


Procurements under World Bank Funded Projects



Topics to be covered

- Brief Introduction of Funding Agencies
 - WORLD BANK
 - ASIAN DEVELOPMENT BANK (ADB)
 - JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
 - Conditions attached with such funding
 - Principals of Procurement
 - Procurement guidelines
 - Standard Bid documents
 - Deviations form std GOI norms/procedures
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World Bank

- Objective - to provide financial and technical assistance to developing countries around the world
 - Established in 1944
 - 188 member countries at IBRD level
 - Headquarter - Washington, D.C
 - More than 10,000 employees in more than 100 offices worldwide
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The “World Bank Group”

- International Bank for Reconstruction and Development (IBRD) 1944
 - International Development Association (IDA) 1960
 - International Finance Corporation (IFC) 1956
 - Multilateral Investment Guarantee Agency (MIGA) 1988
 - International Centre for Settlement of Investment Disputes (ICSID) 1966
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World Bank

<u>International Bank for Reconstruction and Development (IBRD)</u>	<u>International Development Association (IDA)</u>
Aims to reduce poverty in middle income and creditworthy poorer countries	Focuses on the world's poorest countries
IBRD loans are non-concessional	IDA loans are deeply concessional <ul style="list-style-type: none"> ■ Interest-free loans ■ Small service charge of 0.75 percent on funds paid out. ■ IDA commitment fees range from zero to 0.5 percent on undisbursed credit balances.
Blend countries are eligible for IDA loans because of their low per capita incomes but are also eligible for IBRD loans because they are financially creditworthy	

World Bank in India

- World Bank works in close partnership with the Central and State Governments, other donor organizations, non-governmental organizations (NGOs), the private sector and the local people involved in development projects
- Country Strategy for India
 - Aligned with the government's Five Year Plan.
 - It focuses on development of much-needed infrastructure, support the seven poorest states, and respond to the financial crisis.
 - Strategy was arrived at after a series of consultations with a broad range of stakeholders, including members of the government and civil society.

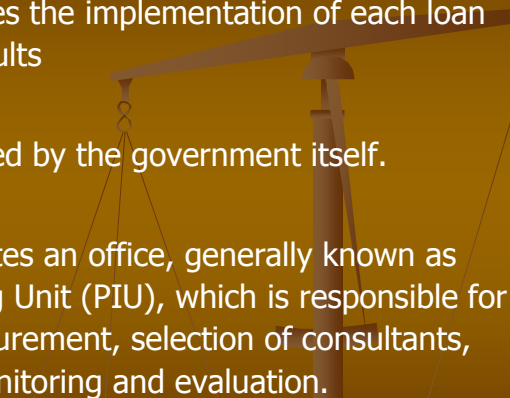
World Bank in India

- In India, World Bank projects often have a blend of IBRD and IDA funding.
- Bank's largest operations in the water sector are irrigation projects which involve investments in rehabilitation of major, medium and minor irrigation schemes with strengthening of participatory irrigation institutions.
- Some of the water sector projects being funded by World Bank in India are:
 - Maharashtra Water Sector Improvement Project
 - Rajasthan Water Sector Restructuring Project
 - Uttar Pradesh Water Sector Restructuring Project
 - Andhra Pradesh Water Sector Improvement Project
 - Madhya Pradesh Water Sector Restructuring Project


World Bank's role in Projects

- To provide financing and advice for projects
- Not to implement "World Bank projects"
- project proposal is assessed to ensure that the project is economically, financially, socially and environmentally sound
- During loan negotiations, the Bank and borrower agree on the development objectives, outputs, performance indicators and implementation plan, as well as a loan disbursement schedule

World Bank's role in Projects

- World Bank supervises the implementation of each loan and evaluates its results
 - Project is implemented by the government itself.
 - Government designates an office, generally known as Project Implementing Unit (PIU), which is responsible for aspects such as procurement, selection of consultants, day-to-day work, monitoring and evaluation.
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World Bank's role in Projects

- Safeguard Policies ensure that Bank projects have minimal adverse impacts on people's lives. These Safeguard Policies cover the protection of the environment, cultural property, natural habitats, forests, indigenous peoples, dam safety, and international waterways, and promote the fair and equitable rehabilitation of people if Bank projects affect them.
 - World Bank also lays down various procurement and financial management norms to help ensure accountability in the procurement of goods and services under a project.
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World Bank's role in Projects

- Independent Evaluations Group (IEG) reviews projects every year to see whether or not they are meeting their goals. In case, a project isn't being undertaken according to the standards, they can ask the Bank's inspection panel to investigate and see if any changes should be made.

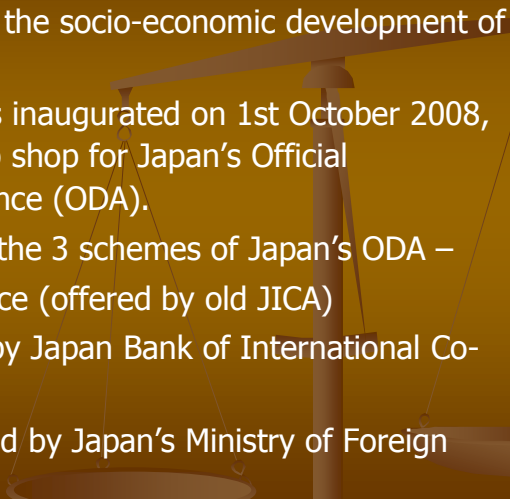
Asian Development Bank (ADB)

- ADB is an international development finance institution whose mission is to help its developing member countries reduce poverty and improve the quality of life of their people.
- India is the third largest shareholder among regional members (6.36%).

Asian Development Bank (ADB)

- Headquarter: Manila, Philippines
 - Founded: 1966
 - Members: 67
 - Regional members: 48
 - Non-regional members: 19
 - Field offices: 30
 - Total employees: 2,600
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Japan International Cooperation Agency (JICA)

- JICA aims to support the socio-economic development of developing regions.
 - New JICA, which was inaugurated on 1st October 2008, has become one stop shop for Japan's Official Development Assistance (ODA).
 - New JICA integrates the 3 schemes of Japan's ODA –
 - Technical assistance (offered by old JICA)
 - Loans (extended by Japan Bank of International Co-operation)
 - Grant-aid (provided by Japan's Ministry of Foreign Affairs).
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Japan International Cooperation Agency (JICA)

- The interest rate on ODA loan generally varies from 0.3% to 1.70% depending upon the country categorized as Least developed country, Lower middle income country, Middle income country; repayment period and grace period.
- For Climate Change ODA Loan, interest rate varies from 0.1% to 0.6%.
- For consulting services, the interest rate will be minimal (0.01%).

Japan International Cooperation Agency (JICA)

- Some of the water sector projects funded by JICA in India are:
 - Rengali Irrigation Project Left Bank Canal-II, Phase-I, Orissa
 - K..C. Canal Modernisation Project, Andhra Pradesh
 - AP Irrigation and Livelihood Improvement Project

Process involved in Externally Funded Projects

- External funding agencies generally finance for projects
 - that will effectively contribute to the economic and social development of the country concerned and
 - have the strongest poverty reduction impact
- Process of funding of projects by various external funding agencies is more or less same.

Five Basic Principals

- To ensure that the goods and services needed to carry out the project are procured with due attention to economy and efficiency;
- To ensure that the loan is used to buy only those goods and services needed to carry out the project;
- To give all qualified eligible bidders from developed and developing countries, same information and equal opportunity to compete for bank-financed contracts;
- To encourage development of local contractors and manufacturers in borrowing countries; and
- To ensure that the procurement process is transparent.

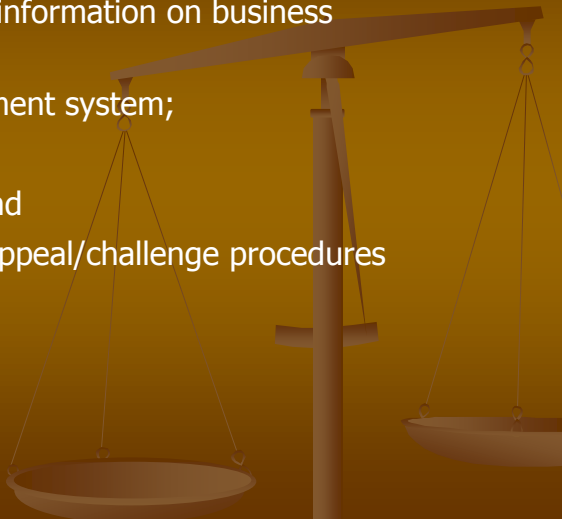
Features of Bank's Model Procurement

- Sharing of risks between the parties of the contract;
- Incorporation of suitable qualification criteria;
- Incorporation of precise and fair evaluation criteria;
- Incorporation of non-discriminatory/ broad technical specification;
- Ensure transparency by public bid opening, pre-disclosure of qualification and evaluation criteria,
- Absence of negotiations;


Features of Bank's Model Procurement

- Award to the lowest evaluated responsive bidder meeting the specified qualification criteria;
- Awards to be published in a web;
- Award appeal/challenge debriefing procedures;
- Fair conditions of contract; and
- Incorporation of a suitable dispute resolution mechanism and market oriented fair payment terms.

Business Community's Perception:

- Timely and accurate information on business opportunities;
 - Predictable procurement system;
 - Level playing field;
 - Open competition and
 - Reasonable Award appeal/challenge procedures
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The Bank's Role in Procurement

- Assess country system,
 - Project's procurement capacity and potential risks
 - Assist borrower in procurement planning
 - Provide procurement training/ knowledge sharing
 - Monitor compliance with loan/credit agreement and procurement plan
 - Prior review, Post review, Independent review
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The Loan Agreement

- As agreement between a Government and an International Institution, the Loan Agreement is a treaty subject to International Law.
- As a Treaty, the Loan Agreement takes precedence over Local Law.
- Therefore, Procurement Rules of Loan Agreement apply even if Borrower's Domestic Law provides for different rules.

MISPROCUREMENT

- PROBLEM
 - Bank and Borrower agree in Loan Agreement and Procurement Plan on all Applicable Procurement Rules
- But : Borrower violates the Agreed procedures
- Bank determines that Procurement of any item is inconsistent with procedures set forth or referred to in the agreed Procurement plan & Loan Agreement
 - Bank will not finance that contract
 - Bank will cancel a corresponding amount from Loan
 - Exception: Reallocation in case of extenuating circumstances
 - Other Exception: Adjustment Lending
 - Bank may exercise other remedies, like suspension and cancellation of rest of Loans (Happens rarely)

Methods of Procurement International Competitive Bidding (ICB):

- Affords opportunity to all eligible prospective bidders from all countries.
- To be Adopted:
 - Generally for packages costing more than the equivalent of US\$200,000*(Goods)/US \$ 10,000,000* (Works) ;
 - Irrespective of value, where supplies need import and entail payment in foreign currency; and
 - Generally for all contracts in which foreign firms can be expected to participate.
- [** Actual Threshold Limits are as indicated in legal agreement*]

ICB : REQUIREMENT

- Publication of General Procurement Notice, followed by specific Invitation for Bid (IFB) in United Nations' Development Business (UNDB) online and dgMarket;
- Transmission of IFB to those who have expressed interest in response to the General Procurement Notice;
- Publication of IFB in national newspapers having wide circulation in all regions of country as well as national web;
- Use of Bank's standard bidding document;
- Sale of bidding document to start only after publication of IFB in UNDB and national newspapers; and
- Bidding Period 6 to 12 weeks from date of start of sale of bidding documents.

ESSENCE OF ICB

- Adequate Notification
- Equal Opportunity
 - Time for Bid Submission
 - Fair and well understood Conditions of Contract
 - Broad Specifications
- Transparency
 - Public Bid Opening
 - Disclosure of Qualification & Evaluation Criteria
- Equal Treatment of Bidders
 - Apply criteria without Discrimination
 - No Negotiation
- Award to Lowest Evaluated Responsive Bid meeting the specified Qualification criteria

Steps : ICB

- Notification/Advertising;
(Pre-qualification, if provided in legal agreement);
- Issue of Bidding Documents;
- Pre bid Conference
- Submission of Bid;
- Public opening of bids;
- Evaluation of bids;
- Selection of lowest evaluated responsive bid – post qualification;
- Contract Award;
- Publication of award in UNDB
[in national web for NCB]
- Debriefing of unsuccessful Bidders
- Contract Performance.

Limited International Bidding (LIB):

- Essentially ICB by direct invitation to selected bidders of proven capacity cum capability from at least two different countries without open advertisement
- To be Adopted where:
 - The contract values are small;
 - There are only a limited number of suppliers of the particular Goods or Services needed; or
- Other exceptional reasons justifying departure from full ICB procedures.

National Competitive Bidding (NCB):

- Competitive bidding advertised nationally for procuring Goods or Works which by their nature or scope are unlikely to attract foreign competition.
- Currency specified is local for bidding as well as for payment.
- However, foreign bidders are not to be precluded from participation, if they wish to bid;
- But they are also to be paid only in local currency.
- Domestic preference will not be applicable.

NCB To be adopted where:

- The contract values are small;
- Works are scattered geographically or spread over time;
- Works are labour intensive;
- The Goods and Works are available at prices below international market;
- Cost and/or administrative burden of ICB clearly outweighs its advantages; or
- Foreign firms are not likely to be interested.

Requirement:

- Publication of IFB in newspapers having a wide circulation in the country; -national web
- Use of Bank's standard bidding document;
- Sale of bidding documents to start only after publication of IFB in newspapers;
- Bidding period 4 to 6 weeks from date of start of sale of bidding documents. (this will apply to re bid as well)
- Payment generally in local currency; and
- If foreign firms wish to participate, they shall be allowed to do so.

Steps:

- Same as in ICB except for UNDB advertisement and domestic preference which are inapplicable.

SHOPPING

- Shopping is a Procurement method based on comparing price quotations obtained from several proven foreign or national suppliers, usually at least three, to ensure competitive prices.
- It is an appropriate method for –
 - Procuring small amounts of off-the Shelf goods or
 - Standard Specification Commodities for which more competitive methods are not justified on the basis of cost or efficiency;
 - Procurement in emergency projects or for urgent relief type operations

Direct Contracting

- Direct contracting without competition may be an appropriate method under the following circumstances:
- Extension of existing contracts for Works or Goods awarded with procedures acceptable to Bank, justifiable on economic grounds;
- Standardization of equipment or spare parts to be compatible with existing equipment;
- Proprietary equipment;
- Requirement of process designer to procure critical items from a particular supplier
- Need for early delivery to avoid costly delays; and
- In exceptional case, such as in response to natural disasters.
- [Publication of award in UNDB-on line is required]
- Purchases through DGS&D rate contracts

Force Account

- Force Account is construction by the use of borrower's own personnel, materials and equipment where:
 - Quantities of work involved cannot be defined in advance;
 - Works are small and scattered or in remote locations where mobilization costs for contractors would be unreasonably high;
 - Work must be carried out without disrupting on going operations;
 - The risk of unavoidable work interruption are better borne by the borrower than by a contractor; or
 - There are emergencies needing prompt attention.

Procurement through NGOs

- In some cases, where in the interest of project sustainability, or to achieve certain specific social objectives of the project,
- it is desirable in selected project components to
 - call for the participation of local communities and/or non-governmental organizations (NGOs), or
 - increase the utilization of local knowhow and materials, or
 - employ labor-intensive and other appropriate technologies,
- The procurement procedures, specifications, and contract packaging are suitably adapted to reflect these considerations, provided these are efficient.
- The procedures proposed shall be outlined clearly in PAD & Loan Agreement.

Fraud and Corruption

- It is the Bank's policy that the Borrowers, as well as bidders, suppliers, and contractors and their subcontractors under Bank-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. The funding agency remains vigilant about the "corrupt practice", "fraudulent practice", "collusive practice", "coercive practice", "obstructive practice" etc. and acts firmly & punitively on occurrence of any of these.
- The funding bank retains the right to inspect the accounts and records of bidders, suppliers and contractors and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the Bank.

Percentage of Expenditure to be financed by the World Bank.

- World Bank does not finance the full cost of the project but finances only a pre-determined percentage for each category of expenditure. Following is the reimbursement schedule for Hydrology Project-II.

S.No.	category	% of expenditure to be financed
1	Civil Works	90%
2	Goods	100%
3	Consultants services	100%
4	Training	100%
5	Operating Cost	75%

Contract Threshold Limits : HP-II

Procurement Category	Contract Threshold Value	Procurement Method	World Bank Review Threshold
Goods	Contract of estimated value \geq US \$ 500,000/- equivalent	ICB	All contracts
	Contract of estimated value \geq US \$ 30,000/- equivalent and $<$ US \$ 500,000/- equivalent	NCB	$>$ US \$ 200, 000
	Contract estimated value \leq US \$ 30,000/- equivalent	Shopping/ DGS&D	None-subject to post review only
	Contract estimated value \leq US \$ 10,000/- equivalent and Data	Direct Contracting	Subject to approval from WB
Works	Contract of estimated value more than US \$ 30,000/-	NCB	$>$ US \$200,000/- Prior Review Other contracts – Post Review
	Contract of estimated Value \leq US \$ 30,000/- equivalent	Shopping	None-subject to post review only

Standard Bidding Documents

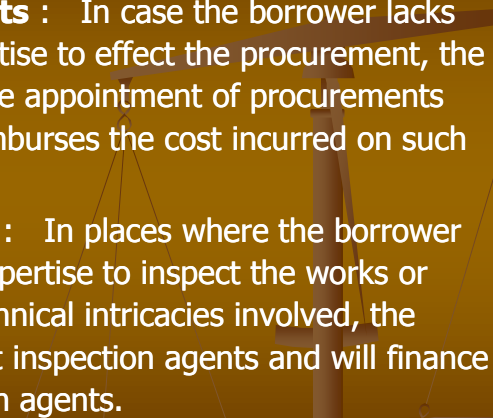
- SBD for Procurement of Works
- SBD for Procurement of Works (Smaller Contracts)
- Standard Pré-qualification Document
- Standard Bid Evaluation for procurement of Goods and Works
- SBD for Procurement of Goods
- SBD for Supply and Installation of Plant and Equipment
- SBD for Supply & Installation-Turnkey

Standard Bidding Documents

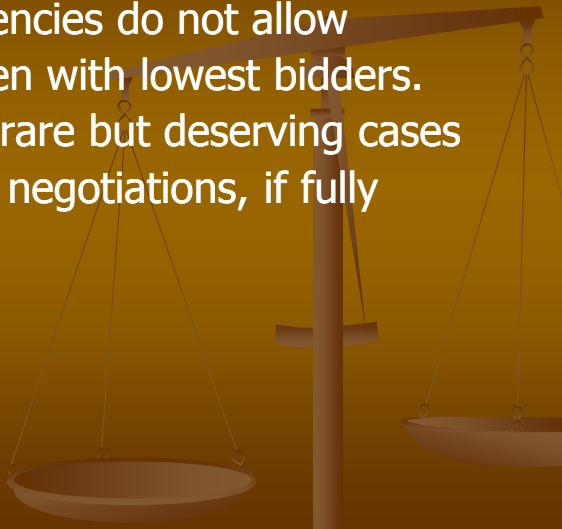
- SBD for Procurement of Textbooks
- SBD for Procurement of Health Sector Goods
- SBD for Procurement of Commodities
- SBD for Supply & Installation of Information Systems
- SBD Form of Contract for Consultants' Services, Lumpsum Remuneration
- Standard Form of Contract for Consultants' Complex Time-based assignments
- SBD for Output and Performance Based Road Contracts
- SBD for Design-Build-Operation (DBO) for Solid Waste Facility, etc.

Advance contracting & retro-financing:

- The Borrower may wish to proceed with the initial steps of procurement before signing the related Bank loan.
- Normally, the World Bank finances the Contracts of an projects entered on or after the date of signing of loan agreement.
- However, there is a provision for financing some of the contracts or activities executed before the date of signing of the loan agreement
- provided that the loan agreement has such a provision and the contracts have been executed as per the norms and guidelines of the World Bank and by using *Standard Bidding Documents* (SBDs).

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- **Procurement Agents** : In case the borrower lacks the capacity or expertise to effect the procurement, the World Bank allows the appointment of procurements agents and even reimburses the cost incurred on such procurement agents.
 - **Inspection Agents** : In places where the borrower does not have the expertise to inspect the works or goods due to the technical intricacies involved, the borrower can appoint inspection agents and will finance the cost towards such agents.

No negotiations :

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- The funding agencies do not allow negotiations even with lowest bidders. However in the rare but deserving cases bank may allow negotiations, if fully justified.

Prior Review

- For the contracts above a threshold value the Bank performs a prior review which includes following..
- prequalification draft documents , evaluation methodology, advertising procedures
- The pre-qualification evaluation report,
- draft bidding documents
- report on the bid evaluation and comparison of the bids received, together with the recommendations for award etc.
- Bank's prior approval for the first request for extension of bid validity
- Copy of the bidder's complaint if any and a copy of the Borrower's response be sent to the Bank for information
- The terms and conditions of a contract can not, without the Bank's prior approval, materially differ from those on which bids were asked
- Copy of the final contract for information.

Post Review

- The Bank reviews the Borrower's procurement procedures, documents, bid evaluations, award recommendations, and contracts to ensure that the procurement process is carried out in accordance with the agreed procedures.
- The post review is carried out for contracts above certain values as enumerated in the loan agreement.
- The bank reserves the right to inspect and audit pertaining to the contract from the supplier, borrower and sub contractors.
- The bank also does the Independent Evaluations of the procured goods through an appointed agency.

Specific Concerns in Implementation:

- Delays in finalization of Procurement Planning and
- compilation of bidding documents;
- Restrictions in Competition /high cost for Sale of
- Documents/denial of sale of bidding documents
- Incorrect application of Qualification/Evaluation
- Criteria
- Delays in bid evaluation and award of contracts;

Specific Concerns in Implementation:

- Unrealistic cost estimates;
- Requests for rejection of bids outside a predetermined margin or bracket of prices and negotiations;
- Delays in signing of contracts after obtaining no objection from Bank;
- Delays in releasing of advances and other payments during execution;

Mid-Term Review

- Reallocation of resources
- Introduction of new activities
- Total loan remains same or can be reduced

THANKS