

Procurement Guidelines under Loans Extended by the OPEC Fund for International Development (OFID)

Vienna, Austria

As approved on November 2, 1982



OFID The OPEC Fund for International Development

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General introduction

The purpose of these guidelines is to inform both those carrying out a project^{*} in the financing of which the OPEC Fund for International Development (OFID) participates, and those interested in providing the goods and services for that project, of the arrangements which should be made for procuring the goods and services required. The rights and obligations of the recipient^{**} of OFID loans, with respect to the suppliers of goods and services for the financed project, are governed by the relevant bidding documents issued by the recipient and not by these guidelines or the loan agreement.

Unless OFID requires otherwise, these guidelines shall be followed in the procurement of goods and services under the loans extended and administered by OFID. To the maximum extent possible, they shall also apply to the procurement of goods and services under OFID loans administered by other agencies, and, when practical, to the procurement under OFID grants.

OFID is required to ensure that the proceeds of any financing from its resources are used with due attention to considerations of economy, efficiency and social equity. Accordingly, OFID requires its recipients to obtain goods and services, as a general rule, on an international competitive bidding basis.

The detailed arrangements between OFID and the recipient regarding the use of the proceeds of the financial assistance and the recipient's acceptance of these guidelines with any particular modifications or departures agreed upon between the parties will be included in each case in the contractual documents for the financial assistance.

Normally OFID finances only a part of the cost of the project. Procurement procedures for the items not financed by OFID may be subject to these guidelines or procured under other procedures as agreed between the recipient and OFID.

No party other than the recipient may derive any rights from the loan agreement or have any claim to the proceeds of such loan.

* The word "project" also refers to a program.

** The term "recipient" as used in the Guidelines includes the agency or the entity which is responsible for the implementation of the project but is not the direct recipient of financial assistance from OFID.

I. International competitive bidding

I.1 General

“International competitive bidding,” as used in these guidelines, has the purpose of affording to prospective bidders from all countries adequate notification of a recipient’s requirements and of providing all bidders an equal opportunity to bid on the necessary goods or works, subject to appropriate preferences for goods and services from developing countries according to Para. 3.9 of these guidelines. In connection with any contract to be financed by OFID, as a general rule, OFID does not permit a recipient to deny prequalification, if required, to a firm for reasons unrelated to its capacity to supply the goods and services in question; nor does it permit a recipient to disqualify any bidder for such reasons.” As an exception to the foregoing, a firm of a certain country or goods manufactured in a certain country may be excluded if, as a matter of law or official regulation, the recipient’s country prohibits commercial relations with that firm or country, provided that OFID is satisfied that such exclusion is based on reasonable grounds. OFID also reserves the right to exclude the firms of a certain country or goods manufactured in a certain country, as OFID’s Governing Board may decide.

I.2 Type and size of contracts

In order to foster widespread competition, individual contracts should be of an appropriate size to attract bidders. The bidding documents should state clearly whether contracts will be awarded on the basis of unit prices (for work performed or goods supplied) or of a lump sum price, or a combination of both for different portions of the contract, according to the nature of the goods or services to be provided.

Contracts based principally on the reimbursement of actual costs are acceptable to OFID only in exceptional circumstances.

The size and scope of individual contracts will depend on the magnitude, nature, and location of the project. For projects requiring a variety of works of specialized character (e.g. civil works, supply of equipment, an erection of different items of plant), separate contracts are normally awarded for each part.

On the other hand, for a project requiring similar but separate civil works or items of equipment, bids should be invited under alternative contract options that would attract the interest of both smaller and larger firms.

* See Para. 1.4: Prequalification of bidders

** See e.g. Para. 3.7: Postqualification of bidders

Contractors or manufacturers, small and large, should be allowed to bid for individual contracts or for a group of similar contracts at their option, and all bids and combinations of bids should be opened and evaluated simultaneously so as to determine the bid or combination of bids offering the most advantageous solution for the recipient (see Para. 3.8 for the bid evaluation procedures).

In certain cases, e.g. where special or closely integrated manufacturing are involved, OFID may accept a turnkey contract under which the engineering, all the equipment, and the construction of a complete plant are provided through a single contract, or a single responsibility contract under which all the goods and works except the engineering are provided through a single contract.

Detailed engineering of the works or goods to be provided, including the preparation of technical specifications and other bidding documents, should precede the invitation to bid for the contract. However, in the case of turnkey contracts or contracts for large complex projects, it may be undesirable to prepare technical specifications in advance. In such a case, it will be necessary to use a two-step procedure inviting unpriced technical bids subject to technical clarifications and adjustments, followed by the submission of priced proposals.

1.3 Notification and advertising

The potential bidders should be notified in a timely manner (see also Para. 3.1) of the opportunity to bid. For contracts subject to international competitive bidding, this is done by transmitting copies of the invitation to bid, or the advertisement of the invitation, to local representatives of countries that are potential suppliers of the goods or services required and, where specifically requested, to OFID also. The notification should be made at the same time as the advertisement of the invitation to bid.

Invitations to bid should also be advertised in at least one newspaper of general circulation in the country where the project is to be carried out.

For large, specialized, or important contracts, OFID will, in addition, require that invitations to bid be advertised in the "UN Development Forum" or such other well-known technical magazines, newspapers, and trade publications of wide international circulation in sufficient time before bids are to be opened to enable prospective bidders to request bidding documents and prepare bids.

If the preparation and issue of bidding documents for a project is likely to extend over a period of years, a brief description of the works to be undertaken and the types of goods and services required should be advertised and notified to the potential bidders, as described above, at least 60 days before the first normal invitations to bid are issued, with a request that those who wish to be included in a mailing list and to receive invitations to bid should express their interest by informing the recipient. The recipient should invite bids from all suitably qualified parties expressing such interest.

I.4 Prequalification of bidders

Prequalification is normally advisable for large or complex contracts to ensure, in advance of bidding, that invitations to bid are confined to capable firms. OFID will specify whether prequalification is required in respect of particular contracts. Prequalification should be based entirely upon the ability of the interested firm to perform the particular work satisfactorily, taking into account **inter alia**:

- (i) experience and past performance on similar contracts,
- (ii) capabilities with respect to personnel, equipment and plant, and
- (iii) financial position.

The prequalification should be advertised and notified as described in Para. 1.3 above. The scope of works, abbreviated specifications, and a clear statement of the requirements for qualification should be sent to all firms desiring to be considered for prequalification. When prequalification is employed, all firms which are found, by the recipient and OFID, to be qualified should be permitted to bid.

2. Bidding documents

2.1 General

The bidding documents should furnish all information necessary for a bidder to prepare a tender for the goods and/or services to be supplied. While the detail and complexity of these documents will vary with the size and nature of the proposed contract, they should normally include: instructions to tenderer; form of tender; form and conditions of contract, both general and special; technical specifications; bill of quantities and drawings, as well as necessary appendices, pro forma bonds, etc. Guidelines on particularly critical components of the bidding documents are given in the following paragraphs.

2.2 References to OFID

The following language is suggested for reference to OFID in bidding documents: "... (name of recipient) ... has received (or in appropriate cases 'has applied for') financial assistance from the OPEC Fund for International Development toward the cost of (name of project/program), and intends to apply the proceeds of this financial assistance to eligible payments under the contract (contracts) for which this invitation to bid is issued. Payment by OFID will be made at the request of (name of recipient) and upon approval by OFID in accordance with the terms and conditions of the loan agreement, and will be subject in all respects, to the terms and conditions of that agreement. Except as OFID may specifically otherwise agree, no party other than (name of recipient) shall derive any rights from the loan agreement or have any claim to proceeds of the financial assistance."

2.3 Validity of bids and bid bonds or guarantees

Bidders should be required to submit bids valid for a period, specified in the invitation to bid, sufficient to enable the recipient to complete the comparison and evaluation of bids, review the recommendation of award with OFID (if required by any loan agreement), and obtain all the necessary approvals so that the award can be notified within that period.

The bonds or guarantees, in an amount, specified in the bidding documents, affording the recipient reasonable protection, may be required, but they should not be set so high as to discourage suitable bidders from tendering.

Bid bonds or guarantees should be released to unsuccessful bidders as soon as possible after it is determined that they will not be awarded the contract.

2.4 Conditions of contract

The contract documents should clearly define the scope of work to be performed or goods to be supplied, the rights and obligations of the recipient and of the contractor or manufacturer, and the powers and authority of the engineer or architect, if one is employed by the recipient, in the administration of the contract. In addition to the customary general conditions of contract, some of which are referred to in these guidelines, special conditions appropriate to the nature and location of the project should be included.

2.5 Clarity of bidding documents

Bidding documents should be so worded as to permit and encourage international competitive bidding and should set forth as clearly and precisely as possible the work to be accomplished, the goods to be supplied, the place of delivery or installation, and the warranty and maintenance requirements as well as other pertinent terms. In addition, the bidding documents, where appropriate, should define the tests, standards, and methods that will be employed to judge conformity of equipment as delivered, or works as performed, with the original specifications. If alternative bids are acceptable, this should be expressly stated. The bidding documents should also identify the main factors or bases, which will be taken into account in evaluating the compared bids including factors, if any, which are unquantifiable in monetary terms. Any additional information, clarification, correction of errors or alterations of bidding documents should be sent promptly to all those who had requested the original bidding documents, and in the case of prequalification, to those invited to bid.

2.6 Standards

If national standards with which equipment or material must comply are cited, specifications in the bidding documents should state that equipment or materials meeting other standards, which ensure an equal or higher quality than the standards mentioned, will also be accepted.

2.7 Use of brand names

Specification should be based on performance requirements, and references to brand names, catalogue numbers, or the like, should be avoided as far as possible. If it becomes necessary to quote a brand name or catalogue number of a particular maker to clarify an otherwise incomplete specification, the words "or equivalent" should be added after such brand name or catalogue number, and the specification should permit the acceptance of offers for alternative goods which have similar

characteristics and which provide performance and quality at least equal to those specified, unless such alternatives are not acceptable on grounds of standardization, or because the need for spare parts and maintenance service cannot be met.

2.8 Expenditures under contracts

For statistical purposes, OFID requires information concerning the country of origin of the goods and works it finances, and the bidding documents should require the contractor or supplier to furnish the necessary information.

2.9 Pricing and currency of bids

Since bids will be invited from prospective bidders in a number of countries, bidding documents should clearly state the currency or currencies in which bid prices may be stated. Bidding documents should normally require the bidder to state the bid price, either in the bidder's own currency or in another currency widely used in international trade and specified in the bidding documents, except that:

- a) in contracts for the supply and installation of equipment, the bidding documents may specify that the bidder should state in the recipient's currency the portion of his bid price relating to the installation;
- b) in the case of civil works, the bidding documents may require the bidder to state the bid price entirely in the recipient's currency, while specifying the portion to be paid in a specific foreign currency or currencies.

2.10 Currencies of payment and maintenance of value

- a) Payments under the contract should normally be made in the currency or currencies in which the price has been stated in the successful bid. However, the bid documents should always provide that, if the bidder expects to incur a portion of his expenditures in currencies other than those stated in his bid and so indicated in his bid, payment of the corresponding portion of the price so expended will be made in those other currencies.
- b) Where a portion of the price under the contract is to be paid in a currency other than the currency of the bid, the contract should provide against a loss or gain to the contractor or supplier, as the case may be, from a variation in exchange rates between the currency of the bid and the other currency or currencies due or payable to the bidder under the contract. To this end the contract should provide that amounts due or payable in a currency other than that of the bid shall be calculated at the rate of exchange specified for the purpose in the bidding documents between the two currencies.

2.11 Payment terms

Payment terms should generally be in accordance with the normal commercial practice applicable to the goods, works, and market in question and should take into account the provisions governing disbursements under the loan agreement between OFID and the recipient. Payment for goods or services financed by OFID may be made:

- (i) to the recipient to reimburse him for amounts paid to suppliers or contractors, or
- (ii) at the recipient's request, directly to a supplier or contractor, or, if OFID so agrees,
- (iii) by means of a revocable or, against payment of a special commitment charge by the recipient to OFID, irrevocable agreement made by OFID, at the recipient's request, to reimburse a commercial bank which has issued or confirmed a Letter of Credit to a supplier or contractor, provided OFID is satisfied as to the terms and conditions of the Letter of Credit in question.

2.12 Price adjustment clauses

Bidding documents should contain a clear statement whether prices are subject to adjustment (upwards or downwards) on the occurrence of specified events. Provision should usually be made for adjustment in the contract prices in the event changes occur in the prices of the major cost constituents of the contract, such as labor, equipment, and important materials, whether resulting from market forces or, where relevant, from changes of legislation. No price adjustment should be provided in contracts for the supply of goods to be delivered within one year unless it is necessary to do so in the light of the market situation prevailing at the time. Likewise, price adjustment formulae should start to be applicable not less than one year after the closing date of the bid.

There are various methods by which contract prices may be adjusted, but the use of a comprehensive price adjustment formula or formulae related to the basic price indices is to be preferred over the method of documentary evidence provided by the contractor. Whatever method is used, preferably including a ceiling, it should be clearly defined in the bidding documents so that the same provisions will apply to all bidders.

2.13 Advance payments

Any advance upon signature of the contract for mobilization and similar expenses should be related to the estimated cost of these items. Other advances to be made, as for example, for materials delivered to the site for incorporation in the works,

should be clearly described in the bidding documents. The bidding documents should likewise contain the terms of any security, which may be required for advance payments and the method for the reimbursement of advances. The amount of advance payment may not exceed 20% of the original contract price.

2.14 Guarantees, performance bonds, and retention money

Bidding documents for civil works should normally require some form of security to guarantee that the work will be continued in case of failure of performance by the contractor. This security should be provided by a performance bond, or bank guarantee, at the bidder's option, in a form and amount appropriate for each as specified in the bidding documents. The amount of the bond or guarantee may vary, depending on which of these types of security is furnished, and will also depend on the type and magnitude of the work. It should be sufficient, however, to protect the recipient in case of breach of contract by the contractor. Its life should extend sufficiently beyond estimated completion of the works to cover the warranty of maintenance period specified in the contract. Contracts should normally provide for a certain percentage of the total payment to be held as retention money to secure compliance by the contractor.

In contracts for the supply of goods, it may be preferable to rely on one security than on a combination of securities. The supplier or manufacturer should be required to provide a performance bond or bank guarantee or retention money, depending on the market conditions and commercial practice for the particular type of goods, to guarantee performance and warranty obligations. Such bond or guarantee or retention money should be in a reasonable amount and should normally be valid during the warranty period of the equipment.

2.15 Insurance

The bidding documents should state precisely the types and terms of insurance to be provided by the successful bidder.

2.16 Liquidated damage and bonus clauses

Liquidated damage or similar clauses in an appropriate amount should be included in bidding documents when delays in completion of works or delivery of goods, or failure of the works or goods to meet performance requirements would result in extra cost, loss of revenue, or loss of other benefits to the recipient. Provision may also be made for a bonus to be paid to contractors for completion of works ahead of the time specified in the contract when such earlier completion would be of obvious benefit to the recipient.

2.17 Force majeure

The conditions of contract included in the bidding documents should contain clauses, when appropriate, stipulating that failure on the part of the parties to perform their obligations under the contract would not be considered a default if such failure were the result of an event of **force majeure** as defined in the conditions of contract.

2.18 Language

To attract the widest possible bidding, documents should be prepared in one of the languages customarily used in international transactions.

2.19 Settlement of disputes

It is advisable to include in the conditions of contract provisions dealing with the applicable law and the forum for the settlement of disputes. However, OFID should not be named arbitrator or be asked to name an arbitrator.

3. Bid opening, evaluation and award of contract

3.1 Time interval between invitation and submission of bids

The time allowed for preparation of bids should depend on the magnitude and complexity of the contract. Generally, not less than 60 days from the date of invitation to bid should be allowed for international bidding. Where large civil works are involved, generally, not less than 90 days from the date of invitation should be allowed to enable prospective bidders to conduct investigations at the site before submitting their bids. The time allowed, however, should be governed by the particular circumstances of the project.

3.2 Bid opening procedures

The date, hour, and place for latest delivery of bids by the bidder, and of the bid opening, should be announced in the invitation to bid, and all bids should be opened at the stipulated time. Bids delivered after the time stipulated should be returned unopened. Bids should normally be opened in public. The name of the bidder and total amount of each bid, and, of any alternative bids if they have been requested or permitted, should, when opened, be read aloud and recorded.

3.3 Extension of validity of bids

Extension of validity of bids should normally not be requested. If in exceptional circumstances an extension is required, it should be requested of all bidders before the expiration date and OFID should be notified. Bidders should have the right to refuse to grant such an extension without forfeiting their bid bond, but those who are willing to extend the validity of their bid should be neither required nor permitted to modify their bids.

3.4 Clarifications or alterations of bids

Except as otherwise provided in Para. 3.10 of these guidelines, no bidder should be permitted to alter his/her bid after the first bid has been opened. Only clarifications not changing the substance of the bid may be accepted. The recipient may ask any bidder for a clarification of his/her bid but should not ask any bidder to change the substance or price of his/her bid.

3.5 Procedures to be confidential

It is undesirable that information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards be communicated after the public opening of bids to bidders or to persons not officially concerned with these procedures until the award of a contract to the successful bidder is announced.

3.6 Examination of bids

Following the opening, it should be ascertained whether material errors in computation have been made in the bids, whether the bids are substantially responsive to the bidding documents, whether the required sureties have been provided, whether documents have been properly signed, and whether the bids are otherwise generally in order. If a bid is not substantially responsive to the bidding documents, or contains inadmissible reservations, it should be rejected, unless it is an alternative bid permitted, or requested, under the bidding documents. A technical analysis should then be made to evaluate each responsive bid and to enable bids to be compared.

A detailed report on the evaluation and comparison of bids setting forth the specific reasons on which the decision for the award of the contract, or rejection of all bids, is based, should be prepared by the recipient or by its consultants. OFID will specify whether this report should be submitted to it for its review prior to a final decision on the award being made.

3.7 Postqualification of bidders

In the absence of prequalification, the recipient should determine whether the bidder whose bid has been evaluated the lowest has the capability and financial resources to carry out effectively the contract concerned. If the bidder does not meet that test, his/her bid should be rejected.

3.8 Evaluation and comparison of bids

The purpose of bid evaluation is to determine the cost of each bid to the recipient in a manner that will permit a comparison of bids on the basis of their evaluated cost. The bid with the lowest evaluated cost, but not necessarily the lowest submitted price, should be judged the most advantageous offer. Bid evaluation must be consistent with the terms and conditions set forth in the bidding documents. In addition to the bid price, other relevant factors such as the time of completion of construction or delivery, operating costs where applicable, or the efficiency and compatibility of the equipment, the availability of service and spare parts, and the reliability of construction methods proposed should be taken into consideration, to the extent and in the manner specified in the bidding documents, in determin-

ing the lowest evaluated bid. These factors should, to the extent practicable, be expressed in monetary terms, or given a relative weight in the evaluation provisions of the bidding documents. Price adjustment provisions applying to the period of execution of the contract should not be taken into account in the evaluation.

Customs duties and import taxes should be excluded for the purpose of comparison among bids for the supply of goods (see Para. 6.1).

For comparison of all bids, the currency or currencies of the bid price (see Para. 2.9) for each bid should be evaluated in terms of a single currency selected by the recipient and stated in the bidding documents. The rates of exchange to be used in such valuation should be selling rates published by an official source, and applicable to similar transactions, on the day bids are opened, unless there should be a change in the value of the currencies before the award is made. In the latter case, the exchange rates prevailing at the time of the decision to notify the award to the successful bidder should normally be used.

3.9 Preferences

For awarding supply contracts through international competitive bidding, a limited margin of preference will be accepted at the request of the recipient country after excluding customs duties and other import duties from bid comparisons. Such preference margin is authorized to foster the productive capacity of developing countries and to strengthen cooperation among them. It will be as follows:

- a) manufacturers in the recipient country when comparing domestic bids with those from foreign manufacturers: up to 15%;
- b) manufacturers in other developing countries when comparing bids from such manufacturers with other foreign bids: up to 7.5%.

Bidding documents should set out permitted preferences and specify the manner in which they will be applied in the bid comparison.

For civil works a margin of preference up to 10% for domestic contractors and up to 5% for contractors from other developing countries will be accepted at the request of the recipient country under conditions to be agreed upon with OFID (see further details under Para. 6.1).

3.10 Rejection of all bids

Bidding documents usually provide that recipients may reject all bids. However, all bids should not be rejected and new bids invited on the same specifications solely for the purpose of obtaining lower prices, except in cases where the lowest evaluated bid exceeds the cost estimates by a substantial amount. In these latter circumstances, the recipient may, as an alternative to retendering and, after consultation

with OFID, negotiate with the bidder who has submitted the lowest evaluated bid (or failing a satisfactory response, with the next lowest evaluated bidder) to try to obtain a satisfactory contract. Rejection of all bids is also justified when:

- (i) bids are not substantially responsive, or
- (ii) there is a lack of competition.

If all bids are rejected, the recipient should review the causes justifying the rejection and consider either revisions of the specifications or modifications in the project or both before inviting new bids.

3.11 Award of contract

The award of a contract should be made, within the period specified for the validity of bids, to the bidder whose responsive bid has been determined to be the lowest evaluated bid, and who meets the appropriate standards of capability and financial resources. Except in cases where the circumstances set out in Para. 3.10 would apply, such bidder should not be required, as a condition of award, to undertake responsibilities or work not stipulated in the specifications or to modify his/her bid.

4. Other forms of procurement

4.1 Introduction

There may be circumstances where international competitive bidding is not the most economic and efficient method of procurement or of implementing the project and where other methods, such as competitive bidding advertised locally and in accordance with local procedures, comparative shopping or purchase of stock items off the shelf, or construction by force account, may be appropriate. The appropriate procedures and the categories of goods and works to which they apply should be agreed between OFID and the recipient, and reflected in the loan agreement. In determining the acceptability of particular procedures, OFID will take into account the principles of fairness, equality of opportunity, economy, and efficiency in arriving at a solution which is the most advantageous for the recipient, which underlies the procedures for bidding, evaluation, and award set forth in Part 1 of these guidelines for international competitive bidding.

4.2 Examples

Examples of situations where international competitive bidding may not be suitable and of the procurement arrangements, which may be more appropriate to each of them, are set forth below:

- a) Competitive bidding advertised locally and in accordance with local procedures, acceptable to OFID, may be the most efficient and economical way of:
 - (i) executing civil works whose character, location, or size is such that it is clearly unlikely that foreign contractors would be interested in tendering or, that the advantages of international competitive bidding would clearly be outweighed by the administrative or financial burden involved; or
 - (ii) purchasing equipment or materials whose character or the quantities involved would have the same results.Examples of (i) might be feeder roads, rural schools, or small, widely separated works and of (ii) furniture or building materials. Competitive bidding of this sort should be advertised in the local press, but needs not be notified to the international community or advertised outside the country (see Para. 1.3). The local procedures under which it is carried out must be acceptable to OFID.
- b) Under special circumstances, force account may be the most efficient and economical way of executing certain civil works. OFID should be satisfied that local forces are staffed, equipped, and organized to carry out the works

expeditiously and at reasonable cost. Maintenance and minor improvements of roads are a typical example.

- c) International or local shopping may be an appropriate method of procurement in cases where there are only a limited number of suppliers of the particular item needed, where the amounts involved are small, or, in the case of local shopping, where local suppliers and agents provide a broad enough representation to ensure competitive prices. The procurement of a few items through shopping should not form the basis for departing at some future time from international competitive bidding on the grounds of standardization (see Subpara. e) below).
- d) Extension of an existing contract may be permitted where, following international competitive bidding, civil works already satisfactorily under construction are to be extended and clearly no advantage could be obtained by further bidding. A similar situation may arise in the case of equipment where additional goods of the same type as those purchased under an existing contract are required. In both cases, OFID should be satisfied that the prices on the extended contract are reasonable and that there is clearly no advantage to further bidding.
- e) Standardization of equipment or spare parts so that they may be compatible with existing equipment may require purchases from the original supplier. For standardization to be appropriate, the original equipment should be suitable and has been acquired at reasonable prices (preferably through international competitive bidding), the number of new items should normally be less than the existing number, and the advantages of having another make of equipment and an alternate supplier should have been considered and rejected on grounds which OFID finds reasonable.
- f) In exceptional cases, the need for early delivery may justify direct procurement, usually from a supplier of similar equipment in the past or from a limited number of qualified suppliers. In this case, to ensure reasonable economy in procurement, it is frequently necessary to obtain quotations from a limited number of overseas suppliers or to purchase through recognized marketing facilities.
- g) Equipment may be required which is proprietary in character and obtainable only from one manufacturer.
- h) Critical items may be purchased from specialist suppliers to ensure that the output of a process plant will be guaranteed by the contractor responsible for the process design.
- i) Where the financial assistance provides funds to an institution, such as a national development bank, to be re-lent to beneficiaries such as small farmers and small industries for the partial financing of sub-projects, the procurement will be undertaken by the respective beneficiaries in accordance with established commercial practices, provided they are acceptable to OFID.

- j) Where the financial assistance provides funds for balance of payments support or for an important program or a line of credit to a national development bank, procurement may involve the use of a variety of methods, including international competitive bidding as may be appropriate, for the items to be purchased.
- k) Where the project is co-financed by another developing country or countries under concessional terms acceptable to OFID, OFID may approve to limit the competition to firms of that developing country or countries, if the technical capacity of such firms is acceptable to OFID and the recipient.

5. Detailed procedures to be specified in loan agreements

OFID review of prequalification procedure: Normally, OFID wishes to review pre-qualification procedures and criteria. Therefore, unless the loan agreement with OFID provides otherwise, the recipient should, before applications to qualify are invited, inform OFID in detail of the procedure to be followed and should introduce such modifications in the procedure as OFID shall reasonably request. The list of prequalified firms, together with a statement of their qualifications and the reason for the exclusion of any applicant for prequalification, should be furnished by the recipient to OFID for its review and comments before the applicants are notified.

6. Preferences*

6.1 Preference for goods from developing countries

Customs duties and other import taxes are excluded from bid comparison in international competitive bidding for goods to be imported so that in the evaluation and comparison of bids:

- (i) bidders should be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically manufactured goods;
- (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically supplied goods, should be excluded; and
- (iii) the cost to the recipient of inland freight and other expenditures incidental to the delivery of goods to the place of their use and/or of their installation should be included.

However, in accordance with the policy of OFID, the recipient may grant a margin of preference to manufacturers in his own country and in other developing countries when comparing domestic with foreign bids subject to the conditions specified below.

All bidding documents for the procurement of goods shall clearly indicate the preference which will be granted, the information required to establish the eligibility of a bid for such preference, and the methods and stages that will be followed in the evaluation and comparison of bids.

In case the recipient agrees to the application of preferences for local contractors and contractors from developing countries, after evaluation, responsive bids will be classified in one of the following four groups:

- 1) Group A: bids offering domestic goods if the bidder shall have established to the satisfaction of the recipient and OFID that the manufacturing cost of such goods includes a domestic value added equal to at least 20% of the ex-factory bid price of such goods.
- 2) Group B: all other domestic bids.
- 3) Group C: bids offering goods manufactured in other developing countries.
- 4) Group D: bids offering goods not included under A, B or C above.

All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest

* Applicable only when procurement is through international competitive bidding.

evaluated bid of each group. The lowest evaluated bid of each group shall then be compared with each other. If, as a result of this comparison, a bid from Group A is the lowest, or is higher than the lower bid in Group B by a margin of not more than 2.5%, it shall be selected for the award.

If Group B includes the lowest bid which is lower than the lowest bid in Group A by more than 2.5%, then Group B bid shall be selected.

If the lowest bid is a bid from Group C or Group D, all Group C and Group D bids shall be further compared with the lowest evaluated bid from Group A and B after allowing for the above mentioned margin. For the purpose of this further comparison, the following amount shall be added to the evaluated bid price of the imported goods offered in each Group C and Group D bid:

- (i) an amount equal to the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in each Group C and Group D bid; or
- (ii) 7.5% of the c.i.f. price of the goods in Group C and 15% of the c.i.f. bid price of the goods in Group D if the custom duties and taxes exceed 7.5% and 15% of the c.i.f. price of such respective goods.

If a Group A or Group B bid in such further comparison is lowest or is equal to a bid from other Groups, it shall be selected for the award; if not, the lowest evaluated bid from Group C or Group D, as the case may be, shall be selected.

6.2 Preference for domestic civil works contractors

For civil works, a margin of preference up to 10% for domestic contractors and up to 5% for contractors from other developing countries will be accepted at the request of the recipient country under the conditions to be agreed with OFID.

7. Review of bidding documents, procedures and contracts by OFID

The loan agreement with the recipient will specify which of the pre- or post-award review of bidding documents and procedures by OFID described hereunder shall apply in respect of the different categories of goods and works to be financed out of the proceeds of the financial assistance.

Where bidding documents are to be reviewed by OFID prior to invitation to bid, the following procedures shall apply:

- a) Before bids are invited, the recipient shall furnish to OFID, for its comments, the text of the invitation to bid and the specifications, other bidding and draft contract documents for the civil works, supply of goods, or installation of equipment, as the case may be, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as OFID shall reasonably request. Any further modification to the bidding documents shall require OFID's concurrence before being issued to the prospective bidders. If OFID requests a copy of the text of the invitation to bid, it should be furnished to it (OFID) at least 30 days before the bidding documents are expected to become available.
- b) After bids have been evaluated, the recipient shall, before a final decision on the award is made, furnish to OFID in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the recommendation for award and such other information as OFID shall reasonably request.
- c) The terms and conditions of the contract shall not, without OFID's concurrence, materially differ from those on which bids were invited.

In the event that prior review of the bidding documents is not required by OFID, the recipient shall furnish to OFID, promptly after the signature of the contract, and before the first application for withdrawal of funds, a report on the evaluation and comparison of bids, recommendations for contract award, as well as two certified or conformed copies of the contract and such other information as OFID may reasonably request.

If OFID determines that the intended award (in the case of prior review under a), b) and c) above) or the actual award (in the case of subsequent review) was not consistent with the terms of its agreement with the recipient, it will promptly inform the recipient of its determination and state the reasons therefore and, without limiting any remedy of OFID under its agreement with the recipient, the contract will not be eligible for financing by OFID.

8. Use of consultants by OFID and recipients

Two different types of consultancy services can be envisaged in OFID's work:

- a) **To supplement OFID's own staff.** Given the desire to keep OFID's staff as small as possible, use of outside consultants and experts may be required occasionally to supplement OFID's own staff in carrying out specific tasks. For the most part, these consultants will be involved in the work connected with project identification and project preparation. When OFID uses consultants in such cases, they are selected and engaged by OFID. The primary consideration in the selection will be the suitability of the qualifications of the various candidates for the job to be done. Every effort will be made to use consultants from developing countries whenever possible.

Whenever the need for OFID to employ a firm of consultants arises, it (OFID) would obtain the names of a number of qualified firms from its own roster and if need be from the roster of similar agencies and select a suitable firm, keeping in view the relevant experience of the firm, the quality of the staff proposed and the cost.

- b) **Hiring of consultants by recipients under financing provided by OFID.** In this type of consultancy, it is the recipient who is primarily responsible for the selection of consultants and for finalizing the necessary contractual arrangements. As the financing institution, however, OFID would wish to ensure that both the procedure followed and the final selection were satisfactory. To this effect, the following guidelines will be followed:

- (i) **Eligibility and preparation of "short lists".** The "short lists" of firms for a particular assignment will be compiled by OFID or the recipient as appropriate using various sources of information. OFID's own files will be a major source but recipients may also obtain information from associations of consulting firms. If the recipient prepares the short list it would be given to OFID for comment and vice-versa. Five to seven firms will be normally selected, not only according to capability but also with a view to ensuring the possible participation of firms from developing countries.

- (ii) **Pricing of proposals.** As a general rule, consultants will submit technical proposals and price details in separate envelopes. The envelope containing the price quotation submitted by the best rated consultant (based on the technical proposal) is opened and if found reasonable is then used as a basis for contract negotiations. On the other hand, if the price quotation is unreasonable or if no agreement is reached with the first ranked consultant, the price quotation of the second one is opened; the procedure will be repeated until a satisfactory agree-

ment is reached. However, OFID may authorize departures from this method when justified, for example, in case two or more consultants are initially rated as equal on technical grounds, the contract will be concluded with the one offering a lower price.

(iii) Use of domestic consultants and consultants from other developing countries.

(1) OFID shall pay particular regard to the need to foster the growth of consultancy talents in developing countries, where such consultants are found to be qualified to perform the work.

(2) Consulting firms from developed countries which have been invited to submit proposals for a particular assignment, will be encouraged to collaborate with domestic consultants or consultants from other developing countries who are capable of providing part of the services required. In cases where all other factors affecting evaluation are rated equal, preference will be given, in the evaluation of proposals, to firms proposing such a collaboration arrangement, as well as to domestic consultants or consultants from other developing countries who alone have submitted proposals.

(iv) Method of selection of consultants. When recipients employ consultants, OFID's general rule will be to leave to the recipients the responsibility for selection, administration and supervision of the consultants. Recipients will be clearly informed that the choice is theirs and that OFID's responsibility is only to provide guidance in accordance with the general policies outlined in these guidelines, to determine whether the proposed consultants are qualified for the job and to ensure that the consultant's conditions of employment are satisfactory.



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