

Project Procurement Guidelines

- **These Procurement Guidelines were adopted by the Executive Board of IFAD at its 128th Session in December 2019*.**

* In this document, the generic masculine is used for conciseness purposes only: it applies to both women and men.

TABLE OF CONTENTS

Definitions	4
I INTRODUCTION	4
A. Background	4
B. Purpose	5
C. Applicability	5
II PROCUREMENT PRINCIPLES	6
A. Ethics	6
B. Accountability	6
C. Competition	7
D. Fairness	7
E. Transparency	7
F. Efficiency, effectiveness and economy	8
G. Best value for money	8
III PROCUREMENT ARRANGEMENTS	9
A. Borrower/recipient obligations	9
B. Use of national procurement systems	9
C. Procurement planning	9
D. Eligibility	10
E. Domestic preferences	10
F. Procurement involving community participation	10
a) Provider of goods, works or services directly to the project	11
b) Implementing agency undertaking procurement for the project	11
G. IFAD monitoring and review	12
H. Misprocurement	12
I. Fraud and corruption	12
J. Sexual harassment, sexual exploitation and abuse	12
K. Dispute resolutions	13
L. References to IFAD	13

Definitions

The following terms have the following meanings whenever used in these Guidelines:

“Borrower/Recipient” means the party designated as receiving a loan or grant from IFAD in a financing agreement or other applicable agreement.

“Community” refers to individuals or groups of project beneficiaries, groups with no legal status, associations or groups with legal status but without separate legal personality as a group, small-scale artisans and other small commercial organizations and guilds, and small local-level organizations that support rural agricultural and social activities. In such cases, “community” may participate as procurement agent, implementing agency, contractor or supplier of goods, works and related services to project activities.

“The Fund” or “IFAD” means the International Fund for Agricultural Development.

“Goods” means tangible items or equipment.

“IFAD-financed operations” mean IFAD-funded or -managed projects or programmes (including those supported by supplementary funds).

“Procurement process” means the entire procurement cycle starting from the identification of need throughout the entirety of the contract, its implementation and administration.

“Procurement Handbook”, as revised from time to time, provides detailed guidance for Borrowers/Recipients on the procurement process.

“Project/programme” means the agricultural development operation described in a financing agreement subject to the General Conditions.

“Project procurement activities” include the undertakings carried out by Borrowers/ Recipients in the procurement of works, goods and services during the execution of IFAD-managed projects and programmes.

“Procuring entity” or “implementing agencies” means the party designated in the financing agreement by the Borrower/Recipient as responsible for implementing and managing a project or programme. It refers equally to the procuring entity, lead implementing agency, project coordination unit and project implementation unit.

“Services” comprise consulting and non-consulting services.

“Supervision” means implementation support and administration of financing in line with IFAD’s Supervision and Implementation Support Policy.

“Works” refer to civil works such as construction, reconstruction, rehabilitation and renovation.

I INTRODUCTION

A. Background

1. Article 7, section 2(j) of the Agreement Establishing IFAD provides that the Executive Board shall adopt suitable regulations for procuring goods and services to be financed from the Fund’s resources.
2. IFAD’s General Conditions state that: “Procurement of goods, works and services financed from the resources of the Fund shall be carried out in accordance with the provisions of the Borrower/Recipient’s procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each procurement plan shall identify procedures which must be

implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines.”

3. As a development finance institution with a commitment to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, the Fund works through national procurement systems whenever possible to implement IFAD-financed operations. The preference for utilizing national systems in project procurement activities is similar to the standard practice in other systems such as public financial management and monitoring and evaluation. By prioritizing national procurement, IFAD contributes to strengthening national systems.
4. The use of Borrowers’/Recipients’ national procurement systems is subject to verification by IFAD that these regulations:
 - (i) Are in line with internationally accepted practices for public procurement;
 - (ii) Incorporate the basic principles of procurement and support the development of national procurement capacity; and
 - (iii) Are complied with during implementation, along with national legal and regulatory requirements on procurement.
5. IFAD will take an active role in assessing and monitoring national procurement regulations and procedures to ensure that they are consistent with these revised Guidelines. In supervising project procurement, the Fund will ensure that its procurement process conforms to applicable national procurement systems.
6. IFAD has adopted a risk-based procurement approach for operations it supports, and will use evidence-based assessment of procurement risks across country and project-specific dimensions of procurement. For both country and project assessments, a procurement risk matrix will be used to identify and assess risks, and define a strategy for mitigating these risks. This approach serves to: address risks in project procurement; set procurement thresholds and supervision arrangements; and assess capacity-building requirements for projects.
7. In cases where IFAD deems that a Borrower’s/Recipient’s national procurement system is not fully in line with these Guidelines, alternative provisions for procurement will apply as provided for in the Procurement Handbook. This will be documented in IFAD’s systems.

B. Purpose

8. These Guidelines set out the general principles and standards for IFAD’s Borrowers/Recipients to adhere to when undertaking the procurement of goods, works and services¹ for IFAD-financed operations.
9. For harmonization purposes, these Guidelines have been closely aligned with international procurement principles and operating procedures, and the procurement policies and standards of other development financing institutions. They have also taken into account the size and specialized nature of IFAD’s operations, and the Fund’s unique mandate.
10. These Guidelines are not designed to provide detailed operational procedures for undertaking project procurement activities. Such procedures are contained in the Procurement Handbook, which is available for use by IFAD staff and Borrowers/Recipients on IFAD’s website (www.ifad.org). In the event of any inconsistencies, these Guidelines shall prevail.

C. Applicability

11. These Guidelines apply to any project procurement activity undertaken by a Borrower/Recipient when procuring goods, works or services for any IFAD-financed operation, and when the applicable agreement provides for this.²
12. When a cooperating institution (whether or not a cofinancer) in an IFAD-financed operation with established project procurement guidelines assumes responsibility for project supervision on

¹ This includes both consultancy and non-consultancy services.

² In cofinanced projects when the cofinancer does not have its own project procurement guidelines and the cofinancing is administered by IFAD, the Fund’s project procurement guidelines may apply.

behalf of IFAD, the project procurement guidelines of this institution will apply unless otherwise agreed with IFAD.

II PROCUREMENT PRINCIPLES

A. Ethics

13. The guiding principles of ethical behaviour are impartiality, independence and integrity.
14. No person or entity shall use, or attempt to use, his, her or its authority, position or office for personal gain or interest, which is defined as soliciting, accepting or otherwise benefiting from anything of material value in any form,³ either in person or indirectly through close relatives or associates, in connection with IFAD financed operations.
15. Officials of the Borrower/Recipient engaged in any project procurement activity have a duty to enhance the reputation of the Borrower/Recipient by:
 - (i) Maintaining the highest standards of honesty and integrity in all professional relationships;
 - (ii) Developing the highest standards of professional ethics;
 - (iii) Maximizing the use of IFAD financing and other resources for the purposes for which they were provided to the Borrower/Recipient country;
 - (iv) Providing information in the course of their duties that shall be true, fair and not designed to mislead; and
 - (v) Complying with both the letter and the spirit of:
 - The financing agreement;
 - The laws and regulations of the Borrower/Recipient country;
 - Professional ethics; and
 - Contractual obligations.
16. The Borrower/Recipient must declare any actual, perceived or potential personal interest that may affect, or might reasonably be perceived by others to affect, impartiality in any matter relevant to their duties (conflict of interest). In a situation of this nature, the official concerned should not participate in any way in the procurement process to avoid adverse measures, including misprocurement.
17. The Borrower/Recipient must respect the confidentiality of information gained in the course of duty and not use this information for personal gain or for the unfair benefit of any third party, including any bidder, supplier or contractor.

B. Accountability

18. The Borrower/Recipient is accountable to IFAD for all actions and decisions in connection with project procurement activities. This includes, but is not limited to ensuring:
 - (i) That financing is used solely for the purpose for which it was provided;
 - (ii) That procurement is undertaken in accordance with these Guidelines; and
 - (iii) Full compliance with the Social, Environmental and Climate Assessment Procedures.⁴

³ This includes, but is not restricted to, gifts, services, favours and hospitality.

⁴ For the full document visit the IFAD website: www.ifad.org.

C. Competition

19. All project procurement activities shall be based on full, fair and legitimate competition among eligible suppliers and contractors.
20. Competition for the procurement of goods, works and services is normally sought through a competitive bidding process, which should be conducted through an agreed⁵ procurement method involving at least three separate⁶ suppliers or contractors, if this is not attainable a justification should be provided and approved by IFAD.
21. For purposes of efficiency and practicality, low-value contracts for goods, works or services should not be advertised internationally. The procurement plan must outline the approved procurement method, including the degree of competition required for each procurement activity.
22. The Borrower/Recipient must promote competition throughout the procurement process and may be required to provide evidence of:
 - (i) Fair and genuine competition in the compilation of shortlists and solicitation of bids; and
 - (ii) The effectiveness of competition during the entire process.
23. Single sourcing and direct contracting do not provide the degree of competition required by IFAD and will be considered only in exceptional circumstances⁷ pursuant to procurement plans.

D. Fairness

24. Project-funded procurement will be open to as many eligible bidders as reasonable in order to comply with the principles and requirements of competition.
25. The Borrower/Recipient must ensure that all prospective bidders are:
 - (i) Managed with a consistent approach and under the same laws, regulations and requirements;
 - (ii) Offered conditions that allow for genuine competition; and
 - (iii) Treated in a fair, impartial and unbiased manner so that the principles of impartiality and equal opportunity can be applied and demonstrated in all procurement activities.
26. Striving for fairness in its procurement operations, IFAD will not tolerate exclusion, discrimination, bias, prejudice, favouritism or unequal treatment of any potential supplier or contractor, either directly or indirectly, through manipulation of any part of the procurement process, including (but not limited to) the preparation of technical specifications, evaluation criteria or bidding requirements. Where any such activity is suspected or proven, IFAD reserves the right to take any preventive, corrective or remedial action allowed under IFAD's legal and operational framework, as it considers appropriate.
27. The Fund will seek to address, in consultation with the Borrower/Recipient, any impositions that may deter or impinge on the attainment of fairness throughout the procurement process.

E. Transparency

28. The highest degree of transparency and openness will be applied in all IFAD procurement processes. A lack of transparency will be perceived as an attempt to withhold information, which in turn may compromise the fairness and integrity of the procurement process.
29. Transparency within procurement relates to disclosure in the public domain of information for all parties involved, interested in or affected by the procurement process, including but not limited to information on:

⁵ "Agreed" refers to the use of a recognized procurement method approved in the procurement plan.

⁶ In this context, "separate" means that the suppliers or contractors must: (i) all have separate ownership; (ii) not have any affiliation, connection, association or attachment with each other that may be deemed to compromise the principle of competition; and (iii) have no common shareholders or directors.

⁷ Conditions for applying single source/direct contracting are defined in the Procurement Handbook.

- (i) The availability of procurement opportunities;
 - (ii) Where to access relevant data;
 - (iii) The processes with which the procurement will be undertaken;
 - (iv) The mechanisms by which contracts will be awarded;
 - (v) Contract award data; and
 - (vi) Appeal procedures (debriefs and protests).
30. Modes of disseminating this information will depend on the nature of the data, but will generally comprise government websites, public noticeboards and media, and the procurement documentation relevant to individual procurement activities (e.g. bid notices and bidding documents).
31. At all times, Borrowers/Recipients will be required to carry out the procurement process openly, predictably and in accordance with the information provided.

F. Efficiency, effectiveness and economy

32. The Borrower/Recipient will be required to demonstrate efficiency and economy regarding the implementation of project procurement activities in order to avoid implementation delays and to maximize value for money.
33. Procurement must be well organized and carried out correctly with regard to quantity, quality and timeliness, at an optimum price.
34. Processes must be proportionate to the procurement activity in order to minimize the overall cost of conducting the procurement process, and tailored to the budget for each activity.
35. Efficiencies can be gained through a combination of procurement methods.

G. Best value for money

36. Every Borrower/Recipient should seek to obtain the best value for money for all project procurement activities by:
- (i) Applying sound, internationally recognized procurement principles;
 - (ii) Ensuring that the goods, works or services procured meet the requirements of the activity;
 - (iii) Ensuring that the goods, works or services are contracted on the best possible terms, taking into account their expected life cycle; and
 - (iv) Ensuring that the provider of the goods, works or services is qualified, legally entitled and competent to enter into and execute the contract.
37. Ensuring best value does not necessarily entail the selection of the lowest-priced bid, but rather the best return on investment, taking into consideration the unique circumstances of each procurement activity, the time, cost and quality required, and the unique objectives of each contract.

III PROCUREMENT ARRANGEMENTS

A. Borrower/recipient obligations

38. The Borrower/Recipient must:
 - (i) Take full responsibility for the implementation of project procurement activities; and
 - (ii) Undertake all project-related procurement in accordance with applicable rules, policies, procedures, principles and standards.
39. IFAD's review of procurement procedures, documents, evaluations and award recommendations as part of project supervision shall in no way exempt any Borrower/Recipient from any obligations.
40. In cases where IFAD deems that a Borrower's/Recipient's procurement system is either partly or wholly not in line with these Guidelines, alternative provisions for procurement will apply, as provided for in the Procurement Handbook. The Borrower/Recipient must comply with these alternative provisions.
41. Used for all project procurement activities, the Procurement Handbook outlines the various methods that may be used for procuring goods, works and services. These procurement methods include international competitive bidding, limited international bidding, national competitive bidding, national or international shopping, and direct contracting. The Procurement Handbook provides the Borrower/Recipient with procurement templates and standard bidding documents that may be used in its project procurement activities. It supports the procurement principles set forth in these Guidelines.

B. Use of national procurement systems

42. In line with the General Conditions, procurement of goods, works and services for IFAD-financed projects shall be carried out according to the Borrower's/Recipient's procurement regulations to the extent that they are consistent with these Guidelines. When applicable, each procurement plan should identify the procedures and methods that must be implemented by the Borrower/Recipient in order to ensure consistency with these Guidelines.
43. IFAD will decide whether the Borrower's/Recipient's national procurement system can be used in its entirety, in part or not at all. This decision will be communicated to the Borrower/Recipient and reflected in the project design documents.
44. When procurement methods or practices within countries' legal and regulatory frameworks are not in line with IFAD's requirements and considered unsuitable for use, or when any other aspect of national procurement systems are found to be not in line with these Guidelines (and therefore considered unsuitable for use in project procurement), IFAD and the Borrower/Recipient will identify procedures and methods applicable to the project procurement activities. IFAD aims to foster Borrowers'/Recipients' national procurement systems by using internationally recognized public procurement standards that are clearly documented in the Procurement Handbook, which will be made available to each Borrower/Recipient.

C. Procurement planning

45. Accurate and realistic planning and prioritization of needs are essential for effective procurement and critical for monitoring project implementation.
46. Each Borrower/Recipient, in consultation with IFAD, must establish an 18-month procurement plan, which must include:
 - (i) A brief description of each procurement activity to be undertaken during that period;

- (ii) The estimated value of each activity;
 - (iii) The method of procurement to be adopted for each activity; and
 - (iv) The method of review that IFAD will undertake for each activity (see section III.G of these Guidelines).
47. Borrowers/Recipients will normally use the IFAD procurement plan template provided in the Procurement Handbook. Where national procurement plan templates exist and IFAD agrees that they are suitable, these templates may be used.
 48. Borrowers/Recipients will be required to maintain procurement plans, which will be updated frequently to reflect changes in project implementation plans and timelines.
 49. IFAD's review of – and no objection to – procurement plans is compulsory for all financing subject to IFAD's General Conditions.

D. Eligibility

50. IFAD financing is disbursed for expenditures on goods, works and services produced in or supplied from the territory of any country.

E. Domestic preferences

51. Borrowers/Recipients may, on an exceptional basis and with IFAD's agreement, grant a margin of preference in the evaluation of bids for goods, works and services conducted under international competitive bidding. The methodology for applying preferences will be defined in the Procurement Handbook.
52. The conditions for applying any preference will be stipulated in the letter to the Borrower/Recipient.

F. Procurement involving community participation

53. Given the size and nature of IFAD's projects, there is a high degree of involvement with community-based procurement activities.
54. While community participation is not a distinct method of procurement, it may entail additional costs. In addition to requiring adherence to the same principles and standards set out in these Guidelines, community procurement requires a mechanism to ensure sufficient input from the community. Project designers should ensure that simple yet reliable arrangements, which adhere to these Guidelines, are in place to:
 - (i) Facilitate translation of documentation from the Borrower's/Recipient's official language to one of IFAD's official languages as may be required for audit and review;
 - (ii) Disclose documents in the project area in an accessible place and in a form understandable to communities;
 - (iii) Ensure meaningful participation of communities, fostering their consent in the development and management of activities;
 - (iv) Provide appropriate procedures for regular monitoring and audit of community procurement activities, including the retention of relevant records by project management staff and partner organizations; and
 - (v) Define the relationships, roles and responsibilities of intermediaries' involvement with the community, including a clear exit strategy for the completion of intermediary assistance; and
 - (vi) Ensure proper handover of assets.
55. The term "community participation" may entail the community playing one or more of the following roles during project implementation:

a) Provider of goods, works or services directly to the project

56. Communities are permitted to undertake works or provide goods or services to the project when:
- (i) This implementation modality is included in the project documentation; or
 - (ii) This is not a previously planned implementation modality, but it is agreed with IFAD that it represents a cost-effective and practical alternative to procuring externally. IFAD will consider factors such as fostering ownership, the sustainability of project activities, effective operation and maintenance of a project facility, and the risks and benefits of this arrangement.
57. Generally, IFAD's agreement will only be granted when it can be demonstrated that the goods, works or services have been or could be successfully provided or produced by the community.
58. As a provider, a community may act either:
- (i) On a commercial basis under contract; or
 - (ii) As part or all of the beneficiary contribution to the project.
59. In either case, the estimated financial value of the community contribution and supervision arrangements must be detailed and agreed with IFAD.

b) Implementing agency undertaking procurement for the project

60. Communities or informal groups may be brought together to act as implementing agencies in order to undertake project procurement.
61. When this is the case, their roles may include:
- (i) Competitive contracting using any of the agreed procurement methods;⁸ and
 - (ii) Supervision of a contracted provider of works, goods or services.
62. The extent to which this is permitted will be: determined on a project-by-project basis; identified in the project design or implementation manual; and clearly defined in the approved procurement plan. Factors to be considered in the assessment are defined in the Procurement Handbook.
63. When the project's beneficiary community does not have adequate institutional capacity to receive and account for funds, or reliably administer procurement, it may be necessary to introduce intermediaries to act on behalf of the community. These intermediaries may include civil-society organizations, cooperative societies, private entities or other actors.
64. Project managers must ensure that intermediaries have adequate capacity to perform their duties.
65. When civil-society organizations or other entities act as intermediaries for community groups that lack capacity, the following must be addressed in project design:
- (i) **Legal status of intermediary.** This includes regulations governing registration (with the government or local authority), experience in specific sectors, authority to receive and account for public funds, and ability to participate in the project.
 - (ii) **Selection of intermediary.** Intermediaries can be hired either through a transparent competitive process (if more than one intermediary is available) or through sole-source direct contracting (if only one functioning intermediary exists in the targeted community).
 - (iii) **Financial viability and administrative capacity.** The intermediary's primary source of funding, staffing, management, administrative capacity and accountability via independent audits should be assessed to ensure their secure handling of public funds on behalf of the project managers and community.

⁸ These procurement methods will be agreed upon by the project managers and communities.

G. IFAD monitoring and review

66. To ensure that the procurement process is carried out in conformity with these Guidelines and the agreed procurement plan, IFAD will review arrangements for the procurement of goods, works and services proposed by the Borrower/Recipient, including:
 - (i) Contract packaging;
 - (ii) Applicable procedures and procurement methods;
 - (iii) Bidding documentation;
 - (iv) The composition of bid evaluation committees;
 - (v) Bid evaluations and award recommendations; and
 - (vi) Draft contracts and amendments.
67. Each letter to the Borrower/Recipient and the procurement plan must indicate the extent to which these reviews will apply to IFAD-financed operations.

H. Misprocurement

68. IFAD will not finance expenditures for goods, works or services that have not been procured in accordance with these Guidelines and the financing agreement. In such cases, IFAD may take remedial action as outlined in the financing agreement. The issuance of a no-objection for the award of a contract shall not prevent IFAD from declaring misprocurement upon finding that the no-objection was issued on the basis of incomplete, inaccurate or misleading information, or that the contract was modified without IFAD's approval.

I. Fraud and corruption

69. IFAD requires that its own staff, the staff of Borrowers/Recipients (including beneficiaries of IFAD financing) and all bidders, suppliers, contractors and consultants that are signatories to IFAD-financed contracts observe the highest standards of ethics and integrity during the execution of procurement activities. This position is clearly stated in IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations.⁹
70. All Borrowers/Recipients shall ensure their full compliance with the Anticorruption Policy in all IFAD-financed operations.
71. Failure to comply with this policy may result in IFAD taking measures in accordance with the provisions of the Anticorruption Policy and the General Conditions.

J. Sexual harassment, sexual exploitation and abuse

72. IFAD seeks to ensure a safe working environment that is free of harassment, including sexual harassment, and sexual exploitation and abuse (SEA) in its activities and operations. These principles are stipulated in IFAD's Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse,¹⁰ which is incorporated into the General Conditions and applies to all IFAD-financed operations.
73. IFAD shall not tolerate any acts of sexual harassment or SEA in the activities it supports, and shall require timely and appropriate action from Borrowers/Recipients of IFAD funding, satisfactory to the Fund, to address allegations.
74. All Borrowers/Recipients shall ensure their full compliance with this policy in all IFAD-financed operations.

⁹ The revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations is available at www.ifad.org/anticorruption_policy.

¹⁰ The IFAD Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse is available at www.ifad.org/en/document-detail/asset/40738506.

75. Failure to comply with the policy may result in IFAD taking measures in accordance with the provisions of the Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, and the General Conditions.

K. Dispute resolutions

76. In the event of a dispute between IFAD and a Borrower/Recipient, the provisions of section 14.04 of the General Conditions will apply.
77. In the event of any dispute between the Borrower/Recipient and a bidder or contractor, the process for this dispute will be as outlined in the bidding documents, contract or national laws of the country as applicable. In these circumstances, IFAD shall not be appointed as an arbitrator or requested to appoint an arbitrator.






L. References to IFAD

78. If the Borrower/Recipient wishes to refer to IFAD in procurement documents, the Borrower/Recipient shall use the language provided for this purpose in the Procurement Handbook.

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