related Guidance Notes covering both transactional and strategic aspects of project procurement.

The report covers important topics of the new IsDB procurement framework and concept introduced therein in a simplified manner. I hope that reader will find the report beneficial for a better understanding of the Bank's procurement framework, and new concepts introduced therein to ensure its effective and harmonious use.

Vice President, Country Programs



EXECUTIVE SUMMARY

This report aims to create a better understanding of the Bank's procurement process for acquiring goods, works and services covering all IsDB financed projects.

The Bank, since April 2019, is using New Procurement Framework (NPF) comprising Policies and Associated Procedures. The NPF brings about significant changes and carries flexibility concerning the procurement processes of the Bank for effective project delivery. The NPF aims to guide in preparing a fit-for-purpose procurement approach and deliver value for money. The NPF is being mainstreamed in the procurement process of all projects. Efforts are underway to familiarize main stakeholders about key aspects of NPF and building capacity of the Bank's staff and executing agencies in member countries. Application of the NPF is ensuring the achievement of the "Delivery" track of the President's Five-Year Program (P5P).

Generally, the recipient country is responsible for making overall management of the procurement process in consultation with the Bank. The project financing extended by the Bank to its member countries usually follows the NPF of the Bank.

The purpose of this report is to provide guidance to the Bank staff and executing agencies in member countries on various provision of the NPF. This document will help in creating a better understanding of the Bank's NPF, and new concepts introduced therein for their effective and harmonious application.

The report summarizes the project procurement process of the Bank and key element of twenty-four procurement-related Guidance Notes prepared by the PPR to elaborate on various aspects of the NPF and concept introduced. It presents applications of these concepts and guidance notes in a more simplified manner for better understanding and effective use.

The report is split into two sections covering transactional and strategic aspects of NPF. The Section-1 covers topics on the operations related guidance notes such as the Minor and Major deviation, Complaints Handling, Conflict of interest, Non-compliance, Variation orders, Contract addendum and ex-

piration, Price adjustment, Prior and post review, Procurement planning and strategy, Procurement arrangement at Appraisal stage, selection of consultants and eligibility requirements.

The Section-2 explains new concepts covered in NPF including Hands-on Expanded Implementation Support (HEIS), Abnormally low bids (ALB), Advance contracting and retroactive financing, Alternative procurement arrangements, Association of firms, Best and Final Offer (BAFO) and Negotiations, New procurement approach, Procurement in Fragile and emergency situations, Public private partnership, Social and Gender aspects in procurement, Electronic Government Procurement (e-GP) and Risk based approach to procurement.

This document will complement the existing Delegation of Authority (DoA) matrix, Project Procurement Operations Manual (PPOM) and Guidance Notes. It succinctly explains new concepts for successfully implementing procurement for projects financed by the Bank.

Hopefully, this report will be useful to both internal and external audience involved in the Bank's development financing and project procurement. The Report aims to create a better understanding of the NPF of the Bank and its application to effectively undertake the procurement process.

Procurement under Islamic Development Bank (IsDB) Project Financing (PF)



IsDB Project Procurement

Role of the Bank

To ensure the funds are used only for the intended purpose, the Bank provides beneficiary with Implementation support and oversight.

Oversight includes conducting reviews of the beneficiary Procurement activities:

1. Prior review: before the Procurement activity takes place; or
2. Post review: after the procurement activity has been completed.

Role of the Beneficiary

The beneficiary conducts the procurement in accordance with the financing agreement which includes:

1. Preparing Procurement strategies;
2. Planning the Procurement;
3. Seeking offers from the market
4. Evaluation of offers and determining the most advantageous Bid/Proposal;
5. Awarding, signing and managing contracts

Check the project financing agreement to find out, which set or rules applies.

The Rules

Pre-April 2019 GUIDELINES

Financing Agreements signed prior to April, 1 2019, are usually governed by the Bank's [Procurement Guidelines](#), 2009 version as amended in 2012. Except in cases the use of the 2009 Guidelines are not specifically mentioned in the Financing Agreement and procurement process has not been initiated till April 2019. In such situation the 2019 Project Procurement Guidelines of the Bank will apply.

Post-April 2019 PROCUREMENT REGULATIONS

The Bank undertook a review of its Guidelines and issued an updated [Procurement framework](#), and the Board in August 2018 approved new Project Procurement Guidelines.

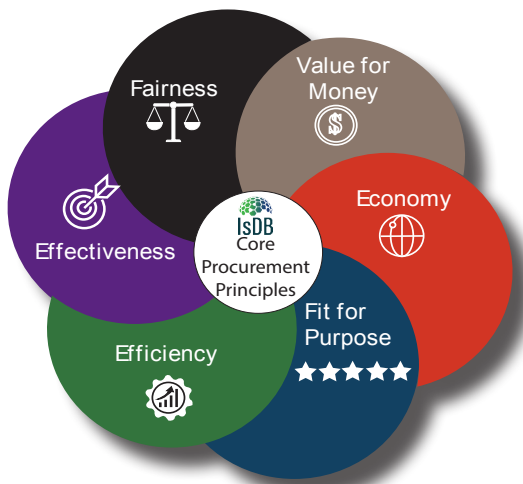
Financing Agreements Signed on after April 1, 2019 are governed principally by the new [Procurement Guidelines](#). Also for the projects, where procurement process has not started and Financing Agreement doesn't explicitly specify the 2009 Guideline; the 2019 guidelines may be used.

Vision

Vision for Project Procurement (PPR)

“PPR supports beneficiary to achieve value for money with integrity in delivering sustainable development”

Principles



Procurement Planning

Procurement starts with good planning. During the project preparation stage the beneficiary is required to prepare a Procurement Strategy (PS) for the project and Procurement Plan as per details provided below.

Contents of PPSD

Assessments	Operating Environment	Procurement Approach	Type of requirements
	Beneficiary Capacity and track record		Market Approach
			Selection Method
Market	Contract Type		
	Evaluation Criteria		
	Contract Management Plan		

Procurement Process Overview

2. Prepare Procurement plan with Packages, Modes of Procurement and schedule activities.

4. Receive offers; open offers and keep a record

6. Award contract, Standstill period address any complaints received award



1. Develop strategy
Assess the market and Operating environment and determine Procurement Approach.

3. Invite offers
Request offers from the market e.g RFB or RFP, answer questions from the interested bidders/proposers

5. Evaluate offers
Compare offers and determine officer providing maximum Value for money

7. Manage Contracts
Finalize Contract Management Plan and Implement Monitoring evaluation and settlement of payments. Ensure both parties meet their obligations.

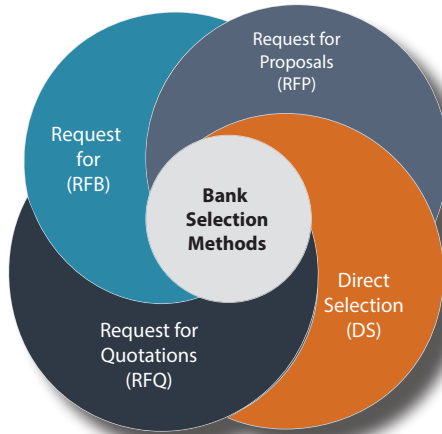
The Bank's Selection Methods

REQUEST FOR BIDS

- Competitive approach
- Usually used with conformance specifications
- Market responds by offering bids
- Offers are compared against the requirements on pass or fail basis.
- Award to the bid offering maximum Value for Money

REQUEST FOR PROPOSALS

- Competitive approach
- Used for Consultancy Services
- Market responds by offering proposals
- Proposals are usually compared by a combined Technical and Financial score
- Award to the highest scores



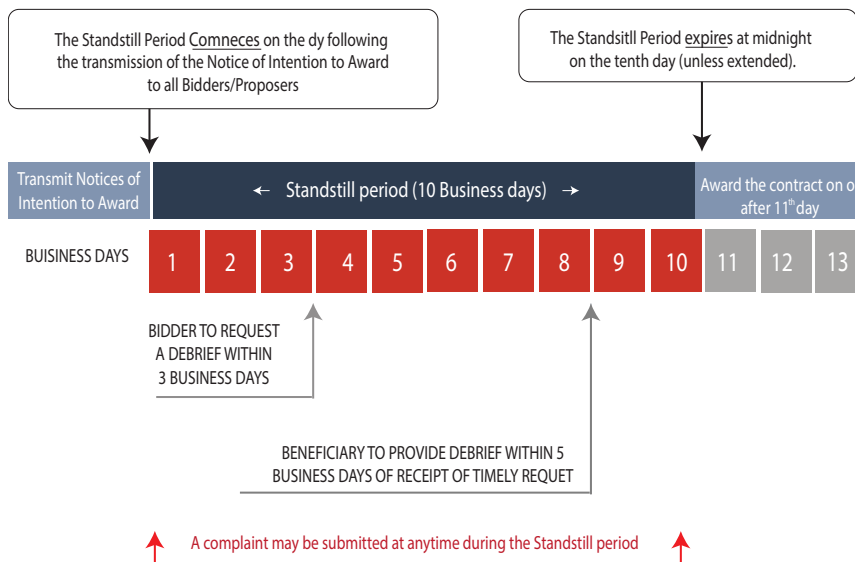
REQUEST FOR QUOTATIONS

- Competitive approach
- Compares price of offices/quotations
- Used when buying readily available low-value goods and services

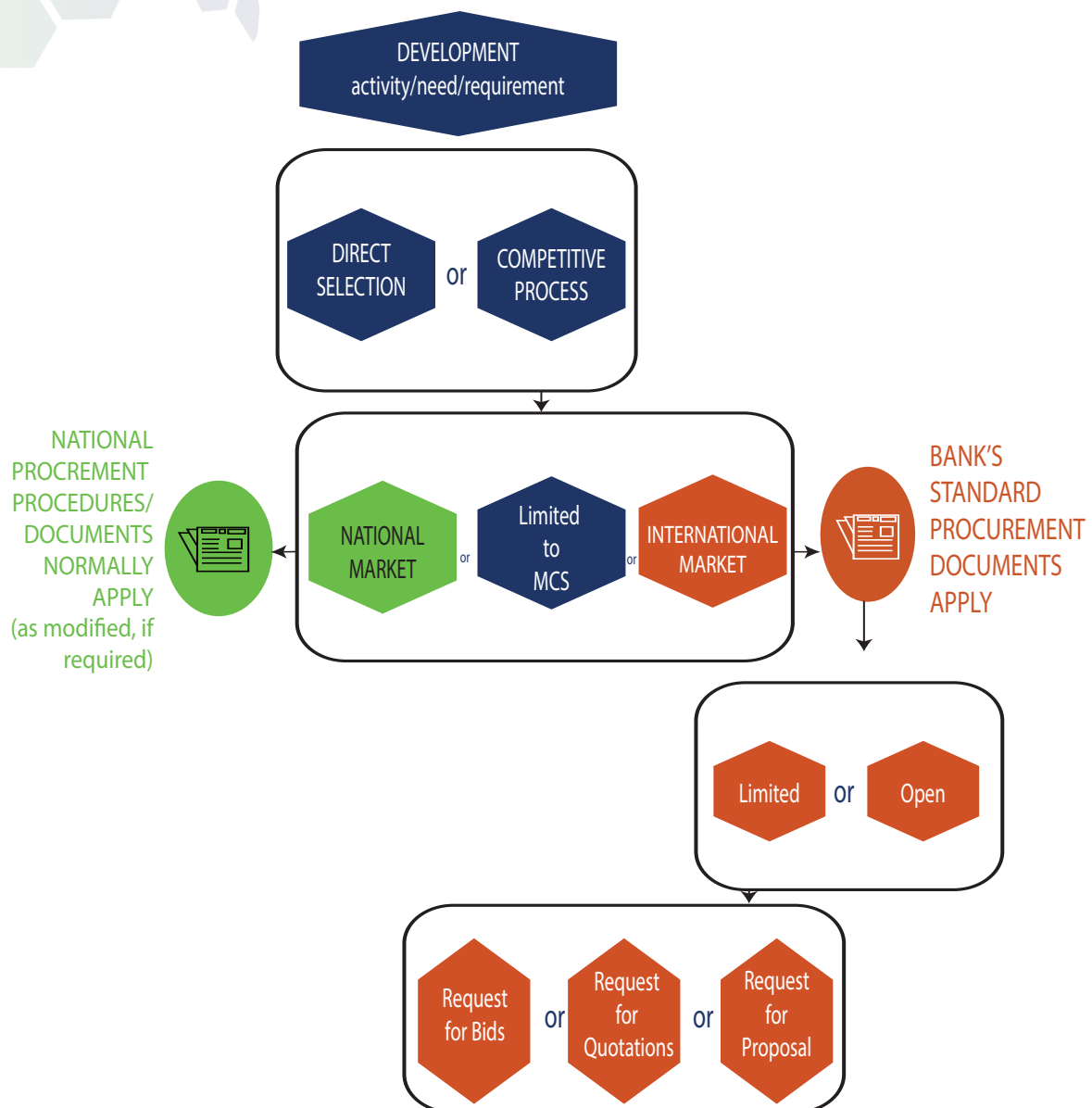
DIRECT SELECTION

- Non-competitive way of approaching and negotiating with only one firm
- Used when there is only one suitable firm or where there is a good reason to approach only one firm

Standstill Period



Example Decisions when Approaching the Market



Complaint Handling:

- a. A Bidder/Proposer may make a Procurement related complaint in relation to:
 - b. The Procurement documents
 - c. A decision to exclude them from the process
 - The decision to award the contract
 - A Bidder/Proposer may request a debrief. Timelines apply to making and giving debriefs.
 - Follow the procedures in the Procurement Guidelines in the Bank's guidance on complaints.

Guidance Note on Minor Deviation

Minor (Nonmaterial) and Nonconformity (Deviation, Reservation or Omission)
During the review of the BER, the following shall constitute minor deviations:

A nonmaterial nonconformity in a bid is defined as one which either:

- Has no effect on the validity of the bid; or
- Has no effect on the Price, Quality or Delivery of the Goods or Works offered; or
- Has an effect, but the difference from the commercial terms or technical specifications in the bid documents are such that it can be given a Monetary Value; or
- Has not been specified in the Bidding Document (BD) as grounds for rejection.

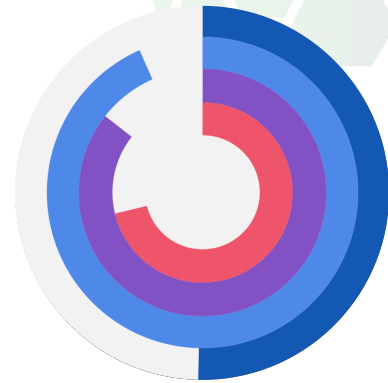


Table: Examples of Minor Nonconformities

Commercial Aspects:

- A bid offering delivery at a date slightly different from that indicated in the bid invitation, unless it is later than an absolute cut-off date that is clearly stated as such in the bidding documents;
- A bid with a fixed price in response to bidding documents calling for bidders to submit prices subject to price adjustment (the reverse situation, i.e., a submitted price subject to adjustment when a fixed price is called for, would normally be a major deviation and not be permissible);
- A bid requesting changes in the coefficient of the price adjustment formula specified in the bidding document or seeking a ceiling for the price adjustment;
- A bid with minor deviations in payment terms;



Technical Aspects:

- A bid offering alternative goods that are equal or superior in specifications and performance, unless the bid documents explicitly prohibit consideration of any alternatives, example
 - o BD requires a 4-wheel drive, 22-gallon vehicle and the bidder's offer matches the first condition but offers a 20-gallon tank capacity with a better mileage;
- A bid which offers goods with minor deviations from the technical specifications which do not affect the suitability of the goods for the intended use, example:
 - o BD requires a front-end loader, of 135 horsepower, 2 cubic yard capacity, and 20 foot wheelbase and the bidder offers according to the specification but with 125 horsepower, 2.2 cubic yard capacity and 19 foot wheelbase, (deviations which affect the efficiency or performance should be evaluated for purposes of comparison);
- A bid which meets all performance criteria of a works plant, but not dimensional provisions that do not affect performance or the utility for the purpose intended; and
- A bid which offers the equipment specified but has omitted minor attachments and components; e.g. a tool kit in a motor vehicle. However, the Borrower must quantify this deviation in monetary terms during the detailed evaluation process prior to comparing such bid with the other bids.



Guidance Note on Major Deviation (2/3)

During the review of the Bid Evaluation Report (BER), the following shall constitute major deviations:

Definitions of Nonconformities in a bid (deviation, reservation or omission) :

- A **“Deviation”** is a departure from the requirements specified in the Bidding Documents (BD) and include exceptions, exclusions, qualifications, conditions, stated assumptions, alternative proposals and changes to stated requirements;
- A **“Reservation”** is the setting of limiting conditions or withholding from complete acceptance of the requirements specified in the BD;
- An **“Omission”** is the failure to submit part or all of the information or documentation required in the BD.

Major (Material) Nonconformity (Deviation, Reservation or Omission)

A material nonconformity is normally defined as a deviation, reservation or omission, to the commercial requirements or technical specifications which either:

- Has an effect on the Validity of the Bid; or
- Has effect on the Price, Quality or Delivery of the Goods or Works offered; or
- Is a departure from the commercial terms or the technical specifications in the BD, whose effect on the Bid Price is substantial and cannot be given a Monetary Value, or
- Has been specified in the BD as grounds for rejection.

As a general rule, a material nonconformity, that is, a major deviation, reservation or omission is considered as one that, if accepted, would:

- Affect in any substantial way the scope, quality, or performance of the EA’s Requirements;
- Limit in any substantial way, that would be inconsistent with the BD, the EA’s rights or the Bidder’s obligations under the proposed Contract;
- Would not fulfill the purposes for which the bid is requested, or
- If rectified, would unfairly affect the competitive position of other Bidders presenting substantially responsive bids; or
- Would prevent a fair comparison with bids that are properly compliant with the BD.

The existence of a material nonconformity in a bid constitutes a basis for rejection of that bid. Examples of material non-conformities (deviations, reservations, or omissions) are given in the table below.

Guidance Note on Major Deviation (3/3)



Table : Examples of Major Non-Conformities

<ul style="list-style-type: none"> <input type="checkbox"/> Late submission of bids. <input type="checkbox"/> Ineligible bidder. <input type="checkbox"/> Unsigned bids. <input type="checkbox"/> No acceptable Bid Security. <input type="checkbox"/> Bidder JVC without JVC Agreement. <input type="checkbox"/> Bidder/JVC not as pre-qualified. <input type="checkbox"/> Price adjustment vs fixed price - Stipulating price adjustment when the BD called for fixed price bids. <input type="checkbox"/> Unacceptable design alternatives. <input type="checkbox"/> Failing to respond to specifications by offering instead a different design or product that does not offer substantial equivalence in critical performance parameters or in other requirements, for example: <ul style="list-style-type: none"> o "BD requires a 4-wheel drive vehicle" and the bidder offers a 2 wheel drive vehicle; o "BD requires a 50 megawatts generating set" and the bidder offers a 40 megawatts generating set; o "BD requires an 1800-2000 horsepower railway locomotive" and the bidder offers a 1500 horsepower locomotive. 	<ul style="list-style-type: none"> <input type="checkbox"/> Nonconforming time phasing - Phasing of contract start-up, delivery, installation, or construction not conforming to required critical dates or progress markers <input type="checkbox"/> Unacceptable subcontracting - Subcontracting in a substantially different amount or manner than that permitted. <input type="checkbox"/> Refusal of important responsibilities/liabilities- Refusing to bear important responsibilities and liabilities allocated in the bidding documents, such as performance guarantees and insurance coverage. <input type="checkbox"/> Exception to critical provisions - Taking exception to critical provisions such as applicable law, taxes and duties, and dispute resolution procedures. <input type="checkbox"/> Those deviations that are specified in the ITB as requiring rejection of the bid (such as, in the case of works, participating in the submission of another's bid other than as a subcontractor). <input type="checkbox"/> Deviations stipulated in the ITB as requiring rejection - Those deviations which affect the scope and quality or performance of a contract. <input type="checkbox"/> Those deviations which limit the purchaser's/ employer's rights or bidders obligations. <input type="checkbox"/> Those deviations which affect unfairly the competitive position of other bidders. <input type="checkbox"/> Bids exceeding the available budget in a substantial manner. <input type="checkbox"/> Misrepresentation of fact.
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Guidance Note on Procurement Related Complaint Handling (1/3)

Key responsibility for the handling of procurement complaint lies with the Beneficiary whereas the responsibility to respond is borne to the Executing Agency. IsDB only ensures that the complaints are addressed appropriately and plays the fiduciary role.

Roles and Responsibilities of Key Stakeholders are:

1. Beneficiary	2. Complainants	3. IsDB
<ol style="list-style-type: none"> 1. Providing timely and sufficient information to Bidders, including through the 'Notification of intention to Award' and debriefing; 2. Acknowledging the receipt of each complaint and undertaking prompt review; 3. Treating Complaints fairly by providing timely information to prevent and resolve issues; 4. Preserving confidentiality of commercial and financial information and trade secrets; 5. Handling complaints in an independent, impartial and objective manner; 6. Maintaining complete records of all Procurement Related complaints; and 7. Providing timely information to IsDB of any complaint submitted and furnishing all relevant information in relation to such complaint. 	<ol style="list-style-type: none"> 1. Complying with the requirements in relation to the complaint and time frames that apply to Procurement-Related complaints (see section V of the guidance note); 2. Understanding the provisions in the Procurement Documents as well as the Project Procurement Guidelines which detail the rules that govern the procurement process; 3. Ensuring that debriefings are requested in a timely manner; and 4. Submitting any Procurement-Related Complaint within the stated timeframe 	<ol style="list-style-type: none"> 1. Project Procurement Unit performs a fiduciary role in the operations of the Bank and oversees project procurement compliance on matters related to IsDB's financing provided to Beneficiaries; 2. Whenever a Procurement-Related Complaint is addressed to IsDB, IsDB will promptly forward it to the Beneficiary for review and action; 3. An independent Committee within IsDB is responsible for the examination, review and settlement of Procurement-Related Complaints; and 4. IsDB, except for acknowledging receipt of a complaint will not discuss or communicate with any Bidder/Proposer during the evaluation and review process, until the publication of the Award of the Contract.



Types of Complaints

Types of complaints are: 1) Procurement Documents 2) Decision to exclude the complainant prior to the award of the contract 3) Decision to award the contract

Procurement-Related Complaints can only be brought to the Beneficiary or IsDB by an 'Interested Party'. An 'Interested Party' is either:

- A. Potential applicants/Bidders/Proposers:** Firms, Suppliers, Contractors, Individuals or Consultants that are interested in participating in a Prequalification or, where there is no Prequalification, a Request for Bid (RFB), a shortlisting process or an RFP but have not yet submitted an application, bid or proposals.
- B. Actual applicants/Bidders/Proposers:** Firms, Suppliers, Contractors, Individuals or Consultants that are participating in a procurement process by having submitted an application, bid or proposals.

Guidance Note on Procurement Related Complaint Handling (2/3)



Submission

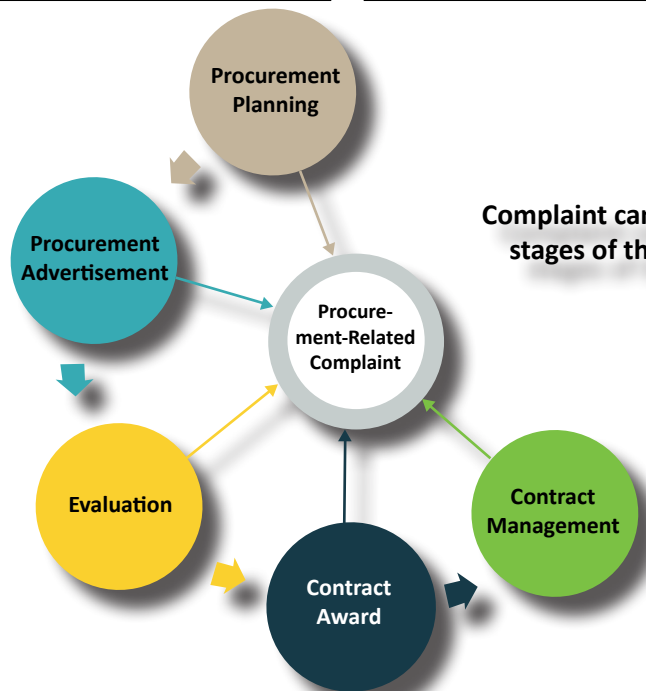
Complaints should contain:

1. Complainants Identity
2. Complainants Details
3. Complainants Interest
4. Identify the specific project
5. Previous Communications
6. Nature of Procurement Related Complaint
7. Grounds for the Procurement/Integrity Related Complaint
8. Other relevant information by the complainant



If subjected to prior review:

The Beneficiary is required to review the complaint and undertake objective assessment and promptly inform IsDB of any complaints received and shall provide for IsDB's review all relevant information and documentation, including their draft response to the complainant once available. Furthermore, the beneficiary also addresses complaint with transparency, impartiality and in a timely manner.



Resolution

A response to a complaint should, as a minimum include:

1. Statement of Issues;
2. Facts and Evidence;
3. Decision and reference to the basis for the decision;
4. Analysis; and
5. Conclusion

In case the complainants are not satisfied with the outcome. He can escalate it according to the Bank's procedure and Delegation of Authority (DoA).

Review

Process for each review differ slightly

1. Prior to the RFB or RFP Closing;
2. Following RFB or RFP Closing but before the 'Notification of Intention to Award';
3. Following 'Notification of Intention to Award' and within the Standstill Period; and
4. Complaints regarding Bidding or selection procurement processes subject to Post Review



Guidance Note on Procurement Related Complaint Handling (3/3)

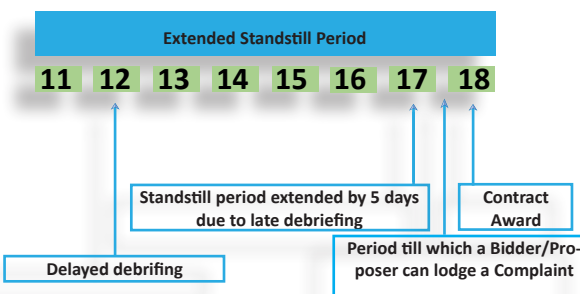
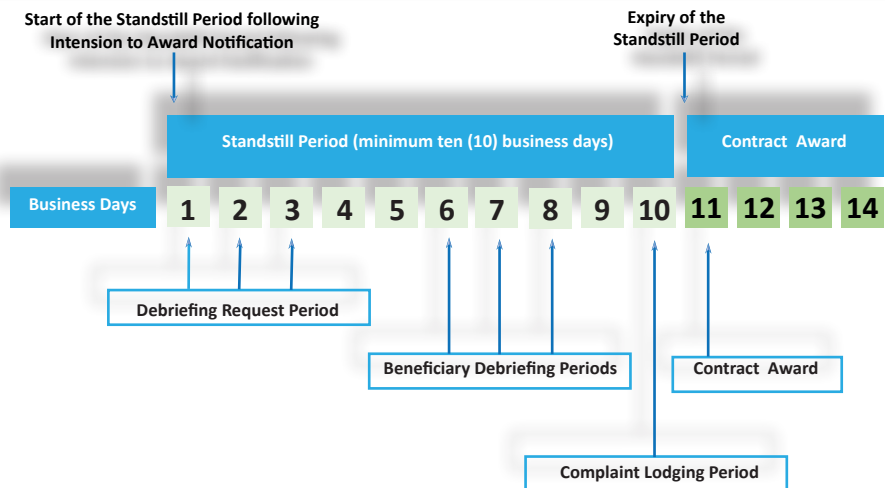


Standstill Period

The Standstill Period is a period of at least ten (10) Business Days following the 'Notification of Intention to Award' decision, before the contract is signed with the successful Firm, Supplier, Contractor (including sub-Contractors) or Consultant.

The purpose of a Standstill Period is to allow unsuccessful Bidders or Proposers an opportunity to challenge an intended contract award decision before the actual 'Notification of Contract Award' is issued. A Standstill Period can also improve the level of competition, as it can in some cases increase potential Bidders/Proposers confidence that the procurement process will be conducted in a fair and transparent way.

The Standstill Period is fixed, and the Beneficiary has no obligation to respond to challenges received after its expiry. The following figure describes a typical Standstill Period process including a debriefing request and debriefing delays.



If the Beneficiary fails to deliver a debriefing within this five (5) day period, for reasons not within the control of the Bidder or Proposer, the Standstill Period must be extended by five (5) business days after completion of the debriefing.

In case of complaint:

If the Beneficiary receives a Procurement-Related Complaint within the Standstill Period, the Beneficiary must immediately acknowledge in writing the receipt of the complaint within three (3) days following its receipt using the template provided in Annex I of the Guidance Note on Complaint Handling. The Beneficiary is required to promptly take appropriate action, including preparing a response in writing. Simultaneously, the Beneficiary must inform IsDB and provides IsDB with all relevant information and documentation, including its proposed course of action and justification and a draft response to the complaint for IsDB review.





Standstill Period Conclusion

Once the Standstill Period concludes the Beneficiary should then proceed with the contract award to the successful Bidder/Firm if:

- The Beneficiary has not received a challenge from an unsuccessful Bidder/Firm.
- The Beneficiary receives a challenge from an unsuccessful Bidder/Firm, the Beneficiary shall not proceed with contract award until the challenge has been suitably resolved.
- Five (5) business days after a late debriefing is delivered, if the borrower previously failed to deliver a valid debriefing request as required within the original Standstill Period.

Guidance Note on Procurement Related Complaint Handling (1/2)

Beneficiaries need to refer to this document specifically at the stage of preparation of Bidding or Request for Proposal Document, shortlisting or Prequalification, evaluation process, award of contract, complaints handling and during contract amendments.

 Goods, Works and Related Services	 Consultancy Services
 Conflict of Interest	
<p>Any Firm found to have a conflict of interest give rising to an unfair competitive advantage shall normally be ineligible for award of a contract.</p> <p>Firms shall not be hired under the circumstances set forth below:</p> <ol style="list-style-type: none"> 1. Conflict between provision of Goods, Works, or Services 2. Conflict with other contractual commitments 3. Relationship with Beneficiary’s staff <p style="text-align: center;"><u>Provisions in a Prequalification Document</u></p> <p>A conflict of interest for an applicant can arise, if they participated as a Consultant in the preparation of the design or technical specifications or have been hired by the Employer as Engineer for contract implementation of the Works that are the subject of this Prequalification.</p> <p style="text-align: center;"><u>Provisions in a Standard Procurement Document</u></p> <p>A Bidder shall not have a conflict of interest. All Bidders found to have in conflict of interest shall be disqualified. A Bidder may be considered to have a conflict of interest with one or more parties in this Bidding process, if:</p> <ol style="list-style-type: none"> 1. Is under common control with another Bidder; or 2. Receives subsidy from another Bidder; or 3. Has the same legal representative as another Bidder; or 4. Has a relationship with another Bidder; or 5. Affiliates participated as a Consultant in preparation of the design or technical specifications; or 6. Any of its affiliates has been hired as Project Manager; or 7. Has a close business or family relationship with a professional staff 	<p>Consultants shall not be hired for any assignment that would conflict with their prior or current obligations to other clients, or that may place them in a position of being unable to carry out the assignment in the best interest of the Beneficiary.</p> <p>Consultants shall not be hired under the circumstances set forth below:</p> <ol style="list-style-type: none"> 1. Conflict between Consultant activities and Procurement of Goods, Works, or related non-Consultant services 2. Conflict among Consultant assignments 3. Relationship with Beneficiary’s staff <p style="text-align: center;"><u>Provisions in Request for Proposal Documents</u></p> <p>Consultant shall not be hired under the circumstances set forth in the Standard Request for Proposal Document as per the requirements stated in the Guidelines for the Procurement of Consultant Services.</p> <p style="text-align: center;"><u>Unfair competitive advantage</u></p> <p>Consultants competing for a specific assignment should not derive an unfair competitive advantage from having provided Consultant Services related to the assignment in question.</p> <p style="text-align: center;"><u>Information for Consultants</u></p> <p>Request for Proposal Document/Data Sheet shall contain a statement that the Firm and any of its affiliates shall be disqualified from providing downstream Goods, Works, or related services under the project if, in IsDB’s judgment, such activities constitute a conflict of interest resulting in a competitive advantage with the Consultant Services provided under the assignment.</p>
 One Bid/Proposal per Bidder/Consultant	
<p>One Bid per Bidder: A firm shall not submit more than one Bid, either individually or as a joint venture partner in another Bid, except for permitted alternative Bids. Submitting or participating in more than one Bid results in the disqualification of all Bids in which the firm is involved.</p>	<p>One Proposal: A Consultant shall submit only one Proposal, either individually or as a JV member in another Proposal. If a Consultant, including a JV member, submits or participates in more than one Proposal, all such Proposals shall be disqualified.</p>

Guidance Note on Procurement Related Complaint Handling (2/2)



Exceptions to Conflict of Interest Requirements for Bidders

Based on IsDB policy and provisions of Bid/Proposal documents, certain exceptions apply:

1. State-owned universities and research centers in the Beneficiary's country, and university professors and research staff, may participate if they are critical to the Consultant assignment. Such participation will be decided on a case by case basis and subject to IsDB No-Objection.
2. Government officials and civil servants can only be hired under Consultant Service contracts, either as individuals or as members of a team of a Consultant Firm, if they are (a) on leave of absence without pay; and (b) are not in any conflict of interest situation.
3. In case of Procurement of Plant, Design, Supply, and Installation the participation of a Bidder as a subcontractor in another Bid may be permitted if so, allowed by the IsDB's Standard Procurement Documents applicable to such types of Procurement.

Complaint Handling by Beneficiary

In resolving a Procurement-Related Complaint, the beneficiary should ensure a timely and Meaningful review of the complaint, Including all relevant document and facts and circumstance related to the complaint. The beneficiary is required to provide sufficient information in its response to the complainant, while maintaining the confidentiality of information provided by the Bidders or proposers which they have marked as confidential

A response to a complaint should, as a minimum Include the following elements:



Guidance Note on Non-Compliance (1/2)

Procurement non-compliance relates to potential or actual situations where the Beneficiary fails to follow the provisions of the Financing Agreement, the applicable Procurement Policy and Guidelines or, when applicable, the agreed Alternative Procurement Arrangements (APAs). Non-compliance may be identified at any stage of IsDB's Procurement cycle.

The timely and appropriate handling of any non-compliance can help the Procurement process to increase its **Efficiency, Effectiveness, better Quality and Reduced Risk**.

Identification

Determination of non-compliance will be made by IsDB, based on the applicable project Procurement Policy, guidelines and Procurement plan and the specific Procurement covenants in the financing and related agreements undertaken with the Beneficiary.

Procurement Transactions under the Procurement Regulations (Excluding Alternative Procurement Arrangement (APA) Situations): In all cases in which the Procurement Guidelines apply, excluding APA situations, IsDB will determine if a factual situation of non-compliance has arisen and, if it has, the remedial options available to correct the situation following an assessment.

Procurement Transactions under Alternative Procurement Arrangements: If an APA is applicable, determination of non-compliance will depend on the applicable Procurement regime, whether it will be the lead co-financier or an accredited agency of the Beneficiary.

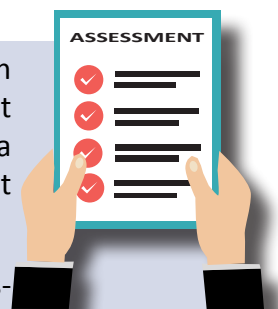


Assessment of Non-Compliance

The first step in assessing non-compliance is to undertake a detailed written description of the relevant facts. Whether the assessment is initiated by the Beneficiary or by IsDB, it must document and analyse the extent of any non-compliance that has occurred. When a non-compliance is identified, normally, the Beneficiary will prepare the initial assessment and submit it to IsDB for review, validation, and further action.

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The PPR will undertake assessment of non-compliance, taking into consideration response of the beneficiary and determine the extent of non-compliance and suggest remedial action.



Guidance Note on Non-Compliance (2/2)



General Considerations: If IsDB determines that the Goods, Works, or services were not procured by the Beneficiary in accordance with the requirements of the Financing Agreement (FA), IsDB may undertake contractual remedies as set out in the relevant FA or non-contractual remedies, depending on the nature and magnitude of the Procurement non-compliance.

Contractual Remedies: In cases where the non-compliance materially undermines the integrity of the Procurement process and results in an outcome that is less than optimal in terms of VfM, contractual remedies may be invoked.

Other Remedial Actions: If a Beneficiary shows willful intent not to comply with either the terms of the project Procurement arrangements as set out in the relevant project documents or IsDB's project-level guidance or direction, IsDB may consider endorsing a noncomplying approach in exceptional circumstances.

Post Contract Award: There may also be situations of non-compliance that arise post contract award during implementation of the relevant Procurement contract based on a bidding process.

Increase in the fiduciary risk classification of the project: This will require and intensify Bank supervision of the project. This may include greater reliance on third party assurances, carrying out Independence Procurement Review (IPR) or reducing or modifying the prior review thresholds by the Bank, increasing the periodicity or sample size of the post reviews by the Bank.

Request changes in the Procurement Planning and Strategy: If as a result of non-compliance, the Bank considers that the original Procurement Planning & Strategy document produced is no longer appropriate and require modifications, the Bank may ask the Beneficiary to reformulate the Procurement Planning & Strategy to provide additional assurances and mitigating measures to avoid future non-compliance, and/or make changes in the Procurement Plan.

Action Plan: The Bank may request that the Beneficiary formally agree on a specific action plan to address and correct non-compliance and take steps to lessen the risk of future non-compliance.

Misprocurement: In particularly serious or egregious cases of non-compliance, the Bank may declare misprocurement.

Alternative Procurement Arrangements: In APA situations, IsDB will adhere to the determination of non-compliance by the lead co-financier or accredited agency, and their contemplated contractual or noncontractual remedies, unless the relevant mutual reliance agreement or agency accreditation approval permits IsDB to take alternative action.

Guidance Note on Variation Orders, Contract Addendums and Expiration (1/3)

Contract Amendment (Includes Contract amendments, modifications or extensions)

The Beneficiary shall request IsDB No-Objection in relation to any proposed extension, modification or change order to a contract.

The Beneficiary provides the reasons for the request. A proposed extension, modification or change order may relate to, for example:

- A. material extension of the stipulated time for performance of a contract.
- B. agreeing to any modification or waiver of the conditions of contract; or
- C. issuing a change order (except in cases of extreme urgency) which would, in aggregate, increase the original amount of the contract by more than fifteen (15) per cent of the original price.



The Need for Change

Used to make changes or 'variations' from the original scope of work : In the form of an addition, substitution or complete omission. A variation is an alteration to the scope of works laid out in a construction of work contract.

Such variations are often caused by: Design changes initiated by the continual development, Technological advancement, Statutory changes, Change in conditions, Non-availability of supplies and materials to some extent, the need to change or vary a contract depends on the nature and complexity of the Goods, Works, Non-consulting or Consulting Services being procured.

A one-off straightforward purchase of Goods, for example, is unlikely to require changes to the contract (unless there has been an error) compared to a complex infrastructure contract which may require a number of changes as works progress.

Despite best efforts of contracting parties, changes in a contract may be necessary for a range of reasons such as errors, unforeseen conditions, emerging risks and changes in the Beneficiary's needs.

Variation order process

Variations are initiated by the Engineer at any time prior to issuing the Taking-Over Certificate for the Works, either by an instruction or by a request for the Contractor to submit a proposal.

The Contractor shall execute and be bound by each Variation, unless the Contractor promptly gives notice to the Engineer stating (with supporting particulars) that (i) the Contractor cannot readily obtain the Goods required for the Variation, or (ii) such Variation triggers a substantial change in the sequence or progress of the Works.

Upon receiving this notice, the Engineer shall cancel, confirm or vary the instruction.

The actual variations which stem from these factors include:

1. Variation from the original design
2. Variations of quantities of materials and work
3. Variations from the original scope of work
4. Variations to proposed and actual working conditions
5. Variations to quality



Guidance Note on Variation Orders, Contract Addendums and Expiration (2/3)

Provisions on the IsDB Guidelines for Procurement of Goods, Works and related services: Change orders

During the execution of a contract, changes may occur in the quantity of work done which require amendments to the contract agreement between the Beneficiary and the Contractor. Such amendments are executed by a change or variation order, provisions for which are made in the conditions of contract and are justified in the progress reports of the project.

The Beneficiary shall seek IsDB No-Objection prior to any proposed amendment.

Price increases resulting from change orders should not exceed twenty (20) per cent of the original contract price. If price increases exceed twenty (20) per cent, the Beneficiary shall provide IsDB with an explanation and justification for the increase and seek IsDB No-Objection.



Change Management Procedures

The key to managing change is to establish robust change management procedures and to ensure that these procedures are followed. Some tips on good practice for change management include:

1. As early as possible during the contract execution phase, establish a formal and documented change management process consistent with the scope of the contract and contractual change management procedures;
2. Have appropriate forms and clear procedures for requesting a change proposal (or change order), estimating the change (e.g. scope, costs, implications and risks), and approving the change proposal;
3. Clarify who is responsible for what during change management, and ensure that individuals have clear delegated authority to act, or to escalate change requests where there are issues;
4. Familiarize those involved in contract change management (e.g. contract managers, consultants, contractors) with the procedures, documents, decision making process and record keeping requirements;
5. Identify areas susceptible to change, evaluate risk, and proactively manage those areas;
6. Ensure timely communication of change information to the relevant people;
7. Make sure all relevant factors are considered when assessing change proposal (e.g. in terms of technical, quality, impact and risks (including on Environmental, Social, Health and Safety (ESHS), if applicable), time and cost);
8. Monitor the change management process to ensure that proper procedures are being followed;
9. Ensure that changes are captured as Addenda to the contract, and approved at the appropriate level specified in the contract;
10. Unless contractually justified and/or due to emergency situation, do not order or execute changes to a contract without the appropriate change documentation;
11. Comply with the Bank's requirements for prior review to changes to a contract;
12. Adhere to the Bank's requirements where the changes relate to a contract with a firm that has been sanctioned by the Bank;
13. Keep records of all change orders, including the reasons;
14. At contract close-out, evaluate the changes and their impacts on the contract cost, schedule and performance for future use as lessons learned.

Guidance Note on Variation Orders, Contract Addendums and Expiration (3/3)



Expiration of Contracts

Definition: The term “Expiration of Contract” occurs in only ONE of the SPDs, namely: the Standard Request for Proposals (Selection of Consultants), unless terminated earlier pursuant to Clause **General Conditions of Contract (GCC)-19** of the Contract shall expire at the end of such time period after the Effective Date as specified in the **Special Conditions of Contract (SCC)**.

The Special Conditions of Contract (SCC) allow for the time period for the expiration of the contract to be stipulated by the Executing Agency. The period is calculated from the Effective Date of the Contract (which is the date that the contract has come into force). It is clear that the intention of this clause is that the contract would be automatically terminated once this period has lapsed.

Upon termination or expiration of the contract, **all rights and obligations of the Parties will cease**, except as mentioned in Sub-Clause 19.1.4. A new agreement will be required between the Parties if they require to complete any work not done under the expired contract.

Difference between “Expiration of Contract” and “Completion Date of the Contract”

The terms “Time for Completion” and “Completion Date” have the same meaning as they indicate the deadline by which the Contractor has to complete and handover the Works. Delay beyond this date will subject the Contractor to liability for liquidated damages for delay. The Contractor will have the right to claim extension of time if he considers that delay was for reasons beyond his control.

The Expiration of Contract involves automatic termination of the contract and cessation of all obligations and liabilities. The Completion date of the contract is simply the date by which the Works have to be completed and does not involve termination of the contract or cessation of obligations or liabilities.

Completion Date of the Contract in the IsDB Operations Management System (OMS)

IsDB’s OMS normally has full information on each contract awarded for a particular project. The data that is input into the OMS will include the Original Contract Amount and the planned Completion Date. If completion is delayed beyond this date, disbursements can still be processed in OMS if the Performance Guarantee (and- if necessary- Advance Payment and Retention Money Guarantees) are still valid.






Guidance Note on Price Adjustment (1/4)

Price adjustment is a modification made to the overall price of a contract to take account of legitimate changes in the costs of performing the contract. It is a mechanism to protect both buyers and sellers from unforeseeable input price fluctuations.



Some contracts allow the price to be adjusted where, for example, local or foreign inflation is expected to be high. If applicable, the process for adjusting the price is detailed in the contract, including the appropriate formula to be applied. Contract cost control mechanisms include monitoring the correct application of price adjustment provisions, where included in the contract.

There may also be cases when a (technical) amendment to a contract may require modifying the selection of a specific index or the weightings in the price adjustment provision, e.g. lime was to be used in the original contract but is deleted early in the contract and cement used instead for soil stabilization. In such cases, the formula(e) should be amended by contract amendment, to reflect the changes in both the indices to be used and perhaps the weight of the corresponding inputs.

 Deciding to Apply Price Adjustment	
<p> When to Apply Price Adjustment</p> <p>This risk of price escalation is likely to arise;</p> <ol style="list-style-type: none"> 1. for goods contracts with long delivery periods. 2. for works contracts with long completion periods; 3. for major civil works contracts; 4. for contracts that contain supplies or commodities whose prices fluctuate significantly over a short period; 5. for time-based consulting services, such as construction supervision services; and 6. due to any unusual circumstances in the market in question. 	<p> When Not to Apply Price Adjustment</p> <ol style="list-style-type: none"> 1. simple supply contracts with short delivery periods; 2. the procurement of certain types of equipment where normal commercial practice requires bidders to submit firm prices regardless of the delivery time, which may be the case for: <ol style="list-style-type: none"> a. engineering, procurement, and construction contracting arrangements; and b. fixed-price contracts; and 3. contracts for the supply, installation, and construction of facilities wherein the value of the permanent works represents the major part of the estimated cost of the contract.
<ul style="list-style-type: none"> • There is no single price adjustment formula for every situation. Different formulas are applied in contracts of different sizes and for different components. • A contract may comprise one or more currencies of payment. 	

Guidance Note on Price Adjustment (2/4)



Components of the Formula

The Nonadjustable Component: The fixed portion of a price adjustment formula is calculated based on estimates of overhead costs, profit level, and price contingencies. It may also include (i) other cost components over which the contractor has reasonable control; (ii) a stable price trend, such as costs for rental equipment and miscellaneous materials; and (iii) those cost components that are strictly regulated.

The Adjustable Component: The adjustable component covers major cost components of the contract such as labor, equipment, and materials, over which the contractor has no control.

The Price Indexes: A price index is used to estimate the periodical adjustment of unit price of each cost component included in the formula. The choice of price index will depend on what is being measured. Potential indexes include: (i) Local price indexes and (ii) International indexes

Contract management: Implementing price adjustment provisions requires an extensive verification process and skillset in contract management. Price adjustment adds to the borrower's administrative burden and, if not properly managed, may lead to delays in contract payments and potential abuse and integrity issues.

Payment: In unit price or admeasurement contracts, price adjustment amounts are generally calculated monthly starting from contract effectiveness.

Supervision: The beneficiary should ensure that the bidding documents and the contract include complete provisions on price adjustment. Under some circumstances, as in places where price adjustment has become an issue in the past, it is useful for the borrower to provide a summary of price adjustment data or coefficients submitted by the bidders in the bid evaluation report.

Adjustment in particular conditions

1. Replacement of indices from time to time, the publication of a given index is discontinued, or the index value is reset to 100. In such case, the Engineer/Employer need to proceed with a new index or the reset index, with some adjustment.
2. There are cases when a (technical) amendment to a contract may require modifying the selection of a specific index or the weightings in the price adjustment provision.
3. There may be circumstances when the Employer wishes to ensure the contractor or supplier of goods be protected against the cost fluctuation of one (or more) specific input(s).
4. A particular situation to consider is when a beneficiary's currency incurs a rapid and substantial devaluation as such events may impact ongoing contracts in a manner that may call for price adjustment under certain circumstances.

Risks: The use of price adjustment may present a risk of corruption and fraud during contract management. Unless price adjustment formulas and indexes are set out clearly and objectively, and properly supervised, there is a risk of manipulation and abuse that could lead to unwarranted additional payments to contractors. Even where price escalation provisions are properly established and applied, there remains a risk of manipulation.



Guidance Note on Price Adjustment (3/4)

Provisions regarding the price adjustment for procurement of Goods, Works and related Services and corresponding Standard Bidding Documents

Provisions in the Guidelines

1. Bidding Documents shall state either that Bid prices will be fixed or that price adjustments will be made to reflect any changes (upwards or downwards) in major cost components of the contract, such as labour, equipment, materials and fuel. Price adjustment provisions are usually not necessary in simple contracts involving delivery of Goods or the completion of Goods, Works and/or related services within eighteen (18) months, but they shall be included in contracts which extend beyond eighteen (18) months. However, it is normal commercial practice to obtain firm prices for some types of equipment regardless of the delivery time; in such cases, price adjustment provisions are not needed.
2. Prices may be adjusted by the use of a prescribed formula (or formulae) which breaks down the total price into components that are adjusted by price indices specified for each component or, alternatively, on the basis of documentary evidence (including actual invoices) provided by the Bidder. The use of the formula method of price adjustment is preferable to that of documentary evidence. The method to be used, the formula (if applicable) and the base date for application shall be clearly defined in the Bidding Documents. If the payment currency is different from the source of the input and corresponding index, a correction factor shall be applied in the formula to avoid incorrect adjustment.

Provisions in the Standard Bidding documents

A- Standard Bidding Document for Procurement of Major Works

Bidding Procedures → Section I. Instructions to Bidders & Section II. Bid Data Sheet

Conditions of Contract and Contract Forms

General Conditions (GC): (MDB's Harmonized Edition of the Conditions of Contract for Construction prepared and copyrighted by the International Federation of Consulting Engineers (Fédération Internationale des Ingénieurs-Conseils, or FIDIC for Large Works called also Red Book, especially clause GCC 13.8.)

Particular Conditions (PC) : Adjustments for Changes in Cost(13.8)→Period "n" applicable to the adjustment multiplier "Pn": _____ [Insert the period if different from one (1) month; if period "n" is one (1) month, insert "not applicable"]

B-Standard Bidding Document for Procurement of Small Works

Bidding Procedures→Section I. Instructions to Bidders & Section II. Bid Data Sheet

Conditions of Contract and Contract Forms

General Conditions of Contract: Price Adjustment→ $P_c = A_c + B_c \frac{I_{mc}}{I_{oc}}$

P_c is the adjustment factor for the portion of the Contract Price payable in a specific currency "c."

A_c and B_c represent the nonadjustable and adjustable portions, respectively, of the Contract Price payable in that specific currency "c;" and

I_{mc} is the index prevailing at the end of the month being invoiced and I_{oc} is the index prevailing 28 days before Bid opening for inputs payable: both in the specific currency "c." The sum of the two coefficients A_c and B_c should be 1 (one) in the formula for each currency.

Particular Conditions of Contract: GCC 44.1→"The Contract [insert "is" or "is not"] subject to price adjustment in accordance with GCC Clause 44, and the above information regarding coefficients [specify "does" or "does not"] apply.

Guidance Note on Price Adjustment (4/4)



Provisions regarding the price adjustment for procurement of Consultancy Services and corresponding Request for Proposals.

Provisions in the Guidelines

1. If the contract duration is expected to exceed eighteen (18) months, a price adjustment formula shall be included in the contract to adjust the Consultant's fees for foreign and/or local inflation. If price adjustment is indicated in the Data Sheet of the Instruction to Consultant (ITC), it shall not be part of the financial evaluation.
2. The time-based rates are the staff's monthly rates, which include staff salaries, social benefits, costs, overheads and profits. This type of contract shall include a maximum amount of total payments to be made to the Consultant. This ceiling amount should include an allowance for contingencies to cover unforeseen work and expenses and a provision for price adjustment where appropriate.

Provisions in the Standard Request for Proposals (RfP)

Process → Instructions to Consultants and Data Sheet regarding Price adjustment & Instructions to Consultants providing them with a Data Sheet

Conditions of Contract and Contract Forms

1. Lump Sum Form of Contract → Payments to the Consultant

Contract Price: The Contract price is fixed and is set forth in the Special Conditions of Contract (SCC). The Contract price breakdown is provided in Appendix C. **Any change to the Contract price specified in Clause 38.1 can be made only if the Parties have agreed to the revised scope of Services pursuant to Clause GCC 16 and have amended in writing the Terms of Reference in Appendix A.**

2. Time-Based Form of Contract

A. General Provisions → Remuneration and Reimbursable Expenses: Unless the SCC provides for the price adjustment of the remuneration rates, said remuneration shall be fixed for the duration of the Contract.

B. Special Conditions of → Price adjustment on the remuneration [insert "applies" or "does not apply"]

[Note: If the Contract is less than 12 months, price adjustment does not apply]

Payments for remuneration made in [foreign and/or local] currency shall be adjusted as follows:

$$Rf = Rfo \times \frac{If}{Ifo} \quad \{\text{or } Rf = Rfo \times [0.1 + 0.9 \frac{If}{Ifo}]\}$$

Rf is the adjusted remuneration;

Rfo is the remuneration payable on the basis of the remuneration rates (**Appendix C**) in foreign currency;

If is the official index for salaries in the country of the foreign currency for the first month for which the adjustment is supposed to have effect; and

Ifo is the official index for salaries in the country of the foreign currency for the month of the date of the Contract.

Remuneration in local currency pursuant to the rates set forth in Appendix D shall be adjusted every month by applying the following formula:

$$Rl = Rlo \times \frac{Il}{Ilo} \quad \{\text{or } Rl = Rlo \times [0.1 + 0.9 \frac{Il}{Ilo}]\}$$

Rl is the adjusted remuneration;

Rlo is the remuneration payable on the basis of the remuneration rates (**Appendix D**) in local currency; **Il** is the official index for salaries in the Client's country for the first month for which the adjustment is to have effect; and

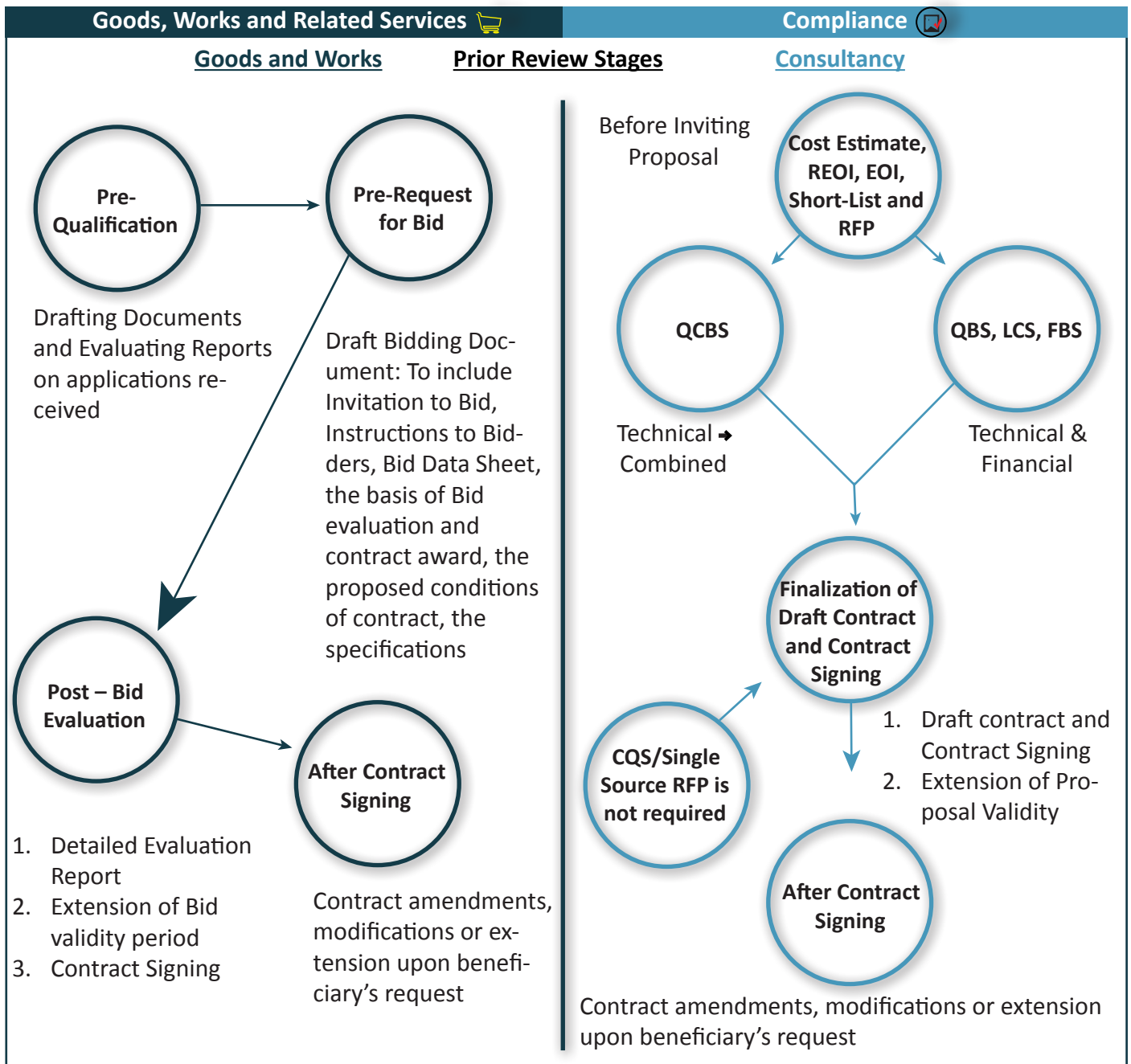
Ilo is the official index for salaries in the Client's country for the month of the date of the Contract.

Guidance Note on “Prior and Post Reviews” (1/2)

Whether a Procurement is subject to Prior or Post Review is determined based on the project and contract-specific Procurement risks. Risks are assessed at project appraisal and accordingly Prior or Post- Review is recorded.

An effective Procurement review has following benefits:

- 1) Increase Efficiency and Reduce Procurement Time, 2) Reduce Risk and 3) Deliver Value for Money



Guidance Note on “Prior and Post Reviews” (2/2)



Post Review of Contracts

IsDB carries out Post Reviews of the Beneficiary's Procurement activities to determine whether they comply with requirements of the Financing Agreement and Guidelines.

For all contracts not governed by Prior Review below a threshold specified in the PP (and Financing Agreement), the Beneficiary shall retain all documentation with respect to each contract during project implementation and up to two (2) years after the closing date of the Financing Agreement.

Related topics and clarifications on Prior and Post Review



Independent Procurement Review (IPR): IPRs cover several projects in a country and address sector/industry or portfolio issues in high-risk and problematic Procurement environments. They also include a review of both Post Review and Prior Review contracts.

Change from Post Review to Prior Review: A contract whose cost estimate was below IsDB's Prior Review threshold indicated in the PP shall fall under Post Review if the price of the lowest evaluated Proposal (Bid) exceeds such threshold. When, to the contrary, the price of the selected Proposal/Bid falls below the Prior Review threshold, the Prior Review process shall continue. In case the Post-Review is not compliant with Bank's procedure Post-Review can be converted to Prior-Review.

Misprocurement: In case, based on Post-Review it is found, Goods, Works or related services and Consultant Services were not procured in accordance with the a) Financing Agreement and/or Guidelines; b) agreed procedures and methods reflected in the PP to which IsDB gave its No- Objection. Depending on severity and legality of non-compliance misprocurement can be declared.

Guidance Note on Procurement Planning and Strategy (1/3)

PLAN	The Procurement Plan (PP) will detail the Goods and Works packages including the requirements, cost estimates, indicative disbursement, implementation schedules, mode of procurement, Prior and Post Review approaches, related thresholds, nature and extent of IsDB monitoring and supervision, and other relevant factors
STRATEGY	The Procurement Strategy addresses how procurement activities will support the development objectives of the project and deliver the best Value for Money (VfM). Adequately justifies selection methods and analyzes complexity and risk of project

The procurement strategy covers the following six aspects:



Project Overview

Briefly summarize the Project in terms of the scale and requirements based on the Project Concept Note and Project Preparation or Appraisal report. A simplified version of the Procurement Strategy (PS) will be made depending on the procurement in fragile and conflict situation and completion may be deferred to the implementation phase of the project. The PS has to be consistent with the core Procurement Principle.



Assessment of Operating and Beneficiary Capacity

Operational Context affect the procurement approach, the motivation of Bidders or Proposers to participate, and the success of any subsequent contracts. It contains: Governance Aspects, Economic Aspects, Sustainability Aspects, and Technological Aspects.

PESTLE Analysis (Political, Economic, Social, Technology, Legislative and Environment) analysis is a useful tool for supporting this assessment

Assessment of Beneficiary Capability and Project Implementation Unit (PIU): Identify any known factors, both enablers and constraints, covering human or regulatory aspects.

Previous Beneficiary and IsDB Experience of Similar Projects: The Beneficiary should work with IsDB to understand how Projects of a similar nature have been delivered in the past. The key success factors and reasons for past failures which could potentially be avoided.

SWOT Analysis: SWOT stands for strengths, weaknesses, opportunities and threats. Strengths and weaknesses are an analysis of the internal influences. Opportunities and threats are an analysis of external influences.

Experience of use of Alternative Procurement Arrangements or the need for hands-on support may be assessed.



Stakeholder Analysis

The analysis starts by **identifying** potential stakeholders, their **Interests and Objectives**. Stakeholders are then **categorized** using RCAI (Responsible, Accountable, Consulted and Informed). An effective **management approach** is also created.



Procurement Risk Assessment

Procurement risk analysis is the process of identifying and minimizing the likelihood of a risk occurring and minimizing the impact to the Beneficiary, IsDB and stakeholders if the risk does occur. It covers operational, Project or sector specific or market risks.

Approach: Identifying → Assessing, rating and ranking by priority → plotting each risk on a risk criticality matrix → developing appropriate mitigation plans and → allocating risk owner. A time bound mitigation plan is proposed for high risk aspects.



Guidance Note on Procurement Planning and Strategy (2/3)



Procurement Objectives

Objectives: The development of the Procurement Objectives should be carried out using the information gathered when completing Sections 1 to 4 of the Procurement Strategy.

Structure and organize the Procurement Objectives around **RAQSCI Model (Regulatory, Assurance of Supply, Quality, Service, Cost, and Innovation)**.

Supply Chain and Value Chain Analysis: identifying each step and dependency in a supply chain and value chain analysis which assesses whether each step in the supply chain adds value or could be considered unnecessary. The procurement objectives need to be SMART — Specific, Measurable, Achievable, Realistic and Time-Bound.



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Market Research and Analysis

Market analysis information can be obtained by using the following strategic procurement tools:

1. **Supplier Positioning Matrix:** Technique that can be used to determine where research and analysis should be focused in the Procurement Strategy.
2. **Target Market:** Segment of market which is relevant to contract type, size, value and risks by geography (local, national, MCs, IsDB are trained through supply positioning models)
3. **Supplier Preferencing:** A tool that enables Beneficiaries to identify how a Firm, Supplier, Contractor or Individual may view them as a customer and how likely they are to respond during a procurement process.
4. **Market Sector Dynamics:** Nature and extent of competition, level of experiences, capabilities and innovation.

After analysis, Identification of types of **Competition** (Perfect, imperfect, Oligopoly, Monopoly, and Monopsony). **Porter's Five Forces** a tool used to carry out detail assessment of competition which includes (Power of Suppliers, Power of Buyers, Rivalry amongst Current Competitors, Risk of Entry by Potential Competitors, and Threat of Substitute Products).

Specifications which fall into 2 categories 1. Conformance Specifications (Technical) and 2. Performance Specifications (Outcome Based).

Contract Strategy: A Contract Strategy determines the contract type, the price and cost model, and the desired ongoing supplier relationship to achieve the right result over the term of the contract.

Price adjustments can also be made. The final part of the Contract Strategy is selecting **the terms and conditions of contract**.

Once pricing and contract is finalized Selection **Method for Market Approach** is considered and an **evaluation criteria** is defined. Finally, **Contract is managed and KPI (Key Performance Indicators)** are defined which are measures of contract performance that are aligned to the key outcomes that the procurement approach has been designed to deliver.



Guidance Note on Procurement Planning and Strategy (3/3)

Procurement Options and Recommendations

Options Analysis involves selecting a procurement approach option. The options analysis is designed to summarize the procurement options available for the project.

The final stage of the process is to undertake a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of preferred procurement approach.

Once this analysis has been completed, the only remaining step is to fully document the preferred procurement approach taking on board any refinements identified via the SWOT analysis.

Once the Beneficiary has completed the market and options analysis an assessment of the procurement approach for each contract in the project should be completed. The output of completing the Procurement Options and Recommendations assessment are:

1. A Procurement Approach stating how the Beneficiary is going to approach the market, select the right Firm, Supplier, Contractor (including sub-Contractors) or Individual, and finalize the contract;
2. A set of procurement methods and approaches built up from the individual procurement methods that combine to inform the Procurement Documents; and
3. A Procurement Plan that summarizes how each contract within the Project will be procured.

All the analysis and research undertaken as part of procurement planning and strategy should to be brought together to design the different procurement approaches that are available to deliver the Procurement Objectives and Project Development Objectives (PDOs). It is likely there will be several different procurements approach available.

The selection of the recommended procurement approach should only take place once all realistic options have been identified, described and appraised. At a minimum the options analysis should describe each procurement approach option in sufficient detail to enable evaluation of the options in terms of their ability to satisfy the Procurement Objectives.

The Template Procurement Plan & Procurement Strategy shall be filled by the Beneficiary during the preparation of the Concept Note (PCN) with assistance of IsDB.



Guidance Note on Procurement arrangement at Appraisal stage



1

National Procurement Procedures and Regulations

The project team should describe the country procurement status based on various assessments (CPAR, MAR...). This includes the assessment of the procurement law and all fiduciary risks associated with the internal national control mechanisms.

Specific Project Procurement Arrangements

2

Description of the provisions of the Procurement Guidelines to be used under this project. The Bank shall determine the procurement modes appropriate for procurement of works, goods and services of the project.

3

Capacity of Executing Agency

The Bank shall carry out an assessment of the resources, expertise and experience of the Executing Agency to implement procurement activities for the project. The assessment will review the organizational structure and the interaction between the project's procurement staff and the EA's relevant central unit for administration and finance.

5

Assess Risks

The Bank shall identify the procurement issues/ risks that might delay or hamper the implementation of the project and propose remedial measures through a risk mitigation plan.

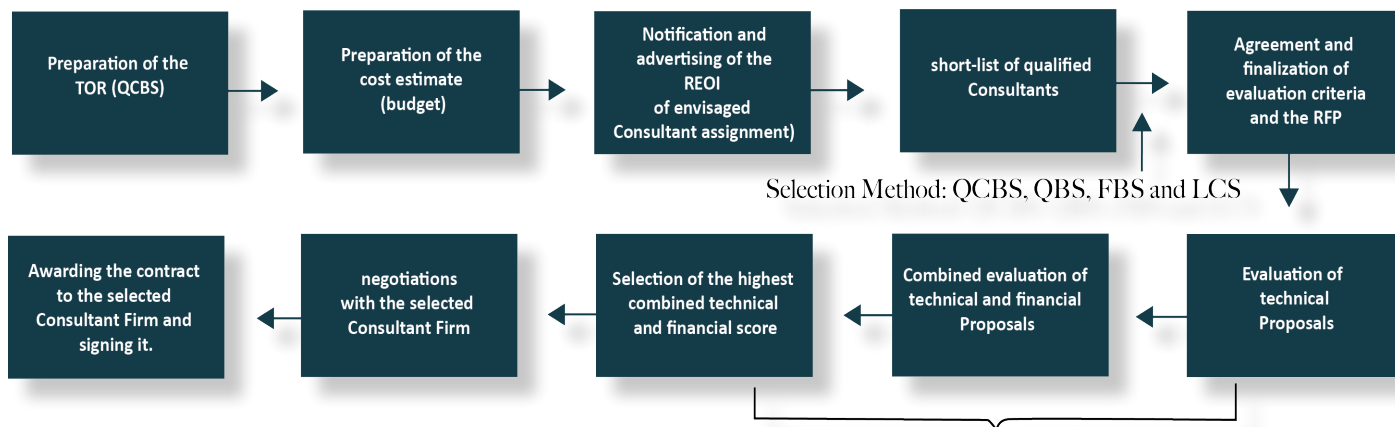
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Procurement Plan

The Beneficiary shall prepare a procurement plan for the initial 18-month period of the project. The Bank will review the procurement arrangements proposed by the EA with respect of the Financing Agreement and Guidelines.

Guidance Note on “Selection of Consultants” (1/2)

The Flowchart describes process used for Selection of Consultants:



Implementation

Supervising the implementation of Consulting Services entails a series of activities that are basically, the same for all types of consultancies, whether individuals or from a firm. These activities are: **(i)** issuing the notice to proceed; **(ii)** review of the inception phase; **(iii)** issuing contract variations; **(iv)** reporting and monitoring; **(v)** billing and payment; **(vi)** dealing with disputes and arbitration; **(vii)** terminating services prior to the end of the contract; **(viii)** concluding the assignment; and **(ix)** evaluation of Consultant’s performance.

Supervision further includes:

1. **Initial Activities after signing the Contract**
2. **Monitoring Progress of Contract**
3. **Managing a Time-Based Contract**
4. **Managing a Lump- sum Contract**
5. **Dealing with unsatisfactory performance**
6. **Dealing with disputes**

Evaluation of Proposals

Basic principle

The principles on evaluation of technical and financial Proposals are described in Guidelines and reflected in Standard RFP document including in the Data Sheet as per following provisions with procedure for combining the technical and financial evaluation applicable for QCBS.

Negotiations and decision to award the contract

Negotiations are conducted to finalize the draft contract on the basis of the Consultant’s Proposals. In some cases, for example in small contracts or contracts of a routine nature, it may not be necessary to conduct face-to-face negotiations, and the final contract may be negotiated through exchanges by facsimile or electronic mail.

Award of Contract

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 Proposals, to the Proposer that meets the appropriate standards of technical capability and financial resources and whose Proposal has been determined to offer maximum VFM.

Guidance Note on “Selection of Consultants” (2/2)



Evaluation of Proposals	Selection of Individual Consultants
<p>1. Conflict of interest situations: signing declarations in specified formats both at the EOI stage as also in the technical Proposal.</p> <p>2. Situations of “ghost Consultants”: identifying the applicant and confirming that the Proposal is submitted by the firm that has the required qualification and experience on its own and provides enough evidence at the time of the EOI to that effect.</p> <p>3. No key expert proposed from the lead member of JV: RFP to specify that the team leader proposed has required experience.</p> <p>4. Request for substitution of key experts at the time of contract negotiation: request for substitution agreed if permitted by the RFP and justified.</p> <p>5. Presence of one or more unsigned CVs in technical Proposal: the evaluation should be carried without considering these CVs</p> <p>6. Substitution of key experts in implementation: substitution of key experts permitted in exceptional circumstances such as “death or medical incapacity”.</p> <p>7. Cost overruns in time-based contracts: review of coordinating the timing of award of both the CSC contract and construction contract, adequate supervision of both contracts.</p> <p>8. Relationship between the Civil Works contractor and CSC: Provide adequate training to its/his own officers acting as project managers or key technical officers or employ a person with a legal background of handling claims.</p>	<p>Individual consultants are engaged on assignments for which:</p> <ul style="list-style-type: none"> A. The experience and qualifications of individual are the predominant considerations; B. No support from a home office as professional back-up is required; and C. Teamwork or a multi disciplinary approach is not necessary.

Guidance Note on Eligibility Requirements (1/2)

Beneficiaries need to refer to this document specifically at the stage of the preparation of Bidding or Request for Proposal documents, shortlisting or prequalification and at the evaluation stage of the procurement.

Goods, Works and Non-Consulting Services

Eligibility: Firms, Suppliers or Contractors (including sub-Contractors) are eligible only if they are not subject to the Boycott Regulations of the Organization of the Islamic Cooperation (OIC), the League of Arab States and the African Union and all Bidders must provide a letter of oath to that effect.

The Eligibility requirements are specified in the following documents, which can be found on IsDB's website: www.isdb.org/procurement

Financing Agreement; and Procurement Documents (Prequalification/Bidding Documents/Request for Proposal).

A MC Firm or Contractor is defined by and shall comply with all the following:

1. It is established or incorporated in a MC of IsDB;
2. Its principal place of business is located in a MC of IsDB; and
3. It is more than 50% Beneficially owned by a Firm or Firms in one or more MC (which the Firm or Firms must also qualify as to nationality) and/or citizens of such MC.

National Competitive Bidding (NCB)

Procurements that are awarded under National Competitive Bidding (NCB) are only eligible to domestic Firms, Suppliers or Contractors (including sub-Contractors) that are from the Beneficiary's country

NCB procedures may also be used where the advantages of International Competitive Bidding (ICB) or ICB/MC are clearly outweighed by the administrative or financial burden involved.

State Owned Enterprises (SOE's)

State Owned Enterprises (SOE's) in the Beneficiary's country are only eligible and may participate only if they can establish that they:

- a) Are legally and financially autonomous;
- b) Operate under commercial law, and
- c) Are not dependent on the Beneficiary's Agency responsible for contracting.

Disqualification in procurement of goods and works: A Firm, Supplier or Contractor (including sub-Contractors) from a country may be excluded if:

1. As a matter of law or official regulation, the Beneficiary's country prohibits commercial relations with that country; or
2. By an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, or
3. The Beneficiary's country prohibits any payment to a particular country, person or entity; or
4. There is a Conflict of Interest in terms of activities, assignments and relationships with Beneficiary's staff; or
5. In accordance with IsDB Cross Debarment Policy
6. Avoid any Fraud and Corruptive Practices as per IsDB Policy.



Guidance Note on Eligibility Requirements (2/2)



Consultancy Service

Eligibility: It is a fundamental policy of IsDB that the RFP shall unequivocally stipulate that the Consultant Services provided by the Consultant Firm/Individual Consultant, and its associates and sub consultants, shall be in strict compliance with the Boycott Regulations of the Organization of the Islamic Cooperation (OIC), the League of Arab States and the African Union (Boycott Regulations).

The eligibility of a Consultant will be finally determined before the time of signature of the contract. In cases where Consultants withhold information to evade disqualification because of the eligibility requirement, the Beneficiary will have the right to cancel the contract at any time and to penalize such parties and claim compensation for losses,

A MC Firm is defined by and shall comply with all of the following:

1. It is established or incorporated in a MC of IsDB;
2. Its principal place of business is located in a MC;
3. Its chief officer is a National of a MC; and
4. More than half of its managerial and professional staff are nationals of an MC or MCs.

A domestic Firm of an MC is defined by and shall comply with all of the following:

1. It is established or incorporated in the MC where the assignment is to be carried out;
2. Its principal place of business is located in the MC;
3. Its chief officer is a national of the MC;
4. More than half of its managerial and professional staff are nationals of the MC.

✗ Ineligibility

It is IsDB policy to require any personnel (Firms, suppliers and Consultants) thereof, observe the highest standard of ethics during the selection and execution of IsDB financed contracts. IsDB defines the terms set forth as follows:

Corrupt Practice: Is the offering of anything of value to influence improperly the actions of another party;

Fraudulent Practice: Is any act or omission, including misrepresentation, to obtain financial benefit or to avoid an obligation;

Collusive Practices: Is an arrangement between two or more parties designed to achieve an improper purpose;

Coercive Practices: Is impairing any party to influence improperly the actions of a party; and

Obstructive Practice: Is deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an IsDB investigation.

IsDB will declare misprocurement and cancel the portion of the Financing allocated to a contract if it determines that representatives of the Beneficiary were involved in such practices.

Goods shall be eligible if they have their source and origin in an MC, and for that purpose:

Source: Means the country from which an item is transported to the country in which the project is located

Origin: Means the country in which an item is mined, grown or produced.

Goods shall be considered to originate in a country if they meet the criterion of at least 50% by value derived from within that country.



Guidance Note on “Hands on Expanded Implementation Support” (HEIS) - (1/2)

IsDB may agree to provide the Beneficiary with Hands-on Expanded Implementation Support (HEIS) for Procurements where the Beneficiary or, as appropriate, the Member Country (MC), is deemed by IsDB to:

- A) be in urgent need of assistance because of a natural or man-made disaster or conflict; or
- B) be experiencing capacity constraints because of fragility or specific vulnerabilities (including small states)

Beneficiaries need to refer to this document specifically at the stage of preparation of Procurement Strategy (PS) and decide stages of Project Cycle where HEIS is required.

Applicability for HEIS at Different stages of Procurement Process

HEIS does not substitute for the Beneficiary’s decision-making authority. In every situation, the Procurement decisions at key stages always remain the responsibility of the Beneficiary. The Bank’s provision of HEIS does not constitute decision-making on behalf of the Beneficiary.

Project Preparation: Design of an effective implementation support plan in collaboration with the Beneficiary, the Bank designs an implementation support plan that summarizes the key areas in which Bank provides HEIS during project implementation.

Project Implementation: The Project Procurement Specialist checks the Beneficiary’s readiness for implementation, reviewing the Procurement Plan, confirming that required implementation personnel, and the required decision-making and oversight arrangements.

Preparation of Procurement Documents: The Bank may support the Beneficiary further in preparing Procurement Documents.

Bidding Process: The Project Procurement Specialist may support the Beneficiary in administering the Procurement process.

Pre-Bid meeting: The Project Procurement Specialist may attend the pre-Bid/Proposal meeting as an observer, clarifying matters of the Procurement Guidelines for IsDB Project Financing.

Bid opening: The Project Procurement Specialist may attend the Bid opening to support the Beneficiary in successfully administering the Bid opening, and to ensure that it is conducted properly.

Bid Evaluation: OTL plans for the review of non-Procurement aspects (i.e. technical specifications, BoQ, drawings, ES aspects etc.) as part of HEIS.

Addressing Complaints: The Project Procurement

Specialist may support the Beneficiary in reviewing and addressing Procurement related complaints that arise.

Debriefing: If a debriefing meeting is held, the Project Procurement Specialist may support the Beneficiary in preparing responses to requests for debriefing ahead of the actual meeting but not conducting debriefings on behalf of the beneficiaries.

Contract Negotiations and Technical Discussions: The Project Procurement Specialist may attend the negotiations as an observer, but does not conduct the negotiations, or participate in the decision-making process.

Contract Management/Implementation: During contract implementation the Task Team supports the Beneficiary in ensuring that contractual conditions are met.

Risk Management: Providing HEIS is a significant shift in the nature of the Bank’s engagement, and could result in legal, financial, operational, and reputational risks for the Bank.

Determination of Application: The applicability of HEIS is determined at the project level. HEIS is available to eligible projects described in paragraph 1.35 and 1.36 of the Guidelines for Procurement of Goods, Works and related services under IsDB Project Financing.

Termination of HEIS: The Bank may unilaterally terminate HEIS at any time during the implementation of a project.

Guidance Note on “Hands on Expanded Implementation Support” (HEIS) - (2/2)



Determination of Application for HEIS

1

Beneficiary requests HEIS through Procurement Strategy (or written request for existing project under implementation)

2

OTL prepares memo requesting Manager, Project Procurement and Regional Hub Manager to incorporate HEIS into Decision Package Review

3

Manager, Project Procurement and Regional Hub Manager decides on incorporation of HEIS into Decision Review Package

4

Decision Review by applicable Management level(s) as per IsDB policies and procedure



Termination of HEIS

1

(i) Beneficiary requests termination of HEIS or (ii) Bank identifies need for termination through supervision

2

OTL prepares memo requesting to incorporate termination into restructuring package

3

Manager, Project Procurement and Regional Hub Manager decides on incorporation of HEIS termination into restructuring package

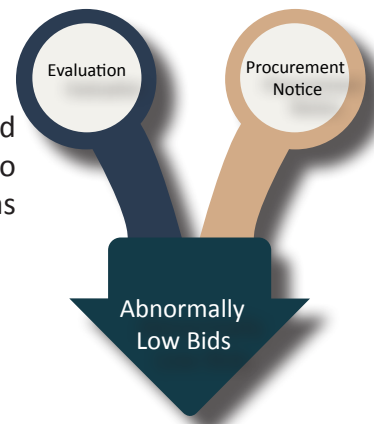
4

Management decides termination of HEIS as part of restructuring

5

IsDB formally notifies the Beneficiary the termination of HEIS

Guidance Note on Abnormally Low Bids



An abnormally low Bid typically covers Works & Goods and is one in which the Bid price, in combination with other elements of the Bid, appears so low as compared to market price and estimate cost that it raises material concerns with the Beneficiary as to the capability of the Bidder to perform the contract for the offered price.

For Goods and Works the IsDB Standard Bidding Document (SBD) contain an ALB instruction to Bidders.

Absolute Approach

Where fewer than five Responsive Bids have been received, this approach identifies an ALB based on a comparison of the evaluated Bid price, and its constituent parts, with the Beneficiary's own cost estimate; if bid price is 20% or more below the beneficiary's cost estimate.

Relative Approach

This approach uses a statistical calculation using at least five Substantially Responsive prices. A potential ALB is identified when the low Bid is more than one standard deviation below the average of the Substantially Responsive Bids received.

Clarification includes:

Clarification includes:

1. Preliminary assessment:
 - Step 1 – Evaluation of estimate of resource inputs
 - Step 2 – Evaluation of subtotals quoted for various parts of contract by other Bidders
2. Request for Clarification
3. Clarification of resource inputs and pricing
4. Clarification to be provided by Bidders' sub-contractors
5. Clarification of the Bidder's Overhead expenses

Verify / Decide

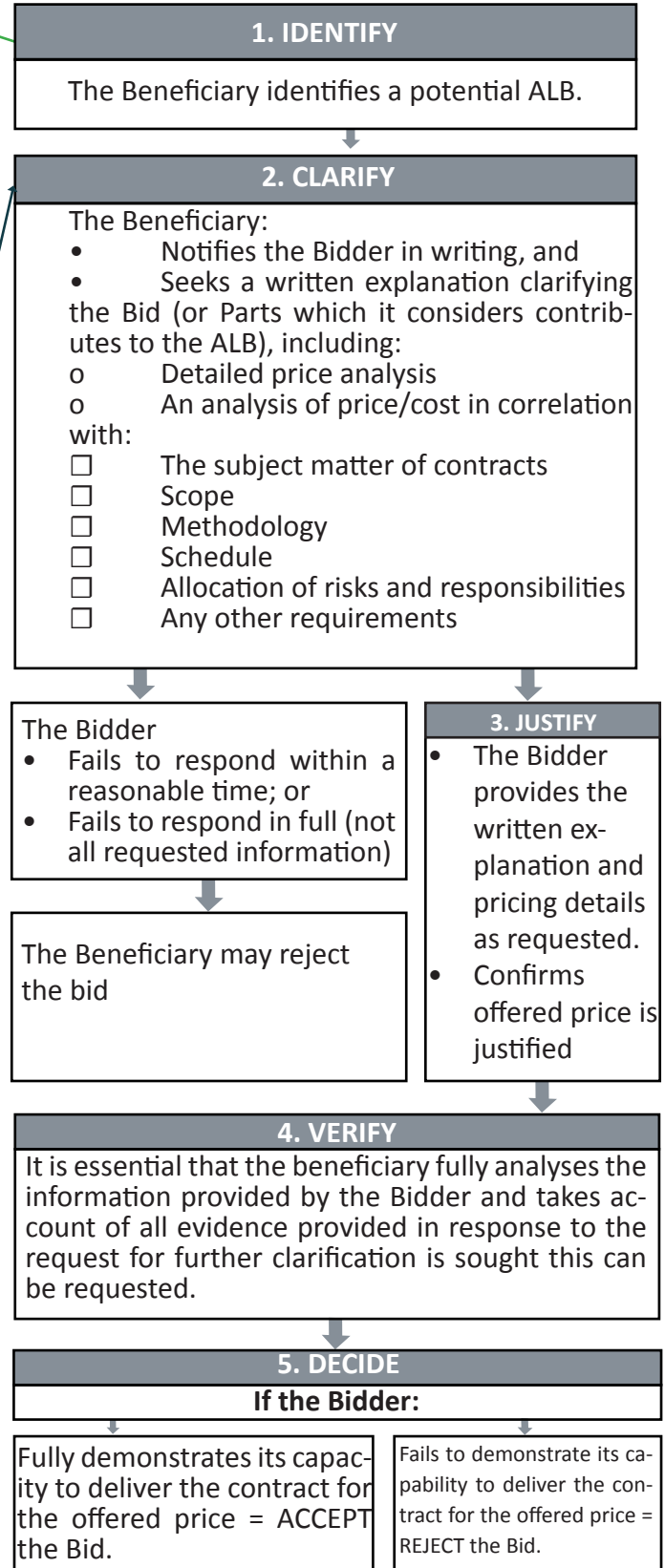
On receiving the Bidders justification, it is essential that the Beneficiary's suitably qualified personnel fully analyses the information provided by the Bidder and takes account of all evidence provided in response to the request for clarification.

The decision to be taken will depend on whether the explanations provided, or the Beneficiary's assessment of those explanations, demonstrate the ability of the Bidder to complete the contract as specified for the Bid price without compromising quality or diminishing the required output.

6. REPORTING

The Bid evaluation report submitted to IsDB for no objection shall include full details of the basis upon which the Beneficiary's decision has been made.

Due diligence on the potential ALB price shall be undertaken before submitting the Bid evaluation report to IsDB for no objection for contracts subject to prior review.

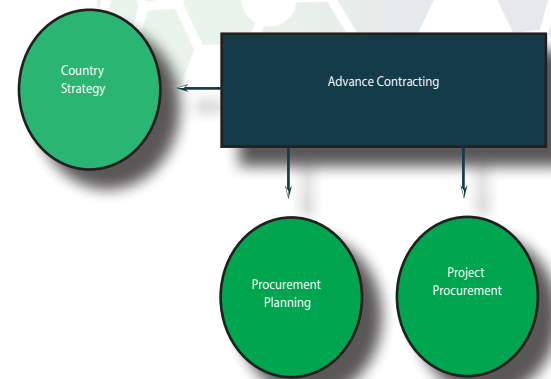


Guidance Note on Advance Contracting and Retroactive Financing - (1/2)

Advanced Contracting is when the Beneficiary starts the procurement process before the Financing Agreement has been signed.

Retroactive Financing is the backdated reimbursement of eligible expenditure from IsDB out of Project Finance to a Beneficiary as part of a IsDB financed project.

In making a payment to a Firm, Supplier or Contractor (including sub-Contractors) or Individual of an eligible expenditure, the Beneficiary does so entirely at its own risk and without commitment on the part of IsDB to provide Retroactive Financing.



Advanced Contracting	Retroactive Financing
<p>The Beneficiary can proceed with the initial steps of the procurement process before signing the Finance Agreement for the project. A Beneficiary undertakes such Advanced Contracting at its own risk, using IsDB's Procurement Guidelines and SPD's and any concurrence by IsDB with the procedures, documentation, or proposal for award does not commit IsDB to provide Financing for the project.</p> <p style="text-align: center;">Circumstances of Use</p> <p>In certain circumstances, to accelerate project implementation or in situations of emergency, the Beneficiary may, with IsDB no objection, proceed with the procurement process and contract award prior to the signing of the Financing Agreement.</p> <p style="text-align: center;">Safeguards</p> <p>When a Beneficiary requests to proceed with Advanced Contracting the following safeguards apply.</p> <ul style="list-style-type: none"> • Advanced Contracting is undertaken at its own risk and does not commit IsDB in any way to approve the Financing for the project; • Procurements under Advanced Contracting must have been carried out according to IsDB's Procurement Guidelines, if it is to be eligible for IsDB Financing; and • Announcements, in the case of Advanced Contracting, must indicate that the Beneficiary has applied for Financing from IsDB, and that disbursement, in respect of any contracts signed, will be subject to approval of the Financing. 	<p>In very exceptional circumstances, financing may be considered prior to the approval of the project with the consent of the Bank. This procedure is called Retroactive Financing. Where country undertakes work on our expenses which are part of project. The amount to be reimbursed to country after project effectiveness.</p> <p style="text-align: center;">Purpose</p> <ul style="list-style-type: none"> • Early project start-up; • Avoidance of gaps between sequential projects, • Maintenance of momentum achieved during project preparation; and Prevention of delays. <p style="text-align: center;">Uses of Retroactive Financing</p> <ul style="list-style-type: none"> • Reinvestment work (feasibility studies), Preliminary physical work (access roads), Seasonal work (crop planting/ construction); • Activities that require a long lead time and where significant economies are possible; • Office equipment; • Electricity and gas; and Any other item/s deemed essential at the pre-operating stage of a project. <p style="text-align: center;">Limitations of Retroactive Financing</p> <p>Retroactive Financing is restricted to expenditure incurred and paid for by the Beneficiary between the date of appraisal and the date of effectiveness of the project, unless otherwise agreed with IsDB. Retroactive Financing should not normally exceed ten percent (10%) of the total project cost. In cases of an emergency, IsDB may consider Retroactive Financing of up to twenty percent (20%) for expenditures incurred within four (4) months prior to the expected date of signing the Financing Agreement.</p>

Guidance Note on Advance Contracting and Retroactive Financing - (2/2)

Retroactive Financing

Control Measures

- Procurement and the use of Consultants shall be processed and cleared as if the Financing Agreement has been signed already;
- Procurement actions taken in the expectation of Retroactive Financing shall be at the Beneficiaries risk;
- Disbursement is made to meet the expenditure on approved items and supported by documentation according to the agreement;
- Documentation requirements shall be same as those for disbursement of expenditures incurred after signing the Financing Agreement; and
- The pre-appraisal or appraisal reports shall state: 1) Amount of Retroactive Financing; 2) Percentage of the project cost being retroactively financed; 3) Period that is being retroactively financed; 4) Nature of the Goods, Works or related services being retroactively financed; and 5) Justification for the Retroactive Financing.

Exceptions

There is flexibility in the application of IsDB's Guidelines for Retroactive Financing, particularly in emergency recovery operations, however, such exceptions shall require IsDB President approval and will be looked at on a case by case basis.



Guidance Note on Alternative Procurement Arrangements - (1/2)

This guidance note details how IsDB addresses the use of Alternative Procurement Arrangements (APAs) in its Procurement operations. The APA under IsDB financed project is considered in special circumstances where services of specialized agency, institution can be justifiable to deliver VfM.

Implementing APA results in:

1. **Effective application of an APA may increase efficiency**
2. **Ensure Quality and Manage Risk**
3. **Deliver Value for Money (VfM)**



1 Scope

The aim is to alleviate the burden on Beneficiary agencies. The use of an APA can simplify the Procurement process by allowing IsDB to apply the Procurement rules and procedures of another multilateral, bilateral or UN agency or organization involved in the project, or those of an accredited agency or entity of the Beneficiary.

2 General Considerations

Alternative Procurement Arrangement Partners:

The Procurement policy envisages the use of an APA with another multilateral or bilateral agency or organization involved in the project, or with an agency or entity of the Beneficiary accredited by IsDB.

Collaborating among co-financiers: IsDB will carry out the up-front analyses and assessments to justify the use of an APA jointly and in collaboration with third-party financiers.

Universal Requirements: Before negotiations, agreements should be established between IsDB and the agency or MDB on a set of universal requirements that correspond to the obligations of IsDB under its Articles of Agreement and Procurement Policy and Guidelines.

Country and Sector Eligibility: IsDB does not normally support the use of an APA with agencies in countries considered fragile and/or at high risk from the perspective of Procurement and governance. Exceptions will be considered on a case-by-case basis and will be accompanied by business case, risk assessment and appropriate mitigation measures.

Project-Specific Determination: IsDB authorizes the use of an APA for a specific project as part of the FA, which will indicate the Procurement rules and procedures that will be applicable during project implementation.

Partial Application: There may be projects in which the use of an APA is justified for only some of the anticipated Procurements, while the remaining Procurements use IsDB's Procurement Policy and Guidelines. This can apply for APAs with both agencies and MDB's.

Ongoing Operations: This could be the case for a new project with the same executing agency, or with the same executing agency and the same co-financing MDB, in some cases, new Project is being prepared while the operation is still under implementation.

Non-Procurement-Related Considerations and Risks: The use of APA follows the operational requirements of IsDB with respect to the design, preparation, and approval of its investment lending.



Guidance Note on Alternative Procurement Arrangements - (2/2)

3 Alternative Procurement Arrangements

Beneficiary Agencies - The use of APAs with Beneficiary agencies depends on the country and sector/agency Procurement risk environment. A proper due-diligence to be undertaken before agency APA with beneficiary agency.

MDB's - There are five main factors in determining the potential for the use of APAs with partners: **1)** Relative share of co-financing; **2)** Origin of the project; **3)** Nature and depth of the existing relationship; **4)** Fit of the project and; **5)** Prior experience in co-financing

5 Partner Alternative Procurement Arrangements

1. Co-financing Policies and Procedures
2. Mutual Reliance and Recognition
3. Respective Roles and Responsibilities
4. IsDB Implementation Support and Reporting
5. Legal Agreements



4 Scope

Assessment - performed at a number of stages throughout the project cycle. IsDB considers several factors when deciding an agency. A risk rating is awarded to every agency using an assessment tool.

Risk Profile – The profile is based on **1)** Strategic Importance; **2)** Supply Factors; **3)** Supply Markets; **4)** Technical Aspects and; **5)** Procurement Process

Decision to Use an Alternative Procurement Arrangement - The final step in accrediting the agency and determining the use of an APA for a specific project is to combine the agency Procurement assessment with the project Procurement risk profile.

6 Other Considerations

The Decision to Use Alternative Procurement Arrangements - The final decision to recommend the use of an APA, is taken by the relevant IsDB authorities, at the Procurement planning stage.

The Role of IsDB - The role of IsDB under an APA Procurement is that IsDB no longer undertakes prior reviews of individual Procurement transactions.

Fiduciary Requirements - Partner APA's, MDBs, bilateral donors and UN Agencies with the assertion that IsDB's fiduciary requirements are met is based on the principles of mutual reliance and recognition among the parties.

Guidance Note on Association of Firms/ Consultants, Joint Ventures, Sub-Contractors and Sub-Consultants - (1/2)

Joint Venture (JV) means an association with or without a legal personality distinct from that of its members, of more than one Firm/Consultant where one member has the authority to conduct all business for and on behalf of any and all the members of the JV, and where the members of the JV are jointly and severally liable to the Employer/Client for the performance of the Contract.

Sub-Contractor/Sub-Consultant means an entity to whom/which the JV/Firm/Consultant subcontracts any part of the Contract/Services related to the work while remaining solely liable for the execution of the Contract.

When to use this Guidance Note in Procurement and Selection Process

Beneficiaries need to refer to this document specifically at the stage of preparation of Bidding or Request for Proposal (RFP) Document, seeking Expression of Interest (EOI), shortlisting or prequalification, evaluation process, award of contract, complaints handling and during contract amendments and implementation.

In both case, Beneficiaries should ensure that IsDB policy are suitably reflected in RFP documents, also consistent with Standard RFP Documents of IsDB

Goods, Works and Related Services

Association of Firms: critical for improving the competition among qualified Bidders and capacity of domestic Firms.

Development and use of domestic Firm: To promote the industrial activity of developing countries.

Association of Firms (JVs and sub-contractors):

1. In ICB, association of non-MC Firms with MC Firms and nondomestic Firms with domestic Firms is encouraged.
2. In ICB/MC, association of non-member countries Firms with member countries Firms is accepted subject the Lead MC firm is expected to perform at least 50% of the contract.
3. In NCB, association of domestic Firms with a nondomestic Firm is accepted subject the Lead domestic firm is expected to perform at least 50% of the contract.
4. In all cases of subcontracting, a Firm is solely responsible for ensuring the execution to the required standard.



Consultancy Services

Development and use of domestic Consultants: To promote the transfer of technology to developing Member Countries (MC), IsDB encourages the participation of domestic Consultants.

Association of Consultants (JVs, and sub-consulting):

1. In the case of shortlisting international Firms and MC Firms, association of MC with non-MC Firms may be accepted.
2. In the case of shortlisting MC Firms, association with non MC Firms is accepted subject the Lead MC firm shall provide more than 50% of the key staff-months through its permanent staff.
3. In all cases of sub-consulting, the lead Firm is solely responsible for ensuring the execution to the required standard and shall provide more than 50% of the key staff-months through its permanent staff.



Guidance Note on Association of Firms/ Consultants, Joint Ventures, Sub-Contractors and Sub-Consultants - (2/2)

One Bid/Proposal in case of Association of Firms and Consultants

Goods, Works and Related Services: One Bid per Bidder: A Firm shall not submit more than one Bid, either individually or as a JV partner in another Bid, except for permitted alternative Bids.

Consultant Services: One Proposal: A Consultant shall submit only one Proposal, either individually or as a JV member in another Proposal.

Guidance during Procurement Process & Contract Implementation

Specific Guidance on Association of Firms (JVs and sub-contractors)

1. Eligibility:
2. Margin of Preference
3. Nominated Sub-Contractor
4. Whole of work not to be sub-contracted
5. Changes in Qualification of Applicant/Bidder
6. Application/Bid Submission Form
7. Documents comprising the Bid
8. Bid Security/Bid Securing Declaration/Performance Security of Joint Venture
9. Contract Agreement in case of JV- Joint and Several Liability
10. Enforcement of Contract Provisions in Implementation in case of JV

Specific Guidance on Association of Consultants (JVs and sub-consulting)

1. Expression of Interest: EOI needs to clarify the nature of Association of Consultants
2. Letter of Invitation /Request for Proposals
3. Eligibility
4. Preparation Proposal and submission Stage-statement of joint and severable liability
5. Authority of Member-in Charge in the Contract
6. Contract Signing
7. Contract Implementation



Guidance Note on BAFO (Best and Final Offer) or Negotiations in Contracts - (1/2)

The IsDB Guidelines for Procurement of Goods & Works, 2009 edition did not allow for negotiations to be held with bidders.

This constrained the ability of Beneficiaries to obtain the best terms by engaging further with bidders. At the same time, requests were being received by IsDB from Executing Agencies (EAs) to allow negotiations.

With the introduction of the provisions for use of BAFO or Negotiations in the 2019 Guidelines, Beneficiaries now have the flexibility to achieve greater Value for Money (VfM).

The 2019 Guidelines for Procurement of Goods & Works allow for three options in this regard:

- a. Use of BAFO;
- b. Use of Negotiations;
- c. Evaluation of the Bids without use of BAFO or Negotiations.

The use of BAFO or Negotiations is not mandatory and EAs may choose to conduct the evaluation and award without either BAFO or Negotiations. Furthermore, BAFO or Negotiations are mutually exclusive. If the EA uses BAFO, they cannot then proceed to use Negotiations.

**BEST
OFFER**

Features of BAFO and Negotiations compared

#	Feature	Process	
		BAFO	Negotiations
1	The process can include technical elements?	√	√
2	The process can include terms and conditions of the contract?	√	√
3	The process can include price?	√	√
4	Clarifications can be carried out before the process, in writing or in face to face discussions	√	√
5	All Bidders are involved in the process (NOTE: Bidders submit BAFOs at the same deadline. Negotiations involve one bidder only, and -if they fail- Beneficiaries may proceed to negotiate with the Bidder with the next best VfM)	√	x
6	Report on the process should be cleared by IsDB	√	√
7	Requires high capability in Negotiations	x	√

Guidance Note on BAFO (Best and Final Offer) or Negotiations in Contracts - (2/2)

From the table above it is clear that BAFO and Negotiations share similar features. However, BAFO may lengthen the selection process because Bidders will need to be clarified first and then given the opportunity to submit a BAFO. Use of Negotiations also has the disadvantage that the EA team needs to be skilled in negotiation techniques. Therefore, the contract package in question needs to be given careful consideration before the choice is made on the use of either BAFO or Negotiations.

BAFO is normally particularly effective when markets are known to be highly competitive and there is strong competitive tension between Bidders/Proposers. It is suggested that BAFO may be appropriate for packages involving the supply of goods. Technical responsiveness of the Bidders can be evaluated, and the selection will then depend on the Evaluated Bid Price. If the Lowest Evaluated Bid is above the allocated budget for the contract, use of BAFO is likely to be appropriate.

On the other hand, complex civil engineering packages will likely require lengthy clarifications with Bidders regarding the Technical Proposals. To ensure that the Bidder has properly planned the implementation of the contract, all elements of the Technical Proposal such as the: Site Organization; Method Statements; Construction Schedule; Equipment, and Key Personnel will need to be scrutinized. This will likely result in the need to submit revised Construction Schedules; CVs of Key Personnel Etc. In such a case it is suggested that Negotiations will be a more suitable option.

CONCLUSION



Guidance Note on New Procurement Approaches (Abnormally Low Bids, Best and Final Offer and Complaints Standstill Period) (1/2)

The 2019 procurement guidelines of the bank have introduced new procurement approaches which provide the flexibility to develop fit-for-purpose and value-for-money based procurement and New concepts.

ALB (Abnormally Low Bids)

Identify: Identify ALB based on comparison with available prices from the market, or with the cost estimate.

Clarify: The Beneficiary seeks clarification from the Bidder.

Justify: The Bidder prepares a justification of their price based on the request from the Beneficiary.

Verify: The Beneficiary fully analyses the Bidders justification to verify if it is in fact an ALB.

Decide: The Beneficiary fully documents the decision to accept or reject the Bid with IsDB's no-objection.

BAFO (Best and Final Offer)

BAFO in the following should be considered by the Beneficiary and IsDB.

- All Bids submitted do not sufficiently address the Procurement requirements;
- Each such Bid is in some respect otherwise unclear or deficient; and
- All Bid costs are too high and/or not within the project budget estimate.

Use of BAFO is not mandatory (Client can use BAFO or Negotiation)

Procurement that includes the use of BAFO in a competitive Procurement process for Goods, Works and Non-consulting Services are subject to **prior review** by IsDB.

When BAFO applies, the Beneficiary must appoint a Probity Assurance Provider (Probity Auditor)

When BAFO is to be used the technical Bid opening will take place in public. The opening of the financial Bid is not opened in public but in the presence of a **Probity Assurance Provider acceptable to IsDB**.

Guidelines for the Beneficiary: Requesting a BAFO → Submission of a BAFO → Opening of a BAFO → Evaluation of a BAFO

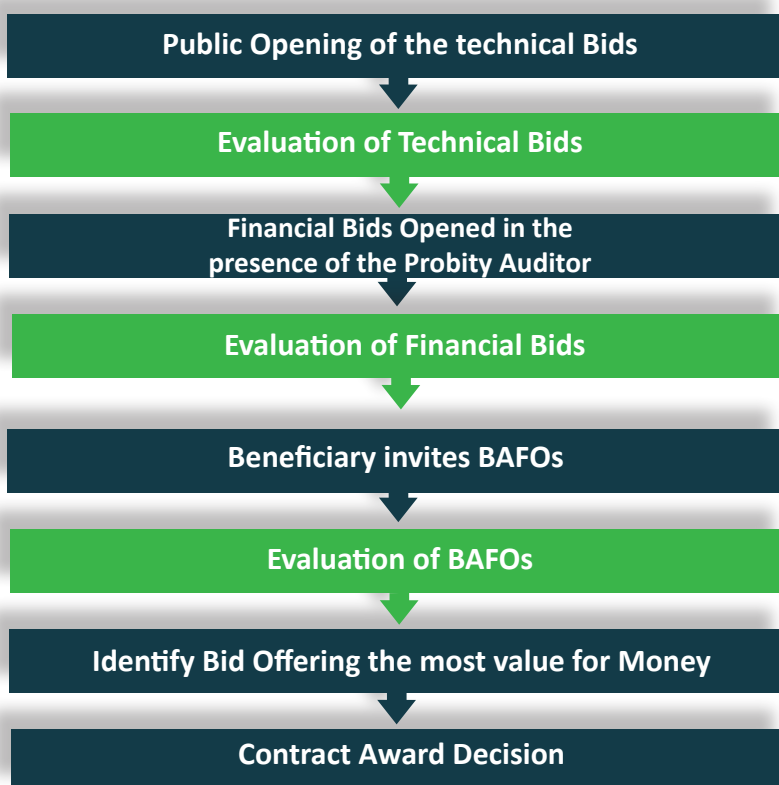


Figure of- BAFO Process flow Chart

Guidance Note on New Procurement Approaches (Abnormally Low Bids, Best and Final Offer and Complaints Standstill Period) (2/2)



Complaints Standstill Period

Contract
Award

The Standstill Period in the revised complaints process is a period of at least ten (10) Business Days following the 'Notification of Intention to Award' decision, before the contract is signed with the successful Firm, Supplier, Contractor (including sub-Contractors).

In BAFO: All bidders submit BAFO at the same given deadline while negotiation involve only one bidder. In case negotiation fails, it can negotiate with next lowest bidder.

1. Requires high capability in negotiation
2. Process can include Technical elements, terms or conditions of contract, Price, Clarifications are provided face-to-face and before the process.
3. Probity Audit should be used
4. Process should be cleared by IsDB
5. BAFO is effective when markets are highly competitive and evaluated bid price is higher than allocated budget



Probity Assurance Provider

Key elements of a probity audit are:

Criteria - These are the predetermined benchmarks used to measure and evaluate whether the probity requirements within the Procurement Process have been met.

Evidence - The Probity Auditor is required to obtain sufficient, appropriate evidence for all established criteria.

Auditor Independence

A key element of independence is impartiality, which 'means' being free from bias and not affected by influences or interests that compromise professional judgment.

Threats to Independence include: Self-Interest; Self-Review; Advocacy; Familiarity; Intimidation and; conflict of interest where there is a potential threat to the independence of the Probity Auditor, the Beneficiary should determine whether there are any safeguards that could eliminate or reduce the threats to independence.

Recommended Practice: The issue of independence should be considered and addressed prior to engaging a Probity Auditor. Potential threats to independence should be considered as well as any safeguards that might eliminate or reduce the threats to independence.



Guidance Note on Procurement in Fragile and emergency situations (1/2)

Fragility	Conflict	Disasters and Emergency Situations
Conflict is a violent or non-violent process in which two or more parties disagree about interests and values.	Conflict is a violent or non-violent process in which two or more parties disagree about interests and values.	Disaster means a sudden, calamitous event (both natural and human induced) that seriously disrupts the functioning of a community or society. 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.



Project Design and Procurement Planning

The project strategy should identify immediate priority assistance objectives as well as medium term objectives.

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.

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.



Procurement Preparedness

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

1. Legal and Institutional Infrastructure for Emergency Response
2. Allocation of Resources for Emergency Procurement Facilities and Teams
3. Use of Emergency Procurement Procedures and Tools
4. Readiness for Contractor and Supplier Mobilization or presence on ground



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. Procurement guidelines also allow simplified procedure depending on the situation.

Guidance Note on Procurement in Fragile and emergency situations (2/2)



Operational Context and Market Conditions

The supply market and local market conditions should be assessed periodically.

In addition to market assessments, the following aspects may also be considered:

1. **Security Requirements in the Country**
2. **Contracting Core Government Services to External Providers**
3. **Governance**
4. **Presence of specialized UN agency or recovery and rehabilitation support organization/ International or national NGO**



Application of IsDB Regulations and Procedures during Emergencies

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Flexible Arrangements for Procurement

The selection methods, selection arrangements, and market approaches used to procure goods, works, and services should be simplified, few things to consider are: Approach to National versus International Markets, Flexible Arrangements for the Selection of Consultants, Flexible Arrangements for Procurement of Goods, Works, and Non-Consulting Services, Request for quotations, Simplification of pre- and post-qualification criteria, Community participation, Force account, Use of second-hand goods, Commodities, Accelerated bid or proposal preparation times, Bid security and performance security requirements, Advance payment, Fiduciary oversight, Specialist procurement support

Guidance Note on Public Private Partnership (PPP) (1/2)

PPP Planning Process
Procuring Entity
The Beneficiary may need to supplement the project team with specific advisory assistance throughout the planning and implementation of the PPP Procurement Process.
Private Sector Partner
Typically require cooperation between multiple entities. This consortium will usually include: Equity Providers, Debt Providers, Design Contractors, Construction Contractors, Asset Management and Facilities Maintenance Contractors, Service Providers.
Planning and Strategy
1) The outcomes required from the Project, 2) The combination of services that will be procured from the Firm, 3) Desired high-level risk allocation between the Beneficiary and the Firm, 4) Maximum number of Bidders to be short listed to participate in the RFP stage, 5) length of the service concession period, 6) A realistic timetable for PPP Procurement Process milestones.
Timeframes
Timeframe is required to ensure that risks are allocated appropriately.
Expression of Interest
First step in the formal PPP Procurement Process. The invitation for EOI is designed to advertise the project and obtain formal Expressions of Interest from the market.
Request for Proposals
The overall purpose of the RFP stage is to select a preferred Bidder for the project, with which the Beneficiary will enter negotiations.
Dialogue Procurement Process
It is designed to ensure that each response reflects the best possible Proposal from each Bidder
Probity Assurance
The Beneficiary should engage an independent Probity Auditor to be present during the Dialogue with Bidders to minimize risks.
Preparation for Evaluation of Proposals
The evaluation process, methodology and principles are all designed to protect the integrity and fairness of the evaluation process.
RFP Evaluation Plan
Contains the overall approach, methodology and process.
Evaluation
Proposals must be checked for Compliance Assessment, Clarification, Non-price Evaluation, Price assessment, Preferred Bidder Recommendation, and Alternative Proposals.
Preferred Bidder Stage
This includes: Purpose, Preparation, Negotiation Strategy, and Appointment of Preferred Bidder.
Negotiation of Project Agreement
This includes: Negotiation Plan (To assist the Beneficiary in managing both the process and substance), Negotiation Process, Approvals, and Contractual Close.
Debriefings
Following conclusion of the preferred Bidder stage, all unsuccessful Bidders should be invited to attend individual debriefing sessions

Guidance Note on Public Private Partnership (PPP) (2/2)

PPP vs Conventional Procurement

- Specification of the service outcomes required from an asset rather than prescriptive input specifications that relate to the asset itself;
- Bundling of 'whole of life' services, that are otherwise procured independently at different stages of an asset's lifecycle, under a single long-term contract;
- The transfer of risk to the private sector partner where they are best placed to manage that risk, and
- A periodic (typically quarterly) payment profile which commences only once the asset is operational and is calculated based on the actual performance of the asset and required service outcomes.

Key Considerations

Greater focus on whole of life performance to optimize decisions and activities that may otherwise occur in isolation, or with other short-term drivers.

1. Outcome Specification
2. Durability of Service Specification
3. Complexity
4. Scale
5. Contract Management Competency
6. Competition

Risk Allocation and Management

A unique aspect of PPP Procurement is the more rigorous up-front identification of risk inherent throughout the life of the project and the cost of that risk to the Beneficiary.

Once these risks have been identified and valued, the Beneficiary is able to test which risks a private sector partner may be prepared to bear and whether they can manage these risks more efficiently than the public sector.

Unsolicited Proposals

In the normal course of events, PPP Procurement is initiated by a Beneficiary. However, there are circumstances in which a private sector party may identify a suitable opportunity for the delivery of a service to a Beneficiary by way of a long-term contract.



Guidance Note on Social, Gender and Sustainable Public Procurement (1/2)

Sustainability

Sustainability means that the needs of the present are met without compromising the ability of future generations.

It has three main pillars: economic, environmental, and social.

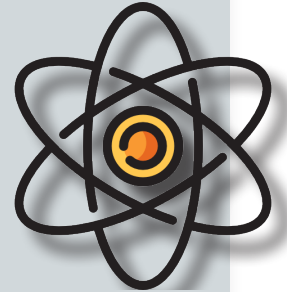
Sustainable procurement is a process which incorporates sustainability considerations throughout the procurement process in order to achieve optimal VfM in delivering development objectives of a project.

Reasons to practice sustainable procurement include:

Financial (The reduction of the total cost of ownership);

Risk Management; Social Culture (negative impact on entities culture, values, and ethics);

Stakeholder Expectations; and Attractiveness



Sustainable Procurement Stages

- 1 Identification:** Key sustainability impacts and issues and how the procurement approach will address. Identification includes undertaking **Environmental including Gender, Safety etc. and Social Assessment and addressing Relative high risks with proper mitigation measures.**
- 2 Analysis:** The Sustainability needs to be identified and should be analysed and rated. The mitigation measures need to be incorporated into the project design and scope and the Procurement Strategy when required.
Strategic Assessment: Details the requirements, evaluation criteria, supplier selection, contract conditions, KPIs and future procurements.
- 3 Sustainability Requirements:** Any sustainability priorities identified should be considered and included in the design of the procurement process and in the specifications. In addition, include monitoring and evaluation methodology.
There are two broad categories of specifications: **Conformance based Specifications** (technical requirements) and **Performance based Specifications** (outcomes or results required in terms of business) Requirements also include Industry Standards and proper **verification, Eco and Social Labels**
- 4 Suppliers Selection and Contract Award**
Evaluation (qualifying, rated & monetary quantifiable criteria → **Evaluating Non-Cost Attributes** → **Life-Cycle Cost Tools** (total cost of ownership over the life of an asset) → **Award Contract**
Key Performance Indicators (KPIs) are used to measure the performance of suppliers.
- 5 Contract Implementation:** Thought out the procurement process the Beneficiary should proactively manage the contract to ensure that the sustainability priorities are delivered.
Performance Monitoring → **Reporting** → **Managing the Supplier Relationship** → **Disposal of non-compliance**
- 6 Contract Monitoring:** Contract monitoring starts after the contract has ended and covers activities to check and review delivery and assess if the sustainability outcomes and priorities were delivered, and, if so, what impact they had.

Guidance Note on Social, Gender and Sustainable Public Procurement (2/2)

Environmental, Social, Health and Safety



The requirements of the Environmental and Social Safeguard Policy of the Bank to be reflected in Project Documents

ESHS Risks and Issues:

Identifying the ESHS risks and impacts require input from Beneficiary’s specialists, including environment, social, health and safety, construction, legal, technical and procurement.

Beneficiary’s Policies:

ESHS related provision to be reflected in procurement Documents. The Beneficiary should set out its expectations to Bidders with respect to ESHS performance during implementation.

As the Beneficiary’s ESHS policy specifies what the contractor and Contract Manager will be required to deliver, it describes the standards against which performance will be measured to drive ESHS outcomes.

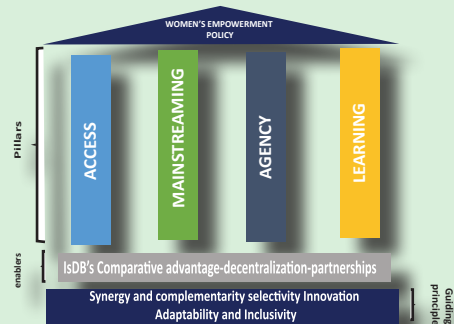
Gender Responsive Procurement

Governments to use public procurement policy as a strategic lever to accelerate gender-inclusive economic growth through the application of state spending power.

Examples of Gender Policies: **UN Women Gender Responsive Procurement and Gender-smart Procurement: Policies for Driving Change**

Women’s Empowerment Policy:

IsDB will address the four pillars guided by the following principles: capitalizing on synergies and complementarities, making strategic choices in areas and modes of engagement, promoting innovation, and being adaptable to ensure inclusivity of all.



Guidance Note on use of e-Procurement (1/2)



The member countries (MCs) of IsDB are fast adopting the electronic government procurement (e-GP) systems. The increasingly use of e-GP systems provides a means for efficient processing and managing their public procurement activities.

This will have a significant impact by improving efficiency, enhancing governance and bringing value for money in the public procurement.

Key to successful implementation of e-Procurement is flexibility. An attempt to replicate existing manual processes without deviation will significantly add to implementation risk and complexity.

Effective implementation of e-Procurement leads to Increase Efficiency and Reduce Procurement Process Time, Reduce Risk, Improve Transparency and Fairness and Deliver Value for Money

Planning and Strategy

Development of a Strategy: The starting point for development of a strategy should be a strength, weaknesses, opportunities, threats (SWOT) analysis of the current circumstances within the change environment of the government.

Central System: There are many advantages of a centralized e-Procurement system. The economies of scale and benefits of having a single platform for the whole government such as central data management, reporting and governance can be significant.

Leadership: A central lead procurement agency is required, and this agency must have the competence, mandate and authority to drive procurement reforms.

Capital Investment and Funding

Phased Approach to e-Procurement: Investment in a full functionality, off-the-shelf system from the start has significant appeal and will be the fastest to implement. Starting with a e-Portal that does not represent a major upfront investment in software or hardware. Systems that are built in-house are less likely to be able to be integrated with the best-in-class, off-the-shelf systems, so the investment should be kept to a minimum to avoid sunk costs preventing switching in the future.

Risk Management: It is common that the biggest risk is governance for any IT systems development, customization, and/or ongoing operations, not the technology itself. The use of a third party, with the necessary skills and expertise, can help alleviate the risk associated with the management and retention of resources, as well as with the continually evolving technology.


System Development

There are two developmental or functional options that can be considered for an e-Procurement System, 1) An incremental conservative approach; or 2) A more ambitious turnkey approach.

The conservative approach would be an e-Procurement portal, whereas the second, more advanced path would see the implementation of a fully comprehensive turnkey operation from the beginning.

e-Portal: A simple e-Portal should consist of an information section and an interactive section.

A model e-Portal is discussed in the subsections below, which identifies desirable functionality for existing or new implementations.



Guidance Note on use of e-Procurement (2/2)

Section 1: Information Section, which includes Agency information, Downloadable documents, SBDs, templates, Annual procurement plans and etc

Technical Specifications: The e-Procurement system needs to facilitate access to content and services on the role of the user. The user interface of an e-Procurement system needs to be intuitive and operational in all popular Internet browsers. Technical prerequisites for accessibility should not impose significant limitations to Firms, Suppliers or Contractors.

Project Management: a project management team should be formed to ensure compliance to specifications, system operations, and maintenance.

Training: Training should be simple but would become significant when the e-Portal phase is overtaken by full e-Procurement system.

Business Process Reengineering: The launch of an e-Portal would not require extensive business process reengineering, which will be required for a comprehensive e-Procurement system.

Further Options are needed When greater functionality is required.

Online Bid Submission: provided under a fully functional e-Procurement system.

Section 2: Interactive Section, which includes Bidders' Register, Annual Procurement Plan, Publications, Performance Measurement and Monitoring Reports, Monitoring Annual Procurement Plans, Administrative Review Case Entry and Publishing and Sanctions

Implementation of the e-Portal: It should be the responsibility of the lead agency to establish the approach and regulations, assembles the technical expertise, and monitors implementation issues.

Policies and Regulations: The e-Portal should publish a usage policy or regulation that includes a clause on limited liability. The policy should also include details on how any inconsistencies between electronic and hard copy documentation from government agencies should be interpreted.

Project Management Information System: The e-Portal and/or e-Procurement system should be able to track or record a large volume of information for any transaction or activity.

Performance Evaluation

Key performance indicators may include the following: **Transparency, Efficiency, Integrity, Development of private sector, System performance**

Intellectual Property: Every effort should be made to minimize the amount of customization, and the key message is to configure rather than customize. Each layer of customization adds to instability and cost.

The Bank has developed e-GP Frame Work which can assist in analyzing the prevailing systems in MCs and regulatory framework, defining the system's requirements. It also guides on availability of various products and technologies and required level of functionalities and provides both technical, financial and human resources necessary for the establishing the system. The IsDB will play a catalytical role in facilitating the linkage with relatively advanced countries in e-GP and also in change management and building institutional capacity to ensure effective utilization of the system based on best practices.

The Strategic Framework for e-GP sets the future direction on how IsDB can mainstream the use of evolving e-GPs in MCs.

Guidance Note on Risk Based Approach (1/3)



The purpose of risk management in procurement is to minimize the impacts of possible adverse events in achieving the Project Development Objectives (PDO's) of a project financed by the IsDB.

Benefits of Risk Based Approach
Enables a systematic approach for risk management that allows efficient resource allocation of IsDB procurement specialists high-risk projects. It also ensures that the Bank doesn't spend as much time supporting projects that are determined as low risk.
Procurement Risk-Based Process
<p>Risk Management Process</p> <p>At each stage of the Procurement and Project cycle various inputs are used to assist in the identification of risks. Risks should then be assessed in terms of their likelihood of occurrence and consequence. The output of the risk assessment process is the identification and implementation of measures to mitigate the identified risks and to determine the necessary oversight arrangements by IsDB.</p>

Risk Management Tool	Application			
	Country	Sector	Agency	Project
MAPS Assessment	✓			
Country and Sector/ Agency Procurement Risk Assessment	✓	✓	✓	
Procurement Risk Categorization	✓	✓	✓	✓
Project Procurement Risk Assessment			✓	✓
Contract Management Plan				✓

Procurement Risk Framework

The Procurement Risk-Based Framework applies at the country, sector/agency, and project levels. The following table shows the different types of risk assessment performed at each stage of the procurement cycle, either conducted by IsDB or by other development partners.

Roles and Responsibilities

IsDB has a fiduciary responsibility to ensure risks are identified and managed within country and sector strategies, and at agency and project levels.

At the procurement planning stage IsDB provides the Beneficiary with relevant information to aid Beneficiary in developing the Procurement Plan and Procurement Strategy if required. IsDB carries out Risk Assessment to identify potential risks associated with the project, assess the level of risks, and propose mitigation measures.

The Procurement Cycle

Risk management begins at the Country Strategy and ORMF stage and cascades through the procurement cycle. The outputs from each stage of the procurement risk framework become the inputs for the next stage.

As part of the assessment the following should be considered.

1. Inputs of previous assessments
2. Literature review

Guidance Note on Risk Based Approach (2/3)

Risk Assessment and Treatment

Risk Assessment
<ol style="list-style-type: none"> 1. Estimating the likelihood of the risk being realized; 2. Estimating the consequence of the risk being realized; 3. Determining the risk rating; and 4. Prioritizing risks for treatment.

Treatment

- Avoid** → Avoid the risk by deciding not to proceed with the project or activity
- Reduce** → Reduce the likelihood of the occurrence, Reduce the consequence of the occurrence
- Transfer** → Transfer the risk to another party
- Accept** → Accept the risk without mitigation. This may occur because
1. The risk rating is so low as to not warrant mitigation;
 2. There is no treatment available, and/or
 3. The costs of treatment outweigh the benefits.

Country and Sector/Agency Procurement Risk Assessment

During development of the Country Partnership Strategy, IsDB may perform a Country and Sector/Agency Procurement Risk Assessment (Risk Assessment). The Risk Assessment gives a broad overview of procurement risks at country and sector/agency level. The Risk Assessment is carried out periodically.

If an OECD MAPS assessment has already been conducted in the Country, then this information should feed into the Risk Assessment and it is less likely that IsDB will require a full Country and Sector/Agency Risk Assessment. The MAPS assessment assesses elements of a Public Procurement system under different indicators.



Project Conceptualization

The Operations Risk Management Framework mandates that the project concept and design stage, an overall project procurement risk identification and categorization of 1 to 5 is assigned by IsDB. The categorization is used to guide project preparation and due diligence.

A categorization of 1 indicates high risk and will result in active involvement from the IsDB procurement team throughout project preparation and processing. Whereas a categorization of 5 indicates low risk with little active involvement from IsDB and post review sampling.

Project Risk Assessment

At procurement planning stage, it will be necessary to assess the procurement and market risks for the project, by developing a Project Risk Assessment (PRA).

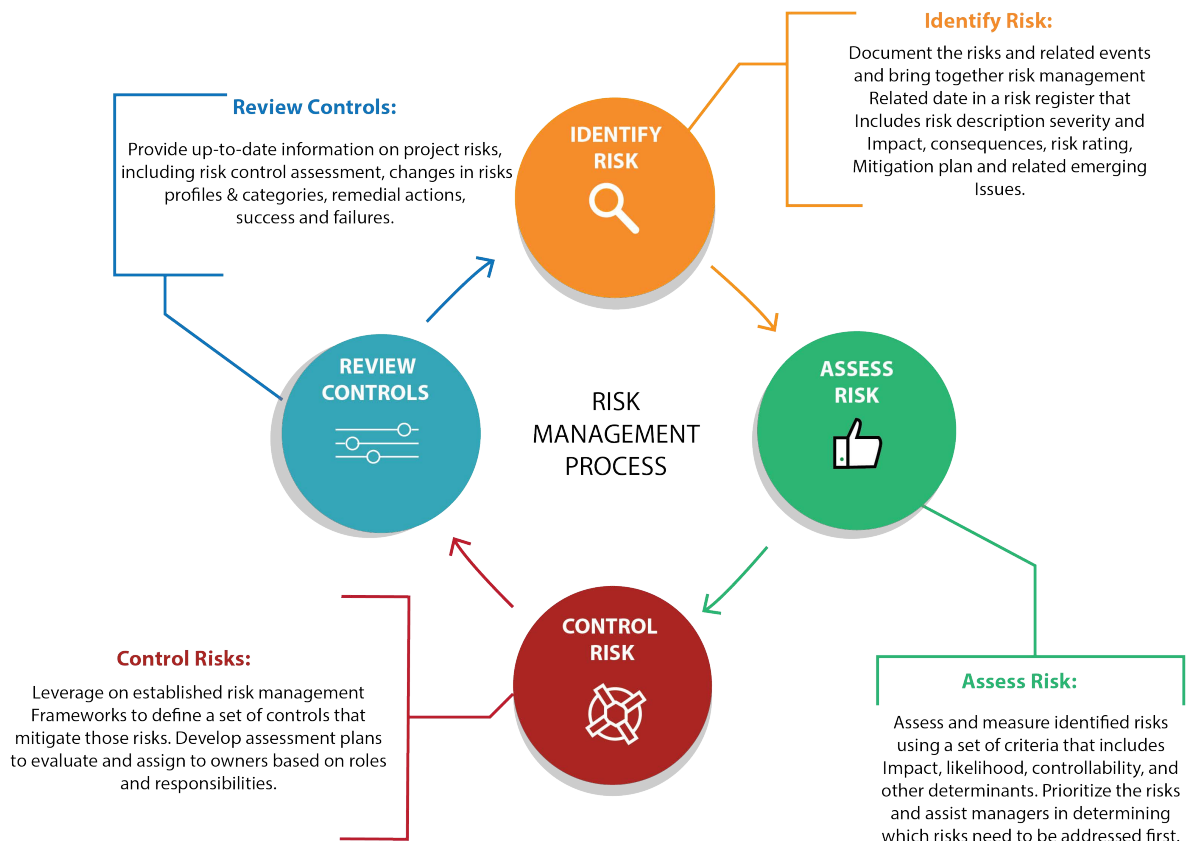
The PRA is the process of identifying and minimizing the likelihood and impact of risks occurring within a project. Following the identification of the key risks, the risks need to be rated and prioritized. Each risk should be scored against the two criteria of impact and likelihood on a scale of 1 to 5, so that a classification of their criticality can be made, in terms of how they may affect the Project Development Objectives. The PRA and the associated procurement risk register should be used to develop the procurement plan for the project.

Guidance Note on Risk Based Approach (3/3)

Country and Sector/Agency Procurement Risk Assessment Process

The Risk Assessment Process Includes the following Stages:

PLAN	Perform initial desktop review of available information including MAPS; Review of IsDB's past experience; Apply country procurement assessment tool; Develop terms of reference for Risk Assessment mission; Consider country factors; and Arrange assessment with government.
CONDUCT	Confirm country procurement assessment; Complete sector/agency procurement assessments; and Write Risk Assessment report.
DETERMINE CLASSIFICATION	Convert weaknesses identified to risks; Assess risks; Determine risk treatments; and Determine overall country procurement risk, and overall sector procurement risks for each key sector.





For any additional information, Please see

www.isdb.org/procurement

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