



# Procurement Guidelines

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- These Procurement Guidelines were adopted by the Executive Board of IFAD at its Sixteenth Session in September 1982. They were subsequently amended by the Executive Board at its Eighty-Third Session in December 2004.

# Table of contents

	Abbreviations and acronyms	4
	Foreword	5
►	<b>Introduction</b>	7
	Purpose of the guidelines	
	Contents	
	<b>PART A</b>	
►	<b>Basic principles</b>	8
	General considerations	8
	Project specific considerations	8
	Applicability of the guidelines	9
	Eligibility	9
	Advance contracting and retroactive financing	11
	Joint ventures	11
	IFAD review	11
	Misprocurement	11
	References to IFAD	11
	Fraud and corruption	12
	<b>PART B</b>	
►	<b>Procurement of goods and works</b>	13
	Introduction	13
►	<b>Methods of procurement</b>	14
	International competitive bidding	14
	Limited international bidding	14
	National competitive bidding	14
	International or national shopping	15
	Direct contracting	15
	Procurement from commodity markets	16
	Work by force account	16
	Procurement from United Nations agencies	16
	Procurement agents	17
	Inspection agents	17
	Procurement by financial intermediaries or sub-loan beneficiaries	17
	Procurement with community participation	17
►	<b>Procedures for competitive bidding</b>	18
	Notification and advertisement	18
	Bidding documents	19
	Specifications and standards	20
	Bid opening	20
	Extension of validity of bids	20

Prequalification and post-qualification of bidders	<b>21</b>
Examination and evaluation of bids	<b>21</b>
Confidentiality	<b>21</b>
Domestic preferences	<b>21</b>
Award of contract and publication	<b>22</b>
Rejection of all bids	<b>22</b>
Currency of bid and contract payments	<b>23</b>
Price adjustment	<b>23</b>
Validity of bids and bid security	<b>23</b>
Performance security and retention money	<b>24</b>
Insurance	<b>24</b>
Liquidated damage and bonus clauses	<b>24</b>
Force majeure	<b>24</b>
Language of documents	<b>24</b>
Applicable law and settlement of disputes	<b>24</b>

**PART C**

▶ <b>Selection of consulting services</b>	<b>25</b>
Introduction	<b>25</b>
General considerations	<b>25</b>
Conflict of interest	<b>25</b>
Unfair competitive advantage	<b>25</b>
Professional liability	<b>26</b>
Terms of reference	<b>26</b>
Cost estimate (budget)	<b>26</b>
Short list of consultants	<b>26</b>

▶ <b>Methods of consultant selection</b>	<b>27</b>
Quality and cost-based selection	<b>27</b>
Evaluation of quality	<b>27</b>
Evaluation of cost	<b>28</b>
Combined quality and cost evaluation	<b>29</b>
Other methods of consultant selection	<b>29</b>
Quality-based selection	<b>29</b>
Selection under a fixed budget	<b>30</b>
Least-cost selection	<b>30</b>
Selection based on consultants' qualifications	<b>30</b>
Single-source selection	<b>30</b>
Selection of individual consultants	<b>31</b>
Commercial practices	<b>31</b>
Selection of particular types of consultants	<b>31</b>

**APPENDIXES**

<i>I. Review by IFAD of decisions on procurement of goods, works and consulting services</i>	<b>33</b>
<i>II. Procurement of goods and works under IFAD-funded projects with community participation</i>	<b>37</b>
<i>III. Domestic preferences for goods under the international competitive bidding procedure – methods and stages for evaluation and comparison of bids</i>	<b>42</b>

**Abbreviations and acronyms**

AWP/B	annual workplan and budget
CSO	civil society organization
ICB	international competitive bidding
IDB	Inter-American Development Bank
LIB	limited international bidding
NCB	national competitive bidding
PCU	project coordination unit
QCBS	quality and cost-based selection
RFP	request for proposals

# Foreword

These guidelines, approved by the Executive Board of the International Fund for Agricultural Development (IFAD) at its Eighty-Third Session in December 2004, replace the procurement guidelines it adopted at its Sixteenth Session in September 1982. In addition to updating the policies and procedures for the procurement of goods, works and related services in response to the significant changes that have occurred in the international socio-economic environment and in development lending since 1982, these guidelines include the procurement of consulting services (which were not covered under the previous guidelines). IFAD-funded projects have hitherto been using the relevant cooperating institution's procedures for the selection and employment of consultants.

Some of the significant developments that have contributed to changes in IFAD's lending environment over the past two decades are:

- Emerging needs of debt-ridden and poverty-stricken borrowing countries and the corresponding response from international financial institutions to meet those needs, including the harmonization of operational policies, procedures and practices among multilateral development banks.
- Development of the global marketplace and the provision of goods and services by the international and local business community to clients in a more dynamic and cost-effective manner, including the adoption of best practices.
- Creation of the World Trade Organization and its adoption of the General Agreement on Procurement in 1994.
- Rapid advances in technology that have vastly facilitated the flow of information, resources and client interaction, thereby reducing the cost of doing business.
- The global development community's emphasis on eradicating fraud, bribery and corruption in procurement.
- Increased community participation and involvement of NGOs in grass-roots project implementation.

It is incumbent upon IFAD to meet its fiduciary obligations arising from the changing procurement environment in line with its mandate to enhance development effectiveness with emphasis on economy, efficiency and social equity, as per Article 7.1(c) of the Agreement Establishing IFAD. It is the wish of IFAD's management that these guidelines contribute substantially to achieving this goal.

These IFAD guidelines are largely consistent with the guidelines of multilateral development banks on the procurement of goods, works and consulting services but are suitably modified to reflect IFAD's specific requirements.

The guidelines will be reviewed after a period of three years.

A large number of IFAD projects involve cofinancing with cooperating institutions, some of which have published their own procurement guidelines. When a cooperating institution with established guidelines assumes responsibility for project administration and supervision on behalf of IFAD, then its own procurement guidelines will normally be followed unless otherwise agreed with IFAD. The IFAD guidelines should be followed for all projects administered by cooperating institutions that do not have their own procurement guidelines and for all projects directly supervised by IFAD.

These guidelines will be applicable to all loans and grants covered by the IFAD General Conditions for Agricultural Development Financing.

Lennart Båge  
President of IFAD

# Introduction

## Purpose of the Guidelines

1. The purpose of these guidelines is to provide guidance to entities implementing development projects<sup>1</sup> financed by loans<sup>2</sup> from the International Fund for Agricultural Development (IFAD)<sup>3</sup> on the policies and procedures to be followed for procuring the goods,<sup>4</sup> works (including related services)<sup>5</sup> and consulting services required for projects. The loan agreement<sup>6</sup> governs the legal relationship between the Borrower and IFAD, and the guidelines apply to the procurement of goods, works and consulting services for projects as provided in the respective loan agreement. The rights and obligations of the Borrower and of all providers of goods, works and services under the project are governed by the bidding<sup>7</sup> documents and by the contracts signed by the Borrower and such providers, and not by these guidelines or the loan agreement. No party other than the parties to the loan agreement shall derive any rights therefrom or have any claim to loan proceeds.

## Contents

2. Part A of these guidelines describes the basic principles of procurement that apply to projects funded by IFAD; Part B describes the various procurement methods and policies and procedures for competitive bidding on goods and works (including related services); and Part C contains the different methods, policies and procedures for the selection of consulting services. These guidelines are complemented by related user's manuals (and standard bidding documents) for use by Borrowers in procuring goods, works and consulting services; these documents are issued separately and will be accessible to users on the IFAD web site ([www.ifad.org](http://www.ifad.org)).

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- 1 The term "project" refers equally to "programmes".
  - 2 The term "loan" refers equally to "grants" governed by IFAD's *General Conditions for Agricultural Development Financing*, and the term "Borrower" refers equally to loan beneficiaries and to grant recipients.
  - 3 Reference to IFAD should be interpreted to include the cooperating institution, when the latter is delegated responsibility for loan administration and supervision.
  - 4 "Goods" refers to commodities (including agricultural inputs such as fertilizer, seeds, pesticides, farm implements and tools), raw materials, machinery, vehicles and equipment.
  - 5 "Works" includes the development or construction of physical infrastructure such as buildings and roads, as well as related services such as transportation, insurance, installation, commissioning, training and initial maintenance.
  - 6 The term "loan agreement" includes also all related amendments to the loan agreement.
  - 7 The terms "bidding" and "tender" as used herein have the same meaning.

# Part A

## BASIC PRINCIPLES

### General considerations

3. Responsibility for project implementation and, by extension, for the award and administration of contracts under the project rests with the Borrower.<sup>8</sup> IFAD, for its part, is required – under Article 7.1(c) of the Agreement Establishing IFAD – to “... ensure that the proceeds of any financing are used only for the purposes for which the financing was provided, with due attention to considerations of economy, efficiency and social equity.” In addition, as required under Article 7.2(j), IFAD “shall give appropriate preference to experts, technicians and supplies from developing countries”. While, in practice, the specific procurement rules and procedures to be followed in the implementation of a project depend on the circumstances of the particular case, the following considerations generally guide IFAD’s requirements:
  - (i) the need for economy and efficiency in the implementation of the project, including the procurement of the goods and works involved and the recruitment of consultants;
  - (ii) IFAD’s interest in giving all eligible bidders from developed and developing countries<sup>9</sup> the opportunity to compete in providing goods, works and consulting services financed by IFAD;
  - (iii) IFAD’s interest, as a development financing institution, in encouraging the development of domestic capacity to provide goods, works and consulting services; and giving appropriate preference to experts, technicians and supplies from developing countries;
  - (iv) the importance of fairness, integrity, transparency and good governance in the procurement process; and
  - (v) the recognition that competition is the basis for efficient public procurement. Borrowers shall select the most appropriate method for the specific procurement as defined in these guidelines. The specific contracts to be financed under the project and their method of procurement, consistent with the loan agreement, are specified in the procurement plan as indicated under paragraph 1 in Appendix 1 of these guidelines.

### Project specific considerations

4. The procurement of goods, works and consulting services under any given project is to be undertaken by observing the following specific principles:
  - (i) Procurement is to be carried out in accordance with the respective loan agreement and any duly agreed amendments thereto.
  - (ii) Procurement is to be conducted within the project implementation period, except as provided under Article 4.10 (a)(ii)<sup>10</sup> of IFAD’s General Conditions for Agricultural Development Financing or where the loan agreement provides for retroactive financing and then within the limits therein specified.
  - (iii) The cost of the procurement is not to exceed the availability of duly allocated funds as per the loan agreement.

<sup>8</sup> In some cases, the Borrower acts only as intermediary and the project is implemented by another agency or entity. References in these guidelines to the Borrower include such agencies and entities, as well as sub-borrowers under on-lending arrangements.

<sup>9</sup> Article 7.2(j) of the *Agreement Establishing IFAD*.

<sup>10</sup> “Expenditures to meet the costs of starting up the Project or fulfilling the conditions precedent to effectiveness of any Loan Document may be incurred before the Effective Date but after the date of the Loan Agreement; and expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Loan Closing Date.”

- (iv) Procurement is to be consistent with the duly approved annual workplan and budget (AWP/B) including a procurement plan for at least 18 months.<sup>11</sup>
- (v) Procurement is to result in the best value for money.

**Applicability of the guidelines**

- 5. The procedures outlined in these guidelines apply to all contracts for goods, works and consulting services financed in whole or in part by an IFAD loan. In contracts for goods, works and consulting services not financed by IFAD, the Borrower may adopt other procedures (e.g. procedures mandated by a project cofinancier or cooperating institution). In such cases IFAD will be satisfied that the procedures used fulfil the Borrower’s obligation to cause the project to be carried out diligently and efficiently, and that the goods, works and consulting services to be procured:
  - (i) are of satisfactory quality and are compatible with the other parts of the project;
  - (ii) will be delivered or completed in a timely fashion; and
  - (iii) are priced reasonably so as not to affect adversely the economic and financial viability of the project.
- 6. Within the overall framework of the IFAD guidelines, IFAD may permit the adoption of the Borrower’s prevailing national<sup>12</sup> procurement regulations for specific contracts to be financed by an IFAD loan, provided such national regulations are found to be compatible with the present IFAD guidelines. IFAD will undertake an assessment of the national procurement regulations as part of project appraisal<sup>13</sup> in order to ensure their compatibility with these guidelines. When national procurement regulations are found to be acceptable to IFAD, the relevant loan agreement may authorize the adoption of such regulations for the procurement of goods, works and consulting services for the whole project or for specific components or subcomponents thereof.

**Eligibility**

- 7. IFAD loan proceeds are disbursed exclusively for expenditures for goods, works and consulting services provided by nationals of and produced in or supplied from IFAD member countries.<sup>14</sup> Under this policy, nationals of other countries or bidders offering goods, works and consulting services from other countries will be disqualified from bidding under contracts financed in whole or in part from an IFAD loan, unless an exception has been made by the President of IFAD on a case-by-case basis.<sup>15</sup>

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11 The procurement plan will form part of the project AWP/B and will include all major procurement expected to be made within a period of at least 18 months (i.e. extending to six months beyond the period covered by the AWP/B), as detailed in paragraph 1 of Appendix I to these guidelines. Projects with community participation in procurement may seek appropriate flexibility from IFAD with regard to this requirement.

12 The term “national” as used herein has the same meaning as “local”.

13 IFAD may also draw on country procurement assessments carried out by cooperating institutions and/or other international financial institutions for this purpose.

14 IFAD maintains two lists of member countries: (i) IFAD Member States who are Eligible Sources of Procurement under the Regular Programme; and (ii) IFAD Member States who are Eligible Sources of Procurement under the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification. A copy of the appropriate list is made available to the Borrower upon loan signing.

15 Procurement from a non-member country may be permitted on an exceptional basis due to specific country circumstance (e.g. some eastern European countries and republics of the former Soviet Union), joint cofinancing, or for specific types of expenditure for which the most suitable suppliers are expected to be located in non-member countries.

8. In connection with any contract to be financed in whole or in part by an IFAD loan, IFAD – as a general rule – does not permit a Borrower to deny pre- or post-qualification to a firm for reasons unrelated to its capability and resources to successfully perform the contract; nor does it permit a Borrower to disqualify any bidder for such reasons. Consequently, Borrowers should exercise due diligence in assessing the technical and financial qualifications of bidders to be assured of their capabilities with regard to the specific contract.
9. As an exception to the foregoing:
- (i) Individuals or entities of a member country or goods manufactured in a member country may be excluded if: (a) as a matter of law or official regulation, the Borrower's country prohibits commercial relations with that country, provided that IFAD is satisfied that such exclusion does not preclude effective competition for the supply of the required goods, works or consulting services; or (b) 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, the Borrower's country prohibits any import of goods from that country or any payments to individuals or entities in that country.
  - (ii) An individual or entity – and any of its affiliates – engaged by the Borrower to provide consulting services for the preparation or implementation of a project will be disqualified from subsequently providing goods, works or services (other than a continuation of the individual's or entity's earlier consulting services) for the same project. However, IFAD may grant exception to this provision in exceptional circumstances<sup>16</sup> provided the requirements described in paragraphs 102 and 103 (Single-Source Selection) of Part C (Selection of Consulting Services) of these guidelines are satisfied.
  - (iii) Government-owned enterprises in the Borrower's country 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 agencies of the Borrower or a sub-borrower.<sup>17</sup>
  - (iv) As an exception to (iii) above, when the services of government-owned universities or research centres in the Borrower's country are of a unique and exceptional nature, and their participation is critical to project implementation, IFAD may agree on the hiring of those institutions on a case-by-case basis. On the same basis, university professors or scientists from research institutes can be contracted individually under IFAD financing.
  - (v) Government officials and civil servants may only be hired under consulting contracts, either as individuals or as members of a team of a consulting firm, if they: (a) are on leave of absence without pay; (b) are not being hired by the agency they were working for immediately before going on leave; and (c) their employment would not create a conflict of interest (see paragraph 78 under Part C of these guidelines).
  - (vi) An individual or entity that has been declared ineligible by IFAD in accordance with subparagraph (iv) of paragraph 15 of these guidelines will be ineligible for the award of an IFAD-financed contract during such period of time as may be determined by IFAD.

<sup>16</sup> For instance, when the specific expertise from design through implementation needed under a community development project could be provided only by the single NGO operating within that community.

<sup>17</sup> Other than force account units as permitted under paragraph 29 of these guidelines.

**Advance contracting and retroactive financing**

10. In certain circumstances, such as to accelerate project implementation, the Borrower may proceed with the initial steps of procurement before signing the related IFAD loan agreement. In such cases, the procurement procedures, including advertising, are to be in accordance with these guidelines in order for the eventual contracts to be eligible for IFAD financing (i.e. reimbursement after loan effectiveness), and the normal IFAD review process is to be followed. Borrowers undertake such advance contracting at their own risk, and any concurrence by IFAD with the procedures, documentation or proposal for award does not commit IFAD to make a loan for the project in question. If the contract is signed, reimbursement by IFAD of any payments made by the Borrower under the contract prior to loan signing is referred to as retroactive financing and is only permitted within the limits specified in the loan agreement.

**Joint ventures**

11. Suppliers, contractors and consultants from the Borrower’s country are encouraged to participate in the procurement process in as much as IFAD encourages the development of domestic capacity. They may bid independently or in joint venture with foreign firms, but IFAD will not accept bidding conditions that require mandatory joint ventures or other forms of mandatory association between domestic and foreign firms.

**IFAD review**

12. IFAD reviews the Borrower’s procurement procedures, documents, and composition of bid evaluation committees, bid evaluations, award recommendations and contracts to ensure that the procurement process is carried out in accordance with agreed guidelines. IFAD’s procurement review procedures are detailed in Appendix I hereto. The loan agreement is to specify the extent to which these review procedures will apply in respect of the various categories of goods, works and consulting services to be financed, in whole or in part, from the IFAD loan.

**Misprocurement**

13. IFAD does not finance expenditures for goods, works or consulting services that have not been procured in accordance with the procedures specified in the loan agreement. In such cases, IFAD may, in addition, exercise other remedies under the loan agreement, including cancellation of the amount in question from the loan account. Even if the contract was awarded after obtaining a “no objection” from IFAD, IFAD may still declare misprocurement if it concludes that the “no objection” was issued on the basis of incomplete, inaccurate or misleading information furnished by the Borrower or the terms and conditions of the contract had been modified without IFAD’s approval.

**References to IFAD**

14. If the Borrower wishes to refer to IFAD in procurement documents, the following language is to be used:

“(Name of Borrower or designate) has received (or in appropriate cases ‘has applied for’) a loan from the International Fund for Agricultural Development in various currencies equivalent to \_\_\_\_\_ toward the cost of (name of project), and intends to apply a portion of the proceeds of this loan to eligible payments under this contract. Payment by the International Fund for Agricultural Development will be made only at the request of (name of Borrower or designate)

and upon approval by the International Fund for Agricultural Development, and will be subject, in all respects, to the terms and conditions of the Loan Agreement. The Loan Agreement prohibits a withdrawal from the Loan Account for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of IFAD, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. No party other than (name of Borrower) shall derive any rights from the Loan Agreement or have any claim to loan proceeds.”

**Fraud and corruption**

15. It is IFAD’s policy to require that the staff of IFAD and the Borrower (including beneficiaries of IFAD loans) as well as all bidders, suppliers, contractors and consultants under IFAD-financed contracts observe the highest standard of ethics and integrity during the procurement and execution of such contracts. In pursuance of this policy, IFAD:
  - (i) defines, for the purpose of this provision, the terms set forth below as follows:
    - (a) “corrupt practice” means the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence the action of a public official<sup>18</sup> in the procurement process or in contract execution;
    - (b) “fraudulent practice” means a misrepresentation or omission of facts in order to influence a procurement process or the execution of a contract;
    - (c) “collusive practice” means a scheme or arrangement between two or more bidders, with or without the knowledge of the Borrower, designed to establish bid prices at artificial, non-competitive levels; and
    - (d) “coercive practice” means harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in a procurement process, or affect the execution of a contract.
  - (ii) will reject a proposal for award if it determines that the bidder or consultant recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive or coercive practices in competing for the contract in question;
  - (iii) will cancel the portion of the loan allocated to a contract for goods, works or services if it determines at any time that representatives of the Borrower or of a beneficiary of the loan engaged in corrupt, fraudulent, collusive or coercive practices during the procurement or the execution of that contract, without the Borrower having taken timely and appropriate action satisfactory to IFAD to remedy the situation;
  - (iv) will sanction (which includes the possibility of declaring ineligible) an individual or firm – either indefinitely or for a stated period of time – to be awarded an IFAD-financed contract if it at any time determines that the individual or firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive or coercive practices in competing for, or in executing, an IFAD-financed contract;

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18 Includes IFAD staff and employees of cooperating institutions and other organizations taking or reviewing procurement decisions.

- (v) will have the right to require that bidding documents and contracts financed by an IFAD loan include a provision requiring suppliers, contractors and consultants to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance and to have them audited by IFAD-appointed auditors; and
  - (vi) will take such other action as envisaged in IFAD's General Conditions for Agricultural Development Financing.
16. With the specific agreement of IFAD, a Borrower may include in bid forms for IFAD-financed contracts an undertaking of the bidder or consultant to observe, when competing for and executing a contract, the country's laws against fraud and corruption (including bribery), as listed in the bidding documents or request for proposals (RFP).<sup>19</sup> IFAD will accept the inclusion of such a requirement, at the request of the Borrower's country, provided the arrangements governing such an undertaking are satisfactory to IFAD.

## Part B

### PROCUREMENT OF GOODS AND WORKS

#### Introduction

17. Selection of the most appropriate procurement method is critical for meeting the particular needs of the project as well as for satisfying the overarching general and specific considerations of IFAD and the Borrower relating to procurement, as listed in paragraphs 3 and 4 of these guidelines. Within those parameters, the procurement method adopted during project implementation will depend on the circumstances of each case. It is recognized that international competitive bidding (ICB) is the guiding principle for procurement.
18. Where it is determined that the needs of the project and the interests of IFAD and the Borrower can be best realized through ICB, that method shall be adopted and properly administered, with suitable allowance for preferences for domestically produced goods and, where appropriate, for domestic contractors<sup>20</sup> for works under prescribed conditions. In such cases, therefore, IFAD requires the Borrower to obtain goods and works through ICB open to eligible suppliers and contractors.<sup>21</sup>
19. On the other hand, where ICB is clearly not the most economic and efficient method of procurement under an IFAD-funded project, based on factors such as:
- (i) location of the project in remote or rural areas of the Borrower's country;
  - (ii) implementation of the project is undertaken with community participation; or
  - (iii) the value of each procurement is too low to attract foreign bidders;
- the Borrower may choose to adopt other procurement methods. The particular methods to be followed for the procurement of goods and works for a given project or component of the project are to be specified in the loan agreement relating to such project.

19 As an example, such an undertaking might read as follows: "We undertake that, in competing for (and, if the award is made to us, in executing) this contract, we will strictly observe the laws against fraud and corruption in force in the country of the [Purchaser] [Employer], as such laws have been listed by the [Purchaser] [Employer] in the bidding documents for this contract."

20 For the purposes of these guidelines, "contractor" refers only to an individual or firm providing construction services.

21 See paragraph 7 for eligibility.

20. The terms “goods” and “works” as used in Part B of these guidelines include related services such as transportation, insurance, installation, commissioning, training and initial maintenance. The term “goods” includes agriculture-related commodities and farm inputs such as fertilizer, seeds, pesticides, farm implements and tools, as well as raw materials, machinery, vehicles and equipment.

**METHODS OF  
PROCUREMENT**

**International competitive bidding**

21. International competitive bidding (ICB) is a procurement method suited to high-value requirements that would be of interest to the international business community. The objective of ICB, as described herein, is to provide all eligible prospective bidders located and operating within the Borrower’s country as well as abroad with timely and adequate notification of the Borrower’s requirements and an equal opportunity to bid for the required goods and works.

**Limited international bidding**

22. Limited international bidding (LIB) is essentially ICB by direct invitation without open advertisement. It may be an appropriate method of procurement where:
- (i) contract amounts are small;
  - (ii) there is only a limited number of suppliers or contractors; or
  - (iii) other exceptional reasons exist that may justify departure from full ICB procedures.

Under LIB, Borrowers should seek bids from a list of potential suppliers or contractors broad enough to ensure competitive prices, such list to include all suppliers and contractors when there are only a limited number. Domestic preferences are not applicable in the evaluation of bids under LIB. In all respects other than advertisement and preferences, ICB procedures apply to procurement under LIB, including the publication of the contract award as indicated in paragraph 2(viii) in Appendix I.

**National competitive bidding**

23. National competitive bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Borrower, and may be the most efficient and economical way of procuring goods or works that, by their nature or scope, are unlikely to attract foreign competition. To be acceptable for use in IFAD-financed procurement, these procedures are to be reviewed to ensure economy, efficiency, transparency and broad consistency with the provisions of these guidelines. IFAD will establish the acceptability or otherwise of local procedures at project appraisal. NCB may be the preferred method of procurement where foreign bidders are not expected to be interested because:
- (i) contract values are small;
  - (ii) works are scattered geographically or spread out over time;
  - (iii) works are labour-intensive; or
  - (iv) the goods or works are available locally at prices below those on the international market.

NCB procedures may also be used where the advantages of ICB are clearly outweighed by the administrative or financial burden involved.

24. Advertising for procurement under NCB may be limited to the national press, the official gazette of the Borrower's government or, where possible, a free and open-access web site. Bidding documents may be in an official language of the country,<sup>22</sup> and local currency is generally used for the purposes of bidding and payment. The procedures are to provide for adequate competition in order to ensure reasonable prices, and the methods used in the evaluation of bids and the award of contracts are to be objective and made known to all bidders and are not to be applied arbitrarily. The procedures shall also include public opening of bids, publication of results of evaluation and of the award of contract, and provisions for bidders to protest. In addition, bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission of bids. Adequate response time for preparation and submission of bids shall be provided. If eligible foreign firms wish to participate under these circumstances, they are to be allowed to do so.

#### **International or national shopping**

25. International or national shopping is a procurement method that entails comparing price quotations from several suppliers or contractors (usually at least three) to ensure competitive prices, and is an appropriate method for procuring readily available, off-the-shelf goods or standard specification commodities that are small in value, or simple civil works of small value. Requests for quotations should indicate the description and quantity of the goods, as well as desired delivery (or completion) time and place. Quotations may be submitted by mail, electronic mail or facsimile. The evaluation of quotations shall follow the principles of competition. The terms of the accepted offer are to be incorporated in a purchase order or brief contract.
26. Under international shopping, the purchaser is to solicit quotations from at least three suppliers in two different countries. National shopping may be used where the desired goods are ordinarily available from more than one source in the country of the Borrower at competitive prices.

#### **Direct contracting**

27. Direct contracting without competition (by single or sole-source selection) may be an appropriate method under the following circumstances:
- (i) An existing contract for goods or works, awarded in accordance with procedures acceptable to IFAD, may be extended for additional goods or works of a similar nature, with the prior approval of IFAD, provided that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provision for such an extension, if considered likely in advance, is to be included in the original contract.
  - (ii) Standardization of vehicles, equipment or spare parts to ensure compatibility with existing vehicles, equipment or machinery may justify additional purchases from the original supplier. For such purchases to be justified, the original vehicles, equipment or machinery should be suitable, the number of new items should generally be less than the existing number, the price should be reasonable, and the advantages of another make or source of equipment are to have been considered and rejected on grounds acceptable to IFAD.

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<sup>22</sup> Translation into one of IFAD's or the cooperating institution's official languages is to be provided if required. Pursuant to Article 15.02 (Language of Reporting) of IFAD's *General Conditions for Agricultural Development Financing*, the agreed language will be specified in the loan agreement.

- (iii) The required equipment is proprietary and obtainable only from one source.
- (iv) The contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee.
- (v) In exceptional cases and emergencies, such as in response to a natural disaster.

**Procurement from commodity markets**

28. Market prices of commodities, such as grain, animal feed, cooking oil, fuel, fertilizer, pesticides and metals, fluctuate depending upon the demand and supply at any given time. Prices of many such commodities are quoted in established commodity markets. Procurement often involves multiple awards for partial quantities to ensure security of supply and multiple purchases over a period of time to take advantage of favourable market conditions and to keep inventories low. A list of prequalified bidders may be drawn up to whom periodic invitations are issued. Bidders may be invited to quote prices linked to the market price at the time of or prior to the shipments. Bid validities are to be as short as possible. A single currency in which the commodity is usually priced in the market may be used for bidding and payment. The currency is to be specified in the bidding document. Bidding documents may permit telexed or faxed bids, if there is no requirement for bid security or if prequalified bidders have submitted standing bid securities valid over a specified period of time. Contract conditions and forms consistent with market practices are to be used.

**Work by force account**

29. Force account<sup>23</sup> – that is, the use of the Borrower’s own personnel and equipment to perform construction work – may be the only practical, efficient and economic method for constructing some kinds of works. The use of force account may be justified where:
- (i) quantities of work involved cannot be defined in advance;
  - (ii) works are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices;
  - (iii) work is required to be carried out without disrupting ongoing operations;
  - (iv) the risk of unavoidable work interruption is better borne by the Borrower than by a contractor; or
  - (v) there are emergencies needing prompt attention.
30. Maintenance and minor improvements of roads are a typical example of force account usage. Where force account is used, IFAD is to be satisfied that local force account units are staffed, equipped and organized to carry out the works expeditiously and at a reasonable cost.

**Procurement from United Nations agencies**

31. There may be situations in which procurement from specialized agencies of the United Nations – acting as suppliers and pursuant to their own procedures – may be the most economical and efficient way of procuring relatively small quantities of off-the-shelf goods. Use of such agencies as supply sources, together with the project component and the type of goods or works to be procured from such sources, are to be clearly indicated in the respective loan agreement.

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<sup>23</sup> A government-owned construction unit that is not managerially and financially autonomous is to be considered a force account unit. Force account is also known as “direct labour,” “departmental force” or “direct work”.

**Procurement agents**

32. Where the Borrower lacks the necessary organization, resources or experience to deal with international procurement, it may wish (or be required by IFAD) to employ, as its procurement agent,<sup>24</sup> a firm or entity specializing in handling international procurement. The cooperating institution is not to act as a procurement agent. The agent is to follow all the procurement procedures outlined in the loan agreement on behalf of the Borrower.
33. Management contractors may be employed in a similar manner and on a fee basis to contract for miscellaneous works involving reconstruction, repairs, rehabilitation or new construction in emergency situations, or where large numbers of small contracts are involved. The respective loan agreement will specify the method of selection of management contractors and the procurement procedures to be followed in such cases.

**Inspection agents**

34. Preshipment inspection and certification of imports, although not specifically required by IFAD, is one of the safeguards for the Borrower, especially if the country has a large import programme. Inspection and certification usually covers quality, quantity and whether the price is reasonable. According to normal practice, imports procured through ICB procedures are not subject to price verification but are subject to verification of quality and quantity. Imports not procured through ICB may additionally be subjected to price verification. Inspection agents are ordinarily paid on a fee basis calculated on the value of the goods. Import certification costs are not to be considered in the evaluation of bids under ICB.

**Procurement by financial intermediaries or sub-loan beneficiaries**

35. Where the loan provides funds to a financial intermediary institution (such as an agricultural credit bank or a development finance company) for on-lending to beneficiaries (such as individual farmers, farmer groups, farmer associations or cooperatives, private-sector microenterprises or autonomous commercial enterprises in the public sector for the partial financing of subprojects), procurement is usually undertaken by the respective beneficiaries in accordance with established local private-sector or commercial practices. However, even in these situations, ICB may be the most appropriate procurement method for the purchase of large single items or in cases where large quantities of like goods can be grouped together for bulk purchasing.

**Procurement with community<sup>25</sup> participation**

36. When, in the interest of project sustainability or to achieve certain specific social objectives of the project, it is desirable in selected project components to:
- (i) call for the participation of local communities, community groups or institutions, and/or local NGOs;
  - (ii) increase the utilization of local know-how and materials; or
  - (iii) employ labour-intensive and other appropriate technologies;

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24 IFAD's Guidelines on Selection of Consulting Services (as described in Part C of these guidelines) will apply to the selection of procurement agents, management contractors and inspection agents. The cost or fee payable to the procurement agent, management contractor or inspection agent is eligible for financing from the IFAD loan if so provided in the loan agreement and provided the terms and conditions of selection and employment are acceptable to IFAD.

25 "Community" refers to individuals or groups of project beneficiaries, community groups with no legal status, associations or groups with legal status but with or without separate legal personality as a group, small-scale artisans and other small commercial organizations and guilds, and small local-level organizations that support and facilitate rural agricultural and social activities. The "community" in such cases may participate as procurement agent, implementing agency, or contractor and supplier of goods, works and related services for project activities.

the procurement procedures, specifications and contract packaging may be suitably simplified and adapted to reflect these considerations, provided these are consistent with the principles of economy, efficiency and social equity. The procedures proposed are to be outlined in the project appraisal report, and provision for the use of such procedures is to be contained in the loan agreement and further detailed in the procurement plan.

37. In view of the importance of procurement with community participation in IFAD-funded development projects, which predominantly involve participation by rural agricultural communities, use of this method of procurement is further explained in Appendix II hereto.<sup>26</sup>

## PROCEDURES FOR COMPETITIVE BIDDING

### Notification and advertisement

38. Timely notification of bidding opportunities is essential in competitive bidding. For projects that include procurement of goods and works on the basis of ICB and consultant contracts valued at above USD 20 0 0 0 0, the Borrower is to prepare a general procurement notice and, after IFAD approval, submit it to the United Nations Department of Public Information for publication in UN Development Business (UNDB online)<sup>27</sup> or in the Development Gateway's dgMarket<sup>28</sup>. The notice is to contain information on the Borrower (or prospective Borrower)<sup>29</sup>, amount and purpose of the loan, scope of procurement under ICB, and the name and address of the Borrower's agency responsible for procurement. If known, the scheduled date for availability of prequalification or bidding documents should be indicated. The Borrower is to maintain a list of responses to the notice. The related prequalification or bidding documents are not to be released to the public before the date of publication of the general procurement notice.
39. The international community is also to be notified in a timely manner of opportunities to bid for specific contracts. Accordingly, invitations to prequalify or to bid, as the case may be, are to be advertised as specific procurement notices in at least one newspaper of national circulation in the Borrower's country (and in the official gazette, if any), as well as in appropriate regional and international newspapers. Such invitations are also to be transmitted to individuals and entities that have expressed interest in bidding in response to the general procurement notice. The specific procurement notice is also to be published in the UN Development Business/dgMarket.<sup>30</sup> Borrowers are encouraged to transmit such invitations to the embassies and trade representatives of countries of likely suppliers and contractors and to place invitations on appropriate electronic bulletin boards and web sites.

26 Where the cooperating institution's procurement guidelines do not cover procurement with community participation, IFAD's guidelines on this subject, as detailed in Appendix II, will apply.

27 *UN Development Business (UNDB)* is a publication of the United Nations. Subscription information is available from: Development Business, United Nations, GCPO Box 5850, New York, NY 10163-5850, (web site: [www.devbusiness.com](http://www.devbusiness.com); email: [dbsubscribe@un.org](mailto:dbsubscribe@un.org)). Submissions for publication may be transmitted electronically or by other available means.

28 *dgMarket* is an electronic portal operated by the Development Gateway Foundation located in Washington, D.C., (website: [www.dgmarket.com](http://www.dgmarket.com)). Submissions to UNDB are automatically transmitted to dgMarket.

29 "Prospective Borrower" refers to the status of a Borrower before the loan is approved by IFAD's Executive Board and the loan agreement is signed. In the case of advance contracting and retroactive financing as described in paragraph 10 of these guidelines, procurement may be initiated before loan signing by a prospective Borrower.

30 Submission of the specific procurement notice may be done via electronic or other means available to the Borrower.

**Bidding documents**

40. Bidding documents are to furnish all information necessary for a prospective bidder to prepare a bid for the goods and works to be provided. While the detail and complexity of these documents may vary with the size and nature of the proposed bid package and contract, they generally include: invitation to bid, instructions to bidders, bid form, form of contract, general and special conditions of contract, specifications and drawings, relevant technical data (including of a geological and environmental nature), list of goods or bill of quantities, delivery time or schedule of completion, and necessary appendices, such as formats for various securities. The basis for bid evaluation and selection of the lowest evaluated bid is to be clearly outlined in the instructions to bidders and/or the specifications. If a fee is charged for bidding documents, it should be reasonable and reflect only the cost of their printing and delivery to prospective bidders, and it should not be so high as to discourage qualified bidders.
41. All prospective bidders are to be provided the same information and are to be afforded equal opportunity in obtaining additional information on a timely basis. Borrowers are to provide reasonable access to project sites for visits by prospective bidders. For works or complex supply contracts, especially those requiring refurbishing of existing works or equipment, a pre-bid conference may be arranged to allow potential bidders to meet with Borrower representatives to seek clarifications. Minutes of the conference are to be provided to all prospective bidders with a copy to IFAD. Any additional information, clarification, correction of errors or amendment of bidding documents is to be sent to each recipient of the original bidding documents sufficiently in advance of the deadline for receipt of bids to enable bidders to take appropriate action. If necessary, the deadline is to be extended.
42. Bidding documents are to clearly state the type of contract to be entered into and contain the proposed contract provisions appropriate thereto. The most common types of contracts provide for payments on the basis of a lump sum, unit prices, reimbursable cost plus fees, or combinations thereof. Reimbursable cost contracts are acceptable to IFAD only in exceptional circumstances such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy. Such contracts are to include appropriate incentives to limit costs.
43. Bidding documents are to specify any factors, in addition to price, that will be taken into account in evaluating bids, and how such factors will be quantified or otherwise evaluated. If bids based on alternative designs, materials, completion schedules, payment terms, etc., are permitted, conditions for their acceptability and the method of their evaluation are to be expressly stated.
44. Borrowers are encouraged to use the appropriate standard bidding documents and relevant forms for goods and works as issued by IFAD. When IFAD's standard bidding documents are used, the Borrower may make minimal changes, as necessary, to address country and project-specific issues acceptable to IFAD. If no relevant bidding documents are available, Borrowers may use appropriate, internationally recognized conditions of contract and contract forms acceptable to IFAD.
45. The time allowed for the preparation and submission of bids is to be determined with due consideration of the particular circumstances of the project and complexity of the contract. The deadline and place for receipt of bids is to be specified in the invitation to bid.

### Specifications and standards

46. Bidding documents are to be so worded as to permit and encourage competition and are to set forth clearly and precisely the work to be carried out, the location of the work, the goods to be supplied, the place of delivery or installation, the schedule for delivery or completion, minimum performance requirements, the warranty and maintenance requirements, as well as any other pertinent terms and conditions. In addition, the bidding documents, where appropriate, are to define the tests, standards and methods that will be employed to judge the conformity of equipment as delivered, or works as performed, with the specifications. Drawings are to be consistent with the text of the specifications, and an order of precedence between the two is to be specified.
47. Specifications should be based on relevant characteristics and/or performance requirements. References to brand names, catalogue numbers or similar classifications shall be avoided. If it is necessary to quote a brand name or catalogue number of a particular manufacturer to clarify an otherwise incomplete specification, the words “or equivalent” are to be added after such reference. The specification is to permit the acceptance of offers for goods that have similar characteristics and provide performance at least substantially equivalent to those specified, unless such alternatives are not acceptable on grounds of standardization or because the need for spare parts and maintenance service cannot be met.
48. Standards and technical specifications quoted in bidding documents are to promote the broadest possible competition, while ensuring the critical performance or other requirements for the goods and/or works under procurement. To the extent possible, the Borrower should specify internationally accepted standards – such as those issued by the International Organization for Standardization – with which the equipment, materials or workmanship are to comply. Where such international standards are unavailable or are inappropriate, national standards may be specified. In all cases, bidding documents are to state that equipment, material or workmanship meeting other standards that promise at least substantial equivalence would also be accepted.

### Bid opening

49. The time for bid opening is to be the same as the deadline for receipt of bids or promptly thereafter,<sup>31</sup> and it is to be announced, together with the place for bid opening, in the invitation to bid. The Borrower is to open all bids at the stipulated time and place. Bids are to be opened in public, that is, bidders or their representatives are to be allowed to be present. The name of the bidder and total amount of each bid, and of any alternative bids if they have been requested or permitted, are to be read aloud and recorded when opened, and a copy of this record is to be sent promptly to IFAD. Bids received after the time stipulated, as well as those not opened and read out at bid opening, will not be considered.

### Extension of validity of bids

50. Borrowers are to complete evaluation of the bids and award the contract within the initial period of bid validity so that extension is not necessary. Any extension of bid validity, if justified by exceptional circumstances, is to be requested in writing from all bidders before the expiration date and IFAD is to be notified accordingly. The extension is to be for the minimum period required to complete the evaluation, obtain the necessary approval and award the contract.

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<sup>31</sup> To allow sufficient time to take the bids to the place announced for the public bid opening

**Prequalification and post-qualification of bidders**

51. Prequalification is usually necessary for large or complex works, or in any other circumstances in which the high cost of preparing detailed bids could discourage competition, such as custom-designed equipment, industrial plant, specialized services and contracts to be let under turnkey, design-and-build or management contracting. This also ensures that invitations to bid are extended only to individuals and entities that have adequate capabilities and resources. Prequalification is to be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their: (i) experience and past performance on similar contracts; (ii) capabilities with respect to personnel, equipment, and construction or manufacturing facilities; and (iii) financial position.
52. If bidders have not been prequalified, the Borrower is to determine during bid examination and/or bid evaluation whether the bidder whose bid has been determined to offer the lowest evaluated cost has the necessary experience, capability and resources and is financially viable to effectively carry out the contract as offered in the bid. The criteria to be met are to be set out in the bidding documents and, if the bidder does not meet them, the bid is to be rejected. In such event, the Borrower is to make a similar determination for the next-lowest evaluated bidder.

**Examination and evaluation of bids**

53. The Borrower is to ascertain whether bids: (i) meet the eligibility requirements specified in paragraph 7 of these guidelines; (ii) have been properly signed; (iii) are accompanied by the required securities; (iv) are substantially responsive to the bidding documents; and (v) are otherwise generally in order. If a bid is not substantially responsive, that is, if it contains material deviations from or reservations to the terms, conditions and specifications of the bidding documents, it is not to be considered further. The bidder is not to be permitted to correct or withdraw material deviations or reservations once bids have been opened.

**Confidentiality**

54. After the public opening of bids, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards is not to be disclosed to bidders or other persons not officially concerned with this process until the publication of the contract award.

**Domestic preferences**

55. The Borrower may, with the agreement of IFAD, grant a margin of preference in the evaluation of bids under ICB procurement procedures to:
  - (i) goods manufactured in the country of the Borrower, when comparing bids offering such goods with those offering goods manufactured abroad; and
  - (ii) works in member countries that are Borrowers under IFAD loans on highly concessional terms, when comparing bids from eligible domestic contractors with those from foreign firms.

The conditions for any such preference are to be stipulated in the loan agreement. Bidding documents are to clearly indicate: (i) the permitted preference to be granted to domestic manufacturers; (ii) the manner in which the preference will be applied in bid comparison; and (iii) the information required to establish the eligibility of a bidder for such preference. The nationality of the manufacturer or supplier is not a condition for such eligibility.

56. When comparing domestic bids with those from foreign manufacturers for awarding contracts to supply goods under ICB, the margin of domestic preference allowed will be 15% of the bid price, i.e. CIP (carriage and insurance paid, normally up to the final destination), in favour of eligible manufacturers in the Borrower's country.
57. Where preference for domestically manufactured goods is allowed, the methods and stages set forth in Appendix III hereto are to be followed in the evaluation and comparison of bids.
58. For works contracts in countries that are Borrowers under IFAD loans on highly concessional terms, a margin of preference of 7.5% to domestic contractors will be accepted under conditions to be agreed with IFAD. Contractors applying for such preference are to be asked to provide, as part of the data for qualification,<sup>32</sup> details of ownership and other relevant information as may be necessary to determine whether, according to the classification established by the Borrower and accepted by IFAD, a particular contractor or group of contractors qualifies for domestic preference. The bidding documents will clearly indicate the preference and the method that will be followed in the evaluation and comparison of bids to give effect to such preference. For bid evaluation and comparison purposes, an amount equal to 7.5% of the bid amount is to be added to bids received from contractors that do not qualify for the preference.
59. However, in the interest of economy and efficiency or under special circumstances and in agreement with IFAD, the Borrower may opt not to grant some or all of the above-mentioned preferences.

#### **Award of contract and publication**

60. The Borrower should award the contract, within the period of the validity of bids, to the bidder that meets the appropriate standards of capability and resources and whose bid has been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest evaluated cost.<sup>33</sup> Bidders will not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted. Within two weeks of receiving IFAD's "no objection" to the recommendation of contract award, the Borrower is to release to IFAD for publication in UN Development Business/dgMarket<sup>34</sup> the name of the bidders, their ranking and the description and amount of the contract, with the name and address of the successful bidder, as indicated in paragraph 2(viii) of Appendix I to these guidelines.

#### **Rejection of all bids**

61. Bidding documents usually provide that Borrowers may reject all bids. Rejection of all bids is justified when there is a lack of effective competition or bids are not substantially responsive or when bid prices are substantially higher than existing budget. If all bids are rejected, the Borrower is to review the causes justifying the rejection and consider revising the conditions of the contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

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32 To be provided at the prequalification and/or at the bidding stage.

33 Referred to as "lowest evaluated bidder" and "lowest evaluated bid" respectively.

34 The Borrower may also release the information directly to *UN Development Business/dgMarket* after IFAD's "no objection" to the contract award is received.

**Currency of bid and contract payments**

62. Bidding documents are to clearly state the currency or currencies in which bidders are to state their prices, the procedure for conversion of prices expressed in different currencies into a single currency for the purpose of comparing bids, and the currency or currencies in which the contact price will be paid. Bidding documents normally require the bidder to state the bid price either in the bidder's own currency or in another currency widely used in international trade and specified in the bidding documents. However, in the case of civil works contracts or contracts with an installation component attached to the supply of equipment, bidding documents may specify that bids are to be in the currency of the Borrower's country.
63. Payment of the contract price is to be made in the currency or currencies in which the bid price is expressed in the bid of the successful bidder. When the bid price is required to be stated in the local currency but the bidder has requested payment in foreign currencies expressed as a percentage of the bid price, the exchange rates to be used for the purpose of payments should be those specified by the bidder in the bid, so as to ensure that the value of the foreign currency portions of the bid is maintained without any loss or gain.
64. Payment terms are to be in accordance with normal commercial practice for goods and works and the method of payment is to take into account the provisions governing disbursements under the loan agreement between IFAD and the Borrower. Payments against a procurement contract may be made: (i) as a reimbursement to the Borrower for amounts paid by the Borrower to suppliers or contractors; or (ii) at the Borrower's request, directly to suppliers or contractors; or (iii) if IFAD so agrees, by means of a special commitment covering a commercial bank's letter of credit established in favour of a supplier or contractor; or (iv) by the Borrower out of the project's special account established with funds from the loan account advanced by IFAD to the Borrower.
65. Any advance payment for mobilization and similar expenses made upon signature of a contract for goods or works is to be related to the estimated amount of these expenses and be specified in the bidding documents. Bidding documents are also to specify the arrangements for any security required for advance payments.

**Price adjustment**

66. Bidding documents are to state either that: (i) bid prices will be fixed; or (ii) 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 completion of works within 18 months. The basis for the calculation of the price adjustment, if relevant, is also to be indicated in the bidding documents and the contract.

**Validity of bids and bid security**

67. Bidders are to be required to keep their bids valid for a period specified in the bidding documents and sufficient to enable the Borrower to complete the comparison and evaluation of bids, review the recommendation of award with IFAD (if so required by the loan agreement), and obtain all the necessary approvals so that the contract can be awarded within that period.

68. Bid security, in the amount specified in the bidding documents so as to afford the Borrower reasonable protection against irresponsible bids, may be required but is not to be so high as to discourage bidders. At the bidder's option, the bid security may be in the form of a certified cheque, a letter of credit or a guarantee from a reputable bank or financial institution. The bid security is to remain valid for a period of four weeks beyond the validity period for the bids, in order to provide reasonable time for the Borrower to act if the security is to be called. Bid security is to be released to unsuccessful bidders once the contract has been signed with the successful bidder.

#### **Performance security and retention money**

69. Bidding documents for works are to require security in an amount sufficient to protect the Borrower in case of breach of contract by the contractor. This security is to be provided in the form of a performance bond or bank guarantee in appropriate form and amount, as specified in the bidding document. A portion of this security is to extend sufficiently beyond the completion date of the works to cover the defects liability or maintenance period up to final acceptance by the Borrower. Alternatively, contracts may provide for a percentage of each periodic payment to be held as retention money until final acceptance. Contractors may be allowed to replace retention money with an equivalent security after provisional acceptance.

#### **Insurance**

70. Bidding documents are to permit suppliers and contractors to arrange adequate insurance from any eligible source. The documents are also to specify, in the light of the prevailing laws in the Borrower's country, the types and terms of insurance to be provided by the successful bidder.

#### **Liquidated damage and bonus clauses**

71. Provision for liquidated damage in an appropriate amount is to be included in the contract to cover cases when delays in the delivery of goods, completion of works, or the failure of goods or works to meet performance requirements would result in extra cost, loss of revenue or loss of other benefits to the Borrower. Provision may also be made for a bonus to be paid to the supplier or contractor for completion of works or delivery of goods ahead of the times specified in the contract when such earlier completion or delivery would be of benefit to the Borrower.

#### **Force majeure**

72. The contract is to stipulate that the failure by parties to perform their obligations under the contract will not be considered a default if such failure is the result of an event of force majeure as defined in the conditions of contract.

#### **Language of documents**

73. Prequalification and bidding documents are to be prepared in Arabic, English, French or Spanish, and are to specify that the text of the contract documents in that language is the governing version. However, contracts entered into with local bidders may, at the Borrower's option, be prepared in the national language of the Borrower's country, which shall be the governing language for such contracts.

#### **Applicable law and settlement of disputes**

74. The contract is to include provisions on the applicable law and forum for the settlement of disputes between the Borrower and the supplier or contractor. IFAD, or its cooperating institution, however, shall not be named arbitrator or be asked to name an arbitrator.

# Part C

## SELECTION OF CONSULTING SERVICES

### Introduction

75. For the purpose of Part C of these guidelines, the term “consultants” includes a wide variety of private and public entities, such as consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, multilateral development banks, United Nations agencies and other multinational organizations, investment and merchant banks, universities, research institutions, government agencies, NGOs, and other service providers as well as individuals. IFAD borrowers use these organizations and individuals as consultants to assist in a wide range of activities, including: policy review and advice; institutional reforms; management; engineering services; construction supervision; financial management, accounting and audit services; procurement services; social and environmental studies; and identification, preparation, and implementation of projects to complement borrowers’ capabilities in these areas.

#### General considerations

76. The Borrower is responsible for preparing and implementing the project, and therefore for selecting the consultant and awarding and subsequently administering the contract. While the specific rules and procedures to be followed for employing consultants depend on the circumstances of the particular case, the general considerations of economy, efficiency and social equity as required under Article 7.1(c) of the Agreement Establishing IFAD will equally guide IFAD’s policy on the selection and employment of consultants. Furthermore, the additional general considerations listed in paragraph 3 and the project specific considerations listed in paragraph 4 of these guidelines will apply to the selection of consultants.
77. Meeting the need for high-quality services should be the primary objective in the selection and employment of consultants. The particular methods to be followed in selecting consultants for any given project are to be chosen by the Borrower in accordance with the criteria outlined herein and agreed upon by IFAD and are to be specified in IFAD’s project documentation and loan agreement.

#### Conflict of interest

78. IFAD policy requires that consultants provide professional, objective and impartial advice, that they hold the client’s interests paramount at all times, without any consideration for future work, and that they strictly avoid conflicts with other assignments or their own corporate interests. Consultants are not to be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out the assignment in the best interest of the Borrower. Consultants are not to receive any remuneration in connection with the assignment except as provided in the relevant contracts.

#### Unfair competitive advantage

79. Fairness and transparency in the selection process require that consultants or their affiliates competing for a specific assignment do not derive a competitive advantage from having previously provided consulting services related to the assignment in question. To that end, the Borrower should make available to all the short-listed consultants together with the request for proposals all information that would in that respect give a consultant a competitive advantage.

**Professional liability**

80. Consultants are expected to carry out their assignment with due diligence and in accordance with prevailing standards of the profession. As the consultant's liability to the Borrower will be governed by applicable law, the contract need not deal with this matter unless the parties wish to limit this liability. If they do so, they should ensure that: (i) there must be no such limitation in case of the consultant's gross negligence or wilful misconduct; (ii) the consultant's liability to the Borrower may in no case be limited to less than the total payments expected to be made under the consultant's contract, or the proceeds the consultant is entitled to receive under its insurance, whichever is higher;<sup>35</sup> and (iii) any such limitation may deal only with the consultant's liability toward the client and not with the consultant's liability towards third parties.

**Terms of reference**

81. The Borrower will be responsible for preparing the terms of reference for the assignment. The terms of reference are to be prepared by a person or firm (or persons or firms) specialized in the area of the assignment. The scope of the services described in the terms of reference is to be compatible with the available budget. The terms of reference are to define clearly the objectives, goals and scope of the assignment and provide background information (including existing relevant studies and basic data) to facilitate the consultants' preparation of their proposals. If transfer of knowledge or training is an objective, this should be specifically outlined along with the details of number of the staff to be trained, etc., to enable the consultants to estimate the required resources. The terms of reference are to list the services and surveys necessary to carry out the assignment and the expected outputs (e.g. reports, maps, survey data). The Borrower's and consultants' respective responsibilities should be clearly defined in the terms of reference.

**Cost estimate (budget)**

82. The preparation of a well-thought-through cost estimate is essential if realistic budgetary resources are to be earmarked. The cost estimate is to be based on the Borrower's assessment of the resources needed to carry out the assignment: staff time, logistical support and physical inputs (e.g. vehicles, equipment). Costs are to be divided into two broad categories – (i) fee or remuneration (according to the type of contract used); and (ii) reimbursable – and they should further be divided into foreign and local costs.

**Short list of consultants**

83. The Borrower is responsible for preparing the short list of consultants<sup>36</sup> and is to give first consideration to those firms expressing interest and possessing the relevant qualifications. Short lists are to comprise three to six firms with wide geographic spread, i.e. no more than two firms from any one country and at least one firm from a developing country, unless qualified firms from developing countries are not identifiable. For the purpose of establishing the short list, a firm's nationality is that of the country in which it is registered or incorporated. IFAD may ask the Borrower to expand or reduce a short list. However, once IFAD has issued a "no objection" to a short list, the Borrower may not add or delete names without IFAD's concurrence.

<sup>35</sup> The Borrower is encouraged to secure insurance for potential risks above these limits.

<sup>36</sup> Whenever possible, IFAD will provide information from its records to the Borrower as assistance in identifying consultants.

84. The short list may consist solely of national consultants (firms with majority national ownership and registered or incorporated in the country) if the assignment is below the ceiling established in the loan agreement,<sup>37</sup> if a sufficient number of qualified firms (at least three) are available at competitive costs, and if competition with foreign consultants is prima facie not justified. However, if foreign firms have expressed interest, they are not to be excluded from consideration.

**METHODS  
OF CONSULTANT  
SELECTION**

**Quality and cost-based selection**

85. The quality and cost-based selection (QCBS) method uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in selecting the successful firms. Cost is to be used judiciously as a selection factor. The relative weight to be given to quality and cost will be determined for each case depending on the nature of the assignment.
86. The selection process shall include the following steps:
- preparation of terms of reference
  - preparation of cost estimate and the budget
  - advertising (for large-value contracts)
  - preparation of the short list of consultants
  - preparation and issuance of an RFP, which includes:
    - the letter of invitation
    - instructions to consultants
    - the terms of reference and proposed draft contract
  - receipt of proposals
  - evaluation of technical proposals: consideration of quality
  - evaluation of financial proposal
  - final evaluation of quality and cost
  - negotiations and award of the contract to the selected firm
87. The evaluation of proposals under the QCBS method is to be carried out in two stages: first the quality, and then the cost. Evaluators of technical proposals are not to have access to the financial proposals until the technical evaluation, including any IFAD reviews and “no objection”, is concluded. Financial proposals are to be opened only thereafter. The evaluation is to be carried out in full conformity with the provisions of the RFP.

**Evaluation of quality**

88. The Borrower is to evaluate each technical proposal (using an evaluation committee of three or more sector specialists) on the basis of a number of criteria: (i) the consultant’s relevant experience for the assignment; (ii) the quality of the methodology proposed; (iii) the qualifications of the key staff proposed; (iv) transfer of knowledge; and (v) the extent of participation by the Borrower’s country nationals among key staff in performance of the

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<sup>37</sup> United States dollar ceilings are to be included in the loan agreement and determined in each case, taking into account the nature of the project, national consultant capacity and the complexity of the assignments.

assignment. Appropriate weights are to be given to each criterion and such weights are to be disclosed in the RFP and used consistently during evaluation of the proposals. A preferential weight of up to 10 points (out of a total score of 100) may be awarded to consultants who are nationals of the Borrower's country, or for participation of nationals among key staff presented by foreign and national firms to perform the assignment.

89. Borrowers are to evaluate each proposal on the basis of its responsiveness to the terms of reference. A proposal may be considered unsuitable and may be rejected at this stage if it does not respond to important aspects of the terms of reference or it fails to achieve the minimum technical score specified in the RFP.
90. At the end of the process, the Borrower is to prepare a technical evaluation report of the "quality" of the proposals and, in the case of contracts subject to prior review, submit it to IFAD for its review and "no objection". The report is to substantiate the results of the evaluation and describe the relative strengths and weaknesses of the proposals. All records relating to the evaluation, such as individual mark sheets, are to be retained until completion of the project and its audit.

#### **Evaluation of cost**

91. After the evaluation of quality is completed and IFAD has issued its "no objection", the Borrower is to notify those consultants whose proposals did not meet the minimum qualifying mark or were considered non-responsive to the RFP and terms of reference indicating that their financial proposals will be returned unopened after completion of the selection process. The Borrower is to simultaneously notify the consultants that have secured the minimum qualifying mark, and indicate the date and time set for the opening of the financial proposals. The opening date is to be set allowing sufficient time for consultants to make arrangements to attend the opening of the financial proposals. The financial proposals are to be opened publicly in the presence of representatives of the consultants who choose to attend. The name of the consultant, the technical quality scores and the proposed prices are to be read aloud (and posted online where electronic submission of proposals is used) and recorded when the financial proposals are opened, and a copy of this record is to be sent promptly to IFAD. The Borrower is to prepare minutes of the public opening and send a copy promptly to IFAD and all consultants who submitted proposals.
92. The Borrower will then review the financial proposals. If there are any arithmetical errors, they are to be corrected. For the purpose of comparing proposals, costs are to be converted to a single currency selected by the Borrower (local currency or fully convertible foreign currency) as stated in the RFP. The Borrower is to make this conversion by using the selling (exchange) rates for those currencies quoted by an official source (such as the central bank), by a commercial bank or by an internationally circulated newspaper for similar transactions. The RFP is to specify the source of the exchange rate to be used and the date of that exchange rate, with such date not to be earlier than four weeks prior to the deadline for submission of proposals, no later than the original date of expiration of the proposal's validity period.
93. For evaluation purposes, "cost" shall exclude local taxes but shall include other reimbursable expenses, such as travel, translation, report printing or secretarial expenses. The proposal with the lowest cost may be given a financial score of 100 and other proposals given financial scores that are inversely proportionate to their prices. Alternatively, a directly proportional or other methodology may be used in allocating the points (or marks) for the cost. The methodology to be used is to be disclosed in the RFP.

**Combined quality and cost evaluation**

94. The total score will be obtained by weighting the quality and cost scores and adding them up. The weight for “cost”, taking into account the complexity of the assignment and the relative importance of quality, will normally be around 20 points out of a total score of 100. The proposed weightings for quality and cost are to be specified in the RFP. The firm obtaining the highest total score is to be invited for negotiations and award of contract.

**Other methods of consultant selection**

95. The QCBS method is the one that best satisfies the considerations listed in paragraph 76 of these guidelines and, accordingly, is the preferred selection method for most types of consulting services. However, in the case of highly specialized assignments or those which invite innovation, selection based solely on the quality of the proposal (as described below) may be more appropriate. The particular selection methods and the type of services to which they apply are determined by agreement between IFAD and the Borrower and are to be specified in the loan agreement.

**Quality-based selection**

96. The quality-based selection method is appropriate for the following types of assignments:

- (i) complex or highly specialized assignments for which it is difficult to define precise terms of reference and the required input from consultants, and for which the client expects the consultants to demonstrate innovation in their proposals (e.g. country economic or rural/agricultural sector studies, multi-sectoral feasibility studies, design of hazardous waste remediation systems, or rural credit and agricultural sector reform);
- (ii) assignments that have a high downstream impact and in which the objective is to have high-calibre experts (e.g. feasibility and structural engineering design of rural irrigation systems, policy studies of national significance, organizational and management studies of large government agencies, such as the ministry of agriculture); and
- (iii) assignments that can be carried out in substantially different ways, such that proposals will not be comparable (e.g. management advice or sector and policy studies in which the value of the services depends on the quality of the analysis).

97. Under the quality-based selection method, the RFP may request submission of a technical proposal only (i.e. without the financial proposal) or request submission of both the technical and financial proposals at the same time, but in separate envelopes (two-envelope system). The RFP is to provide either the estimated budget or the estimated number of key staff and their required time, specifying that this information is given as an indication only and that consultants would be free to propose their own estimates.

98. If technical proposals alone are invited, after evaluating the quality of the technical proposals using the same methodology as in QCBS (paragraphs 88-90), the Borrower is to ask the consultant with the highest ranked technical proposal to submit a detailed financial proposal. The Borrower and the consultant are then to negotiate the financial proposal and the contract. All other aspects of the selection process are to be identical to those of QCBS. If, however, consultants were requested to provide financial proposals initially together with the technical proposals, safeguards should be built in (as with the QCBS method) to ensure that the price envelope of only the selected proposal is opened and the rest are returned unopened, once negotiations are successfully concluded.

**Selection under a fixed budget**

99. This method is appropriate only when the assignment is simple and can be precisely defined and the budget is fixed. The RFP is to indicate the available budget and request that consultants provide their best technical and financial proposals in separate envelopes, within the budget. Terms of reference are to be especially well prepared to make sure that the budget is sufficient for consultants to perform the expected tasks. Evaluation of all technical proposals is to be carried out first, as in the QCBS method. The price envelopes are then to be opened in public and the prices read out aloud. Proposals that exceed the indicated budget will be rejected. The consultant who has submitted the highest ranked technical proposal among the rest is to be selected and invited to negotiate a contract.

**Least-cost selection**

100. This method is more appropriate for selecting consultants for assignments of a standard or routine nature (e.g. audits, design of non-complex works) where well established practices and standards exist and in which the contract amount is small.<sup>38</sup> Under this method, a “minimum” qualifying mark<sup>39</sup> for “quality” is established. Proposals are invited from the short list and are to be submitted in two envelopes. The envelopes with the technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark are rejected, and the envelopes with the financial proposals of the rest are then opened in public. The firm with the lowest price is then to be selected. Under this method, the minimum qualifying mark is to be established bearing in mind that all proposals above the minimum compete only on the basis of “cost.” The minimum mark is to be stated in the RFP.

**Selection based on consultants’ qualifications**

101. This method may be used for very small<sup>40</sup> assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, the Borrower is to prepare terms of reference, request expressions of interest and information on the consultants’ experience and competence relevant to the assignment, establish a short list, and select the firm with the most appropriate qualifications and references. The selected firm is asked to submit a combined technical-financial proposal and then invited to negotiate the contract.

**Single-source selection**

102. Single-source (or sole-source) selection of consultants does not provide the benefits of competition in regard to quality and cost and lacks transparency in selection, and could thus encourage unacceptable practices. Therefore, single-source selection is to be used only in exceptional cases. The justification for single-source selection is to be examined in the context of the overall interests of the client and the project, and of IFAD’s responsibility to ensure economy and efficiency and provide an equal opportunity to all qualified consultants, to the extent possible.

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38 A United States dollar threshold defining “small” is to be determined in each case, taking into account the nature and complexity of the assignment, but usually should not exceed USD 200 000.

39 For this method, the minimum qualifying mark should be set at 70 points or higher.

40 A United States dollar threshold defining “very small” is to be determined in each case, taking into account the nature and complexity of the assignment, but usually should not exceed USD 100 000.

103. If it presents a clear advantage over competition, single-source selection may be appropriate: (i) for tasks that represent a natural continuation of previous work carried out by the firm; (ii) if rapid selection is essential (e.g. in an emergency or response to disasters); (iii) for very small assignments;<sup>41</sup> or (iv) when only one firm is qualified or has the experience of exceptional worth for the assignment.

#### **Selection of individual consultants**

104. Individual consultants are normally employed on assignments for which: (i) teams of personnel are not required; (ii) no additional outside (home office) professional support is required; and (iii) the experience and qualifications of the individual are the paramount requirement. When coordination, administration or collective responsibility may become difficult because of the number of individuals, it would be advisable to employ a firm.

105. Individual consultants are selected on the basis of their qualifications for the assignment. They are to be selected on the basis of references or through comparison of qualifications among those expressing interest in the assignment or approached directly by the Borrower. Individuals employed by the Borrower are to meet all relevant qualifications and be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience and, as appropriate, knowledge of local conditions, such as local language, culture, administrative system and government organization.

106. From time to time, permanent staff or associates of a consulting firm may be available as individual consultants. In such cases, the conflict of interest provisions described herein will apply to the parent firm. Individual consultants may be selected on a single-source basis if the conditions listed in paragraph 103 are satisfied.

#### **Commercial practices**

107. If loan proceeds are on-lent by a financial intermediary to private-sector enterprises (e.g. smallholder farmers) or autonomous commercial enterprises in the public sector (e.g. farmers or producers cooperatives), the sub-borrower may follow well established private-sector or commercial practices acceptable to IFAD. Consideration is also to be given to use of the competitive procedures described herein, especially for large assignments.

#### **Selection of particular types of consultants**

108. **United Nations agencies** may be hired as consultants in cases where they are qualified to provide technical assistance and advice in their area of expertise and provided their role is clearly defined and they are not subject to conflict of interest. However, they are not to receive any preferential treatment in the competitive selection process, except that the Borrower may accept the privileges and immunities granted to United Nations agencies and their staff under existing international conventions and may agree with United Nations agencies on special payment arrangements required according to the agency's charter, provided these are acceptable to IFAD.

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<sup>41</sup> See footnote 40.

109. **Civil society organizations (CSOs)** are non-profit organizations that may be uniquely qualified to assist in the preparation, management and implementation of projects, essentially because of their involvement and knowledge of local issues, community needs and/or participatory approaches. CSOs may be included in the short list if they express interest, provided that the Borrower and IFAD are satisfied with their qualifications.
110. **Procurement agents.** When the Borrower lacks the necessary organization, resources or experience, it may be efficient and effective for it to employ, as its agent, a firm that specializes in handling procurement. Procurement agents are generally paid a percentage of the value of the procurement handled, or a combination of such a percentage and a fixed fee. Such agents are to be selected using QCBS procedures with cost being given a weight of up to 50 %, except as agreed with IFAD. When procurement agents provide only advisory services for procurement, do not act as “agents” and are not paid a percentage fee at all, they are to be selected following the appropriate procedures as for other consulting assignments, as specified herein.
111. **Inspection agents.** The Borrower may wish to employ inspection agents to inspect and certify goods prior to shipment or arrival in the Borrower’s country. Inspection agents are to be selected using QCBS procedures giving cost a weight of up to 50 % and using a contract format with payments based on a percentage of the value of goods inspected and certified.
112. **Auditors** typically carry out auditing tasks under well defined terms of reference and professional standards. They are to be selected according to the QCBS procedures described in paragraphs 85-94, with cost as a substantial selection factor (40-50 points) or by the least-cost selection method outlined in paragraph 100. For very small assignments, selection may be based on the qualifications of the firm or individual.
113. **Service delivery contractors.** Projects in the agricultural or social sectors in particular may involve hiring of large numbers of individuals who deliver services on a contract basis (e.g. agricultural extension or social workers). The job description, minimum qualifications, terms of employment, selection procedures and the extent of IFAD review of these procedures are to be described in the project documentation and the loan agreement.

# Appendix I

**REVIEW BY IFAD  
OF DECISIONS ON  
PROCUREMENT OF  
GOODS, WORKS  
AND CONSULTING  
SERVICES**

## Procurement plan

1. IFAD will review the arrangements for procurement of goods, works and consulting services proposed by the Borrower, including contract packaging, applicable procedures and the planning and scheduling of the procurement process to ensure their conformity with these guidelines and the proposed implementation and disbursement schedule. As part of project preparation and before loan negotiations, IFAD and the Borrower will agree on a procurement plan for the first 18 months of project implementation and this will be reflected in the project proposal submitted to the Executive Board. The Borrower is to have a duly approved annual workplan and budget (AWP/B), including a procurement plan for all major procurements of goods, works and consulting services to be carried out within a period of at least 18 months (i.e. extending to six months beyond the end of the AWP/B). The procurement plan is to include: (i) the various contracts for goods, works and consulting services required to implement the project for the following 18-month period; (ii) the proposed methods of procurement for such contracts that are permitted under the loan agreement; and (iii) the related IFAD review procedures as detailed below in this appendix. The first such procurement plan is to be updated after loan effectiveness and is to cover the initial 18 months of the project implementation period and is to be submitted for IFAD approval.<sup>42</sup> The procurement plan is to be updated annually (or as and when needed) to cover every subsequent 18-month period of project duration as part of the AWP/B exercise. The Borrower is to promptly inform IFAD of any delay in funding or other revisions to the procurement plan that could significantly affect the timely and successful implementation of project contracts, and agree with IFAD on timely corrective measures.

### Prior review – Procurement of goods and works

2. With respect to all contracts that – pursuant to the terms of the loan agreement – are subject to prior review by IFAD:
  - (i) in cases where prequalification is used, the Borrower is to furnish to IFAD – before prequalification submissions are invited – the draft documents to be used, including the text of the invitation to prequalify, the prequalification questionnaire and the evaluation methodology, together with a description of the advertising procedures to be followed; it will introduce such modifications in said procedure and documents as IFAD may reasonably request. The Borrower's evaluation report together with the list of prequalified bidders and a statement of their qualifications and of the reasons for excluding any applicant from prequalification are to be furnished to IFAD for comment before the applicants are notified of the Borrower's decision. The Borrower will make such additions to, deletions from, or modifications in said list as IFAD may reasonably request;
  - (ii) before bids are invited, the Borrower is to furnish to IFAD, for comment, draft bidding documents, including the invitation to bid; instructions to bidders, including the basis of bid evaluation and contract award; and the conditions of contract and specifications for the civil works, supply of goods or installation of equipment, etc., as applicable, together with a description of the advertising procedures to be followed for the bidding (if prequalification has not been used), and will make such modifications in said documents as IFAD may reasonably request. Any further modification will require IFAD's concurrence before the document can be issued to prospective bidders;

<sup>42</sup> The submission of an acceptable AWP/B including the procurement plan covering the initial 18 months will be clearly specified in the loan agreement.

- (iii) after bids have been received and evaluated, the Borrower is to furnish to IFAD – before a final decision on the award is made and sufficiently in advance to allow for review by IFAD – a detailed report (prepared, if IFAD so requests, by experts acceptable to IFAD) on the evaluation and comparison of the bids received, together with the recommendations for award, the draft contract and such other information as IFAD may reasonably request. If IFAD determines that the intended award would be inconsistent with the loan agreement and/or the procurement plan, it will promptly inform the Borrower and state the reasons for such determination. Otherwise, IFAD will provide its “no objection” to the recommendation for contract award. The Borrower is to award the contract only after receiving the “no-objection” from IFAD;
- (iv) if, after award of the contract, the Borrower receives protests or complaints from bidders, a copy of the complaint and a copy of the Borrower’s response is to be sent to IFAD for information;
- (v) if, as a result of the review of a protest, the Borrower changes its contract award recommendation, the reasons for such decision and a revised evaluation report are to be submitted to IFAD for “no objection”;
- (vi) the terms and conditions of a contract may not, without IFAD’s concurrence, materially differ from those on the basis of which bids or the prequalification of contractors, if any, were invited. The draft contract is to be submitted to IFAD for review and its “no objection” before the contract may be finalized and signed by the parties;
- (vii) two conformed copies of the contract are to be furnished to IFAD promptly after its execution and in any event prior to submittal to IFAD of the first application for withdrawal of funds from the loan account in respect of such contract. Where payments for the contract are to be made out of a special account, two copies of the contract are to be furnished to IFAD prior to making the first payment out of the special account in respect of such contract; and
- (viii) all evaluation reports are to be accompanied by a procurement summary in a form acceptable to IFAD. The name of the bidders, their ranking and the description and amount of the contract, together with the name and address of the successful bidder, are subject to release by IFAD as public information (usually in UN Development Business/dgMarket) upon confirmation by the Borrower of contract award.<sup>43</sup>

### Modifications

3. In the case of contracts subject to prior review, before the Borrower grants an extension of the stipulated time for contract performance or agrees to any modification or waiver of the conditions of such contract, including issuing any change order or orders under such contract (except in cases of extreme urgency), that would in aggregate increase the original amount of the contract by more than 15% of the original price, the Borrower is to inform IFAD of the proposed extension, modification or change order and the reasons therefore. If IFAD determines that the proposal would be inconsistent with the provisions of the loan agreement and/or procurement plan, it will promptly inform the Borrower and state the reasons for its determination. A copy of all amendments to the contract as agreed to by IFAD are to be furnished to IFAD for its records.

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<sup>43</sup> The Borrower may also release this information directly to *UN Development Business/dgMarket* for publication after IFAD’s “no objection” to the contract award is received.

**Ex post review – Procurement of goods and works**

4. With respect to any contract not governed by paragraphs 2 and 3 above, the Borrower will retain all documentation up to two years after the closing date of the loan agreement. This documentation would include, but not be limited to, the signed original of the contract, the analysis of the respective proposals and recommendation of award, for examination by IFAD or by independent auditors. The Borrower will also furnish such documentation to IFAD upon request. If IFAD determines that goods or works were not procured in accordance with the agreed procedures, as reflected in the loan agreement, or that the contract itself is not consistent with such procedures, it may declare misprocurement as established under paragraph 13 of these guidelines. IFAD will promptly inform the Borrower of the reasons for such determination.

**Prior review – Selection of consultants**

5. With respect to all contracts for consulting services that – pursuant to the terms of the loan agreement – are subject to prior review by IFAD:
  - (i) before inviting proposals, the Borrower is to furnish to IFAD – for the latter’s review and “no-objection” – the proposed cost estimate and RFP (including the short list of consultants). The Borrower is to make such modifications to the short list and the documents as IFAD may reasonably request. Any further modification will require IFAD’s concurrence before the RFP is issued to the short-listed consultants;
  - (ii) after the technical proposals have been evaluated, the Borrower is to furnish to IFAD, in sufficient time for the latter’s review, a technical evaluation report (prepared, if IFAD so requests, by experts acceptable to IFAD) and a copy of the proposals, if requested by IFAD. If IFAD determines that the technical evaluation is inconsistent with the provisions of the RFP, it will promptly inform the Borrower and state the reasons for such determination. The Borrower is to request IFAD’s concurrence if the evaluation report recommends rejection of all proposals;
  - (iii) after receiving IFAD’s concurrence with the technical evaluation, the Borrower will proceed with the opening of the financial envelopes and then with the financial evaluation in accordance with the provisions of the RFP. The Borrower is to furnish to IFAD, in sufficient time for the latter’s review, the final evaluation report along with its proposed selection of the winning firm or individual. If IFAD determines that the evaluation and proposed selection are inconsistent with the provisions of the RFP, it will promptly inform the Borrower and state the reasons for its determination. Otherwise, IFAD will advise of its concurrence with the proposed selection;
  - (iv) if the Borrower receives complaints from consultants, a copy of the complaint and a copy of the Borrower’s response are to be sent to IFAD for information;
  - (v) if, as a result of review of a complaint, the Borrower changes its contract award recommendation, the reasons for such decision and a revised evaluation report will be submitted to IFAD for “no objection”;
  - (vi) after negotiations with the selected consultant(s) are completed, the Borrower is to furnish to IFAD the final draft of the contract, highlighting any substitution of key staff or changes in the terms of reference and contract for which proposals were invited. The terms and conditions of the contract may not, without IFAD’s concurrence, substantially differ from those on the basis of which proposals were invited. The Borrower is not to award the contract until it has received the concurrence of IFAD;

- (vii) upon signature of the contract and prior to the first application for disbursement, the Borrower is to furnish IFAD with two copies of the final contract; and
- (viii) the name of the bidders, their ranking, and the description and amount of the contract, together with the name and address of the successful firm or individual, may be subject to release by IFAD as public information (usually in UN Development Business/dgMarket)<sup>44</sup> upon confirmation by the Borrower of contract award.

#### **Ex post review – Selection of consulting services**

6. During project implementation and up to two years after the closing date of the loan agreement, the Borrower is to retain all documentation with respect to each contract not governed by paragraph 5 above, including, but not limited to, the signed original of the contract, the analysis of the respective proposals and recommendations for award, for examination by IFAD or by independent auditors. The Borrower is also to furnish such documentation to IFAD on request. If IFAD determines that the award of the contract or the contract itself is not consistent with the loan agreement, it will promptly inform the Borrower that paragraph 13 of these guidelines (Misprocurement) applies and state the reasons for such determination.

#### **Translations**

7. If a contract is subject to prior review and is written in the national language of the Borrower, a certified translation of the contract in Arabic, English, French or Spanish, as stipulated in the loan agreement, is to be furnished to IFAD, together with a conformed copy of the contract. Such certified translations should also be furnished to IFAD for any subsequent amendments to the contract.

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<sup>44</sup> The Borrower may also release the information directly to *UN Development Business/dgMarket* for publication after IFAD's "no objection" to the contract award is received.

# Appendix II

## PROCUREMENT OF GOODS AND WORKS UNDER IFAD-FUNDED PROJECTS WITH COMMUNITY PARTICIPATION

### Introduction

1. Experience from projects in the agricultural and rural development sectors, in which IFAD has been one of the prominent lenders, has shown that it is highly desirable to have the communities affected by the projects participate in design and implementation. The nature and extent of community participation in development projects have evolved over the years, from providing voluntary labour or NGO assistance in initial capacity-building to playing a more direct and active role that can range from determining the nature of the subprojects to, more recently, acting as implementing agency. As a result, communities are increasingly becoming receivers, users and managers of significant amounts of project funds and, accordingly, active participants in procurement-related activities.
2. Procurement with community participation is not a distinct method of procurement in itself, but rather the simplification and adoption of normally accepted procurement methods (primarily national competitive bidding, national shopping and direct contracting) and their implementation through participation by the project's beneficiary community or community institutions, either as procurement agents, implementing agencies, or contractors and suppliers of goods, works and related services. In projects with community participation, the role of the project coordination unit (PCU) or other project parties will be to review, supervise and guide the procurement, disbursement and physical implementation of the relevant activities carried out by the community, thereby ensuring that integrity, transparency and accountability are maintained.
3. Procurement with community participation, like any other procurement method used in IFAD-funded projects, is to be outlined in the project documents and provided for in the respective loan agreement between IFAD and the Borrower. Procurement with community participation is not to be introduced in a project to the exclusion of any other method, particularly national competitive bidding, inasmuch as the basic principles of competition, transparency and fairness are to be balanced with the advantage of community participation.

### Benefits of community participation

4. Consistent with IFAD's mandate of achieving economy, efficiency and social equity within the rural and relatively poor communities in which IFAD-funded projects are located, the following benefits have been noted in projects where community participation in procurement has been incorporated:
  - (i) increased relevance of project assistance at the beneficiary community level, and project activities that are demand-driven;
  - (ii) enhanced community ownership and empowerment leading to sustainability of the project and contribution to a reduction in poverty;
  - (iii) increased economy and efficiency in procurement, through reductions in transport costs and timely availability of materials at point of use;
  - (iv) enhanced capacity and skills within the community;
  - (v) generation of employment and economic opportunities within the community;
  - (vi) reduction in project implementation burden on the central PCU through decentralization and delegation; and
  - (vii) greater chance of achieving desired project goals and objectives.

### Considerations during project design

5. The project environment and the collective institutional capacity of the community targeted by the project to participate actively and contribute to project implementation are critical elements in involving the community in procurement. Given the fact that both the economic and the socio-cultural contexts within which communities operate have a significant bearing on project success, community leaders, institutions, grass-roots organizations and, when available, local NGOs functioning in the area should be consulted during project appraisal. Project designers are encouraged to use the following checklist – or a modified checklist, as appropriate, depending on the type of project – in order to determine *prima facie* whether and how the community will play a constructive and beneficial role in procurement under the project:
  - (i) **Borrower’s regulatory framework.**<sup>45</sup> Study the legal, governmental and other regulatory framework within which development projects operate and the extent of decentralization permitted and prevailing in the country for community groups, grass-roots organizations and NGOs to function effectively at the project level;
  - (ii) **Organizational capacity.** Ascertain: (a) the existence or lack of formal or informal community organizations, and if they are representative of the community’s interests; (b) the institutional capacity of community organizations to undertake resource management responsibilities; (c) homogeneity within the beneficiary community group and the possibility of smooth interaction within the group and with the PCU; and (d) the existence of mechanisms for ensuring accountability within the community, or – if such mechanisms are lacking – the possibility of designing and introducing them;
  - (iii) **Capacity and technical skills.** Examine the prevailing: (a) primary occupation(s) of community members and the crops or other outputs they produce vis-à-vis the proposed project activities, with an eye to opportunities for integration; (b) means and methods used to procure goods and works for the community’s needs; and (c) availability and timing of surplus labour within the community;
  - (iv) **Administrative and accounting skills.** Assess the community’s ability to receive, secure, use and account for group funds in a reliable manner, and identify training and capacity-building needs, if any;
  - (v) **Intermediaries.** Ascertain the presence and function of intermediaries (such as community centres, cooperatives, NGOs, branches of rural development banks, etc.) operating within the community;
  - (vi) **Cost-benefit analysis.** Work out incremental costs of involving the community, including training costs, quantifiable risks and benefits, such as increased sustainability of project activities, more effective operation and maintenance of project facility, and cost-sharing; and
  - (vii) **Beneficiary community’s contribution.** Establish the possibility of contribution from the community and identify the physical and financial parts of such contribution for appropriate inclusion in cost and financing tables during project design.

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<sup>45</sup> The country procurement assessment report prepared by some multilateral development banks usually provides project designers with an assessment of the Borrower’s regulatory framework relating to procurement.

**Procurement arrangements**

6. Once a preliminary determination is made that it is viable and desirable to incorporate the involvement of community groups in procurement under the project, the next step is to identify the following, as clearly as possible within the project or project component where community participation in procurement is expected:
  - (i) the goods, works and related services to be procured;
  - (ii) the procurement schedule, based on implementation timing and targets; and
  - (iii) the role to be played by the community and/or its representatives.
7. This information would help determine the most suitable procurement methods and the role and responsibility of the community in the procurement process. In determining procurement needs, it is normal to separate goods, works and services. The nature, quantity and source for each procurement category should then be identified.
8. In some projects, the procurement plan of a community may form part of the microplan prepared by the community to implement the project at the local level. In such cases, the procurement plan would be reviewed and approved by the PCU along with the community microplans.

**Quantity and value of procurement**

9. Estimating the quantities of goods and the nature and amount of works and services required under the community component of the project is critical for procurement planning and preparation. If procurement contracts are expected to be large, it may not be economical, efficient or possible to meet the general consideration of broader and open competition as required under IFAD's guidelines. Community participation should be planned only when contract values are appropriate, depending on the assessed administrative and financial capacity of the targeted project community.
10. It is common in many agricultural and social sector projects for the quantities procured to be demand-driven, and they are therefore undetermined until project implementation through community-initiated subprojects. In such cases, it may be permissible to allocate a certain total sum out of the loan as "undetermined procurement", provided there is a well-defined institutional arrangement whereby individual procurement needs under that component are determined and accountability for the funds is ensured (e.g. self-help projects initiated by the beneficiary community).

**Source of procurement**

11. Identification of the source of procurement is an important step. Communities can be involved in procurement as suppliers or contractors only when the goods, works or services are of the type commonly produced or provided by the communities. Similarly, communities can be procurement agents only when the goods are of a type readily available in local markets, or works are of a type provided by contractors in the project areas, or the services are of a type that are provided by persons or groups within their reach.

### Community groups as implementing agencies

12. When informal community groups are brought in to act as implementing agencies that will undertake procurement, their institutional capacity needs to be examined and evaluated. The following questions should be addressed during project design, or by start-up at the latest, in order to assess the capacity-building investment required by the community groups:
- (i) **Organizational capacity of the group.** Can they formalize themselves into a legal entity? If so, are there available regulatory procedures to do so?
  - (ii) **Rules of operation.** Does the group have rules of membership, by-laws for its operation and transparency of information to its members?
  - (iii) **Accountability of group leaders.** Are they elected? Who do they report to? Do officers have the skills to administer procedures and account for funds?
  - (iv) **Ability to receive public funds.** Are there any Borrower regulations that inhibit receipt of funds? What are the audit arrangements, if any? Is there a commercial banking facility and, if so, what are the procedures for the group to access funds?
  - (v) **Ability to contract.** Does the group have legal status to enter into contracts? If not, can the project provide or build this capacity?
  - (vi) **Dispute resolution.** What are the existing formal dispute resolution processes available? How will disputes be resolved within the group, with outsiders, and with the PCU? Are there any quicker, simpler local dispute-resolution methods that the community would respect and accept?
  - (vii) **Financial status of the community.** What is the capacity of the community to contribute, either in cash or in kind? How will equitable contribution from members be ensured? Do they have the capacity to provide collateral or security for any advances received from project?

### Intermediaries as implementing agents

13. Where the project's beneficiary community does not have adequate institutional capacity to receive and account for funds or administer procurement reliably, it may be necessary to introduce intermediaries to act on behalf of the community. Such intermediaries could be civil society organizations (CSOs), cooperative societies, private entities or others. The PCU will ensure that such intermediaries have adequate capacity to perform such duties.
14. When CSOs or other entities are included as implementing agencies for weak community groups, the following aspects should be addressed during project design:
- (i) Legal status of intermediary. Regulations governing registration (with the government or local authority), functioning in specific sectors, authority to receive and account for public funds, and ability to participate in the project;
  - (ii) Role of intermediary (contractor or consultant). If acting purely in a training or supervisory capacity vis-à-vis the community groups, the intermediary may be hired as a consultant under the consultant guidelines. If the intermediary needs to act as executing agent assisting actively in the building of infrastructure using community labour, it may be more appropriate to hire it as contractor, either through a transparent competitive process (if more than one intermediary is available) under IFAD's procurement guidelines, or via sole-source direct-contracting (if only one functioning intermediary exists in the project area); and

- (iii) Financial viability and administrative capacity. The intermediary's primary source of funding, staffing, management, administrative capacity and accountability via independent audits, etc., should be examined to ensure safety and security for handling public funds on behalf of the PCU and the community.

#### **Procedures and documentation**

15. Project designers are to ensure that simple yet reliable arrangements are in place within the project to follow the various stages of the procurement procedures, such as transparent bid advertising, open competition (even within the community), public bid opening, award of contract to the lowest evaluated bidder, etc., so as to preserve the integrity of the process to the extent possible. Bidding documents, contracts, etc. may have to be simplified and/or standardized to enable easy understanding and use by community participants. While documentation and records are allowed to be in the Borrower's official language(s), translation should be available when required for independent reviews by IFAD or auditors. Appropriate procedures for regular monitoring and audit of community procurement activities and the relevant records by the PCU staff and/or the intermediary agency (e.g. CSO) should be built into the project design.

# Appendix III

## DOMESTIC PREFERENCES FOR GOODS UNDER THE INTERNATIONAL COMPETITIVE BIDDING PROCEDURE

### Methods and stages for evaluation and comparison of bids

1. The methods and stages described hereunder are to be followed in the evaluation and comparison of bids for goods under the international competitive bidding (ICB) procedure. Customs duties and other import taxes are excluded from bid comparisons for imported goods under ICB. Accordingly: (i) bidders should be required to state in their bid the CIF (port of entry) price for imported goods, or the ex-factory (or ex-works, EXW) price for domestically manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically supplied goods, should be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the designated place of their use and/or of their installation should be included.
2. For purposes of bid comparison, responsive bids are to be classified in one of the following three groups:
  - (i) Group A – Bids exclusively offering goods manufactured in the country of the Borrower if the bidder has established to the satisfaction of the Borrower and IFAD that: (a) labour, raw materials and components from within the country of the Borrower (i.e. domestic value added) will account for at least 30% of the ex-factory price of the goods offered; and (b) the production facility in which the goods will be manufactured or assembled has been engaged in manufacturing/assembling such goods at least since the time of bid submission.
  - (ii) Group B – All other bids offering goods manufactured in the country of the Borrower; and
  - (iii) Group C – Bids offering goods manufactured abroad that have been already imported or that will be directly imported.
3. The ex-factory price quoted by Group A and Group B bidders is to include all duties and taxes paid or payable on the basic materials or components purchased in the domestic market or imported, but should exclude sales and similar taxes on the finished product. The price quoted for goods by Group C bidders are to be CIP (i.e. carriage and insurance paid, usually up to place of final destination), which is exclusive of customs duties and other import taxes already paid or to be paid.
4. In the first step, all evaluated bids in each group are to be compared among themselves to determine the lowest evaluated bid in each group. Such lowest evaluated bids are then to be compared with each other, and if, as a result of this comparison, a bid from Group A or Group B is determined as the lowest, it will be selected for the award.
5. If, as a result of the comparison under paragraph 4 above, the lowest evaluated bid is a bid from Group C, that lowest evaluated bid from Group C will be further compared with the lowest evaluated bid from Group A after adding to the evaluated price of goods in the bid from Group C, for the purpose of this further comparison only, an amount equal to 15% of the CIP bid price. The lowest evaluated bid determined from this last comparison will be selected for award of the contract.

► October 2005

Printed by:  
Quintily, Rome



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INTERNATIONAL FUND  
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DEVELOPMENT

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