

# TRAINING PROGRAM

## PROCUREMENT GUIDELINES

### IMPORTANT ASPECTS

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## BANK'S PROCUREMENT GUIDELINES (January 2011)

GUIDELINES
Procurement of Goods, Works, and Non-Consulting Services
Under IBRD Loans and IDA Credits & Grants By World Bank Borrowers
January 2011

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## SECTION I. INTRODUCTION

### PURPOSE

- ❖ The purpose of these Guidelines is to inform those carrying out a project of the policies that govern the procurement of goods, works, and non-consulting services.
- ❖ The Loan Agreement governs the legal relationships between the Borrower and the Bank. The Guidelines are made applicable to procurement of goods, works and non-consulting services for the project, as provided in the agreement.
- ❖ The rights and obligations of the Borrower and the suppliers/contractors are governed by the bidding documents, and by the contracts signed by them.
- ❖ The responsibility for the implementation of the project, and therefore for the award and administration of contracts, rests with the Borrower.
- ❖ The Bank, however, is required to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency.

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## GENERAL CONSIDERATIONS

While specific procurement rules and procedures to be followed in the implementation of a project depend on the circumstances of the particular case, four considerations as under generally guide the Bank's requirements:

- (a) the need for economy and efficiency in the implementation of the project, including the procurement of the goods, works and non-consulting services involved;
- (b) the Bank's interest in giving all eligible bidders from developed and developing countries the same information and equal opportunity to compete in providing goods, works and non-consulting services financed by the Bank;
- (c) the Bank's interest in encouraging the development of domestic contracting and manufacturing industries in the borrowing country; and
- (d) the importance of transparency in the procurement process.

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## GENERAL CONSIDERATIONS

- ❖ Open competition is the basis for efficient public procurement. Borrowers shall select the most appropriate method for the specific procurement.
- ❖ In most cases, International Competitive Bidding (ICB), is the most appropriate method.
- ❖ Where ICB is not the most appropriate method of procurement, other methods of procurement may be used.
- ❖ The particular methods that may be followed for procurement under a given project are provided for in the Loan Agreement.
- ❖ The specific contracts to be financed under the project, and their method of procurement, consistent with the Loan Agreement, are specified in the Procurement Plan.
- ❖ After the Procurement Plan has been prepared and agreed with the Bank, the project should follow the procurement method specified therein for the respective contracts.

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## APPLICABILITY OF GUIDELINES

- ❖ The principles, rules and procedures outlined in the Guidelines apply to all contracts financed from Bank loans.
- ❖ For the procurement of those contracts for goods, works and non-consulting services not financed in whole or in part from a Bank loan, but included in the project scope of the loan agreement, the Borrower may adopt other rules and procedures. In such cases the Bank shall be satisfied that the goods, works and non-consulting services to be procured:
  - (a) are of satisfactory quality and are compatible with the balance of the project;
  - (b) will be delivered or completed in timely fashion; and
  - (c) are priced so as not to affect adversely the economic and financial viability of the project.

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## CONFLICT OF INTEREST

- ❖ Bank policy requires that a firm participating in a procurement process shall not have a conflict of interest.
- ❖ Any firm found to have a conflict of interest shall be ineligible for award of a contract.

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## ELIGIBILITY TO OFFER GOODS & WORKS

- ❖ Bank permits firms and individuals from all countries to offer goods, works, and non-consulting services.

### Exceptions:

- ❖ Exclude firms if Borrower's country prohibits commercial relations with the country where Goods are manufactured.
- ❖ By an act of compliance with a decision of the United Nations Security Council, the Borrower's country prohibits any import of goods from, or payments to, a particular country, person, or entity.
- ❖ Government-owned enterprises may participate only if they can establish that they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of the Borrower or Sub-Borrower .
- ❖ A firm sanctioned by the Bank.

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## ADVANCE CONTRACTING AND RETROACTIVE FINANCING

Retroactive Financing refers to reimbursement by the Bank of any payments made by the Borrower under a contract prior to loan signing. This happens where a Borrower wishes to proceed with the initial steps of procurement before signing the related Bank loan.

In such cases, following will be applicable:

- ❖ The procurement procedures to be followed by the Borrower shall be in accordance with the Guidelines, and the Bank shall review the process used by the Borrower.
- ❖ The Borrower undertakes such advance contracting at its own risk, and any concurrence by the Bank with the procedures, documentation, or proposal for award does not commit the Bank to make a loan for the project in question.
- ❖ If the contract is signed, reimbursement by the Bank of payments made by the Borrower is permitted only within the limits specified in the Loan Agreement.

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## JOINT VENTURES

- ❖ Any firm may bid independently or in joint venture either with domestic firms and/or with foreign firms.
- ❖ A joint venture may be for the long term or for a specific bid.
- ❖ The joint venture shall appoint one of the firms to represent it, and all its members shall sign the contract and be jointly and severally liable for the entire contract.
- ❖ The Bank does not accept conditions of bidding or contracting which require mandatory joint ventures or other forms of mandatory association between firms.

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## BANK REVIEW

- ❖ The Bank reviews the Borrower's procurement procedures, documents, bid evaluations, award recommendations, and contracts to ensure that the procurement process is carried out in accordance with the agreed procedures.
- ❖ These review procedures are described in Appendix 1 of the Guidelines.
- ❖ The Procurement Plan approved by the Bank shall specify the extent to which these review procedures shall apply in respect of the different categories of goods, works and non-consulting services.

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## MISPROCUREMENT

Bank does not finance expenditures under a contract if it concludes that such contract:

- ❖ has not been awarded in accordance with the provisions of the Loan Agreement.
- ❖ could not be awarded to the bidder otherwise determined successful due to unjustifiable delays.
- ❖ involves the engagement of a representative of the Borrower in fraud and corruption.

In such cases, whether under post or prior review, the Bank will declare misprocurement, and cancel that portion of the loan allocated to the goods, works or non-consulting services that have been misprocured.

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## REFERENCE TO BANK

Guidelines specify the text to be used, when referring to the Bank, in the procurement documents. This text is as under:

“(name of Borrower) has received (or in appropriate cases ‘has applied for’) a [loan] from the [International Bank for Reconstruction and Development] (the “Bank”) in an amount equivalent to USD\_\_\_, toward the cost of (name of project), and intends to apply a portion of the proceeds of this [loan] to eligible payments under this contract. Payment by the Bank will be made only at the request of (name of Borrower or designate) and upon approval by the Bank, and will be subject, in all respects, to the terms and conditions of the [Loan] Agreement. The [Loan] Agreement prohibits a withdrawal from the [Loan] Account for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. No party other than (name of Borrower) shall derive any rights from the [Loan Agreement] or have any claim to the proceeds of the [loan].”

The terms in the square parentheses may be substituted by “credit,” “International Development Association,” and “Credit Agreement,” as appropriate.

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## FRAUD & CORRUPTION [Link](#) → [Para 1.16](#)

It is the Bank’s policy to require that Borrowers, bidders, suppliers, contractors, sub-contractors, service providers or suppliers, etc. observe the highest standard of ethics during the procurement and execution of Bank-financed contracts.

In pursuance of this policy, the Bank defines the terms, corrupt practice, fraudulent practice, collusive practice, coercive practice, and obstructive practice.

The Guidelines provide that the Bank will:

- ❖ reject a proposal for award if it determines that the bidder recommended for award has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive or obstructive practice;
- ❖ declare misprocurement and cancel the portion of the loan allocated to a contract if it determines at any time that representatives of the Borrower engaged in corrupt, fraudulent, collusive, coercive or obstructive practices;
- ❖ sanction a firm or individual in accordance with prevailing Bank’s sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract and (ii) to be a nominated sub-contractor, consultant etc. of an otherwise eligible firm being awarded a Bank-financed contract;
- ❖ require that a clause be included in bidding documents and in contracts financed by a Bank loan, requiring bidders, suppliers and contractors etc. to permit the Bank to inspect all accounts.

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## PROCUREMENT PLAN

Para 1.18 of the Bank's Procurement Guidelines and Para 1.25 of the Consultant Guidelines provide as under:

- ❖ The Borrower shall prepare
  - a. Preliminary Procurement Plan for the entire scope of the Project; and
  - b. Detailed and comprehensive procurement plan including all contracts for which procurement action/selection of consultants is to take place in the first 18 months.

An agreement with the Bank shall be reached at the latest during loan negotiations.

- ❖ The Borrower shall update procurement plans throughout the duration of the project at least annually.
- ❖ All procurement plans, their updates or modifications shall be subject to Bank's prior review.
- ❖ After loan negotiations, the Bank will publish on its external website the agreed initial procurement plan and all subsequent updates after a no objection has been provided.