



IFAD Procurement Handbook



IFAD

Investing in rural people



Procurement Handbook

Procurement procedures are periodically updated.

Please consult <http://www.ifad.org/pub/basic/index.htm> for the most recent information.

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Definitions

The terms below are defined as follows in this handbook:

Annual workplan and budget (AWP/B). Established to carry out a project during a particular project year that includes the procurement plan.

Bid. A response by a bidder to a procurement opportunity.

Borrower/recipient. The party so designated in the financing agreement or other agreement as the beneficiary of the loan or grant; it refers equally to loan beneficiaries and grant recipients.

Community. Individuals or groups of project beneficiaries, community groups lacking legal status, associations or groups with legal status but with or without separate legal personality as a group, small-scale craftworkers and other small commercial organizations and guilds, and small local organizations that support and facilitate rural agricultural and social activities. The “community” in such cases may participate as a procurement agent, implementing agency, or contractor and supplier of goods, works and related services for project activities.

Contracted vendor. A supplier, works contractor, consultant or service provider that has signed a contract with a procuring entity.

Financing agreement. A project financing agreement or programme financing agreement, pursuant to which the Fund agrees to extend financing to the borrower/recipient.

Fund or IFAD. The International Fund for Agricultural Development.

Goods. Tangible items and/or equipment.

Handbook. This IFAD Procurement Handbook, which provides detailed instructions for the borrower/recipient on the procurement process and is revised from time to time.

IFAD-financed operations. IFAD-funded and/or managed projects/programmes (including those from supplementary funds).

No objection (NO). Acknowledgement by IFAD that a particular document and/or activity is consistent with the financing agreement and IFAD project procurement framework as per the information and data submitted by the borrower/recipient at the time. No objections are not considered approvals but rather acknowledgements and clearances for the borrower/recipient to proceed with implementing the subsequent steps of the procurement process. Should IFAD conclude that the information provided by the procuring entity is incomplete, misleading or inaccurate, then IFAD’s NO becomes null and void. Requests for NO are usually submitted and processed in IFAD’s No Objection Tracking and Utility System (NOTUS).

Procurement activities. The undertakings of the borrower/recipient in the procurement of works, goods and services during the execution of IFAD-managed projects and/or programmes.

Procurement process. The entire procurement cycle, from needs identification through contract completion.

Procuring entity or implementing agency. The party or parties so designated in the financing agreement by the borrower/recipient and responsible for implementing and managing the project/programme. The terms refer equally to the procuring entity, lead implementing agency, project coordination units and project implementation units. Further, it is referred to as “purchaser”, “employer” or “client” in the case of the procurement of “goods”, “works” or “consulting services” respectively.

Project management unit. Synonymous with “lead implementing agency”.

Project/programme. The agricultural development project/programme described in a financing agreement subject to the General Conditions for Agricultural Development Financing.

Procurement plan. The borrower’s/recipient’s procurement plan covering the initial 18-month period of project implementation and its subsequent periodic updates as cleared through the respective IFAD’s NO. Normally periodic updates are due every 12-month or earlier as mutually agreed with IFAD.

SECAP. IFAD’s Social, Environmental, Climate Assessment Procedures.

Services. A generic term for both consulting and non-consulting services.

Standard procurement documents. A set of standard bidding documents and procurement templates developed by IFAD to support its operations as part of the IFAD project procurement framework.

Supervision. Implementation support and administration of the financing, pursuant to IFAD’s Supervision and Implementation Support Policy.

Tender. Synonymous with “bid”.

Works. Civil works, such as construction, reconstruction, rehabilitation and/or renovation.

Templates and Forms

The templates and forms referred to in this handbook are available at the IFAD website: <https://www.ifad.org/project-procurement>.

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The Procurement Handbook is based on the principles of the revised IFAD Procurement Guidelines that were approved by the IFAD Executive Board in December 2019.

Introduction

1. Purpose and use of the handbook

Expanding upon – and when the applicable agreement provides for it, being in line with – IFAD’s Project Procurement Guidelines, this handbook includes best practice advice on all elements of the procurement process for any IFAD-financed operation. It serves as a guidance document when country systems are used, and as an operations manual when IFAD systems are solely used. The handbook informs on how to organize the procurement activity in a fair, transparent and efficient manner. It is designed to be a simple-to-use reference manual that breaks the procurement process down into a series of individual modules that in turn consist of clear step-by-step instructions. Specifically, the handbook should:

- (i) eliminate or minimize the need to make new decisions every time a comparable situation arises;
- (ii) promote consistent application of best procurement practices and international standards;
- (iii) ensure transparency and accountability in all operations, following the IFAD Project Procurement Guidelines;
- (iv) ensure commitment to procedures for preventing and mitigating fraud and corruption that are consistent with IFAD’s Revised Policy on Preventing Fraud and Corruption in its Activities and Operations;¹
- (v) ensure commitment to a safe work environment free of harassment (including sexual harassment) and sexual exploitation and abuse in its activities and operations. This policy is stipulated in the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse;²
- (vi) ensure commitment to combating money laundering and terrorism financing consistent with IFAD’s Anti-Money Laundering and Countering the Financing of Terrorism Policy;³

- (vii) ensure full compliance with IFAD’s Social, Environmental and Climate Assessment Procedures (SECAP);⁴
- (viii) provide the framework under which procurement will be undertaken as per the financing agreement and/or Letter to the Borrower/Recipient;
- (ix) serve as a basis for comparison against which principles and practices can be evaluated;
- (x) serve as a training handbook for the borrower/recipient and offer guidance based on best international practices.

1.1 Deviations

Subject to IFAD’s clearance, deviations from the provisions of this handbook may arise for a number of reasons, including the following:

- a special situation, such as an extreme emergency or other circumstances that IFAD considers exceptional;
- one-off requirements introduced as special provisions in a financing agreement not otherwise covered in this handbook that do not constitute a revision to the handbook;
- the necessary use of non-standard procedures for specialized procurement;
- national systems have been agreed to follow in whole or in part as per the Letter to the Borrower/Recipient and/or the financing agreement.

1.2 Revisions

IFAD intends to update the modules of this handbook periodically to reflect:

- IFAD policy changes;
- the introduction of new and improved practices, policies or procedures;
- the elimination of outdated practices, policies or procedures;
- lessons learned from practical experience.

1 This policy can be accessed at: <https://www.ifad.org/en/document-detail/asset/40189695>.

2 This policy can be accessed at: <https://www.ifad.org/en/document-detail/asset/40738506>.

3 This policy can be accessed at: <https://www.ifad.org/en/document-detail/asset/41942012>

4 IFAD’s SECAP and related documents are available at: <https://www.ifad.org/en/secap>.

2. General provisions

The procurement of goods, works and services for any given project should adhere to the following general provisions:

- Procurement is to be carried out in accordance with the financing agreement and the IFAD Project Procurement Guidelines, the respective loan agreement, including any duly agreed amendments thereto, and the borrower's/recipient's procurement regulations and/or this handbook, as applicable.
- The cost of procurement may not exceed the availability of duly allocated funds, as stated in the financing agreement.
- Procurement must be consistent with the duly approved annual workplan and budget (AWP/B) and in accordance with the activities included in the procurement plan.⁵
- Procurement must be well-organized and properly carried out in terms of quantity, quality and timeliness, and at the optimum price.
- Processes must be proportionate to the procurement activity to minimize the overall cost of the procurement process and tailor it to the budget for the activity undertaken.

3. Advance contracting and retroactive financing

Under certain circumstances, such as the need to speed up project implementation, the borrower/recipient may proceed with the initial procurement steps before signing the related IFAD financing agreement. In such cases, the procurement process – including advertising – needs to be in accordance with the IFAD Project Procurement Guidelines in order for the eventual contracts to be eligible for IFAD financing (i.e. reimbursement after fulfilment of loan/grant disbursement conditions), during which the IFAD review process for retroactive financing (as detailed in the design documents) and thereafter the Letter to the Borrower/Recipient need to be followed. Borrowers/recipients 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 approve a loan for the project in question. If the contract is signed, reimbursement by IFAD of any payments made by the borrower/

recipient under the contract prior to loan entry into force is referred to as retroactive financing and is only permitted within the limits specified in the financing agreement.

4. Joint ventures

Suppliers, contractors and consultants from the borrower/recipient country are encouraged to participate in the procurement competitions of IFAD-funded projects, as IFAD encourages domestic capacity-building. They may bid independently or in a joint venture with foreign firms. However, IFAD will not accept bidding conditions that require mandatory joint ventures or other mandatory forms of association between domestic and foreign firms.

5. Sustainability

IFAD highlights the importance of sustainable practices in public procurement. Therefore, IFAD-funded projects must comply with IFAD's SECAP (Social, Environmental, Climate Assessment Procedures). The specifications of the procurement requirements, bidders' qualifications and bid evaluation criteria must comply with SECAP standards and be conducive to the protection of the environment and mitigating and offsetting of any adverse impacts, be favourable towards social progress and the support of economic development, namely by seeking resource efficiency, improving the quality of products and services, and ultimately optimizing costs. Through sustainable procurement, borrowers/recipients and procuring entities use their own buying power to give a signal to the market in favour of sustainability.

6. United Nations Global Compact

IFAD supports the United Nations Global Compact initiative and encourages bidders to subscribe to its principles. The Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anticorruption.⁶

⁵ The procurement plan will be part of the project's AWP/B and include all major procurement expected during a period of at least 12 months (i.e. 18 months for the initial plan). Projects with community participation in procurement may seek appropriate flexibility from IFAD with regard to this requirement.

⁶ More information on the United Nations Global Compact can be found on its website: <https://www.unglobalcompact.org/>.

7. Ethics in procurement and conflicts of interest

7.1 Procurement principles

In accordance with the IFAD Project Procurement Guidelines, the IFAD Anticorruption Policy and the IFAD Code of Conduct,⁷ project procurement staff are expected to:

- a) maintain and enhance the reputation of the borrower/recipient country by:
 - (i) maintaining the highest standards of honesty and integrity in all professional relationships;
 - (ii) developing the highest standards of professional ethics;
 - (iii) maximizing use of IFAD funds and other resources for which they are responsible for the purposes for which they were provided to the borrower/recipient country;
 - (iv) providing information in the course of their duties that is true, fair and not designed to mislead;
 - (v) complying with both the letter and the spirit of:
 - the financing agreement;
 - the laws and regulations of the borrower/recipient country;
 - professional ethics;
 - contractual obligations.
- b) declare any actual, perceived or potential personal interest that might affect, or reasonably be perceived by others to affect, impartiality in any matter relevant to their duties (conflict of interest). In such a situation, the respective official should not participate in the procurement process in any way to avoid adverse measures, including the declaration of misprocurement;
- c) respect the confidentiality of information obtained in the course of duty and not use such information for personal gain or for the unfair benefit of any bidder, supplier or contractor.

Two of the most common sources of concern are conflicts of interest and the acceptance of gifts and hospitality by officials. The following sections provide general guidance in this regard, and the complete guidelines can be found in IFAD's Anticorruption Policy.⁸

7.2 Gifts and hospitality

Any public official of the borrower/recipient involved in an IFAD-funded procurement activity:

- (i) is not permitted to accept any gifts from current or potential suppliers, contractors or consultants, unless such gifts are of very low intrinsic value, such as a calendar or business agenda;
- (ii) must refrain from accepting any business hospitality that might be viewed by others as influencing a business decision;
- (iii) has a duty to promptly report any case of prohibited practices, including but are not limited to fraud and corruption, as defined in IFAD's Anticorruption Policy, by a colleague, bidder, supplier, contractor or consultant, to IFAD and the national authorities, as required.

8. Conflicts of interest

- (i) The IFAD Project Procurement Guidelines require that any public official of the borrower/recipient involved in an IFAD-funded procurement activity shall declare any personal interest that may affect, or might reasonably be deemed by others to affect, impartiality in any matter relevant to their duties (conflict of interest).
- (ii) On becoming aware of a situation of this nature or the potential for such a situation, the official(s) concerned should immediately recuse themselves from any aspect of the procurement process to avoid being placed in the position of having a conflict of interest.
- (iii) When IFAD becomes aware of a situation in which a conflict of interest may have existed but was not declared, it is sufficient grounds to declare misprocurement, in keeping with the IFAD Project Procurement Guidelines.

⁷ The IFAD Project Procurement Guidelines are available at www.ifad.org/project-procurement.

⁸ IFAD's Code of Conduct, issued by the Ethics Office, provides a summary of the main points of ethical conduct. The document is available at: <https://www.ifad.org/en/ethics>.

Where there is a question about the existence of a conflict of interest, or potential conflict of interest, IFAD may be consulted for advice or guidance. However, IFAD operates under the general principle that if there is any uncertainty, it is safer to recuse oneself from the process rather than risk a negative perception of the process and a (potential) declaration of misprocurement.

9. Application and limitations

This handbook applies to any procurement activity undertaken by a borrower/recipient when procuring goods, works or services under any IFAD-financed operation, and when the applicable agreement so provides. Consistent application of the handbook's provisions and procedures is essential for ensuring greater efficiency, transparency, uniformity of documents and decisions and lower procurement costs.

10. References to IFAD

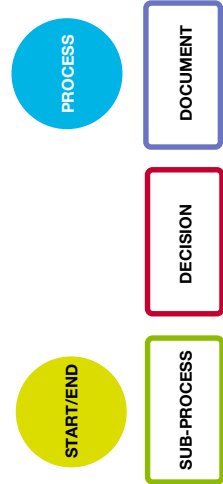
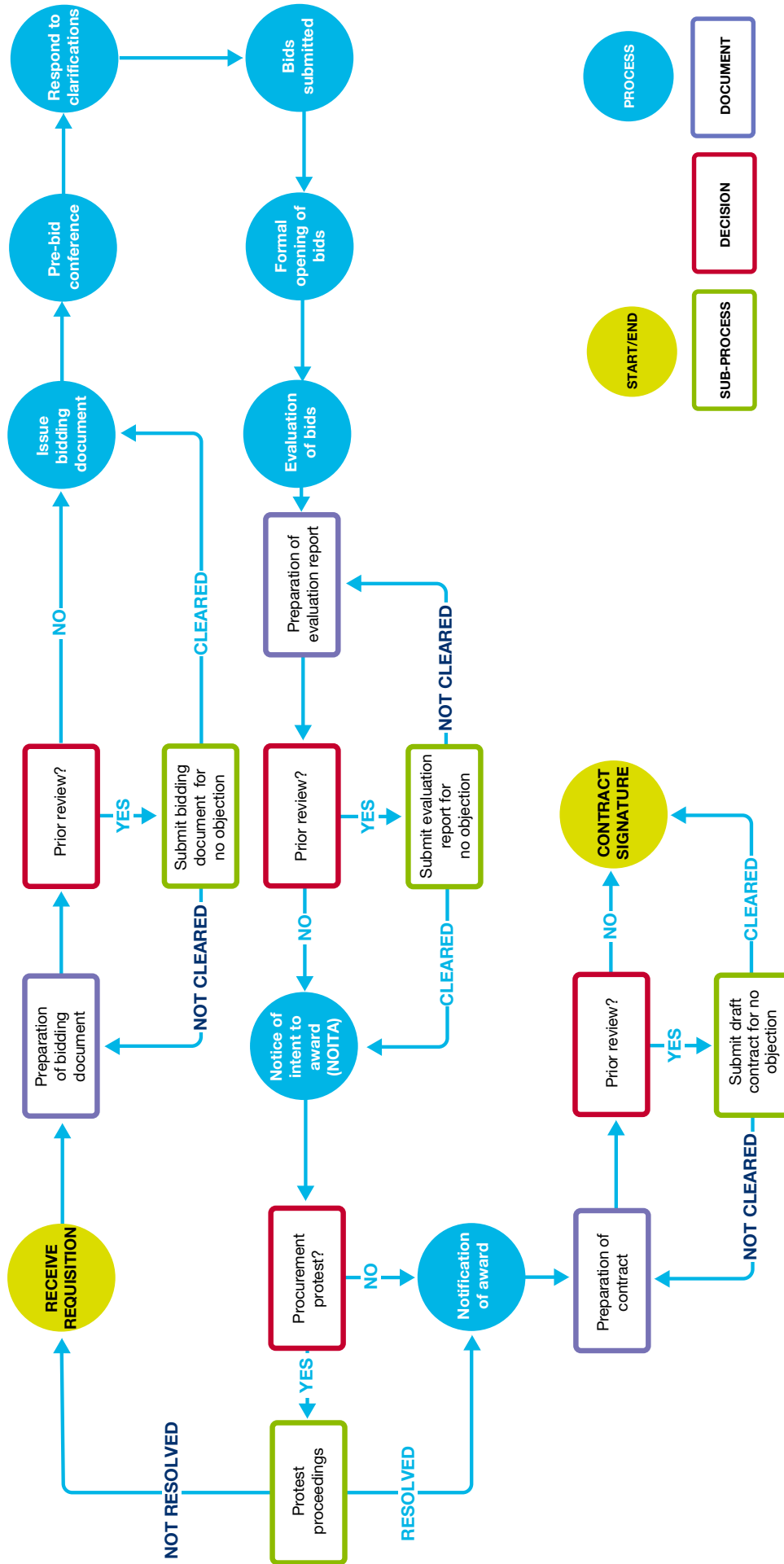
If the borrower/recipient wishes to refer to IFAD in procurement documents, the following language is to be used:

"[Name of borrower/recipient] has received financing from the International Fund for Agricultural Development (IFAD) towards the cost of [name of project]. The use of any IFAD financing shall be subject to IFAD's no objection, pursuant to the terms and conditions of the financing agreement, as well as IFAD's rules, policies and procedures. IFAD and its officials, agents and employees shall be held harmless from and against all suits, proceedings, claims, demands, losses and liability of any kind or nature brought by any party in connection with [name of project]."

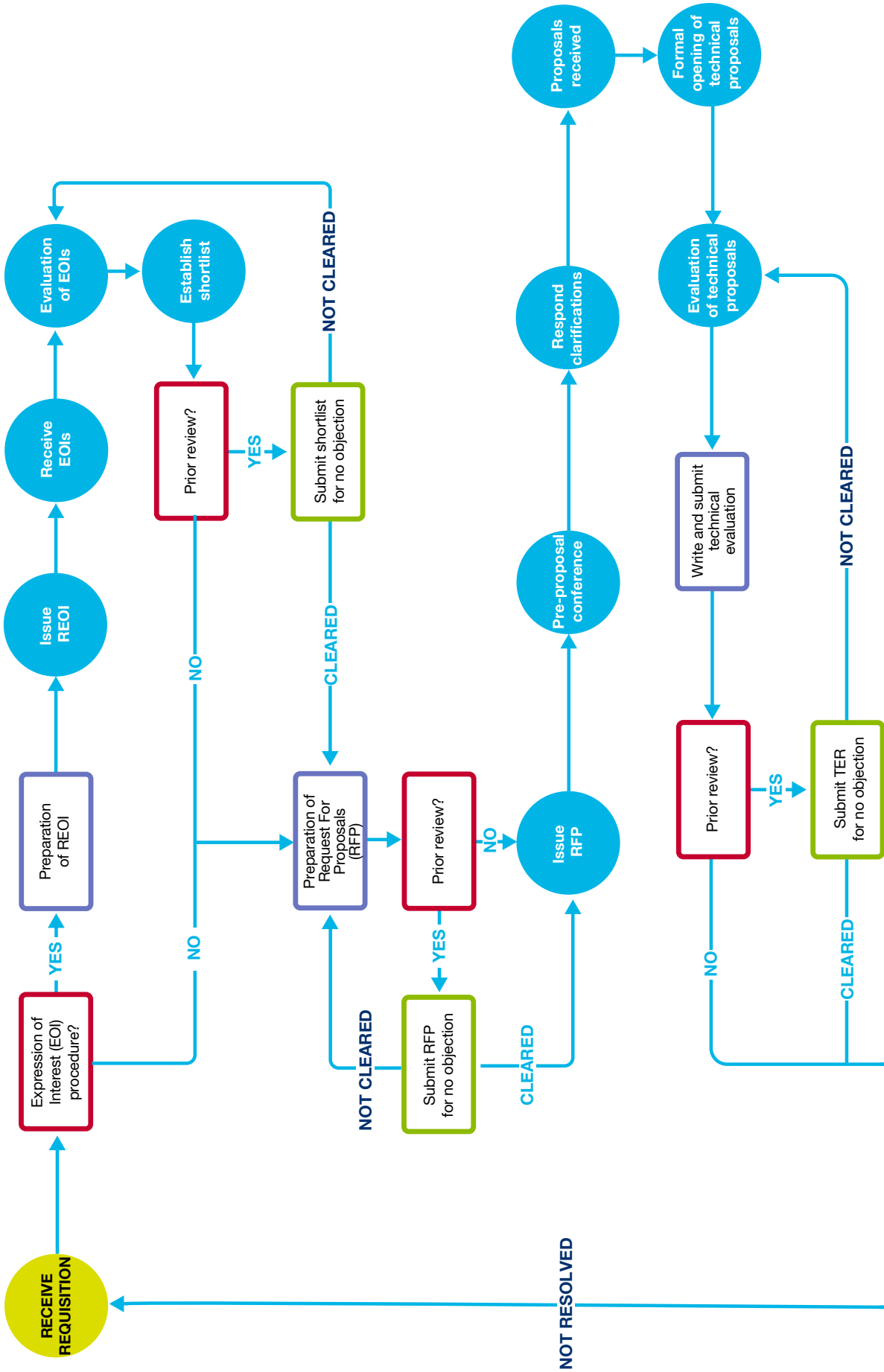
11. Overview of the procurement process

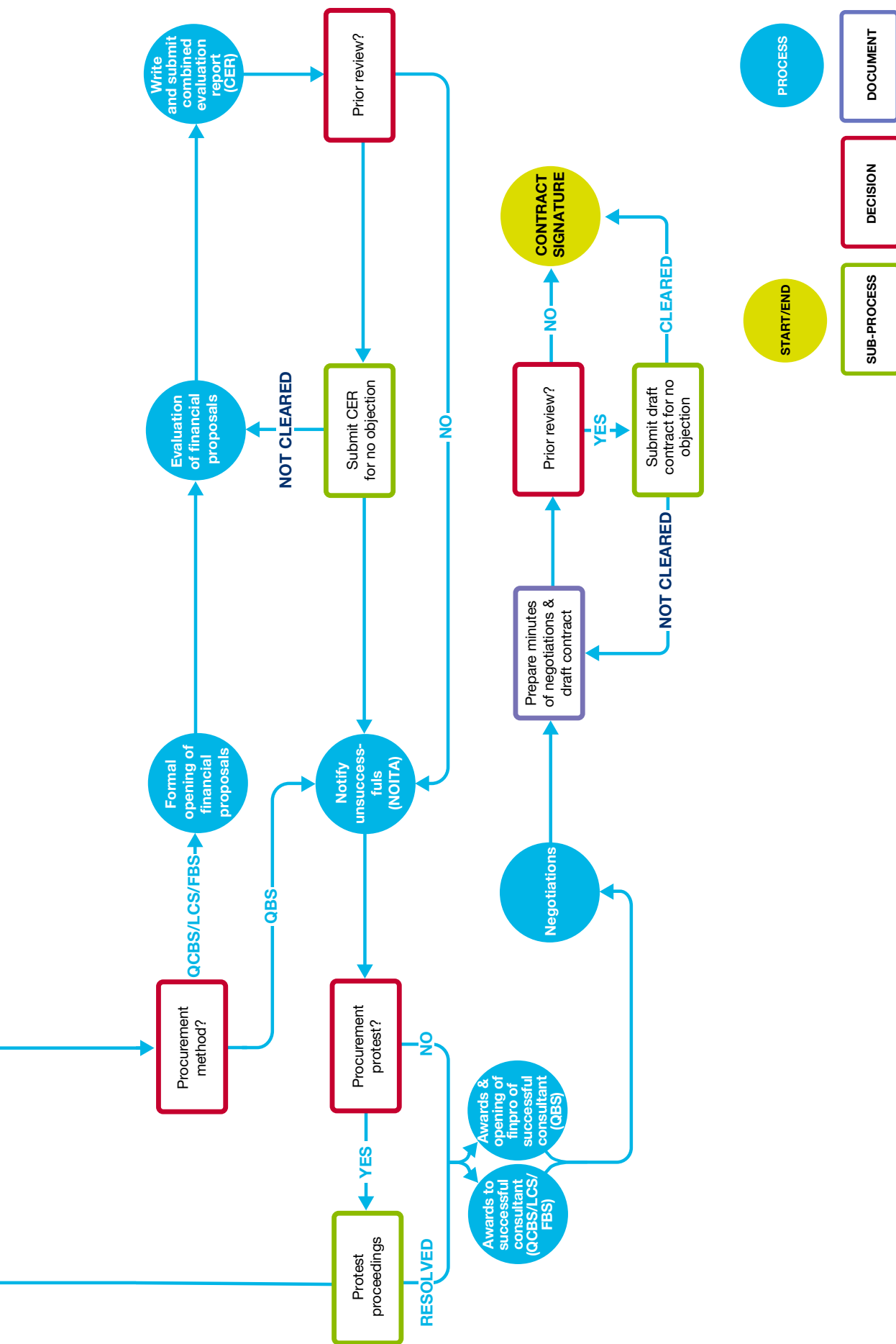
The following flow charts illustrate the steps in a typical procurement process. It should be noted that the steps apply to the specific procurement methods and that a change in procurement methods results in an analogous change in the process. The individual steps for each process and selection method are discussed in the relevant modules.

Bidding Process Goods / Works International / National Competitive Bidding



Bidding Process – Consulting Services
Quality- and Cost-Based Selection (QCBS), Least-Cost Selection (LCS) and Fixed-Budget Selection (FBS)







Overview

MODULE A: PROCUREMENT RESPONSIBILITY

Module A: Procurement Responsibility

Purpose:

This module spells out the general responsibilities of borrowers/recipients with respect to procurement arrangements for IFAD-financed operations.

It provides general guidance and is neither designed nor intended to override any specific provisions for an individual project outlined in the financing agreement or Letter to the Borrower/Recipient.

1. General principles for procurement responsibilities

The borrower/recipient has the primary responsibility for procurement and its management, whereas IFAD has a fiduciary responsibility to ensure that its proceeds and the funds it administers are used solely for the intended purposes stated in the applicable financing agreement(s), as well as to ensure that its own financing or the financing it administers is not used to finance illegal acts connected with money-laundering and terrorist financing.

The borrower/recipient is legally and operationally in charge of all purchasing transactions for a project, utilizing IFAD proceeds for these purposes.

IFAD's fiduciary responsibility is exercised through oversight and advisory roles. In this latter role, IFAD promotes capacity-building to achieve economy, efficiency and social equity, primarily through its support activities.

2. Procuring entity

The procuring entity, or lead implementing agency, is designated and defined in the financing agreement and has overall responsibility for project execution. In most cases, this function will be exercised by a central government ministry to which the main contractual obligation will be delegated by the borrower/recipient government.

Pursuant to the IFAD General Conditions for Agricultural Development Financing (hereinafter "the General Conditions"), the procurement responsibilities of the lead implementing agency include among others:

- monitoring procurement management and ensuring that fiduciary responsibilities are being honoured;
- assigning responsibility for the day-to-day implementation of the project;
- preparing the project's annual workplan and budget;
- setting up and maintaining an information management system in accordance with IFAD's Guide for Project Monitoring and Evaluation;
- monitoring the progress of project implementation;
- retaining and submitting records, as required by IFAD;
- providing IFAD with periodic progress reports on the project, as defined in the General Conditions;
- conducting a joint midterm review of project implementation;
- following up and taking action on any findings, recommendations or cases of non-compliance and internal control issues;
- informing IFAD of any condition that interferes with, or threatens to interfere with, project implementation or meeting project objectives;
- notifying IFAD of any allegations of fraud or corruption in connection with the project.

Pursuant to the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, the responsibilities of the lead implementing agency will include the provisions contained in clauses 11 to 15 of the policy.

3. Implementation unit

For each project, the lead implementing agency may create an implementation unit to manage day-to-day operations.

If such is the case, the procurement may be carried out by:

- an existing project implementation unit from a current project;
- a new project implementation unit created for that specific project;
- the existing procurement department of the lead project agency;

- an existing procurement department in another government agency;
- a commercial procurement organization contracted by the government for this purpose;
- a United Nations agency.

If an auxiliary implementation unit is created for this purpose, the lead implementing agency retains overall responsibility and accountability for the project to IFAD and must therefore ensure that it oversees the work of the auxiliary implementation unit at all times.

The auxiliary implementation unit is responsible for the entire procurement process, including but not limited to the following functions:

- preparing procurement plans;
- preparing statements of requirements, specifications, terms of reference and/or bills of quantities;
- reaching agreement with IFAD on the procurement or selection method for each procurement activity;
- pre-qualifications, advertising, management of expressions of interest and shortlisting;
- preparing bid solicitation documents and draft contracts (see the templates provided on IFAD’s website and Module Group H);
- activities revolving around the bidding process, following IFAD’s Project Procurement Guidelines, including:
 - issuance of bidding documents, response to clarification requests and overall management of the bidding process;
 - bid receipt, bid opening and bid evaluation;
 - evaluation reporting;
 - bid cancellation;
 - contract award and negotiation;
- drafting of contract documents and contract placement;
- contract management;
- invoicing and payment;
- dispute resolution;
- contract completion and assessment.

The implementation unit is also responsible for ensuring that procurement procedures are approved by the respective national authority (if applicable) and/or are consistent with IFAD’s supervision requirements for the project.

4. Procurement agents/management contractors

When the borrower/recipient lacks the necessary organization, resources or experience to handle international procurement, it may in accordance with the financing agreement hire a highly experienced firm or entity specializing in procurement as its procurement agent or be required to do so by IFAD. The cooperating institution cannot itself act as a procurement agent. The procurement agent must follow all the procedures stipulated in the financing agreement on behalf of the borrower/recipient.

Management contractors may be similarly hired on a fee basis for contracts focusing on miscellaneous reconstruction, repair and rehabilitation works, new construction in emergencies or cases involving a large number of small contracts.

The applicable regulations for the procurement of agents and management contractors are those indicated for consulting services in this handbook.



Process Management

MODULE B: CORRESPONDENCE AND RECORDS MANAGEMENT

Module B: Correspondence and Records Management

Purpose:

Keeping accurate records and evidence is key to a transparent and auditable procurement process. It is therefore mandatory to keep accurate records of all procurement process communications and use a procurement reference numbering system to ensure a transparent and auditable procurement process.

Record-keeping of correspondence and communications are critical for effective management of relations with bidders, suppliers, contractors and consultants since these may commit or bind originators and recipients to a course of action which can have legal, contractual or financial implications.

Documentary records in hard copy or electronic format are therefore essential for efficient and effective management, as they provide the necessary evidence to support decision-making and action. Moreover, they provide an audit trail that permits the verification of transparency, accountability and effectiveness.

The IFAD General Conditions for Agricultural Development Financing require that borrowers/recipients retain documents and records for IFAD review at any time within 10 years of bid or contract completion. Pursuant to that requirement, this module provides general rules for maintaining basic procurement communications and records.

1. Correspondence and communications

To facilitate record-keeping and transparency, all communications, decisions and instructions between IFAD and borrowers/recipients and between borrowers/recipients and bidders, suppliers, contractors or consultants must be issued or recorded⁹ in writing.

2. Records to be retained

It is critical for each procurement activity to have its own separate file, folder or dossier where records related only to the procurement in question are kept in properly coded chronological order. Documents related to other procurement projects must not be included in the procurement record. It should be possible to review the entire historical record of the procurement in a logical and sequential manner at any time.

The following table offers guidance on the materials that procurement files, folders or dossiers should contain.

⁹ When meetings are held as a method of communication, minutes should be taken and signed by the participants to create a record of the information provided and the discussions that took place.

Document	Preferred Format
(i) a copy of the published REOI advertisement or shortlist (if applicable) *	Hard copy
(ii) a copy of the published pre-qualification and bidding documents and any amendments, extensions or clarifications requested and issued*	Hard copy
(iii) a record of the tender opening, signed by all TEC members and the bidders present	Hard copy
(iv) a full copy of each bid received and evaluated, plus clarifications requested and responses received	Hard copy
(v) a copy of the evaluation report*	Hard copy
(vi) signed minutes of all meetings related to the procurement, including pre-bid and negotiation meetings, when held	Hard or soft copy
(vii) a contract award notice*	Hard copy
(viii) any letter of tender acceptance to the supplier, contractor or consultant*	Hard copy
(ix) the signed contract document and contract acceptance*	Hard copy
(x) any contract amendments*	Hard copy
(xi) all contractual correspondence between the procuring entity and a supplier, contractor or consultant	Hard or soft copy
(xii) post-contract documents related to the fulfilment of contract obligations, especially photocopies of bank guarantees or payment guarantees	Hard copy
(xiii) signed minutes of any meetings related to contract management, including contract progress or review meetings	Hard copy
(xiv) signed delivery documents evidencing delivery of supplies, or signed completion certificates related to a contract for services or works under the contract, including any contract delivery records	Hard copy
(xv) a copy of all invoices for works, services or supplies, including working papers verifying the accuracy of payments claimed and details of the actual payment authorized	Hard copy
(xvi) a copy of cumulative payment worksheets/records evidencing management of all payments made	Soft copy
(xvii) all decisions of the concerned borrower's approval authority related to the procurement, including the approval of the bidding documents, the approval of the evaluation report(s), the contract award, the approval of contract documents and contract amendments and any decision to suspend or cancel procurement proceedings	Hard copy
(xviii) a copy of any claims made by the procuring entity with respect to any warranty, non-warranty, short supply, damage and other claims against the contracted vendor or the procuring entity	Hard or soft copy
(xix) in the case of IFAD prior review, all submissions and correspondence related to the seeking of IFAD's no objection (NO) and a copy of the respective IFAD NO letter	Hard or soft copy
(xx) any other communications related to the procurement in question, including internal entity correspondence	Hard or soft copy

* Ideally, drafts of these published documents and reports should also be retained for completeness and to provide a full picture of how the published document evolved. It is accepted, however, that in the case of space limitations, this is not always feasible in practice.



Procurement Planning

MODULE C: PROCUREMENT PLANNING AND THE GENERAL
PROCUREMENT NOTICE

Module C: Procurement Planning and the General Procurement Notice

Purpose:

IFAD's Project Procurement Guidelines require the borrower/recipient, in consultation with IFAD, to prepare a procurement plan covering the first 18 months of the project, followed by successive 12-month plans synchronized with the annual workplan and budget (AWP/B) during implementation.

Planning is a critical part of the procurement process that enables objectives and priorities to be properly set, workloads to be estimated and resources allocated. The procuring entity needs to plan, organize, project and schedule its procurement activities and to identify potential areas for the pooling of needs. Planning also provides IFAD with an important tool for monitoring project implementation.

Insofar as possible, procurement planning should be integrated with financial planning so that budgets and procurement needs are synchronized insofar as practical.

This document provides borrowers/recipients with practical guidance on how to prepare a plan, the elements of that plan and the schedule for updating plans.

Effective notification of procurement opportunities is vital for competition. The general procurement notice (GPN) is a publication that achieves the following:

- It notifies bidders of the existence of the borrower/recipient
 - It notifies bidders of upcoming procurement opportunities
 - It enables the borrower/recipient to create or improve its supplier database
-

1. Procurement plan template

IFAD's procurement plan template is accessible on the IFAD website: www.ifad.org/project-procurement. This form must be used by all borrowers/recipients. If there are national procurement plan templates acceptable to IFAD for use on a project, they can be used.

The procurement plan should be prepared in Microsoft Excel and consist of plans for four different categories (each on a separate Excel worksheet), with a fifth cover worksheet containing the summary. The four plans are (i) goods, (ii) works, (iii) consulting services and (iv) non-consulting services. Module E3 explains the differences between consulting and non-consulting services.

2. Contents and data to be included in the plan

At a minimum, each procurement plan must contain the following information.

A brief description of each procurement activity to be undertaken during the period or plan

The plan should be divided into goods, works and services and include a brief description of each individual activity. A "brief description" makes each individual procurement activity clearly identifiable, since an individual procurement activity is not as detailed as a specification.

Example 1

"Vehicle" would be considered an inadequate description.

"4x4 project vehicle, 6 seats" would be brief and adequate.

"4x4 project vehicle, engine capacity, vehicle weight . . . , power steering, left-hand drive" would be moving into specifications and, therefore, too much detail at this stage.

Example 2

“civil works” is too vague.

“construction of a small generator house” would be adequate.

“generator house for a household 10KVA genset, concrete block construction, 6’x6’x6’, flat roof” would be too specific for planning purposes.

The nature and quantity of goods/works/services must be consistent with the activities described in the AWP/B, and the borrower/recipient must include this information in the draft procurement plan. IFAD will either agree or suggest amendments, as necessary.

The estimated value of each activity

To ensure that the plan and budget are as harmonized as possible, the estimated expenditure for each procurement activity should be included.

Estimated prices can be obtained from a number of sources, including but not limited to:

- similar previous purchases (these could be from a previous/existing project or recent projects in a neighbouring country);
- the published prices available from potential suppliers;
- any existing national price lists;
- the internet.

Preparing a realistic budget based on accurate data is critical, since the estimated value of a procurement activity may have a direct bearing on the procurement method to be adopted and IFAD’s method for reviewing that activity.

In addition to the value of each activity, the procurement plan must contain the following mandatory elements when submitted for no objection (NO):

- the planned milestones;
- the planned timelines;
- the procurement/selection methods;
- the estimated cost of each procurement activity;
- IFAD’s level of review (prior or post);
- a budget line for each planned item.

3. Procurement plan update schedule

As stated above, the initial 18-month project procurement plan must be prepared at the start of each project, with successive 12-month procurement plans to follow during the course of implementation.

Once this initial plan receives IFAD’s NO, it should serve as the basis for the project’s procurement activities.

It should be noted, however, that procurement plans are not static documents. They should be considered “live” documents and updated as often as possible to reflect the actual implementation.

Any major adjustments or amendments to the procurement plan (known as upgrades – not to be confused with updates) require IFAD’s NO. This is especially applicable to changes in the procurement method, the addition of new items or an increase in the budget of an existing item by more than a threshold determined by the senior procurement officer in consultation with the project team.

4. The GPN

Notifying the public about procurement opportunities is essential for obtaining decent competition and informing the public about a project.

Upon signature of the financing agreement, the borrower/recipient shall issue a GPN that lists and describes all open procurement planned for the upcoming period, as identified in the initial procurement plan negotiated with IFAD. The GPN shall be advertised in a manner that will give potential suppliers, contractors and consultants reasonable notice of planned procurements. Advertisement of the GPN shall include posting in English (and/or other IFAD official languages, as applicable) on the United Nations Development Business website, the IFAD website, in a newspaper with wide circulation in the borrower/recipient country and other media outlets, as appropriate or as requested by IFAD. In countries where the official language is not English, the GPN shall also be published in the borrower/recipient country’s official language in at least one newspaper with wide domestic circulation.

Updates to the GPN may be published annually for outstanding procurement contracts that are still to be procured by the IFAD-funded project.

IFAD's NO is required prior to publication of the GPN.

The responses to the GPN should be used to create a vendor database. Borrowers/recipients are strongly advised to invite additional suppliers, contractors and consultants from their database to participate in procurements, including procurements that are advertised.

The IFAD template for the GPN is available online from the IFAD website: www.ifad.org/project-procurement.



Identification of Need

MODULE D: IDENTIFICATION OF NEED AND REQUISITIONING

Module D1: Identification of Need

Module D2: Requisitioning

MODULE E: SCHEDULE OF REQUIREMENTS, TECHNICAL SPECIFICATIONS AND TERMS OF REFERENCE

Module E1: Statement of Requirements and Specifications for Goods

Module E2: Statements of Requirements for Works

Module E3: Statements of Requirements (Terms of Reference) for Services

Module D: Identification of Need and Requisitioning

Purpose:

This module deals with:

- The types of need;
- The distinction between needs and wants;
- Alternatives;
- Procurement drivers;
- Requisitioning.

It also contains a flow chart of activities as a summary.

Module D1: Identification of Need

1. Types of need

Needs (or “requirements”) generally fall under one of the following categories:

(i) Projected requirements

These are the forecasted needs of the project and will serve as the basis for the annual workplan and budget and procurement plan.

These requirements are known at the start of the project and will make up the bulk of the planned procurement.

(ii) Interim requirements

These will result from the identification of requirements for which a “bridging” or “restocking” element is necessary. These requirements are not expected to comprise more than 1/12 or 2/12 of the overall supply requirement for any particular item, and the value of this kind of procurement is expected to be low.

Interim requirements will normally be considered minor restocking to avoid nil stock situations until the annual requirements are delivered. As a rule, they will not be specifically identified at the start of the project, and specific details will most likely be known only once a complete delivery schedule for the annual requirements is reviewed.

(iii) Specific one-off emergency requirements

These needs stem from unanticipated requirements that are one-off in nature and unlikely to be known until needed. There may be a small general contingency in the budget to cover such circumstances.

For the sake of planning, it is obviously preferable to have at least 90 per cent of the project fall under the “projected requirements” category, as it is the most proactive type of procurement and gives the buyer the best chance of receiving value for money. The other categories are reactive and can therefore limit the potential for value for money (see section 4 of this module).

2. “Needs” or “wants”

It is easy to fall into the trap of confusing “needs” with “wants”. Two good examples of this are seen in the procurement of vehicles and computers, although services and works are equally subject to this phenomenon.

Examples:

For vehicles, the primary “need” is a vehicle to transport people from point A to point B. Add to this the need for some degree of comfort (the longer the journeys are likely to be, the more comfort is desired) and perhaps the terrain over which the vehicle is likely to be used. Thus, at its most basic level, that is the “need”.

Compare this with a “want” – a large 4x4 with a leather interior and navigation system – and you can begin to see the dilemma. If, for example, the vehicle is to be driven only short distances in an urban setting, a vehicle with 4-wheel drive becomes a “want,” not a “need”.

In the case of desktop computers, the basic “need” could be described as having basic office functions, such as spreadsheets and word-processing, internet access and reasonable processing speed and hard drive capacity.

Compare this with “wants,” such as high-resolution monitors, multiple hard drives or high-end graphics cards, and the specifications suddenly begin to increase.

The saying “the best is the enemy of the good” applies well to procurement as it signals that while one item may be perfectly adequate for our needs, we are tempted to reject it because there is something better that we prefer, even though we don’t actually need all of its features.

Marketers will often attempt to sell customers additional features as necessities by stimulating their “wants”. However, “wants” will invariably inflate the specifications beyond what is functionally necessary, thereby increasing the price.

Another reason for procuring “wants” instead of “needs” is the status or prestige attached to certain goods (again, vehicles are a good example of this). A good way to avoid this, for some items at least, is to have standardized specifications for certain prestige items such as vehicles, computers or mobile phones. This is discussed further in Module E1.

In summary, it is necessary to verify that procurement requirements reflect the legitimate justifiable needs of the entity concerned.

3. Alternatives

There are alternatives to almost every action, and procurement is no different. In this subsection we will briefly look at two aspects when considering the procurement of “alternatives”.

(i) Alternative to the need

It is useful to consider whether the perceived “need” is actually the solution, and asking the pivotal question “Is there another way to achieve the same outcome?” can be highly informative. To determine whether there is an alternative, it is necessary to consider the main reason behind the need: is it a symptom of something else that, if not remedied, will still be an issue?

Example:

Training is often viewed as a solution to poor performance, but it may not be if the cause of the poor performance is not a lack of skills or knowledge. If the underlying issue is low morale, motivation or interest, or lack of tools to do the job properly (i.e. not having the right equipment or facilities), then providing skills training is not going to solve the core problem. If morale, motivation or attitudes are the cause of poor performance, that is a personnel management issue. Similarly, if inadequate facilities are impeding performance, then providing those facilities is a priority.

Although alternative options are usually easier to identify in the procurement of services, this concept is equally applicable to goods and works. A good example is whether to build a bridge over a river. There is more than one way to cross a river, and viable alternatives could be a tunnel or ferry service.

It is vital to challenge a procurement activity at the earliest stages to ensure that meeting the “need” is actually going to meet the goals.

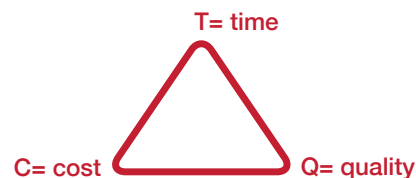
(ii) The purpose of procurement

Contrary to our daily experience, it is often more efficient to lease or rent equipment without the expense of owning it. Items such as office equipment, vehicles, farm/construction equipment do not necessarily need to be procured as new and owned by the project, especially if the need is only short term. Instead, they could be rented/leased for a specific period and returned at the end.

4. Procurement drivers and priorities

Procurement is generally aimed at providing the desired items at the right time and at the right price, and the goals of procurement appear to be straightforward. In practice, however, it is not always easy to reach agreement on what the *right* time, the *right* price and the *right* quality are. Moreover, the three main objectives (quick delivery, competitive pricing, and highest quality) are often mutually incompatible, making identification of the *right* goals difficult.

This trilemma can be represented by the “Procurement Triangle”, also known as the “TCQ Triangle”:



All the dimensions cannot be satisfied at the same time, and a clear combination of them can only be achieved if they are identified and understood by all parties. Initially, it may appear that all three objectives have equal priority, but further consideration of the requirements will always reveal a hierarchy among the objectives. One aspect will always have less elasticity than the others. This process is called “identifying the **driver**” and is a key part of the needs identification process.

Once the driver has been identified, the procurement process can proceed with a focus on the right objective. The other dimensions are still a vital part of the process, but the **driver** influences the decision-making process by virtue of having the highest priority.

The table below shows how the driver influences decisions on how to approach the procurement activity:

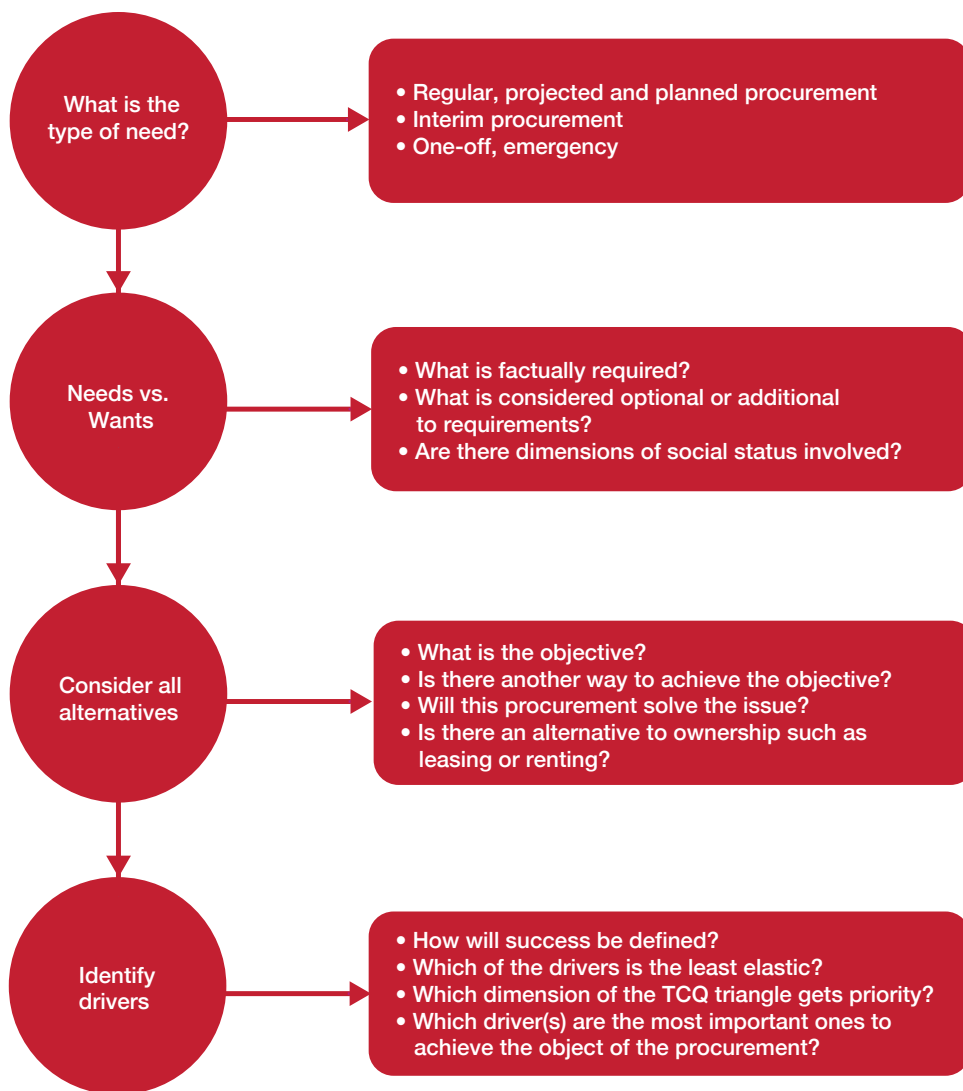
Although clearly not every event can be planned and unforeseeable situations can arise, most situations involving time pressure are the result of a lack of planning. That is why it is preferable to have as much procurement planned as possible to avoid being forced into a position where time is the driver (see Module C for details on procurement planning).

If the driver is....	(example)	Focus on.....	Consider....
Quality	<ul style="list-style-type: none"> – Safety equipment – A highly skilled consultant 	Getting the specifications right	Recruiting a technical expert to help with specifications
Cost	<ul style="list-style-type: none"> – Stationery – Basic works 	<ul style="list-style-type: none"> – Cutting out non-essentials – Commercial aspects 	The total lifetime costs, not simply the price
Time	<ul style="list-style-type: none"> – Seasonal demands – Emergency needs 	Speed of procurement	Planning and milestones

As can be seen, drivers determine the dimensions that deserve priority. As a final point, it should be noted that of all the drivers that exist, time constraints are the least favourable from a procurement standpoint. The price will invariably be higher and the value for money lower if the procuring entity is under time constraints, because:

- the buyer is reactive and so cannot plan the procurement;
- there is usually not enough time to conduct a competitive procurement process;
- the balance of power in negotiations is with the bidder/supplier/contractor/consultant, as they are aware that the buyer does not have time for protracted discussions;
- goods are usually “off-the-shelf” and therefore may not meet all the required specifications.

5. Summary flow chart



Module D2: Requisitioning

At the start of each procurement and before the preparation of a bidding document, the procuring entity shall submit an approved and completed procurement requisition that includes the reference number of the approved procurement plan, along with a description containing the requirements/specifications. This includes budget estimates of the procurement to be undertaken. This applies to:

- (a) the procurement of goods and non-consulting services, for which the technical specifications, delivery schedule and terms of payment are to be prepared;
- (b) the procurement of works, for which the design, materials specifications, bill of quantities and terms of payment and all other necessary technical studies are to be prepared;
- (c) the procurement of consulting services, for which the terms of reference, including the scope of services, key personnel requirements, evaluation criteria, workplan, deliverables schedule, contract duration and proposed terms of payment are to be prepared.

Module E1: Statement of Requirements and Specifications for Goods

Purpose:

The statement of requirements is a key document used throughout the procurement process to:

- inform prospective bidders about the procuring entity’s requirements through its inclusion in the bidding document;
- provide the technical standard against which tenders are evaluated;
- form part of the contract, defining the goods to be supplied;
- set the technical standards for assessing the goods supplied prior to acceptance.

This module provides best practice advice on how to prepare the statement of requirements and specifications and the issues that need to be considered. It is neither designed nor intended to be exhaustive but to provide an overview of major considerations.

1. Preparation of the list of items

The description of requirements should begin with a brief description that is consistent with the description noted in the procurement plan. The goods to be procured should then be grouped and a complete list of items for that tender prepared.

The list should include a brief description of each of the goods and quantities to be procured. Consideration should be given to any spare parts or consumables required, either by specifying the items or requesting the spare parts or consumables normally required for a specific period of operation, such as one year. The list of items should also describe any incidental works or services required, such as installation and commissioning, preparation of the site for installation or user training.

Each item in the list should be numbered sequentially. In addition to the quantity of an item, the unit of measure must also be specified (e.g. kilograms, litres, reams, etc.). The unit of measurement for complete items, such as vehicles or computers, should be “each”.

Example:

Item number	Brief description of goods and related services	Quantity	Unit of measurement
1	Personal computer, desktop type	2	Each
2	LaserJet printer A4 paper (black and white printing)	1	Each
2a	Toner cartridge for item 2	2	Each
3	Uninterruptible power supply	1	Each
4	PC Office software (word and spreadsheet facilities)	1	Package
5	Scanner	1	Each

2. Drafting of specifications

Once the list of items has been prepared, the technical specifications need to be indicated. well-drafted specifications will facilitate both the preparation of bids by potential suppliers and efficient tender evaluation by the procuring entity. It is therefore highly advisable to set aside the necessary time to carefully draft these specifications.

2.1 Different types of specification

There are essentially three types of specification:

- (i) **Performance** specification describes:
 - what the item should do;
 - the measurable performance of the item;
 - the qualities of the item.

The bidder then selects the most appropriate approach or product for meeting the performance requirements. This approach allows new ideas and technologies to be offered, but evaluating the bids could prove challenging if the performance parameters are not clearly defined.

- (ii) **Functional** specification describes:
 - the general functions of the item – what it is and how it is to be used;
 - a common name for the item;
 - a generic item.

- (iii) **Technical (or “design”)** specification includes:
 - a full description of the technical and physical characteristics of each element;

Generally, technical specifications are used only for a complex product whose components need to be inspected or tested individually or for which use of a specific manufacturing process or particular material is required to meet certain standards. These specifications ensure that each bidder submits similar offers, making the evaluation easier. This type of specification requires excellent technical knowledge of the product, since the procuring entity is dictating exactly how the item should be made and what materials should be used. The risk is that by being prescriptive, the procuring entity assumes responsibility for the performance of these goods. This approach carries a high risk and should be used with caution and always with the advice of a technical expert.

2.2 What to include in specifications

Most specifications usually include both performance and functional data. Based on the type of specification, a number of general best practice rules for specifications can be established:

- (i) Include the **general purpose and intended use** of the goods and whether there are any special requirements (e.g. for off-road use in mountainous terrain or for the use of desktop publishing software). It is often a good idea to include a short functional description of the goods, including the conditions under which the goods must operate (e.g. temperature or humidity range). For vehicles, this can often be covered by stating “suitable for use in [country X]”.
- (ii) The specifications should indicate the **minimum technical characteristics, performance parameters and quality standards** of the goods required by the procuring entity. This includes any outputs, timescales and indicators or criteria by which satisfactory performance can be judged or assessed. The evaluation will then assess whether tenders meet this minimum standard. The evaluation should not give credit for exceeding the standard unless the Best Value for Money evaluation method is used.

It is always advisable to include the stipulation that the goods be **new and unused**¹⁰. In addition, specifications often state that the goods should be “the most recent or current models, including all the latest improvements in design and materials.” This prevents “old stock” from being supplied, but depending on the specific needs, it is not always necessary or economical to procure the latest models.

- (i) The specifications should include a **complete, precise and unambiguous description** of the goods required, by specifying:
 - the functions or characteristics required (e.g. colour printing, double-sided copying, the dimensions of the items, the dosage of a drug, air-conditioning in a vehicle);
 - the performance required (e.g. the speed of a printer or computer processor or the accuracy of laboratory equipment);
 - the quality standards for equipment, materials or workmanship.

¹⁰ Unless IFAD has agreed that reconditioned equipment (with a full guarantee) can be procured.

- (ii) Specifications **must be generic** (i.e. they **must not refer to a particular brand, trademark, make or model, patent, catalogue number or any other detail** that would limit the purchase to a particular manufacturer).

In exceptional cases, where there is no way to adequately describe the goods without using a brand name, trademark, etc., **the words “or equivalent” must be included**. In exceptional cases, the use of particular makes or models may also be permitted for reasons of compatibility (e.g. spare parts or consumables for a piece of equipment). In this case, the manufacturer’s part number should be provided to ensure that the right part is procured; it is also sensible to include the make, model and description of the primary equipment for which the spare parts will be used.

- (iii) Include any **environmental or safety features that the goods should have** to meet applicable industry, national or international standards. It is important, however, that the standards specified **not be restrictive** and that recognized international standards be used. If other standards are used, they should normally be followed by a statement that “other authoritative standards that ensure at least a substantially equal quality will also be acceptable.”¹¹
- (iv) State any **documentation required** (e.g. operating/maintenance manuals, user guides, licences, test certificates) and the language they need to be provided in.

Depending on the nature of the requirements, the following may also be necessary:

- (v) **Descriptions of required manufacturing processes, workmanship or materials.** This is applicable only to highly specialized requirements for the use of a specific manufacturing process or when a particular material is mandatory to meet a required standard (see “Technical Specification” in paragraph 2.1(iii)).

- (vi) Any **packaging, marking and labelling requirements**, such as a requirement for pills to be packaged in blister packs corresponding to weekly dosages or for HIV test kits to be individually packaged, along with the required protective gloves and instructions for use.

- (vii) When procuring industrial machinery, any **site plans for installation** should be included to give potential bidders as much information as possible about the final proposed location of the equipment (i.e. building/site dimensions, availability of water and power, building/site access).

- (viii) Details of any **incidental works or services required**. For example:
- if the supplier is responsible for preparing a site for installation, the characteristics of the site should be stated (e.g. the particular thickness of the concrete base for machinery);
 - the number of people to be trained in the use of the equipment, including its maintenance, the training location, the standard to be met, etc.

2.3 Who should draft the specifications?

The borrower/recipient is responsible for the initial draft of the specifications but is encouraged to seek technical advice from external sources, such as other government bodies or external specialists if it lacks the required technical expertise.

IFAD’s role in specification is limited to the review of the specifications as part of any prior review of the bid solicitation document.

¹¹ For more information on the classification and guidelines for assessing environmental risk, see IFAD’s Social, Environmental and Climate Assessment Procedures, available at: <https://www.ifad.org/en/secap>.

2.4 Use of standard/previous specifications

Drafting specifications is often a time-consuming exercise. Thus, many government ministries or agencies have standard specifications. These are useful tools but must be used carefully, since there are two kinds of standard specifications with very different characteristics:

- (i) first, there are specifications that represent a national or corporate standard for the purpose of **standardization**. These are usually issued by a central authority and are compulsory. They are a useful tool for common uniform items that are unlikely to change over time (i.e. stationery). However, standardization can also be used to “control” the procurement of other, more valuable items such as vehicles (to ensure fleet consistency to facilitate servicing), computers and mobile phones. This “control” ensures that all staff with the same grade/rank/status have the same equipment and avoids the problem of “wants” taking priority over “needs” (see Module D1);
- (ii) second, there are specifications that serve as **generic templates** to provide a starting point for more detailed specification that reflects the specific needs of the procurement activity. Since every procurement activity is unique, it should not be assumed that any such generic templates (or previous specifications) can be adopted in their entirety. Instead, they can serve as an outline for creating the particular specifications for the procurement activity in question.

3. Delivery schedule

The delivery schedule should specify the delivery period and place for each of the goods. If related works or services are included, the delivery schedule should also include the completion period and site.

In preparing the delivery schedule, the following guidance should be taken into account:

- (i) The delivery and completion periods should be realistic. Unrealistically short delivery or completion expectations may result in limited competition or may prompt complaints from prospective bidders. Delivery and completion periods can be defined in a number of ways.
 - A specific date (i.e. 30 June). This should be used only when time is the primary driver and no delay can be tolerated. This may apply in cases of seasonal demand or in the context of a conference;
 - A period of time stated in days, weeks or months from the date of contract award.
- (ii) In establishing the delivery period, it is important to consider whether the procurement involves standard readily available goods or goods that are made to order.
- (iii) Logistical constraints: consider whether delivery of the entire contracted amount in one consignment is logistically feasible in terms of receiving and storage facilities. Where appropriate, different delivery periods for different items could be stipulated, or the total requirement could be split into several batches, with phased deliveries.
- (iv) In establishing the delivery period, it is important to consider whether the goods are likely to be available in-country or need to be imported. Where goods are likely to be sourced internationally, their location and likely transport times should be considered.
- (v) In establishing the delivery period, the Incoterms (International Commercial Terms) specified for delivery should be taken into account. It should be recalled that under some Incoterms, the “delivery” of goods occurs when they are delivered to the carrier, not to the final destination. Under other Incoterms, a realistic amount of time should be allowed for delivery, considering the mode of transport.

4. Common problems leading to the cancellation, delay, or recommencement of procurement

It is worth noting that a number of areas in the preparation of statements of requirements and specifications can cause problems during tendering, resulting in the cancellation, delay or recommencement of the tendering. The most common are:

- unintended stipulations in the functional or performance specifications that limit bidders to just one make or model of equipment;
- an unrealistic stated delivery period, effectively limiting suppliers to in-country bidders;
- ill-defined specifications that result in a number of widely varying tenders whose technical evaluation is difficult.

5. Summary

When drafting statements of requirements and specifications for goods:

- list all the required goods, their quantities and the unit of measurement;
- be aware of the type of specification being used;
- include all relevant details when drafting the specifications;
- consider hiring a technical expert if the expertise for drafting the specifications does not exist in-house;
- be aware of any compulsory standard specifications that must be included;
- do not forget that each procurement is unique; use previous specifications or generic templates **only** as a starting point and guide;
- consider delivery requirements and logistics;
- be aware of common mistakes and try to avoid them;
- when in doubt, always seek advice or guidance.

Module E2: Statements of Requirements for Works

Purpose:

The statement of requirements is a key document used throughout the procurement process to:

- inform prospective bidders about the procuring entity’s requirements through its inclusion in the bidding document;
- provide the technical standard (and for some requirements, the estimated quantities) for evaluating tenders;
- form part of the contract, defining the works to be performed and the technical standard for inspecting the works prior to acceptance;
- list the rates and estimated quantities that will be used to measure the actual work for payment purposes.

This module provides best practice advice on how to draft the statement of requirements and specifications/bills of quantity and on the issues that need to be considered. It is neither designed nor intended to be exhaustive but to serve as a general guide for practitioners.

1. Introduction

The statement of requirements for works should be prepared by an engineer with suitable technical qualifications and experience. If the procuring entity does not have access to these skills, external technical expertise should be sought.

Preparation of the statement of requirements should begin with a general, summary description of the requirement (e.g. construction of classrooms or repair of an airport road) taken from the procurement plan (see Module C). It is then typically developed into a more detailed design brief for the engineer.

A statement of requirement for works is not a single document but consists of the following elements.

2. Drawings

Technical drawings help to define the works required by the procuring entity. Even if not fully developed, construction drawings must show sufficient detail to enable bidders to understand the type of work and its degree of complexity so they can price their bid appropriately and accurately.

In addition to construction drawings, a simplified map of the location of the site with information on major roads, ports, airports and railroads should be included.

When preparing the bidding document (see Module H2), it is standard practice to include a list of drawings, although the drawings themselves are often bound and issued in a separate volume, especially when they are numerous or issued in large format, such as A1 or A2 paper.

3. Specifications

A clear and precise set of specifications is a prerequisite for bidders to respond realistically to the procuring entity’s requirements without qualifying or conditioning their tenders.

Specifications must be drafted to permit the widest possible competition and at the same time present a clear statement of the required standards of workmanship, materials, and performance of the goods and services to be procured. The specifications should require that all materials utilized in the works be new and unused, although this does not apply to equipment used to facilitate the works (e.g. construction vehicles and tools). If the latest design improvements and/or materials must be used, this should be specified, although care must be taken when drafting specifications not to make them too restrictive or exclusive.

In the specification of standards for goods, materials and workmanship, recognized international standards should be used insofar as possible. Where national or other standards are used, the specifications should state that goods, materials and workmanship that meet other authoritative standards and ensure substantially equal or higher quality than the standards mentioned are also acceptable.

There is no standard set of international specifications for universal application in all sectors, but there are established principles and practices. Most specifications are normally written to suit the specific works at hand; however, there are considerable advantages to standardizing general specifications for repetitive works in certain public sectors, such as highways, ports, railways, urban housing, irrigation and water supply, where similar conditions prevail.

Where such general specifications exist, they are usually issued by a central national or regional authority and cover all classes of workmanship, materials and equipment commonly involved in construction, not typically all to be used in a particular works contract. Deletions or addenda can then be used to tailor the general specifications to the particular works being procured.

4. Bill of quantities (BOQ)

For contracts to be awarded on an admeasurement basis, a BOQ must be prepared for inclusion in the bidding document.

The primary objectives of the BOQ are twofold:

- to provide sufficient information on the quantity of works to enable bids to be prepared efficiently and accurately;
- to provide a priced BOQ for use in the periodic valuation of works executed once a contract has been signed.

In order to meet these objectives, works should be itemized in sufficient detail in the BOQ to distinguish between the different classes of works, or between works of the same nature constructed in different locations. IFAD does not have a prescribed layout or form for the BOQ, as there is too much variation among borrower/recipient countries and their respective BOQs. However, the general rule is that any BOQ should be as simple and brief as possible.

For admeasurement contracts, bidders are required to price the BOQ in their tenders, and the priced BOQ becomes part of the contract. Payment is based on the rates in the priced BOQ but uses the actual quantity of materials used, which is measured by the customer¹² on a regular basis.

5. Activity schedule

For lump sum contracts, an activity schedule should be prepared and included in the bid solicitation document.¹³

Bidders are required to tender a lump sum price, based on the activity schedule. The successful bidder's tender price becomes the contract price. Contrary to an admeasurement contract, the actual work performed will not be remeasured for payment purposes; therefore, the price breakdown in the activity schedule is used only for contract variations.

The aim of the activity schedule is to provide a breakdown of the activities and their associated cost on a lump sum basis. The breakdown is intended to be used:

- as the basis for certifying any interim payment to the supplier;
- to assist in valuing any ordered variations.

The works should be broken down by the nature of each activity by location. The procuring entity will have to determine the degree to which the works need to be broken down by complexity of the work and the stated completion time.

Schedules can be provided for each discrete element of the works. If the works require the provision of plant and equipment, separate schedules for the supply of only the plant and only the equipment may be provided.

As with the BOQ, the activity schedule should be as simple and brief as possible.

¹² Usually by a quantity surveyor employed directly by the customer for this purpose.

¹³ See Module H2.

6. Required completion schedule

The completion schedule should specify the completion period and site for each part of the works. When preparing the completion schedule, it is necessary to ensure that the completion periods are realistic. Unrealistically short completion periods may result in restricted competition or may prompt complaints from prospective bidders.

There are a number of ways to express delivery and completion periods. Usually:

- A specific date (i.e. 30 June). This should only be used when time is the primary driver and no delay can be tolerated. This may apply in circumstances such as construction for specific and immovable events (the Olympic Games, for example); or
- A period of time given in days, weeks or months from the date of contract award.

7. Overall scope of works

The scope of works should provide:

- a description of the works;
- approximate quantities of major items;
- background and the aim of the works, where appropriate;
- the objectives of the works required, where appropriate.

The scope of works will normally form the first part of the statement of requirements but will need to be developed as the last part, once approximate quantities, etc. are known. A description of approximately 1-2 pages is appropriate for most contracts.

8. Supervision requirements

The scope of works should provide:

- (i) details of the supervision that will be exercised over the works, including the name of the supervisory organization and level of supervision;
- (ii) details of the management reporting arrangements;
- (iii) details of other administrative arrangements required for the works and the eventual contract.

9. Inspection and testing requirements

Consideration should be given to how the final completion will be assessed and verified to meet the contractual standard. This is usually done through inspection and testing requirements. Although the specific level of inspection and testing will depend on the type, scale, value and complexity of the works, it is important to include any such requirements in the statement of requirements so that bidders are aware it will be conducted. The two primary issues to mention are:

- (i) details of the specific inspection requirements for the works, including, where appropriate, the name of nominated inspectors and a summary of their scope of services;
- (ii) details of the specific testing requirements for the works, including, if appropriate, the name of the specific test to be performed and the name of the nominated testing laboratory/organization.

10. Common problems leading to the cancellation, delay, or recommencement of procurement

A number of areas in the preparation of statements of requirements can cause problems during tendering that can result in the cancellation, delay or recommencement of procurement. The most common are:

- over-specification that restricts competition;
- unrealistic completion periods;
- ill-defined specifications/BOQs that result in a number of widely varying tenders that are hard to evaluate.

11. Summary

When preparing statements of requirements for works:

- take the basic description of the works from the procurement plan;
- appoint a technical specialist;
- prepare the drawings and specifications for the works;
- decide on whether the most suitable contract type is admeasurement or lump sum (see Module J2);
- prepare a BOQ or activity schedule, as required;
- prepare the required completion schedule;
- prepare an overall scope of works, which will form the first part of the statement of requirements;
- consider supervision requirements, working relationships and other administrative arrangements;
- determine inspection and testing requirements;
- be aware of common mistakes and try to avoid them.

Module E3: Statements of Requirements (Terms of Reference) for Services

Purpose:

The statement of requirements is a key document used throughout the procurement process to:

- inform prospective bidders of the procuring entity's requirements through its inclusion in the procurement document or the request for proposals;
- provide the basis for evaluating non-consultancy tenders or consultancy proposals;
- form part of the contract, defining the services to be supplied;
- set the technical standard for the deliverables for assessment of the quality and timeliness of the services performed prior to acceptance.

A statement of requirements for services is generally known or referred to as the terms of reference (ToR).

This module provides best practice advice on how to prepare ToRs for consulting and non-consulting services and the issues that need to be considered. It is neither designed nor intended to be exhaustive but to serve as a general guide to this process.

1. Differences between consulting and non-consulting services

"Services" is a general term that can be used to describe either consulting services or non-consulting services which are services of a physical nature with measurable outputs like cleaning, transportation and security services etc. They can be grouped as follows:

- (i) "Consulting services" are intellectual or advisory in nature and provided by a qualified expert in a particular field or profession. The consultant can either be an individual or a consulting firm. Consulting services are often short-term and consist of intellectual work for specialized tasks, such as:

Engineering design or supervision	Financial services
Architecture	Procurement services
Quantity surveying	Training and capacity-building services
Accountancy	Policy studies
Auditing	Marketing

- (ii) "Non-consulting services", in contrast, are services provided by a company or individual for work of a physical nature with clearly measurable outputs. The term "service provider" is often used to describe a firm or individual that provides a non-consulting service.

Some examples of non-consulting services are:

Catering services	Security services
Cleaning services	Driving services
Maintenance/repair services	Gardening services

2. Writing a ToR

The ToR must provide complete information that will enable the consultants and service providers to understand the services required by the procuring entity in a clear and comprehensive manner. A well-prepared ToR will facilitate the preparation of proposals by the consultants and service providers and the evaluation of the proposals by the procuring entity.

The contents of the different sections of a ToR will be determined by the individual assignment but should generally include the information in the following table, where applicable.

Non-consulting services	Consulting services
<p>A short narrative (1-2 page) indicating why the services are required</p>	<p>A short (1-2 page) narrative to introduce the assignment, including details about the larger project that the assignment will be part of</p>
<p>A high-level statement from the project authorities of what the activity or assignment is expected to achieve.</p>	
<p>Scope of work</p> <p>The scope must be as detailed as possible to enable consultants and service providers to understand the needs of the assignment/work but must not be overly prescriptive. It is important to ensure that the required scope is consistent with any budgetary constraints.</p>	
<p>The actual duties/tasks to be performed or a description of the scope of the services required.</p>	<p>The actual scope of the services required or a list of specific tasks/ deliverables required, such as a study, report, software, databases, bidding documents, drawings, specifications, maps, software, training materials, etc.</p>
<p>Skills and knowledge of consultant/service provider</p> <p>Qualifications (skills and knowledge) of consultant/service provider's team.</p> <p>This is a key aspect of the ToR, as the skills, knowledge and experience of the consultant/service provider are critical for successful implementation of the assignment/services. It is important to ensure that:</p> <ul style="list-style-type: none"> - there is a balance between the academic qualifications (theory) and practical experience (practice) of the consultants being hired; - the qualifications/experience required are consistent with the available budget; - the specified requirements are realistic and do not intentionally or unintentionally overly restrict competition. 	
<p>The role, qualifications and experience of any key staff required. "Key staff" generally includes the staff who do the work and their supervisors.</p> <p>This would include issues such as:</p> <ul style="list-style-type: none"> - professional qualifications/training (i.e. catering certificates, security training); - years of practical experience with similar assignments; - local knowledge (useful for issues such as catering, driving and gardening); and - an estimate of the required numbers of service provider's staff. 	<p>The role, qualifications and experience of the key consultant(s) required. "Key consultants" are the people who specifically perform the work. This would include issues such as:</p> <ul style="list-style-type: none"> - academic qualifications; - years of practical experience with similar assignments; - knowledge of the country, region, sector; - language proficiency. <p>It is useful to state whether a single consultant or a team is needed. If the latter, an indicative team composition is useful.</p>
<p>Level of input</p> <p>The duration of the contract or expected completion date.</p> <p>The work hours when the service provider will have access to the site/premises.</p>	<p>The period of the assignment and expected completion dates. If a completion date is not flexible and cannot be exceeded, it must be clearly stated.</p>
<p>If the scope of the services cannot be precisely defined (e.g. vehicle repair services for 50 vehicles for a one-year period), an estimate of the amount of services to be provided weekly or monthly is to be provided based on historical records.</p>	<p>The number of person-day inputs (or person-months) is specified as an estimate, depending on the type of assignment. In fixed budget selection the available budget is indicated instead.</p>

Non-consulting services	Consulting services
Location	
The location(s) or premises where the services will be provided (e.g. indicate the address).	The location where the assignment will be performed (if applicable).
Schedule of deliverables and reports	
Details of the expected standards, quantifiable service/performance levels (i.e. offices cleaned daily, repairs to be made within X days) and any reports that may be required in the contract.	Details of required outputs or reports, including dates for inception, progress and final reports.
Facilities or services to be provided by the client	
It is important for any statements of services or staff to be provided to be honoured; to do otherwise could constitute a breach of contract.	
Any facilities, services or resources to be provided by the procuring entity (i.e. offices, utilities, storage rooms, counterpart staff, etc.)	Any facilities, services or resources to be provided by the procuring entity (i.e. office space, vehicles, access to databases, communications, documents, counterpart staff).
Institutional and organization arrangements	
Arrangements for (management) reporting to the procuring entity, including lines of communication and the contact point(s) for management and administration of the assignment.	Arrangements for management reporting to the procuring entity, including lines of communication and the contact point for management of the assignment.
Other potential inclusions	
Inspection or quality-testing requirements or other indicators/definitions of successful performance e.g. user satisfaction surveys.	Details of indicators of successful performance.
Any particular equipment or resources to be provided by the supplier (e.g. security screening equipment for a building security contract).	Requirements for knowledge transfer or training programmes.
Any other details or requirements relevant to the assignment.	Any other details or requirements relevant to the assignment.

When writing, reviewing or approving a ToR, it is important to consider the following:

- **What is the expected outcome?**
What would change, gets improved, done or achieved as a result of this ToR?
- **What will success look like?**
Having determined the expected outcome, how will we know if it has successfully been achieved? What are the required quality standards?
- **Are the deliverables quantifiable?**
In attempting to ascertain success, are the deliverables as defined in the ToR aligned with achieving the expected outcome and are they measurable?
- **What skills are needed?**
In order to deliver the expected outcome, what specific skills and knowledge are needed? Is experience more important than academic qualifications or vice versa?
- **How long will it take to accomplish?**
It is often easy to underestimate how long it may take to complete the work. This is particularly true if the ToRs are for consulting services and there is an element of familiarization or background research to be done.
- **Are there any specific constraints to completing the work?**
Is there anything that may prove an obstacle to successful completion? Some common problems in this regard are the availability of counterpart funds or approvers of outputs, restricted access to facilities or equipment, etc.

Also, is there anything that the client is providing that needs to be procured or organized before services can commence? (e.g. vehicles, office equipment, additional keys, security passes).
- **How will monitoring data be gathered during implementation?**
It is good practice to regularly monitor compliance with the contract throughout its lifetime (see Module P). In order to do so, thought should be given to what mechanisms can be included in the ToR to allow for interim monitoring. This can usually be done through mechanisms such as progress reports, inception reports, defined milestones or progress meetings.
- **Will these ToRs deliver the results?**
As a final check, it is useful to consider whether the written word in the ToR conveys the nature and type of results expected from the work. If not, then revisit the ToR.

3. Who should write a ToR?

It is the borrower's/recipient's responsibility to prepare the initial draft ToR.

It is preferable that a ToR be authored by technical experts, with the support of personnel knowledgeable about local conditions and needs. If the borrower/recipient lacks in-house technical expertise, it should seek technical support from external sources such as other government bodies or external technical experts.

IFAD's role in ToR development is limited to its review of the ToR as part of any prior review of the request for proposals document.

4. Use of standard/previous ToR

ToR preparation requires professional expertise and needs to be customised to suit the particular assignment. Unlike specifications for goods or works, it is not very common for a national procurement system or specific government ministries or agencies to have a standardized ToR.

Where they do exist, standardized ToRs can be useful time-saving tools but must be customised carefully. There are two kinds of standardized ToR, each with very different characteristics.

- (i) The first kind consists of national or corporate standards for the purposes of **standardization**. They are usually issued by a central authority and prescribe mandatory minimum standards. They may exist for very uniform, commonly procured services that are unlikely to change over time (e.g. audit and security services);
- (ii) The second group consists of previously used ToRs that can be used as **generic templates** and serve as the starting point for a more specific ToR that reflects the specific needs of the service required. As every procurement activity is unique, it should not be assumed that a previous ToR for a similar service is appropriate in its entirety – indeed, it is extremely rare for this to be true, since lessons learned from previous experiences should be included in the ToR as part of a continuous improvement process.

When using an existing/previous/standardized ToR, it is imperative to know the history of the template to ensure that it includes all the aspects listed in section 2 and to ensure that it is relevant to the assignment at hand.

5. Common problems leading to the cancellation, delay or recommencement of procurement

A number of areas in the preparation of a ToR can cause problems during the competition and cause it to be cancelled, delayed or recommenced. The most common are:

- inconsistencies or contradictions between different sections of the ToR;
- ambiguity in the ToR, leading to the receipt of widely varying proposals that are hard to evaluate;
- an over-prescriptive ToR that does not allow bidders to present their own solution, approach or methodology;
- unrealistic scope of work for the time frame;
- unintended stipulations in the qualifications or experience that restrict competition;
- the omission of any information essential to the process of compiling a proposal.

6. Summary

When preparing a ToR, it is important:

- to know whether it is for a consulting or non-consulting service;
- to be aware of any mandatory standard ToR that may have to be used often in audit assignments;
- not to forget that each assignment is unique, so that previous specifications or generic templates are used only as a starting point and guide;
- to prepare the ToR by including all relevant information, as shown previously;
- to obtain input from external specialists if the knowledge for preparing the ToR does not exist in-house;
- to review the draft ToR to consider whether it is likely to achieve the desired outcomes and objectives;
- to be aware of common mistakes and try to avoid them;
- always to seek advice or guidance when in doubt.



Procurement and Selection Methods

MODULE F: PROCUREMENT AND SELECTION METHODS

Module F1: Procurement Methods for Goods, Works and Non-consulting Services

Module F2: Selection Methods for Consulting Services

MODULE G: IDENTIFYING SOURCES OF SUPPLY

Module F: Procurement and Selection Methods

Purpose:

Deciding on a procurement method is often considered the key decision in the procurement planning process and is one of the compulsory elements of the annual procurement plan (see Module C).

Many methods and certain circumstances are particularly appropriate to each procurement method for goods, works and non-consulting services, and the selection method for consulting services. The right choice of procurement method at the start of the procurement activity is therefore important to the success of the exercise. The wrong decision could adversely affect the bidding process.

IFAD recognizes the two-envelope process for goods and works and accepts its use if stipulated in the respective national systems.

This module gives borrowers/recipients advice for making an informed decision about the most appropriate procurement method for each circumstance.

Module F1: Procurement Methods for Goods, Works and Non-consulting Services

1. Overview: Methods for goods and works

Individual countries, development organizations and financial institutions use a number of different methods and processes and differing terminology for procurement. Notwithstanding, the methods adopted or preferred by most countries/development organizations/financial institutions have certain general characteristics.

The methods most commonly known and used for goods and works procurement, and those as defined in the IFAD Project Procurement Guidelines, are:

documents without deviating from the instructions to bidders or the general conditions of the contract.

- (iv) Bidders are required to submit bids valid for the period specified in the bidding documents, which shall be sufficient to enable the borrower/recipient first to complete the comparison and evaluation of bids and, second, to obtain all the necessary internal approvals as well as IFAD's no objection (NO) in case of prior review contracts. To achieve this, all bids under ICB shall be valid for a period of no less than 120 days.

Table 1

Procurement Method	Alternative terminology
International competitive bidding	Open competitive tendering (or bidding)
Limited international bidding	Restricted tendering (or bidding)/limited tendering (or bidding)
National competitive bidding	Open competitive tendering (or bidding)
National/international shopping	Requests for quotations
Direct contracting	Single sourcing/sole sourcing

2. International competitive bidding (ICB)

- (i) ICB is the most competitive and transparent, therefore, the preferred procurement method. Other methods exist only because ICB cannot always be used. ICB is used for procurements with the highest monetary threshold.
- (ii) Invitations to pre-qualify (where pre-qualification is being done) or bid shall be advertised as specific procurement notices in at least one newspaper with national circulation in the borrower/recipient country and published on the United Nations Development Business website and on the IFAD website. Notification shall be made in sufficient time to enable prospective bidders to obtain pre-qualification or bidding documents and prepare and submit their responses. ICB opportunities are advertised for a period of no less than 45 days.
- (iii) Borrowers/recipients shall use the appropriate IFAD standard procurement

- (v) Bid security may be required for ICB. When used, the bid security shall be in the amount and form specified in the bidding documents and shall remain valid for a period sufficient to give the borrower/recipient reasonable time to act if the security is to be called (generally four weeks beyond the validity period for the bids). Bid securities should be established in specific amounts, not percentages. Bid securities shall be released to unsuccessful bidders once the contract has been signed with the winning bidder. Alternatively to a bid security, the borrower/recipient may require bidders to sign a declaration stating that if they withdraw or modify their bids during the validity period or they are awarded the contract and fail either to sign it or to submit a performance security before the deadline set in the bidding documents, the bidder will be suspended from eligibility to bid on any contract with the entity that invited the bid for the period specified in the bidding documents.

- (vi) Borrowers/recipients should give bidders enough time and opportunity to seek clarifications on the bidding document. The bidding document should state the deadlines for the submission of clarification requests and the deadline for the borrower's/recipient's responses to those requests. A **pre-bid conference** may be held, in which the borrower/recipient explains the nature of the ICB and bidders ask questions. The borrower/recipient is free to respond to those questions during the conference or defer answering them. Whether or not the borrower/recipient chooses to answer these questions during the conference, it shall **issue a question and answer (Q&A) document to all bidders** who have requested and received the bidding document, providing the responses to all the questions asked. The Q&A document shall not indicate the source of the questions, only the questions and responses.
- (vii) Bidders shall submit their bids (using the forms presented in the bidding document) by the bid submission deadline. Late bids will not be accepted under any circumstances. The borrower/recipient shall publicly open each bid and read the relevant contents. No evaluative statements shall be made during the bid opening.
- (viii) Evaluation of the bids should commence soon after bid opening. An evaluation report is prepared at the completion of bid evaluation and submitted for internal approval by the authorised person in the borrower's organisation.
- (ix) Bidders are notified of the outcome of the procurement after the evaluation report is internally approved in the case of contracts subject to post review or after securing IFAD's NO in the case of contracts subject to prior review. The notification to the bidders shall be through a notice of intent to award (NOITA). A bidder may request a debrief and/or submit a protest upon receipt of the NOITA (see Module M for more information). An award is made to the lowest evaluated responsive bidder once all protests and/or appeals have been resolved.
- (x) In order to reject all bids, the borrower/recipient must seek IFAD no objection (NO).

3. Limited international bidding (LIB)

LIB is essentially ICB by direct invitation without open advertisement. It may be an appropriate procurement method when (i) when the number of suppliers is limited, or (ii) other exceptional circumstances justify departure from full ICB procedures. Under LIB, borrowers/recipients shall solicit bids from a list of potential suppliers broad enough to ensure competitive prices; this list shall include all suppliers when there is only a limited number. **Domestic preference is not applicable in the evaluation of bids under LIB.** In all respects other than advertisement and preferences, ICB procedures shall apply, including publication of the award of contract.

4. National competitive bidding (NCB)

NCB is a scaled-down version of ICB designed for national use with procurements that are unlikely to attract foreign competition due to their nature or scope. NCB may be the most appropriate procurement method when foreign bidders are not expected to be interested because (i) of the size and value of the contract, (ii) the works are spread out geographically or over time, (iii) the works are labour-intensive, or (iv) the goods, works and non-consulting services are available locally at prices below the international market price. NCB procedures may also be used in cases where the advantages of ICB are clearly outweighed by the administrative or financial burden involved.

NCB shall be advertised in at least one newspaper with wide national circulation. NCB opportunities are advertised for a period of no less than 30 days. Under NCB, all bids shall be valid for a period of no less than 90 days.

The currency of the procurement can be limited to the national currency of the borrower/recipient; however, if foreign firms wish to participate in NCB, they shall be allowed to do so under the prevailing NCB terms and conditions applicable to national bidders.

5. Shopping

Shopping is a procurement method based on a comparison of price quotations from several suppliers (in the case of goods), several contractors (in the case of civil works) or service providers (in the case of non-consulting services) to ensure competitive prices and is an appropriate method for procuring limited quantities of readily available off-the-shelf goods, low-value standard specification commodities or simple low-value civil works, when cost and efficiency considerations do not justify more competitive methods.

Under shopping, the borrower/recipient is free to invite as many bidders as is practical but shall receive **no less than three quotations** by the submission deadline. The borrower/recipient must seek IFAD's NO to proceed to evaluation where fewer than three quotations are received.

Requests for quotations shall include a description of the goods or works, as well as the quantity or specifications, as appropriate, and the desired delivery (or completion) date and place. Quotations may be submitted by mail, fax, or electronic means. The evaluation of quotations shall follow the same principles as open bidding. The terms of the accepted offer shall be included in a purchase order or brief contract.

6. Direct contracting

Direct contracting is contracting without a competition (single-source) and may be used in exceptional circumstances such as those listed below. A sufficiently detailed justification shall be submitted to IFAD to obtain its NO and shall include the rationale for the choice of direct contracting instead of competitive procurement and the basis for recommending a particular firm in all such cases. Direct contracting could be justified under any of the following circumstances:

- (a) An existing contract for goods, works or non-consulting services awarded through procedures acceptable to the Fund may be extended for additional goods, works or non-consulting services of a similar nature. IFAD shall confirm that no advantage could be obtained from further competition, that the prices on the extended contract are reasonable and that the monetary addition to the contract does not exceed 10 per cent of the original contract value. Provisions for such an extension, if deemed likely in advance, shall be included in the original contract;

- (b) The need to standardize equipment or obtain spare parts compatible with existing equipment may justify additional purchases from the original supplier. For these purchases to be justified, the original equipment must be suitable, the number of new items shall be less than the existing number and the price must be reasonable;
- (c) The required equipment is proprietary and obtainable from only one source;
- (d) The contractor responsible for the process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee;
- (e) Procurements of low value as agreed with IFAD and as defined in the letter to the borrower;
- (f) In other exceptional cases, such as the response to natural disasters

Lack of time to conduct a competitive procurement is not an acceptable justification for direct contracting.

7. Force account work

Force account work (such as construction, equipment installation and non-consulting services) is work performed by a government department in the borrower/recipient country using its own personnel and equipment. In certain circumstances, this may be the only practical procurement method. The force account method requires the borrower/recipient to set maximum aggregate amounts for use of the method, for which IFAD shall give its NO, and apply the same rigorous quality checks and inspection as for contracts awarded to third parties. Use of the force account method shall be justified and may be used, subject to IFAD's NO, only under any of the following circumstances:

- (a) the quantities of construction and installation works involved cannot be determined in advance;
- (b) the construction and installation works are small and scattered or located in remote areas where qualified construction firms are unlikely to bid at reasonable prices;
- (c) the construction and installation works must be undertaken without disrupting ongoing operations;

- (d) specialized non-consulting services, such as aerial surveys and mapping, can be provided only by specialized branches of the government as a matter of law or official regulations in the borrower/recipient country for considerations such as national security; or
- (e) urgent repairs requiring prompt attention to prevent further damage, or works to be undertaken in conflict zones where private firms may not be interested.

8. Procurement of commodities

The market prices of commodities such as grain, animal feed, cooking oil, fuel, fertilizer and metals fluctuate according to supply and demand at any given moment. Many are quoted in established commodity markets. Procurement often involves multiple awards for partial quantities to guarantee a secure supply. Multiple purchases over a period of time take advantage of favourable market conditions and allow inventories to be kept low. A list of pre-qualified bidders may be drawn up, with periodic invitations extended to its members. Bidders may be invited to quote prices linked to the market price at the time of or prior to shipment. Bid validities shall 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 shall be specified in the bidding document. Bidding documents may permit faxed or electronically submitted bids, and in such cases, either no bid security is required or standing bid securities have been submitted by pre-qualified bidders. Standard contract conditions and forms consistent with market practices shall be used.

9. Procurement from United Nations agencies

There may be situations in which specific goods, works and services may be directly procured from United Nations agencies. In this case, their own procurement procedures are to be followed. Likely cases include the procurement of:

- (a) small quantities of off-the-shelf goods, primarily in the fields of education and health;
- (b) health-related goods for the treatment of humans and animals, including vaccines, drugs and pharmaceuticals, preventive health and contraceptive devices, and biomedical equipment, when: (i) the number of suppliers is limited; (ii) the United Nations agency is uniquely or exceptionally qualified to procure such goods and related incidental non-consulting services (if applicable); and (iii) the borrower/recipient uses the standard form for an agreement between a borrower/recipient and a United Nations agency for the procurement of supplies and the provision of certain services agreed to by IFAD;
- (c) low-value contracts for simple works when the United Nations agencies act as contractors or directly hire small contractors and skilled or unskilled labour; or
- (d) goods, services or works in exceptional cases, such as natural disasters and emergencies declared by the borrower/recipient and recognized by IFAD.

Table 2 sets out the general applications or circumstances thought to be most appropriate for each procurement method, together with an indication of the time frame likely to be required. It should be noted that, for the purposes of consistency, the terminology used in Table 2 is the same as that in column one of Table 1.

Table 2

Procurement method	Basic Description	Suitable Applications	Characteristics	Indicative time frame for each method
MOST COMMON METHODS				
ICB	The default procurement method for goods and works in the international market with open competition	<ul style="list-style-type: none"> • High-value contracts for goods and works • Foreign bidders are considered likely to want to participate • The goods or works to be procured are widely available 	<ul style="list-style-type: none"> • Open advertising • Domestic preference can apply • Public bid opening • Bids generally in “major” currencies • Could be dual-envelope 	<ul style="list-style-type: none"> • Works with pre-qualification: 16-20 months • Works without pre-qualification: 8-12 months • ICB for goods: 8-10 months
LIB	As per ICB, but by direct invitation instead of open advertising	<ul style="list-style-type: none"> • Only a few suppliers are known to supply the desired good or works. In such a case, all should be permitted to bid • Low value • Exceptional circumstances, such as emergency action involving a major natural disaster, which may justify waiving any advertising for competitive bids 	<ul style="list-style-type: none"> • No public advertising • Bid list is restricted • No domestic preference • Public opening 	Goods: 4-6 months
NCB	Usually the most common process used in the domestic market. A full tendering process in which the opportunity to submit bids/tenders is announced only to the national marketplace	<ul style="list-style-type: none"> • The goods or works are available locally at prices significantly below those of the international marketplace • It is the most efficient and economical way to procure goods or works that, by their nature or scope, are unlikely to attract foreign competition • The likely value of the contract is below the minimum level at which foreign bidders wish to compete for such business, given the capabilities and competitiveness of local bidders • Works are spread out geographically or over time in a way that upsets economies of scale • The cost of implementing ICB is disproportionately high 	<ul style="list-style-type: none"> • Advertising usually restricted to the national press • Bidding documents may be in the official language of the borrower/recipient country • Local currency generally used for evaluation • Public opening • Could be dual-envelope 	Goods: 5-6 months

Procurement method	Basic description	Suitable applications	Characteristics	Indicative time range for each method
MOST COMMON METHODS				
National / International Shopping	Comparison of price quotations from at least three companies	<ul style="list-style-type: none"> Goods required are readily available off-the-shelf or are relatively inexpensive standard commodities Works with a simple and straightforward scope 	<ul style="list-style-type: none"> No advertising No public opening "Price quotations" instead of "bids" 	<ul style="list-style-type: none"> Goods: 2-4 months Works: 2-6 months
Direct contracting	Contracting to a single company without competition	<ul style="list-style-type: none"> Where an extension to an existing contract for goods or works is required under 10% in value Where the equipment required is proprietary, there is only one source and no alternative There is a need for compatibility between spare parts and existing equipment (standardization) Emergencies in which rapid delivery is required 	<ul style="list-style-type: none"> Price negotiation Its use generally requires special permission/waiver due to lack of competition 	<ul style="list-style-type: none"> Goods and works: 1-3 months
OTHER METHODS				
Procurement from Commodity Markets	Procurement of goods from commodity markets	<ul style="list-style-type: none"> Any product bought and sold on the commodities market (e.g. oil, metals, grains) 	<ul style="list-style-type: none"> Short bid validity Single (market) currency for bid and payment Awards can be divided among providers to ensure receipt of the full quantity of the order 	Can be as short as a few weeks
Force account work	Use of the borrower's/ recipient's own personnel and equipment to perform construction work	<ul style="list-style-type: none"> Where works quantities are difficult to define. Small scattered works in remote locations No disruption of ongoing operations Emergencies requiring swift reaction 	<ul style="list-style-type: none"> The value of input can be hard to quantify No competition or procurement process 	
Procurement from United Nations agencies	Procurement of specific goods, works and/or services from specialized United Nations agencies	<ul style="list-style-type: none"> Small quantities of off-the-shelf goods, primarily in the fields of education and health Specialized products where the number of suppliers is limited, such as for vaccines or drugs 	<ul style="list-style-type: none"> No advertising No competition Use of United Nations agency rules and procedures 	Depends on the product

Module F2: Selection Methods for Consulting Services

1. Quality- and cost-based selection (QCBS)

This is considered the standard (or “default”) method of selection for most consulting services and should be used when:

- a compromise between quality and cost is favoured;
- the scope of work of the assignment can be precisely defined and the terms of reference (ToR) are well-specified and clear;
- the client and the consulting firm can estimate with reasonable accuracy the needed level of effort (key staff working time), as well as other associated inputs and costs to the consultancy.

The technical and financial aspects of each proposal received are assessed and scored on a scale of 100 points. During final evaluation¹⁴ however, the respective technical and financial scores are adjusted by applying the weighted percentage stated in the request for proposals (RFP) before being combined into a total score.

The best compromise between the technical quality and cost of the services is often achieved by allocating 70–80 per cent of the total points to the technical features of the proposal and 20–30 per cent to the financial score. **Whatever ratio is decided, it is imperative that it be clearly declared in the RFP** so that bidders are aware of the weighting to be applied and can factor it into the preparation of their proposal.

The main technical evaluation criteria (or “primary criteria”) must also be specified in the RFP. These should include:

- relevant experience in similar assignments;¹⁵
- the quality of the methodology proposed;

- the minimum expected qualifications and experience of the key staff proposed.

Subject to the nature of the assignment, they may also include:

- provisions for training/capacity-building of local staff;¹⁶
- the extent of participation by nationals among key staff in the assignment.¹⁷

Once the criteria have been selected, 100 points are divided among the above mentioned technical criteria relative to their importance to the assignment. **These points must also be declared in the RFP.**

The following table provides an example of a typical point distribution. Note that this is merely an indicative example, and each case will need to be considered in relation to the criteria selected and the specific circumstances of the assignment.

Primary criteria:	Usually
Specific relevant experience ¹⁸	0 to 10 points
Responsiveness to the ToR and proposed methodology	20 to 50 points
Key personnel ¹⁹	30 to 60 points
Training	0 to 10 points
Participation by nationals	0 to 10 points
Total	100 points

The total **must** add up to 100.

As these primary criteria are rather wide-ranging, they should be divided into **sub-criteria** to (i) emphasize the important components of the criteria, and (ii) increase accuracy and comparability among different evaluators and constraining their subjective judgements.

14 See Modules K6 and K7 for information on the evaluation of consulting services, and K8 for non-consulting services.

15 The points awarded for experience can be low if this criterion has already been taken into account when shortlisting the bidders.

16 Knowledge transfer may be the main objective of some assignments; in such cases, it should be given greater weight to reflect its importance.

17 As reflected by national consultants in key staff presented by foreign and national firms.

18 The points awarded for experience can be low if this criterion has already been taken into account when shortlisting the bidders.

19 Only key personnel should normally be evaluated, since they will determine the quality of performance. More points should be awarded if the proposed assignment is complex.

Each sub-criterion has its own maximum score. The sub-scores are combined into the total score for the primary criteria. The number of sub-criteria should be kept to the basic minimum (usually not more than 3) and may not need to be disclosed in the RFP depending on the procuring entity's policy. Beware, however, of having too many sub-criteria, since this may render the evaluation process more of a mechanical exercise rather than a substantive evaluation.

Some examples of the primary criteria shown in the table above are:

- **Responsiveness to ToR and adequacy of the proposed implementation methodology:** if 40 points were awarded in total, they could be divided into:
 - Degree of innovation = 25 points
 - Level of detail = 10 points
 - Proposed workplan = 5 points
 thus placing greater emphasis on an innovative technical proposal and less on the workplan.

Note, however, that these are the total points available for these sub-criteria. The points then need to be apportioned across the key personnel to show the maximum amount of points available for each person. In a scenario where three key personnel may be required for the assignment, the apportioning of points may be as follows:

- Team leader = 50%²³
 - Specialist 1 = 30%
 - Specialist 2 = 20%
- This informs bidders that the "team leader" is considered a highly important position for this work and that "specialist 1" is considered slightly more important than "specialist 2". It also clarifies the maximum number of points available for allocation to each individual position as follows:

The RFP must also specify the **minimum qualifying technical score** for a technical proposal to proceed to the financial evaluation. The minimum qualifying score is usually 70 per cent.

Position	Percentage points	Sub-criteria			Maximum score
		General qualifications (10 points)	Suitability for assignment (15 points)	Regional / national experience (15 points)	
Team Leader	50	10x50% = 5	15x50% = 7.5	15x50% = 7.5	20
Specialist 1	30	10x30% = 3	15x30% = 4.5	15x30% = 4.5	12
Specialist 2	20	10x20% = 2	15x20% = 3	15x20% = 3	8

- **Key personnel:** it is normal to use sub-criteria for key staff to evaluate their qualifications, technical experience, national/regional knowledge or experience and, if relevant, language proficiency. If 40 points were also awarded to this primary criterion, they could be divided as follows:
 - General qualifications²⁰ = 10 points
 - Suitability for the assignment²¹ = 15 points
 - Experience in the country/region²² = 15 points
 thus yielding a fairly balanced point spread among the sub-criteria.

Finally, in addition to specifying the weighting for technical and financial scores, the RFP must indicate the **formula** for awarding points for each proposal price. The lowest-priced proposal commonly receives 100 points, while the points for the other proposals are inversely proportional to the price of the lowest proposal i.e. obtained the following formula:

$$\text{Final score} = \frac{100 \times Fz}{Fy}$$

Where Fz = Lowest-priced proposal and
Fy = Price of proposal being evaluated

20 Issues such as general education and training, professional qualifications, length of experience, positions held.

21 Specific experience relevant to the assignment in the sector, field, subject, process or activity.

22 Knowledge of culture, administrative systems, government organizations and structures, etc.

23 As the primary team member, the team leader should usually be awarded more points than any other team member. The exception is when the performance of another key specialist in a team is more critical to the assignment; in that case, more points should be awarded for this person to reflect their importance in evaluation.

The application of the evaluation criteria, awarding of merit points and calculation of the technical and financial scores are covered in Module K.

The standard procedures for correcting arithmetical and other errors in proposal prices will apply to adjust the proposal price before the scores are calculated for each proposal.

In summary, when preparing the evaluation criteria for QCBS, the steps to be taken are:



2. Quality-based selection (QBS)

QBS may be appropriate for complex or highly specialized assignments, or those focusing on innovations for which the best available expertise is required without considering the price. For example:

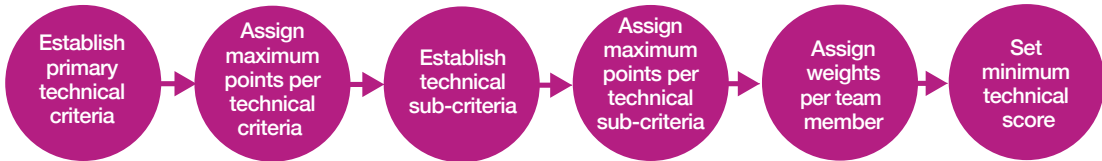
- In cases where it is hard to develop precise ToR for the consulting firm and for which the client is looking for innovation in the received proposals (i.e. country economic or sector studies, multisector feasibility studies, design of a hazardous waste remediation plant or urban master plan, financial sector reforms);
- Assignments with a long-term impact, where the objective is to have the best available experts (for example, feasibility and structural engineering design of major infrastructure such as large dams, policy studies of national significance, management studies of large government agencies);
- Assignments that can be carried out in very different ways, and proposals may therefore not be directly comparable (for example, management advice or policy studies in which the value of the services depends on the quality of the analysis).

When using QBS, most of the steps in preparing the evaluation criteria are the same as for QCBS, the primary difference being that there is no requirement to provide weighting for financial and technical scores, as the award is based purely on the highest technical score.

Other specific aspects of QBS are:

- The RFP must not indicate the estimated budget but may provide the estimated number of key staff and time (level of effort), stating that this information is indicative only and that the consulting firm is free to propose its own staff time estimates.
- The RFP may require submission of a technical proposal only (without a financial proposal), or request submission of both technical and financial proposals at the same time, but in separate envelopes (two-envelope system). Only the financial envelope of the highest-ranked technical proposal is opened. If technical proposals only are invited, after evaluation of the technical proposals, the consulting firm with the highest-ranked proposal will be invited to submit a detailed financial proposal.
- The procuring entity and the consulting firm shall then negotiate the financial proposal and the contract.

In summary, when preparing the evaluation criteria for QBS, the steps to be taken are:



3. Fixed budget selection (FBS)

FBS is used when:

- the assignment is simple;
- it can be clearly defined;
- the budget for the services is strictly limited.

It is often used for clearly defined and simple assignments when available budget is fixed and with no room for financial flexibility.

Bidders are invited to submit their best technical proposal within the fixed budget price, and the contract will be awarded to the highest-scoring technical proposal within that budget.

When using FBS, most of the steps in preparing the evaluation criteria are the same as for QCBS, the primary difference being that there is no requirement to provide weighting for financial and technical scores, as the award is based purely on the highest technical score within budget.

Other specific aspects of FBS are:

- The RFP **must** indicate the available budget and request consulting firms to provide their best technical and financial proposals within the stated budget in separate sealed envelopes.
- Because the budget is fixed, the ToR must be carefully prepared to ensure that it and the budget are consistent and realistic so that the consulting firm can perform all the expected tasks. See Module E3 for advice on preparing ToRs.
- Technical proposals will be evaluated, and consultants who achieve the minimum technical score will be invited to a public opening of their financial envelopes.
- Consultants whose technical proposals fail to obtain the minimum technical score will have their financial envelopes returned unopened.
- Any financial proposals that exceed the indicated budget shall be rejected.
- The consulting firm that has submitted the highest-ranked technical proposal within the the indicated budget will be selected for contract award.

In summary, when preparing the evaluation criteria for FBS, the steps to be taken are:



24 See Module D1 for more information on the drivers of procurement.

4. Least-cost selection (LCS)

LCS is appropriate when selecting consulting firms for routine low-value services such as simple engineering design or supervision, where well-established practices and professional standards exist. There may also be budgetary constraints or pressures that necessitate having cost as the main driver²⁴ for procuring certain services.

Technical proposals are examined to ensure that they obtain a specified minimum technical score, and the bidder with the lowest-priced tender of those achieving that minimum technical score will be selected for contract award.

The advantage of this selection method is that the procuring entity acquires competent services at the lowest price. The disadvantage, however, is that because the award is based on the lowest-priced proposal that achieves a minimum technical threshold score, the process will generally not result in acquiring the highest degree of technical qualifications, experience or expertise available. Although this disadvantage can be offset by the price, if more of a balance between financial and technical aspects is desired, and if financial resources are available, then consideration should be given to using QCBS.

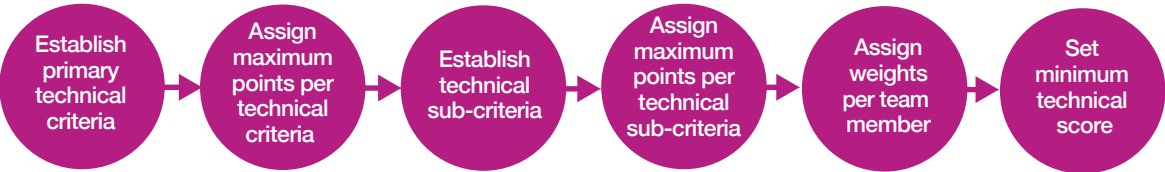
When using LCS, most of the steps in preparing the evaluation criteria are the same as for QCBS, the primary difference being that there is no requirement to provide weighting for financial and technical scores, as the award is based purely on the lowest-priced proposal meeting the stated minimum technical threshold.

5. Consultant qualification selection (CQS)

Selection based on consultants' qualifications may be appropriate for very small assignments for which the issuing of a detailed RFP as well as preparing and evaluating competitive proposals are not justified.

Following the advertisement of a request for expressions of interest (REOI), firms submit their expressions of interest (EOIs) or profiles, which are then evaluated. Only the highest-ranked firm will be invited to submit a combined technical and financial proposal. If such proposal is responsive and acceptable, the firm will be invited for negotiation. Both technical and financial aspects of the proposal may be negotiated. If negotiations with the selected firm fail, the procuring entity may terminate the negotiations after obtaining IFAD's no objection (NO) and invite the second-ranked consultant to submit a combined technical and financial proposal.

In summary, when preparing the evaluation criteria for LCS, the steps to be taken are:



6. Sole-source selection (SSS)

As with single sourcing (direct contracting) for any other type of procurement, SSS of the consulting firm lacks the benefits of competition in terms of quality and cost. It is not transparent in selection and may encourage unacceptable practices. Therefore, SSS should be used only in exceptional circumstances and only after securing IFAD's NO.

Any request for SSS by a borrower/recipient must be accompanied by a detailed justification, which will be carefully examined by IFAD to ensure that no alternative selection methods can be used.

To receive IFAD's NO, it must be demonstrated that there is a clear advantage to SSS over competitive selection. Examples of such circumstances are:

- tasks that are a natural continuation of previous work done by the consulting firm;
- situations in which rapid selection is essential, such as an emergency;
- selections of low-value as agreed with IFAD and as defined in the letter to the borrower;
- only one firm is qualified or has the necessary experience for the assignment.

Lack of time to conduct competitive procurement is not an acceptable justification for the use of SSS.

7. Individual consultant selection (ICS)

Individual consultants shall be hired for assignments in which (i) teams of personnel are not required, (ii) additional professional support (e.g. by the home office of a consulting firm) is not required, and (iii) the experience and qualifications of the individual are the paramount requirement. When coordination, administration or collective responsibility could become difficult because of the number of individuals, it would be advisable to hire a firm.

The process is implemented through an EOI procedure. Individuals submit their CVs in response to an openly advertised REOI which are subsequently evaluated. Only the highest-ranked individual consultant will be invited to submit a combined technical and financial offer, which is then negotiated with the client.

If negotiations with the selected individual fail, the procuring entity may invite the second-ranked individual for negotiations, subject to IFAD's NO for prior review procurements.

Individual consultants may be selected on a sole-source basis with due justification in exceptional cases, such as for: (i) tasks that are a continuation of previous work that the consultant has done and for which the consultant was competitively selected; (ii) certain assignments expected to last less than three months; (iii) emergencies arising from natural disasters; and (iv) when the individual is the only consultant qualified for the assignment.

A table summarizing these different selection methods is provided, followed by an indicative decision flow chart for the selection of methods:

Selection method	Use when looking for....	Restrictions for use	Criteria to disclose	Basis for award
QCBS	Quality and cost balance	None	Technical and financial	Highest combined score
QBS	Highest available quality at any cost	Budgetary constraints	Technical only	Highest technical score
LCS	Competence at lowest cost	None	Technical pass mark	Lowest price meeting technical threshold
FBS	Quality within a financial limit	None	Available budget	Highest technical score within budget
CQS	Skills, knowledge and experience	Low-value only	Skills, knowledge and experience	Best qualified
ICS	Skills, knowledge and experience of individuals	None	Skills, knowledge and experience	Best qualified
SSS	Continuity/speed/unique skill, knowledge or experience	Exceptional circumstances	N/A	Negotiation

Method	Description	Applicability/ characteristics	Remarks
QCBS	Competitive selection from shortlisted firms, based on quality and cost	<ul style="list-style-type: none"> Two-step evaluation: quality (technical proposal) and cost (financial proposal) 	<ul style="list-style-type: none"> Preferred selection method for most consulting services, including project audits
FBS	Competitive selection from shortlisted firms, based on best technical proposal within budget	<ul style="list-style-type: none"> Simple and precisely defined assignment Consulting firms requested to bid within a fixed budget 	<ul style="list-style-type: none"> Rejection of proposals above fixed budget
LCS	Competitive selection from shortlisted firms, based on lowest cost, provided minimum quality score is obtained	<ul style="list-style-type: none"> Standard, routine assignments (e.g. design of simple works) Well-established standards and practices Low contract value 	<ul style="list-style-type: none"> Establishment of a minimum score for quality Rejection of proposals under minimum score
QBS	Competitive selection from shortlisted firms, based solely on quality	<ul style="list-style-type: none"> Complex/highly specialized assignments High downstream impact 	<ul style="list-style-type: none"> Only technical proposals may be invited
CQS	Selection based on consultants' experience and competence	<ul style="list-style-type: none"> Very small assignments Cost of RFP preparation and evaluation not justified 	<ul style="list-style-type: none"> Submission of combined technical-financial offer
SSS	Selection of a firm without any competition	<ul style="list-style-type: none"> Must be an exceptional case Continuation of previous work Emergency Very small assignments Only one firm is qualified/experienced 	<ul style="list-style-type: none"> Clear advantage over competition, or impossibility of competing must be demonstrated

8. Decision factors

The procurement method for an individual activity (contract) will be determined by a pre-agreed monetary threshold.

In any event, it is important for activities not to be unjustifiably divided into smaller activities simply to avoid using the specified procurement method for the entire value of the activity. If any such subdivision of the procurement contract is determined to have taken place for the purpose of evading a more competitive method, IFAD will withhold its NO of the procurement plan until this has been corrected.

Conversely, there will be occasions where low-value procurement activities are grouped together under one competition for economies of scale. In such circumstances, the total estimated cumulative value of the contract should be used to determine the procurement method.

Module G: Identifying Sources of Supply

Purpose:

Locating relevant reliable sources of supply in a sufficient number for goods, works and services can be challenging. This module offers assistance in a number of common aspects of this process, namely:

- Pre-qualification; and
- Shortlisting.

It is neither designed nor intended to be a comprehensive analysis of each approach but a step-by-step guide to some general good practices and approaches to help identify supply sources.

Borrowers/recipients are strongly advised to invite bidders from their databases to participate in procurements, including procurements that are being advertised.

1. Pre-qualification (goods, works and non-consulting services)

1.1 Brief overview

Pre-qualification is used to identify bidders with adequate capabilities, resources and experience to perform a contract, prior to invitation and the submission of detailed tenders.

In this process, information on the qualifications of potential bidders is obtained and evaluated in order to compile a list of qualified bidders who will receive the invitation-to-bid documents. This is done through publication of a pre-qualification notice, the receipt of submissions and the evaluation of submissions against predetermined criteria.

1.2 When is it used?

Pre-qualification is used for goods, works or non-consulting services. Pre-qualification for consulting services is referred to as shortlisting (see section 2).

Pre-qualification is **not mandatory** and is usually used when a prior market analysis or assessment suggests that the **bidders for a particular procurement are numerous**, so much so that the evaluation of bids is likely to be onerous (generally more than 20 capable bidders).

It is a tool that can be used as deemed appropriate but is often considered for procurement of particularly high value or complexity – for example, in cases where:

- the preparation of detailed tenders can be costly, which may discourage competition if bidders feel they are competing against a large number of bidders;

- the evaluation of a large number of detailed bids can require the procuring entity to expend excessive time and resources, so it is preferable to receive a manageable number;
- the supplier's capabilities, resources and experience may be key to the successful performance of the contract, and bidding should therefore be limited to qualified bidders only.

It can also be **beneficial for a group of similar or regular contracts**, with the list of qualified suppliers used as the basis for preparing shortlists for limited tendering and requests for quotations or for identifying a source for sole-source procurement. When used in this way, it avoids the need for repeated pre-qualification procedures and enables a bidder to be pre-qualified up to a certain contract value or size.

The alternative to pre-qualification is “**post-qualification**”. This essentially covers the same issues as pre-qualification but is done after the evaluation process for a specific procurement activity. Post-qualification is covered in more detail in Module K10.

The decision on whether to use pre-qualification or post-qualification is generally made in the procurement planning stage and is often a time-based decision. Although pre-qualification can ensure that all shortlisted bidders are capable of performing the contract, consideration must be given to the time required for the process, including evaluation of the results. The table below lists some of the advantages and disadvantages of each process:

	Advantages	Disadvantages
Pre-qualification	<ul style="list-style-type: none"> – assists shortlisting – all shortlisted bidders meet minimum criteria, thus reducing evaluation time – also saves time at the contract award and placement stage, as it can quickly move ahead without the need for lengthy post-qualification 	<ul style="list-style-type: none"> – delays the initial issuance of tenders
Post-qualification	<ul style="list-style-type: none"> – tenders can be issued quickly without the need for a pre-qualification process 	<ul style="list-style-type: none"> – bidders not having the minimum qualification go through the evaluation process action – can create delays between the contract award and placement stage while conducted

1.3 How to

Once the decision to undertake pre-qualification has been made, the procuring entity should manage the pre-qualification process in consultation with procurement and technical specialists with expertise in the drafting and application of pre-qualification criteria.

The pre-qualification process is, in reality, a mini-tendering process involving the invitation, receipt and evaluation of applications to pre-qualify. These instructions, therefore, by and large follow the general guidance on the various steps in the bidding process.

- (i) Select a template.
- (ii) Draft the pre-qualification document for the requirement, including the qualification criteria,²⁵ a description of the type of goods, works or services to which the pre-qualification applies and the location/address, deadline and format (e-mail/hard copy) for the submission of applications.
- (iii) Draft and publish an invitation to pre-qualify notice.
- (iv) Issue pre-qualification documents to all applicants who request them, ensuring compliance with any minimum tendering periods.
- (v) Receive applications until the deadline, bearing in mind that late applications must not be accepted.
- (vi) Open the applications and record the names of all applicants. No public tender opening is required.

- (vii) Assess each application against the criteria defined in the pre-qualification document and determine whether each bidder is qualified. Record the results of the evaluation.
- (viii) Prepare a list of pre-qualified bidders and obtain IFAD no objection (NO) for the evaluation and the pre-qualification list. This can normally be obtained at the same time as the NO for the invitation-to-tender document.

2. Shortlisting

2.1 Overview

The term “shortlisting” is used to refer to a **pre-qualification process for consulting services**. Like the pre-qualification process used for goods, works and non-consulting services, it is not mandatory but a recommended practice, since it makes it possible to identify potential bidders (based on factors such as experience, financial viability, managerial capacity, work history, etc.) for performance of the required services. Shortlisting is mandatory above a certain threshold that is defined in the Letter to the Borrower/Recipient. Procuring entities may choose to use a shortlist or directly advertise the procurement opportunity and issue requests for proposals (RFPs) to bidders, who will then submit proposals.

IFAD mandates that shortlists include three to six consultants. A shortlist of fewer than three consultants requires IFAD’s NO before the procuring entity can proceed.

²⁵ Pre-qualification shall be based solely on prospective bidders’ resources and ability to perform the particular contract satisfactorily, taking into account their (i) experience and past performance on similar contracts, (ii) ability to supply or provide the goods, works or services needed, (iii) financial position, and (iv) legal or tax status. State the minimum requirements to be met for assessment purposes. References can be requested at this stage or left for submission as part of the bidding process.

Shortlists are created in two ways:

(i) Expressions of interest (EOI) procedure

The EOI procedure obtains and assesses information on the qualifications and experience of potential bidders in order to restrict actual tendering to a list of qualified bidders. This is achieved by issuing the request for expressions of interest (REOI), the receipt of EOI and their assessment against predetermined criteria, and the compilation of a shortlist of three to six consultants, based on scoring and ranking.

(ii) Prior lists

Cases where there is already a list of potential consultants – either as a result of an earlier EOI procedure, market survey or a list of potential sources provided by an authority – are referred to as a “prior list”. Where there is a prior list developed during a previous procurement process, it can be used without running the EOI, subject to an IFAD NO procedure. However, if the list exceeds six potential consultants, the procuring entity may choose to launch an EOI procedure or directly advertise the consulting opportunity and issue RFPs, as explained earlier.

If the historical list of potential consultants is based on an earlier shortlist, it should only be used if it is 12 months old or less, or if IFAD has given its NO.

2.2 Templates

IFAD has provided an REOI template, available at: www.ifad.org/project-procurement.

2.3 Steps to take

The EOI procedure is actually a mini-tendering process involving the invitation, receipt and evaluation of applications to pre-qualify. It consists of the following steps:

- Publication/issuance of an REOI containing a briefing on the assignment and the shortlist assessment criteria. It is important for evaluation criteria in the RFP stage to be more robust and not be used in the shortlist.
- Receipt of EOIs by the deadline stated in the REOI. Late submissions should not be accepted. Public opening of EOIs is not mandatory.

- Assessment/evaluation of EOIs using the pre-disclosed criteria in the REOI. Assessment cannot be done using the compliance evaluation method. Scores must be used to ensure that the highest-ranked bidders are selected for the shortlist.
- Based on the results of the assessment, create a shortlist of the three to six highest-ranked bidders. If there are fewer than three shortlisted consultants, seek an NO from IFAD even if the procurement is post-review.
- For prior-review procurements, seek IFAD’s NO.

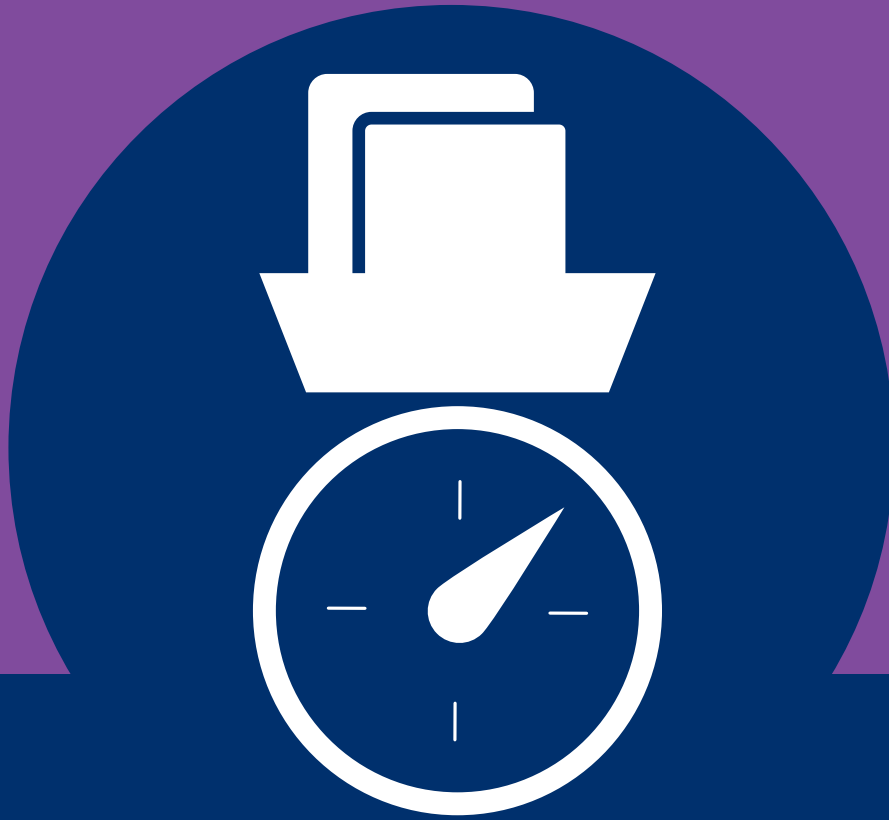
During the EOI process, consider:

- (i) deciding whether you are looking for individual consultants or consulting firms. It is not considered good practice to have a mix of individuals and firms because of the lack of direct comparison during the final bidding process. This is because firms will have higher costs, such as overhead and liability insurance, that individual consultants do not, making a true cost comparison impossible. The positive side to using consulting firms, however, is a larger pool of experts (especially valuable if the assignment requires a team approach), corporate accountability/insurance and a stronger financial position, which can reduce the need for high advance payments.
- (ii) drafting a notice (the REOI) calling for EOIs, which should include:
 - whether it is for individuals or consulting firms;
 - the name and address of the procuring entity;
 - a brief description of the project, if any, that the assignment will be part of;
 - a brief description of the proposed assignment;
 - a statement of the key criteria for shortlisting, which shall be related to applicants’ experience, qualifications, personnel and any other factor related to their ability to successfully perform the assignment;²⁶

²⁶ References can be requested at this stage or left for submission as part of the bidding process.

- if looking for a firm, the client is **advised to avoid asking for the submission of key staff at this point**; bidders will need more time to find key staff, and it only makes the assessment of EOIs slower. This is generally more appropriate to the RFP stage;
 - details of the information to be included in the EOI, including any information or documentation required to verify the applicant's eligibility or qualifications;
 - instructions on the location/address, deadline and format (e-mail/hardcopy) for submission of EOIs.
- (iii) publishing/issuing the REOI notice, ensuring that any minimum deadlines are met.
- (iv) receiving EOI applications up to the deadline, bearing in mind that late submissions must not be accepted.
- (v) opening the EOIs and recording the names of all applicants. No public tender opening is required.
- (vi) assessing the EOIs for the key skills, experience or capabilities required for the assignment, and documenting the results of the evaluation in a report containing details of the evaluations and the scores of each applicant.²⁷
- (vii) preparing a shortlist of three to six consultants who are best qualified for the proposed assignment. Obtaining IFAD NO for the shortlist when obtaining NO for the RFP.
- (viii) issuing the RFP to the shortlisted consultants.

²⁷ This report is a section of the overall evaluation report (see Module Group K).



Bidding Documents

MODULE H: BIDDING DOCUMENTS

Module H1: Bidding Documents for Goods

Module H2: Bidding Documents for Works

Module H3: Request for Proposals Documents for Consulting Services (Firms)

Module H: Bidding Documents

This cluster of modules provides general assistance on good practice when preparing bidding documents. The bidding document lies at the heart of the bidding process. A clear, concise and well-drafted document should result in a successful procurement process and, conversely, an unclear, ambiguous and badly drafted document will result in confusion and cause delays in the process. Getting the document right is therefore critical to the success of any procurement activity.

A good bidding document should inform potential bidders of:

- the precise description of the goods, works or services required;
- the rules of the tendering process;
- the evaluation criteria and methodology to be used;
- any qualification criteria that will be used;
- the type and conditions of the proposed contract;
- protest and appeal procedures.

There are three modules in this cluster:

H1: Bidding Documents for Goods

H2: Bidding Documents for Works

H3: Request for Proposals Documents for Consultants

These modules are neither designed nor intended to be a detailed walk-through for completing a specific bidding document template but, rather, a general guide to the issues that must be considered when preparing any bidding document.

There are also some generic provisions that apply to all three modules and must be read in conjunction with them. These are shown below.

Non-consulting services are services from firms for assignments considered more technical and/or mechanical than intellectual. These include, but are not limited to, catering, cleaning, insurance, maintenance and repair, security, driving, gardening and travel services.

Because of their nature, non-consulting services are more akin to goods/works rather than to consulting services. As a result, the procurement method and approach for non-consulting services are based on the nature of the service. The borrower/recipient should examine the nature of the procurement and the terms of reference or technical requirements and choose whether to use procurement methods for goods/works or selection methods for consulting services.

Once this decision is made, the selected procurement method should be used consistently throughout the process.

Bidders for non-consulting services are referred to as “service providers”, not “consultants” or “contractors”.

1. Types of bidding document

Before drafting any bidding document, two pivotal questions must be asked:

1.1 Which standard procurement document (SPD) should be used?

At the start of the project, IFAD, in consultation with the borrower/recipient, would have made a decision about the bidding document templates to use for procurement activities. This decision would have either:

- a) stated that any existing national templates could be used, or;
- b) that IFAD templates should be used. IFAD provides a variety of SPDs and other templates on the relevant section of its website: www.ifad.org/project-procurement.

In order to comply with this provision, bidders will have to know which templates are appropriate for the project in question. Use of an inadequate template may result in IFAD withholding its no objection to the draft bidding documents (in the case of prior review) or declaring misprocurement pursuant to its Project Procurement Guidelines (in the case of post-review).

1.2 What procurement method is being used?

The procurement method²⁸ will usually determine the size and complexity of the bidding document to be used. For high-value or complex procurement, the bidding document will generally have a number of different sections, detailed instructions, conditions, evaluation criteria and submission templates and can be between 60-150 pages in length. For low-value procurement, the document is likely to be quite short, perhaps 3-5 pages, and include only basic information, such as the bid closing time, items to be procured and minimal instructions related to bid submission and evaluation.

The table below shows some of the differences between methods and document types for goods and works.²⁹ Note that this is merely an indicative illustration for demonstration purposes and should not be considered as a mandatory instruction for use.

Procurement method	Document type
International competitive bidding (ICB)	Full version of bidding document
Limited international bidding (LIB)	Can be the full version of the bidding document or a shortened version
National competitive bidding (NCB)	
National/international shopping	Requests for quotations

2. Procurement in lots

When the procurement is being done by lots, bid security amounts shall be expressed in a fixed amount per each lot. Similarly, the qualification requirements (average annual turnover, financial capacity, access to credit, etc.) should take this into account.

The bidding document must establish the following:

- (a) that the procurement is in lots;
- (b) that bidders can quote for and win one or more lots subject to fulfilment of the post-qualification criteria;
- (c) that the evaluation will be conducted and the award will be made by lot, and the award of each lot will result in a separate contract. Once this is established in the bidding document, neither the borrower/recipient nor the technical evaluation committee shall change this once bids have been received, so this should be given a great deal of thought when drafting the bidding document.

²⁸ See module F.

²⁹ There is no specific procurement method for consulting services. Instead, the focus is on the selection method, which is covered in Module F2.

3. Who should prepare them?

The borrower/recipient is responsible for carrying out the procurement activity, and these operational arrangements should have been made at the start of the project.

Bidding documents are not prepared in isolation and, depending on the value and complexity of the procurement, may require consultation with or inputs from:

- the ultimate end-user of the goods (if it is not drafting the document itself);
- technical experts;
- parent ministries or other national bodies or authorities.

IFAD's templates for SPDs are available on its website at the following link: www.ifad.org/project-procurement.

Module H1: Request for Proposals Documents for Goods

Purpose:

To offer general advice to borrowers/recipients on what should be included in bidding documents.

This module does not endorse any particular standard model or template but instead, addresses issues of good practice when preparing or reviewing a bidding document.

Note that this module covers only specific aspects of goods procurement and must therefore be read in conjunction with Module H, which offers advice on generic issues connected with bidding documents.

1. What should be included?

The template to be used will define the structure and overall content of the bidding document. However, there are some generic requirements for any goods bidding document:

(i) References, contact points and contractual arrangements

This identifies the overall purchaser (i.e. the Ministry of XYZ), the end-user (if different), contact points for the bidding process and the project for which the procurement is being undertaken. For identification purposes, each procurement activity should have its own unique reference number, which should be indicated on the document.

(ii) Description and specifications of the goods required

This is critically important. Without a clear statement of requirements and specifications, the procurement is likely to fail. Module E1 provides assistance on how to prepare statements of requirements and specifications.

(iii) Relevant information about bid submission

This includes issues such as:

- bidder eligibility;
- the last date for bidders to request clarifications;
- the currency of the bid;
- the bid submission date;
- the date when bids will be opened;
- how long bids will be valid.

In large bidding documents, there is often an “information for bidders” or “instructions to bidders” section with information to assist the bidder.

(iv) Rules governing the procurement process

The level of detail in the rules will depend on the value of the procurement in question but as a minimum should include:

- the IFAD Project Procurement Guidelines, this Procurement Handbook and ancillary documents;
- the overarching law, regulations, rules, instructions or authority governing the procurement (i.e. the country’s procurement law);
- the address and any specific instructions for submitting a bid (i.e. number of copies, in hard or soft copy, literature/brochures to be provided, references);
- bid bond/security requirements.²⁹

(v) Evaluation criteria and methodology that will be applied

There are several reasons why the evaluation criteria must be included in the bidding documents. They include:

- to be able to determine whether the bids received will meet the requirements;
- to ensure that all bids are evaluated against the same parameters;
- to provide prospective bidders with details of these criteria and inform them about the basis for the contract award decision.

30 See Module J4.

Providing this information to all prospective bidders lends fairness and transparency to the process and enables all bidders to consider these aspects when putting together their bids.

The evaluation criteria will be specific to each individual procurement activity. However, some criteria are common to all procurement processes. For example:

- technical competence/expertise;
- experience/track record;
- cost;
- quality/specifications;
- compliance with bid requirements.

It is important to note that while the procurement process for goods usually requests that bids be submitted in a single envelope, allowances can be made for submission using a two-envelope system, with separate envelopes for the technical and financial bids.

For the majority of goods procurement processes, the criterion is likely to be lowest total cost that meets the specification among bids that comply with all aspects of the bidding document.

In the event that the award decision takes delivery time into consideration, any specific time-related delivery requirements must also be stated (i.e. delivery by a certain time or delivery in staggered consignments over a certain period).

Where cost is the primary factor, the **cost of transportation** is a major component of the overall cost of the goods purchased. It is therefore an important factor in the evaluation of bids and must be addressed in the bidding documents. Bidders will need to know what degree of transportation they are expected to be responsible for, what levels of insurance they should have and when delivery of the goods is considered to have been completed. Similarly, the procuring entity needs to know what is included in the prices quoted to enable a like-for-like comparison to be made between different bids.

The easiest way to capture this information and avoid uncertainties in interpretation between contracting parties is through the use of Incoterms (International Commercial Terms), a set of rules issued periodically by the International Chamber of Commerce for interpreting the most commonly used terms in international trade.

The basic purpose of each Incoterm is to clarify how functions, costs and risks connected with the delivery of the goods are divided between the buyer and supplier as required by the contract. Each term clearly specifies the responsibilities of the supplier and the buyer, and the terms range from a situation in which everything is basically the responsibility of the buyer to the other extreme, where everything is basically the responsibility of the supplier.

For bidding and evaluation purposes, prices are requested in accordance with one or more of the Incoterms to ensure continuity across all bids received. The latest version of Incoterms, plus full instructions on their use, is available from the International Chamber of Commerce (<https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/>).

Other evaluation criteria can include:

- the availability of spare parts/local agent/servicing facilities;
- the cost of ownership (i.e. price and usage rate of consumables, service intervals);
- compliance with samples (see below);
- terms and duration of warranty;
- compatibility with existing items;
- environmental issues (i.e. environmentally friendly products, level of recycling used in manufacture, potential for recycling after use);

Procurement **by sample** can be effective if there are a number of variations in the desired goods, and the role of the sample is made very clear. It is advisable in the following cases:

- (i) *The purchaser has a sample of the product, colour or style it requires bidders to match.*

This usually applies when there are issues of standardization or corporate style (such as colours). The purchaser states in the bidding document that a sample is available for the bidders' inspection, indicating when and where it can be viewed, and that compatibility with the sample will be a key factor in evaluation.

When using this approach, it is good practice to ask bidders to confirm in writing that they have viewed, or have had the chance to view, the sample to avoid any complaints later in the process.

(ii) *The purchaser requires bidders to submit a sample of their product with their bid.* In this case, it is essential to state whether the samples supplied are either (a) considered indicative of the type of product, quality, colour to be supplied, or (b) an actual representation of the product to be supplied. If (a), the sample is examined at the bid evaluation stage and either returned to the bidder or retained for information, depending on the provisions of the bidding document.³¹ If (b), the sample submitted with the bid is kept secure and becomes part of the contract. The goods supplied under the contract are evaluated against the sample to determine compliance. If the goods do not match the sample, they are rejected and payment is withheld. This is often used in the procurement of clothing.

(vi) Qualifications criteria that will be applied

If no pre-qualification³² has been conducted, it will be necessary to include documentary evidence of bidder qualifications, which bidders must provide to be considered for a contract. This generally includes issues such as:

- experience and past performance on similar contracts;
- capabilities in terms of the ability to supply or provide the goods;
- financial situation;
- legal and/or tax status.

The minimum requirements to be met for evaluation purposes must be stated.

(vii) Type and conditions of the proposed contract

It is widely considered good practice to provide bidders with a template of the proposed contract and the contractual conditions (including payment arrangements³³ and timing) to which they will be subject in the event they are awarded a contract. This early disclosure of contractual requirements has a number of benefits:

- It gives bidders an opportunity to make a bid/no bid decision based on a complete picture of the procurement process;
- By disclosing the contract template and contractual conditions at the outset, there can be no argument later in the process that bidders were not aware of contractual provisions or obligations (this is particularly relevant with respect to payment terms);
- It speeds up the process from contract award to contract signing, as the bidder has already seen and agreed to the format and general conditions of the contract by virtue of submitting the bid.

31 Samples are not usually returned to bidders in international tendering because of the cost of returning them. It is more appropriate for national bidding, where costs would be lower. Alternatively, bidders can be informed that they may collect their sample if desired; otherwise, it will either be retained or disposed of.

32 See Module G.

33 See Module J4.

Module H2: Bidding Documents for Works

Purpose:

To provide borrowers/recipients with general advice on what should be included in bidding documents.

This module does not endorse any particular standard model or template but instead, addresses issues of good practice that should be considered when drafting or reviewing a bidding document.

Note that this module covers only specific aspects of works procurement and must therefore be read in conjunction with Module Group H, which offers advice on generic issues related to bidding documents.

1. What should be included?

The template to be used will determine the structure and overall content of the bidding document.

However, any works bidding document should meet certain generic requirements. These include:

(i) References, contact points and contractual arrangements

This identifies the procuring entity (i.e. the Ministry of XYZ), the end-user (if different), contact points for the bidding process and the project for which the procurement is being undertaken. For identification purposes, each procurement activity should have its own unique reference number, which should be indicated on the document.

(ii) Description and specifications of the works required

Obviously, this is critically important, since without a clear statement of requirements and specifications, the procurement is likely to fail. Module E2 provides assistance on how to prepare statements of requirements.

(iii) Relevant information about bid submission

This includes issues such as:

- bidder eligibility;
- the last date for bidders to request clarifications;
- the currency of the bid;
- the bid submission date;
- the date when bids will be opened;
- how long bids will be valid.

Large bidding documents often include an “information for bidders” or “instructions to bidders” section with information to assist the bidder.

(iv) Rules governing the procurement process

These are the rules governing the entire process. The level of detail will depend on the value of the procurement in question but as a minimum should include:

- the IFAD Project Procurement Guidelines and this Procurement Handbook;
- the overarching law, regulations, rules, instructions or authority governing the procurement (i.e. the country’s procurement law);
- the address and any specific instructions for submitting a bid (i.e. number of copies, in hard or soft copy, drawings/plans to be provided, references);
- bid bond/security requirements;³⁴
- options for site visits.

(v) Evaluation criteria and methodology that will be applied

There are several reasons why the evaluation criteria must be included in the bidding documents. They include:

- to be able to determine whether the bids received will meet the requirements;
- to ensure that all bids are evaluated against the same parameters;
- to provide prospective bidders with details of these criteria and inform them about the basis for the contract award decision.

34 See Module J4.

Providing all prospective bidders with this information lends fairness and transparency to the process and enables all bidders to consider these aspects when putting together their bids.

The evaluation criteria will be specific to each individual procurement activity. However, some criteria are common to all procurement processes. For example:

- technical competence/expertise;
- experience/track record;
- cost;
- quality/specifications;
- compliance with bid requirements.

It is important to note that while the procurement process for works usually requests that bids be submitted in a single envelope, allowances can be made for submission using a two-envelope system, with separate envelopes for technical and financial bids.

For the majority of works procurement, the criterion is likely to be the lowest completion cost that meets the technical requirements and complies with all aspects of the bidding documents.

In the event that the award decision is based on time rather than cost, any specific time-related delivery requirements must also be stated (i.e. completion by a certain time for a specific event).

Other evaluation criteria can include:

- qualifications of key staff;
- labour day rates (for long-term construction, this may include annual pay increases and paid holiday);
- the degree of subcontracting, as the majority of works should be undertaken by the main (or "prime") contractor;
- workplan/completion time;
- design drawings;
- annual construction turnover;
- plant and equipment to be provided by the contractor;
- site management/security capabilities;
- use of local labour, equipment and/or materials;
- cost of ownership (i.e. price and usage rate of consumables, service intervals);

- terms and duration of warranty/defect liability;
- environmental issues in the design and, where relevant, operation (i.e. use of environmentally friendly products, level of recycling used in completion of the work, use of natural power sources);
- any margin of preference for indigenous bidders.

(vi) Qualifications criteria that will be applied

If no pre-qualification³⁵ has been conducted, it will be necessary to include documentary evidence of bidder qualifications, which bidders must provide to be considered for a contract. This generally includes issues such as:

- experience and past performance on similar contracts;
- capabilities in terms of the ability to complete the works;
- financial situation;
- legal and/or tax status.

The minimum requirements to be met for evaluation purposes must be stated.

(vii) Type and conditions of the proposed contract

It is widely considered good practice to provide bidders with a template of the proposed contract (whether lump sum or admeasurement) and the contractual conditions (including payment arrangements³⁶ and timing) to which they will be subject in the event they are awarded a contract. This early disclosure of contractual requirements has a number of benefits:

- It gives bidders the opportunity to make a bid/no bid decision based on a complete picture of the procurement process;
- By disclosing the contract template and contractual conditions at the outset, there can be no argument later in the process that bidders were not aware of contractual provisions or obligations (this is particularly relevant with respect to payment terms);
- It speeds up the process from contract award to contract signing, as the bidder has already seen and agreed to the format and general conditions of the contract by virtue of submitting the bid.

35 See Module G.

36 See Module J4.

Module H3: Request for Proposals Documents for Consulting Services (Firms)

Purpose:

To provide borrowers/recipients with general advice about what should be included in request for proposal (RFP) documents and describe the different selection methods that can be used.

The procurement of consulting services is a specialized form of procurement requiring competition/bidding procedures and documents that are very different from those used for goods and works. The standard procurement document for consulting services is usually called the request for proposals (RFP). IFAD provides standard procurement documents for both large and small assignments (see Module F2 for guidance on different selection methods and their applicability).

This module does not endorse any particular standard model or template but instead addresses issues of good practice that should be considered when preparing or reviewing a bidding document.

Note that this module covers only specific aspects of consulting services procurement and must therefore be read in conjunction with Module H, which offers advice on generic issues related to bidding documents.

1. What should be included?

The template to be used will define the structure and overall content of the RFP document. However, there are some generic requirements that any competition/bidding document for consulting services should include:

(i) References, contact points and contractual arrangements

This identifies the overall procuring entity (i.e. the Ministry of XYZ), the end-user (if different), contact points for the competition/bidding process and the project for which the assignment is being undertaken. For identification purposes, each procurement activity must have its own unique reference number, which is to be stated on the document.

(ii) The description and scope of the services required

This is critically important. Without a clear statement of requirements and specifications, the procurement is likely to fail. Module E3 provides assistance on how to prepare statements of requirements (terms of reference) for services.

(iii) Relevant information on proposal submission

There are generally sections in the RFP entitled "information to consultants" or "instructions to consultants" and a section entitled "bid data", with information to assist the the consultant in preparing its proposal. These sections include issues such as:

- consultant eligibility;
- the last date for consultants to request clarifications;
- the currency of the proposal;
- the proposal submission deadline;
- the date when proposals will be opened;
- how long proposals will be valid;
- the address and any specific instructions for submitting a proposal (i.e. two-envelope proposal,³⁷ number of copies, in hard or soft copy, references).

³⁷ Under a merit-point system, where quality and cost are evaluation factors, technical and financial bids are submitted in separate sealed envelopes. To avoid any chance of the bidder's price influencing the technical evaluation, the financial envelope must be opened only after the technical evaluation is completed and approved. In the interests of transparency, a second public opening of the financial bids of bidders who have passed the technical evaluation stage is held. See Module Group K for more detailed information.

(iv) Rules governing the procurement process

- The IFAD Project Procurement Guidelines;³⁸
- The IFAD Procurement Handbook and ancillary documents;
- National procurement system regulations and ancillary documents.

(v) The evaluation criteria and methodology that will be applied

There are a number of reasons why the evaluation criteria must be included in the bidding documents:

- to be able to determine the proposal that best meets the requirements;
- to ensure that all proposals are evaluated against the same parameters;
- to provide prospective consultants with details of these criteria and inform them about the basis for the contract award decision.

Providing all prospective consultants with this information lends fairness and transparency to the process and enables all consultants to consider these aspects when putting together their proposals. The evaluation criteria will be specific to each individual procurement activity. However, some criteria are common to all procurement processes. For example:

- technical competence/expertise;
- experience/track record;
- cost;
- methodology, key experts, etc.;
- compliance with RFP requirements.

In contrast to the majority of goods and works procurement, the prime selection criterion for consulting services is unlikely to be the lowest cost. The overall competence of consulting firms, their relevant experience and the quality of the technical proposal submitted are usually far more important than the simple cost of the services, and the evaluation is therefore more of a compromise between the professional quality of the services supplied and the cost of those services.

This compromise is achieved through the use of a **merit-point scoring system**, in which points are awarded for technical capability and cost, based on criteria specified in the RFP, with the consultant scoring the highest points in the combined quality and cost evaluation being recommended for the contract award.

When using merit-point scoring, the breakdown of the evaluation criteria and number of points to be awarded for each criterion is critical to the evaluation process and to achieving a satisfactory result in the selection of the winning proposal.

(vi) Budget

If the selection method is fixed budget selection (FBS) (see Module F2), disclosure of the budget is mandatory.

For selection methods other than quality-based selection (QBS) and FBS, the RFP should show either:

- the estimated number of key staff and input time (estimated level of effort by the consultant in person-months); or
- the estimated budget.

For other methods the RFP shall provide either the estimated budget or the estimated number of key experts and input time, underscoring that this information is indicative only and that consulting firms shall be free to provide their own estimates based on their proposals.

(vii) Qualifications criteria to be applied

If no assignment-specific shortlisting has been conducted and the procuring entity has relied on a recent prior list, consultants must include documentary evidence of their qualifications to be considered for a contract. These generally include:

- experience and past performance on similar contracts;
- ability to complete the services;
- financial position (i.e. audited accounts or statements of financial solvency from a bank);
- legal and/or tax status (i.e. copies of valid trading licences or tax clearance documents);
- the minimum requirements to be met for evaluation purposes.

³⁸ This applies even when national systems are being used. Whenever there is a conflict in meaning or interpretation, IFAD's framework takes precedence.

(viii) Type and conditions of the proposed contract

It is widely considered good practice to provide consultants with a template of the proposed contract and the contractual conditions (including payment arrangements and timing) to which they will be subject in the event they are awarded a contract. This early disclosure of contractual requirements has a number of benefits:

- It gives consultants an opportunity to make a bid/no bid decision based on a complete picture of the procurement process;
- By disclosing the contract template and contractual conditions at the outset, there can be no argument later in the process that consultants were not aware of contractual provisions or obligations (this is particularly relevant with respect to payment terms);
- It speeds up the process from contract award to contract signing, since the consultant has already seen and agreed to the format and general conditions of the contract by virtue of submitting the proposal.

The different contract types used in consulting services are further explained in Module J3, and the different selection methods for consulting services are introduced in Module F2.



Bidding Process

MODULE I: BIDDING PROCESS

Module I1: Overview of Bidding Process

Module I2: Issuing Bidding Documents

Module I3: Pre-Bid Conferences and Site Visits

Module I4: Bid Clarifications, Modifications and Cancellations

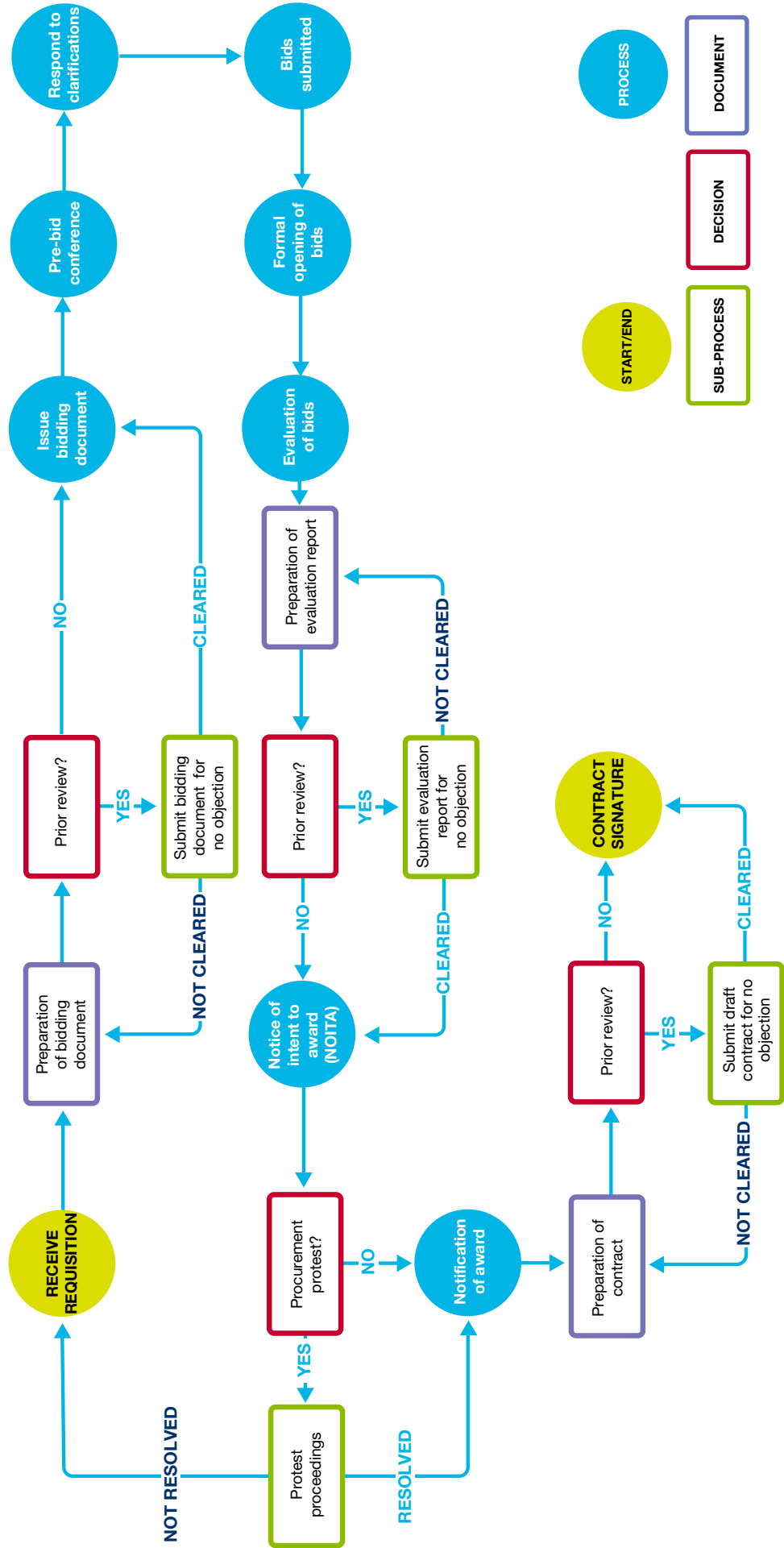
Module I5: Receipt of Bids

Module I6: Bid Opening

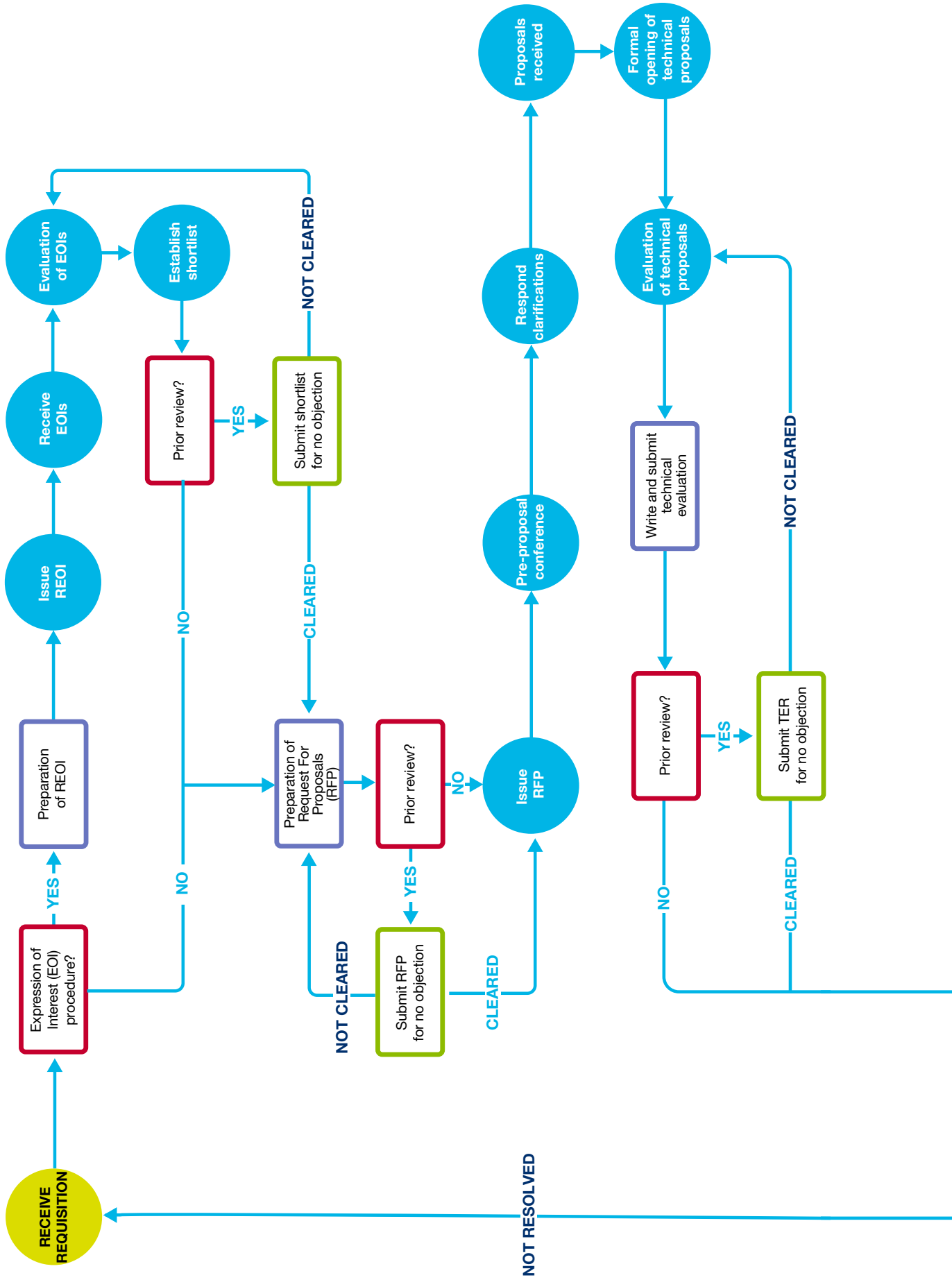
Module I7: Extending Bid Validity

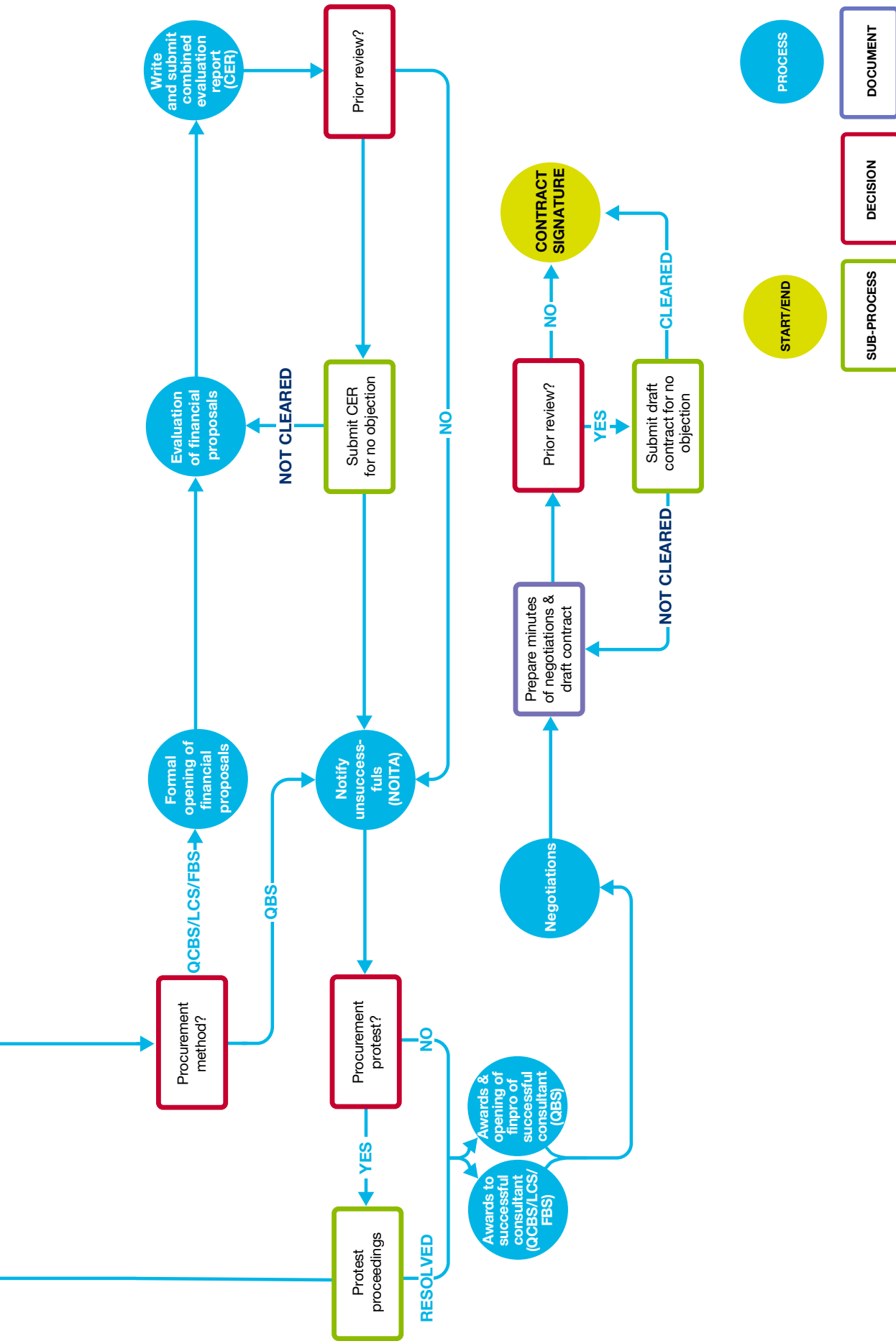
Module I1: Overview of Bidding Process

Bidding Process – Goods / Works – International / National Competitive Bidding

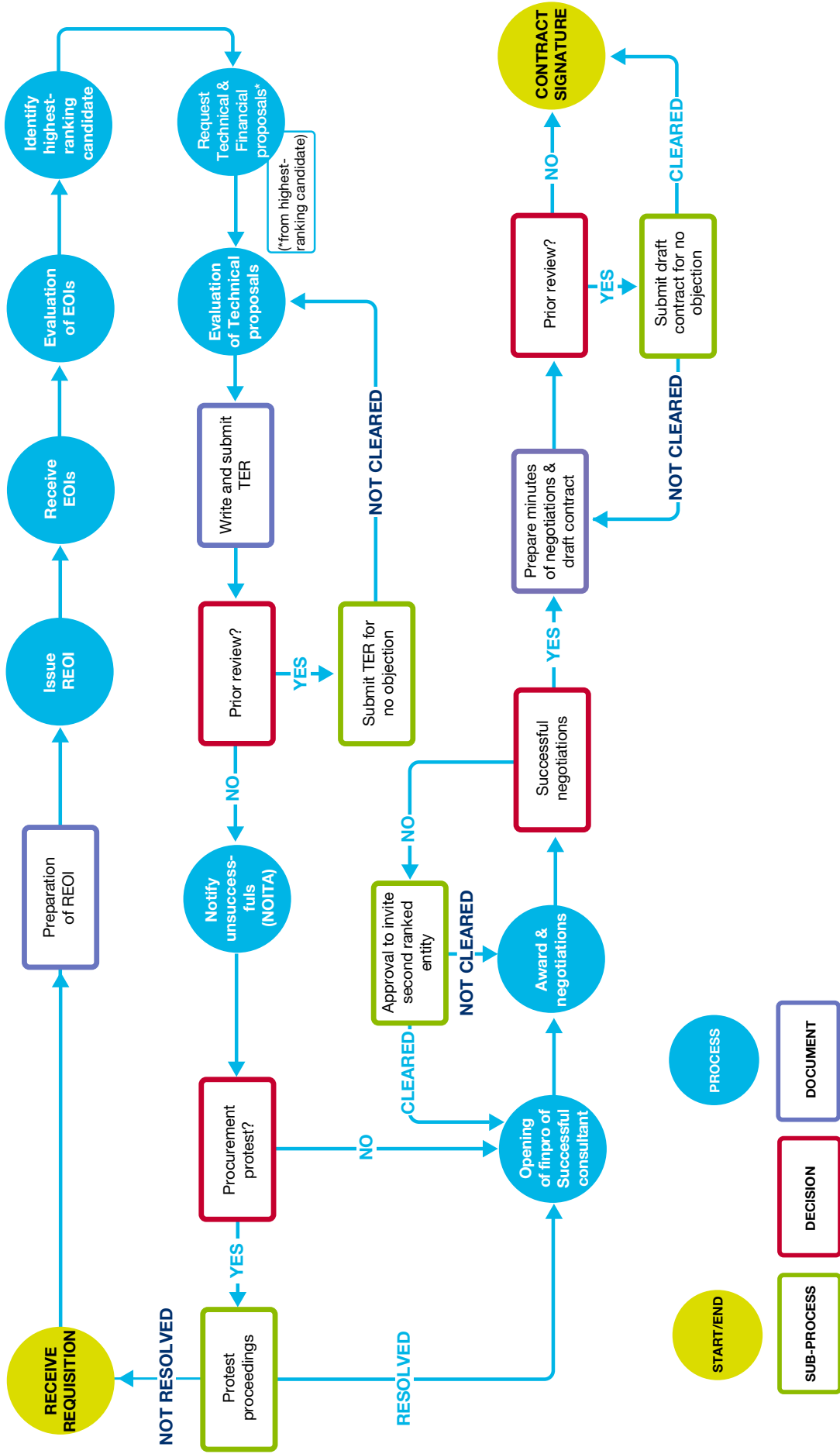


Bidding Process – Consulting Services
Quality- and Cost-Based Selection (QCBS), Least-Cost Selection (LCS) and Fixed-Budget Selection (FBS)





Bidding Process – Consulting Services Consultants' Qualification Selection (CQS), Individual Consultant Selection (ICS)



Module I2: Issuing Bidding Documents

1. Introduction

Bidding documents must be issued promptly to give bidders enough time to prepare and submit their tenders. Delays in issuing bidding documents can result in less competition, which may lead to the cancellation of a tendering process or higher prices paid for goods, works or services.

Bidders must be issued the same information (i.e. exactly the same document) at the same time to ensure that the procurement process is fair.

It is essential to keep records of all documents issued, in case of bidder queries or complaints.

2. How-to and timing

The issue of bidding documents is a task for the procuring entity, but it cannot proceed until the document has been agreed to either by:

- IFAD, in the case of prior review; or
- the levels of authority within the procuring entity or national structure if prior review is not undertaken.

Bidding documents can either be sold or provided free of charge. Whether to sell or simply provide the documents is a matter that should be determined by the procuring entity and IFAD. The reason for selling bidding documents is to recoup the costs of printing and sending large documents by courier to bidders – it is not a “profit-making” exercise or a means of raising revenue for the procuring entity. Therefore, the main issue to consider is whether the bidding documents are going to be issued electronically or in hard copy. If the documents are to be issued electronically, there is no justification for charging a fee.

If the documents are to be sold in hard copy, the procuring entity must ensure that:

- (i) enough copies of the document have been printed, or that arrangements are in place to print copies to order quickly.
- (ii) arrangements are in place to receive and account for payment (i.e. secure money-handling facilities, a designated account for the fees, official receipts are in place, staff are delegated and familiar with the process).

- (iii) facilities are contracted for the document to be dispatched either by registered post or more likely, by courier, especially to international bidders.

3. The open bidding process

- (i) Arrange for publication of the advertisement (open competitive bidding only). This shall be done – at a minimum – via publication on the IFAD website and in national newspapers.
- (ii) Bidders may ask to preview the documents prior to purchase. If preview is permitted, arrangements must be made for this, which includes stating the address and time for preview in the published notice.
- (iii) Documents must be dispatched promptly to those who respond to any notice. If documents are being sold, they must be dispatched immediately on receipt of the request or payment of the fee, whichever is later.
- (iv) Any fees received must be fully accounted for and deposited in a designated account.
- (v) A record must be kept of all bidders to which a bidding document has been sent. This will be used to contact bidders in the event that a bid clarification or extension needs to be issued. The register must contain the following basic information:
 - the name and reference number of the bidding document, along with the date it was available for purchase and its closing date;
 - the reference number assigned to each bidder that purchases the document;
 - the name, address and contact information of the purchaser (telephone, mobile phone, fax and e-mail address).
- (vi) In all cases, bidders must be required to confirm receipt of the document.

4. The restricted bidding process

- (i) If documents are being issued to bidders on a shortlist or pre-qualified list, they must be dispatched to all bidders at the same time.
- (ii) A record must be kept of the documents issued.

Module 13: Pre-Bid Conferences and Site Visits

Purpose:

To inform borrowers/recipients about when, why and how to use pre-bid conferences and site visits as a tool during the bidding process.

1. Introduction

Pre-bid conferences or site visits are not mandatory but are a useful technique in highly technical procurement, where a significant number of requests for clarification are likely to be received or knowledge of the site is important to tender preparation.

At a pre-bid conference, the procuring entity briefs bidders on the procurement requirement and responds to questions to assist bidders in preparing their bids.

For a site visit, bidders are given the opportunity to view the site where goods are to be installed or works or services performed.

A pre-bid conference or site visit can offer the following benefits:

- The procuring entity is able to provide additional information to bidders, ensuring that all bidders receive the same information;
- Bidders are supported in preparing tenders that are based on more detailed and accurate information responsive to the procuring entity's needs and less likely to include reservations, conditions or caveats;
- The procuring entity is able to receive early warnings of any unforeseen queries or problems while there is still time to modify the bidding document, if necessary;
- The majority of likely requests for clarification can be addressed at the same time;
- The potential for contract disputes caused by a bidder's misunderstanding of the procuring entity's requirements is lower.

When both a pre-bid conference and site visit are to be held, they should be arranged to coincide wherever possible, particularly if international bidders will likely be traveling to participate. The need for pre-bid conferences or site visits must be considered at the procurement planning stage, and appropriate provisions must be included in the bidding document.

Pre-bid conferences and site visits are normally not required under the request for quotations method, as it is used only for simple, low-value procurement requirements.

Pre-bid conferences and/or site visits may be required for goods, works, non-consulting services or consulting services.

2. The pre-bid conference

A pre-bid conference is recommended for all complex assignments, so that bidders can ask for clarification of the request for proposals and obtain information from the procuring entity or implementing agency about the assignment. This benefits both the procuring entity and the bidder, as the process can identify errors or omissions early on.

It is recommended that for complex assignments, bidders also be given an opportunity to visit the project site prior to the bid closing date to ensure that they are familiar with local conditions. This can take place in conjunction with a pre-bid conference for the sake of convenience.

A transparent selection process improves the quality of competition by creating an environment of trust between the parties involved, reducing perceived and actual business risks for bidders and minimizing complaints and claims. Transparency dispels the suspicion of the use of discretion and unfairness in the selection process.

2.1 Notes for pre-bid conferences

- (i) The decision to hold a pre-bid conference should be included in the bidding document, along with the address of the venue and the date and time.
- (ii) Pre-bid conferences should be held early on during the invitation period to allow bidders time to take the information into account in preparing their tenders.
- (iii) The venue must be booked in advance and be large enough to accommodate all interested bidders. If bidding documents are being sold, bidders may arrive who have not yet purchased the bidding document, so arrangements must be made for the sale of the document.
- (iv) The venue should include facilities for the procuring entity to give a presentation for bidders, if necessary, and to facilitate the creation of an electronic record of the proceedings, which will serve as the formal minutes of the conference.
- (v) Typically, the structure of a pre-bid conference would include:
 - opening and welcome by the procuring entity;
 - a brief presentation by the procuring entity on the procurement requirements;
 - questions by tenderers and closing.

If requests for clarification have been received prior to the conference, they may be used to determine the agenda and prepare responses. Procurement staff involved in the pre-bid conference should be briefed on their responsibilities and anticipated questions and answers.

2.2 Action required on completion of the pre-bid conference

- (i) The procuring entity will need to prepare authorized minutes of the proceedings, which will be sent to all organizations that have been issued a copy of the bidding document.
- (ii) The procuring entity must determine whether, in addition to the minutes, a formal bid clarification should be issued.
- (iii) The procuring entity must determine whether the tender closing date should be amended as a result of the bid clarifications. The decision to extend the closing date should be made quickly. It will save time and effort if issued in conjunction with the bid clarification.

3. Site visits

For complex assignments, bidders should be encouraged to make a site visit to ensure that they are familiar with local conditions and the work environment that will prevail during contract implementation.

By making a site visit, bidders are better informed and therefore in a position to provide a more accurate and appropriate bid, replacing bids based on assumptions and secondary data with bids based on facts and first-hand information. This improves the quality of bids, which, in turn, should make for a smoother evaluation process.

The precise management of any site visit will be determined by the nature and size of the site and the type of procurement envisaged. However, the procuring entity must ensure that the following arrangements are in place prior to any site visit:

- (i) Arrangements have been made to ensure the health and safety of all visitors to the site.
- (ii) All staff are aware of the need to allow all bidders equal access to the site.
- (iii) Bidders are given a tour of as much of the site as possible and allowed to view any facilities that are being provided by the procuring entity.
- (iv) Staff do not provide different information to different bidders, giving some bidders an unfair advantage and leaving the procuring entity liable to complaints.

Module 14: Bid Clarifications, Modifications and Cancellations

Purpose:

To provide information on general practices to be followed during the bidding process if the borrower/recipient needs to clarify, modify or cancel a bid.

1. Introduction

Ideally, bid clarifications, modifications and extensions to the tender deadline should not be required. However, if they are, it is important to issue them promptly and sufficiently before the tender closing date. It is also essential to issue the same information to all bidders at the same time.

Mishandling of bid clarifications, modifications and extensions may result in complaints from bidders, unnecessary delays in the invitation process and fewer tenders.

This section therefore describes some standard operating procedures for responding to bidder requests for clarification, issuing modifications to a bidding document and granting extensions of the tender deadline.

2. Bid clarifications

These refer to clarification requests from bidders about any aspect of the bid and may originate from a pre-bid conference or a written communication from a bidder. The procuring entity **must not prepare or issue a clarification in response to a verbal request** from a bidder.

The deadline for submitting a clarification request will normally be indicated in the bidding document, and requests after this date should be rejected, unless the procuring entity determines that so doing will jeopardize the bidding process. In that situation, it may be necessary to extend the bid closing date.

3. Procedure on receipt of a clarification request

- (i) Record the request in a register.
- (ii) Determine whether it was received by the deadline indicated in the bidding document. If not, it should be ignored, unless it is about a serious flaw in the bidding document that is likely to defeat the purpose of the bid.
- (iii) Craft a response to the clarification and respond within the time specified in the bidding document. Ensure that all necessary authorizations are obtained prior to releasing the response.
- (iv) Send the clarification request and response to all bidders simultaneously without identifying the source of the request. The response must be sent to all by the same method. E-mail is currently the fastest method.
- (v) Retain a copy in the bid file.

The following should be considered when preparing the response:

- (i) Does the clarification require any modifications to the specifications or terms of the bidding document?
- (ii) Does the response require bidders to do additional work or make extensive modifications to their bids that cannot reasonably be completed by the submission date? If so, consider extending the closing date for bid submission.

If the closing date needs to be extended, or other amendments to the bidding documents become necessary as a result of clarification requests, see the next section on bid modifications.

4. Bid modifications

Modifications are formal amendments to the bidding document that the procuring entity may choose to make, either in response to a bidder's clarification request or at its own initiative.

Modifications may stem from mistakes in the original document, adjustments to any part of the specifications or terms of the bidding document (possibly as a result of a bid clarification, site visit or pre-bid conference) or an extension of the submission deadline to give bidders more time to prepare their tenders.

When issuing a modification, it is necessary to consider whether the deadline for submitting bids should be extended. Not all modifications will require an automatic extension of the bidding period, and justifications for extending the closing date for submission would be:

- modifications to the bidding document that may require bidders to modify their bids and perform additional work to be compliant;
- requests for a time extension received from more than one bidder, leading to a situation in which failure to agree may reduce competition;
- unforeseen events that make the original bid closing date inappropriate.

Before deciding to extend the bidding period, the procuring entity must consult with:

- the end-user, to ensure that the revised timing is appropriate;
- those involved in bid opening and bid evaluation to ensure their availability. This is particularly important in cases where specific individuals are required for the evaluation because of their unique skills, knowledge or experience.

When issuing a modification that does not require an extension of the bid period:

- (i) Send the modification simultaneously to all bidders by the same method. E-mail is currently the fastest method.
- (ii) Retain a copy in the bid file.

When issuing a modification related to an extension of the bid period, follow steps (i) and (ii), above, but also:

- (i) state the revised time and date for the opening of any public tender to avoid any misunderstandings.
- (ii) ensure that arrangements for the receipt of tenders and any public tender opening are revised by notifying the person responsible for coordinating the bid opening;
- (iii) ensure that the technical evaluation committee is formally notified of the revisions to the procurement time frame and new timescales.

5. Bid cancellation

A bidding process may be cancelled before the bid closing date.

Any decision to cancel a bidding process is very important, as it has consequences for the procuring entity (in terms of wasted resources and a potential loss of confidence by the market) and bidders alike (wasted time and effort up to the point of cancellation).

Given these negative consequences, the decision to cancel a procurement process requires proper authorization from within the procuring entity and IFAD.

Justifications for cancellation are:

- the need no longer exists;
- the need has significantly changed, to the point that recommencement of the procurement process is required;
- the funding is no longer available;
- there is evidence of collusion among bidders;
- cancelling the procurement is deemed to be in the interest of national security.

When cancelling a bidding process after bid issue but before bid opening, the procuring entity must:

- notify all bidders that have purchased or received bidding documents of the cancellation;
- refund all fees received from the sale of bidding documents (if applicable);
- return any bids already received unopened;
- notify IFAD, plus all departments, units and committees involved in the bidding process.

The action to be taken following cancellation will depend on the reason for the cancellation. The table below offers some suggestions as to next steps, based on the aforementioned justifications:

Reason for cancellation	Possible next step
The need no longer exists	No action necessary
The need has changed significantly	Modify the documents and re-issue the tender
The funding is no longer available	No action necessary
There is evidence of collusion among bidders	Re-issue the tender to a new set of bidders
National security	Consider alternative approach

Module I5: Receipt of Bids

Purpose:

To provide information on acceptable processes for:

- receiving bidding documents;
- closing the bid process at the deadline;
- safekeeping bids until bid opening.

1. Introduction

The procedure for the formal receipt of bids, closing of a bidding process and safekeeping of bids is essential to the integrity of the bidding process for the following reasons:

- It ensures that submitted bids remain unopened until the bid opening³⁹ to promote fair competition;
- It ensures that bidding is closed at the precise date and time of the deadline and that no late bids are accepted;
- It ensures that a record is kept of all bids submitted on time and helps to avoid the opening of any late bids at the opening.

It is the procuring entity's responsibility to make arrangements for the receipt of bids and their secure storage until the designated bid opening time.

The preferred storage method is the use of a locked tender box. However, this may not be appropriate for:

- complex assignments where the documents are voluminous; or
- for very small bids conducted under national shopping (see Module F1).

In this situation, a formal bid receipt method must be adopted to arrange for a secure room to retain the bids.

In any event, the decisions about methods and arrangements for receiving bids should have been made during the preparation of the bidding document and included in it as an instruction to bidders.

2. Step-by-step instructions

2.1 If a tender box is used

- (i) If a tender box is chosen as the method for receiving bids, a lockable tender box should be provided during the bidding period for the deposit of bids;
- (ii) The tender box must have an opening large enough to permit the deposit of most bids, but not so large that someone could reach inside it and retrieve a bid;
- (iii) Bids or samples that are too large to place in a tender box should be handed to the procuring entity in exchange for a signed receipt showing the time and date of submission and the name of the officer receiving the bid. The receiver will be responsible for storing the bid in a secure room or manner until bid opening and must place a copy of the receipt in the tender box to ensure that the bid is considered during bid opening;
- (iv) The tender box must be locked at all times during the bidding period;
- (v) The tender box must be in a location accessible to the public during normal business hours. The tender box may need to be labelled with the procurement reference number if several tender boxes are used at the same time;
- (vi) Ensure that staff have been appointed to manage the tender closing and that they know the date, time and location of the closing;

39 See the next module (I6).

- (vii) The tender box opening must be sealed shut at the **precise date and time** of the deadline for submission. The sealing or shutting of the tender box should be done in a way that prevents anyone from depositing a late tender;
- (viii) Any bids received late should be immediately marked with the time and date of receipt and stamped or marked "Received late – Not to be Opened";
- (ix) It is recommended that the chair of the bid opening team be present at the precise time of closing to verify the time and ensure that no late tenders are accepted. It is equally important that the official closing of the tender box take place at the correct time – neither early nor late;
- (x) The sealed tender box, along with any tenders or other items that were too large for the tender box, should be taken to the location for the bid opening and delivered into the custody of the bid opening team for the opening. The tender box must not be opened or left unsupervised between the bid closing and the bid opening.

2.2 Formal receipt method (no tender box used)

- (i) Bidders will deliver their bids to the location indicated in the bidding document. One or more officials should be selected to receive and securely hold the sealed tenders until the bid opening. The responsible official(s) will give the bidders a receipt confirming the date and time of delivery as proof of delivery prior to the deadline for submission;
- (ii) A copy of the receipt is retained by the procuring entity, and the details should be entered onto a record of receipts document (a template for which is provided on IFAD's website). The record of receipts document is then given to the chair of the bid opening team when the bids are handed over for the bid opening to verify that all bids have been accounted for. It can also be used as an annex to the evaluation report;
- (iii) The official(s) named should manage the bid closing and must be present at the location for tender receipt **before** the bid closing. For practical purposes, it is recommended that all staff involved in the closing be at the location to assist at least 60 minutes prior to the closing. Many tenders will be delivered within the closing hour of the tendering period, and it is not unusual for a queue to develop in the last 15 minutes prior to closing;
- (iv) All bids must be transferred to the bid opening venue in time for opening.

Sample record of receipts: Tender documents or samples

Procurement reference number:

Name & address of supplier/consultant package received from	Time & date of receipt (spell out month)	Number of packages received	Receipt serial number	Contents (if known) (documents/samples)	Condition (damaged/undamaged, sealed/unsealed)	Name and signature of receiver

Module 16: Bid Opening

1. Introduction

Bids received on time are usually opened publicly in the presence of the bidders. In cases where fewer than three bids were received, the bid opening should be suspended until IFAD's no objection (NO) is provided. This is an important step in the bidding process, since:

- opening bids publicly helps to demonstrate that the bidding process is transparent and to increase bidders' confidence in the fairness of the system;
- reading out technical scores and prices at the financial opening should prevent any disputes over changes in price or the evaluation results at a later date;
- the formal procedure, which coincides with the bid closing, should prevent late bids from being included in the evaluation.

The bidding document will state whether there will be a public bid opening and include details of the full location, date and time of the bid opening.

The procuring entity is responsible for ensuring that the designated room is available at the designated time and is of a suitable size and configuration. The following points should be considered when selecting a room:

- The number of bids expected and the number of bidders' representatives that will be present. It is not uncommon for two or three representatives of a single bidder to be present;
- The size of the room required. Bidders' representatives must be seated away from the opening;
- The furniture that will be required in the room. It must be sufficient to enable bids to be easily unpacked, distributed and examined by each member of the bid opening committee. It is common practice to provide a seat for all bidders;
- Whether a computer will be used to record bid details. Whether a projector will be used to display the information from each bid. This is now common practice, as it allows for a transparent process that enables bidders to see and accurately record the details of each bid, thus reducing the potential for error and subsequent complaints.

2. One- or two-envelope process

There are essentially two types of bidding processes:

- One-envelope process: technical and financial bids are submitted in the same envelope and opened at the same time. Summary details, including technical scores and prices, are read out and recorded;
- Two-envelope process: one (outer) envelope contains two envelopes with separate technical and financial tenders. The envelope containing the tenders received on time is opened publicly to obtain the separate technical and financial proposals within. The technical proposals are also opened and summary details read out and recorded. Financial proposals remain sealed until the technical evaluation has been completed and approved.

The financial proposals of tenders proceeding to the financial evaluation are opened publicly at a separate tendering opening, at a date and time notified after the technical evaluation. Summary details, including technical scores and prices, are read out and recorded.

The two-envelope process is generally used only for consulting services procurement, with the one-envelope system used for most other types of procurement.

3. The bid opening ceremony

3.1 Preparations for opening

The room must be prepared prior to the bid opening time. Staff must ensure that appropriate resources, both physical and human, are available to efficiently manage the tender opening.

Physical resources for an efficient bid opening include:

- a room accessible to bidders, arranged so that bidders' representatives are seated a short distance from the table where the opening is to be conducted. It is important that bidders witness, rather than participate in, the bid opening procedure;
- office supplies (i.e. scissors, markers) for opening and marking tenders;

- a copy of the bidding document, in the event of the need to refer to the invitation instructions or other details;
- blank forms for recording tender details;
- blank attendance records and pens, for all bidders and other attendees to sign in;
- access to photocopying facilities for distributing copies of the tender opening record.

Human resources should be sufficient to ensure an efficient opening:

- the bid opening team/committee should comprise a minimum of three members. It may include members of the designated technical evaluation committee (TEC), though where possible, it is preferable for the identity of the TEC to remain unknown to the bidders;
- in addition to the committee, some administrative staff should be present to record all the information read out, re-pack bids in their original packaging and ensure that the attendance record is completed.

3.2 The bid opening procedure

All bidders' representatives wishing to be present must sign a register, giving their name and the name and address of the firm they represent. In some instances, bidders' representatives may be required to provide a power of attorney confirming their status as the bidder's representative before they are admitted.

The committee chairperson will formally open the proceedings, introducing the members of the committee and their role, along with information on how the opening will be conducted. Bidders' representatives should be reminded that they are not to interrupt the proceedings.

Next, the committee should:

- (i) Check whether the bids are marked for the right bid opening.
- (ii) Check for any withdrawals of bids and confirm that the withdrawal is authentic.
- (iii) Check to ensure that the bid packaging shows no signs of tampering. If there is damage, it must be stated and included in the minutes.
- (iv) Open each bid one by one. The following details for each bid will be read out:
 - (a) Name and domicile of the bidder, including the names of all parties to a joint venture, consortium or association;

- (b) Confirmation that the bid is or appears to be complete;
- (c) Any initial comments on the responsiveness of the bid. This would include:
 - Was the bid delivered late?
 - Was the bid sealed?
 - Was the bid properly signed?
 - Were the correct number of copies included?
 - If required, was a correct bid security included, along with other required documentation?
 - Were any required samples included with the bid?
 - If using a two-envelope system, is there a sealed envelope containing the financial proposal? (Note that the financial envelope **must** remain unopened);
- (d) If using a one-envelope process, the currency of the bid and total bid price;
- (e) Normally, no additional information should be read out unless expressly provided for in the bidding document.
- (f) A unique reference number should be assigned to each bid and appear on each copy of the bidding document.
- (g) All copies of the bid are signed by all members of the opening committee.
- (h) The chairperson may choose to open the meeting to questions from bidders, but this is not compulsory. If this is done, the responses should normally be restricted to information included in the bidding document. The committee must take care not to answer questions about the acceptance or rejection of proposals or to discuss the details of any proposal or price. A standard response of "that will be decided by the technical evaluation committee" may be given to such questions.
- (i) The chairperson should close the tender opening meeting, reminding bidders that they must not seek to influence the evaluation process and that the successful proposal will be published in due course.
- (j) Copies of the bid opening record should be distributed to bidders. The original record should be added to the procurement file.

- (k) All proposals should be immediately taken to secure storage until the TEC is ready to meet and commence its work.
- (l) If tender openings for more than one procurement process are held at the same time, they must be held consecutively, with one opening completed, recorded and proposals removed before commencing the next.
- (iv) The committee should check whether the bids are marked for the right bid opening.
- (v) The committee should ensure that the financial envelope shows no sign of tampering. If there is damage, this must be stated and included in the minutes.
- (vi) Bids should be opened one by one. The following details for each bid will be read out:

4. Additional guidance for opening financial proposals in a two-envelope system

Financial proposals are opened only after completion of the technical evaluation (first envelope) and obtaining the necessary internal approvals and IFAD's NO (in case of prior review) of the technical evaluation.

The first step is to ensure that all bidders whose proposals are proceeding to the financial opening have been notified of the date, time, and location of the opening sufficiently ahead of the event.⁴⁰

Although most of the other steps to be followed are generally similar to the processes above, there are a number of subtle differences. The process is shown below:

- (i) The chairperson should welcome bidders to the financial opening and request them all to sign the attendance record.
- (ii) The chairperson briefly explains the procedure that will be followed, which is normally:
 - (a) read-out of technical scores / results;
 - (b) opening of financial proposals;
 - (c) read-out and recording of financial information by the procuring entity;
 - (d) opportunity for bidders to ask questions;
 - (e) close of the meeting;
 - (f) removal of financial proposals for safekeeping and evaluation.
- (iii) The names and technical scores of all bidders whose proposals are proceeding to the financial evaluation are read out; the bid opening committee **must not discuss the technical scores** or results of the technical evaluation in any way.
- (a) Name and domicile of the bidder, including the names of all parties to a joint venture, consortium or association;
- (b) Number of copies of the financial proposal received;
- (c) The currency and total price of the financial proposal. The bid opening committee **must not make any comments about the prices** or the financial evaluation;
- (d) Normally, no additional information should be read out unless expressly provided for in the bidding document.
- (vii) When all relevant financial proposals have been opened, read out, recorded and signed by all members of the opening committee, the chairperson may allow tenderers to ask questions.
- (viii) The chairperson should close the tender opening meeting, reminding tenderers that they must not seek to influence the financial evaluation and that the successful proposal will be published in due course.
- (ix) Copies of the tender opening record should be distributed to bidders. The original record should be added to the procurement file.
- (x) All financial proposals should be taken immediately to a place for safekeeping until the TEC is ready to meet.
- (xi) If tender openings are conducted for more than one procurement process at the same time, they must be conducted consecutively, with one opening completed, recorded and proposals removed before commencement of the next opening.

⁴⁰ A minimum of one week is recommended to ensure that bidders can make arrangements to attend. Unless all bidders are located very near to the opening locations, any less than one week's notice is likely to disadvantage some of them and therefore risks compromising the principle of fairness.

4.1 Minutes of the bid opening

The minutes are prepared by the bid opening committee, based on the information recorded during the ceremony. Given the use of modern computer equipment and software, some organizations now issue the minutes of the bid opening to bidders' representatives immediately after the close of the meeting. The minutes must also be forwarded to each bidder's contact address.

5. Main rules of any bid opening

- (i) It should be well-organized.
- (ii) Late bids must be rejected.
- (iii) For the purposes of transparency, the bid opening should not be halted or postponed once the process begins.
- (iv) Also, for the purposes of transparency, all work related to bid opening for a particular piece of procurement must be concluded in one session.
- (v) No bidder shall make an unsolicited communication during the bid opening process.
- (vi) No bidder shall be allowed to interfere with the bid opening process, the bid opening committee or the TEC.
- (vii) Any bidder objections to the procedures or decisions of the bid opening should be made in writing to the official of the procuring entity that is designated in the complaint procedures.

Module 17: Extending Bid Validity

The tender or proposal validity period requested in the bidding document should normally be sufficient to enable a technical evaluation committee to conduct both the technical and financial evaluation to obtain required internal approvals and IFAD's NO, if required, and for the procuring entity to place a contract. Therefore, an extension of the validity of tenders should normally not be required.

However, if an extension of the validity of proposals is required, all bidders still involved in the evaluation process should be requested, in writing, to extend the validity of their proposals for an additional specified period of time. This request should be issued within a reasonable period before expiry of the validity of proposals to allow enough time for responses to be received. Bidders have the right not to extend their bid.

The request should be worded in such a way that **lack of response** to the request will be **construed as non-agreement to the validity extension**. Bidders must either agree or disagree to extend the validity of their bid and should not be permitted to change their financial proposal or any details of their bid or proposal when extending the validity. In the event that a bidder does not wish to extend the validity of its bid, the bid is withdrawn from the evaluation.

If a tender security is required, bidders extending the validity of their tenders must also extend the validity of their tender securities by the same period of time. Any bidder is free to refuse to extend the validity of its tender without forfeiting any tender security submitted.

For the purposes of fairness and transparency, the deadline for responses to bid validity extensions should be treated in the same fashion as a bid closing deadline. Only positive responses received in writing by the deadline will be considered. A late response after the deadline should not be considered.



Contracts

MODULE J: CONTRACT TYPES

Module J1: Contract Types for Goods

Module J2: Contract Types for Works

Module J3: Contract Types for Consulting Services

Module J4: Payment Terms, Securities, Retentions and Guarantees

Module J1: Contract Types for Goods

1. General considerations

As with the different procurement and selection methods, several different types of contracts can be used, depending on the procurement in question.

The main considerations when determining which type of contract to use are:

- the nature and degree of specificity in the contract;
- the distribution of risk between the contracting parties.

A third, but less critical, consideration is the level of supervision that the borrower/recipient may be able to assume.

2. Contract types

2.1 Supply only

On most occasions, goods will be contracted on a supply-only basis. This means that the contract will be considered complete when goods are satisfactorily “delivered” as per the Incoterms (International Commercial Terms)⁴¹ in the contract.

Full payment (or final payment, if the contract has an advance payment provision⁴²) will be made on delivery; however, it is important to note that the definitions of “delivered” and “delivery” vary between Incoterms. In some cases, “delivered” means physically delivered into the hands of the customer; however, in most Incoterms, it is upon documentary evidence that the goods have been dispatched. It is therefore critical that Incoterms and their implications be fully understood.

Supply only contracts will generally contain the following information:

- the source of funds;
- the contract price;
- the contract delivery terms (e.g. method of dispatch, Incoterms);
- the delivery date, calculated from the supplier’s delivery period;
- the applicable contract conditions;
- the description/specifications of the goods according to the bid;
- payment terms/payment method;

41 See Module H1.

42 See Module J4.

- performance guarantee, if required;
- delivery/shipping requirements, where shipment is arranged by the supplier;
- insurance requirements, if insurance is arranged by the supplier;
- required documentation;
- details for distribution of the documentation;
- packing requirements;
- shipping marks/consignee address.

2.2 Supply and service contracts

This type of contract is suitable when the goods to be supplied require some element of service to be performed by the contractor following delivery. This could be either:

- installation or commissioning (i.e. processing plants);
- final assembly (in the case of products supplied in a semi-complete or “knock-down” form for shipment purposes);
- training on the operation and/or maintenance of the product (usually only for highly specialized goods);
- direct servicing or maintenance.

Payment for goods and services elements is often made separately, and final payment should be made only when the services have been completed pursuant to the contract.

The contract should contain all information as per “supply only” but also include:

- the commencement dates for each service element;
- full price breakdown to reflect the separate cost of each service element;
- the payment terms for the respective services;
- the responsibility of each party to provide labour, equipment, utilities;
- the duration of the service and number of contractor staff required;
- the costs of air fare, living expenses, insurance, etc. for contractor staff;
- the documentation required to show the completion of each service (i.e. Installation Completion Certificate);
- any relevant drawings and diagrams.

2.3 Framework contracts

Framework (or “call-off”) contracts can be an efficient, cost-effective and flexible means of procuring goods, works or services required continuously or repeatedly over a specific period of time.

Framework contracts are particularly useful for goods, works and services that are readily available in the local market or goods with a relatively short shelf life. Although there are no set rules for the use of framework contracts, if a high level of cumulative annual expenditure or more than 10-15 separate procurements are initiated in a year, bundling similar activities under a framework contract should be considered.

The objective of framework contracts is to minimize the cost and effort spent on the preparation of multiple similar small procurement activities by agreeing on fixed prices with a supplier for a specific period of time. Bundling the requirements will stimulate greater price competition among providers to win the right to supply all requirements of the framework contract.

Spare parts, office supplies and medical supplies are examples of the types of goods that may be efficiently purchased under a framework contract.

3. Summary

Contract characteristics	Use
Contract is completed upon delivery of the goods	Supply only
Contract includes any of the services listed above	Supply and service
Repeated supply over a specific period	Framework

Module J2: Contract Types for Works

1. General considerations

Just as there are several different procurement and selection methods, there are several different types of contracts that can be used, depending on the procurement in question.

The main considerations when determining which type of contract to use are:

- the nature and complexity of the requirement;
- the size and duration of the contract;
- the degree of specificity of the requirement and the element of risk/uncertainty;
- the technical capability, design and supervisory resources of the procuring entity;
- the budget;
- previous experience;
- degree of specificity in the contract.

2. Contract types

The main types of works contracts are as follows:

- Lump sum
- Bill of quantities (BOQ)
- Unit rate
- Ad/remasurement
- Cost reimbursable plus fee (cost-plus):
 - With fixed fee;
 - With variable (or percentage) fee.
- Target cost (+ incentive fee or bonus);
- Supply and erect/install;
- Design and build;
- Turnkey;
- Management

Most of the above contract types account for change in contract price during implementation, based on physical or price contingencies or both. Physical contingencies are related to increases or decreases in project scope (normally referred to as “variation orders”), while price contingencies are related to price movements due to inflation, legislation or government policy.

The different contract types are described below, with brief comments on their use, advantages and disadvantages.

2.1 Lump sum contracts

Lump sum, or fixed sum, contracts are contracts in which the price is determined at the start and remains unchanged during implementation. They are suitable if the project’s scope and schedule are well-defined enough to permit a high degree of accuracy in estimating project costs.

When to use	Small, well-defined works Large industrial processing plant (turnkey)
Advantages for the borrower/recipient	Fixed sum for budgeting Easy to administer Little or no remeasurement Less documentation
Disadvantages for the borrower/recipient	Inflexible to changes High risk to contractors, leading to higher prices

2.2 BOQ/unit rate or ad/remeasurement contracts

Used for the majority of construction projects, these contracts are based on estimated quantities of work items and agreed unit prices, included in the contract document as a priced BOQ. Payment is based on measurements of work quantities executed by applying the agreed unit rates. The final contract price, therefore, depends on the total quantity of work performed by completion.

This contract is generally suitable for construction projects with different types of items that can be accurately identified in the contract documents. It is not unusual to combine a BOQ contract for some aspects of the project with a lump sum contract for other aspects (e.g. labour and materials on a unit rate basis and a lump sum for the management fee).

When to use	Used for the majority of construction projects, where the design has not been finalized at the tender stage
Advantages for the borrower/recipient	<ul style="list-style-type: none"> Equitable basis for bidding Facilitates bid comparison and evaluation Adaptable to changes Periodic payments follow contract cash flow Normally little difference between bid price and final contract cost
Disadvantages for the borrower/recipient	<ul style="list-style-type: none"> Problems with unbalanced bids/unit rates Preparing and monitoring a detailed BOQ contract can be time-consuming

2.3 Cost-plus contracts

With cost-plus contracts, the procuring entity agrees to pay the cost of all labour and materials, plus an agreed amount to the contractor to cover overhead and profit.

The fee could be a fixed percentage of the cost of labour and materials (variable fee) or an agreed fixed amount (fixed fee), regardless of the final cost of labour and materials. With a variable fee contract, the incentive paid to the contractor increases with the cost of labour and materials. With a fixed fee contract, in contrast, it remains unaltered at a predetermined amount.

This type of contract is preferred when the scope of the work is indeterminate or highly uncertain and the kinds of labour, materials and equipment needed are also uncertain. It is often found in emergencies, where speed is of the essence and there is no time to prepare a fully costed proposal. Under this type of contract, detailed and complete records must be kept of all time, materials and equipment used on the works by the contracting vendor, and the procuring entity has greater responsibility to ensure that costs are monitored and claims for payment are justified.

When to use	<ul style="list-style-type: none"> Open-ended emergencies (earthquake and flood disasters) – with a fixed fee High risk and uncertainty (e.g. tunnelling) – with a variable fee (%)
Advantages for the borrower/recipient	<ul style="list-style-type: none"> Early mobilization and rapid start-up Contracting vendor assumes little or no risk; therefore, contingencies are not paid
Disadvantages for the borrower/recipient	<ul style="list-style-type: none"> Inappropriate for competitive bidding No incentive for quality or timely work under fixed fee No incentive to limit costs under variable fee Additional staff needed to monitor costs

Because of the uncertainty surrounding the final budget, this type of contract is generally avoided in development projects.

2.4 Target cost contracts

A target cost contract is essentially the same as a cost-plus contract with added financial incentives. With a target cost contract, the procuring entity and contracted vendor negotiate and agree on the final cost of the project – the “target cost”. A fee is agreed to be paid to the contracted vendor, in addition to the target cost.

As an incentive for economy, the contracting parties also agree to share any savings or cost overruns using a predetermined ratio (i.e. 50/50, 60/40).

This implies that payments due to the contractor on completion of a project are as follows:

If the final contract is at....	then payments to be made are...
the agreed target cost	the target cost plus the agreed fee
20% lower than the target cost (i.e. 20% savings)	the final cost plus the agreed fee plus bonus of x% of the 20% savings
20% higher than the target cost (i.e. 20% cost overrun)	the final cost plus the agreed fee minus penalty of X% of the 20% cost overrun

When to use	For highly uncertain conditions and unquantifiable risk When it is necessary to have a cost-plus contract, but with incentives
Advantages for the borrower/recipient	Savings or cost overruns shared, based on the final target cost Risk shared by the procuring entity and the contractor
Disadvantages for the borrower/recipient	Inappropriate for competitive bidding Additional staff needed to monitor costs

2.5 Supply & erect/install contracts

These contracts are a combination of goods and works, as they involve the supply and installation of materials by the contracted vendor. Design and supervision are provided by the procuring entity or an agent acting on its behalf.

When to use	Normally, used only for activities such as major bridges, public buildings, pumping stations, pipelines and transmission towers
Advantages for the borrower/recipient	A part-goods, part-works contract with a high equipment component One contractor responsible for the project, so less contract management Lump sum or combination lump sum/unit rate or BOQ Design & build/construct Allows for innovation and explores latest concepts in design and construction techniques
Disadvantages for the borrower/recipient	Evaluation is very complex due to variations in equipment and lifecycle costs among bidders Usually comes with a high degree of quantity and price variation, which makes budgeting difficult

2.6 Design and build contracts (also known as design and construct contracts)

Under a design and build contract, the scope of the contracting vendor's responsibility is wider, as it is responsible for both the design and construction.

These contracts are usually limited to simple structures, such as non-complex buildings, warehouses and small projects where there is no justification for separate design and construction processes. Mass-produced prefabricated components with standard dimensions are common.

When to use	<p>For relatively quick construction when the procuring entity has little time for a normal design and tendering process</p> <p>Typically used for simple requirements, such as warehousing, campsites, storage facilities and office blocks</p> <p>Often used when the procuring entity lacks design capability</p>
Advantages for the borrower/recipient	<p>Can be lump sum</p> <p>A single contracting vendor is responsible for the project, so less contract management</p> <p>Allows for innovation, latest/new designs and construction techniques</p> <p>Provides a quick solution</p>
Disadvantages for the borrower/recipient	<p>Inflexibility, as most components are fabricated to standard dimensions/designs</p> <p>Contracting vendor bears the design risk, so will charge a premium for this</p> <p>Procuring entity often needs to check design calculations or hire a consultant</p> <p>Hard to evaluate on a like-for-like basis</p>

2.7 Turnkey contracts

Turnkey contracts are similar to design and build contracts in that the contracting vendor is responsible for both design and construction. The key difference, however, is that turnkey contracts are ordinarily employed in more complex situations, where it is usually unfeasible to formulate the full project scope and detailed specifications at the outset.

A two-stage tendering process is sometimes employed for turnkey contracts. The first stage focuses on design concepts that aim to capture the procuring entity's vision of the intended works based on initial thoughts and preliminary briefings. The bidding document for the design concept may be issued to a pre-qualified list of contracting vendors. The concept that best meets the procuring entity's vision is accepted, and detailed technical and financial proposals for the selected concept are then sought during the second stage of the tendering process.

Since the contracting vendor is responsible for completing the entire project, turnkey contracts are generally issued on a lump sum basis. Depending on the duration of the contract, there may also be a price adjustment provision to cover annual salary increases or extreme fluctuations in market prices of materials.

When to use	<p>Similar to design and build but far more complex (i.e. complex industrial processing plants)</p>
Advantages for the borrower/recipient	<p>The contracting vendor is responsible for the entire work package for the specific end product. Thus, there is very little time input from the procuring entity</p>
Disadvantages for the borrower/recipient	<p>Very expensive, as the contracting vendor is taking all the risks</p> <p>Will often have a price adjustment formula, which makes budgeting difficult</p>

2.8 Management or public-private-partnerships (PPP) contracts

Management, or PPP, contracts are essentially concessionary turnkey contracts that include financing by an investor when the owner has a limited budget or borrowing capacity. Some of the common management or PPP contracts are defined below.

- BOT – Build, Operate and Transfer
- BOO – Build, Operate and Own
- BOOT – Build, Operate, Own and Transfer
- DBOM – Design, Build, Operate and Maintain (usually referred to as DBO)
- DBMF – Design, Build, Maintain and Finance
- DBOMF – Design, Build, Operate, Maintain and Finance
- BOLT – Build, Operate, Lease and Transfer

A number of elements require careful consideration when weighing the use of this type of contract, including whether:

- the project is economically feasible for the public sector
- the project is financially feasible for the private sector
- there is an appropriate risk/reward balance between the public and private sector
- the public sector will receive value for money.

The proposed fee (revenue to investor) is a major consideration in bid evaluation.

2.9 Framework contracts

Framework (or “call-off”) contracts can be an efficient, cost-effective and flexible means of procuring goods, works or services required continuously or repeatedly over a specific period of time.

Framework contracts are particularly useful for small-scale works that can be implemented by a number of local contractors. Although there are no set rules for the use of framework contracts, if a high level of cumulative annual expenditure or more than 10-15 separate procurements are initiated in a year, bundling similar activities under a framework contract should be considered.

Framework contracts aim to minimize the cost and effort spent on multiple similar small procurement processes by agreeing on fixed prices with a contractor for a specific period of time. Bundling the requirements will result in greater price competition among providers to win the right to implement all requirements of the framework contract.

Routine refurbishment, repair and/or maintenance of offices and grounds are examples of the types of works that may be purchased efficiently under a framework contract.

When to use	For revenue-generating projects (toll roads, power, water, transport, health and education)
Advantages for the borrower/recipient	<p>Comes with financing, so it is relatively inexpensive in terms of budget outlay</p> <p>Brings in private sector resources and expertise</p> <p>Greater value for money in the competitive procurement of public services</p> <p>Improved operational and commercial performance</p> <p>Cost and risk borne by investor</p>
Disadvantages for the borrower/recipient	<p>Needs careful planning and review</p> <p>Overall price is high because contracting vendor assumes the bulk of the risk</p> <p>Can be very risky if the expected revenues are not obtained</p>

Module J3: Contract Types for Consulting Services

1. General considerations

Just as there are different procurement and selection methods, there are different types of contracts that can be used, depending on the procurement in question.

The main considerations in determining which contract type to use are:

- the nature of the assignment and degree of specificity that is possible in the ToR with respect to the tasks and duration of the assignment;
- the distribution of risk between the contracting parties.

A third, but less critical, consideration is the level of supervision that the borrower/recipient may be able to assume.

2. Main contract types

There are only two main contract types for consulting services:

2.1 Lump sum contracts

Lump sum (or fixed sum) contracts are contracts where the price is determined at the outset and remains unchanged during implementation. They are suitable if the scope and schedule of the project are sufficiently defined to permit a high degree of accuracy in the estimation of project costs.

When to use	Relatively simple well-defined assignments or assignments where there are no external factors that could influence the outcome, putting them outside the consultant's control
Advantages for the borrower/recipient	The contract price is fixed and includes professional fees and reimbursable expenses Cost risk is transferred to the contractor/consultant; therefore, any cost overruns are not charged to the client Reimbursable elements form part of the overall fee payable to the consultant
Disadvantages for the borrower/recipient	Higher risk to the contracted consultant, leading to higher prices Any savings in terms of fees or expenses are not passed on to the client

Payment of the lump sum is made in any of the following ways:

- 100 per cent at the end of the assignment (or 10 per cent in advance and 90 per cent upon completion);
- on reaching specific milestones during the assignment; or
- on completion of specific deliverables during the assignment.

2.2 Time-based contracts

A time-based contract is one where the consultant provides services based on a pre-agreed unit rate for professional fees (i.e. per hour, per day, per month) and charges for the time spent in executing the assignment. Reimbursable expenses are also charged to the borrower/recipient based on "actual" expenditure and/or against a pre-agreed unit rate for each type of reimbursable item of expenses. This type of contract must include a maximum amount for the total payments (the contract ceiling) to be made to the consultant, which may or may not include a contingency allowance.

When to use	Widely used for complex studies, supervision of construction, technical advisory services and training assignments. Used when the nature and scope of the services cannot be determined precisely in the ToR/RFP or when the duration and amount of inputs are subject to variables outside the consultant's control
Advantages for the borrower/recipient	Lower unit prices, as the consultant is assuming less cost risk Any cost savings are passed on to the borrower/recipient
Disadvantages for the borrower/recipient	Cost risk is with the borrower/recipient Needs to be closely monitored and administered to ensure that the assignment is progressing satisfactorily and that payments claimed by the consultant are appropriate

Payments are based on:

- Remuneration: the agreed unit fee rates, multiplied by the number of units worked;
- Reimbursables: reimbursable items, using the actual expenses incurred and/or pre-agreed contractual rates.

As with any contract, the timing of payments will depend on the nature of the contract, its duration, the workplan and deliverables; however, this type of contract normally includes a small advance payment (up to a maximum of 10 per cent is usually recommended) secured by a guarantee,⁴³ followed by staged payments that are triggered by either:

- the expiry of a determined period (i.e. monthly, quarterly);
- the completion of a specific task; or
- the submission/acceptance⁴⁴ of a specific deliverable.

3. Other contract types

Several other types of contract are available but are rarely used under IFAD-financed projects. For the sake of completeness, however, they are very briefly described below:

3.1 Framework contracts

Framework (or “call-off”) contracts can be an efficient, cost-effective and flexible means of procuring services required continuously or repeatedly over a specific period of time.

Framework contracts are particularly useful for small-scale services that are readily available from the local market. Although there are no set rules for the use of framework contracts, if there is a high level of cumulative annual expenditure or more than 10-15 separate procurements initiated in a year, bundling similar activities under a framework contract should be considered.

Framework contracts aim to minimize the cost and effort spent on multiple similar small procurement processes by agreeing on fixed prices with a vendor for a specific period of time. Bundling the requirements will result in greater price competition among providers to win the right to deliver all requirements of the framework contract.

⁴³ See Module J4.

⁴⁴ Whether payment will be made against submission or client acceptance of a deliverable (i.e. report) is open to negotiation. Contractors will generally prefer payment to be triggered on submission of an output, as this is under their control and eliminates the risk of payment delays due to lack of express acceptance by the client, whereas buyers will insist that the deliverable be accepted prior to payment to ensure that it meets their requirements. A compromise is usually reached wherein if a deliverable has been submitted and no comments have been received from the customer within a certain period of time, payment is triggered.

3.2 Retainer and/or contingency (success) fee contract

Retainer and contingency fee contracts are often used when consultants (banks or financial firms) are providing specialized financial activities, such as preparing companies for sale, mergers, or the privatization of operations.

The consultant’s remuneration includes a retainer and a success fee, the latter normally expressed as a percentage of the sale price of the assets.

3.3 Percentage contracts

These contracts are commonly used for architectural services but may also be used in similar circumstances, such as for procurement and inspection agents.

Percentage contracts directly link the fees paid to the consultant to the estimated or actual project construction cost, or the cost of the goods procured or inspected.

The selection of these services commonly uses the QCBS or LCS selection method where consultants compete on the basis of the quality and percentage fee offered for the services..

In the case of architectural or engineering services, percentage contracts have no incentives for economic design or performance. Use of a percentage contract format for architectural services is recommended only if it is **based on a fixed target cost** and covers well-defined services.

3.4 Indefinite delivery contracts (price agreement)

These contracts are used when there is a need for “on call” specialized services to furnish advice or services whose extent and timing cannot be determined in advance.

These are commonly used to retain “advisers” for the implementation of complex projects, expert adjudicators for dispute resolution panels, institutional reforms, procurement advice, technical troubleshooting, etc., normally for a period of one year or more.

The procuring entity and the firm agree on the unit rates to be paid, and payments are made on the basis of the time and resources actually used.

Indefinite delivery contracts are essentially equivalent to framework agreements. Some procurement regimes use framework agreements when they can commit to minimum levels of needed procurement in a given period while they use indefinite delivery contracts when no such commitment is made.

Module J4: Payment Terms, Securities, Retentions and Guarantees

1. Payment

When thinking about payment, two primary issues need to be considered: how payment is to be made (payment methods) and when payment is to be made (payment terms). These aspects are discussed further in the next sections of this module.

Regardless of the methods and terms, the contract must stipulate the payment currency, the process for any exchange rate calculations and any formula for calculating interest on late payments.

1.1 Payment methods (the “how”)

There are several methods for making payments to suppliers, contractors or consultants, as follows:

Petty cash: used only for low-value transactions during day-to-day project operations;

Cheque payment: used for in-country payment of goods and services, where facilities for issuing cheques from bank accounts exist;

Bank transfer: for payment directly into the contracting vendor's account. This is frequently used for international payments or for regular payments to the same recipient;

Documentary letter of credit (L/C): a document issued by a financial institution (usually a reputable bank) that provides an irrevocable payment to a beneficiary against the provision of compliant documents, as stated in the credit. International contracting vendors often require this payment method, because once it begins, it cannot be revoked and therefore provides them with a guarantee of payment. This method entails costs consisting of the fees charged by the financial institution, but it can often be negotiated that the contracting vendor will cover these costs in both its own country and the originating country, since the L/C is basically for its benefit.

L/Cs are not generally used for the procurement of services for which the definition of successful contract completion is more subjective and therefore not appropriate for an independent financial institution to assess.

IFAD's standard procurement documents contain the relevant information on procurement securities. Procurement securities are governed by the International Chamber of Commerce (ICC) Uniform Rules for Demand Guarantees 758. For letters of credit, ICC UCP 600 (Uniform Customs and Practice for Documentary Credits) and/or ISP 98 (International Standby Practices) apply.

1.2 Payment terms (the “when”)

There are two subaspects of when payment is to be made: how long the payment will take to be transferred and when the payment may be claimed.

How many days will it take to make the payment?

The standard payment term for public procurement is usually in the range of 30-60 days from the procuring entity's acceptance⁴⁵ of the goods, works or services.

When agreeing on a payment term, it necessary to **be realistic**. Lengthy internal processes may often be involved in making payments to contracting vendors. Thus, it is necessary to be as realistic as possible when negotiating a contract's payment terms.

Cash flow is an important issue for contracting vendors, so they may offer discounts in return for prompt payment, since it is financially advantageous to them. The longer a supplier or contractor is required to wait for payment, the higher the price of the goods, works or services. However, there is no benefit to either contracting party in making promises of quick payment if it is unfeasible due to existing systems or procedures in the national system or the project.

Such false promises only create difficulties during implementation when payment is made later than stated in the contract, since it can lead to a loss of reputation, higher pricing for future contracts, claims for interest or in the most extreme cases, legal contractual remedies.

45 As deemed by the contract.

When can payments be claimed?

It is not always the case that 100 per cent of payment is made at the end of the contract. In fact, this usually occurs only for the simplest supply contracts.

Payments may be made in the following ways:

- 100 per cent at contract completion;
- At time-defined stages of the contract;
- Based on agreed percentage amounts or actual amounts, as detailed in the contract;
- On completion of events, milestones, deliveries or deliverables.

1.3 Advance payments

These are very popular with contracted vendors and are made at the start of a contract before any goods have been supplied or work or services rendered.

They are a standard component of many tender processes and are often subject to negotiation prior to contract signature. Suppliers, contractors and consultants will often request an advance payment for the following reasons to ensure that their cash flow is not negative during the early stages of a contract:

- for goods: to cover the cost of production materials;
- for works: to cover hiring costs and/or the procurement of specialized plants/equipment;
- for services: to cover mobilization costs (air fare, visas).

While this is generally acceptable in principle, a good procurement officer will challenge and examine advance payment requests to ensure that the amount of the advance is justified and genuine. This can be done by asking the supplier, contractor or consultant to provide evidence of the upfront expenditure that they are claiming they will incur and verifying that the amount of the advance requested equates with the actual expenditure.

As a general guide, goods purchased “off-the-shelf” through a trader or dealer should not usually require an advance payment. The supplier will not have excessive upfront costs to bear and may even have received credit for the goods, meaning that they will not actually have made any cash outlay at the time they are provided to the project.

Advance payments should never be used to cover the normal cost of doing business or the “tools of the trade” – i.e. a carpenter would not be given an advance payment to buy a new hammer.

Advance payments often consist of a percentage of the total contract price (TCP). While showing the figure as a percentage is not entirely wrong, **it is clearer to show the exact amounts to be paid instead.** This is to prevent the figure from increasing with an increase in the overall cost of the contract that might not justify an increase in the advance payment.

If the figure to be paid is shown as a percentage, it is not always appropriate to base that percentage on the TCP either. Instead, it should be calculated as a percentage of the component part of the contract in question.

Example:

A TCP for a piece of equipment is US\$20,000 for delivery in six months. This is made up of:

- equipment: US\$15,000
- shipping costs: US\$5,000

The contractor requests a 10 per cent advance payment to cover some initial production costs, which is agreed to by the procuring entity. The contractor asks for 10 per cent of the total payment volume, or US\$2,000.

Although US\$2,000 is 10 per cent of the TCP, it is 13.3 per cent of the cost of the equipment. Since the equipment cost is the only component of the contract to which the advance should apply, this figure is incorrect.

The correct amount of the advance for initial production costs should be 10 per cent of US\$15,000, or US\$1,500.

By agreeing to 10 per cent of the TCP, the customer would have been paying an advance on the shipping costs as well, which is not justified.

Any advance payments must always be secured by a guarantee issued by a financial institution prior to payment (see below). Making advance payments without a security in place poses a significant financial risk to the purchaser.

Once paid, an advance payment can be recovered in instalments or amortized over a period of 612 months. The period is normally agreed on during contract negotiations.

1.4 Retentions

Retentions are the opposite of advance payments, where a specific percentage or lump sum is retained by the procuring entity pending an action or event and is:

- deducted from progress payments;
- set aside from the payment schedule.

Retentions may be released early, in return for a procurement security or bond guaranteeing the return of the payment should the contractor default on its responsibilities or obligations.

There are generally two types of retention:

Warranty/guarantee: the retention is linked to the expiry of the warranty/guarantee/defects liability period of the items procured. The amount of the retention normally ranges from 2.5 to 10 per cent of the cost of the items.

Final acceptance: is issued upon the successful completion of the Warranty obligations under the Contract. This is common for Works and Goods procurement.

1.5 Price adjustment provisions

These are allowed only if expressly provided for in the contract or any legislation and should be used only to take changes in “economic circumstances” into account. These provisions often apply to contracts for the employment of consultants for more than a year or for works contracts where raw materials prices are subject to annual increases.

Changes in price shall be subject to approval by the procuring entity or, in the case of works contracts, to the certification by the engineer in consultation with the approving authority at the procuring entity. In many countries, however, approval must be obtained at the senior level of the appropriate ministry.

Arrangement for adjustment must be clearly detailed in the contract, with the methodology and formula clearly laid out. The methodology normally employs the use of inflation statistics issued by the central government statistical authority.

It is usually more economical to use a price adjustment methodology than to pay a premium to the contractor/consultant to assume all the risks of any cost increases, although a ceiling on any adjustment should be specified in the contract.

2. Securities: Bonds and guarantees

2.1 Forms and types

A security is a written instrument issued by one party (the surety or bank) to another (the beneficiary) to secure the fulfilment of certain contractual obligations undertaken by a third party (the supplier). It is used to protect public/project funds by providing financial recourse in the event of non-performance by a supplier, contractor or consultant. The common terminology distinguishes between two forms and two types of security, respectively.

The **two forms** of security are:

- (i) **Default bonds** (or conditional bonds). These place the onus on the procuring entity to prove the contractor’s default and the associated loss. Payment consists of the amount of the buyer’s actual loss, with an upper limit to the value of the bond. Bonds are issued by surety firms/insurance companies.
- (ii) **On-demand guarantees**. These are payable in the full amount “on-demand” at any time, regardless of the extent of the buyer’s loss. Therefore, they are called whether or not the exporter has met their contractual obligations. However, the procuring entity may be subject to a legal counterclaim should the guarantee be claimed inappropriately. Guarantees are issued by commercial banks.

The main types of procurement securities are:

Bid security

This protects the procuring entity against the cost of going out to bid again if the winning bidder does not enter into the contract awarded or fails to provide any further securities required under the contract. It ensures that the bid is serious and complies with the bid requirements. The amount of the bid security should be between 1.5 and 3 per cent.

Bid securities are returned to the successful bidder and all other bidders **upon contract effectiveness**. When the procurement is by lots, the bid security amounts shall be expressed in lots.

Advance payment security

This is used to secure any advance payment made to the contracting vendor. Payment is not made until the security is received, and the amount of the security is always equal to the amount to be paid. Ideally, the security diminishes over time as work is performed and the advance payment is “earned”.

Performance security

Performance security may be requested in bidding documents from the winning bidder as a requirement to be provided, following an award, in order to mitigate the risk of non-performance and breach of contractual obligations (such as the delivery of all equipment, services rendered, and works completed as per the contract).

The performance security is normally to be in the form of an unconditional and irrevocable on-demand bank guarantee. Other forms of performance security (e.g. a bond, a demand draft, a standby documentary letter of credit, cashier’s cheques, or irrevocable cheques certified by a bank) may be used with IFAD’s no objection. The acceptable formats should be indicated in the bidding document along with relevant templates.

The value of the performance security may vary, depending on the nature, risk and magnitude of the services or goods to be provided under the contract (e.g. large variety of products to be covered under the contract with a risk of failure to deliver or delicate products with a high risk of damage during handling). The performance security should reflect the value of the assessed risk and subsequent loss to the procuring entity should the contractor fail to fully perform under the respective contract. This would be dependent on the market, local conditions, and/or political and economic situation of the location of the end-user.

It is recommended that the performance security equals at least 5 per cent of the initial contract amount. However, the total value of the performance security should normally not exceed 10 per cent of the contract value. The higher the percentage, the less attractive it is to bid; also, the bidders’ financial proposals are likely to cost more if the performance security is higher.

2.2 General principles

The **form and wording** of the security should follow the draft provided in the bidding document. If a national procurement system does not have its own format and wording, templates are included in IFAD’s standard procurement documents.

The guarantor must be reputable and acceptable to the procuring entity. Some countries demand that it be endorsed by a local financial institution.

The **amount, currency and duration/validity** must be correct. The expiry date should be at least one month after the anticipated expiry of the event or period to allow sufficient time for claims to be made. Any amendment to the contract completion date requires a parallel extension of the bond.

Bid and performance securities are generally not recommended for consulting services.

Bid securities are contentious, because when negotiations fail, the reasons for failure may be complex and attributable equally to the procuring entity and the contractor. Performance assessment is a very subjective process and can result in legal challenges; moreover, it is hard to prove that the consultant’s performance is the sole reason for the poor performance. International consultants may not bid for consultancy assignments where performance bonds are required because of the risks that the client may unjustifiably confiscate or make claims on the proceeds of such bonds thereby reducing competition in the market. Unlike goods or works contracts where defaults by the contracted party (supplier or contractor) can be physically verified, it is much more difficult to establish default in consultancy contracts where often the procuring entity and the consultant may be concurrently responsible for the delays. In other words, it is more difficult to attribute default as the responsibility of a specific party to the contract.

All securities cost the contracting vendor money, as it must pay a fee to the surety or bank. While they are not extreme in terms of cost, they are a financial commitment on the part of the contracting vendor, which may therefore seek to recoup this cost by charging slightly higher rates.

2.3 Managing securities

Three actions can be taken with a security:

- **Extension:** Securities can be extended for the following reasons:
 - (a) A **contract award has been delayed** (bid security only). In this instance, all bidders should be asked to extend their securities for a specified period.
 - (b) **Amendment of the contractual delivery/completion date.** In this case, the contracting vendor should be asked to extend the security for a period that coincides with the new completion date.
- **Returning:** Securities can be returned in the event that:
 - (a) The contract has been awarded to another bidder (bid security only);
 - (b) The work covered by the bond/guarantee has been performed satisfactorily;
 - (c) The warranty period has expired;
 - (d) The payment value has been recovered (advance payment security only).
- **Invoked (or "called"):** Reasons to invoke (or "call") a security are:
 - (a) The contractor has withdrawn from the bidding (bid security only);
 - (b) The contractor has defaulted on the contract;
 - (c) The contractor has failed to honour the warranty/defect liability;
 - (d) The contractor has refused a valid request to extend the security (not applicable to bid securities).

When calling a security, the demand must be made to the issuing party in writing at least one week before expiry but preferably, at least one month prior, if possible.

Finally, securities are financial instruments and must always:

- be properly recorded;
- be stored in a safe or other secure place in the procuring entity;
- not be annotated in any way;
- be monitored and managed to ensure they do not expire too early;
- be returned upon expiry if not used;
- be recorded and kept on file;
- be subject to a mechanism for monitoring expiry dates and necessary renewals. This should be done at least four weeks prior to the scheduled expiry of the bond/guarantee.



Evaluation

MODULE K: REVIEW AND EVALUATION OF QUOTATIONS, BIDS AND PROPOSALS

Module K1: General Evaluation Rules and Technical
Evaluation Committees (TECs)

Module K2: General Evaluation Procedures for Goods, Works and
Non-Consulting Services

Module K3: Goods-Specific Evaluations

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Module K9: Abnormally Low Bids

Module K10: Post-Qualification

Module K1: General Evaluation Rules and Technical Evaluation Committees (TECs)⁴⁶

Purpose:

This module describes general best practice for evaluation of bids by a committee.

The purpose of evaluation is to objectively assess and compare all tenders received, based on predefined criteria, to determine the successful bidder that will be awarded a contract. A well-conducted evaluation should ensure that:

- the competition is fair and all bidders have an equal opportunity to win contracts;
- the quality of the goods, works or non-consulting services proposed is acceptable;
- the procuring entity receives the best possible value for money.

The appointment of an evaluation committee is common practice and considered to have a number of advantages over the awarding of contracts by a single individual. Some of these advantages include:

- greater accountability among a group;
- a more transparent approach;
- a potentially lesser degree of undue influence being brought to bear on a committee than an individual.

1. General evaluation rules

The following general rules for evaluation apply:

- An evaluation shall use only the evaluation methodology and criteria stated in the bidding document, and all criteria shall be applied equally to all tenders in determining the best-evaluated tender.
- No other evaluation methodology or criteria shall be used or introduced save that stipulated in the bidding document.
- The TEC's determination of a tender's responsiveness shall be based on the contents of the tender itself, subject to any clarifications received.
- The TEC may ask bidders, in writing, for clarification of their tenders to assist in the evaluation, but no changes in the substance of tenders, including changes in price, shall be permitted after the date and time of tender closing (see below for further details).
- A bidder's failure to reply to a request for clarification may be sufficient grounds for rejecting its tender.
- A substantially responsive tender is one that conforms to all the instructions, requirements, terms and conditions of the tender documents, without material deviation, reservation or omission.
- If a tender is substantially responsive, the TEC may waive, clarify or correct any nonconformity, error or omission that does not constitute a material deviation.
- Insofar as possible, the non-material non-conformity, error or omission shall be quantified in monetary terms and taken into account in the financial evaluation and comparison of tenders.
- The TEC may correct purely arithmetical errors in tenders adhering to the procedure stated in the bidding document.
- Bidders shall be notified of any arithmetical corrections and requested, in writing, to agree to the correction.
- Any bidder who does not accept the correction of an arithmetical error shall be rejected and the bid security⁴⁷ of that bidder may be forfeited.
- No communications accepting or rejecting any tender, or indication of a likely successful tender, may be sent to any tenderer before the process is complete.

⁴⁶ Sometimes called evaluation panels.

⁴⁷ See Module J4.

- Any procurement where the bidding documents stipulate the possibility of award by lot or a combination of lots shall be evaluated and awarded as such. The bid security amount should also be expressed as a fixed amount per each lot attempted by the bidder.
- Any evaluation procedure in which bids above or below a predetermined cost estimate are automatically disqualified is unacceptable. Should a project intend to use predetermined costs as the basis for evaluating or assessing bids, the project cost and applicable percentages must be clearly expressed in the bidding document.
- If, in the opinion of the borrower/recipient, the lowest tender evaluated is seriously unbalanced or front-loaded, the borrower/recipient may require the bidder(s) to produce detailed price analyses for any or all items in the price schedules to demonstrate the prices' internal consistency with the proposed implementation methods and schedule.
- After evaluation of the price analyses, if the bid prices are found to be balanced, the borrower/recipient may award the contract to the bidder with the lowest-priced evaluated tender. If the bid prices are found to be front-loaded, the borrower/recipient may require the performance security to be increased at the bidder's expense to a level sufficient to protect the borrower/recipient against financial loss in the event of default by the successful bidder under the contract. If the bid price is found to be abnormally low, posing serious risk to the successful completion or delivery of the contract, then the TEC must reject the abnormally low-priced bid.
- If, after evaluation of the price analyses, bid prices are still found to be unreasonably high, the borrower/recipient shall reject all bids and recommence the procurement.
- In every evaluation process, the borrower/recipient shall require bidders to self-certify their eligibility and declare any criminal convictions, administrative sanctions (including debarments under the Agreement for Mutual Enforcement of Debarment Decisions or the "Cross-Debarment Agreement"⁴⁸) and/or temporary suspensions that have been imposed on the contractor and/or any of its directors, partners, proprietors, key personnel, agents, subconsultants, subcontractors, consortium and joint venture partners. As part of this exercise, Bidders shall

search the World Bank List of Ineligible Firms and Individuals, available at <http://worldbank.org/debar>, for the names of their companies and directors and provide a print-out of the search result. If any sanction is declared, the procuring entity will determine whether to proceed with the contract or allow the contractor to make a substitution. In any case, awarding the contract to a bidder that is subject to any kind of sanction, requires clearance by IFAD regardless of the estimated value of the proposed contract.

1.1 Past performance checks

Past performance reference checks are compulsory for all prior-review procurements.

Firms and individuals should submit references as part of the bid/proposal submission process. It is the firm's responsibility to ensure that it has listed references that are willing and able to respond to the questionnaire.

The TEC facilitator shall write to all the references, sending them a questionnaire (see templates) and requesting that they fill it out to provide a reference for a firm or individual (either as a stand-alone consultant or as the key staff in a firm's proposal).

In the evaluation of firms, past experience with similar types of works or services is generally an important evaluation criterion, and the score for this criterion can be the deciding factor in the award decision.

For individual consultant procurements, reference information is used to assess the individual's knowledge and past experience related to the services to be provided. The TEC should determine whether the information affects the determination of whether the experiences have been successful and score the experience criterion accordingly. When the information received indicates marginal performance, the panel may decide to qualify the consultant but highlight areas that need to be addressed during negotiations should the consultant be recommended for a contract award. The same process applies to the evaluation of key personnel in the case of a consulting firm.

48 The Cross-Debarment Agreement was entered into by the World Bank Group, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank and the European Bank for Reconstruction and Development, additional information may be located at: <http://crossdebarment.org/>.

1.2 Domestic preference

Under exceptional circumstances and with prior agreement by IFAD, the borrower/recipient may apply a margin of domestic preference when conducting international competitive bidding procurement for goods and works. If such conditions of preference are stated in the Letter to the Borrower/Recipient, they may be applied in the evaluation of bids as follows:

- (a) Goods manufactured in the borrower/recipient country, compared with goods manufactured abroad. The preference is 15 per cent, added to the carriage and insurance paid price of the goods manufactured abroad, for evaluation purposes only.
- (b) Works in the borrower/recipient country. The preference is 7.5 per cent added to the price offered by the foreign firms, for evaluation purposes only.

Domestic preference does not apply to industrial plants. For consulting services, domestic preference is restricted to the application of geographic experience (when necessary and applicable) for firms or key staff.

2. The TEC

2.1 Composition

TECs are generally ad hoc and appointed for each procurement requirement by the authorizing officer of the procuring entity undertaking the procurement.

Insofar as possible, they should include members with a set of skills, knowledge and experience relevant to the procurement requirement, which may include:

- technical skills;
- procurement and contracting skills;
- financial management or analysis skills;
- legal expertise.

End-user representatives could also be included.

The number of TEC members shall depend on the value and complexity of the procurement requirement, but in all cases shall be a minimum of three and a maximum of five. TEC members shall have an appropriate level of seniority and experience, depending on the value and complexity of the procurement requirement.

A TEC member may be external to the procuring entity if the latter lacks the necessary skills or experience, and that individual must always declare any conflict of interest in the procurement requirement that could impact their impartiality in the evaluation process.

Anyone involved in authorizing, clearing or approving evaluations or evaluation reports – such as the procuring entity's authorizing officer or the head of the project coordination unit/project implementation unit/project management unit – is precluded from membership in the TEC because of a perceived, potential or actual conflict of interest. Persons who participate in the preparation of the procurement documents generally have conflicts of interest and may not therefore be allowed to participate in the TEC for such procurement activities.

2.2 Role of the facilitator (usually also called secretary of the TEC)

The facilitator is responsible for coordinating the evaluation process in accordance with the procurement document and for ensuring the fairness, transparency and accountability of the process. The facilitator or secretary of the TEC is typically a senior procurement officer of the borrower/recipient's procurement department. The facilitator's duties include:

- (a) Ensuring that TEC members understand and sign the Declaration of Impartiality and Confidentiality found on the IFAD website and collecting the signed documents before commencing the evaluation.
- (b) Presenting the evaluation criteria to the TEC, reminding members that they must be respected without any modification.
- (c) Presenting the evaluation methodology to the TEC (particularly important in the technical evaluation of proposals submitted for the procurement of consulting services – individual rating and scoring of the technical proposals, followed by an evaluation decision based on the TEC's consensus opinion on the technical merit, strengths, and weaknesses of each proposal), reminding the TEC that the methodology must be respected without any modification.

- (d) Providing clarifications and explanations of IFAD Project Procurement Guidelines, this Procurement Handbook, IFAD’s Revised Policy on Preventing Fraud and Corruption in its Activities and Operations, and procurement documents, if necessary.
- (e) Reiterate the Fund’s commitment to combatting money laundering and terrorism financing as set out in IFAD’s Anti-Money Laundering and Countering the Financing of Terrorism Policy.
- (f) Maintaining the integrity and timeliness of the evaluation process. To this end, the facilitator shall ensure that there are no unjustified delays in the process and that all TEC members understand that the procurement is bound by a certain time frame. The facilitator shall alert the authorizing officer to consider replacing any TEC member who fails to commit to the evaluation process on a full-time basis.

The facilitator is usually a member of the borrower/ recipient procurement team and should have procurement expertise.

In addition to the facilitator, a chairperson shall be appointed by the procuring entity’s authorising officer at the time of appointment of the TEC members. The chairperson is responsible for coordinating technical discussions during the evaluation proceedings and may be a voting or non-voting member of the TEC depending on the procuring entity’s internal practices and procedures. The chairperson’s responsibility does not extend to the facilitator’s, but the chairperson may assume the role of facilitator in the latter’s absence.

2.3 When to appoint

When to appoint the TEC is one of the most commonly asked questions related to evaluation. It can be done at a number of points during the procurement process, each with its own advantages and disadvantages. Briefly, they are:

When	Advantages	Disadvantages
During the preparation of the bidding document, so that the committee can provide input to the evaluation criteria	Members can be proactively selected and the committee is fully conversant with the criteria and why they were chosen. This reduces disagreements or misunderstandings between the committee and the authors of the bidding document during the evaluation process. The bid closing can be set for a date when the members of the committee are available.	It can then be argued that the committee is not fully independent, and the segregation of duties is compromised. Often, there is also concern about the manipulation/lobbying of the TEC members by the bidders the earlier a committee is appointed
When the bidding document is submitted for internal approval or IFAD’s NO	The members can be proactively selected, and bid closing can be set for when the full committee is available. This also gives the committee sufficient notice to familiarize members with the bidding documents, requirements and criteria. The committee’s composition can be reviewed and considered part of the submission.	Although members are now independent of the bidding document’s construction, there is a risk that the members of the committee will disagree with the evaluation criteria set in the bidding document or not understand their rationale. Furthermore, the second concern about lobbying still applies.
Immediately after the bidding document has been issued	The members can be proactively selected, and the committee has sufficient notice to familiarize itself with the bidding documents, requirements and criteria.	
Just before the bid submission deadline	There is minimal opportunity to lobby committee members if their identity is unknown until the last moment.	The selection usually revolves around availability, rather than competence and qualifications. There is no time for the committee to familiarize itself with the bidding documents, requirements and criteria.

As seen in the table, there appears to be no single solution to this issue. Long involvement and preparation time is favourable to the proactive selection of qualified members but increases the risk of potential “tampering” with committee members.

In practice, the decision should be made on a case-by-case basis, depending on the complexity and value of the procurement and a balanced assessment of any potential risks associated with the decision, as indicated above. Consider the risk of potential committee manipulation – if a procurement is highly specialized and with a high value, then adequate technical input is required to assist the TEC, it is risky not to appoint an appropriate specialist to the committee either as a member or as an advisor.

As with most procurement issues, timing is therefore a risk mitigation decision, taking the unique circumstances and demands of each activity into account.

2.4 The work of the committee

Before commencement of the evaluation process, the members of the TEC should initially meet to review the evaluation methodology and criteria specified in the bidding document and ensure that it is fully understood by all evaluators.

The subsequent evaluation of bids is a sequential process consisting of:

- (i) **Preliminary examination**, to eliminate tenders that do not meet the basic requirements of the bidding document and bidders who do not meet mandatory eligibility requirements.
- (ii) **Assess responsiveness and undertake detailed technical evaluation**, to determine whether tenders are substantially responsive to the technical and commercial requirements of the bidding document. This includes seeking clarifications.

The detailed technical evaluation of bids will depend on whether the evaluation uses:

- a) an assessment of whether the tender conforms to all terms and conditions of the bidding document or a simple pass/fail system; or
- b) a merit-point system.

In the event of a), the detailed evaluation shall normally be conducted jointly by the TEC members, unless it is considered particularly complex or lengthy, in which case the individual members of the TEC may initially conduct a detailed evaluation before discussing and reaching consensus on their findings at a TEC meeting.

Should the committee require clarifications from bidders during the evaluation, the procurement office should be the one to seek it.

- (iii) **Financial evaluation**, to compare the costs of responsive tenders and determine the successful bidder that should be recommended for the contract award.

The financial comparison shall always be conducted jointly by the TEC.

2.5 Evaluation report

The committee must prepare an evaluation report, signed by all the personnel involved in the evaluation. IFAD provides a number of evaluation templates suitable for works, goods or consulting procurement at the following link: www.ifad.org/project-procurement.

If it has been agreed that national documents may be used, they must include *at least* the following information:

- background of the bidding process;
- the technical and financial evaluation criteria used for evaluation of the requirements;
- bid issue, extensions and response to clarifications received from bidders;
- bid closure and opening;
- a summary of the tenders received and opened, including the prices read out for each tender;
- selection and composition of the TEC;
- the results of the preliminary examination of bids;
- adjustments and corrections;
- the results of the detailed technical and financial evaluation and comparison;
- details of any non-material deviations, errors or omissions accepted, clarified or corrected and, where relevant, the way in which deviations or omissions were quantified and taken into account in the financial evaluation;
- the reasons why any tenders were declared non-responsive and rejected;
- the evaluated price of each tender, showing any corrections or adjustments to the tender price and the conversion to a common currency;
- the ranking of the tenders, according to their evaluated price; copies of the minutes of the TEC (usually as an annex);
- a statement of the best-evaluated tender for each lot, where applicable;

- the results of any post-qualification;
- a statement on any disagreements, including the reasons, the discussions held on the issue and the names of those holding the dissenting views;
- a recommendation to award the contract or contracts to the best-evaluated tender or combination of tenders, or other appropriate recommendation, such as cancellation of the procurement process or re-tendering;
- any issues or points for clarification prior to contract placement.

When **reviewing an evaluation report** as part of its supervision process, IFAD will consider:

- the presence of the above information;
- whether there is consensus in the evaluation panel;
- whether the evaluation was conducted using only the stated criteria;
- if the evaluation was conducted using merit points, whether it was done accurately and consistently;
- the suitability of the supplier/contractor (post-qualification);
- the status of any bid clarifications;
- whether the bid validity needs to be extended;
- whether all logistical issues have been addressed;
- whether any bids were rejected during the detailed evaluation, and if so, whether this was justified;
- whether all bidders were treated equally;
- whether any of the procurement principles detailed in the IFAD Project Procurement Guidelines were compromised.

2.6 Records and other general provisions

- All TEC members shall sign a Declaration of Impartiality and Confidentiality. A template is provided on IFAD's website: www.ifad.org/project-procurement;
- A TEC meeting should not be held unless all members are present, save when it is impossible or impractical for all members to meet;
- If a member is absent from a TEC meeting, they shall be informed about the proceedings and decisions made during the meeting. If the absent member disagrees with any of the decisions, they shall immediately inform the TEC's chairperson, who shall call a further meeting to resolve the disagreement;
- The meeting's business shall be determined

by the evaluation methodology specified in the bidding documents and coordinated by the chairperson;

- A TEC decision must be unanimous, except where individual scores or marks are required under the evaluation methodology;
- If the TEC is unable to reach a unanimous decision, the findings and recommendations of the majority shall be stated in the evaluation report;
- If the TEC is unable to agree on any one part of an evaluation and the disagreement is significant and likely to substantially affect the results of an evaluation, it shall consult with the approving authority.

All **records** related to the evaluation must be stored for documentation, including:

- copies of all correspondence with bidders, such as letters related to clarifications;
- any correction of arithmetical errors;
- extensions of the tender validity;
- individual signed scoresheets for a merit-point evaluation;
- minutes of all meetings, signed by all members of the TEC to confirm that the minutes are a complete and accurate record of each meeting, which shall be retained as part of the procurement record for audit purposes.

Module K2: General Evaluation Procedures for Goods, Works and Non-Consulting Services

Purpose:

This module provides general guidance for evaluating tenders for goods, works and non-consulting services. It must be read in conjunction with the relevant module for the particular evaluation methodology to be used, which will be either:

- Module K3: Goods-specific Evaluations;
- Module K4: Works-specific Evaluations; or
- Module K5: General Evaluation Procedures for Consulting Services (Firms).

The purpose of evaluation is to objectively assess and compare all tenders received, using a predefined methodology and criteria, in order to determine the successful bidder who should be awarded a contract. A well-conducted evaluation should ensure that:

- the competition is fair and all bidders have an equal opportunity to win government-funded contracts;
- the goods, works or services proposed in the bid are of suitable quality;
- the procuring entity gets the best possible value for money.

Evaluations of goods, works and non-consulting services will vary, but the methodology will always consist of a number of stages:

- a preliminary examination, to eliminate tenders that are not responsive to the basic requirements of the bidding document and bidders who do not meet mandatory eligibility requirements;
- a technical and commercial evaluation, to determine whether tenders are substantially responsive to the technical and commercial requirements of the bidding document;
- a financial evaluation, to compare the costs of responsive tenders and determine the successful bidder that should be recommended for a contract award.

A diagram summarizing this evaluation methodology is provided at the end of this module.

1. Step-by-step instructions

1.1 Review and list the requirements, instructions and evaluation criteria

The TEC should review and list the requirements, instructions and evaluation criteria specified in the bidding document and ensure that they are clearly understood, seeking clarification from the person(s) responsible for writing the document, whenever necessary. The evaluation must apply the criteria specified in the bidding document, and no new or altered criteria may be introduced.

1.2 Preliminary examination

The preliminary examination is conducted to determine whether tenders have complied with the basic instructions and requirements of the bidding document. It enables evaluators to eliminate the weakest tenders without spending time and effort

on a detailed evaluation. If no pre-qualification has been conducted, the preliminary examination can also be used to assess whether bidders meet the mandatory requirements.

The preliminary examination is conducted on a pass/fail basis, with tenders that are not substantially compliant being rejected. The criteria to be used in the preliminary examination depend on the requirements and instructions of the bidding document, so the preliminary examination must always begin with a review of the bidding document to list the requirements to be met. As guidance, the preliminary examination might typically examine whether:

- the tender has been submitted in the proper format;
- any required tender security has been submitted in the proper form and amount and is valid for at least the period required;

- the tender has been submitted without material reservations or deviations from the terms and conditions of the bidding document;
- the tender has been duly signed and authorized;
- the right number of copies of the tender have been submitted;
- the tender is valid for at least the period required;
- all required key documents and information have been submitted;
- any required samples have been submitted;
- the tender meets any other key requirements of the bidding document;
- there have been no alterations or changes to the tender documents, except those that are part of the tender requirement;
- tenders that do not pass this review have been eliminated.

In every evaluation process, the borrower/recipient shall require bidders to self-certify their eligibility and declare any criminal convictions, administrative sanctions (including debarments under the Agreement for Mutual Enforcement of Debarment Decisions or the "Cross-Debarment Agreement"⁴⁹ and/or temporary suspensions that have been imposed on the contractor and/or any of its directors, partners, proprietors, key personnel, agents, subconsultants, subcontractors, consortium and joint venture partners. As part of this exercise, Bidders shall search the World Bank List of Ineligible Firms and Individuals, available at <http://worldbank.org/debar>, for the names of their companies and directors and provide a print-out of the search result. If any sanction is declared, the procuring entity will need to undertake prior consultation with and seek clearance by IFAD who will examine whether this case of cross-debarment meets IFAD's own standards for debarment regardless of the estimated value of the proposed contract.

1.3 Assessment of responsiveness

When evaluating tenders, the evaluators must decide whether a tender is "responsive"⁵⁰ (i.e. meets the procuring entity's requirements) or "non-responsive" (i.e. does not meet the procuring entity's requirements).

In practice, few tenders are perfect, and the key test is therefore whether a tender is "substantially responsive". A substantially responsive tender is defined as a tender that conforms to all the instructions, requirements, terms and conditions of the bidding document without material deviation, reservation, or omission. In other words, minor (or "non-material") errors or problems can be accepted by the evaluator(s) or corrected by the bidder, while tenders with major (or "material") errors or problems must be rejected.

As a general rule, a material deviation, reservation, or omission is one that:

- substantially affects the scope, quality or performance of the goods, works or services;
- would substantially limit the procuring entity's rights or the bidder's obligations under the contract; or
- would unfairly affect the competitive position of other bidders if corrected.

Determining whether a deviation is material or non-material is a decision for the evaluators and one that must be based on the tender contents only. **Additional information or previous knowledge of a product or bidder must not be considered.**

The identification of material and non-material deviations will vary with the tendering procedure, depending on the particular requirements of each. However, decisions on what constitutes material and non-material deviations must be applied consistently to all tenders subject to the same evaluation process.

In deciding whether deviations are material or non-material, the evaluator(s) should consider the impact on key factors, such as cost, risk, time and quality of the procurement. As guidance only, material deviations, reservations or omissions are likely to include:

- unacceptable delivery or completion schedules;
- unacceptable technical details, such as design, materials, workmanship, specifications, standards or methodologies;
- unacceptable counterproposals on key contract terms and conditions, such as payment terms, price adjustments, liquidated damages, subcontracting or warranty.

49 The Cross-Debarment Agreement was entered into by the World Bank Group, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank and the European Bank for Reconstruction and Development, additional information may be located at: <http://crossdebarment.org/>.

50 The ways of assessing responsiveness will vary considerably among evaluations for goods, works and non-consulting services. Further guidance on the technical evaluation is therefore included in Modules K3, K4 and K5, respectively.

As guidance only, non-material deviations, reservations or omissions are likely to include:

- minor differences in delivery or completion schedules, if time is not critical;
- the omission of minor items;
- arithmetical errors;
- alternative technical details, such as design, materials, workmanship, specifications, standards or methodologies that are substantially responsive and acceptable to the procuring entity;
- minor amendments to contract terms and conditions acceptable to the procuring entity.

When a tender is determined to be substantially responsive, the evaluator(s) may waive, clarify or correct the non-conformity, error or omission in the tender – see below for further details.

1.4 Technical and commercial evaluation

Only tenders that pass the responsiveness test proceed to the technical evaluation. It is usually conducted on a pass/fail basis; only tenders that are responsive, or substantially responsive, to the requirements of the bidding document are included in the subsequent financial evaluation. Non-responsive tenders are eliminated.

The commercial evaluation is conducted by assessing whether the tender conforms, or substantially conforms, to all the terms, conditions and requirements of the bidding document. The criteria will therefore depend on the bidding document but might include:

- acceptance of key contract conditions, such as payment, warranty and liquidated damages for delay;
- delivery schedule for goods within the specified time period;
- completion schedule for incidental services within the specified time period, where installation and commissioning or user training is required;
- availability of spare parts and consumables;
- service arrangements, such as a requirement for local agents.

As with the technical evaluation, the commercial standard must be set by the terms and conditions of the bidding document, and tenders should be evaluated as responsive or non-responsive against this standard. **No extra benefit should be given to tenders that exceed the standard required**, except when the evaluation method (e.g. merit-point-based) or dedicated non-price criteria (which are discussed in Modules K3 and K4) explicitly require this.

Any procurement in lots for which the bidding document has been written and issued shall be evaluated and awarded as lots.

- Any evaluation procedure in which bids above or below a predetermined cost estimate are automatically disqualified is unacceptable. Should a project intend to use predetermined costs as the basis for evaluating or assessing bids, the project cost and applicable percentages must be clearly expressed in the bidding document.
- If the lowest tender evaluated is seriously unbalanced or front-loaded in the opinion of the borrower/recipient, the bidder(s) may be required to produce detailed price analyses for any and all items in the bill of quantities to demonstrate the internal consistency of those prices with the proposed construction methods and schedule.
- After evaluation of the price analyses, if the bid prices are found to be balanced, the borrower/recipient may award the contract to the bidder with the lowest tender evaluated. If the bid prices are found to be unreasonably low, the borrower/recipient may require the performance security to be increased, at the bidder's expense, to a level sufficient to protect the borrower/recipient against financial loss in the event of default by the successful bidder under the contract.
- If, after evaluation of the price analyses, bid prices are still found to be unreasonably high, the borrower/recipient shall reject all bids and recommence the procurement.

1.5 Correcting tenders and seeking clarification from bidders

If the information provided in a tender is unclear, the TEC may seek clarification from the bidder. Clarifications cannot be used to amend the price of the tender (save for the correction of arithmetical errors), correct material deviations or make other significant changes to any aspect of the tender.

Requests for clarification must be addressed to the bidder in writing and must state that a written response is required by a specified date. The request must also state that the bidder's failure to respond to the request may result in the rejection of its tender.

If a tender includes non-material deviations, errors or omissions, the evaluator(s) may choose to accept or to correct them. To ensure that the evaluation is fair to all bidders, the non-conformity should be quantified and expressed in monetary terms whenever possible. This amount should then be added to the tender price, for the purpose of the financial evaluation only, to reflect the price or cost of the missing or non-conforming item.

For example, where a tender for goods does not include the price of a spare part or consumable item, the price of the missing item should be added to the tender price, using the highest price for the same item from the other tenders.

As a further example, if a tender includes a slightly later delivery date than required by the bidding document and this delay is acceptable to the procuring entity, the later delivery could be quantified and expressed in monetary terms, using the monetary penalties for liquidated damages contained in the draft contract.

1.6 Conducting the financial evaluation

Only tenders that have passed the technical evaluation are financially assessed to determine the lowest tender evaluated.

Unless otherwise required by the instructions in the bidding document, the procedure for determining the evaluated price of each tender is usually as follows:

- Take the total tender price as read out at the tender opening, including or excluding particular costs, as indicated in the bidding document (e.g. the bidding document may give particular instructions concerning the inclusion of all taxes and duties in the tender price or the exclusion of provisional sums and contingencies but the inclusion of competitively priced dayworks in tenders for works);
- Correct any arithmetical errors. The procedure for correcting arithmetical errors is normally stated in the bidding document and must be used. If no specific procedure is stated in the bidding document, or there is a discrepancy between

the unit price and the total price obtained by multiplying the unit price and quantity, the unit price shall prevail and the total price shall be corrected. Bidders should be notified in writing of any arithmetical corrections made and requested to agree to the corrections in writing;

- Apply any non-conditional discounts offered by bidders. Bidders may be permitted to offer discounts on their tender prices. Discounts, or any other change in price, are not permitted after the tender closing date and **only non-conditional discounts should be considered** in the evaluated price of the tenders. Conditional discounts, such as discounts for prompt payment by the procuring entity, must not be considered in the financial evaluation but should be included (as a contract term) if the tender is accepted. If so stated in the bidding document, bidders may be permitted to offer conditional (or cross) discounts (i.e. discounts that are conditional to the simultaneous award of contracts for more than one lot). Conditional discounts should also be excluded from the main financial evaluation. On completion of the financial evaluation and determination of the successful tender(s), a further financial comparison should be conducted to consider any conditional discounts. This comparison must identify the best overall value for money for the procuring entity (i.e. the combination of contract awards that offers the lowest total price);
- Convert all tenders to a single evaluation currency for comparison purposes, using the currency and the source and date of the exchange rate specified in the bidding document;
- Apply any margin of price preference;
- Determine the total evaluated price of each tender.

1.7 Rank the tenders

This is done to determine the lowest tender evaluated.

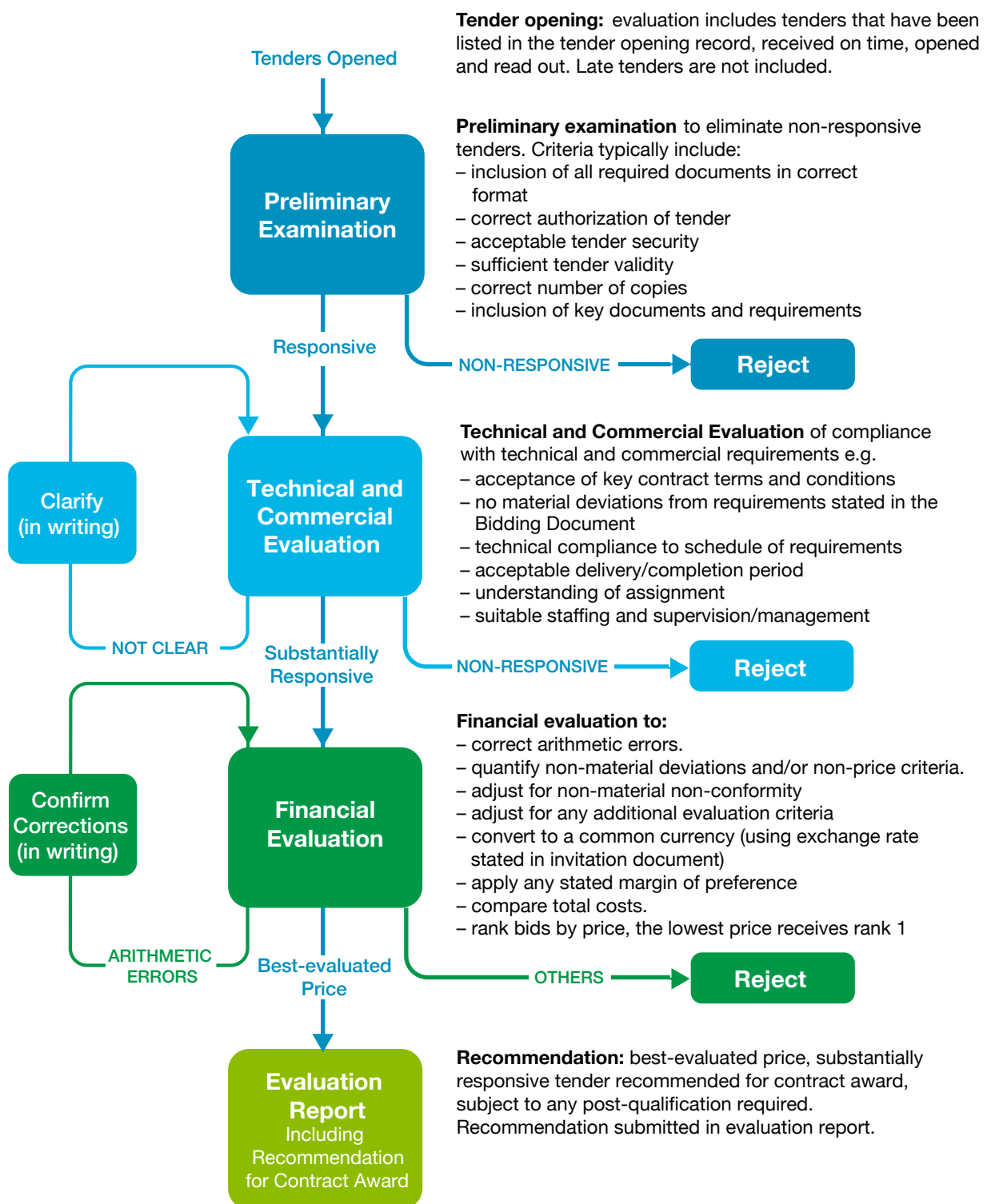
1.8 Conduct a post-qualification

If required, conduct a post-qualification on the lowest tender evaluated – see Module K10.

1.9 Prepare an evaluation report

For submission to the approving body. The template can be found on the IFAD website: www.ifad.org/project-procurement.

Evaluation Procedure for Goods, Works and Non-consulting Services



Module K3: Goods-Specific Evaluations

Purpose:

This module covers the components of the evaluation for goods, which consists of three stages:

- a preliminary examination;
- a detailed technical and commercial evaluation;
- a financial evaluation.

This module provides further practical guidance to consider during the evaluation of goods. It must be read in conjunction with Module K1: General Evaluation Rules and Technical Evaluation Committees (TECs), and Module K2: General Evaluation Procedures for Goods, Works and Non-Consulting Services, Module K9: Abnormally Low Bids and Module K10: Post-Qualification.

The tender offering the “Best Value for Money” as per IFAD Procurement Guidelines, Part G, Article 36 will be either:

- a) the lowest-priced tender that is substantially responsive to the requirements of the bidding document when applying the Lowest Price or Lowest Evaluated Cost method (Compliance Method); or
- b) the highest scoring tender when applying the Merit Point method (also called the Rated Criteria method); or
- c) the tender offering the lowest Net Present Value of specified ownership cost elements when using the Life Cycle Costing method.

Module D1 provides an analysis of the factors that determine which bid evaluation methodology is to be selected based on the key needs of the Borrower that this procurement activity must address.

This module applies to evaluations for goods only. Evaluations of tenders for works and non-consulting services are covered in Modules K4 and K8, respectively. Evaluations for consulting services under the request-for-proposals method are covered in Modules K5, K6 and K7.

1. Bid Evaluation Methods

Following completion of the Preliminary Examination (verification of eligibility, completeness of submitted tender, validity period, compliant bid security, legal capacity for signature etc.), the TEC will undertake the detailed technical evaluation of the offered goods which is conducted by comparing the technical parameters of the received tenders versus the technical specifications stipulated in the bidding document. The technical specifications, as stipulated in the bidding document, provide a minimum standard or requirement that must be met by the tenders. Tenders that do not meet this standard are classified as non-responsive. Tenders that meet or exceed the standard are responsive. In some exceptional cases, exact specifications are requested where the bidder is not allowed to exceed the requirements or go below them (e.g. laboratory equipment). These exceptional cases should be clearly indicated in the bidding document.

Three methods of Bid Evaluation for procurement of goods are explained below. These are based on two methods for evaluating technical specifications: compliance (or minimum specifications’ method) and the merit-point evaluation method (or Rated Criteria method). The third method of bid evaluation namely the life cycle bid evaluation method uses the compliance technical specifications’ evaluation method in combination with output performance parameters.

1.1 Lowest Price or Lowest Evaluated Cost Method (often called the Minimum Specifications Method or the Compliance Method)

1.1.1 Technical Evaluation

Evaluation of technical specifications under the Lowest Price /Lowest Evaluated Cost Method is conducted on a pass/fail basis of the offered technical specifications of the object of procurement when compared against the technical specifications stipulated in the bidding document, so no extra credit or benefit is given to tenders that exceed the

standard (technical specifications requirements as stipulated in the bidding document). Substantially responsive tenders are considered to have passed the minimum stipulated technical specifications, as required in the bidding document, and the contract award will go to the lowest-priced tender among the technically- responsive tenders

For example, in a scenario in which the specifications in a bidding document for a photocopier call for a “minimum” copying speed of 25 A4 size pages per minute:

- Tender A offers a copy speed of 15 pages per minute and would therefore be non-responsive;
- Tender B offers a copy speed of 24 pages per minute (is less than the required minimum) and therefore is non-responsive.
- Tender C offers a copy speed of 25 pages per minute and is responsive;
- Tender D offers a copy speed of 33 pages per minute is responsive, but would receive no additional advantage/preference in the evaluation over the tender offering 25 pages per minute.

A second scenario is the specification stating a range of acceptable photocopying speeds of 20-25 pages per minute:

- Tender A would still be non-responsive since it is outside the required range;
- Tender B now becomes responsive since it falls within the range;
- Tenders C is still responsive since it falls within the range but tender D becomes non-responsive since it falls out of the acceptable range (the range of acceptable specifications’ method is used when specifications outside the desired range could produce operational inefficiencies to the buyer like extra fuel consumption or additional spare parts costs like in vehicles and generators and would, therefore, be considered non-responsive).

It is therefore important to consider all aspects of the technical specifications when conducting the technical evaluation and to seek technical advice as needed. In particular, technical advice and information will be required from the end-user as to the precise purpose and use of the goods in order to enable the TEC to determine whether deviations from the specification in the Lowest Price or Lowest Evaluated Cost method are material or nonmaterial. For example:

- failure to offer the specified engine size would certainly be a material deviation in an evaluation for a vehicle;
- failure to offer the right packaging size in the purchase of fertilizers (25 Kg bags instead of the specified 50 Kg bags) may be a non-material deviation or a material deviation depending on the determination of the TEC in consultation with the end-user who is normally represented on the TEC and who knows well if this deviation adversely impacts the intended use or distribution of the fertilizer or not.

Admission of minor deviations during bid evaluation is possible since IFAD’s and other development agencies’ bidding documents grant this right to the Borrower through introducing the concept of “substantial responsiveness” as contrasted to strict “full responsiveness”. Therefore, the TEC is allowed to take a rational determination in this regard provided that such determination is defensible (TEC is accountable to the Head of the Procuring Entity) and provided that such determination by TEC does not infringe on the principle of fairness in bid evaluation that must be extended equally to all competing bidders (bidders have the right to complain concerning infringements of the procurement rules by the TEC). Therefore, if the admission of minor deviations meets the aforementioned two conditions but still has financial implications then the resulting cost to the Borrower is taken into consideration in the financial evaluation.

1.1.2 Financial Evaluation

Financial Evaluation under the Lowest Price or Lowest Evaluated Cost Method is straightforward since the “substantially responsive” bid offering the lowest tender price will be recommended for award. However, in the case of the presence of minor deviations in some bids while still considered to be “substantially responsive” in accordance with the determination by the TEC then these minor deviations, for fairness and equal treatment of all participating bidders, must be quantified in monetary terms and the costs of the deviations to the Borrower are charged to the respective deviating bid. In this latter case this bid evaluation method is called the Lowest Evaluated Cost method. Such minor deviations can either be technical or commercial or related to payment and delivery terms.

At the end of the combined technical and financial evaluation process, the TEC must conduct post-qualification of the bidder who submitted the Lowest Priced or Lowest Evaluated Cost bid. Typical post-qualification criteria normally stipulated in the bidding documents are:

- Bidder's annual business turnover
- Bidder's specific experience in similar supply works
- Bidder's ownership of after-sales service facilities in the Borrower's country
- Bidder's sound financial standing (proven through its company's audited financial statements)
- Manufacturer's Authorisation to the bidder

TEC's recommendation to award the bidder with the Lowest Priced or Lowest Evaluated Cost bid must be based on its positive determination that this bidder meets the prescribed post-qualification criteria stated in the bidding document.

1.2 Merit-Point (Rated Criteria) evaluation method

The merit-point evaluation methodology comprises of price and non-price rated criteria. The non-price criteria are primarily related to "desired or preferred" technical requirements "exceeding the minimums" specified in the bidding document but which cannot be readily converted into monetary terms. In contrast to the Lowest Price/Evaluated Cost or compliance method, the merit-point method rewards tenders which offer technical parameters exceeding the minimums required in the bidding document when this is a desired/preferred feature and when an express evaluation criterion is earmarked for such purpose in the bidding document. The merit-point system is used when the recipient recognizes that the lowest price is not going to represent best value for money for the particular purchase and that the use of the merit point system is to be preferred since it allows the combination of price and quality criteria.

IFAD recommends that when the merit-point method is used for evaluation of goods, it must be stipulated that:

- a) Non-price criteria (i.e. technical merit points or weights) are capped at 15-20 per cent or less and are distributed proportionately among all the desired/preferred technical parameters/characteristics (that exceed the minimum) as expressly indicated in the bidding document;

- b) Price criteria (i.e. financial merit points or weights) are capped at 85-80 per cent or more. The price criteria include the offered tender price by the bidder in its tender plus other criteria of a measurable cost nature that are stipulated in the bidding documents.

1.2.1 Technical Evaluation (Non – Price Criteria):

Technical evaluation aims at evaluating the received tenders with respect to the Non-price criteria stipulated in the bidding document. Typical non-price criteria used in the merit point method can include technical, performance, aesthetic, ergonomic, environmental characteristics etc.

In the photocopier case above, a bidder who submits a bid with a photocopier speed of exactly 25 pages per minute meets the requirements and is considered technically responsive for this feature but gets no technical merit points since it offers no desired or preferred additional photocopying speed. Bidders offering photocopier specifications with speeds above 25 pages per minute will receive technical merit points pro-rata to the offered speed in their respective tenders (depending on the number of merit points stipulated in the bidding document for each additional number of pages per minute). Bidders offering photocopier specifications below 25 pages per minute will be rejected during the technical evaluation since they failed to pass the minimum.

Typical desired/preferred specifications, if so stipulated in the tender documents, will be evaluated in the same way against the respective sub-criteria and corresponding merit points indicated in the bidding document. Examples of such non-price criteria related to technical specifications and which cannot be readily converted in monetary terms in a defensible manner are:

- (i) Product performance specifications, as in the photocopier speed example above;
- (ii) Product dimensions or weight (especially if intended for mobility in field office use or in a restricted office space),
- (iii) Quality features related to content of hazardous materials, lower noise levels and/or greater recycling potential or eco-label certification;
- (iv) Product quality features e.g. quality of resolution of the produced photocopies;
- (v) availability of after-sales service centres near to field locations;

- (vi) Duration of warranty period (where different manufacturers may offer varying warranty periods);

Each of the above non-price sub-criteria is given a separate weight that is proportionate to its importance to the borrower/recipient. Utmost care must be exercised at the time of setting these weights so that they are proportionate and do not distort the competition i.e. will not over-value or under-value the corresponding features and/or demand un-necessary extra technical features that may be “nice to have” but are “not essential”. The overall weight given to all selected non-price criteria shall not exceed 15-20 % (the remaining 85-80 % being for price criteria).

The TEC shall evaluate the technical characteristics of the bid on the basis of their responsiveness to the criteria requirements, applying the evaluation criteria, sub-criteria in accordance with their respective merit points specified in the bidding document in order to arrive at the technical scores (TS) of the respective tenders. A tender shall be rejected at this stage if it does not meet the minimum requirements of any technical feature stipulated in the bidding document. The TEC will add the scores of each tender against the stipulated criteria/sub-criteria and designate an overall TS score (or merit points) for each tender against the non-price criteria.

1.2.2 Financial Evaluation (Price criteria):

Financial evaluation aims at evaluating the received tenders with respect to the Price criteria stipulated in the bidding document. Typical Price criteria include the price offered by the bidder in its tender in addition to all other criteria (commercial like delivery and payment terms or other) which are stipulated in the bidding document and can be readily converted into monetary terms.

Price criteria must be expressed in monetary terms. Examples of price criteria might include:

- Delivery period: A monetary amount will be added to the bidder’s price against permissible late delivery proposed in its tender and/or a bonus amount deducted from the tender price against permissible early delivery, when compared against the delivery schedule stated in the bidding document. Such additions to the offered price or deductions/bonuses can be expressed in monetary terms by increasing or reducing the respective tender price by a specified amount for each day or week that delivery will

be late or early. The respective amounts may be calculated using the rates normally applied to liquidated damages for late deliveries.

- Payment terms: A monetary charge will be added to the bidder’s price for payment terms that require payment of any sums earlier than specified in the bidding document (e.g. a higher percentage of advance payment). Such a charge can be expressed in monetary terms by calculating the interest that would accrue on the amount, using a defined interest rate set in the bidding document.
- Spare Parts: Inclusion of a list of selected spare parts in the bidding document where the bidders will offer their respective tender prices for the supply of such a list of spare parts and/or consumables which are normally needed for a specified initial period of operation of the purchased equipment. This can be expressed in monetary terms by requiring bidders to provide prices for the specified list of items, which would be added to the tender price of the respective bidder.
- Operating and maintenance costs: For selected key cost items during a specified period of operation (e.g. fuel consumption, consumables like the number of photocopies produced per toner cartridge/drum in the photocopier case above etc.)
- Under exceptional circumstances and with IFAD’s prior agreement, the borrower/recipient may apply a margin of domestic preference when conducting international competitive bidding (ICB) procurement for goods. If such conditions of preference are stated in the Letter to the Borrower/Recipient, they may be applied to goods manufactured in the borrower/recipient country, as opposed to goods manufactured abroad, with a margin of 15 per cent added to the carriage and insurance (CIP) price of the goods manufactured abroad, for evaluation purposes only. This does not apply to the procurement of industrial plants.

The TEC must add the tender prices/cost of any or all of the above Price criteria (as per those stipulated in the bidding document) to the tender price offered by the bidder in its bid. It will also add to the price of foreign goods the equivalent of 15 % of the CIP price of these foreign goods when comparing the overall price of these foreign goods with those produced locally and are eligible for IFAD’s domestic preference.

These overall prices are then converted into the Financial Score (FS) using an inversely proportional method whereby the lowest overall cost is given the full price score stipulated in the bidding documents (not less than 85-80 %) and other bidders' overall prices are correspondingly scored pro-rata (using the inverse proportionality method).

The winner of the competition is the bid which scores the highest score by adding the Technical or non-price scores (TS) and the Financial or price scores (FS) subject to TEC's positive determination that this bidder who submitted this bid meets the prescribed post-qualification criteria stated in the bidding document.

The following example illustrates the use of the merit-point system in the purchase of one pick-up vehicle. The bidding document requirements are as follows:

1 pick-up truck (single cabin) of minimum 1,000 Kg carrying capacity with a petrol engine of minimum 150 horsepower at rated RPM to be delivered within 4-8 weeks of contract signature. The Bid Evaluation methodology will be merit-point with the following bid evaluation criteria and sub-criteria and the corresponding merit points:

a) Technical (Non-price criteria): total of 20 merit points

Sub-criteria 1: Load capacity

For every 100 Kg above 1000 Kg the TEC will offer 5 merit point up to a maximum of 10 merit points

Sub-criteria 2: engine horsepower

For every 1 HP above 150 HP the TEC will offer 1 merit point up to a maximum of 10 Merit Points

b) Financial (Price criteria): total of 80 merit points

Consists of the offered price + the following 2 sub-criteria

Sub-criteria 1: delivery period

300 USD/week charge will be added to the offered price for each week of delivery beyond 4 weeks up to a maximum allowed late delivery of 8 weeks from contract signature.

Sub-criteria 2: Price of the list of selected spare parts included in the bidding document.

The borrower/recipient received two tenders as follows:

Sub-criteria	Bidder A	Bidder B
Load carrying capacity	1,000 Kg	1,200 Kg
Horse-power rating	155 HP	160 HP
Price	20,000 USD	22,000 USD
Delivery period	5 weeks	7 weeks
Spare parts list price	800 USD	1,000 USD

Based on the merit point evaluation methodology stipulated in the bidding documents, the TEC evaluated the two tenders and correspondingly assigned the merit points as follows:

Merit points	Bidder A	Bidder B
1. Technical criteria (TS):		
Load carrying capacity	0	10
Horse-power rating	5	10
Sub-total non-price merit points	5	20
2. Financial criteria (FS):		
Charge against delivery beyond 4 weeks	300 (one week delay)	900 (3 weeks delay)
Spare parts list price	800	1,000
Total of price-related criteria	20,000+1100= 21,100 USD	22,000+1900= 23,900 USD
Sub-total price merit points	80 (cheapest gets full price points)	(21,100/23,900)x80=70.63 (inversely proportionate points to the cheapest)
Total TS + FS merit points	5+80= 85	20+70.63 =90.63
Ranking	2	1 (highest ranked on non-price & price criteria and will be recommended for contract award)

As can be seen from the above example utmost care must be exercised when allocating Technical (non-price) points because the difference of $(90.63 - 85) = 5.63$ merit points will cost the borrower/recipient $(23,900 - 21,100) = 1,800$ USD which is equivalent to 320 USD per merit point. This is justifiable if the borrower/recipient is in need of the extra load capacity and the extra engine HP like in a scenario where the vehicle will be used in a hilly terrain or where there is a real benefit (utility) in the additional load carrying capacity. In a scenario like this, the borrower/recipient will use the merit point system evaluation methodology since it seeks not the lowest priced vehicle but one that provides the best "utility" or "value for money".

1.3 Life-cycle costs method

This bid evaluation method can be used, if so stipulated in the bidding document, only where an effective and defensible widely recognized bid evaluation methodology exists for the calculation of the constituent life cycle cost elements. The European Union (EU) for example has a standard methodology for calculation of life cycle costs for the procurement of vehicles by the public contracting authorities.

This method is generally used for the procurement of "large" numbers of energy-intensive equipment (trucks/vehicles/ electrical generators) and/or processing/ manufacturing plant where the initial purchase price is only a fraction of the total cost of ownership over the life cycle of the equipment/ plant. In applying this method, the bidding document shall indicate the specific cost elements which will be evaluated and for which period of usage time. The bidders shall present in their tenders the respective values of these cost elements for every year of operation of the equipment/plant. Example of these cost elements include:

- a) Initial purchase price as offered by the bidder in its tender;
- b) Fuel/Energy consumption per year;
- c) Cost of spare parts and maintenance costs per year;
- d) Cost of major overhaul after a specified number of usage years;
- e) Minus the estimated resale value at the end of the useful life period as defined in the bidding document.

The TEC, after completing the preliminary examination, will verify the compliance of each tender with the technical specifications stipulated in the bidding documents (usually the minimum specifications' method) and determine which tenders are to be considered technically responsive. The financial evaluation will consider the cost elements which are stipulated in the bidding document and TEC will calculate the total cost of ownership of each tender over the specified period of usage time indicated in the bidding document. All future costs to the Borrower concerning the ownership and operation of the plant/equipment will be discounted to their net present value (NPV) and added to the offered purchase price /tender price. The TEC must apply the discounting rate indicated in the bidding document. The tender with the lowest net present value (NPV) of the combined purchase price plus all stipulated future cost elements over the life period of the equipment/plant will be recommended for contract award.

A variant of the life cycle costing method is the productivity (or efficiency) method which may be used in the procurement of agricultural processing plant (or other) and where the total NPV of the cost elements for each tender is divided by the units of output produced by the plant over its life and the plant with the lowest cost per unit of output/production will be recommended for contract award.

Module K4: Works-Specific Evaluations

Purpose:

This module describes the components of bid evaluation for works, which consists of three stages:

- a preliminary examination;
- a detailed technical and commercial evaluation;
- a financial evaluation.

This module provides practical guidance for the evaluation of bids for works. It must be read in conjunction with Module K1: General Evaluation Rules and Technical Evaluation Committees (TECs), Module K2: General Evaluation Procedures for Goods, Works and Non-Consulting Services, Module K9: Abnormally Low Bids and Module K10: Post-Qualification. Module D1 provides background for identifying the key needs and drivers that this procurement activity addresses.

The tender offering the “Best Value for Money” as per IFAD Procurement Guidelines, Part G, Article 36 will be either:

- a) the lowest-priced tender that is substantially responsive to the requirements of the bidding document; or
- b) the highest scoring tender when applying the Merit Point method (also called the Rated Criteria method); or
- c) the tender offering the lowest Net Present Value of specified ownership cost elements when using the Life Cycle Costing method. However, this third option of Life Cycle costing is rarely applicable in IFAD-funded construction contracts.

This module applies to the evaluation of works only. The evaluation of tenders for goods and non-consulting services are covered in Modules K3 and K8, respectively. Evaluations for consulting services under the request for proposals method are covered in Modules K5, K6 and K7.

1. Bid Evaluation for Works

The purpose of the evaluation methodology for works is to determine the tender which offers the “Best Value for Money” as defined in the bidding documents by selecting one of the three options mentioned above and which is responsive to the technical, administrative and commercial requirements of the bidding document as well as submitted by a post-qualified bidder.

The three methods of Bid evaluation for Works contracts are explained here-below.

The first stage of Preliminary Examination is common to all the three methods and consists of verification of bidder’s eligibility, completeness of submitted tender, bid validity period, compliant bid security or bid-securing declaration, legal capacity for signature, absence of a court conviction for offences related to taxation laws, labour or environmental laws, administrative conditions stipulated in the bidding documents. Only bids who pass the Preliminary Examination stage are admitted to detailed technical, commercial and financial evaluation by the TEC.

1.1 Lowest-Price or Lowest Evaluated Cost method

1.1.1 Technical Evaluation

The detailed technical evaluation is conducted by assessing whether the tender conforms, or substantially conforms, to all the technical conditions and requirements of the bidding document. It is done on a pass/fail basis. The criteria will be based on those stipulated in the bidding document, and may include:

- program of execution/completion schedule (work-plan) for the works within the specified time period and/or meeting key milestones of the construction programme;
- plant/equipment and materials to be incorporated into the works along-with workmanship meet the standards or codes specified in the bidding document or equivalent;

- use of construction methods specified in the bidding document or acceptable alternatives including observance of Health and Safety requirements and Environmental and Social safeguards (i.e. an acceptable Environmental and Social Management Plan submitted by the bidder as per applicable IFAD-SECAP requirements stipulated in the bidding documents);
- tender based on the design specified in the bidding document or an acceptable alternative design, if alternatives are permitted in the bidding document;
- compliance with applicable regulations, such as those concerning labour; and/or
- acceptance of key contract conditions, such as the prescribed maintenance period (Defects Notification Period), dispute resolution, liability and performance security; any deviations concerning such key contract terms will lead to rejection of the bid as non-responsive technically;
- Presence in the bid of deviations that are considered as “minor deviations” by the TEC like minor deviations in the terms of required insurance policies, minor deviations in liquidated damages, minor deviations in payment terms which are acceptable under the project’s and the government’s financial rules; such minor deviations can be accepted by the TEC provided that these are quantifiable in monetary terms and are taken into consideration in the financial evaluation stage;
- subcontracting within the amounts and in the manner permitted by the bidding document, with subcontractors meeting requirements specified in the bidding document.

The standard for responsiveness must be set by the terms, conditions and requirements of the bidding document, and tenders should be evaluated as responsive or non-responsive against this standard. Tenders that are substantially responsive may be accepted, despite of minor deviations, errors or omissions which must be quantified and taken into account in the financial evaluation. No extra credit should be given to tenders that exceed the stipulated standard.

The technical evaluation of tenders for works will require technical input from staff qualified in the relevant field as well as staff representing the end-user.

1.1.2 Financial Evaluation

- The aim of the Financial Evaluation is to determine the Lowest Priced among technically responsive tenders or the Lowest Evaluated Cost in case some tenders have acceptable minor deviations that have financial impact on the price of deviating tenders and must be added to the respective bid prices of deviating tenders for fairness in the competition. If the tender is subdivided into lots; then the financial evaluation shall be processed by TEC on lot by lot basis. The Lowest-Priced tender per each Lot or the Lowest Cost in case of the presence of acceptable minor deviations shall be awarded subject to post-qualification of the winning bidder. The Financial Evaluation process shall adhere to the following rules: Arithmetic corrections of the bidders’ calculations of the tender price shall be conveyed by the TEC in writing to the respective bidder who must correspondingly accept such arithmetic corrections in writing (it is not uncommon that bidders may have arithmetic errors in the calculation of the offered prices (unit rate x quantity and totals) in the Bill of Quantities).
- Conditional Discounts by bidders are not acceptable. A conditional discount is one that is linked to the prices of other bidders (like 5 % less than the cheapest price) or that are linked to certain actions by the procuring entity (like if the award is granted within 30 days from the date of Bid Opening than the bidder will offer 5 % discount). If the lowest priced or lowest cost evaluated tender is seriously unbalanced or front-loaded in the opinion of the TEC, the bidder(s) may be required to produce detailed price analysis for any and all items in the bill of quantities to demonstrate the internal consistency of these prices with the proposed construction methods and schedule. After evaluation of the submitted cost breakdown, if the bid prices are found to be balanced, the TEC may recommend to award the contract to the bidder with the lowest evaluated tender. If bid prices are found to be front-loaded then the TEC may require the performance security of this bid to be increased as a pre-condition for award, at the respective bidder’s expense, to a level sufficient to protect the borrower/recipient against financial loss in the event of default by the successful bidder during performance of the contract.

- If bid prices of all bidders are still found to be unreasonably high compared to the cost estimate prepared by the design Engineer as well as through a survey of prevailing market prices, then the TEC must recommend to the borrower/recipient to reject all bids and recommence the procurement based on a revised bidding document that revisits/re-adjust the factors that caused the bid prices to come higher than expected (potentially over-specification of the quality of works or unreasonably short period for completion of the works or other conditions of contract that are onerous and drove bidders' prices upwards).
- Abnormally Low Bids (ALB) shall be investigated in order to determine the reasons thereof as per the process explained in Module 9. If the bidder fails to convince the TEC in writing of the substantiation of the advantageous situation it enjoys on this particular tender which allows this bidder to bid low, then this bid shall be rejected due to the risks it poses towards the ability of this bidder to successfully complete the contract at this abnormally low price.
- The purpose of the Financial Evaluation is for the TEC to determine the lowest priced bid or the lowest evaluated cost bid and to subject the bidder who presented this bid to post-qualification as per the criteria stipulated in the bidding documents. If pre-qualification did precede the tendering, then the purpose of post-qualification will be to determine whether the bidder, to be recommended for award, is still qualified as per the criteria of the preceding pre-qualification process (i.e. no adverse developments of the sort explained in Module K 10- Post-qualification have occurred that render the bidder to become no longer qualified).
- While selection of the lowest-priced bid is straightforward, an example below explains how the TEC should arrive at the lowest evaluated cost bid when taking minor deviations into account. The example presents 3 bidders A, B and C where bidder A has no deviations, bidder B requested periodic Progress Payments to be made by the Borrower/Recipient within 45 days instead of 60 days as stipulated in the bidding documents, bidder C could not provide rented office space (120 square metres 3-room apartment) to be used as office for the Borrower's supervision engineer near the construction site as required by the bidding document.

	Bidder A	Bidder B	Bidder C
Bid Price	2,000,000 USD	1,800,000 USD	1,900,000 USD
Additional cost to the Borrower as a result of the minor deviation	0	Cost of lost bank interest by the Borrower: 15/365x 10% interest x 90% of contract price x 1,800,000 USD=6,657.5 USD	Cost of renting office space by the Borrower: 24 months x 1000 USD / month= 24,000 USD
Evaluated Cost of each Bid	2,000,000 USD	1,806,575.5 USD	1,924,000 USD

- The quantification of minor deviations in monetary terms during bid evaluation is possible since IFAD's and other development agencies' bidding documents grant this right to the Borrower through introducing the concept of "substantial responsiveness" as contrasted to strict "full responsiveness". Therefore, the TEC is allowed to take a rational determination in this regard provided that such determination is defensible (TEC is accountable to the Head of the Procuring Entity) and provided that such determination by TEC does not infringe on the principle of fairness in bid evaluation that must be extended equally to all competing bidders (bidders have the right to complain concerning infringements of the procurement rules by the TEC).

- As can be seen above bidder B will be recommended for award as the Lowest Evaluated Cost Bid, subject to post-qualification.

Post-qualification will be undertaken by TEC only for Bidder B, the winner, in order to assess whether bidder B meets the post-qualification criteria as stipulated in the bidding documents. These criteria are related to:

- Bidder's General Experience
- Bidder's annual construction turnover
- Bidder's specific experience in similar construction works
- Bidder's liquidity (proof that it meets the contract's cash flow requirements)
- Bidder's key staff as listed in the bidding document like project manager with "x" years of experience, Environmental Specialist with "y" years of experience, Health & Safety Specialist with "z" years of experience
- Bidder owns or has access to lease the key construction equipment listed in the bidding documents.

The recommendation of award, to be raised by TEC in the Bid Evaluation Report, must be based upon positive determination by TEC that the bid with the lowest price or the lowest evaluated cost meets all above post-qualification requirements as quantified in the bidding documents.

1.2 Merit-point Bid Evaluation Method

1.2.1 Technical Evaluation

The preliminary and technical evaluation process for this method is similar to that described above for the Lowest Price/Lowest Evaluated Cost method. However, in contrast to the Lowest Price or Lowest Evaluated Cost method, the merit-point method is used when the Borrower recognizes that there is merit (benefit) or better "value for money" to the Borrower and to the project if technical features/parameters beyond (over and above) the minimum that is specified in the bidding document are taken aboard in bid evaluation. This is unlike the Lowest Price method above where no extra merit is given to the bids during bid evaluation that offer technical features beyond what is stipulated in the bidding documents. Both methods, though, share the same principle that technically responsive bids must meet all the minimum technical specifications stipulated in the bidding documents.

When the merit-point method is used for evaluations of works, the evaluations must include:

- (a) Technical weights or Technical Score TS (not exceeding 10 merit points out of 100 overall points);
- (b) Financial weights or Financial Score FS (not less than 90 merit points out of 100 overall points);

The following requirements can be included as technical "value for money" sub-criteria and evaluated using the merit-point method:

- (i) The quality of the bidder's technical proposal (well-prepared Program of works i.e. work-plan for the execution of the works which would potentially lead to timely completion of the construction within the contract's timeframe)
- (ii) Well-documented work execution methodology with sound quality assurance procedures accompanied by a preliminary Environmental and Social Management Plan (ESMP) prepared by the bidder which demonstrates adequate safeguards taken by the bidder against the risks involved in contract execution (over and above those mandatory as per national law and those stipulated in the bidding documents in line with IFAD-SECAP requirements).
- (iii) The professional profile of the proposed key staff members of the bidder's construction team like the site project manager, the environmental specialist, the social/community mobilization specialist, the health and safety specialist etc. The merit points here are given when the professional profile of these specialists exceed those stipulated in the bidding documents.

The TEC shall base its evaluation of the technical parameters of the bids on their responsiveness to the criteria, applying the evaluation criteria, sub-criteria, and point system stipulated in the bidding document. Each technically responsive bid will be given a technical score. A bid shall be rejected at this stage if it does not respond to important aspects of the bidding document or fails to obtain the minimum technical score of any criterion indicated in the bidding document. The cumulative weight of above technical features (Technical Score TS) shall not exceed 10 out of 100 overall merit points.

1.2.2 Financial Evaluation

Financial evaluation is based upon the price offered by the bidder in its tender in addition to all other criteria (commercial like delivery and payment terms or other) which are stipulated in the bidding document and can be readily converted into monetary terms.

Financial criteria are price-related criteria that can be readily converted in monetary terms. Examples of price criteria may include:

- A financial compensation (solely for bid evaluation purposes) for late completion and/or a bonus for early completion, based on the completion schedule (program/work-plan) offered by the bidder in its tender as compared to the time for completion stated in the bidding document; provided that such deviations in completion time are permitted in the bidding documents. Such compensations and bonuses could be expressed in monetary terms by increasing or reducing the respective bidder's offered price by a specified amount for each day or week that delivery will be late or early. The amount could be calculated using the rates normally applied to liquidated damages for late deliveries.
- A financial compensation (solely for the purposes of bid evaluation) for payment terms that require payment of any sums earlier than specified in the bidding document (provided the TEC considers such a condition by the bidder to be a "minor" deviation). The penalty could be expressed in monetary terms by calculating the interest that would accrue on the amount using a defined interest rate stated in the bidding document (typically the commercial interest rate of borrowing by the Recipient).
- Under exceptional circumstances and with prior agreement by IFAD, the TEC may apply a margin of domestic preference when conducting international competitive bidding procurement for works in the country valued at a minimum of US\$5 million. If such conditions of preference are stated in the Letter to the Borrower/Recipient and incorporated in the bidding document, a margin of 7.5 per cent may be added to the price offered by the foreign firms, for evaluation purposes only.
- The TEC must add the cost of any or all of the above financial criteria (as per those stipulated in the bidding document) to the tender price offered by the bidder in its bid. It will also add to the price of foreign bidders the equivalent of

7.5 % of the respective offered tender prices of these foreign bidders when comparing the overall price of these foreign bidders with those of local bidders who are eligible for IFAD's domestic preference.

- These overall prices are then converted into the Financial Score (FS) using an inversely proportional method whereby the lowest overall cost is given the full financial score stipulated in the bidding documents (not less than 90 %) and other bidders' overall prices are correspondingly scored pro-rata (using the inverse proportionality method).
- The winner of the competition is the bid which scores the highest score by adding the Technical (TS) and the Financial Scores (FS).
- The winning bid to be recommended for award by the TEC is the bid which scores the highest combined TS + FS scores; subject to successful post-qualification of the bidder who submitted this bid.
- The following example illustrates the use of the merit-point system in the procurement of the construction of a rural irrigation canal:

Procurement requirements as stipulated in the bidding documents of an ICB competition: 3 KM long main irrigation canal with 10 KM of subsidiary field canals. Completion date: 24 months from site hand-over but limited completion delays are permissible within up to 20 weeks of delay

Evaluation Criteria and Sub-criteria:

- Financial Criteria (FS): 90 merit points
 - Technical Criteria (TS): 10 points
- Technical Criteria were stipulated in the bidding document as follows:
- Technical sub-criterion 1: Bidders must present a technical proposal demonstrating a viable Program for works' execution that is highly likely to lead to successful completion within the timeframe proposed in the bidder's tender. (3 out of 10 merit points)
 - Technical sub-criterion 2: Quality of preliminary ESMP and Quality Assurance plans including proposed Health and safety safeguards submitted by the bidder exceed bidding documents requirements (3 out of 10 merit points)

- Technical sub-criterion 3: Professional and Experience profiles of Site Project Manager, environmental Specialist, Social/Community Specialist and Land Surveying Engineer exceed the minimum levels stipulated in the bidding document (4 out of 10 merit points; e.g. 1 merit point for each specialist)

Financial Criteria stipulated as follows:

- Bid Price as adjusted for arithmetic corrections
- Deviations in Completion Date at 0.5 % of offered bid price per week of delay up to a maximum late completion of 20 weeks
- Domestic Preference of 7.5 %

Three bids were received as follows:

	Bidder A Local Bidder	Bidder B Local Bidder	Bidder C Foreign Bidder
Price	6,000,000 USD	5,800,000 USD	5,700,000 USD
Time for Completion	24 months	24 months plus 6 weeks	24 months
Eligibility for Domestic Preference	Yes	Yes	No

The TEC using the Merit Point Evaluation methodology prescribed in the bidding documents evaluated the bids as follows:

Allocated Merit Points	Bidder A	Bidder B	Bidder C
Technical Evaluation (10 points)			
Tech. Sub-criterion 1: Work-plan Quality	2 points	2 points	3 points
Allocated points : 3			
Sub-criterion 2: Quality of ESMP / Quality Assurance/ Health and safety safeguards	2	3	3
Allocated points : 3			
Sub-criterion 3: Professional/ Experience profiles of key team of the bidder	2 points	2 points	3 points
Allocated points : 4			
TOTAL TS	6 points	7 points	9 points
Financial Evaluation (90 points)			
Fin. Sub-criterion 1: Bid Price	6,000,000 USD	5,800,000 USD	5,700,000 USD
Fin Sub-criterion 2: Completion Time	0 (responsive; no charges)	Delayed by 6 weeks and to be charged: 6 weeks x 0.5% (5,800,000 USD) =174,000 USD	0 (responsive; no charges)
Fin Sub-criterion 3: Domestic Preference	0	0	To be charged by: 7.5 % x 5,700,000 USD = 427,500 USD
Total Price	6,000,000 USD	5,974,000 USD	6,127,500 USD
Financial Score	5974,000/6,000,000= 89.61	90	5974,000/6,127,500= 87.75
Total Score :TS +FS	95.61	97	96.75
Ranking	3	1	2

The successful bidder (winner) is the bidder with the highest combined TS+FS which is bidder B who must now be subjected to post-qualification by the TEC in order to ensure that it meets the prescribed post-qualification criteria of the bidding documents. In case the TEC determines that Bidder B does not meet the post-qualification criteria then its bid must be rejected and the TEC then proceeds to post-qualify the next ranking bidder, bidder C, who is to be similarly post-qualified and the recommendation of contract award will go to the best ranked bidder who meets the post-qualification criteria.

1.3 Life Cycle Costing Method for Works contracts

It is highly unlikely that this method will be applicable for the type of construction contracts financed by IFAD in rural areas since the life cycle bid evaluation method for construction contracts is most commonly invoked in a turnkey contract for a "process plant" or a large environmentally advanced and energy efficient building designed by the bidder in accordance with the Borrower/Recipient's technical performance parameters.

However, in case the Borrower/Recipient invokes the life cycle costing bid evaluation method (usually through a two-stage tendering process) for works' design and construction by the bidders then the procedures to be followed are similar to those described in Module K 3 for the procurement of Goods.

Module K5: General Evaluation Procedures for Consulting Services (Firms)

Purpose:

Precise evaluation procedures for consulting services vary among the different selection methodologies (see Module F2), but they share stages:

- a preliminary examination, to eliminate proposals that do not comply with the basic requirements of the request for proposals (RFP) and consultants who do not meet mandatory qualification requirements;
- a technical evaluation, to assess the technical quality of the proposals against the evaluation criteria, using a merit-point scoring system. The technical score for each technical proposal will be determined, as will the number of proposals that have obtained the minimum technical score. These proposals will proceed to the financial opening and evaluation stage;
- a financial evaluation and comparison, to determine the financial score of each proposal followed by calculating the combined technical and financial score in the case of QCBS or to determine the highest-ranked proposal according to the specific selection procedures. A recommendation will be issued to award the contract to the successful proposal in accordance with the stipulated evaluation criteria relevant to the selection procedure specified in the RFP.

This module sets out the general procedures for evaluating proposals for consulting services. Its two parallel modules focusing on the two most common evaluation methodologies should be read in conjunction with this module, namely:

- Module K6, for quality- and cost-based selection;
- Module K7, for least-cost selection.

Module K1 also provides a description of the method for selecting a technical evaluation committee (TEC) and the General Evaluation Rules that apply.

1. Introduction

The purpose of evaluations for consulting services is to assess and compare all proposals received as objectively as possible, using a predefined methodology and criteria to determine the successful consulting firm which provides the best value for money and is to be awarded a contract. A well-conducted evaluation for consulting services should ensure that:

- the competition is fair and that all consulting firms have an equal opportunity to win government-funded contracts;
- the selected consulting firm has appropriate staff and experience to successfully perform the services;
- the consulting services procured under the contract do offer the procuring entity an appropriate balance of quality and cost, depending on the objectives, methodology and circumstances of the procurement requirement.

2. Step-by-step instructions

2.1 Review requirements

The TEC should review the list of requirements, instructions, terms of reference and evaluation criteria specified in the RFP and the maximum number of points allocated to each criterion. It should ensure that these are clearly understood and seek clarification from the person responsible for writing the RFP, where necessary.

The evaluation must apply the criteria and scores specified in the RFP, and no new or altered criteria may be introduced. The selection of sub-criteria to the main criteria and their respective scores will need to be set by the TEC if not already set and disclosed in the RFP document.

The TEC should also review the methodology specified in the RFP and ensure that it is understood.

2.2 Conduct a preliminary examination

The preliminary examination is conducted to determine whether proposals comply with the basic instructions and requirements of the RFP. It enables the evaluators to eliminate the weakest proposals without spending time and effort on a detailed merit-point evaluation. The preliminary examination can also be used to determine whether consulting firms meet the mandatory eligibility requirements.

The preliminary examination is conducted on a pass/fail basis in which proposals that are not substantially compliant are rejected. The criteria to be applied in the preliminary examination depend on the requirements and instructions in the RFP, so the preliminary examination must always begin with a review of the RFP to list the requirements to be met. As guidance only, the preliminary examination might typically include checks to ensure that:

- the proposal has been submitted properly (all forms and documents required, including, in particular, the proposal submission form);
- the proposal has been submitted without material reservations or deviations from the terms and conditions of the RFP;
- the proposal has been duly signed and authorized (including any power of attorney required in the RFP);
- an original copy of the proposal has been submitted;
- letter(s) of incorporation (or other documents indicating legal status) are included;
- a joint venture agreement (or, if applicable, a letter of intent to enter into a joint venture agreement, if awarded the contract) is submitted;
- a separate sealed financial proposal has been submitted (this depends on the procurement method used), and no financial details are contained in the technical proposal;
- the proposal is valid for at least the period required;
- the language required by the procurement document has been used;
- CV signed by the proposed key experts have been submitted;

- audited financial statements (or documents demonstrating financial capacity) have been submitted, as applicable;
- the Declaration of Eligibility Form has been submitted. In every evaluation process, the borrower/recipient shall require bidders to self-certify their eligibility and declare any criminal convictions, administrative sanctions (including debarments under the Agreement for Mutual Enforcement of Debarment Decisions or the “Cross-Debarment Agreement”)⁵¹ and/or temporary suspensions that have been imposed on the consultant and/or any of its directors, partners, proprietors, key personnel, agents, subconsultants, subcontractors, consortium and joint venture partners. As part of this exercise, consultants shall search the World Bank List of Ineligible Firms and Individuals, available at <http://worldbank.org/debarr>, for the names of their companies and directors and provide a print-out of the search result. If any sanction is declared, the procuring entity will need to consult with IFAD as to the applicability of the MBD cross-debarment agreement regardless of the estimated value of the proposed contract and shall not take a decision with respect to rejection of the proposal until the procuring entity receives IFAD’s final determination on the issue;
- any additional documentation required by the RFP has been submitted.

Proposals that do not pass the preliminary examination shall be eliminated. However, the TEC may consider omission of submission of an administrative document (like company registration or audited statement) as minor and ask the consultant to submit such missing document through a clarification.

51 The Cross-Debarment Agreement was entered into by the World Bank Group, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank and the European Bank for Reconstruction and Development, additional information may be located at: <http://crossdebarment.org/>.

2.3 Conduct a detailed technical evaluation

The detailed evaluation must be conducted only for proposals that have been determined to be substantially responsive during the preliminary examination.

The actual evaluation criteria, together with the maximum points for each criterion, are determined and described in the RFP.

Where a detailed technical evaluation uses a merit-point system, the following procedure should apply:

- (i) the full TEC shall discuss the criteria and any sub-criteria to ensure that all members have a common understanding of the criteria and their relative importance. This should include a discussion of:
 - the rating system to be used for the technical evaluation;
 - the scores to be used with the rating system;
 - the definitions of the scores.Modules K7 and K8 provide specific details on these aspects.
- (ii) the TEC shall prepare the scorecards and tables which the TEC members will use during the evaluation to ensure uniformity of the information and scoring data collected;
- (iii) each member of the TEC shall independently evaluate the proposals, considering each proposal and awarding scores against each criterion; the evaluator shall record his/her evaluation using a score and shall sign the respective scoresheet indicating his/her overall observations as to the strengths and weaknesses of each proposal;
- (iv) the TEC facilitator or the TEC chairperson shall call a meeting to compare notes about strengths and weaknesses of each proposal and then collect, collate and compare scores;
- (v) the scores from each evaluator shall be compiled during the meeting to produce a scoresheet for each proposal, and the average score for each proposal shall be calculated;
- (vi) the full TEC shall compare the scores of each evaluator for each proposal to verify that there has been a consistent approach to the evaluation and a common understanding of the criteria in each proposal by all TEC members;

- (vii) the TEC shall note any significant deviation from the average score or inconsistencies in scoring and discuss them, and each evaluator shall explain and justify their scores when required;
- (viii) when the TEC agrees that the approach has been inconsistent or discussions reveal a misunderstanding of a criterion or the contents of a proposal, one or more evaluators may be permitted to adjust their individual scores;
- (ix) no evaluator shall be obliged to make adjustments to their scores.

The TEC shall agree on which committee member may adjust their score and for which proposals or criteria the scores may be adjusted.

An adjustment shall be permitted only to the extent necessary to correct any inconsistency in the approach or genuine misunderstanding of a criterion or contents of a proposal.

When any score is adjusted, the original scoresheet shall be retained as part of the evaluation record, and the adjusted score shall be recorded on a new scoresheet.

A score adjustment shall be completed as soon as possible after the original meeting, and an additional meeting shall be called; until such time as an additional meeting is called, the TEC facilitator shall keep all copies of individual and consolidated scoresheets in a secure location.

Once all individual TEC members scores have been finalized, the full TEC will calculate the final average technical score for each proposal and conduct all other aspects of the evaluation.

The average scores for each proposal is compared against the minimum qualifying score provided in the RFP. Proposals not obtaining this minimum score are eliminated from further consideration.

Individual evaluation

Each TEC member must individually evaluate the technical proposals on the basis of the evaluation and qualifications criteria specified in the procurement document (RFP, RCQ, REOI) and adhere to the stipulated evaluation methodology. The technical proposals must be evaluated against the established criteria based on their individual merits, not compared and ranked against each other.

Individual evaluation worksheets are provided to TEC members to facilitate the evaluation process. On each spreadsheet, each TEC member must:

- (i) assess the contents of each proposal with respect to each criterion
- (ii) score the proposal for each criterion;
- (iii) take detailed notes of specific strengths and weaknesses that will substantiate the individual ratings for each evaluation criterion.

Each technical proposal shall be rated and scored for all criteria one after the other, rather than rating and scoring all technical proposals for one criterion and then moving on to the next.

TEC members may not discuss their individual ratings or scoring of the technical proposals outside the scheduled TEC meetings. If any TEC member attempts to force a change of the score of another member, inside or outside the proceedings room, they may be disqualified from the panel.

The individual evaluation worksheets, duly signed by each TEC member, shall be retained by the procurement department. The TEC shall prepare the technical evaluation report (TER) based on averaging of the score of all the individual evaluators.

TEC members have the right to hold a dissenting opinion, and the justification for such an opinion, if applicable, shall be documented in the TER.

In the case of shortlisting or during the proceedings of proposal evaluation, the results of the reference-checking process may be incomplete due to time constraints, failure of the references to respond or other factors beyond the facilitator's control.

If the reference-checking process raises concerns, causes the TEC to question its initial rating and scoring and/or if insufficient information is collected within the allotted time frame, the TEC may decide to allow additional time for the process to continue and reconvene as soon as possible once the missing information has been obtained or the conclusion has been reached that the missing information will not be available within a reasonable time frame.

The procuring entity will make its best effort to verify references; however, if they are not received for a particular consulting firm, the TEC should not penalize the consulting firm for lack of responses from their previous references (clients).

2.4 Conduct interviews, if required

Interviews may be conducted as part of a merit-point evaluation for complex assignments, provided that this was clearly stated in the RFP. Consulting firms must be given reasonable notice of the arrangements for any interview and, within reason, the TEC should be flexible as to the precise date and time of the interview to give the consulting firm's representative a reasonable opportunity to attend. This is particularly important when foreign consultants are invited for an interview.

Interviews may be conducted as part of the technical evaluation process, in accordance with the evaluation criteria established in the RFP.

Interviews are typically held only with key staff or consultants, such as the team leader and one or more key experts.

Interviews must be managed by the TEC chairperson but involve the committee members responsible for the merit-point evaluation. The questions to be addressed during the interview must, to the extent possible, be planned and agreed on in advance by all members involved in the merit-point evaluation.

Detailed minutes must be kept of the interview and the subsequent discussion and decision on the number of points to be awarded. These minutes should be included in the TER.

2.5 Prepare a TER for submission and approval

The TER should include the following information:

- the proposal opening record for the technical proposals (and any minutes produced);
- the results of the preliminary examination, indicating the rejection of any proposals as non-responsive to important aspects of the RFP and the TOR during the detailed technical evaluation and the reasons for their rejection;
- the technical scores awarded by each evaluator to each proposal;
- a summary of the relative strengths and weaknesses of each proposal;
- an analysis of any significant scoring discrepancies or inconsistencies and an explanation of any adjustments made to scores;
- the total technical score for each proposal;
- a list of the proposals that reached the minimum technical qualifying mark and a recommendation to open the financial proposals of these bidders;
- a recommendation to reject all other proposals.

The TER must be signed by all TEC members and submitted for review and approval by the head of the project coordination unit (PCU)/project implementation unit (PIU)/project management unit (PMU), who shall then forward it to IFAD for its no objection (NO), if applicable.

Once the head of the PCU/PMU/PIU (and IFAD, if applicable) approves the TER, the consultants/firms shall be informed about their scores.

If no consulting firms obtain the minimum qualifying technical score, the TEC, subject to IFAD no-objection, reserves the right to reject all proposals and to invite a new competition. The new competition shall be based on a new shortlist of consultants to be established through a “request for expression of interest” and may include adjustments to the TOR of the assignment and/or relevant contract parameters, as appropriate. The new TOR, shortlist and RFP shall be subject to IFAD’s no-objection.

2.6 Inform consulting firms

Once the TER has been signed and IFAD’s NO has been obtained (if applicable), the client can proceed to the next stage of the process. It should:

- notify the consulting firms whose financial proposals are to be opened of the date, time and location for the financial proposal opening and conduct the proposal opening;
- notify consulting firms whose proposals have been rejected, stating that their financial proposals will be returned unopened on completion of the evaluation process;
- not provide any debriefs or information at this stage on why a proposal was rejected. Debriefs can only be requested once the notice of intent to award has been issued (see Module M1 for more information).

2.7 Conduct the financial evaluation

The financial evaluation is conducted to determine the evaluated price of proposals, to compare the proposals and to determine the successful proposal (i.e. the proposal that should be recommended for a contract award). The financial evaluation and determination of the successful proposal depends on the evaluation methodology.

Notwithstanding the content of these specific modules, there are general good practices that should be followed, unless otherwise required by a national procurement system adopted for the project. They are:

- determine whether the financial proposals are complete and include all corresponding inputs in the technical proposal, costing any missing items and adding them to the proposal price (e.g. the RFP may state that all taxes and duties are to be included in the evaluation);
- correct any arithmetical errors using the procedure stated in the RFP. If no specific procedure is stated in the RFP and there is a discrepancy between the unit price and the total price obtained by multiplying the unit price by the quantity, the unit price shall prevail and the total price shall be corrected. Consulting firms should be notified in writing of any arithmetical corrections made and asked to agree to the corrections in writing;
- determine whether all items are included in the proposal price and add the cost of any missing items;

- convert all proposals to a single evaluation currency for comparison purposes, using the currency and the date and source of the exchange rate specified in the RFP;
- determine the total evaluated price of each proposal;
- assign the financial score of each proposal.

2.8 Prepare a combined evaluation report to submit for approval

A combined evaluation report includes details of both the technical and financial evaluation. Since the TER has already been issued, it is usually appropriate to prepare a specific financial report and add the technical report as an annex.

The financial evaluation report should include the following information:

- the bid opening record for the financial proposals (and any minutes if produced), including the total proposal prices and technical scores read out at the financial proposal opening;
- the evaluated price of each proposal, following any corrections or adjustments to the price and the conversion to a single currency;
- the financial scores of each proposal and the methodology for assigning financial scores;
- the weighting of technical and financial scores;
- the total score for each proposal;
- a recommendation to award the contract to the consultant with the highest total score, subject to any negotiations required;
- the currency and price of the proposed contract, subject to any changes following negotiations;
- It is good practice to include the areas or issues that require negotiations in the financial evaluation report.

All evaluation reports must be signed by all staff involved in the evaluation.

2.9 Next steps

- Proceed to Module K10: Post-Qualification; if no shortlist was established, then;
- Proceed to Module L1: Notice of Intent to Award (NOITA), then;
- Proceed to Module Group M: Debriefs and Protests. All potential protests and/or appeals must be resolved, then;
- Proceed to Module L2: Notification of Award (NOA) and issue a conditional contract award subject to successful negotiations, then;
- Proceed to Module N: Negotiations for Consulting Services.

Module K6: Evaluating Proposals for Consulting Services Using Quality- and Cost-based Selection (QCBS) (Firms)

Purpose:

This module presents the standard operating procedure for evaluating proposals for consulting services using the QCBS methodology. It must be read in conjunction with Module K5: General Evaluation Procedures for Consulting Services (Firms), and it complements Module F2, which provides a detailed introduction into evaluation criteria.

This module also includes an annex that offers detailed guidance on how to determine the scoring for the respective evaluation criteria.

1. Introduction

For QCBS evaluations, the technical evaluation committee (TEC) combines the technical and financial points to identify the proposal that has scored the highest number of points. A schematic for this evaluation system is provided at the end of this module.

The evaluation is weighted in favour of quality over price. Technical aspects receive a weighting of 70-80 and financial aspects, 30-20. The total weighting of

technical and financial evaluations should be 100. Therefore, if the technical weighting was decided to be 70, the financial weight would be 30.

2. Step-by-step instructions

2.1 TEC reviews evaluation criteria and creates a scorecard

The technical evaluation of consulting services must review the criteria stipulated in the bidding document. A sample scorecard is shown here:

Criteria	Maximum Score		
(i) Consulting firm's specific experience relevant to the assignment:		10	
(ii) Suitability of the proposed methodology and workplan in terms of their response to the terms of reference (ToR)::		30	
a) Technical approach and methodology	10		
b) Workplan	10		
c) Organization and staffing	10		
(iii) Key professional staff qualifications and competence for the assignment:		50	
a) Team leader	15		
b) Water supply and sanitation specialist	10		
c) Legal and institutional expert	10		
d) Environmental Specialist	10		
e) Socio-economist	5		
(iv) Participation by nationals in the proposed team		10	
	Total		100

Technical scores must be awarded solely on the basis of the criteria stipulated in the bidding document. The above illustration therefore becomes the basis for the technical evaluation. Thus, an individual evaluator's typical scorecard would be:

Consulting firm		Firm 1 [name] Scores*	Firm 2 [name] Scores*	Firm 3 [name] Scores*	Firm 4 [name] Scores*
	Max				
Criteria					
(i) Specific experience	10				
(ii) Methodology and workplan					
a) Technical approach & methodology	10				
b) Workplan	10				
c) Organization and staffing	10				
(iii) Proposed staff					
a) Team leader	15				
b) Water & sanitation specialist	10				
c) Legal & institutional specialist	10				
d) Environmental Specialist	10				
e) Socio-Economist	5				
(iv) Participation of nationals	10				
Total score	100				
Rank					

Note: The actual criteria for any evaluation must be taken from the RFP document. The above is for illustration purposes only. See Modules F2 and H3 for more details on evaluation criteria and the creation of bidding documents for consulting services. * Scores equals number of points for a certain criterion.

2.2 Finalizing the technical scoring method

A common practice is the use of a pre-agreed grading and rating system for scoring consulting services that standardizes evaluators' scoring of technical proposals. Prior to receiving the technical proposals, the TEC should agree on the definition of each grade for each criterion (or sub-criterion). That is, it should agree on the grades to be used and establish the rating for each grade.

To make scoring easier and more transparent, it is recommended that the rating scale be divided into a number of discrete grades. The rationale behind this is to ensure that a satisfactory response in a proposal is established and that it can be linked to the assessed grade of quality. It is then important to identify the proposals whose responsiveness is deemed "good" or "very good". Finally, there is the need to identify "poor" responses. It is common practice to give scores based on the following grades:

Grade	Rating*
Poor	40%
Satisfactory	70%
Good	90%
Very good	100%

* the rating is the percentage of the maximum score available for each criterion or sub-criterion

The percentages allocated to grades may be modified or changed but should be agreed on **before** the TEC commences any evaluation. The scoring system will need to be described and explained in the technical evaluation report.

A zero rating is unrealistic, since it would imply that the consulting firm has been entirely unresponsive to the ToR under the criterion in question.

2.3 Defining the grade for each criterion

Since each of the criteria (or sub-criteria) refers to a different aspect of the proposal, the definition of grades needs to be considered, so that each evaluator grades against a standard definition. A typical evaluation could therefore produce an evaluator's technical scorecard as shown below:

Consulting firm Criteria	Max score*	Firm 1		Firm 2		Firm 3		Firm 4	
		Rating	Score*	Rating	Score*	Rating	Score*	Rating	Score*
Specific experience of firm	20	90%	18.0	70%	14.0	100%	20.0	40%	8.0
Methodology & Workplan	30								
a) Technical approach & methodology	10	70%	7.0	70%	7.0	100%	10.0	40%	4.0
b) Work plan	10	70%	7.0	70%	7.0	100%	10.0	40%	4.0
c) Organization & staffing	10	40%	4.0	70%	7.0	100%	10.0	40%	4.0
Proposed staff	40								
a) Team leader	15	90%	13.5	70%	10.5	100%	15.0	40%	6.0
b) Water & sanitation specialist	10	90%	9.0	70%	7.0	100%	10.0	40%	4.0
c) Legal & Institutional specialist	10	90%	9.0	70%	7.0	100%	10.0	40%	4.0
d) Socio-economist	5	70%	3.5	70%	3.5	100%	5.0	40%	2.0
Participation of nationals	10	70%	7.0	70%	7.0	100%	10.0	40%	2.0
Total score			78.0		70.0		100.0		40.0
Rank			2		3		1		4

* Scores equals number of points for a certain criterion.

This represents the scores of one evaluator and must be combined with the scores of the others into a final score, using average or consensus methods.

Scoring technical proposals by this method offers the following advantages:

- (i) it provides the TEC with a common definition of the grades, making the evaluation easier and comparable;
- (ii) it minimizes the risk of inconsistencies and use of discretion in scoring;
- (iii) it requires each committee member to justify their individual evaluation based on a common definition of grades, discouraging intentionally biased evaluations;
- (iv) it lends transparency and fairness to the evaluation process.

Defining the grades is a difficult exercise that requires a thorough knowledge of the terms of reference, the main technical issues to be covered

by the consultancy, and the expected qualifications of the consulting firms. However, it should substantially improve the quality of the evaluation. Rating proposals without using agreed upon predefined grades of quality/responsiveness leaves the definition of the grades open to interpretation by each evaluator, likely rendering the scoring more subjective and hard to compare.

Ratings should not be too rigid. In the likely event that a firm does not satisfy all the conditions established in one of the grade definitions but a higher grade captures its proven experience better than the lower grade, the higher grade may be assigned.

Further guidance in defining the grades for each criterion and sub-criterion is provided in the annex of this module.

2.4 Awarding financial scores

Financial evaluation consists of:

- examining the proposal price to identify any arithmetical errors and adding the cost of any activities mentioned in the technical proposal but not priced in the financial proposal;
- converting the price to the evaluation's common currency;
- making adjustments for non-material omissions and errors, as provided for in the RFP document.

Financial scores must be awarded using the method specified in the request for proposals (RFP). This is usually done as follows:

- the lowest-priced proposal is given a financial score of 100;
- all other proposals are given a financial score inversely proportionate to this, using the formula:

$$\text{Final score} = 100 \times \frac{F_z}{F_y}$$

Where Fz = Lowest-priced proposal and
 Fy = Price of proposal being evaluated

For example, if prices were as follows:

Proposal	Evaluated proposal price
A	US\$500,000
B	US\$450,000
C	US\$600,000

- Proposal B has the lowest price and would be awarded 100 points.
- The formula would be applied to Proposal A, as follows: $100 \times (450,000/500,000) = 90$ points.
- The formula would be applied to Proposal C, as follows: $100 \times (450,000/600,000) = 75$ points.

Proposal	Evaluated proposal price		Financial score
A	US\$500,000		90
B	US\$450,000	lowest price	100
C	US\$600,000		75

2.5 Weighting scores to calculate the total score

The technical and financial scores must be weighted using the weights stated in the RFP. This is normally in the range of 70-80 per cent for the technical score and 30-20 per cent for the financial score. The combined weights must always total 100 per cent.

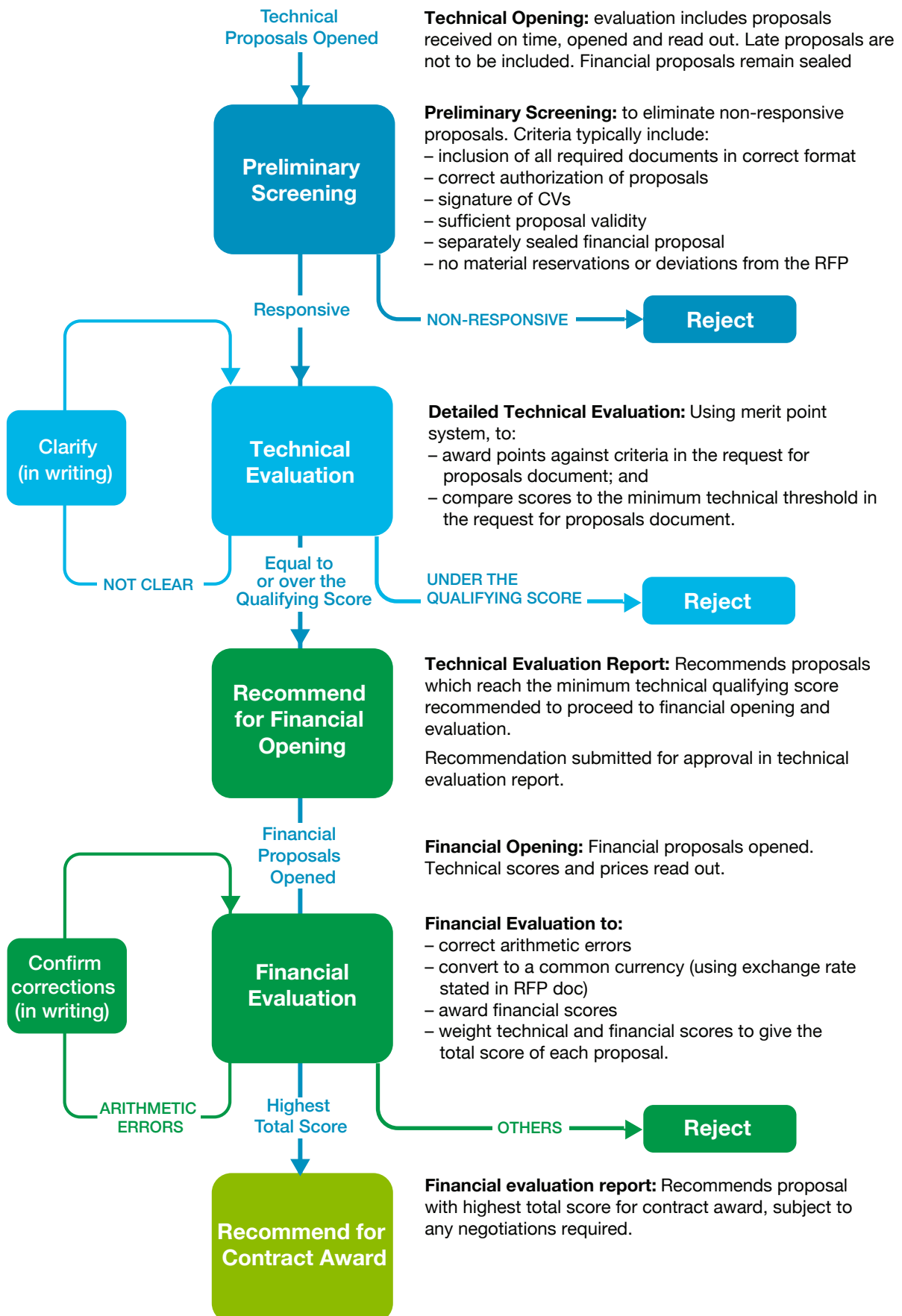
To determine the weighted scores, multiply the actual technical and financial scores by the weights stated in the RFP.

To determine the total score, simply add the weighted technical and weighted financial scores.

The example in the following table shows the technical and financial scores attributed to a proposal, the weights stated in the RFP, the calculation required, the weighted scores and the total score:

Consulting firm	Weight	Firm 1		Firm 2		Firm 3		Firm 4	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
Technical	80%	78%	62.4	70.0	56.0	100.0	80.0	40.0	Eliminated
Financial	20%	90%	18.0	100.0	20.0	75.0	15.0	N/A	
Total			80.4		76.0		95.0		N/A

Evaluation Procedure for Consulting Services (Quality and Cost-Based Selection)



Annex to Module K6

This annex provides detailed guidance for defining the grading for the evaluation criteria described in section 2.3 of this module.

1. Criterion: **Specific experience of the firm**

(Aspects to consider in the evaluation)

The TEC should consider the following aspects in evaluating this criterion:

- **Experience in similar projects:** Evidence of having successfully carried out similar assignments.
- **Experience in similar areas and conditions:** The firm has worked in regions or countries with physical, cultural, social and institutional characteristics comparable to those in the country where it will operate.
- **Size, organization and management:** The firm has the capacity – for instance, staff, organization and managerial skills – to carry out the assignment. For some assignments, consider how long the consulting firm has been in business.
- **Specialization:** For some assignments, it may be important to evaluate the firm's specialized skills and access to particular technologies related to the assignment.
- **Knowledge transfer and training experience:** The firm's experience in knowledge transfer and the training of client personnel (if relevant).

An example of the definition of these grades based on the specifications listed above is provided below (definitions may differ from case to case, depending on the characteristics of the assignment). These definitions need to be agreed on prior to the evaluation.

- **Poor:** The firm has no recent or little relevant experience in the field of the assignment and has not dealt with critical issues specific to the assignment. The firm is not experienced enough in the use of the standard approaches and methodologies required for the assignment. The firm's permanent staff is unsuitable for the assignment.
- **Satisfactory:** The firm has relevant experience in the field of the assignment but has not dealt with critical issues specific to it, such as delicate social or environmental issues. The firm is fully experienced in the use of the standard

approaches and methodologies required for the assignment. The firm's permanent staff is suitable.

- **Good:** The firm has extensive experience in the field of the assignment and has worked in countries with similar physical and institutional conditions, including similar critical issues. Permanent staff is highly specialized and suitable for meeting the needs of the assignment, and the firm has additional resources at its command to handle unexpected requirements. The firm has experience with advanced approaches and methodologies for dealing with the specific requirements of the assignment.
- **Very good:** The firm has outstanding state-of-the-art expertise in assignments similar to the one being considered. The quality and composition of its staff easily meet the needs of the assignment and ensure an excellent level of backstopping, and the staff include top experts in the field of the assignment. The firm is considered a world-class specialist in the approaches and methodologies for dealing with specific issues of the assignment. The firm follows well-established quality management procedures.

2. Criterion: **Suitability of proposed methodology and workplan**

(Aspects to consider in the evaluation)

The TEC should consider the following aspects in evaluating this criterion:

- **Understanding the assignment's objectives:** To what extent does the firm's technical approach and workplan respond to the objectives indicated in the ToR?
- **Completeness and responsiveness:** Does the proposal exhaustively respond to all ToR requirements?
- **Clarity:** Are the various elements coherent and the decision points well-defined?
- **Creativity and innovation:** Does the proposal suggest any new approaches to the assignment or new methodologies that will help to achieve better outcomes?
- **Timeliness of output:** Is the proposed activity schedule realistic? Are the requested outputs deliverable on time?

- **Quality of resource utilization:** Is the staff roster appropriate, with neither too many short-term experts nor too many generalists? Is the proposed staff permanent or composed of external consultants? In the latter case, have the external consultants worked on previous assignments with the firm's permanent staff? This aspect should always be considered.
- **Flexibility and adaptability:** Are the methodology and workplan flexible and easily adaptable to any changes that occur during implementation of the assignment? This aspect is especially relevant if the assignment takes place in potentially changing environments.
- **Technology level:** Does the methodology propose the use of state-of-the-art technologies and the adoption of innovative solutions?
- **Logistics:** If the firm must work in remote sites, what is its approach to logistics?
- **Quality management:** Especially in the case of large and complex assignments, the ToR may include a requirement to provide a quality plan with a detailed table of contents. Is there such a plan?

This last criterion is usually evaluated by considering the following three sub-criteria (only as stated in the RFP):

- (a) *Technical approach and methodology*
- (b) *Workplan*
- (c) *Organization and staffing*

An example of the definition of the four grades for the three sub-criteria listed above may include the following (definitions may vary from case to case, depending on the characteristics of the assignment):

(a) *Technical approach and methodology:*

- **Poor:** The technical approach or methodology (or both) envisaged to carry out important activities indicated in the ToR is inappropriate or very poorly presented, indicating that the consulting firm has misunderstood important aspects of the scope of the work. The quality plan's table of contents (if required in the ToR) is missing.
- **Satisfactory:** There is a generic discussion of how to carry out the activities indicated in the ToR. The approach is standard and not specifically tailored to the assignment. Although the approach and methodology

are suitable, they do not include a discussion on how the firm proposes to handle critical aspects of the assignment. The quality plan includes a table of contents (if required in the ToR), but it is generic and does not reflect the specific features of the assignment.

- **Good:** The proposed approach is discussed in detail. The methodology is specifically tailored to the characteristics of the assignment and flexible enough to allow it to adapt to any changes that might occur during execution of the services. The quality plan's table of contents (if required in the ToR) is tailored to the specific characteristics of the assignment.
- **Very good:** In addition to the requirements listed above under "good", important issues are approached innovatively and efficiently, indicating that the firm has understood the main issues of the assignment and has outstanding knowledge of new solutions. The proposal details ways to improve the results and quality of the assignment by using advanced approaches, methodologies, and knowledge. A detailed description of the quality plan is provided, as well as its table of contents (if required).

(b) *Workplan:*

- **Poor:** The activity schedule omits important tasks; the timing of activities and correlation among them are inconsistent with the approach or methodology proposed. There is a lack of clarity and logic in the sequencing.
- **Satisfactory:** All key activities are included in the activity schedule, but they are not detailed. There are minor inconsistencies between timing, assignment outputs and the proposed approach.
- **Good:** The workplan responds well to the ToR; all the important activities are indicated in the activity schedule, and their timing is appropriate and consistent with the assignment outputs. Moreover, the link between the various activities is realistic and consistent with the proposed approach. There is a fair degree of detail that facilitates understanding of the proposed workplan.

- **Very good:** In addition to the requirements listed above under “good”, decision points and the sequence and timing of the activities are very well-defined, indicating that the firm has optimized the use of resources. A specific chapter of the proposal explains the workplan in relation to the proposed approach. The workplan allows flexibility to accommodate contingencies.

(c) **Organization and staffing:**

- **Poor:** The organizational chart is perfunctory, the staffing plan is weak in important areas and the staffing schedule is inconsistent with the timing of the assignment’s most important outputs. There is no clarity in the assignment of tasks and responsibilities. The proposed specialists have never worked together as a team.
- **Satisfactory:** The organizational chart is complete and detailed, the technical level and composition of the staffing arrangements are adequate and staffing is consistent with both timing and assignment outputs.
- **Good:** In addition to the above definition in “satisfactory”, the staff is very well balanced (that is, it is well-coordinated, has a clear and detailed definition of duties and responsibilities, there are not too many short-term experts or generalists, staff skills and needs are matched precisely and there is good logistical support). Some members of the project team have worked together before to some extent.
- **Very good:** Besides meeting all the requirements for a “good” rating, the proposed team is integrated, and several members have worked together extensively in the past; a detailed explanation of the borrower’s/recipient’s role and integration in the assignment is provided. The proposal contains a detailed discussion showing that the firm has efficiently and economically optimized the use and deployment of staff, based on the proposed logistics.

3. Criterion: **Proposed key staff**

(Aspects to consider in the evaluation)

This criterion is usually evaluated by considering the following three sub-criteria (only as stated in the RFP):

- (a) **General qualifications**
- (b) **Suitability for the assignment**
- (c) **Experience in the region and language**

The TEC should evaluate key staff (junior, clerical or administrative staff shall not be evaluated). Consideration should be given to the following aspects:

- (a) **General qualifications:** It is important to consider the consultants’ years of professional experience in the technical field in which they will be working under the assignment. For evaluation purposes, the value of prior university education diminishes with age. For experts with less than 10 years of experience, the university degree shall form the basis of evaluation (in addition to their acquired experience so far). Because experience accumulates with age, key experts with more than 10 years of professional experience are often able to handle complex or sensitive assignments satisfactorily, and in this case, the evaluation should concentrate on actual experience rather than on university education. When knowledge of recent approaches, methodologies, and technologies is critical, years of experience in this particular field is more relevant than overall accumulative years of experience.
- (b) **Suitability for the assignment:** This is the most important aspect and should be carefully evaluated. Appropriate capabilities, adequate professional skills and experience should always be aspects to evaluate. While the previous aspect, “general qualifications”, evaluates the general experience of the staff in the technical field in which they will be working under the assignment, “suitability for the assignment” is meant to assess their ability to perform the specific tasks assigned to them. Has the expert recently held similar positions? If so, were such positions relevant to assignments similar to the one under consideration? Has the proposed team leader held such a position before? If so, have they managed a team similar to the one proposed (size, technical disciplines

involved, similar mix of national and expatriate personnel, etc.)? How well do the knowledge and skills of the proposed staff meet the needs of the assignment?

- (c) **Experience in the region and language:** When evaluating experience in the region, consider factors such as the number of assignments carried out in the country or in countries with similar cultures, administrative systems and government organizations. For expatriate staff, the RFP should specify national/local language requirements for adequate communication in the country of the assignment, if needed. Scores should be given only for the local language. In scoring national consultant staff, their proficiency in one of IFAD's primary working languages, in addition to the local language, should be evaluated.

As long as key staff are eligible,⁵² the evaluation should be based on their skills and suitability for the job, regardless of their nationality. The team leader's qualifications should be carefully evaluated, because this position plays a critical role in the assignment. If the team leader is acting as both project manager and expert, their qualifications must be evaluated for each function, and the scores must be assigned to each function proportional to the time and effort devoted to each (if the two functions overlap). Full marks for each function are assigned only if the functions can be clearly separated without affecting the quality of the services.

The TEC should define each of the grades indicated for each of the three sub-criteria.

An example of the definition of the four grades for each of the three sub-criteria listed above may include the following:

(a) **General qualifications:**

- **Poor:** The proposed expert has less than 10 years of relevant experience.
- **Satisfactory:** The proposed expert has 10 or more years of overall work experience relevant to the assignment, with relevant academic education and training.

- **Good:** The proposed expert has more than 15 years of overall work experience, a substantial part of which is related to consulting assignments similar to the one under consideration; the expert's professional achievements, such as position within the firm and level of responsibility, have steadily increased over time.
- **Very good:** The proposed expert has more than 20 years of specialized experience in the field of the assignment and is recognized as top in their field. The expert is fully conversant with the state of the art of the discipline.

(b) **Suitability for the assignment:**

- **Poor:** The proposed expert has never or only occasionally worked in a position similar to the one required under the assignment. Their qualifications do not closely match the assigned position. (For instance, the position requires a highly experienced project manager, while a relatively junior professional with limited experience is proposed.)
- **Satisfactory:** The experience of the proposed expert is suited to the assigned position; in the past 10 years or more, they have successfully held positions similar to the one proposed for the assignment in at least one similar project. The proposed expert's skills (either professional or managerial, as the proposed position requires) are adequate for the job.
- **Good:** The qualifications of the expert are suitable for the proposed position; over the past 10 years, they have held several similar positions in similar assignments; the expert's skills (either professional or managerial) are fully consistent with the position and characteristics of the assignment.
- **Very good:** In addition to the criteria under "good", the expert has qualifications and experience that substantially exceed the requirements for positions similar to the one being considered.

⁵² As defined by the IFAD Project Procurement Guidelines, such as not having a conflict of interest.

(c) *Experience in the region and language (this example refers to expatriate staff):*

- **Poor:** The proposed expert has never or only occasionally worked in countries similar to the one of the assignment, and their proficiency in the local language is too limited to properly communicate orally and in writing.
- **Satisfactory:** The expert has worked in countries with cultural, administrative and government organizations similar to those of the country in question; their proficiency in one of IFAD's official languages is adequate.
- **Good:** In recent years, the expert has worked in the region of the assignment for at least one year, and they are fluent in one of IFAD's official languages, as well as the local language.
- **Very good:** In addition to meeting the above definition of "good", the expert has direct detailed knowledge of the country and the language resulting from years of professional experience in the country.

If the key staff proposed by the consulting firm do not fully satisfy all the conditions spelled out in the definition of one of the grades, but the grade under consideration appears to reflect their overall suitability better than the lower grade, the higher grade may be assigned.

4. Criterion: Proportion of national consultants in proposed key staff

(Aspects to consider in the evaluation)

In the evaluation, these points should be assigned to each proposal in a proportion equal to the percentage share of national key staff in the total key staff time and effort proposed. (If, for example, 10 points are allotted to this criterion and the firm allocates 50 per cent of the total staff-months or staff-hours of key staff to national experts/consultants, the proposal will receive 5 points.)

This criterion covers only the quantitative aspect of participation by nationals; qualitative aspects, such as the experience of national key staff, are captured by the criteria "proposed key staff" and "suitability for the assignment".

The participation of national consultants as domestic consultants, local branches of foreign consulting firms or individual experts should likewise be considered.

Module K7: Evaluating Proposals for Consulting Services Using Least-Cost Selection (LCS) (Firms)

Purpose:

This module presents the standard operating procedure for evaluating proposals for consulting services using the LCS methodology.

An annex to this module provides detailed guidance on how to define grading for evaluation criteria.

1. Introduction

The evaluation of LCS is not weighted as in the quality- and cost-based selection (QCBS) methodology. Although the technical evaluation uses the same scoring method as QCBS, proposals that have obtained the minimum qualifying score are examined, and the proposal with the lowest price is awarded the contract.

The merit-point system is the same as that used in the QCBS methodology, and consulting firms are still required to submit separate technical and financial proposals at the same time as with QCBS.

Proposals that obtain at least the minimum qualifying score will have their financial proposals

opened publicly at a financial tender opening, and the prices are read out along with the technical score. For LCS, the financial evaluation of each proposal determines the evaluated price of each proposal and the lowest-priced proposal is awarded the contract.

A schematic of this evaluation system is provided at the end of this module.

2. Step-by-step instructions

2.1 TEC evaluation criteria and scorecard

In the technical evaluation of consulting services, review the criteria stated in the bidding document must be reviewed. An example is shown here:

Criteria	Maximum Score		
(i) Specific experience of the consultants relevant to the assignment:		10	
(ii) Adequacy of the proposed methodology and workplan in responding to the terms of reference:		30	
a) Technical approach and methodology	10		
b) Workplan	10		
c) Organization and staffing	10		
(iii) Key professional staff qualifications and competence for the assignment:		50	
a) Team leader	15		
b) Water supply and sanitation specialist	10		
c) Legal and institutional expert	10		
d) Socio-economist	5		
e) Environmental Specialist	10		
(iv) Participation by nationals in the proposed team		10	
Total			100

Technical scores must be based solely on the criteria stated in the bidding document. The illustration above would therefore serve as the basis for the technical evaluation. Thus, an individual evaluator’s typical scorecard would be:

Consulting firm		Firm 1 [name] Scores*	Firm 2 [name] Scores*	Firm 3 [name] Scores*	Firm 4 [name] Scores*
	Max				
Criteria					
(i) Specific experience	10				
(ii) Methodology & workplan					
a) Technical approach & methodology	10				
b) Workplan	10				
c) Organization and staffing	10				
(iii) Proposed staff					
a) Team leader	15				
b) Water & sanitation specialist	10				
c) Legal & institutional specialist	10				
d) Socio-economist	5				
e) Environmental Specialist	10				
(iv) Participation of nationals	10				
Total score	100				
Rank					

*Scores equals number of points for a certain criterion.
 Note: The actual criteria for any evaluation would be taken from the bidding document. The above is for illustration purposes only.

2.2 Finalizing the technical scoring method

A common practice is the use of a pre-agreed grading and rating system for scoring consulting services that standardizes evaluators’ scoring of technical proposals. Prior to receiving the technical proposals, the TEC should agree on the definition of each grade for each criterion (or sub-criterion). That is, it should agree on the grades to be used and establish the rating for each grade.

To make scoring easier and transparent, it is recommended that the rating scale be divided into a number of discrete grades. The rationale behind this is to ensure that a satisfactory response in a proposal is established, as this links to the qualifying score. As a second step, it is important to identify proposals whose responsiveness is deemed to be “good” and “very good”. Finally, there is the need to identify “poor” responses. It is common practice to assign scores based on the following grades:

Grade	Rating*
Poor	40%
Satisfactory	70%
Good	90%
Very good	100%

* the rating is the percentage of the maximum score available

The grades may be modified or changed but should be agreed on **before** the TEC commences any evaluation. The scoring system will need to be described and explained in the technical evaluation report.

A zero rating is unrealistic, since it would imply that the consulting firm has been entirely unresponsive to the ToR under the criterion in question.

2.3 Defining the grade for each criterion

Since each of the criteria (or sub-criteria) refers to a different aspect of the proposal, the definition of grades needs to be considered, so that each evaluator grades against a standard definition. A typical evaluation could therefore produce an evaluator's technical scorecard as shown below:

Consulting firm Criteria	Max score	Firm 1		Firm 2		Firm 3		Firm 4	
		Rating	Score*	Rating	Score*	Rating	Score*	Rating	Score*
Specific experience of firm	20	90%	18.0	70%	14.0	100%	20.0	40%	8.0
Methodology & workplan	30								
a) Technical approach & methodology	10	70%	7.0	70%	7.0	100%	10.0	40%	4.0
b) Workplan	10	70%	7.0	70%	7.0	100%	10.0	40%	4.0
c) Organization & staffing	10	40%	4.0	70%	7.0	100%	10.0	40%	4.0
Proposed staff	40								
a) Team leader	15	90%	13.5	70%	10.5	100%	15.0	40%	6.0
b) Water & sanitation specialist	10	90%	9.0	70%	7.0	100%	10.0	40%	4.0
c) Legal & institutional specialist	10	90%	9.0	70%	7.0	100%	10.0	40%	4.0
d) Socio-economist	5	70%	3.5	70%	3.5	100%	5.0	40%	2.0
Participation of nationals	10	70%	7.0	70%	7.0	100%	10.0	40%	2.0
Total score			78.0		70.0		100.0		40.0
Rank			2		3		1		4

* Scores equals number of points for a certain criterion.

This represents the scores of one evaluator and must be combined with the scores of the others into a final score, using average or consensus methods.

Scoring technical proposals with this method offers the following advantages:

- (i) it provides the TEC with a common definition of the grades, making the evaluation easier and comparable;
- (ii) it minimizes the risk of scoring inconsistencies and the use of discretion in scoring;
- (iii) it requires each committee member to justify their individual evaluation based on a common definition of grades, discouraging intentionally biased evaluations;
- (iv) it lends transparency and fairness to the evaluation process.

Defining the grades is a difficult exercise that requires a thorough knowledge of the terms of reference, the main technical issues to be covered by the consultancy, and the expected

qualifications of the consulting firms. However, it should substantially improve the quality of the evaluation. Rating proposals without using agreed upon predefined grades of responsiveness leaves the definition of the grades open to interpretation by each evaluator, likely rendering the scoring subjective and hard to compare.

Ratings should not be too rigid. In the likely event that a firm does not satisfy all the conditions established in one of the grade definitions but a higher grade captures its proven experience better than the lower grade, the higher grade may be assigned.

Further guidance in defining the grades for each criterion and sub-criterion is provided in the annex of this module.

2.4 Awarding financial scores

Once the proposals that meet or exceed the minimum qualifying score (representing at least the satisfactory proposals) have been determined, to arrive at the evaluated price, the financial evaluation consists of:

- examining the proposal price to identify any arithmetical errors and adding the cost of any activities mentioned in the technical proposal but not priced in the financial proposal;
- converting the price to the evaluation's common currency;
- making adjustments for non-material omissions and errors, as provided for in the RFP document;

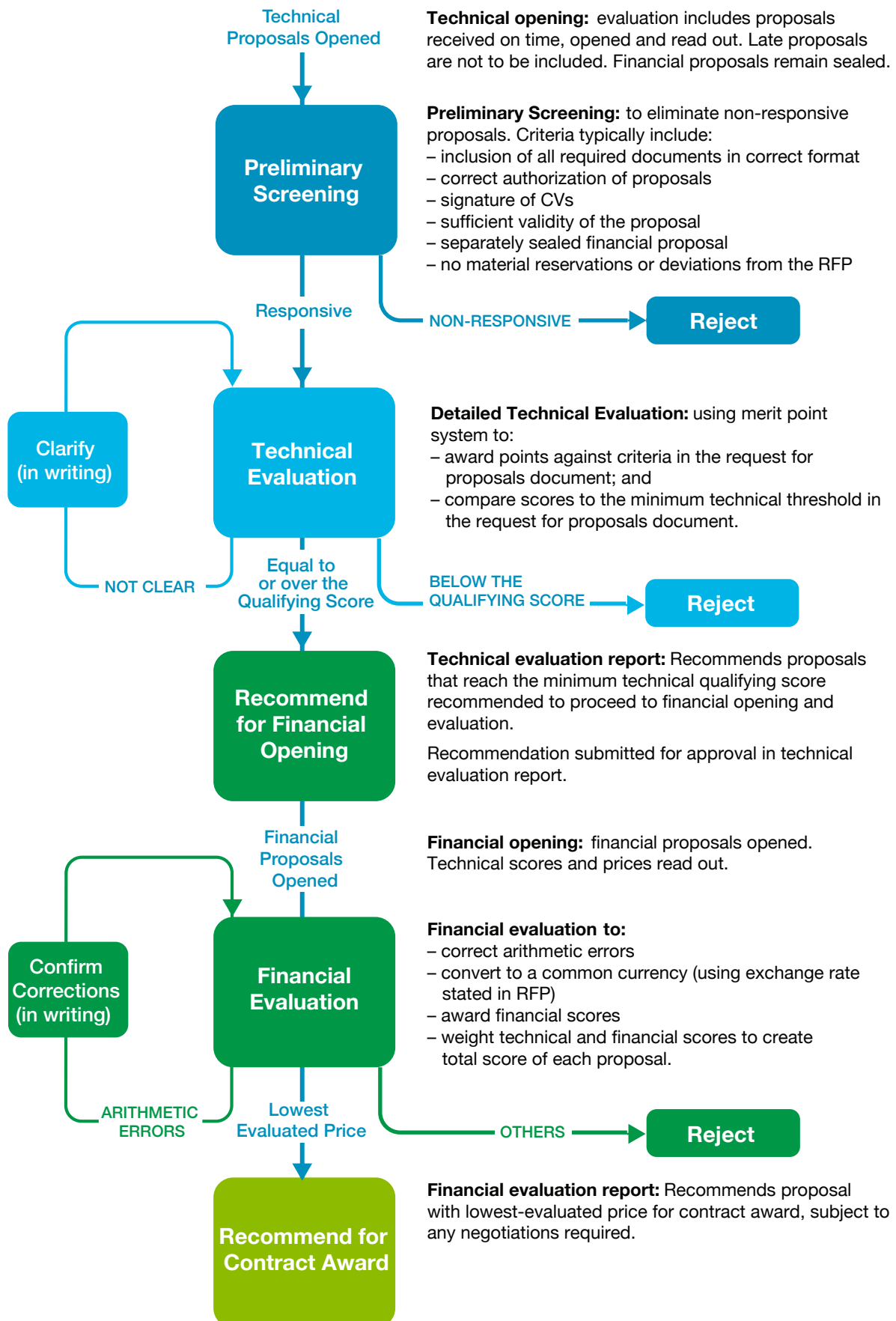
The RFP with the lowest price is then ranked as the first bid.

The following table illustrates a typical financial examination of proposals and represents the type of table that should be at the centre of the financial evaluation report.

Firm's name (notes)	Financial Opening						Financial Evaluation					
	Currency	Amount	Arithmetic errors		Conversion to E		Non-material omissions		Evaluated Price			
			Errors (+/-)	Revised total	Rate	Revised total	Value	Revised total	Revised price			
Firm 1	US\$	750 000.00	5 980.00	755 980.00								
A					1.90	1 436 362.00		1 436 362.00	1 436 362.00			
Firm 2	£	580 000.00	-8 900.00									
B			-60 864.00									
C			30 000.00									
D			-39 764.00	540 236.00	2.70	1 458 637.20		1 458 637.20	1 458 637.20			
Firm 3	£	510 000.00			2.70	1 377 000.00						
Firm 4	US\$	680 000.00	87 000.00	767 000.00			75 000.00	1 452 000.00	1 452 000.00			
Firm 5	SAR	1 460 000.00	0.00	1 460 000.00	1.90	1 457 300.00						
Notes:	A	Adjustment for incorrect extension in Table 2 of proposal			1.00	1 460 000.00		1 460 000.00	1 460 000.00			
	B	Adjustment for incorrect extension in Table 1 of proposal										
	C	Adjustment for incorrect extension in Table 3 of proposal (Team Leader)										
	D	Adjustment for incorrect extension in Table 5 of proposal (Administrative staff table)										
	E	Adjustment for lack of required training or capacity development in proposal (value taken from Consultant 2 costs)										
	F	Adjustment for										

In this example, the evaluated price for Firm 1 is the lowest, and this proposal is therefore recommended for award in the financial evaluation report. Please note, that a firm includes joint ventures.

Evaluation Procedure for Consulting Services (Least-Cost Selection)



Annex to Module K7

This annex provides detailed guidance for defining the grading for the evaluation criteria described in section 2.3 of this module.

1. Criterion: *Specific experience of the firm*

(Aspects to consider in the evaluation)

The TEC should consider the following aspects in evaluating this criterion:

- **Experience in similar projects:** Evidence of having successfully carried out similar assignments.
- **Experience in similar areas and conditions:** The firm has worked in regions or countries with physical, cultural, social and institutional characteristics comparable to those in the country where it will operate.
- **Size, organization and management:** The firm has the capacity – for instance, staff, organization and managerial skills – to carry out the assignment. For some assignments, consider how long the consulting firm has been in business.
- **Specialization:** For some assignments, it may be important to evaluate the firm’s specialized skills and access to particular technologies related to the assignment.
- **Knowledge transfer and training experience:** The firm’s experience in knowledge transfer and the training of client personnel (if relevant).

An example of the definition of these grades based on the specifications listed above is provided below (definitions may differ from case to case, depending on the characteristics of the assignment). These definitions need to be agreed on prior to the evaluation.

- **Poor:** The firm has no recent or little relevant experience in the field of the assignment and has not dealt with critical issues specific to the assignment. The firm is not experienced enough in the use of the standard approaches and methodologies required for the assignment. The firm’s permanent staff is unsuitable for the assignment.
- **Satisfactory:** The firm has relevant experience in the field of the assignment but has not dealt with critical issues specific to it, such as delicate social or environmental issues. The firm is fully experienced in the use of the standard

approaches and methodologies required for the assignment. The firm’s permanent staff is suitable.

- **Good:** The firm has extensive experience in the field of the assignment and has worked in countries with similar physical and institutional conditions, including similar critical issues. Permanent staff is highly specialized and suitable for meeting the needs of the assignment, and the firm has additional resources at its command to handle unexpected requirements. The firm has experience with advanced approaches and methodologies for dealing with the specific requirements of the assignment.
- **Very good:** The firm has outstanding state-of-the-art expertise in assignments similar to the one being considered. The quality and composition of its staff easily meet the needs of the assignment and ensure an excellent level of backstopping, and the staff include top experts in the field of the assignment. The firm is considered a world-class specialist in the approaches and methodologies for dealing with specific issues of the assignment. The firm follows well-established quality management procedures.

2. Criterion: *Suitability of proposed methodology and workplan*

(Aspects to consider in the evaluation)

The TEC should consider the following aspects in evaluating this criterion:

- **Understanding the assignment’s objectives:** To what extent does the firm’s technical approach and workplan respond to the objectives indicated in the ToR?
- **Completeness and responsiveness:** Does the proposal exhaustively respond to all ToR requirements?
- **Clarity:** Are the various elements coherent and the decision points well-defined?
- **Creativity and innovation:** Does the proposal suggest any new approaches to the assignment or new methodologies that will help to achieve better outcomes?

- **Timeliness of output:** Is the proposed activity schedule realistic? Are the requested outputs deliverable on time?
- **Quality of resource utilization:** Is the staff roster appropriate, with neither too many short-term experts nor too many generalists? Is the proposed staff permanent or composed of external consultants? In the latter case, have the external consultants worked on previous assignments with the firm's permanent staff? This aspect should always be considered.
- **Flexibility and adaptability:** Are the methodology and workplan flexible and easily adaptable to any changes that occur during implementation of the assignment? This aspect is especially relevant if the assignment takes place in potentially changing environments.
- **Technology level:** Does the methodology propose the use of state-of-the-art technologies and the adoption of innovative solutions?
- **Logistics:** If the firm must work in remote sites, what is its approach to logistics?
- **Quality management:** Especially in the case of large and complex assignments, the ToR may include a requirement to provide a quality plan with a detailed table of contents. Is there such a plan?

This last criterion is usually evaluated by considering the following three sub-criteria (only as stated in the RFP):

- (a) *Technical approach and methodology*
- (b) *Workplan*
- (c) *Organization and staffing*

An example of the definition of the four grades for the three sub-criteria listed above may include the following (definitions may vary from case to case, depending on the characteristics of the assignment):

(a) *Technical approach and methodology:*

- **Poor:** The technical approach or methodology (or both) envisaged to carry out important activities indicated in the ToR is inappropriate or very poorly presented, indicating that the consulting firm has misunderstood important aspects of the scope of the work. The quality plan's table of contents (if required in the ToR) is missing.

- **Satisfactory:** There is a generic discussion of how to carry out the activities indicated in the ToR. The approach is standard and not specifically tailored to the assignment. Although the approach and methodology are suitable, they do not include a discussion on how the firm proposes to handle critical aspects of the assignment. The quality plan includes a table of contents (if required in the ToR), but it is generic and does not reflect the specific features of the assignment.
- **Good:** The proposed approach is discussed in detail. The methodology is specifically tailored to the characteristics of the assignment and flexible enough to allow it to adapt to any changes that might occur during execution of the services. The quality plan's table of contents (if required in the ToR) is tailored to the specific characteristics of the assignment.
- **Very good:** In addition to the requirements listed above under "good", important issues are approached innovatively and efficiently, indicating that the firm has understood the main issues of the assignment and has outstanding knowledge of new solutions. The proposal details ways to improve the results and quality of the assignment by using advanced approaches, methodologies, and knowledge. A detailed description of the quality plan is provided, as well as its table of contents (if required).

(b) *Workplan:*

- **Poor:** The activity schedule omits important tasks; the timing of activities and correlation among them are inconsistent with the approach or methodology proposed. There is a lack of clarity and logic in the sequencing.
- **Satisfactory:** All key activities are included in the activity schedule, but they are not detailed. There are minor inconsistencies between timing, assignment outputs and the proposed approach.
- **Good:** The workplan responds well to the ToR; all the important activities are indicated in the activity schedule, and their timing is appropriate and consistent with the assignment outputs. Moreover, the link between the various activities is realistic and consistent with the proposed approach. There is a fair degree of detail that facilitates understanding of the proposed workplan.

- **Very good:** In addition to the requirements listed above under “good”, decision points and the sequence and timing of the activities are very well-defined, indicating that the firm has optimized the use of resources. A specific chapter of the proposal explains the workplan in relation to the proposed approach. The workplan allows flexibility to accommodate contingencies.
- (c) **Organization and staffing:**
- **Poor:** The organizational chart is perfunctory, the staffing plan is weak in important areas and the staffing schedule is inconsistent with the timing of the assignment’s most important outputs. There is no clarity in the assignment of tasks and responsibilities. The proposed specialists have never worked together as a team.
 - **Satisfactory:** The organizational chart is complete and detailed, the technical level and composition of the staffing arrangements are adequate and staffing is consistent with both timing and assignment outputs.
 - **Good:** In addition to the above definition in “satisfactory”, the staff is very well-balanced (that is, it is well-coordinated, has a clear and detailed definition of duties and responsibilities, there are not too many short-term experts or generalists, staff skills and needs are matched precisely and there is good logistical support). Some members of the project team have worked together before to some extent.
 - **Very good:** Besides meeting all the requirements for a “good” rating, the proposed team is integrated, and several members have worked together extensively in the past; a detailed explanation of the borrower’s/recipient’s role and integration in the assignment is provided. The proposal contains a detailed discussion showing that the firm has efficiently and economically optimized the use and deployment of staff, based on the proposed logistics.

3. Criterion: **Proposed key staff**

(Aspects to consider in the evaluation)

This criterion is usually evaluated by considering the following three sub-criteria (only as stated in the RFP):

- (a) **General qualifications**
- (b) **Suitability for the assignment**
- (c) **Experience in the region and language**

The TEC should evaluate key staff (junior, clerical or administrative staff shall not be evaluated). Consideration should be given to the following aspects:

- (a) **General qualifications:** It is important to consider the consultants’ years of professional experience in the technical field in which they will be working under the assignment. For evaluation purposes, the value of prior university education diminishes with age. For experts with less than 10 years of experience, the university degree shall form the basis of evaluation (in addition to their acquired experience so far). Because experience accumulates with age, key experts with more than 10 years of professional experience are often able to handle complex or sensitive assignments satisfactorily, and in this case, the evaluation should concentrate on actual experience rather than on university education. When knowledge of recent approaches, methodologies, and technologies is critical, years of experience in this particular field is more relevant than overall accumulative years of experience.
- (b) **Suitability for the assignment:** This is the most important aspect and should be carefully evaluated. Appropriate capabilities, adequate professional skills and experience should always be aspects to evaluate. While the previous aspect, “general qualifications”, evaluates the general experience of the staff in the technical field in which they will be working under the assignment, “suitability for the assignment” is meant to assess their ability to perform the specific tasks assigned to them. Has the expert recently held similar positions? If so, were such positions relevant to assignments similar to the one under consideration? Has the proposed team leader held such a position before? If so, have they managed a team similar

to the one proposed (size, technical disciplines involved, similar mix of national and expatriate personnel, etc.)? How well do the knowledge and skills of the proposed staff meet the needs of the assignment?

- (c) **Experience in the region and language:** When evaluating experience in the region, consider factors such as the number of assignments carried out in the country or in countries with similar cultures, administrative systems and government organizations. For expatriate staff, the RFP should specify national/local language requirements for adequate communication in the country of the assignment, if needed. Scores should be given only for the local language. In scoring national consultant staff, their proficiency in one of IFAD's primary working languages, in addition to the local language, should be evaluated.

As long as key staff are eligible,⁵³ the evaluation should be based on their skills and suitability for the job, regardless of their nationality. The team leader's qualifications should be carefully evaluated, because this position plays a critical role in the assignment. If the team leader is acting as both project manager and expert, their qualifications must be evaluated for each function, and the scores must be assigned to each function proportional to the time and effort devoted to each (if the two functions overlap). Full marks for each function are assigned only if the functions can be clearly separated without affecting the quality of the services.

The TEC should define each of the grades indicated for each of the three sub-criteria.

An example of the definition of the four grades for each of the three sub-criteria listed above may include the following:

(a) **General qualifications:**

- **Poor:** The proposed expert has less than 10 years of relevant experience.
 - **Satisfactory:** The proposed expert has 10 or more years of overall work experience relevant to the assignment, with relevant academic education and training.
- **Good:** The proposed expert has more than 15 years of overall work experience, a substantial part of which is related to consulting assignments similar to the one under consideration; the expert's professional achievements, such as position within the firm and level of responsibility, have steadily increased over time.
 - **Very good:** The proposed expert has more than 20 years of specialized experience in the field of the assignment and is recognized as top in their field. The expert is fully conversant with the state of the art of the discipline.
- (b) **Suitability for the assignment:**
- **Poor:** The proposed expert has never or only occasionally worked in a position similar to the one required under the assignment. Their qualifications do not closely match the assigned position. (For instance, the position requires a highly experienced project manager, while a relatively junior professional with limited experience is proposed.)
 - **Satisfactory:** The experience of the proposed expert is suited to the assigned position; in the past 10 years or more, they have successfully held positions similar to the one proposed for the assignment in at least one similar project. The proposed expert's skills (either professional or managerial, as the proposed position requires) are adequate for the job.
 - **Good:** The qualifications of the expert are suitable for the proposed position; over the past 10 years, they have held several similar positions in similar assignments; the expert's skills (either professional or managerial) are fully consistent with the position and characteristics of the assignment.
 - **Very good:** In addition to the criteria under "good", the expert has qualifications and experience that substantially exceed the requirements for positions similar to the one being considered.

53 As defined by the IFAD Project Procurement Guidelines, such as not having a conflict of interest.

(c) *Experience in the region and language (this example refers to expatriate staff):*

- **Poor:** The proposed expert has never or only occasionally worked in countries similar to the one of the assignment, and their proficiency in the local language is too limited to properly communicate orally and in writing.
- **Satisfactory:** The expert has worked in countries with cultural, administrative and government organizations similar to those of the country in question; their proficiency in one of IFAD's official languages is adequate.
- **Good:** In recent years, the expert has worked in the region of the assignment for at least one year, and they are fluent in one of IFAD's official languages, as well as the local language.
- **Very good:** In addition to meeting the above definition of "good", the expert has direct detailed knowledge of the country and the language resulting from years of professional experience in the country.

If the key staff proposed by the consulting firm do not fully satisfy all the conditions spelled out in the definition of one of the grades, but the grade under consideration appears to reflect their overall suitability better than the lower grade, the higher grade may be assigned.

4. Criterion: *Proportion of national consultants in proposed key staff*

(Aspects to consider in the evaluation)

In the evaluation, these points should be assigned to each proposal in a proportion equal to the percentage share of national key staff in the total key staff time and effort proposed. (If, for example, 10 points are allotted to this criterion and the firm allocates 50 per cent of the total staff-months or staff-hours of key staff to national experts/consultants, the proposal will receive 5 points.)

This criterion covers only the quantitative aspect of participation by nationals; qualitative aspects, such as the experience of national key staff, are captured by the criteria "proposed key staff" and "suitability for the assignment".

The participation of national consultants as domestic consultants, local branches of foreign consulting firms or individual experts should likewise be considered.

Module K8: Non-Consulting Services-specific Evaluation

This module applies to evaluation for non-consulting services only.

It is understood that some non-consulting services will be obtained using the procurement methods for goods/works and others using the methods for consulting services, depending on the nature of the procurement. The evaluation process should be based on the procurement method used for the specific non-consulting services.

Module K9: Abnormally Low Bids⁵⁴

Purpose:

This module presents the issue of abnormally low bids (ALBs), providing guidance and operating procedures for identifying and addressing ALBs. Through this module, IFAD is for the first time introducing a risk management mechanism that allows the rejection of bids if they are determined to be insufficiently justified ALBs at the end of a rigorous process of clarification and examination.

The process for addressing ALBs applies to all procurement categories: goods, works, consulting and non-consulting services and should be applied carefully to ensure that bidders with valid reasons for a low price are not excluded.

This process **does not permit automatic exclusion of bids** due to prices falling above or below a predetermined assessment of bid values.

The module also includes a sample form as its annex, as an example of how specific templates may be used to request clarification from the bidders with suspected ALBs.

1. What is an ALB?

An ALB is one in which the bid price appears so unreasonably low that it raises material concerns with the borrower/recipient in relation to the capability of the bidder to successfully deliver the contract at the price offered. This poses a potential problem when the most responsive or highest-ranking bidder appears to offer a price that is abnormally low, compared with the procuring entity's estimate, prevailing market conditions and/or other responsive bids.

An ALB is not in and of itself negative, but requires additional investigation and examination because it could be indicative of risks such as:

- lack of technical or commercial competence;
- an intent to apply variations to, or not follow the design standards or specifications;
- an intent to not comply with environmental or labour laws.

ALBs may represent risk flags for any, all, or combinations of the risks identified above, across all procurement categories. Examples of how these potential risks could apply in the different procurement categories are presented below.

Examples of potential risks of ALBs by procurement categories

- Goods: under-priced goods with intent to deliver products of suboptimal quality, ultimately compromising effectiveness, durability and value for money.
- Works: under-priced works, with intent to introduce variations to design specifications, cut corners on quality inputs, and/or employ workers under unlawful conditions.
- Consulting Services: under-priced consulting services, with intent to substitute the experts whose resumes are used in the technical proposal with freelance experts recruited for lower fees.
- Non-consulting services: under-priced non-consulting services, with intent to use inputs of suboptimal quality, employ workers under unlawful conditions, and/or make claims later to raise the price.

Inversely, there may be valid reasons for a very low bid price, such as: human error; quotation without profit to gain market entry; economy of manufacturing process; technical solutions chosen; or favourable conditions available to the bidder for the supply of products or services, or for the execution of the work.

⁵⁴ This module is adapted from the Asian Development Bank 2018 guidance and methodology on abnormally low bids, with authorization.

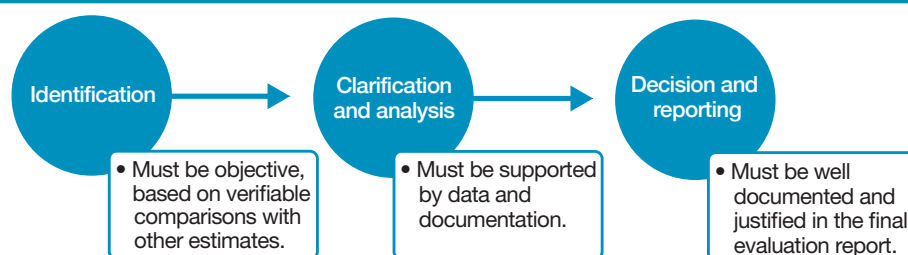
The potential problems associated with ALBs only appear during the contract implementation stage, which is why ALBs need to be addressed at the evaluation stage. The process for dealing with an ALB, from identification through clarification and decision, is only applied to highly ranked bids that are substantially responsive based on the technical evaluation as non-responsive bids are rejected for consideration in any event.

2. Process for dealing with ALBs

The process for addressing ALBs should be applied and executed carefully to ensure that bidders with valid reasons for a low price are not excluded. The ALB process is triggered during the evaluation stage, when the most responsive or highest ranked and potential winning bid according to the evaluation criteria appears to have an abnormally or unreasonably low price. This process comprises three steps: (i) identification; (ii) clarification and analysis; and (iii) decision and reporting. The entire process must be carried out and/or supported by qualified subject matter experts.

the start of the evaluation process. Cost estimates may be high for various reasons; for example, they may have been based on outdated information, methodologies irrelevant to the bidder's proposal or assumptions that subsequently became invalid; or they may have been made too early in the design process to accurately cost project components.

Comparing the bid price with prices offered by other substantially responsive bids. This approach applies a mathematical formula to calculate a threshold under which a price may be identified as risky. Given that the reliability of such methods reduces with the number of responsive bids, it is recommended that this approach be used with a minimum of five responsive bids. However, the approach should be applied with caution due to the inherent statistical bias attached to such an approach and the false sense of objectivity that it may convey. Therefore, the mathematical approach is recommended only in combination with other methods to confirm the abnormally low characteristic of a bid price.



2.1 Identification

Determining that a bid price is abnormally low may not be easy. A combination of approaches is recommended in order to minimize the scope for subjectivity. With some variations in approaches and methodologies across organizations, the basic process for identification mainly entails comparing the bid price with:

- The cost estimate provided by the procuring entity's engineer or subject matter experts on the related procurement;
- The price offered by other bidders with substantially responsive bids;
- Prices paid in similar contracts in the recent past.

Comparing the bid price with the engineer or subject matter experts should be accompanied by due diligence and analysis to ensure that the cost estimates are accurate and reliable. To the extent possible, updating must be undertaken prior to

Example formula (World Bank, 2019)

The formula below uses the value that is one standard deviation below the mean/average price as a threshold or to determine a "risk zone".

Step 1: Calculate the average price of submitted responsive bids/tenders.

Excel formula: **AVERAGE([Range of Prices])**

Step 2: Calculate the standard deviation.

Excel formula: **STDEV([Range of Prices])**

Step 3: Calculate the risk threshold.

Excel formula: **AVERAGE([Range of Prices])-STDEV([Range of Prices])**

Prices below the result obtained in step 3 fall within the risk zone.

Comparing the bid price with prices paid in similar contracts in the recent past. This approach is quite effective, although it may prove difficult to find one or more projects similar enough to serve as reliable benchmarks.

2.2 Clarification and analysis

Once an ALB is identified, further investigation is needed during which the borrower/recipient will seek to determine:

- (i) The scope and type of error, i.e. if some items are priced abnormally lower or if certain items/types of items are consistently underpriced;
- (ii) Whether the low price is a mistake or miscalculation, or whether it is indeed as intended, therefore requiring more detailed explanation and justification from the bidder. Significantly lower prices than the estimates or other comparisons may be the result of an arithmetical error or misunderstanding of the requirements.

In the event that an ALB cannot be explained by mistakes or miscalculations, a more detailed analysis is required, in which the bidder is requested to provide explanations and clarifications on the proposed cost, with supporting data and documentation. To the extent possible, explanations provided by the bidder should be corroborated or supported by information already provided by the bid, **without making any material changes to the substance of the bid, technically or financially.**

The borrower/recipient may seek clarification based on analysis of the scope of underpricing and/or the nature of the price elements that are abnormally low. The clarification requested should focus on the rates of costs that have been determined to be abnormally low, stating the rationale/benchmarks that were utilized for the analysis.

The borrower/recipient should also specify in which form the information should be provided, to enable the bidder to respond accurately. Specific templates may be used for this purpose (a sample template for a detailed breakdown of cost comparison is provided in the annex to this module). The box below contains examples of clarifications that may be sought from bidders.

Examples of clarifications that may be sought from bidders to justify ALBs

- Sources, quantities, rates or prices for services, materials and supplies. Note: where prices for input resources are identified as abnormally low, the bidder should submit appropriate justification to support its pricing of the respective input;
- Information regarding the economy of the manufacturing process, services provided, or construction methods to be adopted;
- Technical solutions chosen or any exceptionally favourable conditions available to the bidder for supply or execution;
- Labour rates or cost;
- Whether the bidder is quoting for the first time, or whether they have a record of delivering similar goods/works/services at a similar price;
- Transportation distances;
- Overheads, contingency and profit margins (this might include organizational and project management arrangements, contingency margin for risks in the price calculation or profit margin used for the bid price calculation);
- Source and mode of acquisition of the proposed construction equipment (e.g. hire, lease, purchase agreement);
- Compliance with applicable standards and regulations, e.g. labour laws, social and environmental laws and regulations.

The clarification and analysis stage is an iterative process in which further clarification may be requested if needed upon analysis of the initial documentation provided. Bidders should be given sufficient time to provide any requested clarifications and/or detailed price analyses. A period of no less than 5-10 business days is recommended. A longer period should be allowed if validation by the bidder's external auditor is required. As with the identification step, analysis must be carried out by fully qualified personnel and/or subject matter experts.

Furthermore, with regard to providing the information, any act or omission, including a misrepresentation, that knowingly or recklessly misleads or attempts to mislead a party in order to obtain a financial or other benefit or to avoid an obligation, constitutes a fraudulent practice, which may trigger IFAD's investigation process under the Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

2.3 Decision and reporting

On examination of the explanation, price analyses and required documentation provided by the bidder, the borrower/recipient may make one of the following three decisions:

- (i) Accept the bid, if the evidence supplied is satisfactory and accounts for the low level of prices and costs (in which case the bid is not considered abnormally low);
- (ii) Reject the bid, if the evidence provided does not satisfactorily account for the low price or costs offered.

If a bid is rejected or if the bidder fails to provide increased performance security, the borrower/recipient may award the contract to the next highest-ranked bidder, provided that this bid is not determined to be abnormally low. Should the second-ranking bid also appear to be abnormally low, the same process shall be applied, with the same possible outcomes described above.

Reporting and review. The decisions and outcomes of the ALB process must be detailed within or annexed to the evaluation report, including all documentation and information upon which the decision was made and the methodology used to identify the ALB. The application of and subsequent decisions regarding the ALB process will only be subject to IFAD's prior review and no objection for procurements that fall above the established prior review threshold, unless otherwise required in the Letter to the Borrower/Recipient. ALBs for procurements below the threshold will be reviewed as part of IFAD's post-review/supervision process.

Reports for bid evaluations that have applied the ALB process should include the following information:

- (i) The bidder's unit rates or costs of items that are determined to be abnormally or unrealistically low;
- (ii) The borrower/recipient's own cost estimates, together with the assumptions on which they are based;
- (iii) The total value of the gap between the two elements above;
- (iv) Details of the clarifications and explanations sought and provided by the bidder;
- (v) Details of any price analyses requested and evaluated;
- (vi) The recommended decision;
- (vii) Copies of all exchanges between the bidder and the borrower/recipient during the clarification process.

As with all other processes designed and required to uphold the procurement principles in IFAD's Project Procurement Guidelines, IFAD may, during the post-review, declare misprocurement or ineligible expenditures for procurements that reveal a lack of due diligence in the ALB process, or misuse/abuse of the process to influence the outcome of the evaluation.

3. Unbalanced or front-loaded bids

During the process of identifying ALBs, unbalanced or front-loaded bids may be uncovered in which some items may be priced at an artificially low rate (and thus detected as potential ALBs) to offset artificially high pricing on others:

- **Unbalanced bids.** A bidder places a high unit price on some items and offsets them with a low unit price on other items. A bidder may unbalance its prices for a number of reasons, including:
 - to conceal its pricing strategy from competitors;
 - to benefit from inaccurate quantity estimates (where the bidder knows or anticipates that it will be necessary to increase the quantity of goods/works required); or
 - to quote significantly lower prices on items that the bidder knows or anticipates will not be called for after contract award.

- **Front-loaded bids.** This consists of deliberately submitting bids with artificially high prices or unit rates for early stages of works/services, offset by artificially low prices for later stages, in the hope of receiving large sums at the beginning of a contract and/or to improve the contractor's cash flow.

Although these types of bids are not ALBs, the process for dealing with ALBs described above may be used, with the exception that if a front-loaded bid is uncovered, it will not be rejected, but the bidder will be requested to increase the performance security to protect the interests of the borrower/recipient and IFAD. In these cases, failure to comply with the increase in performance security will lead to rejection of the bid, while the bid security will not be forfeited.

As performance security is not part of a contract for consulting services, a bank guarantee must be requested for the advance payment at the beginning of the contract.

4. ALBs in the procurement of lots

In cases where (an) ALB(s) is/are identified in a bidding procedure for multiple lots, the process will apply only to that/those lot(s) and the process will not be delayed for the award of other lots with no ALB. This ensures that each potential case is reviewed on its own merits.

Annex: Sample Form for Detailed Breakdown of Cost Comparison (procurement of works)

Project ID:					
Project name:					
Contract description:					
Item no.:		Item unit:		Rate:	
Item description:		Nominal quantity:		Total amount:	
Breakdown for item no.:					
Description		Unit	Nominal quantity	Rate	Amount
Labour	1.				
	2.				
	Etc.				
Total					
Materials	1.				
	2.				
	Etc.				
Total					
Equipment	1.				
	2.				
	Etc.				
Total					
Site overheads	1.				
	2.				
	Etc.				
Total					
Headquarters overheads	1.				
	2.				
	Etc.				
Total					
Profit					
Taxes					
Total amount					
Total unit rate					

Module K10: Post-Qualification

1. What is post-qualification?

Post-bid qualification (or “post-evaluation qualification”) is used to determine whether a successful bidder has the resources, experience and qualifications required to satisfactorily perform a contract before a contract is awarded.

The “post” aspect of the activity refers to its being conducted **after the evaluation process**. This is in contrast to “pre-qualification”, which is conducted before the bidding process.

2. When is it used?

Post-qualification is used primarily for tendering procurement methods in which no pre-qualification or shortlisting has been conducted.

If pre-qualification has been conducted, the lowest responsive evaluated bid should be recommended for the award of contract, unless since pre-qualification:

- the bidder’s qualifications, ownership or legal status have materially deteriorated;
- the bidder has received additional work that reduces its available capacity; or
- the bidder has been added to a list of debarred suppliers.

If pre-qualification has not taken place, the lowest responsive evaluated bid should be subject to post-qualification, following the procedures described in the bidding documents.

A decision on whether to use pre- or post-qualification is generally **made in the procurement planning stage** and is often a time-based decision. Some factors to consider are shown below:

	Advantages	Disadvantages
Pre-qualification	<ul style="list-style-type: none"> - assists shortlisting - all shortlisted bidders meet minimum criteria, thereby shortening evaluation time - saves time at the contract award and placement stage, as it can move ahead quickly without the need for lengthy post-qualification 	<ul style="list-style-type: none"> - delays the initial issuance of tenders
Post-qualification	<ul style="list-style-type: none"> - tenders can be issued quickly without the need for a pre-qualification procedure 	<ul style="list-style-type: none"> - bidders may be evaluated that later turn out to be unsuitable - can create delays between the contract award and placement stage while carried out

Post-qualification is **not generally required under the request for quotations method**, as the value and complexity of the contracts will be relatively low and known suppliers will be invited to submit quotations.

Post-qualification is **not generally required under the request for proposals method**, either, as the successful bidder’s experience and staff are considered in the shortlisting or evaluation process.

3. Who conducts post-qualification?

Post-qualification will usually be conducted by the technical evaluation committee. If required, technical advice should be sought, for example, from the staff who provided technical input for the evaluation.

4. Steps of the post-qualification process

4.1 If no pre-qualification has been conducted

The following are some generic instructions for post-qualification. National procurement systems may have their own variations of these points:

- (i) Before bid issue, determine the post-qualification criteria;⁵⁵
- (ii) Identify the best-evaluated bidder through the evaluation process;
- (iii) Review the bidding document for details of the post-qualification criteria and the evidence of post-qualification requested from bidders;
- (iv) Examine the evidence submitted by the successful bidder and assess whether it meets the criteria. Seek clarifications or updated information from the bidder, if necessary (if post-qualification requires a visit to the successful bidder, or any other checks are likely to incur significant costs, obtain approval of the evaluation report before contract acceptance);
- (v) When the best-evaluated bidder is found to be qualified, include this information in the evaluation report and finish the report with the recommendation to award the contract;
- (vi) If the contract is under IFAD prior-review, submit the evaluation report to IFAD;
- (vii) If the successful bidder is considered unqualified, conduct a post-qualification check on the bidder with the next-lowest price and repeat this process as necessary until a qualified bidder is identified. Include the results of all post-qualification checks in the evaluation report, with the reasons why any bidder was found to be unqualified and a clear recommendation for contract award. Bidders must not be notified of their rejection at the post-qualification stage prior to approval of the post-qualification results.

⁵⁵ Criteria shall be based on the winning bidder's ability and resources to perform the particular contract satisfactorily, taking into account its (i) experience and past performance on similar contracts, (ii) capabilities in terms of the ability to supply or provide the goods, works or services needed, and (iii) its financial position. State the minimum requirements to be met for assessment purposes. References should be requested.

4.2 If pre-qualification has been conducted

Some minor aspects of re-confirmation need to be considered in this case. They include:

- (i) Reviewing the pre-qualification document for details of the post-qualification criteria and the bidding document's requirements for updated information from bidders;
- (ii) Examining the updated information submitted by the successful bidder and determining whether it still meets the original pre-qualification criteria. Seeking clarifications or further updates from the bidder, as necessary;
- (iii) If the successful bidder is still qualified, include this confirmation in the evaluation report and finish the report with the recommendation to award the contract;
- (iv) If the contract is under IFAD prior-review, submit the evaluation report to IFAD;
- (v) If the successful bidder is no longer qualified, verify the pre-qualification information of the bidder with the next-lowest price and repeat this process, as necessary, until a qualified bidder is identified. Include the results of all checks on pre-qualified bidders in the evaluation report, with reasons why any bidder was determined to no longer be qualified and a clear recommendation for the contract award. Bidders must not be rejected prior to approval of the post-qualification results.



Contract Award

MODULE L: NOTICES OF TENDER ACCEPTANCE AND CONTRACT AWARD

Module L1: Notice of Intent to Award (NOITA)

Module L2: Notification of Award (NOA)

MODULE M: DEBRIEFS AND PROTESTS

Module M1: Debriefs

Module M2: Protests and Appeals

MODULE N: CONTRACT NEGOTIATIONS AND DISCUSSIONS

Module N1: Negotiations for Consulting Services

Module N2: Contract Discussions for Goods and Works

MODULE O: CONTRACT AWARD

Module O1: Rejection of All Bids

Module O2: Preparing and Issuing Contract Documents

Module O3: Contract Signature, Effectiveness and Commencement

Module L: Notices of Tender Acceptance and Contract Award

Purpose:

This module describes the procedure for issuing notices or letters of tender acceptance to draw up a contract and contract award. It is very important that this procedure be handled properly, as the notice of acceptance is normally contractually binding and results in a contract's entry into force.

Tender notices are some of the most transparent documents in procurement. There are two basic notices: a notice of intent to award (NOITA) and a notification of award (NOA).

For record-keeping purposes, copies of the NOITA and the NOA, duly signed by the appropriate approval authority, must be kept in the procurement file. Evidence of issuance of either notice must also be kept in the procurement file.

It is important to note that this module provides an overview of the most common procedure for sending notices of tender acceptance but is not intended as an exhaustive guide.

Module L1: Notice of Intent to Award (NOITA)

This notice is sent to the successful bidder or consultant (prior to the award), as well as the unsuccessful bidders. It informs the bidder that they have been successful without constituting any contract between the procuring entity and the bidder or establishing any legal rights or obligations for the procuring entity or bidder.

The NOITA is a document that provides important information to the successful bidder/consultant. An unsuccessful bidder may – upon receipt of the NOITA – request a debrief or file a protest.

If there are no protests within 10 working days of a NOITA's issue, a notification of award is issued to the successful bidder/consultant. If there is a national system for lodging protests, the number of days stipulated in that system takes precedence.

IFAD recommends use of the NOITA template, which can be found on its website: www.ifad.org/project-procurement.

Module L2: Notification of Award (NOA)

1. Preparation of the NOA

The borrower/recipient shall award the contract, within the bid validity period, to the bidder/consultant that meets the appropriate standards of capability and resources and whose bid has been accepted in accordance with the bidding documents. A bidder shall not be required, as a condition of award, to assume responsibility for work not stipulated in the bidding documents or to otherwise modify the bid as originally submitted.

The NOA is issued by the procuring entity once the pertinent approvals have been obtained.

In preparing the NOA, the procuring entity should:

- (i) Ensure that the approval of the decision to award the contract has been received in writing. The recommendation for a contract award is made in the evaluation report, so the written approval of that report must be received.
- (ii) Ensure that the number of days to allow for bid challenges/protests have passed
- (iii) Obtain any other necessary approvals, including financial approval for commitment of the required funds.
- (iv) Ensure that the successful bidder's tender is still valid and that any modifications to the tender have been confirmed in writing by the bidder.
- (v) Prepare the NOA – see below for guidance on contents.
- (vi) Ensure that the NOA is signed by the authorized signatory of the procuring entity.
- (vii) Dispatch the NOA to the successful bidder, retaining evidence of dispatch, such as proof of posting. Sending the NOA as an e-mail attachment is a valid means of notification. The contract has now entered into force. (Unless otherwise stated in the bidding document, the tender is no longer valid if the notice of tender acceptance contains any provisions that are contrary to the tender – i.e. a counteroffer.)
- (viii) Ensure that the bidder's confirmation of receipt of the NOA is received.
- (ix) Once the contract is signed, the borrower/recipient shall post the results, identifying the procurement, the name of the winning bidder and the price, duration, and summary of the scope of the contract in a newspaper with national circulation and send them to IFAD for posting on its website. This contract award notice is mandatory for all contracts. In case the procurement activity necessitated an advertisement at the beginning of the bidding process, the publication of contract award should follow the same advertisement method used for the announcement of the procurement activity.

2. Contents of the NOA

The contents of the NOA vary slightly, depending on the nature of the procurement.

For the procurement of **goods, works and non-consulting services**, the NOA should include at a minimum:

- the name and address of the procuring entity that is party to the contract;
- the name and address of the bidder/supplier;
- the date of the letter of tender acceptance;
- the reference number of the procurement transaction and a brief description of the goods, works or services procured;
- the date and any reference number for the bidder's tender;
- reference to any modifications to tender resulting from clarifications or corrections and any items excluded from the contract, variations in quantity or any other detail;
- the currency and total contract price;
- the wording that “the notification of award constitutes a contract between the procuring entity and the bidder until such time as a formal contract is signed and the bidder shall sign a contract and provide any required performance security within a maximum of 14 days of the date of the letter of tender acceptance.”

The letter should be signed by the authorized signatory of the procuring entity and should request the bidder to confirm both receipt of the NOA and that it is proceeding with contract performance.

For **consulting services**, the NOA should include:

- the name and address of the procuring entity that is party to the contract;
- the name and address of the bidder/consultant/consulting firm;
- the date of the letter of tender acceptance;
- the reference number of the tender being accepted;
- the wording "the notification of award constitutes a contract between the procuring entity and the bidder subject to the conclusion of satisfactory negotiations";
- the date and time of proposed negotiations.

The letter should be signed by the authorized signatory of the procuring entity and should request the bidder to confirm receipt of the NOA and state that it will attend the negotiations on the date and time stipulated in the notice.

Module M1: Debriefs

Any bidder that wishes to learn why its bid or proposal was not selected may request an explanation from the procuring entity. This explanation is known as the debrief. As per Module Group L, the procuring entity will first have sent a notice that the evaluation is completed (via the notice of intent to award [NOITA]).

After receiving this information, the unsuccessful bidder may request a debrief. The procuring entity shall promptly provide an explanation in writing of why the bid was not selected. The bidder may then request a meeting. If the procuring entity agrees to a meeting after providing the debrief, the bidder shall bear all the costs of attending the meeting.

The procuring entity shall provide the written debrief within four business days of the request.

The debrief should indicate the stage of the evaluation at which the tender was rejected – i.e. the preliminary review, the detailed evaluation or the financial evaluation.

1. Guidance to be followed for the debrief

(i) *If the tender was rejected during the preliminary review*, the debrief should contain a brief statement of the reason(s) for the rejection. For example:

- the tender security was not issued by an acceptable institution;
- the tender was not signed and authorized; or
- the tender was not valid for the required period.

(ii) *If the tender for goods, works or non-consulting services was rejected during the detailed evaluation*, the debrief should contain a brief statement indicating how the tender failed to meet the required technical specifications or standard or how it was commercially unacceptable. For example:

- the tender did not meet the required specification, since the engine size was too small;
- the tender did not meet the required specification, since the processor speed was too slow;
- the proposed payment terms did not comply with the conditions stated in the bidding document and were not acceptable to the technical evaluation committee; or
- the supervisory staff did not have the right qualifications or experience for the contract.

(iii) *If a proposal for consulting services evaluated using quality- and cost-based selection (QCBS) or least-cost selection (LCS) was rejected during the detailed technical evaluation*, bidders are informed towards the opening of the financial proposals whether their proposal passed the minimum technical score and has been accepted for the financial evaluation. Debriefs cannot be requested at this stage, only once the financial evaluation is completed and the notice of intent to award has been issued. If the proposal failed to score the minimum technical score, the debrief should provide a brief statement indicating its main weaknesses. For example:

- the key personnel included in the proposal did not have sufficient experience with this type of work or with work under the conditions prevailing in the country or region;
- the team leader did not have sufficient management experience or experience working at this level; or
- the methodology did not adequately address the capacity-building component of the terms of reference or would not achieve sufficient knowledge transfer.

(iv) **If a tender was rejected during the financial evaluation**, the debrief should state:

- for goods, works or non-consulting services: that the tenderer did not submit the lowest-priced responsive tender;
- for consulting services evaluated using QCBS: that the tenderer did not submit the proposal offering the best overall combination of quality and price;
- for consulting services evaluated using LCS: that the tenderer did not submit the lowest-priced proposal that obtained the minimum qualifying score.

2. Vital points about the debrief

- Only the total criteria and sub-criteria scores obtained by the requesting bidder are revealed. Individual scores for individual criteria (in a sub-criterion) remain confidential.
- Only the total scores obtained by the other bidders are revealed. The individual criteria and sub-criteria scores of the other bidders remain confidential.
- Point-by-point comparisons between the debriefed bidder's bid or proposal and that of the other bidders shall never be disclosed as part of the debrief.

Apart from a debriefing meeting, no further debate or discussion should be entered into with the bidder once the debrief has been issued. The debriefing meeting merely serves to discuss the literature in the debrief. Additional information that should not be available to the bidder shall not be disclosed.

This practice of notifying and debriefing unsuccessful bidders has a number of benefits:

- Open communication should encourage unsuccessful bidders to submit tenders for future opportunities and assist them in submitting more responsive or competitive tenders. This fosters greater competition and transparency, which should result in greater value for money for the procuring entity.
- It gives unsuccessful bidders a fair opportunity to appeal if they believe the procurement has been conducted improperly. Since applications for administrative review must usually be submitted within a specified time, once the bidder becomes aware of the circumstances giving rise to the complaint, the date of this official notification serves as the starting point for this time period, reducing the likelihood of applications being filed long after the decision that is being appealed.

A debrief template is provided on IFAD's website at the following link: www.ifad.org/project-procurement.

Module M2: Protests and Appeals

If the national system lacks a protest and appeals mechanism, the following general principles should be followed. A protest or appeal is a complaint by an unsuccessful bidder who submitted a bid or proposal in response to a request for bids or proposal by the procuring entity.

The protest is the first level (Level 1), while the appeal is the same complaint filed at the second level (Level 2). The entity that receives, assesses and decides on the protest (i.e. the Level 1 authority) is the procuring entity. The entity that receives, assesses and decides on the appeal (i.e. the Level 2 authority) is defined in the national procurement framework of the borrower/recipient. In the absence of such a provision or entity in the national procurement framework, the decision of the Level 1 authority regarding the protest is final.

1. Filing a protest

Any bidder that believes it has suffered or may suffer loss or injury due to a procurement action may file a protest, but the following exceptions apply:

- (i) Subcontractors, subconsultants and members of the general public are not permitted to file a protest;
- (ii) A protest cannot be used to remedy a deficiency in the protester's bid or proposal

The following shall not be the object of a protest:

- (i) The choice of procurement method (e.g. quality- and cost-based selection, quality-based selection, etc.);
- (ii) The choice of the type of procurement (e.g. goods, works, non-consulting services or consulting services);
- (iii) A decision to cancel a procurement or reject all bids, proposals or quotations
- (iv) The correction of inadequacies in a bidder's bid or proposal;
- (v) Allegations of fraud or corruption. These cannot be the object of a protest. If a bidder suspects misconduct or wrongdoing or has an allegation to report, they should contact IFAD's Investigation Section at Tel.: +39 06 54592888 or by email: anticorruption@ifad.org.

Any bidder that submits a protest is referred to as a "protester". Bidders are strongly advised to request a debrief before initiating a formal protest, submitting a debrief request within four business days of receiving the notice of intent to award. The borrower/recipient shall provide a written explanation as to why the bidder was not selected within four business days of receiving the request. Such a request is not a protest; see Module M1 for further guidance on debriefs.

For a protest to prevail, a protester must prove with clear and convincing evidence that the procurement action:

- (i) violates the procurement principles as set out in IFAD's Project Procurement Guidelines;
- (ii) is arbitrary or capricious or characterized by an abuse of discretion;
- (iii) shall cause the protester to suffer a loss or injury.

All protests must be filed by the protest deadline, which is the close of the tenth business day after the notice of intent to award has been received or could reasonably be expected to be received by the bidder. Procurement actions using shopping cannot be protested.

Once a protest is filed, the **procurement process will automatically be suspended** until a final decision about the protest is issued. The automatic suspension will be lifted six business days after the written decision of the borrower/recipient has been sent, except in the event of an appeal.

2. Reviewing and deciding about a protest

- (i) Only the borrower/recipient can review and decide about a protest.
- (ii) IFAD may provide an opinion about the protest and decision
- (iii) For prior-review procurements, all protests must be communicated to IFAD before a decision is issued. IFAD reserves the right to provide inputs or comments to the borrower/recipient to help it reach the decision. A copy of the decision must also be provided to IFAD.
- (iv) For post-review procurements, the borrower/recipient may – at its discretion – inform IFAD about the protest.
- (v) Each protest decision will be made in consultation with at least the procuring entity of the project, legal counsel and/or the country procurement regulatory body and IFAD, as applicable.
- (vi) Each protest decision shall be signed and issued by the head of the procuring entity of the relevant unit/section/department of the borrower/recipient.
- (vii) The borrower's/recipient's decision will be based on its review of the protest, input from IFAD and the applicable principles and provisions of the procurement rules.
- (viii) The borrower/recipient will issue its decision no later than ten business days after receipt of the protest. The borrower/recipient will extend this period an additional five business days if sufficient reasons are provided.
- (ix) The decision must be in writing and delivered by hand, post or e-mail attachment.

3. Filing an appeal

- (i) Any protester that is dissatisfied with the borrower's/recipient's protest decision may seek a review of the decision by filing an appeal with a Level 2 authority within five business days of receipt of the decision, provided that this Level 2 authority exists in the country procurement framework.
- (ii) In the absence of such a provision in the country procurement framework, the procuring entity's decision about the protest is final.
- (iii) A protester cannot file an appeal with IFAD.

Module N1: Negotiations for Consulting Services

Purpose:

This module offers guidance on when negotiations are permitted, what areas may be subject to negotiation and the procedure for holding negotiations with a consultant.

1. Introduction

The purpose of negotiations is to discuss and finalize certain details of a contract with the successful consultant prior to contract signature. Negotiations should lead to a contract acceptable to both parties and therefore reduce the likelihood of disputes or the need for contract amendments.

Negotiations are not held with the intention of making substantial changes to a contract or obtaining price reductions from the successful consultant. The only exceptions are:

- when the single sourcing/direct contracting method of procurement has been used; or
- when price has not been a factor in the bid evaluation process (i.e. quality-based selection).⁵⁶

2. The negotiating team

The negotiating team (typically the chairperson and members of the TEC) has the overall responsibility for conducting negotiations and issuing recommendations on their results for approval. However, negotiations should always be conducted by a **minimum of three people**, including staff with technical knowledge related to the services being procured and who are able to represent the needs of the end-user.

Negotiations should normally be managed by an experienced member of the team, although additional procurement staff with greater experience or particular skills may also be involved. That team member will be responsible for coordinating input from other staff, ensuring that the negotiations follow all applicable rules and procedures and preparing minutes of the negotiations and recommendations for the appropriate approval authority.

The appropriate number and type of staff in the negotiations team will depend on the type, value and complexity of the procurement, the areas requiring negotiation and the extent of the negotiations.

When identifying the staff that will assist the TEC the negotiations, the procuring entity must consider the skills, knowledge or experience needed, which might include:

- procurement and contracting skills, including experience with negotiations;
- technical knowledge;
- legal expertise;
- representation of the end-user.

It is important that members of the procuring entity's appropriate approval authority are not involved in the negotiations, but only in approving the results and recommendations, so that they do not end up reviewing and approving their own work.

⁵⁶ See Module H3. For information on evaluation, see Modules K5, K6 and K7.

3. Areas that may be subject to negotiations

Negotiations cannot include the price or the substance of proposals except under the conditions outlined in section 1 (consultants qualification selection and sole-source selection, as applicable).

Rather, negotiations should focus on minor technical, contractual or logistical details. As guidance only, negotiations may normally deal with the following areas:

- minor alterations to technical details, such as the terms of reference, proposal assignment methodology or staffing;
- minor amendments to the special conditions of contract;
- mobilization arrangements;
- inputs required from the procuring entity;
- finalization of payment arrangements;
- agreement on the final completion schedules to accommodate any changes required by the procuring entity;
- clarification of details that were not apparent or could not be finalized at the time of tendering;
- the consultant's tax liability.

Negotiations must not be used to:

- substantially change the technical quality or details of the proposal, including the consultant's tasks or responsibilities;
- materially alter the contract terms and conditions stated in the RFP document;
- reduce fee rates (see above) or reimbursable costs, except where changes are required to reflect any agreed changes to the technical proposal; or
- substantially alter anything that was a critical or deciding factor in the evaluation of the tenders or proposals.

The consultant must not be allowed to substitute key staff, unless the procuring entity and the consultant agree that delays in the procurement process, changes in the terms of reference or other circumstances reasonably beyond its control make it necessary and unavoidable.

4. The negotiation process

The technical evaluation committee will have made recommendations in the evaluation report about whether negotiations are required and the issues that need to be addressed. The recommendation to negotiate should be approved by the appropriate approval authority before any preparations are made.

Once approval is obtained, the following steps should be taken to prepare for and conduct the negotiations:

- (i) The procuring entity must name a negotiating team to handle the negotiations (see notes for assistance in selecting staff);
- (ii) The successful consultant must be invited for negotiations. The letter of invitation should propose the time, date and location of the negotiations and may state that the consultant's proposal has been evaluated as the successful proposal; it is important, however, that no contractual commitment be made to the consultant at this stage (i.e. the letter must not make any reference to acceptance of the proposal or the award of the contract);
- (iii) The negotiators should prepare by reviewing the RFP document, the proposal from the successful consultant and the evaluation report to identify areas in need of negotiation. For each area, the procuring entity should identify and quantify the objectives it wishes to achieve from the negotiations, and where possible, set maximum and minimum negotiating parameters;
- (iv) When negotiating with the successful consultant, it is important for the negotiators not to commit the procuring entity to any arrangements or agreements during the negotiations;
- (v) A record of the negotiations must be prepared and recommendations issued on how to proceed;
- (vi) It is important that the record of what has been agreed to in the negotiations be signed by the consultant at the conclusion of the negotiations;

- (vii) Approval of the recommendations should be sought, proceeding as appropriate. If the recommendation is to further negotiate with the successful consultant or to negotiate with the next ranked consultant, repeat this process from step 2 onwards.

Following negotiations, the recommendations made to the appropriate approval authority may include:

- (i) Proceed with contract award to the successful consultant, making the changes agreed on during the negotiations;
- (ii) Revise the objectives of the negotiations and negotiate further on specific areas;
- (iii) Terminate the negotiations if they have failed to result in an acceptable contract, and seek internal approvals and IFAD's NO, where relevant, to hold negotiations with the next-best-ranked consultant;
- (iv) Cancel the procurement proceedings if it is believed that the original RFP document was flawed, the need has changed or the budget is insufficient for the requirements.

The results of any negotiations and resulting recommendations must be approved at the appropriate level in the procuring entity before any contract award or other commitment is made to any consultant.

5. Records

A record of any negotiation must be made and kept in the procurement file at the procuring entity. At a minimum, this record should include:

- the name of the consultant with whom negotiations were held and the names of the bidder's representatives;
- the names of all procuring entity staff involved in the negotiations;
- the time, date and location of the negotiations;
- the areas subject to negotiation and the main points or requests made on each side;
- the final agreement reached on each area of negotiation;
- any points where agreement was not reached or further discussion is required.

The record of the negotiations must be signed by all participating staff of the procuring entity and the consultant's representative.

Any other correspondence or information related to the negotiations must also be kept in the procurement file, including the letters inviting the consultant to negotiate and the procuring entity's preparation of its negotiating position.

Module N2: Contract Discussions for Goods and Works

For goods and works, contract discussions – not negotiations – may ensue after contract award and before the contract is signed.

While contract negotiations are done for consulting services and for procurements where price was not a factor in the evaluation process, contract discussions should be used solely for procurement in the goods and works categories and should address peripheral matters like the following:

- Mobilization issues and date;
- Commencement issues and date;
- Access to site (for works, or goods where installation is necessary);
- Retention money or money guarantee issues (for works);
- Delivery schedule (that does not affect delivery cost or total delivery time).

Contract discussions shall not be held to make substantial changes to the scope of work, delivery responsibility, or of obtaining any price reductions or price increases from the successful bidder.

Module O1: Rejection of All Bids

1. Introduction

Rejection of all submitted bids, quotations or proposals is not a usual occurrence but is sometimes the best (or only) option. It is vital that this process be carried out properly, effectively and with the necessary transparency.

2. Rejection of all bids or proposals

- (i) A borrower/recipient may reject all bids. Rejection of all bids is justified when there is a lack of effective competition, bids are not substantially responsive or bid prices are unreasonable or substantially higher than the borrower's/recipient's budget for the project. Lack of competition shall not be determined solely by the number of bidders. Even if only one bid is submitted, the bidding process may be considered valid if the bid was satisfactorily advertised and prices are reasonable in comparison with market values. The borrower/recipient may, after IFAD approval, reject all bids. If all bids are rejected, the borrower/recipient shall review the justification for the rejection and consider revising the terms of reference, conditions of contract, design and specifications, scope of the contract, or a combination thereof before inviting new bids.
- (ii) If the rejection of all bids is due to lack of competition, wider advertising shall be considered. If the rejection is due to most or all of the bids being non-responsive, the project needs to relaunch the procurement process. It is advised that the requirements and/or TOR/specifications be rigorously reviewed and revised as applicable before new bids are invited.
- (iii) All bids shall not be rejected and new bids invited on the same bidding and contract documents solely for the purpose of obtaining lower prices. If the lowest-priced responsive bid exceeds the borrower's/recipient's pre-bid cost estimates by a substantial margin, the borrower/recipient shall look into the reasons for the excessive cost and consider requesting new bids as described in the previous sections.
- (iv) Prior NO by IFAD shall be obtained before rejecting all bids and soliciting new ones. Within two weeks of the rejection of all bids, the borrower/recipient shall notify all bidders who have participated.

Module O2: Preparing and Issuing Contract Documents

1. Introduction

The contract document confirms in writing what the procuring entity and the supplier, contractor or consultant have agreed on. It defines the goods, works or services to be provided and the price to be paid for them and establishes the rights and obligations of each party. The contract is the document governing the administration of the contract.

It is therefore important to ensure that the contract document is prepared clearly, correctly and with attention to detail, as any mistake or ambiguity will impede its effective implementation.

The procuring entity is responsible for preparing the contract document, issuing it and, once it is approved, getting it signed.

2. Eligibility of supplier, consultant or contractor

All contracts signed by vendors (suppliers, consultants/consulting firms or contractors) shall contain material demonstrating that the vendor is compliant with the regulations of IFAD's Revised Policy on Preventing Fraud and Corruption in its Activities and Operations and the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse (SH/SEA) by the use of self-certification forms.⁵⁷ To this end, all vendors shall sign a self-certifying declaration annexed to the contract, certifying that they have not and – for the duration of the contract – will not engage in fraud and corruption and SH/SEA, as defined in the respective policies indicated above. This self-declaration is part of the contract forms of the standard procurement documents provided by IFAD.

3. Content of the contract document

The content of the contract document will depend on the sample contract included in the bidding document. The content of a contract and the order of priority are normally listed in the contract form or special conditions of contract. As guidance only, contract documents normally consist of the following:

- The general conditions of contract – a statement of the general conditions that will apply;
- The special conditions of contract – a statement indicating that the special conditions of contract prevail over the general conditions of contract and the order of priority of other contract documents;
- A clear description of the goods, works or services purchased in the contract, including the technical requirements, quantity and delivery or completion schedule, based on the statement of requirements included in the bidding document and the supplier's tender, subject to any agreed modifications;
- The total contract price and, if required, the conditions applicable to varying, adjusting, modifying or recalculating the actual price payable;
- The payment conditions, including the payment period, schedule, currency and documentation required;
- Any requirement for performance securities;
- The agreed procedure for dispute settlement.

⁵⁷ The SH/SEA Policy is available at <https://www.ifad.org/en/document-detail/asset/40738506>, the Anticorruption Policy at: <https://www.ifad.org/en/document-detail/asset/40189695>

4. Preparation of the contract document

The following steps are usually necessary to “create” the actual contract document:

- (i) Ensure that all necessary approvals for proceeding to contract have been obtained.
- (ii) Ensure that the bid being accepted is still valid.
- (iii) Obtain copies of all documents that will be part of the contract document.
- (iv) Assemble the complete contract document by including all necessary documents in the correct order. Ensure that the contract does not include any new terms or conditions that were not included in the bidding document or have not been previously discussed and agreed on with the bidder. The authorizing officer who signs the contract is responsible for ensuring that the contract is consistent with the recommendations of the approved evaluation report.
- (v) Produce the required number of copies of the approved contract and bind or secure the pages in a manner that ensures that pages cannot be replaced or lost. At least two copies are required – one for the supplier and one for the procuring entity. (Good practice suggests that once the two copies are signed by the procuring entity, a photocopy be made of the contract document, so that there is a record of the two document copies that were sent to the bidder. This is kept on file until one signed copy is countersigned and returned by the bidder.)
- (vi) The authorized signatory for the procuring entity must sign all copies of the contract.
- (vii) Send all copies of the contract to the supplier, with a cover letter instructing it to countersign all copies, retain one for its records and return all other signed copies to the procuring entity.

The original signed contract document returned by the supplier must be kept in a secure location, with a copy kept in the procurement file for reference.

Module 03: Contract Signature, Effectiveness and Commencement

1. Introduction

Following an award of contract, there are usually three important stages:

- contract award and signature;
- contract effectiveness;
- contract commencement.

Once a contract is awarded, it is important that any necessary conditions be put in place to enable the contracted parties to fulfil their obligations and responsibilities.

2. What is contract effectiveness?

In many contracts, it is not unusual for there to be conditions that must be met before the contract becomes effective, one of the most common being the provision of an advance payment. It is good practice for a procuring entity to issue an advance payment only on receipt of an advance payment guarantee. The provision of an advance payment would normally be a condition for effectiveness; thus, the provision of an advance payment guarantee would likewise be a condition for effectiveness.

Another condition for effectiveness would be the provision of a performance guarantee by the supplier or contractor, as could be the opening of a documentary letter of credit.

There may be other conditions for effectiveness, which would be detailed in the contract conditions (as indicated in the original bidding document), but those mentioned above are the most common.

Conditions for effectiveness are therefore conditions that need to be met to enable either or both parties of the contract to proceed with the contract.

3. What is contract commencement?

Contract commencement is often the date or period after contract effectiveness when the contract is considered to start. For civil works and consultancies, this is also linked to the mobilization period, but its main purpose is to establish a timescale for the contract to commence the primary activities or duties for which the contract is placed.

To illustrate:

Award of contract:	1 February
Contract placement:	14 February [accomplished within 2 weeks]
Contract effectiveness	10 March [3½ weeks to receive the advance payment guarantee and issue the advance payment]
Contract mobilization:	24 March [2 weeks later]
Contract commencement:	24 March [consultant team ready to commence activities]

The example above represents a reasonable timescale for a large consulting service contract. Many of the timescales could be shortened if there is a close relationship between the procuring entity and the consulting firm.

It is not unreasonable to set contract deadlines for effectiveness, mobilization and commencement as milestones to be met by the contractor/consultant.

4. Contract mobilization

In consulting services and works contracts, there is usually a mobilization period following contract effectiveness. This represents the period from contract effectiveness to actual commencement of the primary work of the contract. For consulting services, mobilization would include marshalling the nominated team of consultants, organizing and arranging their travel to the country of assignment and their establishment as an operating unit in the country prior to commencing the work they are selected for. For works contracts, this would be the time from contract effectiveness to arrange for and organize the resources necessary for the works to commence (i.e. specialists, work teams and equipment on-site). Mobilization for goods contracts is uncommon.

5. Basic procedure

- (i) Ensure that the contract has been awarded correctly and in accordance with the procedure stated in the bidding document.
- (ii) Ensure that a signed copy of the contract or confirmation of the order is received from the supplier and that contract placement has been correctly completed.
- (iii) Ensure that any conditions for effectiveness are met or at least initiated by the procuring entity (i.e. the required performance security or advance payment security is received from the supplier).

- (iv) Ensure that the procuring entity meets any immediate conditions of effectiveness, (i.e. issuing an advance payment, opening a documentary letter of credit or providing assistance to obtain visas for the supplier's foreign staff, etc.).
- (v) Address any mobilization issues for the supplier/contractor or consultants (i.e. providing access to a worksite, readiness of an office for consultants/contractors, preparation of letters of introduction to government departments for a study/survey etc.).
- (vi) Prepare any other matters that may be necessary for the commencement of actual contract duties and will enable the supplier/contractor or consultant to complete the deliverables.

All documents related to the contract award, placement, effectiveness and, where applicable, mobilization should be retained in the procurement file with the procuring entity.



Contract Management

MODULE P: CONTRACT IMPLEMENTATION

Module P1: Contract Management

Module P2: Contract Amendments

Module P3: Contract Completion

Module P4: Contract Termination

Module P5: Complaints and Disputes

Module P1: Contract Management⁵⁸

Purpose:

This module provides a general procedure for managing/administering contracts, following the issue of a contract document or purchase order.

Contract administration procedures are largely determined by the terms and conditions of each individual contract and the description of requirements for the goods, works or services. Therefore, this module provides general rules and principles only, and staff must be guided by the content of each contract.

1. Introduction

Effective contract administration is critical to successful contract implementation and to meeting the objectives of the procurement requirement. Contract administration procedures are designed to ensure that:

- the supplier performs the contract in accordance with its terms and conditions;
- the procuring entity fulfils its obligations and duties under the contract;
- swift remedial or preventative action is taken when problems arise or are foreseen.

The procuring entity has the overall responsibility for contract management but will draw on other resources, such as technical expertise, payment services, legal services and supply management systems, as required. Where other such services and systems are used, the procuring entity will remain responsible for monitoring their performance and ensuring that their activities in connection with the contract are completed on time and in accordance with procurement rules. Day-to-day contract management/administration will often be delegated to an end-user or technical expert.

2. Contract management functions

2.1 Establish contract management responsibility

The procuring entity will always retain overall responsibility for contract management but not necessarily for day-to-day operations, which can often be done from outside the procuring entity, if deemed appropriate.

For example, the procuring entity will normally retain control of contract amendments, payments and dispute resolution but may delegate day-to-day liaison with the supplier, contractor or consultant to the end-user.

When considering the most appropriate person or team to manage/administer the contract, the procuring entity should consider the following:

- whether supervision must be performed by someone with appropriate technical skills, such as for construction contracts or the installation of a complex plant and machinery. If so, contract administration is best delegated to the end-user or an external consultant;
- if contract administration is likely to be time-consuming or require skills not available in the procuring entity, an external contract administrator should be appointed, such as a project manager for a major construction contract;
- if goods are to be delivered directly to the end-user, contract administration is best delegated to either the end-user or procurement staff;
- if a consultant is required to work with the end-user in conducting a study, providing advice or building capacity, contract administration is best delegated to the end-user and it may be necessary to assign particular counterpart staff to work with the consultant/consulting firm.
- if services are provided to support the general management or administration of the procuring entity, contract administration is best delegated to the staff member responsible for that function.

58 The terms “management” and “administration” are used interchangeably in this module.

2.2 Manage contract start-up issues

The contract manager or contract management team named should:

- review the contract to familiarize themselves with the details of the requirements and the programme for meeting them;
- ensure that a signed copy of the contract is received from the supplier, contractor or consultant;
- ensure that any required performance security or advance payment security is received from the supplier, contractor or consultant;
- ensure that the procuring entity meets any immediate obligations, such as issuance of an advance payment, opening of a documentary letter of credit or assistance with obtaining visas for the supplier's foreign staff;
- for larger contracts, prepare a contract implementation plan, showing key milestones, such as dates for mobilization, deliveries or the completion of certain deliverables or sections of work and the procuring entity's obligations, such as providing access to a worksite, payment or the approval of reports.

The contract implementation plan is a key management tool for ensuring that the contract is performed as intended and fulfils the obligations undertaken in the contract by both parties. It enables the contract manager to prepare an expediting plan for the contract to proactively ensure that deliverables are received on time.

2.3 Monitor implementation

The purpose of contract monitoring is to ensure that both parties to the contract perform as stipulated in the contract and take action to address any problems or delays, whether actual or anticipated.

For goods contracts, monitoring focuses on ensuring that goods are delivered on time, that their quantity, quality and supporting documentation are acceptable to the procuring entity and that the procuring entity meets its obligations to pay for the goods delivered.

Contract administration for works is often complex and time-consuming, as it involves supervision of the progress of the works, ordering variations where unforeseen conditions arise and measuring the work completed for payment purposes. For major contracts, the procuring entity will normally delegate contract control and supervision to a full-time supervising engineer or project manager.

When managing service contracts, the focus is on ensuring that services are delivered on time and their quality is acceptable. This can be problematic, as the quality of services, particularly consulting services, can be subjective and hard to measure. A good working relationship with the consulting firm/consultant and ongoing monitoring of services is therefore important for ensuring successful contract performance. The procuring entity must also ensure that it meets its obligations, particularly where the performance of consulting services is dependent on certain inputs or information from the procuring entity or where staff must be made available to benefit from capacity-building initiatives.

Specific tasks for these three types of contract follow as annexes I, II and III to this module.

2.4 Claims management

Claims can occur with any type of contract and for many reasons. The most common types of claims are:

- **Short-supply or over-supply claims**, which are the result of discrepancies between the statement from suppliers attesting to the contents of a consignment and what is found in the consignment on arrival. These differences can be less than (short-supply) or greater than (over-supply) the amount stated in the contract and/or delivery documentation.
- **Warranty claims**, which depend on the provisions of the warranty or guarantee clause in the contract. A warranty clause generally seeks to protect against faulty materials and/or workmanship, and such defects typically only become apparent during the use of the goods or after construction of the works. Warranty claims are therefore made against the supplier, manufacturer or contractor to remedy the fault.
- **Insurance claims**, which are claims against the insurance policy for loss of or damage to items received.

The action to take in response to any claim will need to be considered on its individual merits, but generally, the following tasks will need to be undertaken:

- **Determination of a cause for a claim:** Upon receipt of all deficiency/discrepancy reports, the procuring entity will need to determine whether there is a claim to be made. The claim will need to be categorized (as insurance or short-supply, since it is unlikely that these reports will reveal any warranty defects). The reports will need to be further examined and reviewed or discussed with the end-user prior to a claim being lodged with the party involved.
- **Lodging of a claim:** If the claim is likely to be an insurance claim, suitable action will need to be taken with the local insurance agent, providing details of the claim and supporting facts.
- If the claim is due to a short- or over-supply by the supplier, a communication will need to be sent to the supplier, providing the facts related to this situation and requesting its suggested remedies.
- If the claim is likely to be a warranty claim, a communication will need to be sent to the supplier, providing the facts related to the alleged warranty claim and requesting its suggested remedies.
- **Resolution of claim:** Most suppliers will respond to claims that are clearly based on their own errors. The resolution of each claim will depend on the accuracy and strength of the facts and the completeness of the technical specifications detailed in the contract.

Successful claim settlement may be the result of negotiations, depending on the reason for or origin of the discrepancy or deficiency. Suppliers will usually make good on attributable errors on their part. The expectation is that the procuring entity will acknowledge its own failings in certain cases if they could in some way be partially responsible for the outcome.

In the event that friendly settlements cannot be reached, more formal dispute resolution remedies may need to be invoked, as outlined in Module M2.

2.5 Contract amendments

If contract amendments are required at any stage, see Module P2 for further details.

2.6 Contract completion

Module P3 provides guidance on contract completion issues.

3. Documents/records required

All correspondence and documentation related to contract administration must be kept in the procurement file. In particular, it must contain records of:

- all invoices and other payment documents;
- all documentation related to contract performance, such as delivery notes, progress reports and other deliverables;
- all contract variations;
- all contract amendments;
- all documents related to claims under the contract, including warranty claims;
- all documents related to contract disputes and dispute resolution.

4. Contract register

All lead implementing agencies and delegated procurement units must open, update and maintain a contract register. This register should list all contracts signed by the agency, including the name and address of the contractor/vendor, the contract amount and currency, the procurement category, the date of contract signature and the contract duration.

A contract register template is available on IFAD's website (see below).

5. Contract monitoring form

As soon as the contract is signed, the contract manager (or their designee) shall open a contract monitoring form that records key milestones during contract implementation. The form shall include the name of the contract, signature date, key milestones and deliverables, the contracted amount, payments made and the final contract cost.

A contract monitoring form template is available on IFAD's website: www.ifad.org/project-procurement.

Annex I: Contract Administration Tasks for Goods

For goods contracts, the tasks typically required of the contract administrator are:

- ensuring that the actual delivery due dates are agreed on with the supplier, based on the date of contract effectiveness;
- expediting during the delivery period to ensure that manufacturing, freight-forwarding and deliveries are proceeding on schedule;
- ensuring that all deliveries, targets or deliverables are completed by the supplier. Maintaining a contract delivery record is a good way to control and monitor contract deliverables;
- witnessing tests or approving samples, where required;
- arranging collection, freight-forwarding, customs clearance or delivery, if the procuring entity is responsible for any of these tasks;
- arranging for receipt and inspection of the goods;
- checking all documentation related to the goods, such as delivery notes, and ensuring that the documentation is correct before signing;
- recording any missing, damaged or incorrect items and filing claims against insurance policies or the supplier;
- reporting any contractual problems or requests for contract amendments to the procuring entity;
- ensuring that invoices and supporting documentation for payment are correct and arranging payment;
- managing any securities, such as performance or payment securities, by seeing to it that they are kept securely; ensuring that extensions to their validity, when required, are obtained in good time; reducing their value, when required, and releasing them promptly once all obligations have been fulfilled;
- ensuring that all documentation and information related to warranties and warranty claims are in good order;
- ensuring that assets are registered and labelled, where required;
- ensuring that all user guides, manuals, licences, etc. are kept with the goods or in an appropriate place;
- ensuring that goods are recorded in the procuring entity's asset records and issued to the end-user pursuant to any applicable national or institutional stores and supply management procedures.

Annex II: Contract Administration Tasks for Works

If a project manager is used, the procuring entity must:

- ensure that the project manager's role is clearly defined, especially their power to issue contract variations that result in changes to the overall cost, completion date, quality and design of the works and to settle disputes;
- make arrangements for keeping the procuring entity informed of contract progress, variations issued and any disputes;
- designate a contract administrator within the procuring entity to serve as the contact point for the project manager.

This contract administrator is typically responsible for:

- ensuring that the actual mobilization and completion dates are agreed on with the supplier, based on the date of contract effectiveness;
- monitoring the overall progress of the works and the performance of the project manager;
- referring any requests for contract variations that are outside the authority of the project manager to the designated authority for approval;
- reporting any contractual problems or requests for contract amendments to the procuring entity;
- ensuring that invoices and supporting documentation for payment are correct and arranging payment;
- managing any securities, such as performance or payment securities, by seeing to it that they are kept securely, ensuring that extensions to their validity are obtained in good time, reducing their value, when required, and releasing them promptly when all obligations have been fulfilled;
- ensuring that all final acceptance and hand-over arrangements are satisfactorily completed and documented;
- ensuring that all final drawings, manuals, etc. are received and kept in an appropriate place.

Annex III: Contract Administration Tasks for Services

For service contracts, the contract administrator is typically responsible for:

- ensuring that the actual dates for mobilization, key milestones or deliverables and completion are agreed on with the supplier, based on the date of contract effectiveness;
- monitoring contract performance to ensure that levels of service are maintained and that deliverables are submitted or completed on time;
- ensuring that all required reports are submitted on time;
- ensuring that, where required, the procuring entity provides written comments or approvals of deliverables or reports in a timely manner;
- ensuring that any resources, assistance or counterpart staff to be provided by the procuring entity are made available at the appropriate time;
- ensuring that invoices and supporting documentation for payment are correct and arranging payment;
- managing any securities, such as performance or payment securities, by seeing to it that they are kept securely, ensuring that extensions to their validity are obtained in good time, reducing their value, when required, and releasing them promptly when all obligations have been fulfilled;
- notifying the service provider in writing of any failings in performance or failure to meet targets;
- ensuring that all reports or deliverables are kept in an appropriate place and circulated or implemented as required.

Module P2: Contract Amendments

Purpose:

This module provides general guidance for amending a contract, when required, during the contract performance period.

1. Introduction

Ideally, a contract that has been placed should not need any amendment, but sometimes changes to the terms and conditions of a contract or the description of requirements are necessary. Contract amendments provide a formal, legal way of introducing changes in a contract and ensuring that both parties have agreed to them.

The procuring entity is responsible for preparing all contract amendments and obtaining the approval of the appropriate approval authority and, in the case of prior review, IFAD.

2. Basic instructions

- (i) Identify the need for a contract amendment; this will normally be done by the contract manager/administrator. A contract amendment is required when there is a need to change any terms or conditions of the contract – e.g. the delivery or completion period, the technical description of the goods, works or services, the quantity of an item purchased, the price, etc.
- (ii) Provide full details of the required amendment to the procuring entity.
- (iii) The procuring entity should discuss the amendment with the supplier, if necessary.
- (iv) Prepare the contract amendment. The contents of a contract amendment will be determined by the reason for the amendment and the term or condition being amended. However, all contract amendments should include at least the following details:
 - the procurement reference number and date of the contract being amended and a brief description of the subject of the contract;
 - the number of the contract amendment – i.e. “Contract Amendment No 1, 2, 3”;
 - the date of the contract amendment;
 - a clear statement indicating the part of the contract that is being amended, including relevant clause or annex numbers;
 - a clear statement of how the contract is being amended – e.g. “the completion period is hereby extended by one week, resulting in a revised completion period of 13 weeks” or “the quantity for item 3 is hereby increased by two, resulting in a revised quantity of five”;
 - if the contract price is being amended, a clear statement of the amount by which the contract is increased or decreased and the revised total contract price – i.e. “the contract price is hereby increased by a sum of US\$5,000, resulting in a revised total contract price of US\$135,000”;
 - a statement that all other terms and conditions of the contract remain unchanged;
 - a request to the supplier, contractor or consultant confirming that they acknowledge their acceptance of the amendment.
- (v) Obtain approval of the contract amendment from the appropriate approval authority. IFAD’s no objection is required for all prior-review contracts where the amendment
 - (a) increases the original contract value by more than 10 per cent;
 - (b) extends the original contract duration by 25 per cent or more.
- (vi) Obtain any other necessary approvals, including financial approval for the commitment of any additional funds.
- (vii) Make the required number of copies of the approved contract amendment. At least two copies are required – one for the supplier and one for the procuring entity.

- (viii) The authorized signatory for the procuring entity should sign all copies of the contract amendment.
- (ix) Send all copies of the contract amendment to the supplier, with a cover letter instructing it to countersign all copies, retain one for its records and return all other signed copies to the procuring entity.

3. Required documents/records

A copy of all contract amendments, signed by both parties, along with the approval of the appropriate approval authority for each amendment, must be kept in the procurement file.

Module P3: Contract Completion

Purpose:

This module provides a brief general outline for completing a contract and closing the procurement file, once all contractual obligations of both parties have been fulfilled.

1. Introduction

It is important for contracts to undergo a formal review and for the procurement file to be closed once all contract activities and obligations have been completed. It is necessary to ensure that the contract has indeed been completed and that no outstanding deliverables, claims, payments, retentions or warranties are overlooked.

2. Basic instructions

The contract manager, in conjunction with the designated contract administrator, is responsible for completing the contract and closing the procurement file.

Before closing a procurement file, the contract manager or contract administrator should ensure that:

- all goods have been delivered, works completed and handed over, services performed and contract deliverables received;
- no warranties or guarantees are still in place;

- there are no outstanding claims for missing or damaged items against either the supplier or an insurance company;
- all necessary payments have been made;
- the total payment is correct, taking any contract amendments, variations, price variations and the amortization of any advance payment into account;
- all guarantees and securities have been returned;
- all necessary documentation is in place and correct;
- the overall performance of the contract has been reviewed and any serious failings have been identified and resolved.

3. Document retention

The procuring entity is required to retain all records related to a contract for audit purposes for the period defined in the IFAD General Conditions for Agricultural Development Financing.

Module P4: Contract Termination

1. Introduction

As a rule, contracts should not be terminated unless it is unavoidable. Termination should be considered a “last resort” that is sometimes necessary:

- to prevent or minimize further loss to the procuring entity or poor performance by the supplier;
- when contract performance has become impossible;
- when a contracted vendor is no longer qualified;
- when a contracted vendor has engaged in prohibited practices, as defined in IFAD’s Revised Policy on Preventing Fraud and Corruption in its Activities and Operations, accessible at www.ifad.org,⁵⁹ or
- when a contracted vendor has engaged in sexual harassment or sexual exploitation and abuse, as defined in IFAD’s Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse.⁶⁰

The procuring entity is responsible for terminating contracts, subject to the approval to terminate by the appropriate approval authority.

2. Typical grounds for termination

The grounds for terminating a contract will depend on the terms and conditions of the individual contract concerned. The following notes offer guidance on typical grounds for terminating a contract. However, it is essential that the procuring entity be guided by the contract document itself:

- **Termination for convenience:** Most contracts include a condition allowing the procuring entity to terminate the contract for its own convenience, without there having been any default by the supplier. When the procuring entity terminates for its own convenience, it must make payment for all goods, works or services satisfactorily completed prior to termination and any other expenses incurred by the supplier.
- **Termination for default:** Most contracts include a condition allowing the procuring entity to terminate the contract when the supplier has

failed to meet its obligations under the contract or to comply with an agreement reached through arbitration or another dispute resolution mechanism. The contract will often specify a procedure whereby the procuring entity must formally notify the supplier of the default and give it time to correct it before actually terminating the contract. If the procuring entity terminates because of supplier default, it is normally permissible to procure the goods, works or services from another source and charge the original supplier for any additional costs incurred.

- **Termination for corrupt practices:** Most contracts include a condition allowing the procuring entity to terminate the contract when the supplier has engaged in corrupt or fraudulent practices in competing for or implementing the contract. As with termination for default, the procuring entity is normally permitted to procure the goods, works or services from another source and charge the original supplier for any additional costs incurred.
- **Termination for insolvency:** Most contracts include a condition allowing the procuring entity to terminate the contract if the supplier has become bankrupt or insolvent. In such cases, there is normally no compensation to the supplier.
- **Termination for force majeure:** Most contracts include a condition allowing the procuring entity to terminate the contract if the supplier has been unable to perform the contract for a specified period of time due to an event of force majeure. In such cases, the procuring entity must normally make payment for all goods, works or services satisfactorily completed prior to termination and any other expenses incurred by the supplier.

The procuring entity should note that a contract will also give the supplier grounds for termination, which normally include failure by the procuring entity to make payments that are overdue by a specified period of time, force majeure or failure of the procuring entity to comply with an agreement reached through arbitration or another dispute resolution mechanism.

59 The policy is available at: <https://www.ifad.org/en/document-detail/asset/40189695>

60 The policy is available at: <https://www.ifad.org/en/document-detail/asset/40738506>

3. Basic steps

The following basic steps must be taken when considering termination:

- (i) Review the contract or order document to confirm the contract condition related to termination. Identify which of the grounds for termination will be used and ensure that the procuring entity has sufficient justification for using the selected grounds. **Seek legal advice prior to proceeding.**
- (ii) Estimate the payment, if any, that will be due to the contracted vendor following termination.
- (iii) Prepare a formal notice clearly terminating the contract and stating the grounds for termination.
- (iv) Obtain approval of the notice and justification for termination from the appropriate approval authority. Ensure that the appropriate approval authorities are informed of any costs involved in terminating the contract.
- (v) Consult IFAD about the termination and obtain its agreement to proceed.
- (vi) Issue the termination notice and ensure that it is received by the supplier.
- (vii) Take any follow-up action required, including making any payments that may be due to the supplier, and referring default or corrupt practices by the supplier, contractor or consultant to IFAD and the appropriate national authorities.
- (viii) In the event that a supplier disputes the termination notice, it becomes an issue of dispute resolution under Module P5.

4. Required records

A copy of the notice terminating the contract and the approval from the appropriate approval authority to terminate must be kept in the procurement file.

Any other correspondence or documentation related to the termination must also be kept in the procurement file.

5. Next steps

No further action is required following termination of a contract.

Any new procurement proceedings in place of the terminated contract should be treated as a completely separate procurement process and started from the requisition stage. Consideration should be given to the reasons leading to the contract's termination to ensure that they are not repeated in any new procurement process.

Module P5: Complaints and Disputes

Purpose:

This module offers general guidance on how to handle complaints. Complaints can arise from many sources, but this module focuses on complaints or disputes arising between contracting parties.

This module applies when a complaint or dispute arises after a contract has been signed. For complaints made prior to this stage, Module M2 on protests applies.

1. Complaints/disputes by/ with contracted vendors

This area is often referred to as “dispute resolution”, as conflicts between contracting parties often arise during contract execution. Disputes often occur through:

- failure to understand the risks entailed in entering into a contract. This can apply to one or both parties to the contract;
- the parties’ failure to communicate;
- inaccurate assumptions about what the contract entailed;
- unanticipated events that materially impact the ability to complete the contract;
- mistakes in supervision by the procuring entity;
- changes in needs after the work is understood.

1.1 Managing complaints/disputes

Attempts should be made to resolve all disputes amicably through rational discussion and agreement. However, in the event that the dispute cannot be resolved, any formal complaints should be referred to the head of the procuring entity to authorize further correspondence or negotiations.

1.2 Action to be taken

The procuring entity will review the contract to ascertain the validity of the complaint/dispute. This will require a detailed review of the contract conditions to identify the contractual position.

The procuring entity should invite the contractor to engage in formal discussions with the aim of reaching a friendly settlement to the dispute. Any decisions should be put in writing and agreed on during the course of the meeting. Minutes of these discussions and any resulting agreements must be produced and agreed on by both parties.

If discussions fail, then dispute resolution mechanisms including, but not only, arbitration or litigation should be considered. For large-value and/or complex procurements under goods, works and consulting services, the conditions of contract dispute-resolution mechanisms take precedence.

Contract termination has major and potentially expensive consequences for both parties, and every effort should be made to resolve the dispute before it reaches this stage.



Community Participation

MODULE Q: PROCUREMENT WITH COMMUNITY PARTICIPATION

Module Q: Procurement with Community Participation

Purpose:

The IFAD Project Procurement Guidelines make provisions for procurement involving community participation and offer general guidance on the various approaches that can be adopted.

This module builds on that information by providing more detailed information with regard to:

- the benefits of community participation;
- considerations during project design;
- organizational arrangements and functions of the community.

1. Introduction

Experience from projects in the agriculture and rural development sectors, where IFAD has been one of the prominent lenders, has shown that it is highly desirable for communities affected by projects to participate in their 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 subprojects to, more recently, acting as the implementing agency. As a result, communities are increasingly becoming receivers, users and managers of significant sums of project funds and, thus, active participants in procurement-related activities.

As stated in the IFAD Project Procurement Guidelines, procurement with community participation is not a distinct procurement method *per se* 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 project managers 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 the principles and standards stipulated in the IFAD Project Procurement Guidelines are upheld.

Procurement with community participation is not to be included in a project at the expense of competitive bidding methods, particularly national competitive bidding. The basic principles of competition, transparency and fairness need to be balanced with the advantages of community participation.

Like any other procurement method used in IFAD funded projects, procurement with community participation is to be spelled out in the project documents and provided for in the respective financing agreement between IFAD and the borrower/recipient.

2. Benefits of community participation

Consistent with IFAD's mandate of achieving economy, efficiency and social equity in the relatively poor rural communities served by IFAD-funded projects, the following benefits have been noted in projects that include community participation in procurement:

- greater relevance of project assistance in the beneficiary community and demand-driven project activities;
- enhanced community ownership and empowerment, leading to the sustainability of the project;
- enhanced contribution to poverty reduction;
- greater economy and efficiency in procurement through lower transport costs and timely availability of materials at the point of use;
- enhanced capacity and skills within the community;

- generation of employment and economic opportunities in the community;
- reduction in the burden of project implementation on the central project coordination unit (PCU) through decentralization and delegation;
- greater chance of meeting the desired project goals and objectives.

3. Considerations during project design

The project environment and collective institutional capacity of the targeted community are elements critical to involving the community in procurement. Given the fact that both the economic and the sociocultural contexts surrounding communities have a significant bearing on project success, community leaders, institutions, grass-roots organizations and, when available, local NGOs operating in the area, should be consulted during project appraisal.

Project designers are required to consider the following issues to determine *prima facie* whether and how the community will play a constructive and beneficial role in procurement under the project:

(i) Borrower's/recipient's regulatory framework

As part of the assessment of the national procurement system, the legal, governmental and other regulatory frameworks in which development projects operate must be assessed, with special attention to the extent of decentralization permitted and prevailing in the country for community groups, grass-roots organizations and NGOs to operate effectively at the project level.

(ii) Organizational capacity

Using the results of the procurement assessment, it is necessary to ascertain:

- (a) the existence or lack of formal or informal community organizations;
- (b) whether these organizations are representative of the community's interests;
- (c) the institutional capacity of community organizations to shoulder resource management responsibilities;

- (d) homogeneity in the beneficiary community group and the possibility of smooth interaction within the group and with the PCU;
- (e) the existence of mechanisms for ensuring accountability in 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;
- (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 in the community.

(vi) Cost-benefit analysis

Work out the 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 facilities and cost-sharing.

(vii) Beneficiary community's contribution

Determine the possibility of a contribution from the community and identify the physical and financial parts of that contribution for appropriate inclusion in cost and financing tables during project design.

4. Procurement arrangements

Once the preliminary determination has been made that including community groups in project procurement is both feasible and desirable, the next step is to identify the following as clearly as possible for the project component in which community participation is desired:

- (i) the goods, works and related services to be procured;
- (ii) the procurement schedule, based on implementation timing and targets;
- (iii) the role to be played by the community and/or its representatives.

This information will help to determine the most suitable procurement methods and the community's role and responsibility 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.

In some projects, the community procurement plan may be part of the microplan prepared by the community to implement the project locally. In such cases, the procurement plan would be reviewed and approved by the PCU along with the community microplans.

5. Quantity and value of procurement

Estimating the quantities of goods and the nature and amount of works and services required under the project's community component is critical for procurement planning and preparation. If procurement contracts are expected to be large, it may be neither economical, efficient nor possible to meet the general consideration of broader and open competition, as required under the IFAD Project Procurement 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.

It is common in many agriculture and social sector projects for the quantities procured to be demand-driven, meaning that they are undetermined until project implementation through community-initiated subprojects. In such cases, it may be permissible to allocate a certain sum from 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).

6. Source of procurement

Identifying 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, works are of a type provided by contractors in the project areas or the services are of a type provided by persons or groups within their reach.

7. Community groups as implementing agencies

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 project start-up at the latest, to assess the capacity-building investment required by the community groups:

(i) Organizational capacity of the group

Can it obtain formal recognition as a legal entity? If so, are there regulatory procedures to do so?

(ii) Rules of operation

Does the group have membership rules, by-laws for its operation and transparent information for its members?

(iii) Accountability of group leaders

Are they elected? To whom do they report? Do officers have the skills to administer procedures and account for funds?

(iv) Ability to receive public funds

Are there any borrower/recipient regulations that impede the 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 the 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? How will disputes be resolved within the group, with outsiders and with the PCU? Are there any faster, simpler local dispute-resolution methods that the community would respect and accept?

(vii) Financial status of the community

What is the community's capacity to contribute, either in cash or in kind? How will an equitable contribution from members be ensured? Does the community have the capacity to provide collateral or security for any advances received from the project?

8. Intermediaries as implementing agents

If the project 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 the community's behalf. Such intermediaries could be civil society organizations (CSOs), cooperative societies, private entities or other groups. Project management will ensure that such intermediaries have the necessary capacity to perform such duties.

When CSOs or other entities are included as executing agencies for weak community groups, the following aspects should be addressed during project design:

(i) Legal status of the intermediary

Regulations governing registration (with the government or local authority), operation in specific sectors, the authority to receive and account for public funds and the ability to participate in the project.

(ii) Role of the 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 the implementing agent, actively assisting in building infrastructure using community labour, it may be more appropriate to hire them as a contractor, either through a transparent competition (if more than one intermediary is available) under IFAD's Project Procurement Guidelines, or via sole-source direct contracting (if only one functioning intermediary exists in the project area).

(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 project management and the community.

9. Procedures and documentation

Project designers are to ensure that the project includes simple, yet reliable, arrangements to implement 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 bidder with the lowest tender, etc. to preserve the integrity of the process insofar as possible. Bidding documents, contracts, etc. may have to be simplified and/or standardized to facilitate easy understanding and use by community participants. While it is permissible for documentation and records to be in the official language(s) of the borrower/recipient, translation should be available, when required, for independent review by IFAD or auditors. Appropriate procedures should be in place for regular monitoring and audits of community procurement activities and the relevant records by project management.





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