



## Session 11

### Procurement Issues – Make Friends with IFI’s and stick to their rules, by Stefan Enzelberger

Procurement is often the main contentious issue where the IFI and the client seriously disagree, once the loan documents are signed.

EIB and the World Bank each have a dedicated set of procurement rules which govern all aspects of the procurement process from the first publication of a procurement opportunity to the final award of contract. The aim is to ensure a competent public procurement process.

The principal hallmarks of proficient public procurement are:

- Economy;
- Efficiency;
- Fairness;
- Reliability;
- Transparency; and
- Accountability and Ethical Standards.

#### **ECONOMY**

Procurement is a purchasing activity whose purpose is to give the purchaser best value for money. For complex purchases, value may imply more than just price, since quality issues also need to be addressed. Moreover, lowest initial price may not equate to lowest cost over the operating life of the item procured. But the basic point is the same: the ultimate purpose of sound procurement is to obtain maximum value for money.

#### **EFFICIENCY**

The best public procurement is simple and swift, producing positive results without protracted delays. In addition, efficiency implies practicality, especially in terms of compatibility with the administrative resources and professional capabilities of the purchasing entity and its procurement personnel.

#### **FAIRNESS**

Good procurement is impartial, consistent, and therefore reliable. It offers all interested contractors, suppliers and consultants a level playing field on which to compete and thereby, directly expands the purchaser’s options and opportunities.



## **TRANSPARENCY**

Good procurement establishes and then maintains rules and procedures that are accessible and unambiguous. It is not only fair, but should be seen to be fair.

## **ACCOUNTABILITY AND ETHICAL STANDARDS**

Good procurement holds its practitioners responsible for enforcing and obeying the rules. It makes them subject to challenge and to sanction, if appropriate, for neglecting or bending those rules. Accountability is at once a key inducement to individual and institutional probity, a key deterrent to collusion and corruption, and a key prerequisite for procurement credibility.

A sound procurement system is one that combines all the above elements. The desired impact is to inspire the confidence and willingness-to-compete of well-qualified vendors. This directly and concretely benefits the purchasing entity and its constituents, responsive contractors and suppliers, and the donor agency providing the project finance.

The guiding principles of a sound procurement process are as follows:

- The responsibility for the award and administration of contracts under the project, rests with the borrower. However, the EIB and the World Bank ensure that their respective rules are followed.
- The entire procurement process has to be conducted in an fair, open and transparent form.
- Loan proceeds can only be used for the purposes for which the loan was granted.
- Companies from all countries of the world are eligible to tender for works, goods and services contracts (however, for the World Bank, companies have to be from one of the 184 member states).
- There is no preference for specific companies, or companies from one country (under some strict circumstances the World Bank may allow "Domestic Preference").
- Procurement has to follow International Competitive Bidding (under some strict circumstances the World Bank may allow exceptions, such as National Competitive Bidding or Shopping).
- Certain documents have to be reviewed and signed off the banks before the client can proceed to the next step.
- Project components which have not been procured according to the banks' rules will not be financed by the loan proceeds. In such cases, banks declare "misprocurement" and it is the policy of the banks to cancel that portion of the loan allocated to the goods and works that have been misprocured. Even once the contract is awarded after obtaining a "no objection" from the IFI, the bank may still declare "misprocurement" if it concludes that the "no objection" was issued on the basis of false information furnished by the borrower.

In the World Bank, the procurement process can be roughly divided into the following steps (excluding preparation of documents and reports):

- **General Procurement Notice**  
This notice, to be published in the printed and online version of United Nations Development Business contains advance information on the major procurement packages in a project being considered or having been approved for financing by the World Bank. The information is intended to alert suppliers and contractors of procurement opportunities under the project.
- **Specific Procurement Notice**



Interested companies are invited to apply for prequalification (for large contracts only) or to submit bids for a specified procurement package.

- Prequalification evaluation report / Bid evaluation report

The client, often with the help of consultants, evaluates the prequalification documents and/or the bids and submits a report, including recommendations for award of contract to the World Bank.

- Bank issues no-objection to the evaluation report

If the bank is satisfied with the content of the report it will issue its no-objection and the client can either commence the bidding stage (in case of pre-qualification), or can sign the contract.

The client needs the "no-objection" of the bank for all documents necessary during the procurement process. These documents are: General Procurement Notice, Specific Procurement Notice, prequalification documents, prequalification evaluation report, bidding documents, bid evaluation report.

Although it might seem alluring for the client to cut corners during the procurement process, these attempts will always fail and will only increase the aggravation. In addition, it never pays to annoy bank staff and any endeavour to deviate from the rules will back-fire.

# MEDITERRANEAN TRANSPORT INFRASTRUCTURE NETWORK PROJECT (MTIN)

## PROCUREMENT ISSUES - MAKE FRIENDS WITH IFIS AND STICK TO THEIR RULES

Stefan Enzelberger  
Istanbul, Turkey - May/June 2006



MEDA Transport Infrastructure Network Project



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## WHAT IS GOOD PROCUREMENT

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- Economy
  - value for money
- Efficiency
  - simple and swift
- Fairness
  - impartial, consistent
- Transparency
  - accessible and unambiguous
- Accountability and Ethical Standards
  - practitioners are responsible



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## GUIDING PRINCIPLES 1/3

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- Client is responsible
  - development banks assist with procurement
  - specialised consultants
  - role of Project Implementation Unit
- Procurement process has to be
  - fair
  - open
  - transparent



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## GUIDING PRINCIPLES 2/3

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- Loan proceeds can only be used for the purposes for which the loan was granted
  - Only minor changes in project description are possible
- All companies from all countries are eligible to tender
  - World Bank: companies from the 184 member states
- No preference for companies from one country
  - World Bank may allow "Domestic Preference"



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## GUIDING PRINCIPLES 3/3

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- procurement has to follow International Competitive Bidding
  - World Bank may allow National Competitive Bidding or Shopping
- certain documents have to be reviewed and signed off by the banks
  - Variation orders!
- banks can declare "misprocurement"
  - Project components will not be financed by banks



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## PROCUREMENT PROCESS IN WORLD BANK 1/2

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- General Procurement Notice
  - in printed and online version of United Nations Development Business
- Specific Procurement Notice
  - companies are invited to apply for prequalification or to submit bids
- Prequalification evaluation report / bid evaluation report
  - includes recommendations for prequalification/award of contract



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## PROCUREMENT PROCESS IN WORLD BANK 2/2

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- Bank issues no-objection to the evaluation report
  - Client can proceed to next step (issue bid documents or sign contract)
- Process is similar for procurement of works, goods or services
- Process can be take a long time, be patient
- Most importantly:



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## ADVICE

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**!NEVER TRY TO CUT CORNERS!**



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