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Procurement Methods with Modalities Consistent with Private Sector Practices

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PROCUREMENT METHODS WITH MODALITIES CONSISTENT WITH PRIVATE SECTOR PRACTICES

Introduction

Private sector executing agencies that do not have formal, and written procurement methods will use the procedures outlined below, to ensure compliance with the principles of the Bank's procurement policies and help build their institutional capacity.

A. Procurement and contracting methods

- 1.1. The Bank's policies on the appropriate use of funds, eligibility of goods, works and services, and implementation of the rules of economy and efficiency will apply in all private sector procurement and contracting processes.
- 1.2. The Bank estimates that, in the majority of cases, the best way of ensuring fulfillment of the principles of the policies is by holding **competitive** processes. Nevertheless, when the competitive procedure is not the most efficient and economic procurement method, other contracting methods can be used.
- 1.3. In technical cooperation operations, the majority of procurements and contracts are for individual consultants, small purchases, and small contracts with firms that require very specific qualifications, and they are often local. In view of this, these operations require simplified procedures that are responsive to project needs.
- 1.4. The following table summarizes the procurement methods, by type of procurement, that can be used for such operations.
- 1.5. The maximum amounts established in the table for each type of procedure can be reduced based on the capacity of the sector in the country and on the project, and must be agreed to and reviewed by the Project Team Leader during project preparation.

Type of procurement	Amount in US\$	Procurement method
Goods and nonconsulting services (includes smaller expenditures)	> 100,000	Competitive bidding ¹
	> 5,000 – 100,000	Price comparison (shopping)
	0 ≤ 5,000	Price comparison or direct contracting ²
Individual consultants	> 30,000	Selection based on comparison of the qualifications of at least three candidates
	0 ≤ 30,000	Selection based on comparison of the qualifications of at least three candidates or direct contracting ³
Services of consulting firms	> 30,000	Selection based on the qualifications of consultants from at least three firms ⁴
	0 ≤ 30,000	Selection based on the qualifications of consultants from at least three firms or direct contracting ⁵

B. Procurement of goods and nonconsulting services

- 1.6. **Amounts over US\$100,000—competitive bidding.** For procurements valued at over US\$100,000, a call for competitive bids must be issued through media with broad coverage. The time allotted for preparing and submitting proposals must be appropriate, and the procedures should promote an adequate level of competition to obtain reasonable prices. The following are also required: (i) the methods used to evaluate and select proposals are transparent and disclosed to all participants; (ii) the opening of the proposals and publication of the results are public, and complaints and protests from the participants will be accepted; and (iii) participation by companies in Bank member countries is not restricted.
- 1.7. **Amounts up to US\$100,000—price comparison.** For procurements with an estimated cost of up to US\$100,000, a minimum of three quotes must be obtained from different providers, selecting the most economical offer that fully meets all the technical specifications in the letter of invitation. Quotes can be submitted by letter, fax, or electronically. In all instances, the procedure used must be reliably documented.
- 1.8. **Amounts less than US\$5,000—direct contracting.** Direct contracting can be used to procure small goods or services valued individually at US\$5,000 or less that have not been listed as critical in the Procurement Plan. A bid does not need to be submitted to the Bank for such procurements.

¹ International publicity is recommended when the procurement budget is over US\$250,000.

² The EA, in accordance with the PTL, can specify direct contracting for smaller expenditures.

³ In the case of consultants critical to the project, or in some other circumstances, the Bank can require a competitive procedure, together with ex ante review of the terms of reference and the selection process. These decisions will be reflected in the Procurement Plan.

⁴ There must be international publicity when the estimated contract cost is over the country-specific thresholds posted on the Bank's website.

⁵ Idem previous footnote.

- 1.9. This method may not be used as a result of splitting a procurement into packages. Examples of such operating expenses include: computer hardware, furnishings, print materials, publications, books, pamphlets, press releases, Internet services, computer technical support, accounting software, economy-class airfares via the most direct route, participation in fairs, purchase of seeds and agricultural inputs for small farmers, and logistical expenses for events, among others.
- 1.10. In keeping with the procurement policies, direct contracting for over US\$5,000 will require the no objection of the Project Team Leader if direct contracting was not approved in the project preparation document or in the Procurement Plan and must be justified in the framework of the procurement policies and in the context of the project's interests. Direct contracting included in the Procurement Plan requires support documents justifying the decision taken.
- 1.11. **Other private sector competitive methods.** Other private sector practices in the country, including framework contracts, reverse auctions, and private bidding, among others, can be used provided they follow the principles of economy and efficiency.
- 1.12. **Eligibility of goods.** For eligibility purposes, goods with a unit cost of less than US\$5,000 and grouped in a single process for up to US\$30,000 will be considered to be of local origin.

C. Contracting of individual consultants

- 1.13. **Contracting of individual consultants for more than US\$30,000 – Selection based on a comparison of qualifications.** This modality requires comparing the qualifications of at least three candidates for the assignment, based on their curriculum vitae. The consultants do not need to submit proposals; however, if deemed pertinent, the letter of invitation can spell out and request the qualification and evaluation criterion to be used. The individuals considered in the comparison of qualifications must meet the minimum relevant qualifications, and those selected for hire must be the most qualified candidates capable of completing the assignment. The consultants' capacity will be judged based on their academic record, experience, and, if applicable, their knowledge of local conditions.

When the consulting services are for less than US\$50,000 and only one expert is required as key personnel and the nature of the service so justifies, firms and individuals can be invited to make up the shortlist. The request for proposals must specify the evaluation criteria and clearly indicate that only one expert will be qualified.

- 1.14. **Contracting consultants for less than US\$30,000 – Single-Source Selection.** Single-source selection can be used for hiring individual consultants for contracts not exceeding US\$30,000, due to the specific nature of the required services and if they have not been listed as critical in the Procurement Plan. This method cannot be used as a result of splitting up the required consulting services. In example, these consulting assignments include: speakers, lecturers, evaluators, interviewers, small technical assistance requiring local expertise, professionals or technical specialists for the executing agency.⁶
- 1.15. In accordance with the procurement policies, single-source selection of consultants for amounts over US\$30,000 will require the Bank's no objection, if this method was not approved in the project approval document or in the Procurement Plan, and must be justified under the procurement policies and in the

⁶ A contract does not need to be issued to hire instructors, speakers, and lecturers for less than US\$5,000.

context of the project's interests. Direct contracting included in the Procurement Plan requires supporting documentation justifying the decision taken.

D. Contracting of consulting firms

- 1.16. **Contracting of consulting firms for over US\$30,000 – Selection Based on the Qualification of Consultants.** This selection process can be used for smaller services that are not complex, for which the preparation and evaluation of competitive bids is not justified. In such cases, the EA will prepare the terms of reference, request expressions of interest and information on the consultants' experience and competence relevant to the assignment, establish a shortlist of at least three firms, and select the firm with the most appropriate qualifications and references. The selected firm will be asked to present a combined technical-price proposal and then be invited to negotiate the contract.
- 1.17. When consulting services are for less than US\$50,000, just one expert is needed as key staff, and the nature of the service so justifies, firms and individuals can be invited to make up the shortlist. The request for proposals must specify the evaluation criteria and clearly indicate that only one expert will be qualified.
- 1.18. The different selection and contracting methods for firms established in the Bank's procurement policies can be used, such as quality and cost-based selection, quality-based selection, least-cost selection, and selection under a fixed budget, that meet good practices in the private sector.
- 1.19. **Contracting of consulting firms for less than US\$30,000 – Single-Source Selection.** Single-source selection can be used to hire consulting firms or contract consulting services for values not exceeding US\$30,000, due to the specific nature of the required services and if they have not been listed as critical in the Procurement Plan. This method cannot be used as a result of splitting up a consulting service.
- 1.20. In keeping with the Bank's procurement policies, for amounts over US\$30,000, single-source selection of consulting firms or services will require the Bank's no objection, if the selection was not approved in the project approval document or in the Procurement Plan and must be justified in the framework of the procurement policies and in the context of the project's interest.