



Policies for the Procurement of
Goods and Works financed by the
Inter-American Development Bank

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Acronyms

BOO	Build, Own, Operate
BOOT	Build, Own, Operate, Transfer
BOT	Build, Operate, Transfer
CIP	Carriage and Insurance Paid to (...named place of destination)
CPT	Carriages Paid to (...named place of destination)
DDP	Delivered Duty Paid (...named place of destination)
FCA	Free Carrier (...named place)
GNP	Gross National Product
ICB	International Competitive Bidding
IDB	Inter-American Development Bank
IFI	International Financial Institution
LIB	Limited International Bidding
NCB	National Competitive Bidding
NGO	Non Governmental Organization
PR	Project Report
SBDs	Standard Bidding Documents
UNDB	United Nations Development Business

I. Introduction

Purpose

- 1.1 The purpose of this document is to inform those carrying out a project that is financed in whole or in part by a loan from the Bank¹ or funds administered² by the Bank and executed by Beneficiaries, of the policies that govern the procurement of goods, works, and services (other than consultant services)³ required for the project. The Loan Contract governs the legal relationships between the Borrower and the Bank, and the Policies are made applicable to procurement of goods and works for the project, as provided in the Loan Contract. The rights and obligations of the Borrower and the providers of goods and works for the project are governed by the bidding documents, and by the contracts signed by the Borrower with the providers of goods and works, and not by these Policies or the Loan Contracts. No party other than the parties to the Loan Contract shall derive any rights there from or have any claim to loan proceeds.

General Considerations

- 1.2 The responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project, rests with the Borrower.⁴ The IDB, for its part, is required by the Agreement Establishing the Bank to "... take the necessary measures to ensure that the proceeds of any loan made, guaranteed, or participated in by the Bank are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency." While in practice the specific procurement rules and procedures to be followed in the implementation of a project depend on the particular case, four considerations guide the Bank's requirements:
- (a) the need for economy and efficiency in the implementation of the project, including the procurement of the goods and works involved;
 - (b) the Bank's interest in giving all eligible bidders from developed and developing countries⁵ the same information and equal opportunity to compete in providing goods and works financed by the Bank;
 - (c) the Bank's interest in encouraging the development of domestic contracting and manufacturing industries in the borrowing country; and

¹ The expression "Bank" used in these Policies includes the Inter-American Development Bank and the funds it administers, and the expression "loans" includes all the financing instruments and methods, the technical cooperations and the financing of operations. The expression "Loan Contract" includes all the legal instruments under which the Bank operations are formalized.

² If there are discrepancies between the Bank's Administered Funds Agreement and these Policies, the former shall prevail.

³ References to "goods" and "works" in these Policies include related services such as transportation, insurance, installation, commissioning, training, and initial maintenance. "Goods" includes commodities, raw material, machinery, equipment, and industrial plant. The provisions of these Policies also apply to services which are bid and contracted on the basis of performance of a measurable physical output, such as drilling, mapping, and similar operations. These Policies do not refer to Consultants' services, to which the current *Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank* apply (referred to herein as Consultant Policies).

⁴ In some cases, the Borrower acts only as an intermediary, and the project is carried out by another agency or entity. References in these Policies to the Borrower include such agencies and entities, as well as Sub-Borrowers under on-lending arrangements and in the case of Technical Cooperations to the Beneficiary.

⁵ See paragraphs. 1.6, 1.7, and 1.8.

- (d) the importance of transparency in the procurement process.
- 1.3 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), properly administered, and with the allowance for preferences for domestically manufactured goods under prescribed conditions is the most appropriate method. In most cases, therefore, the Bank requires its Borrowers to obtain goods, works, and services through ICB open to eligible suppliers and contractors.⁶ Section II of these Policies describes the procedures for ICB.
- 1.4 Where ICB is not the most appropriate method of procurement, other methods of procurement may be used. Section III describes these other methods of procurement and the circumstances under which their application would be more appropriate. The particular methods that may be followed for procurement under a given project are provided for in the Loan Contract. The specific contracts to be financed under the project, and their method of procurement, consistent with the Loan Contract, are specified in the Procurement Plan as indicated in paragraph 1.16 of these Policies.

Applicability of the Policies

- 1.5 The procedures outlined in these Policies apply to all contracts for goods and works financed in whole or in part from Bank loans.⁷ For the procurement of those contracts for goods and works not financed from a Bank loan, the Borrower may adopt other procedures. In such cases the Bank shall be satisfied that the procedures to be used will fulfill the Borrower's obligations to cause the project to be carried out diligently and efficiently, and that the goods and works 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.

Eligibility

- 1.6 Funds from the Bank loans can be used only for the payment of goods, works, and services contracted with firms or individuals from Bank member countries. In the case of goods, their origin shall be from Bank member countries. Individuals or firms from other countries shall not be eligible to participate in contracts to be financed in whole or in part from Bank loans. Any other conditions for participation shall be limited to those that are essential to ensure the firm's capability to fulfill the contract in question.
- 1.7 In connection with any contract to be financed in whole or in part from a Bank loan, the Bank does not permit a Borrower to deny pre- or postqualification to a firm for reasons unrelated to its capability and resources to successfully perform the contract; nor does it permit a Borrower to disqualify any bidder for such reasons. Consequently, Borrowers should carry out due

⁶ See paragraphs 1.6, 1.7, and 1.8.

⁷ This includes those cases where the Borrower employs a procurement agent under para. 3.10. The Appendix 4 of these Policies shall apply to the private sector.

diligence on the technical and financial qualification of bidders to be assured of their capabilities in relation to the specific contract.

1.8 As exceptions to the foregoing:

- (a) Firms of a country or goods manufactured in a country may be excluded if (i) as a matter of law or official regulation, the Borrower's country prohibits commercial relations with that country, provided that the Bank is satisfied that such exclusion does not preclude effective competition for the supply of goods or works required, or (ii) by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the Borrower's country prohibits any import of goods from, or payments to, a particular country, person, or entity. Where the Borrower's country prohibits payments to a particular firm or for particular goods by such an act of compliance, that firm may be excluded.
- (b) A firm which has been engaged by the Borrower to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods and works or services (see footnote 3) resulting from or directly related to the firm's consulting services for such preparation or implementation. This provision does not apply to the various firms (consultants, contractors, or suppliers) which together are performing the contractor's obligations under a turnkey or design and build contract.⁸
- (c) Government-owned enterprises in the Borrower's country 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.⁹
- (d) Any firm, individual, parent company, subsidiary, or previous form of organization constituted by or with any of the same individual(s) as principal(s) declared ineligible by the Bank in accordance with subparagraph (b) (v) and subparagraph (e) of paragraph 1.14 of these Policies concerning Prohibited Practices (as defined in paragraph 1.14) or declared ineligible by another International Financial Institution (IFI) and subject to agreements that the Bank may have for the mutual enforcement of sanctions shall be ineligible to be awarded a Bank-financed contract or to benefit from a Bank-financed contract, financially or in any other manner, during the period of time determined by the Bank.

Advance Contracting and Retroactive Financing

- 1.9 The Borrower may wish to proceed with the initial steps of procurement before signing the related Bank loan. In such cases, the procurement procedures, including advertising, shall be in accordance with these Policies in order for the eventual contracts to be eligible for Bank financing, and the Bank shall review the process used by the Borrower. A 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 any payments made by the

⁸ See paragraph. 2.5.

⁹ Other than Force Account units, as permitted under para. 3.8.

Borrower under the contract prior to loan signing is referred to as retroactive financing and is only permitted within the limits specified in the Loan Contract.

Joint Ventures

- 1.10 Any firm may bid independently or in joint venture confirming joint and several liability, either with domestic firms and/or with foreign firms, but the Bank does not accept conditions of bidding which require mandatory joint ventures or other forms of mandatory association between firms.

Bank Review

- 1.11 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. The Procurement Plan approved by the Bank¹⁰ shall specify the extent to which these review procedures shall apply in respect of the different categories of goods and works to be financed, in whole or in part, from the Bank loan.

Misprocurement

- 1.12 The Bank does not finance expenditures for goods and works which have not been procured in accordance with the agreed provisions in the Loan Contract and as further elaborated in the Procurement Plan.¹¹ In such cases, the Bank will declare misprocurement, and it is the policy of the Bank to cancel that portion of the loan allocated to the goods and works that have been misprocured. The Bank may, in addition, exercise other remedies provided for under the Loan Contract. Even once the contract is awarded after obtaining a "no objection" from the Bank, the Bank may still declare misprocurement if it concludes that the "no objection" was issued on the basis of incomplete, inaccurate, or misleading information furnished by the Borrower or the terms and conditions of the contract had been modified without the Bank's approval.

References to Bank

- 1.13 If the Borrower wishes to refer to the Bank in procurement documents, the following language shall be used:

"The [name of Borrower or Recipient] (hereinafter called "Borrower") has applied for or received financing (hereinafter called "funds") from the Inter-American Development Bank (hereinafter called "the Bank") toward the cost of the project named in the SBDs. The Borrower intends to apply a portion of the funds to eligible payments under the contract for which these Bidding Documents are issued. Payments by the Bank will be subject in all respects to the terms and conditions of the Loan Contract. Payments will be made only at the request of the Borrower and upon approval by the Bank in accordance with the terms and conditions of the financing contract between the Borrower and the Bank. No party other than the Borrower shall derive any rights from the Loan Contract or have any claim to the funds."

¹⁰ See paragraph 1.16.

¹¹ See paragraph 1.16.

Prohibited Practices

- 1.14 The Bank requires that all borrowers (including grant beneficiaries), Executing Agencies, and Contracting Agencies as well as all firms, entities and individuals bidding for or participating in a Bank-financed activity including, *inter alia*, applicants, bidders, suppliers, contractors, consultants, personnel, sub-contractors, sub-consultants, service providers and concessionaires (including their respective officers, employees and agents irrespective of whether the agency is express or implied), adhere to the highest ethical standards, and report to the Bank¹² all suspected acts of Prohibited Practices of which they have knowledge or become aware both, during the bidding process and throughout negotiation or execution of a contract. Prohibited Practices include acts of: (i) corrupt practices; (ii) fraudulent practices; (iii) coercive practices; (iv) collusive practices; and (v) obstructive practices. The Bank has established mechanisms to report allegations of Prohibited Practices. Any allegation shall be submitted to the Bank's Office of Institutional Integrity (OI) for the appropriate investigation. The Bank has also adopted sanctions procedures to adjudicate cases. The Bank has also entered into agreements with other IFIs to mutually recognize sanctions imposed by their respective sanctioning bodies.
- (a) In pursuance of this policy, the Bank defines, for the purposes of this provision, the terms set forth below:
- (i) A "corrupt practice" is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
 - (ii) A "fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
 - (iii) A "coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
 - (iv) A "collusive practice" is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party; and
 - (v) An "obstructive practice" is:
 - (aa) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making false statements to investigators in order to materially impede a Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or
 - (bb) acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for under paragraph 1.14 (f) below.

¹² Information on how to present allegations of Prohibited Practices, the applicable rules regarding the investigation and sanctions process, and the agreement regulating the mutual recognition of sanctions among the IFIs are available on the Bank's website (www.iadb.org/integrity).

- (b) If, in accordance with the Sanctions Procedures of the Bank, it is determined that at any stage of the procurement or implementation of a contract any firm, entity or individual bidding for or participating in a Bank-financed activity including, *inter alia*, applicants, bidders, suppliers, contractors, consultants, personnel, sub-contractors, sub-consultants, service providers, concessionaires, Borrowers (including grant Beneficiaries), Executing Agencies or Contracting Agencies (including their respective officers, employees, and agents irrespective of whether the agency is express or implied) engaged in a Prohibited Practice, the Bank may:
- (i) not finance any proposal to award a contract for works, goods, and related services financed by the Bank;
 - (ii) suspend disbursement of the operation if it is determined at any stage that an employee, agent of representative of the Borrower, Executing Agency, or Contracting Agency has engaged in a Prohibited Practice;
 - (iii) declare Misprocurement and cancel, and/or accelerate repayment of, the portion of a loan or grant earmarked for a contract, when there is evidence that the representative of the Borrower, or Beneficiary of a grant, has not taken the adequate remedial measures (including, *inter alia*, providing adequate notice to the Bank upon learning of the Prohibited Practice) within a time period which the Bank considers reasonable;
 - (iv) issue the firm, entity or individual a reprimand in the form of a formal letter of censure for its behavior;
 - (v) declare that a firm, entity or individual is ineligible, either permanently or for a stated period of time, to (i) be awarded or participate in activities financed by the Bank; and (ii) be a nominated¹³ sub-consultant, sub-contractor, supplier or service provider of an otherwise eligible firm being awarded a Bank-financed contract;
 - (vi) refer the matter to appropriate law enforcement authorities; and/or
 - (vii) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement to the Bank for costs associated with investigations and proceedings. Such other sanctions may be imposed in addition to or in lieu of the sanctions referred to above.
- (c) The provisions of sub-paragraphs 1.14 (b) (i) and (ii) shall also be applicable when such parties have been temporarily suspended from eligibility to be awarded additional contracts pending a final outcome of a sanction proceeding, or otherwise.
- (d) The imposition of any action to be taken by the Bank pursuant to the provisions referred to above will be public.
- (e) In addition, any firm, entity or individual bidding for or participating in a Bank-financed activity including, *inter alia*, applicants, bidders, suppliers, contractors, consultants, personnel, sub-contractors, sub-consultants, service providers, concessionaires,

¹³ A nominated sub-consultant, sub-contractor, supplier, or service provider (different names are used depending on the particular bidding document) is one which has either been: (i) included by the bidder in its pre-qualification application or bid because it brings specific and critical experience and know-how that allow the bidder to meet the qualification requirements for the particular bid; or (ii) appointed by the Borrower.

Borrowers (including grant Beneficiaries), Executing Agencies or Contracting Agencies (including their respective officers, employees, and agents, irrespective of whether the agency is express or implied) may be subject to sanctions pursuant to agreements that the Bank may have with other IFIs regarding the mutual enforcement of debarment decisions. For purposes of this paragraph the term “sanction” shall mean any debarment, conditions on future contracting or any publicly-disclosed action taken in response to a violation of an IFI’s applicable framework for addressing allegations of Prohibited Practices.

- (f) The Bank requires that, a provision be included in bidding documents and in contracts financed with a Bank loan or grant, requiring applicants, bidders, suppliers and their agents, contractors, consultants, personnel, sub-contractors, sub-consultants, service providers and concessionaires to permit the Bank to inspect any and all accounts, records and other documents relating to the submission of bids and contract performance as well as to have them audited by auditors appointed by the Bank. Under this policy, the applicants, bidders, suppliers, and their agents, contractors, consultants, personnel, sub-contractors, sub-consultants, service providers and concessionaires shall fully assist the Bank with its investigation. The Bank will also require that, in contracts financed with a Bank loan or grant, a provision be included requiring applicants, bidders, suppliers and their agents, contractors, consultants, personnel, sub-contractors, sub-consultants, service providers and concessionaires to: (i) maintain all documents and records related to the Bank-financed activities for seven (7) years after completion of the work contemplated in the relevant contract, and (ii) deliver any document necessary for the investigation of allegations of Prohibited Practices; and make available employees or agents of the applicants, bidders, suppliers and their agents, contractors, consultants, sub-contractors, sub-consultants, service providers or concessionaires with knowledge of the Bank-financed activities to respond to questions from Bank personnel or any properly designated investigator, agent, auditor or consultant relating to the investigation. If the applicant, bidder, supplier and its agent, contractor, consultant, personnel, sub-contractor, sub-consultant, service provider or concessionaire fails to cooperate and/or comply with the Bank’s request, or otherwise obstructs the investigation, the Bank, in its sole discretion, may take appropriate action against the applicant, bidder, supplier and its agent, contractor, consultant, personnel, sub-contractor, sub-consultant, service provider or concessionaire.
- (g) The Bank will require that, when a Borrower procures goods, works or non-consulting services directly from a specialized agency in accordance with paragraph 3.9 under an agreement between the Borrower and such specialized agency, all provisions under paragraph 1.14 regarding sanctions and Prohibited Practices shall apply in their entirety to applicants, bidders, suppliers and their agents, contractors, consultants, personnel, sub-contractors, sub-consultants, service providers, concessionaires, (including their respective officers, employees, and agents, irrespective of whether the agency is express or implied), or any other entities that signed contracts with such specialized agency to supply such goods, works or non-consulting services in connection with the Bank-financed activities. The Bank retains the right to require the Borrower to invoke remedies such as suspension or termination. Specialized agencies shall consult the Bank’s list of firms and individuals suspended or debarred. In the event a specialized agency signs a contract or purchase order with a firm or an individual suspended or debarred by the Bank, the Bank will not finance the related expenditures and will apply other remedies as appropriate.

- 1.15 With the specific agreement of the Bank, a Borrower may introduce, into bid forms for large contracts financed by the Bank, an undertaking of the bidder to observe, in competing for and executing a contract, the country's laws against Prohibited Practices (including bribery), as listed in the bidding documents.¹⁴ The Bank will accept the introduction of such undertaking at the request of the Borrowing country, provided the arrangements governing such undertaking are satisfactory to the Bank.

Procurement Plan

- 1.16 As part of the preparation of the project the Borrower shall prepare and, before loan negotiations, furnish to the Bank for its approval, a Procurement Plan¹⁵ acceptable to the Bank setting forth: (a) the particular contracts for the goods, works, and/or services required to carry out the project during the initial period of at least 18 months; (b) the proposed methods for procurement of such contracts that are permitted under the Loan Contract, and (c) the related Bank review procedures.¹⁶ The Borrower shall update the Procurement Plan annually or as needed throughout the duration of the project. The Borrower shall implement the Procurement Plan in the manner in which it has been approved by the Bank.

II. International Competitive Bidding

A. General

Introduction

- 2.1. The objective of International Competitive Bidding (ICB), as described in these Policies, is to provide all eligible prospective bidders¹⁷ with timely and adequate notification of a Borrower's requirements and an equal opportunity to bid for the required goods and works.

Type and Size of Contracts

- 2.2. The bidding documents shall clearly state the type of contract to be entered into and contain the proposed contract provisions appropriate therefore. The most common types of contracts provide for payments on the basis of a lump sum, unit prices, reimbursable cost plus fees, or combinations thereof. Reimbursable cost contracts are acceptable to the Bank only in exceptional circumstances such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy. Such contracts shall include appropriate incentives to limit costs.
- 2.3. The size and scope of individual contracts will depend on the magnitude, nature, and location of the project. For projects requiring a variety of goods and works, separate contracts generally are

¹⁴ As an example, such an undertaking might read as follows: "We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will strictly observe the laws against fraud and corruption in force in the country of the [Contracting Agency], as such laws have been listed by the [Contracting Agency] in the bidding documents for this contract and, without prejudice to the Bank's procedures to deal with cases of fraud and corruption, adhere to the administrative norms set by the [local authority] to receive and resolve all complaints regarding bidding procedures."

¹⁵ If the project includes the selection of consulting services, the Procurement Plan should also include the methods for selection of consulting services in accordance with the *Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank*. The Bank will disclose the initial Procurement Plan to the public after the related loan has been approved; additional updates will be disclosed after the Bank has approved them.

¹⁶ See Appendix 1.

¹⁷ See paragraphs. 1.6, 1.7 and 1.8.

awarded for the supply and/or installation of different items of equipment and plant,¹⁸ and for the works.

- 2.4. For a project requiring similar but separate items of equipment or works, bids may be invited under alternative contract options that would attract the interest of both small and large firms, which could be allowed, at their option, to bid for individual contracts (slices) or for a group of similar contracts (package). All bids and combinations of bids shall be received by the same deadline and opened and evaluated simultaneously so as to determine the bid or combination of bids offering the lowest evaluated cost to the Borrower.¹⁹
- 2.5. In certain cases the Bank may accept or require a turnkey contract under which the design and engineering, the supply and installation of equipment, and the construction of a complete facility or works are provided under one contract. Alternatively, the Borrower may remain responsible for the design and engineering, and invite bids for a single responsibility contract for the supply and installation of all goods and works required for the project component. Design and build, and management contracting²⁰ contracts are also acceptable where appropriate.²¹

Two-Stage Bidding

- 2.6. In the case of turnkey contracts or contracts for large complex facilities, or works of a special nature, or complex information and communication technology, it may be undesirable or impractical to prepare complete technical specifications in advance. In such a case, a two-stage bidding procedure may be used, under which first unpriced technical proposals on the basis of a conceptual design or performance specifications are invited, subject to technical as well as commercial clarifications and adjustments, to be followed by amended bidding documents²² and the submission of final technical proposals and priced bids in the second stage.

Notification and Advertising

- 2.7. Timely notification of bidding opportunities is essential in competitive bidding. For projects that include ICB the Borrower is required to prepare and submit to the Bank a draft General Procurement Notice. The Bank will arrange for its publication in *UN Development Business online (UNDB online)* and on the Bank's Internet website.²³ The Notice shall contain information concerning the Borrower (or prospective Borrower), amount and purpose of the loan, scope of procurement under ICB, and the name, telephone (or fax) number, and address of the Borrower's agency responsible for procurement and the address of the website where specific procurement notices will be posted. If known, the scheduled date for availability of prequalification or bidding documents should be indicated. The related prequalification or

¹⁸ For purposes of these Policies, "plant" refers to installed equipment, as in a production facility.

¹⁹ See paras. 2.49, 2.54 for the bid evaluation procedures.

²⁰ In construction, a management contractor usually does not perform the work directly but contracts out and manages the work of other contractors, taking on the full responsibility and risk for price, quality, and timely performance. Conversely, a construction manager is a consultant for, or agent of, the Borrower, but does not take on such risks. (If financed by the Bank, the services of the construction manager should be procured under the Consultant Policies. See footnote 3.)

²¹ Also see paras. 3.14 and 3.15 for performance-based contracting.

²² In revising the bidding documents in the second stage the Borrower should respect the confidentiality of the bidders' technical proposals used in the first stage, consistent with requirements of transparency and intellectual property rights.

²³ UNDB is a publication of the United Nations. Subscription information is available from: Development Business, United Nations, GCPO Box 5850, New York, N.Y. 10163-5850, U.S.A. (website: www.devbusiness.com; e-mail: dbusiness@un.org). The Inter-American Development Bank Website is www.iadb.org.

bidding documents, as the case may be, shall not be released to the public earlier than the date of publication of the General Procurement Notice.

- 2.8. Invitations to prequalify or to bid, as the case may be, shall be advertised as Specific Procurement Notices in at least one newspaper of national circulation in the Borrower's country or in the official gazette (if it is available on the Internet), or on the electronic portal of free access where the Borrower advertises all government business opportunities. Such invitations shall also be published in *UNDB online* and on the Bank's Internet website. Notification shall be given in sufficient time to enable prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses.²⁴

Prequalification of Bidders

- 2.9. Prequalification is usually necessary for large or complex works, or in any other circumstances in which the high costs of preparing detailed bids could discourage competition, such as custom-designed equipment, industrial plant, specialized services, some complex information and technology, and contracts to be let under turnkey, design and build, or management contracting. This also ensures that invitations to bid are extended only to those who have adequate capabilities and resources. Prequalification shall be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their (a) experience and past performance on similar contracts, (b) capabilities with respect to personnel, equipment, and construction or manufacturing facilities, (c) financial situation.
- 2.10. The invitation to prequalify for bidding on specific contracts or groups of similar contracts shall be advertised and notified as described in paragraphs 2.7 and 2.8 above. The scope of the contract and a clear statement of the requirements for qualification shall be sent to those who responded to the invitation. All such applicants that meet the specified criteria shall be allowed to bid. Borrowers shall inform all applicants of the results of prequalification. As soon as prequalification is completed, the bidding documents shall be made available to the qualified prospective bidders. For prequalification for groups of contracts to be awarded over a period of time, a limit for the number or total value of awards to any one bidder may be made on the basis of the bidder's resources. The list of prequalified firms in such instances shall be updated periodically. Verification of the information provided in the submission for prequalification shall be confirmed at the time of award of contract, and award may be denied to a bidder that is judged to no longer have the capability or resources to successfully perform the contract.

B. Bidding Documents

General

- 2.11. The bidding documents shall furnish all information necessary for a prospective bidder to prepare a bid for the goods and works to be provided. While the detail and complexity of these documents may vary with the size and nature of the proposed bid package and contract, they generally include: invitation to bid; instructions to bidders; form of bid; form of contract; conditions of contract, both general and special; specifications and drawings; relevant technical data (including of geological and environmental nature); list of goods or bill of quantities;

²⁴ The Bank has prepared a standard Prequalification Document to be used by the Borrower when it is required.

delivery time or schedule of completion; and necessary appendices, such as formats for various securities. The basis for bid evaluation and selection of the lowest evaluated bid shall be clearly outlined in the instructions to bidders and/or the specifications. If a fee is charged for the bidding documents, it shall be reasonable and reflect only the cost of their printing and delivery to prospective bidders, and shall not be so high as to discourage qualified bidders. The Borrower may use an electronic system to distribute bidding documents, provided that the Bank is satisfied with the adequacy of such system. If bidding documents are distributed electronically, the electronic system shall be secure to avoid modifications to the bidding documents and shall not restrict the access of bidders to the bidding documents. Guidance on critical components of the bidding documents is given in the following paragraphs.

- 2.12. Borrowers shall use the appropriate Standard Bidding Documents (SBDs) issued by the Bank with minimum changes, acceptable to the Bank, as necessary to address project-specific conditions. Any such changes shall be introduced only through bid or contract data sheets, or through special conditions of contract, and not by introducing changes in the standard wording of the Bank's SBDs. Where no relevant standard bidding documents have been issued, the Borrower shall use other internationally recognized standard conditions of contract and contract forms acceptable to the Bank.

Validity of Bids and Bid Security

- 2.13. Bidders shall be required to submit bids valid for a period specified in the bidding documents which shall be sufficient to enable the Borrower to complete the comparison and evaluation of bids, review the recommendation of award with the Bank (if required in the Procurement Plan), and obtain all the necessary approvals so that the contract can be awarded within that period.
- 2.14. Borrowers have the option of requiring a bid security. When used, the bid security shall be in the amount and form specified in the bidding documents²⁵ and shall remain valid for a period of four weeks beyond the validity period for the bids, in order to provide reasonable time for the Borrower to act if the security is to be called. Bid securities shall be released to unsuccessful bidders once the contract has been signed with the winning bidder. In place of a bid security, the Borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for a period of time from being eligible for bidding in any contract with the Borrower.

Language

- 2.15. Prequalification and bidding documents and the bids shall be prepared in one of the following languages, selected by the Borrower: English, French, Spanish, or Portuguese. The bid as well as all correspondence and documents relating to the bid exchanged by the bidder and the Contracting Agency, shall be written in the language specified in the prequalification or bidding documents. Supporting documents and printed literature that are part of the application for prequalification or the bid may be in another language provided they are accompanied by a

²⁵ The format of the bid security shall be in accordance with the standard bidding documents and shall be issued by a reputable bank or financial institution selected by the bidder. If the institution issuing the security is located outside the country of the Borrower, it shall have a correspondent financial institution located in the country of the Borrower to make it enforceable.

translation of the relevant passages in the language specified in the prequalification or bidding documents, in which case, for purposes of interpretation of the application for prequalification or bid, such translation shall govern.

Clarity of Bidding Documents

- 2.16. Bidding documents shall be so worded as to permit and encourage international competition and shall set forth clearly and precisely the work to be carried out, the location of the work, the goods to be supplied, the place of delivery or installation, the schedule for delivery or completion, minimum performance requirements, and the warranty and maintenance requirements, as well as any other pertinent terms and conditions. In addition, the bidding documents, where appropriate, shall define the tests, standards, and methods that will be employed to judge the conformity of equipment as delivered, or works as performed, with the specifications. Drawings shall be consistent with the text of the specifications, and an order of precedence between the two shall be specified.
- 2.17. The bidding documents shall specify any factors, in addition to price, which will be taken into account in evaluating bids, and how such factors will be quantified or otherwise evaluated. If bids based on alternative designs, materials, completion schedules, payment terms, etc., are permitted, conditions for their acceptability and the method of their evaluation shall be expressly stated.
- 2.18. All prospective bidders shall be provided the same information, and shall be assured of equal opportunities to obtain additional information on a timely basis. Borrowers shall provide reasonable access to project sites for visits by prospective bidders. For works or complex supply contracts, particularly for those requiring refurbishing existing works or equipment, a pre-bid conference may be arranged whereby potential bidders may meet with the Borrower's representatives to seek clarifications (in person or online). Minutes of the conference shall be provided to all prospective bidders with a copy to the Bank (in hard copy or sent electronically). Any additional information, clarification, correction of errors, or modifications of bidding documents shall be sent to each recipient of the original bidding documents in sufficient time before the deadline for receipt of bids to enable bidders to take appropriate actions. If necessary, the deadline shall be extended. The Bank shall receive a copy (in hard copy format or sent electronically) and be consulted for issuing a "no objection" when the contract is subject to ex-ante review.

Standards

- 2.19. Standards and technical specifications quoted in bidding documents shall promote the broadest possible competition, while assuring the critical performance or other requirements for the goods and/or works under procurement. As far as possible, the Borrower shall specify internationally accepted standards such as those issued by the International Standards Organization with which the equipment or materials or workmanship shall comply. Where such international standards are unavailable or are inappropriate, national standards may be specified. In all cases, the bidding documents shall state that equipment, material, or workmanship meeting other standards, which promise at least substantial equivalence, will also be accepted.

Use of Brand Names

- 2.20. Specifications shall be based on relevant characteristics and/or performance requirements. References to brand names, catalog numbers, or similar classifications shall be avoided. If it is necessary to quote a brand name or catalog number of a particular manufacturer to clarify an otherwise incomplete specification, the words “or equivalent” shall be added after such reference. The specification shall permit the acceptance of offers for goods which have similar characteristics and which provide performance at least substantially equivalent to those specified.

Pricing

- 2.21. Bids for goods shall be invited on the basis of the INCOTERMS CIP²⁶ [Carriage and Insurance paid to (named place of destination)] for all goods irrespective of the country of origin. Where installation, commissioning, or other similar services are required to be performed by the bidder, as in the case of “supply and installation” contracts, the bidder shall be required to quote for these services, in addition.
- 2.22. In the case of turnkey contracts, the bidder shall be required to quote the price of the installed plant at site, including all costs for supply of equipment, marine and local transportation, and insurance, installation, and commissioning, as well as associated works and all other services included in the scope of contract such as design, maintenance, operation, etc. Unless otherwise specified in the bidding documents, the turnkey price shall include all duties, taxes, and other levies.²⁷
- 2.23. Bidders for works contracts shall be required to quote unit prices or lump sum prices for the performance of the works, and such prices shall include all duties, taxes, and other levies. Bidders shall be allowed to obtain all inputs (except for unskilled labor) from any eligible source so that they may offer their most competitive bids.

Price Adjustment

- 2.24. Bidding documents shall state either that (a) bid prices will be fixed or (b) that price adjustments will be made to reflect any changes (upwards or downwards) in major cost components of the contract, such as labor, equipment, materials, and fuel. Price adjustment provisions are usually not necessary in simple contracts involving delivery of goods or completion of works within eighteen (18) months, but shall be included in contracts which extend beyond eighteen (18) months. However, it is normal commercial practice to obtain firm prices for some types of equipment regardless of the delivery time and, in such cases, price adjustment provisions are not needed.

²⁶ Refer to *INCOTERMS 2000* for further definitions. Published by the International Chamber of Commerce, 38 Cours Albert 1^{er}, 75008 Paris, France. CIP is carriage and insurance paid to (named place of destination). This term may be used irrespective of the mode of transport, including multimodal transport. CIP term is for custom duties and other import taxes unpaid, payment for which is the responsibility of the Borrower, either for goods previously imported or that will be imported. For previously imported goods, the quoted CIP price shall be distinguishable from the original import value of these goods declared to customs and shall include any rebate or markup of the local agent or representative and all local costs except import duties and taxes, which will be paid by the purchaser.

²⁷ Goods in bids for turnkey contracts may be invited on the basis of DDP delivered duty paid (named place of destination) (refer to *INCOTERMS 2000*) and bidders should be free to choose the best arrangement between imported goods or goods manufactured in the country of the Borrower, in the preparation of their bids.

- 2.25. Prices may be adjusted by the use of a prescribed formula (or formulae) which breaks down the total price into components that are adjusted by price indices specified for each component or, alternatively, on the basis of documentary evidence (including actual invoices) provided by the supplier or contractor. The use of the formula method of price adjustment is preferable to that of documentary evidence. The method to be used, the formula (if applicable), and the base date for application shall be clearly defined in the bidding documents. If the payment currency is different from the source of the input and corresponding index, a correction factor shall be applied in the formula, to avoid incorrect adjustment.

Transportation and Insurance

- 2.26. Bidding documents shall permit suppliers and contractors to arrange transportation and insurance from any eligible source. Bidding documents shall state the types and terms of insurance to be provided by the bidder. The indemnity payable under transportation insurance shall be at least 110 percent of the contract amount in the currency of the contract or in a freely convertible currency to enable prompt replacement of lost or damaged goods. For works, a contractor's All Risk form of policy usually shall be specified. For large projects with several contractors on a site, a "wrap-up" or total project insurance arrangement may be obtained by the Borrower, in which case the Borrower shall seek competition for such insurance.
- 2.27. As an exception, if a Borrower wishes to reserve transportation and insurance for the import of goods to national companies or other designated sources, bidders shall be asked to quote FCA (named place) or CPT (named place of destination) prices in addition to the CIP (place of destination) price specified in paragraph 2.21. Selection of the lowest evaluated bid shall be on the basis of the CIP (place of destination) price, but the Borrower may sign the contract on FCA or CPT terms and make its own arrangement for transportation and/or insurance. Under such circumstances, the contract shall be limited to the FCA or CPT cost. If the Borrower does not wish to obtain insurance coverage in the market, evidence shall be provided to the Bank that resources are readily available for prompt payment in a freely convertible currency of the indemnities required to replace lost or damaged goods.

Currency Provisions

- 2.28. Bidding documents shall state the currency or currencies in which bidders are to state their prices, the procedure for conversion of prices expressed in different currencies into a single currency for the purpose of comparing bids, and the currencies in which the contract price will be paid. The following provisions (paragraphs 2.29 through 2.33) are intended to (a) ensure that bidders have the opportunity to minimize any exchange risk with regard to the currency of bid and of payment, and hence may offer their best prices; (b) give bidders in countries with weak currencies the option to use a stronger currency and thus provide a firmer basis for their bid price; and (c) ensure fairness and transparency in the evaluation process.

Currency of Bid

- 2.29. Bidding documents shall state that the bidder may express the bid price in any currency. If the bidder wishes to express the bid price as a sum of amounts in different foreign currencies, they may do so, provided the price includes no more than three foreign currencies. Furthermore, the

Borrower may require bidders to state the portion of the bid price representing local costs incurred in the currency²⁸ of the country of the Borrower.

- 2.30. In bidding documents for works, the Borrower may require bidders to state the bid price entirely in the local currency, along with the requirements for payments in up to three foreign currencies of their choice for expected inputs from outside the Borrower's country, expressed as a percentage of the bid price, together with the exchange rates used in such calculations.

Currency Conversion for Bid Comparison

- 2.31. The bid price is the sum of all payments in various currencies required by the bidder. For the purpose of comparing prices, bid prices shall be converted to a single currency selected by the Borrower (local currency or fully convertible foreign currency) and stated in the bidding documents. The Borrower shall make this conversion by using the selling (exchange) rates for those currencies quoted by an official source (such as the Central Bank) or by a commercial bank or by an internationally circulated newspaper for similar transactions on a date selected in advance, such source and date to be specified in the bidding documents, provided that the date shall not be earlier than four weeks prior to the deadline for the receipt of bids, nor later than the original date for the expiry of the period of bid validity.

Currency of Payment

- 2.32. Payment of the contract price shall be made in the currency or currencies in which the bid price is expressed in the bid of the successful bidder.
- 2.33. When the bid price is required to be stated in the local currency but the bidder has requested payment in foreign currencies expressed as a percentage of the bid price, the exchange rates to be used for purposes of payments shall be those specified by the bidder in the bid, so as to ensure that the value of the foreign currency portions of the bid is maintained without any loss or gain.

Terms and Methods of Payment

- 2.34. Payment terms shall be in accordance with the international commercial practices applicable to the specific goods and works.
- (a) Contracts for supply of goods shall provide for full payment on the delivery and inspection, if so required, of the contracted goods except for contracts involving installation and commissioning, in which case a portion of the payment may be made after the supplier has complied with all its obligations under the contract. The use of letters of credit is encouraged so as to assure prompt payment to the supplier. In major contracts for equipment and plant, provision shall be made for suitable advances and, in contracts of long duration, for progress payments during the period of manufacture or assembly.
- (b) Contracts for works shall provide in appropriate cases for mobilization advances, advances on contractor's equipment and materials, regular progress payments, and reasonable retention amounts to be released upon compliance with the contractor's obligations under contract.

²⁸ Referred to hereafter as local currency.

- 2.35. Any advance payment for mobilization and similar expenses, made upon signature of a contract for goods or works, shall be related to the estimated amount of these expenses and be specified in the bidding documents. Amounts and timing of other advances to be made, such as for materials delivered to the site for incorporation in the works, shall also be specified. The bidding documents shall specify the arrangements for any security required for advance payments.
- 2.36. Bidding documents shall specify the payment method and terms offered, whether alternative payment methods and terms will be allowed and, if so, how the terms will affect bid evaluation.

Alternative Bids

- 2.37. The bidding documents shall clearly indicate when bidders are allowed to submit alternative bids, how alternative bids should be submitted, how bid prices should be offered, and the basis on which alternative bids shall be evaluated.

Conditions of Contract

- 2.38. The contract documents shall clearly define the scope of work to be performed, the goods to be supplied, the rights and obligations of the Borrower and of the supplier or contractor, and the functions and authority of the engineer, architect, or construction manager, if one is employed by the Borrower, in the supervision and administration of the contract. In addition to the general conditions of contract, any special conditions particular to the specific goods or works to be procured and the location of the project shall be included. The conditions of contract shall provide a balanced allocation of risks and liabilities.

Performance Security

- 2.39. Bidding documents for works shall require security in an amount sufficient to protect the Borrower in case of breach of contract by the contractor. This security shall be provided in an appropriate form and amount, as specified by the Borrower in the bidding document.²⁹ The amount of the security may vary, depending on the type of security furnished and on the nature and magnitude of the works. A portion of this security shall extend sufficiently beyond the date of completion of the works to cover the defects liability or maintenance period up to final acceptance by the Borrower; alternatively, contracts may provide for a percentage of each periodic payment to be held as retention money until final acceptance. Contractors may be allowed to replace retention money with an equivalent security after provisional acceptance.
- 2.40. In contracts for the supply of goods, the need for performance security depends on the market conditions and commercial practice for the particular kind of goods. Suppliers or manufacturers may be required to provide a guarantee to protect against nonperformance of the contract. Such security in an appropriate amount may also cover warranty obligations or, alternatively, a percentage of the payments may be held as retention money to cover warranty obligations, and any installation or commissioning requirements. The security or retention money shall be reasonable in amount.

²⁹ The format of the performance security shall be in accordance with the Standard Bidding Documents and shall be issued by a reputable bank or financial institution selected by the bidder. If the institution issuing the security is located outside the country of the Borrower, it shall have a correspondent financial institution located in the country of the Borrower to make it enforceable.

Liquidated Damages and Bonus Clauses

- 2.41. Provisions for liquidated damages or similar provisions in an appropriate amount shall be included in the conditions of contract when delays in the delivery of goods, completion of works, or failure of the goods or works to meet performance requirements would result in extra cost, or loss of revenue or loss of other benefits to the Borrower. Provision may also be made for a bonus to be paid to suppliers or contractors for completion of works or delivery of goods ahead of the times specified in the contract when such earlier completion or delivery would be of benefit to the Borrower.

Force Majeure

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

Applicable Law and Settlement of Disputes

- 2.43. The conditions of contract shall include provisions dealing with the applicable law and the forum for the settlement of disputes. International commercial arbitration has practical advantages over other methods for the settlement of disputes. Therefore, the Bank recommends that Borrowers use this type of arbitration in contracts for the procurement of goods and works. The Bank shall not be named arbitrator or be asked to name an arbitrator. In the case of works contracts, supply and installation contracts, and turnkey contracts, the dispute settlement provision shall also include mechanisms such as dispute review boards or adjudicators, which are designed to permit a speedier dispute settlement.

C. Bid Opening, Evaluation, and Award of Contract

Time for Preparation of Bids

- 2.44. The time allowed for the preparation and submission of bids shall be determined with due consideration of the particular circumstances of the project and the magnitude and complexity of the contract. Generally, not less than six weeks from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, shall be allowed for ICB. Where large works or complex items of equipment are involved, this period shall generally be not less than twelve (12) weeks to enable prospective bidders to conduct investigations before submitting their bids. In such cases, the Borrower is encouraged to convene pre-bid conferences and arrange site visits. Bidders shall be permitted to submit bids by mail or by hand. Borrowers may also use electronic systems permitting bidders to submit bids by electronic means, provided the Bank is satisfied with the adequacy of the system, including, *inter alia*, that the system is secure, maintains the confidentiality and authenticity of bids submitted, and uses an authentication system or equivalent to keep bidders bound to their bids. In this case, bidders shall continue to have the option to submit their bids in hard copy. The deadline and place for receipt of bids shall be specified in the invitation to bid.

Bid Opening Procedures

- 2.45. The time for the bid opening shall be the same as for the deadline for receipt of bids or promptly³⁰ thereafter, and shall be announced, together with the place for bid opening, in the invitation to bid. The Borrower shall open all bids at the stipulated time and place. Bids shall be opened in public; bidders or their representatives shall be allowed to be present (in person or online, when electronic bidding is used). The name of the bidder and total amount of each bid, and of any alternative bids if they have been requested or permitted, shall be read aloud (and posted online when electronic bidding is used) and recorded when opened, and a copy of this record shall be promptly sent to the Bank and to all bidders who submitted bids in time. Bids received after the time stipulated, as well as those not opened and read out at bid opening, shall not be considered.

Clarifications or Alterations of Bids

- 2.46. Except as otherwise provided in paragraphs 2.63 and 2.64 of these Policies, bidders shall not be requested or permitted to alter their bids after the deadline for receipt of bids. The Borrower shall ask bidders for clarification needed to evaluate their bids but shall not ask or permit bidders to change the substance or price of their bids after the bid opening. Requests for clarification and the bidders' responses shall be made in writing, in hard copy or by an electronic system satisfactory to the Bank.³¹

Confidentiality

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

Examination of Bids

- 2.48. The Borrower shall ascertain whether the bids (a) meet the eligibility requirements specified in paragraphs 1.6, 1.7, and 1.8 of these Policies, (b) have been properly signed, (c) are accompanied by the required securities or required declaration signed as specified in paragraph 2.14 of these Policies, (d) are substantially responsive to the bidding documents, and (e) are otherwise generally in order. If a bid is not substantially responsive, that is, it contains material deviations from or reservations to the terms, conditions, and specifications in the bidding documents, it shall not be considered further. The bidder shall not be permitted to correct or withdraw material deviations or reservations once bids have been opened.³²

Evaluation and Comparison of Bids

- 2.49. The purpose of bid evaluation is to determine the cost to the Borrower of each bid in a manner that permits a comparison on the basis of their evaluated cost. Subject to paragraph 2.58, the bid with the lowest evaluated cost,³³ but not necessarily the lowest submitted price, shall be selected for award.

³⁰ To allow sufficient time to take the bids to the place announced for public bid opening.

³¹ See paragraph 2.44.

³² See paragraph 2.50 regarding corrections.

³³ See paragraph 2.52.

- 2.50. The bid price read out at the bid opening shall be adjusted to correct any arithmetical errors. Also, for the purpose of evaluation, adjustments shall be made for any quantifiable nonmaterial deviations or reservations. Price adjustment provisions applying to the period of implementation of the contract shall not be taken into account in the evaluation.
- 2.51. The evaluation and comparison of bids shall be on the basis of the INCOTERMS specified in the bidding documents, plus the prices for any required installation, training, commissioning, and/or other similar services.³⁴
- 2.52. Bidding documents shall also specify the relevant factors in addition to price to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the lowest evaluated bid. For goods and equipment, other factors may be taken into consideration including, among others, payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and related training, safety, and environmental benefits. The factors other than price to be used for determining the lowest evaluated bid shall, to the extent practicable, be expressed in monetary terms, or given a relative weight in the evaluation provisions in the bidding documents.
- 2.53. Under works and turnkey contracts, contractors are responsible for all duties, taxes, and other levies,³⁵ and bidders shall take these factors into account in preparing their bids. The evaluation and comparison of bids shall be on this basis. Bid evaluation for works shall be strictly in monetary terms. Any procedure under which bids above or below a predetermined assessment of bid values are automatically disqualified is not acceptable. If time is a critical factor, the value of early completion to the Borrower may be taken into account according to criteria presented in the bidding documents, only if the conditions of contract provide for commensurate penalties for noncompliance.
- 2.54. The Borrower shall prepare a detailed report on the evaluation and comparison of bids setting forth the specific reasons on which the recommendation is based for the award of the contract.

Domestic Preferences

- 2.55. At the request of the Borrower, and under conditions to be agreed under the Loan Contract and set forth in the bidding documents, a margin of preference may be provided in the evaluation of bids for goods manufactured in the country of the Borrower when comparing bids offering such goods with those offering goods manufactured abroad.
- 2.56. Where preference for domestically manufactured goods is allowed, the methods and stages set forth in Appendix 2 to these Policies shall be followed in the evaluation and comparison of bids.

Extension of Validity of Bids

- 2.57. Borrowers shall complete evaluation of bids and award of contract within the initial period of bid validity so that extensions are not necessary. An extension of bid validity, if justified by exceptional circumstances, shall be requested in writing from all bidders before the expiration date. The extension shall be for the minimum period required to complete the evaluation,

³⁴ The evaluation of bids shall not take into account: (a) customs duties and other taxes levied on the goods, using the INCOTERMS specified in the Bidding Documents; and (b) sales and similar taxes levied in connection with the sale or delivery of the goods.

³⁵ Unless bidding documents specify otherwise for some turnkey contracts (see para. 2.22).

obtain the necessary approvals, and award the contract. In the case of fixed price contracts, requests for second and subsequent extensions will be permissible only if the request for extension provides for an appropriate adjustment mechanism of the quoted price to reflect changes in the cost of inputs for the contract over the period of extension. Whenever an extension of the bid validity period is requested, bidders shall not be requested or be permitted to change the quoted (base) price or other conditions of their bid. Bidders shall have the right to refuse to grant such an extension. If the bidding documents require a bid security, bidders may exercise their right to refuse to grant such an extension without forfeiting their bid security, but those who are willing to extend the validity of their bid shall be required to provide a suitable extension of bid security.

Postqualification of Bidders

- 2.58. If bidders have not been prequalified, the Borrower shall determine whether the bidder whose bid has been determined to offer the lowest evaluated cost has the capability and resources to effectively carry out the contract as offered in the bid. The criteria to be met shall be set out in the bidding documents, and if the bidder does not meet them, the bid shall be rejected. In such an event, the Borrower shall make a similar determination for the next-lowest evaluated bidder.

Award of Contract

- 2.59. The Borrower shall award the contract, within the period of the validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (i) to be substantially responsive to the bidding documents and (ii) to offer the lowest evaluated cost.³⁶ A bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

Publication of the Award of Contract

- 2.60. Within two weeks of receiving the Bank's "no objection" to the recommendation of contract award, the Borrower shall publish in *UNDB online* and forward such information to the Bank for publication on the Bank's Internet website, the results identifying the bid and lot numbers and the following information: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated prices of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded.

Rejection of All Bids

- 2.61. Bidding documents usually provide that Borrowers may reject all bids. Rejection of all bids is justified when there is lack of effective competition, or bids are not substantially responsive or when bid prices are substantially higher than the existing budget. Lack of competition shall not be determined solely on the basis of the number of bidders. Even when only one bid is submitted, the bidding process may be considered valid if the bid was satisfactorily advertised, and prices are reasonable in comparison to market values. Borrowers may, after the Bank's prior approval, reject all bids. If all bids are rejected, the Borrower shall review the causes justifying

³⁶ Referred to as "lowest evaluated bidder" and "lowest evaluated bid," respectively.

the rejection and consider making revisions to the conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

- 2.62. 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 nonresponsive, new bids may be invited from the initially prequalified firms, or with the agreement of the Bank from only those that submitted bids in the first instance.
- 2.63. 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 evaluated responsive bid exceeds the Borrower's pre-bid cost estimates by a substantial margin, the Borrower shall investigate causes for the excessive cost and consider requesting new bids as described in the previous paragraphs. Alternatively, the Borrower may negotiate with the lowest evaluated bidder to try to obtain a satisfactory contract through a reduction in the scope and/or a reallocation of risk and responsibility which can be reflected in a reduction of the contract price. However, substantial reduction in the scope or modification to the contract documents may require rebidding.
- 2.64. The Bank's prior approval shall be obtained before rejecting all bids, soliciting new bids, or entering into negotiations with the lowest evaluated bidder.

Debriefing

- 2.65. In the publication of Contract Award referred to in paragraph 2.60 the Borrower shall specify that any bidder who wishes to ascertain the grounds on which its bid was not selected, should request an explanation from the Borrower. The Borrower shall promptly provide an explanation of why such bid was not selected, either in writing and/or in a debriefing meeting, at the option of the Borrower. The requesting bidder shall bear all the costs of attending such a debriefing.

D. Modified ICB

Operations Involving a Program of Imports³⁷

- 2.66. Where the loan provides financing for a program of imports, ICB with simplified advertising and currency provisions may be used for large-value contracts, as defined in the Loan Contract.³⁸
- 2.67. The simplified provisions for notification of ICB procurement do not require a General Procurement Notice. Specific Procurement Notices shall be published in at least one newspaper of national circulation in the Borrower's country (or in the official gazette, if it is available on the Internet, or in an electronic portal with free access) in addition to *UNDB online* and the Bank's Internet website. The period allowed for submission of bids may be reduced to four weeks. Bidding and payment may be limited to one currency widely used in international trade.

Procurement of Commodities

- 2.68. Market prices of commodities, such as grain, animal feed, cooking oil, fuel, fertilizer, and metals, fluctuate, depending upon the demand and supply at any particular time. Many are quoted in

³⁷ Also see paragraph. 3.11.

³⁸ Procurement of smaller contracts is normally carried out in accordance with procedures followed by the private or public entity handling the imports, or other established commercial practices acceptable to the Bank, as described in para. 3.12.

established commodity markets. Procurement often involves multiple awards for partial quantities to assure security of supply and multiple purchases over a period of time to take advantage of favorable market conditions and to keep inventories low. A list of prequalified bidders may be drawn up to whom periodic invitations are issued. Bidders may be invited to quote prices linked to the market price at the time of or prior to the shipments. Bid validities 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 telexed or faxed bids, or bids submitted by electronic means, and in such cases either no bid security is required, or standing bid securities valid over a specified period of time have been submitted by prequalified bidders. Standard contract conditions and forms consistent with market practices shall be used.

III. Other Methods of Procurement

General

- 3.1. This Section describes the methods of procurement that can be used where ICB would not be the most economic and efficient method of procurement, and where other methods are deemed more appropriate.³⁹ The Bank's policies with respect to margins of preference in contracts for domestically manufactured goods do not apply to methods of procurement other than ICB. Paragraphs 3.2 to 3.7 describe the generally used methods in descending order of preference and the remaining paragraphs the methods used in specific circumstances.

Limited International Bidding

- 3.2. Limited International Bidding (LIB) is essentially ICB by direct invitation without open advertisement. It may be an appropriate method of procurement where (a) there is only a limited number of suppliers, or (b) other exceptional reasons may justify departure from full ICB procedures. Under LIB, Borrowers shall seek bids from a list of potential suppliers broad enough to assure competitive prices, such list to include all suppliers when there are only a limited number. Domestic preferences are not applicable in the evaluation of bids under LIB. In all respects other than advertisement and preferences, ICB procedures shall apply, including the publication of the Award of Contract as indicated in paragraph 2.60.

National Competitive Bidding

- 3.3. National Competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Borrower, and may be the most appropriate way of procuring goods or works which, by their nature or scope, are unlikely to attract foreign competition. To be acceptable for use in Bank-financed procurement, these procedures shall be reviewed and modified⁴⁰ as necessary to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of these Policies. NCB may be the most appropriate method of procurement where foreign bidders are not expected to be interested because (a) the contract values are small, (b) works are scattered geographically or spread over time, (c) works are labor intensive, or (d) the goods or works are available locally at prices below

³⁹ Contracts shall not be divided into smaller units in order to make them less attractive for ICB procedures; any proposal to divide a contract into smaller packages shall require the prior approval of the Bank.

⁴⁰ Any such modification shall be reflected in the Loan Contract.

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

- 3.4. Advertising may be limited to at least a sole electronic portal of free access where the Borrower advertises all government business opportunities or, in its absence, in a national newspaper of wide circulation. Bidding documents shall be in any of the official languages of the Bank and the currency of the country of the Borrower is generally used for the purposes of bidding and payment. In addition, the bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission of bids. Adequate response time for preparation and submission of bids shall be provided. The procedures shall provide for adequate competition in order to ensure reasonable prices, and methods used in the evaluation of bids and the award of contracts shall be objective and made known to all bidders in the bidding documents and not be applied arbitrarily. The procedures shall also include public opening of bids, publication of results of evaluation and of the award of contract and provisions for bidders to protest. If foreign firms wish to participate under these circumstances, they shall be allowed to do so.

Shopping

- 3.5. Shopping is a procurement method based on comparing price quotations obtained from several suppliers (in the case of goods) or from several contractors (in the case of civil works), with a minimum of three, to assure competitive prices, and is an appropriate method for procuring readily available off-the-shelf goods or standard specification commodities of small value, or simple civil works of small value. Requests for quotations shall indicate the description and quantity of the goods or specifications of works, as well as desired delivery (or completion) time and place. Quotations may be submitted by letter, facsimile or by electronic means. The evaluation of quotations shall follow the same principles as of open bidding. The terms of the accepted offer shall be incorporated in a purchase order or brief contract.

Direct Contracting

- 3.6. Direct contracting is contracting without competition (single source) and may be an appropriate method under the following circumstances:
- (a) An existing contract for goods or works, awarded in accordance with procedures acceptable to the Bank, may be extended for additional goods or works of a similar nature. The Bank shall be satisfied in such cases that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provisions for such an extension, if considered likely in advance, shall be included in the original contract.
 - (b) Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to the Bank.
 - (c) The required equipment is proprietary and obtainable only from one source.

- (d) The contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee.
 - (e) In exceptional cases, such as in response to natural disasters.
- 3.7. After the contract signature, the Borrower shall publish in *UNDB online* and in the Bank's Internet website, the name of the contractor, price, duration, and summary scope of the contract. This publication may be done quarterly and in the format of a summarized table covering the previous period.

Force Account

- 3.8. Force account, that is, construction by the use of the Borrower's own personnel and equipment,⁴¹ may be the only practical method for constructing some kinds of works. The use of force account may be justified where:
- (a) quantities of work involved cannot be defined in advance;
 - (b) works are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices;
 - (c) work is required to be carried out without disrupting ongoing operations;
 - (d) risks of unavoidable work interruption are better borne by the Borrower than by a contractor; and
 - (e) there are emergencies needing prompt attention.

Procurement from Specialized Agencies⁴²

- 3.9. There may be situations in which procurement directly from specialized agencies, acting as suppliers, pursuant to their own procedures, may be the most appropriate way of procuring: (a) small quantities of off-the-shelf goods, primarily in the fields of education and health; and (b) specialized products where the number of suppliers is limited, such as for vaccines or drugs.

Procurement Agents

- 3.10. Where Borrowers lack the necessary organization, resources, and experience, Borrowers may wish (or be required by the Bank) to employ, as their agent, a firm specializing in handling procurement. The agent shall follow all the procurement procedures provided for in the Loan Contract and as further elaborated in the Procurement Plan approved by the Bank on behalf of the Borrower, including use of Bank SBDs, review procedures, and documentation. This also applies in cases where specialized agencies act as procurement agents.⁴³ Management contractors may be employed in a similar manner for a fee to contract for miscellaneous works involving reconstruction, repairs, rehabilitation, and new construction in emergency situations, or where large numbers of small contracts are involved.

⁴¹ A government-owned construction unit that is not managerially and financially autonomous shall be considered a force account unit. "Force account" is otherwise known as "direct labor," "departmental forces," or "direct work."

⁴² Specialized agencies are agencies affiliated with public international organizations that can be contracted by Borrowers as consultants, as procurement agents or suppliers, with financing from the Bank.

⁴³ The Consultant Policies shall apply for the selection of procurement and inspection agents. The cost or fee of the procurement or inspection agent is eligible for financing from the Bank loan, if so provided in the Loan Contract and in the Procurement Plan, and provided the terms and conditions of selection are acceptable to the Bank.

Inspection Agents

- 3.11. Preshipment inspection and certification of imports is one of the safeguards for the Borrower, particularly where the country has a large import program. The inspection and certification usually covers quality, quantity, and reasonableness of price. Imports procured through ICB procedures shall not be subject to price verification, but only verification for quality and quantity. However, imports not procured through ICB may additionally be subjected to price verification. The inspection agents are ordinarily paid for on a fee basis levied on the value of the goods. Costs for certification of imports shall not be considered in the evaluation of bids under ICB.

Procurement in Loans to Financial Intermediaries

- 3.12. Where the loan provides funds to an intermediary institution such as an agricultural credit institution or a development finance company, to be re-lent to beneficiaries such as individuals, private sector enterprises, small and medium enterprises, or autonomous commercial enterprises in the public sector for the partial financing of subprojects, the procurement is usually undertaken by the respective beneficiaries in accordance with established private sector or commercial practices, which are acceptable to the Bank. However, even in these situations, ICB may be the most appropriate procurement method for the purchase of large single items or in cases where large quantities of like goods can be grouped together for bulk purchasing.

Procurement under BOO/BOT/BOOT, Concessions, and Similar Private Sector Arrangements

- 3.13. Where the Bank is participating in financing the cost of a project procured under a BOO/BOT/BOOT,⁴⁴ concessions or similar type of private sector arrangement, either of the following procurement procedures shall be used, as provided for in the Loan Contract and further elaborated in the Procurement Plan approved by the Bank:
- (a) The concessionaire or entrepreneur under the BOO/BOT/BOOT or similar type of contract⁴⁵ shall be selected under ICB procedures acceptable to the Bank, which may include several stages in order to arrive at the optimal combination of evaluation criteria, such as the cost and magnitude of the financing offered, the performance specifications of the facilities offered, the cost charged to the user or purchaser, other income generated for the Borrower or purchaser by the facility, and the period of the facility's depreciation. The said entrepreneur selected in this manner shall then be free to procure the goods, works, and services required for the facility from eligible sources, using its own procedures. In this case, the Project Report and the Loan Contract shall specify the type of expenditures incurred by the said entrepreneur towards which Bank financing will apply.
- Or,
- (b) If the said concessionaire or entrepreneur has not been selected in the manner set forth in subparagraph (a) above, the goods, works, or services required for the facility and to be financed by the Bank shall be procured in accordance with ICB procedures defined in Section II.

⁴⁴ BOO: Build, Own, Operate;
BOT: Build, Operate, Transfer;
BOOT: Build, Own, Operate, Transfer.

⁴⁵ For projects such as toll roads, tunnels, harbors, bridges, power stations, waste disposal plants, and water distribution systems.

Performance-Based Procurement

- 3.14. Performance-Based Procurement,⁴⁶ also called Output-Based Procurement, refers to competitive procurement processes (ICB or NCB) resulting in a contractual relationship where payments are made for measured outputs instead of the traditional way where inputs are measured. The technical specifications define the desired result and which outputs will be measured including how they will be measured. Those outputs aim at satisfying a functional need both in terms of quality, quantity, and reliability. Payment is made in accordance with the quantity of outputs delivered, subject to their delivery at the level of quality required. Reductions from payments (or retentions) may be made for lower-quality level of outputs and, in certain cases, premiums may be paid for higher quality level of outputs. The bidding documents do not normally prescribe the inputs, nor a work method for the contractor. The contractor is free to propose the most appropriate solution, based on mature and well-proven experience and shall demonstrate that the level of quality specified in the bidding documents will be achieved.
- 3.15. Performance-Based Procurement (or Output Based Procurement) can involve, among others: (a) the provision of services to be paid on the basis of outputs; (b) design, supply, construction (or rehabilitation) and commissioning of a facility to be operated by the Borrower; or (c) design, supply, construction (or rehabilitation) of a facility and provision of services for its operation and maintenance for a defined period of years after its commissioning.⁴⁷ For the cases where design, supply and/or construction are required, prequalification is normally required and the use of Two-Stage Bidding as indicated in paragraph 2.6, shall apply.

Procurement under Loans Guaranteed by the Bank

- 3.16. If the Bank guarantees the repayment of a loan made by another lender, the goods and works financed by the said loan shall be procured with due attention to economy and efficiency and in accordance with procedures which meet the requirements of paragraph 1.5.

Community Participation in Procurement

- 3.17. Where, in the interest of project sustainability, or to achieve certain specific social objectives of the project, it is desirable in selected project components to (a) call for the participation of local communities and/or nongovernmental organizations (NGOs) in the delivery of services, or (b) increase the utilization of local know-how and materials, or (c) employ labor-intensive and other appropriate technologies, the procurement procedures, specifications, and contract packaging shall be suitably adapted to reflect these considerations, provided these are efficient and are acceptable to the Bank. The procedures proposed and the project components to be carried out by community participation shall be outlined in the Loan Contract and further elaborated in the Procurement Plan or the relevant project execution document⁴⁸ approved by the Bank.

⁴⁶ The use of Performance-Based Procurement in Bank financed projects should be the result of the satisfactory technical analysis of the different options available and should be either included in the Project Report or subject to prior approval by the Bank for incorporation into the Procurement Plan.

⁴⁷ Examples of such type of procurement are: (i) for the case of procurement of services: provision of medical services, i.e. payments for specific services, like office visits, or defined laboratory tests, etc; (ii) for the case of procurement of a facility: Design, Procurement, Construction, and Commissioning of a thermal power plant to be operated by the Borrower; (iii) for the case of procurement of a facility and services: Design, Procurement, Construction (or Rehabilitation) of a road and operation and maintenance of the road for 5 years after construction.

⁴⁸ I.e., the document that sets out the details of how the operation will be carried out, for example the Operating Manual or the Operational Guidelines.

Appendix 1: Review by the Bank of Procurement Decisions

Scheduling of Procurement

1. The Bank shall review the procurement arrangements proposed by the Borrower in the Procurement Plan for its conformity with the Loan Contract and these Policies. The Procurement Plan shall cover an initial period of at least 18 months. The Borrower shall update the Procurement Plan on an annual basis or as needed, always covering the next 18-month period of project implementation. Any revisions proposed to the Procurement Plan shall be furnished to the Bank for its prior approval.

Ex-Ante Review

2. With respect to all contracts⁴⁹ which are subject to the Bank's ex-ante review:
 - (a) In cases where prequalification is used, the Borrower shall, before prequalification submissions are invited, furnish the Bank with the draft documents to be used, including the text of the invitation to prequalify, the prequalification questionnaire, and the evaluation methodology, together with a description of the advertising procedures to be followed, and shall introduce such modifications in said procedure and documents, as the Bank shall reasonably request. The report evaluating the applications received by the Borrower, the list of proposed prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Bank for its comments before the applicants are notified of the Borrower's decision, and the Borrower shall make such additions to, deletions from, or modifications in the said list as the Bank shall reasonably request.
 - (b) Before bids are invited, the Borrower shall furnish to the Bank for its comments, draft bidding documents, including the invitation to bid; instructions to bidders, including the basis of bid evaluation and contract award; and the conditions of contract and specifications for the civil works, supply of goods, or installation of equipment, etc., as the case may be, together with a description of the advertising procedures to be followed for the bidding (if prequalification has not been used), and shall make such modifications in the said documents as the Bank shall reasonably request. Any further modification shall require the Bank's approval before it is issued to the prospective bidders.
 - (c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, furnish to the Bank, in sufficient time for its review, a detailed report (prepared, if the Bank shall so request, by experts acceptable to the Bank), on the evaluation and comparison of the bids received, together with the recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Loan Contract and/or the Procurement Plan, promptly inform the Borrower and state the reasons for such determination. Otherwise, the Bank shall provide its "no objection" to the recommendation for contract award. The Borrower shall award the contract only after receiving the "no objection" from the Bank.

⁴⁹ For contracts procured on the basis of direct contracting under paras. 3.6 and 3.7, the Borrower shall furnish to the Bank for its approval, prior to contract execution, a copy of the specifications and the draft contract. The contract shall be executed only after the Bank has given its approval, and the provisions in (h) of this paragraph shall apply with respect to the executed contract.

- (d) If the Borrower requires an extension of bid validity to complete the process of evaluation, obtain necessary approvals and clearances, and to make the award, it should seek the Bank's prior approval for the first request for extension, if it is longer than four weeks, and for all subsequent requests for extension, irrespective of the period.
- (e) If after publication of the results of evaluation, the Borrower receives protests or complaints from bidders, a copy of the complaint and a copy of the Borrower's response shall be sent to the Bank for information.
- (f) If as result of analysis of a protest the Borrower changes its contract award recommendation, the reasons for such decision and a revised evaluation report shall be submitted to the Bank for "no objection." The Borrower shall provide a re-publication of the contract award in the format of paragraph 2.60 of these Policies.
- (g) The terms and conditions of a contract shall not, without the Bank's prior approval, materially differ from those on which bids were asked or prequalification of contractors, if any, was invited.
- (h) One conformed copy of the contract shall be furnished to the Bank promptly after its execution and prior to delivery to the Bank of the first request for disbursement of funds from the loan contract.
- (i) All evaluation reports shall be accompanied by a summary of the procurement on a form provided by the Bank. The description and amount of the contract, together with the name and address of the successful bidder, shall be subject to release by the Bank upon receipt of the signed copy of the contract.

Modifications

3. In the case of contracts subject to ex-ante review, before granting a material extension of the stipulated time for performance of a contract, agreeing to any modification or waiver of the conditions of such contract, including issuing any change order or orders under such contract (except in cases of extreme urgency) which would in aggregate increase the original amount of the contract by more than 15 percent of the original price, the Borrower shall seek the Bank's "no objection" to the proposed extension, modification, or change order. If the Bank determines that the proposal would be inconsistent with the provisions of the Loan Contract and/or Procurement Plan, it shall promptly inform the Borrower and state the reasons for its determination. A copy of all amendments to the contract shall be furnished to the Bank for its record.

Ex-Post Review

4. The Borrower shall retain all documentation with respect to each contract not governed by paragraph two (2) during project implementation and up to three (3) years after the date of final disbursement of the loan. This documentation would include, but not be limited to, the signed original of the contract, the analysis of the respective proposals, and recommendations for award, for examination by the Bank or by its consultants. The Borrower shall also furnish such documentation to the Bank upon request. If the Bank determines that the goods, works, or services were not procured in accordance with the agreed procedures, as reflected in the Loan Contract and further detailed in the Procurement Plan approved by the Bank or that the contract itself is not consistent with such procedures, it may declare misprocurement as established in paragraph 1.12 of the Policies. The Bank shall promptly inform the Borrower of the reasons for such determination.

Due Diligence concerning Bank's Sanctions

5. When conducting the evaluation of bids, the Borrower shall check the eligibility of bidders from the list of firms and individuals debarred and suspended by the Bank pursuant to paragraph 1.14 (b) and (c) of these Policies and paragraph 1.21 (b) and (c) of the Policies for the Selection and Contracting of Consultants that are posted on the Bank's external website and shall not make an award to any such firm or individual listed therein. For any Bank-financed activity under execution with any party that is debarred or suspended from the award of additional contracts, the Borrower shall undertake additional due diligence with close supervision and monitoring (including whether under ex-ante or ex-post review). Also, the Borrower shall not enter into any further contract with such party, including an amendment or extension of time for completion under an existing contract, without the Bank's prior approval. The Bank will only finance additional expenditures if they were incurred before the completion date of the original contract or the completion date as revised (i) for prior review contracts, in an amendment to which the Bank has given its no objection, and (ii) for post review contracts, in an amendment signed before the effective date of suspension or debarment. The Bank will not finance any new contract, or any amendment or addendum introducing a material modification to any existing contract that was signed with a suspended or debarred firm or individual on or after the effective date of suspension or debarment.

Appendix 2: Domestic Preferences

Preference for Domestically Manufactured Goods

1. The Borrower may, with the agreement of the Bank, grant a margin of preference in the evaluation of bids under ICB procedures to bids offering certain goods manufactured in the country of the Borrower, when compared to bids offering such goods manufactured elsewhere. In such cases, bidding documents shall clearly indicate any preference to be granted to domestic manufactured goods and the information required to establish the eligibility of a bid for such preference. The nationality of the manufacturer or supplier is not a condition for such eligibility. The methods and stages set forth hereunder shall be followed in the evaluation and comparison of bids.
2. For comparison, responsive bids shall be classified in one of the following three groups:
 - (a) Group A: bids exclusively offering goods manufactured in the country of the Borrower if the bidder establishes to the satisfaction of the Borrower and the Bank that (i) labor, raw material, and components from within the country of the Borrower will account for 30 percent or more of the price of the product offered, and (ii) the production facility in which those goods will be manufactured or assembled has been engaged in manufacturing/assembling such goods at least since the time of bid submission.
 - (b) Group B: all other bids offering goods manufactured in the country of the Borrower.
 - (c) Group C: bids offering goods manufactured abroad that have been already imported or that will be directly imported.
3. The price quoted for goods in bids of Groups A and B shall include all duties and taxes paid or payable on the basic materials or components purchased on the domestic market or imported, but shall exclude the sales and similar taxes on the finished product. The price quoted for goods in bids of Group C shall be on the basis of CIP, which is exclusive of customs duties and other import taxes already paid or to be paid.
4. In the first step, all evaluated bids in each group shall be compared to determine the lowest bid in each group. Such lowest evaluated bids shall be compared with each other and if, as a result of this comparison, a bid from Group A or Group B is the lowest, it shall be selected for the award.
5. If, as a result of the comparison under paragraph 4 above, the lowest evaluated bid is a bid from Group C, the lowest evaluated bid from Group C shall be further compared with the lowest evaluated bid from Group A after adding to the evaluated price of goods offered in the bid from Group C, for the purpose of this further comparison only, an amount equal to 15 percent of the CIP bid price. The lowest evaluated bid determined from this last comparison shall be selected.
6. In the case of single responsibility or turnkey contracts for the supply of a number of discrete items of equipment as well as major installation and/or construction services no margin of preference shall apply.⁵⁰

⁵⁰ This does not refer to the supply of goods with supervision of installation in the same contract which is considered a contract for the supply of goods, and therefore eligible for the application of domestic preference in the goods component.

Appendix 3: Guidance to Bidders

Purpose

1. This Appendix provides guidance to potential bidders wishing to participate in Bank-financed procurement.

Responsibility for Procurement

2. The responsibility for the implementation of the project, and therefore for the payment of goods, works, and services under the project, rests solely with the Borrower. The IDB, for its part, is required by the Agreement Establishing the Bank to take the necessary measures to ensure that the proceeds of any loan made, guaranteed, or participated in by the Bank are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency. Disbursements of the proceeds of a loan are made only at the Borrower's request. Supporting evidence that the funds are used in accordance with the Loan Contract and/or the Procurement Plan shall be submitted with the Borrower's disbursement request. Payment may be made (a) to reimburse the Borrower for payment(s) already made from its own resources, (b) directly to a third party (usually to a supplier or contractor), or (c) to a commercial bank for expenditures against an Inter-American Development Bank irrevocable reimbursement guarantee agreement covering a commercial bank's letter of credit. As emphasized in paragraph 1.2 of these Policies, the Borrower is legally responsible for the procurement. It invites, receives, and evaluates bids, and awards the contract. The contract is between the Borrower and the supplier or contractor. The Bank is not a party to the contract.

Bank's Role

3. As stated in paragraph 1.11 of these Policies, the Bank reviews the procurement procedures, documents, bid evaluations, award recommendations, and the contract to ensure that the process is carried out in accordance with agreed procedures, as required in the Loan Contract. In the case of major contracts, the documents are reviewed by the Bank prior to their issue, as described in Appendix 1. Also, if, at any time in the procurement process (even after the award of contract), the Bank concludes that the agreed procedures were not followed in any material respect, the Bank may declare misprocurement, as described in paragraph 1.12. However, if a Borrower has awarded a contract after obtaining the Bank's "no objection," the Bank will declare misprocurement only if the "no objection" was issued on the basis of incomplete, inaccurate, or misleading information furnished by the Borrower. Furthermore, if the Bank determines that Prohibited Practices were engaged in by representatives of the Borrower or of the bidder, the Bank may impose the applicable sanctions set forth in paragraph 1.14 of these Policies.
4. The Bank has published *Standard Bidding Documents* (SBDs) for various types of procurement. As stated in paragraph 2.12 of these Policies, it is mandatory for the Borrower to use these documents, with minimum changes to address country- and project-specific issues. The prequalification and bidding documents are finalized and issued by the Borrower.

Information on Bidding

5. Information on bidding opportunities under ICB may be obtained from the General Procurement Notice and the Specific Procurement Notices as described in paragraphs 2.7 and 2.8 of these Policies. General guidance on participation, as well as advance information on business opportunities in upcoming projects, may be obtained from the Bank's Internet website.

Bidder's Role

6. Once a bidder receives the prequalification or bidding document, the bidder should study the documents carefully to decide if it can meet the technical, commercial, and contractual conditions, and if so, proceed to prepare its bid. The bidder should then critically review the documents to see if there is any ambiguity, omission, or internal contradiction, or any feature of specifications or other conditions which are unclear or appear discriminatory or restrictive; if so, it should seek clarification from the Borrower, in writing, within the time period specified in the bidding documents for seeking clarifications.
7. The criteria and methodology for selection of the successful bidder are outlined in the bidding documents, generally under Instructions to Bidders and Specifications. If these are not clear, clarification should be similarly sought from the Borrower.
8. In this connection it should be emphasized that the specific bidding documents issued by the Borrower govern each procurement, as stated in paragraph 1.1 of these Policies. If a bidder feels that any of the provisions in the documents are inconsistent with these Policies, it should also raise this with the Borrower.
9. It is the responsibility of the bidder to raise any issue of ambiguity, contradiction, omission, etc., prior to the submission of its bid, to assure submission of a fully responsive and compliant bid, including all the supporting documents requested in the bidding documents. Noncompliance with critical (technical and commercial) requirements will result in rejection of the bid. If a bidder wishes to propose deviations to a non-critical requirement, or propose an alternative solution, the bidder should quote the price for the fully compliant bid and then separately indicate the adjustment in price that can be offered if the deviation is accepted. Alternative solutions should be offered only when authorized in the bidding documents. Once bids are received and publicly opened, bidders will not be required or permitted to change the price or substance of a bid.

Confidentiality

10. As stated in paragraph 2.47 of these Policies, the process of bid evaluation shall be confidential until the publication of contract award. This is essential to enable the Borrower and Bank reviewers to avoid either the reality or perception of improper interference. If at this stage a bidder wishes to bring additional information to the notice of the Borrower, the Bank, or both, it should do so in writing.

Action by the Bank

11. Bidders are free to send copies of their communications on issues and questions with the Borrower to the Bank or to write to the Bank directly, when Borrowers do not respond promptly, or the communication is a complaint against the Borrower. All such communications should be addressed to the Bank's Country Office in the Borrower's country with a copy to the Project Procurement Division of the Bank at its Washington, D.C. Headquarters.
12. References received by the Bank from potential bidders, prior to the closing date for submission of the bids, will, if appropriate, be referred to the Borrower with the Bank's comments and advice, for action or response.
13. Communications, including complaints, received from bidders after the opening of the bids, will be handled as follows. In the case of contracts not subject to ex-ante review by the Bank, the

communication will be sent to the Borrower for due consideration and appropriate action, if any, and these will be reviewed during subsequent supervision of the project by Bank staff. Exceptionally, if a complaint is of a particularly serious nature, the Bank may require the Borrower to send before proceeding all relevant documentation for its ex-ante review and comments as per procedures under paragraph 2 of Appendix 1. In the cases of contracts subject to the ex-ante review process, the communication will be examined by the Bank, in consultation with the Borrower. If additional data are required to complete this process, these will be obtained from the Borrower. If additional information or clarification is required from the bidder, the Bank will ask the Borrower to obtain it and comment or incorporate it, as appropriate, in the evaluation report. The Bank's review will not be completed until the communication is fully examined and considered. Communications received from bidders involving allegations of Prohibited Practices⁵¹ may warrant a different treatment due to reasons of confidentiality. In such cases, the Bank shall apply due care and discretion in sharing with the Borrower information deemed appropriate.

14. Except for acknowledgment, the Bank will not enter into discussion or correspondence with any bidder during the evaluation and review process of the procurement, until award of the contract is published.

Debriefing

15. As stated in paragraph 2.65, if, after notification of award, a bidder wishes to ascertain the grounds on which its bid was not selected, it should address its request to the Borrower. If the bidder is not satisfied with the explanation given and wishes to seek a meeting with the Bank, it may do so by addressing the Bank's Country Office in the borrowing country with a copy to the Project Procurement Division of the Bank at its Washington, D.C. Headquarters, which will arrange a meeting at the appropriate level and with the relevant staff. In this discussion, only the bidder's bid can be discussed and not the bids of competitors.

⁵¹ Reporting on suspected Prohibited Practices can be done directly to the Bank's Office of Institutional Integrity (OII) by email: allegations@idbfc.org or OII-Consult@iadb.org; through the Inter American Development Bank's website; through the 24-hour toll free hotline: +1-877-223-4551; or by contacting OII at the Bank's Headquarters office in Washington DC: +1-202-623-1000.

Appendix 4: Policies for the Procurement in Loans to the Private Sector

1. Application of Policies to the Private Sector

According to Bank rules, private sector enterprises are those in which there is no Government participation in the capital of the enterprise or those in which Government participation represents less than fifty percent (50%) of the total capital of the enterprise. In general, the Bank's procurement policies also apply to the private sector, whether the entity is a Borrower of the Bank or it is a recipient of a Bank guarantee. In particular, the Bank's policies regarding the appropriate use of loan funds and the eligibility of goods, works, and services, as well as its policies regarding economy and efficiency, apply to the private sector.

2. Methods of Procurement

Private sector borrowers shall utilize procurement procedures in accordance with established private sector or commercial practices that are acceptable to the Bank. The Bank ensures that such procedures result in competitive market prices for the goods and services and that these meet the needs of the project.

3. Conflict of Interest

Contracts awarded by private sector Borrowers should be negotiated on an arm's-length basis, taking into account the financial interests of the Borrower rather than the interests of its parent firm. When a shareholder of a private sector Borrower also acts as contractor to the Borrower, it should be demonstrated to the Bank that the costs of the acquisition are approximately equivalent to budget estimates and market prices, and that the conditions of the contract are equitable and reasonable. The Bank will not finance acquisitions that exceed market prices.