Project Implementation: Procurement & Contract Management
We would like to acknowledge the contribution of the Programme Management Department in the preparation of this presentation that will introduce some concepts and guiding principles for Procurement & Contract Management.

For more information on the topic please refer to the supervision training material of February 2012.
What are IFAD’s role and responsibility in procurement for projects?

What are the tasks involved in procurement supervision?

How is procurement supervision conducted?

How are contracts managed?
Purchasing goods, services and works (procurement) is a critical element of project implementation...

- Inefficient or ineffective procurement may have serious consequences:
  - expected project results and impacts not achieved
  - delays in project implementation
  - higher cost of implementation

- Procurement is a sensitive activity:
  *can be conducive to corruption and fraud*
  - complexity of certain procurement actions
  - combined use of national & IFAD regulations / guidelines
Different methods (ranging from International Competitive Bidding to Direct Contracting) are used for the different categories of procurement depending on nature, amount and other criteria - guiding principle being economy and efficiency.
Formation of Bid Evaluation Committee; N-O by IFAD

Prepare Specifications and tender documents (Advertisement/ ITBs/ RFPs/ RFQs as applicable) and No-Objection (if required)

Bid Evaluation and draft contract
IFAD Prior Review and No-Objection (if required)

Contract Award to best evaluated bid

Key

ITB – Invitation to Bid

RFP – Request for Proposal

RFQ – Request for Quotation

Project Implementation: Procurement Tendering Process
Project Implementation: Procurement
Common Procurement Methods

- **International Competitive Bidding (ICB):** for high value requirements (1)
  
  ✓ Advertise in widely circulated newspapers, local representatives, Embassies, UN Development Forum
  ✓ Pre-qualification
  ✓ Public bid opening
  ✓ Bid evaluation based on point scoring system (technical + financial)

- **National Competitive Bidding (NCB):** for public procurement in Borrower’s country (2)
  
  ✓ Advertise in local newspapers (note: foreign suppliers may bid)
  ✓ Same
  ✓ Same
  ✓ Same
### International Shopping (3):
- Short-list at least three reputable suppliers in at least two member countries of IFAD
- Issue ITB to the short-listed suppliers
- Receive bids in original form (not faxed)
- Bid evaluation based on lowest cost for compliant offers
- Sign contract

### Local Shopping (4):
- Prepare specifications and request for quotations
- Short-list at least three reputable suppliers
- Issue request for quotations to the short-listed suppliers
- Same
- Same
- Same
**Direct Contracting (5):**

- Extension of/ addition to an existing contract
- Standardisation of goods with existing project assets

*Note: Competitive process is not required*
### Project Implementation: Procurement Goods & Works vs. Consulting Services

#### Difference Between Procuring Goods and Works and Selecting Consulting Services

<table>
<thead>
<tr>
<th>GOODS, WORKS AND TECHNICAL SERVICES</th>
<th>CONSULTING SERVICES</th>
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<tbody>
<tr>
<td>Product based</td>
<td>Knowledge based</td>
</tr>
<tr>
<td>Open competition</td>
<td>Selective competition</td>
</tr>
<tr>
<td>Public bid opening</td>
<td>Non-public bid opening of technical offers</td>
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<tr>
<td></td>
<td>Public opening of financial proposals</td>
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<tr>
<td>Price is a major factor</td>
<td>Quality is a major factor</td>
</tr>
<tr>
<td>Detailed specification</td>
<td>Terms of Reference</td>
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<td></td>
<td>(general work program)</td>
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<tr>
<td>Single-stage procedure</td>
<td>Two-stage procedure</td>
</tr>
<tr>
<td>Negotiations rarely</td>
<td>Negotiations usual</td>
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</table>
Procurement rules and procedures applicable to a particular project come from different sources:

- national procurement rules and regulations
- IFAD Procurement Guidelines
- project appraisal report
- loan agreement

Applicable rules, methods and procedures are specified in the Letter to the Borrower, as well as IFAD procurement review requirements
**Project Implementation: Procurement**

**Role of Borrower/PMU in Procurement**

PMU has overall responsibility for Procurement

- Procurement planning (in line with project objectives and AWPB)
- Preparation and issuance of bidding documents and invitation to bid
- Opening and evaluation of offers
- Negotiation, award and signature of contract
- Monitoring of contract execution (technical and financial/administrative)
- Delivery of goods/works/services
- Payment
IFAD’s Fiduciary responsibility:

- Proper use of loan funds: IFAD must ensure loan proceeds are used only for intended purpose: while FM responsibilities lie with CFS-Finance Officers, procurement related activities are in PMD, specifically CPM and Support Staff.

- Economy and efficiency requirements in project implementation in general and procurement in particular: IFAD must ensure contract awards result from a competitive process.

- IFAD must ensure equity, integrity, transparency and good governance in procurement process.

- Concept of “no objection”
CPM must ensure:

- **coherence of procurement actions** with project objectives, AWPB and procurement plan, and timing within project implementation period

- **funds availability**: cost of procurement must not exceed funds allocated in loan agreement and annual budget

- **transparency and equity**: procurement must be conducted in compliance with applicable rules and procedures

- **best value for money**: procurement must be the result of a competitive process

  ➢ **IFAD staff must maintain neutrality and impartiality**

  ➢ **Flexibility is a must – but know rules and regulations**
• A complete financial and administrative procedures manual (Implementation/ Operations Manual)

• A well-prepared start-up workshop with a technical session

  *The technical session should include discussions about the importance of quality submissions, frequent causes of delays, timing issues ...*

• A ‘procurement plan’ summarizing procurement methods, applicable rules and prior review requirements as provided in the financing agreement
• Assessment of procurement capacity at the national/project level

• Training of relevant PMU and national partners in all aspects of procurement

• Procurement expertise at national/project level (complemented by on-going capacity building)

• Procurement expertise at IFAD level (procurement specialist to assist CPM in supervision)
Under the responsibility of the CPM
(assisted by a procurement expert)

Prior review procedures:
HQ supervision reviews:
✓ Procurement plans
✓ Pre-qualification of bidders
✓ Bidding documents
✓ Procurement progress reports
✓ No objection as required

Ex-post review procedures:
- As part of the review of WA’s
- Field supervision (during supervision missions)
✓ Review of procurement progress and processes (technical, financial/administrative)
✓ Identification of issues and constraints
✓ Coaching of national and/or PMU staff
✓ Issuance of recommendations for improvement
I. Review of pre-qualification of bidders
(for large/complex works or expected significant time/cost savings => need advanced procurement skills)

Prior to issuance of invitations to pre-qualify, IFAD reviews:
✓ draft advertisement and invitation to pre-qualify
✓ draft pre-qualification documents, including pre-qualification questionnaire and evaluation criteria and methodology

After borrower’s evaluation of bidders’ submissions, IFAD reviews:
✓ draft evaluation report
✓ list of pre-qualified bidders and statement of their qualifications
✓ reasons for excluding any applicant from pre-qualification
II. Review of procurement of goods and works

Prior to issuance of invitations to bid, IFAD reviews:

- conformity of procurement with applicable rules/procedures, approved AWPB/procurement plan and funds availability
- draft bidding documents, including invitation to bid, instructions to bidders, technical specifications, evaluation criteria, contractual conditions
- proposed composition of the bid evaluation committee (for comments)

After borrower’s evaluation of bidders’ submissions, IFAD reviews:

- minutes of public bid opening
- bid evaluation report, including evaluation and comparison of bids and award recommendation
- evidence of individual evaluations by each committee member
- draft contract
III. Review of procurement of consulting services

Prior to issuance of request for proposal (RFP), IFAD reviews:
- conformity of procurement with applicable rules/procedures, approved AWPB/procurement plan and funds availability
- draft RFP, including instructions to consultants, terms of reference, selection method and evaluation criteria, shortlist of consultants, cost estimate, contractual conditions

After borrower’s evaluation of technical proposals, IFAD reviews:
- technical evaluation report, including description of the process, summary of scores and award recommendation
- technical scores/ranking given to each consultant on each evaluation criterion
- scores given by each evaluation committee member
- copy of proposals, if requested by IFAD
III. Review of procurement of consulting services using the following methods:

- Quality and cost-based selection
- Selection under a fixed budget
- Least-cost selection

After borrower’s evaluation of financial proposals, IFAD reviews:

- minutes of public bid opening
- account of adjustments made to prices of the proposals and determination of the evaluated price
- final evaluation report and award recommendation

(The above review step is not applicable for quality-based selection, selection based on consultants’ qualifications, single source selection or individual consultant selection)

In all cases, IFAD reviews and provides No-Objection to the negotiated draft contract
## EVALUATION CRITERION: POINTS

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Points</th>
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<tbody>
<tr>
<td>Consultants / firms specific experience</td>
<td>5 - 10</td>
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<tr>
<td>Methodology</td>
<td>20 - 50</td>
</tr>
<tr>
<td>Key personnel (general qualifications adequacy for the assignment)</td>
<td>30 - 60</td>
</tr>
<tr>
<td>Transfer of knowledge</td>
<td>0 - 10</td>
</tr>
<tr>
<td>Participation by nationals</td>
<td>0 - 10</td>
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</tbody>
</table>

**TOTAL**

100

- *Could be divided into sub-criteria, but should be kept to the essential*
- *For training - high points on key Personnel*
- *Points may be adjusted for specific circumstances*
At HQ

Post-award review of procurement actions as part of the withdrawal applications approval process

- Documents submitted by PMU must include bidding documents, evaluation reports, award recommendations, signed contracts and updated contract record

- IFAD reviews conformity of procurement with applicable rules/procedures, project objectives, approved AWPB/procurement plan and funds availability
During IFAD supervision/Implementation support missions

Post-award review of procurement actions based on selection of a sample of transactions

- PMU makes available to the supervision review team all procurement and payments files, updated contract record and individual contract monitoring forms

- Focus of supervision mission review is conformity of procurement with applicable rules/procedures, project objectives, approved AWPB/procurement plan, and funds availability
The IFAD supervision/Implementation mission team also:

- assesses the physical and financial progress of procurement actions and the quality of final products (through site visits for works, review of consultants’ reports, review of the contract monitoring forms, etc.)
- identifies procurement issues and constraints
- briefs/coaches borrower and/or PMU staff on procurement issues
- issues recommendations for improvement (e.g. training of staff, fielding of implementation support missions, streamlining of workflows, ...)

Project Implementation: Procurement Ex-Post Review Procedures (3)
Lack of procurement plan or inadequate/incomplete procurement plan

Poorly designed and/or unrealistic AWPB

Imprecise and ambiguous terms or documents for the bid evaluation method and selection criteria

Absence of confidentiality at various stages of the bid evaluation process and/or selection of winning bid

Failure to justify rejection of bids or non-selection of a competitive bid

Political interference in the procurement process

Corruption, fraud, conflicts of interest and miss-procurement
Project Implementation: Procurement
How to avoid delays in procurement (2)

✓ Poor qualification of evaluation committee members

✓ Lack of procurement capacity at borrower and/or project level

✓ Poor understanding of IFAD procedures at borrower and/or project level

✓ Confusion between national procedures and IFAD guidelines/loan agreement procedures

✓ Cumbersome procedures and bureaucracy for approval of procurement documents at borrower level

✓ Long delays in issuance of no-objections by IFAD

✓ Long response time by IFAD to queries from PMU
Several source documents for monitoring procurement . . .

- AWPB and updated procurement plan
- Results of prior reviews and ex-post reviews at HQ
- Supervision mission reports
- Progress reports

Based on monitoring results, follow-up on issues and problems identified
Project Implementation: Procurement

Procurement in Project Completion Process

• To ensure that all goods are delivered/works completed/services rendered by the project completion date:
  ✓ Closely review and monitor the final procurement plan and progress reports during the last year of the project
  ✓ Take measures to facilitate completion of physical execution of contracts
  ✓ Cancel contracts that cannot be executed within the completion date

• Ensure that only contracts executed by project completion date are paid

• Ensure that procurement files are complete and obtain missing documents from project

• Report on lessons learned and make recommendations for future projects
• **Introduction**

  ➤ **Contract contents** – all pertinent deliverables, timing, deadlines, results-oriented reporting & expected outcomes, with measurable indicators

  ➤ **Contract management** – monitoring & supervision is crucial

  ➤ **Contract execution** – procurement is complete only when contracted product of satisfactory quality is delivered at appointed time
Project implementation: Contract Management

Five Stages of Contract Management

- Monitoring & Control of performance
- Change Management
- Dispute Resolution
- Financial Management & Payment
- Contract Administration
Project implementation: Contract Management
Monitoring & Control of Contract Performance (1)

- Establishment of Contracts Register
- Establishment of Contract Monitoring Register
- Establishment of Individual Contract Monitoring Sheet
- Establishment of Contract Monitoring Form

Key tip

Contract management Guidelines - Service provider
Key Indicators

Consulting Services
- Timely delivery of key outputs
- Responsiveness to reasonable requests
- The quality of services provided

Goods
- The timeliness of delivery
- Quantity delivered
- Compliance with specifications

Works
- Timeliness of each stage of the works
- Compliance with the bill of works
- The quality of the works
Tips

- indicate actual delivery date of goods/ works/ services (or agreed milestones)
- written reminders to contractors/ consultants where there is a default (including penalties)
- file response from contractors/ consultants
- record agreed changes in delivery dates & penalties exacted

Inspection

As necessary, especially for works, it is necessary to ensure that qualified independent oversight is provided to ensure that works are constructed according to industry standards
<table>
<thead>
<tr>
<th>Service</th>
<th><strong>written confirmation</strong> that the required services have been delivered on time &amp; of an <strong>acceptable quality</strong></th>
</tr>
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<tbody>
<tr>
<td>Goods</td>
<td>completion of the <strong>Receipt and Inspection Report (RIR)</strong>. It may be necessary for the supply of goods to ensure that suitably qualified staff or consultants are involved in the RIR</td>
</tr>
<tr>
<td>Works</td>
<td><strong>engineer’s report</strong> that timely construction of acceptable standard has been completed</td>
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</tbody>
</table>
Project implementation: Contract Management

- Includes avoiding unnecessary changes as well as incorporating necessary changes into contract.

- It is important to ensure necessary prior approval is obtained including a no objection from IFAD if the value of cumulative change exceeds 15% of contract value.
Project implementation: Contract Management

Remedies

Termination
- seek legal advice
- determine if **liquidated damages** should apply in accordance with contract

Dispute resolution
- negotiation
- arbitration
Payments need to be made in line with the contract terms (normally within 30 days of submission of a valid invoice)

It is important to maintain an expected payment schedule as part milestone of the Contract Monitoring Register to ensure that there is sufficient liquidity in the Special Designated Account or to promptly process request for direct payment

Delayed payments negatively affect the cost of future contracts – where delayed payments are a regular feature, suppliers & contractors build in margins to cover anticipated delays in payment or refuse to tender
Where required these should be provided by the supplier/contractor in a timely manner. These should be returned within 30 days of final acceptance (contract completion as per contract terms), including any warranty or maintenance period.
Procurement Staff with necessary technical support should verify:

- All products/services have been provided
- Documentation in the contract file shows receipt & formal acceptance of all contract terms
- There are no claims or investigations pending
- Any property provided by the Project is returned & discrepancies resolved
- All actions regarding contract amendments have been attended to
- All sub-contracting issues have been attended to
- Warranty matters are resolved and defect period elapsed
- Any necessary audit has been satisfactorily finalised
- The final invoice has been submitted & paid