



# African Development Bank

# African Development Fund

## GUIDANCE NOTE

### Procurement under the Multi-Donor Agricultural Fast Track Fund

Agriculture and Rural Development Department  
Procurement and Fiduciary Services Department



Procurement Under  
Agriculture Fast Track Fund

July 2015

## **PREFACE**

*This Guidance Note forms part of the Operations Guidelines of the Multi-Donor Agriculture Fast Track (AFT) Fund which supports the Board Memorandum Establishing the AFT<sup>1</sup>, and it also constitutes part of the Bank's Procurement Toolkit that supports implementation of the Banks' new Procurement Framework<sup>2</sup>.*

*It provides detailed explanations, examples and case studies to assist the AFT Coordination Unit, Sector Task Managers (STM), Procurement Specialists (PS), Procurement Accredited Staff, (PAS) as well as Staff of Recipients, Beneficiaries, or Grantees in executing their daily activities under the AFT Multi-Donor Trust Fund.*

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<sup>1</sup> *Establishment of a Multi-Donor Agricultural Fast Track Fund (AFT). ADB Board Document ADB/BD/WP/2013/47 and ADF/BD/WP/2013/33. Dated 24 April 2013.*

<sup>2</sup> *The Bank's Procurement Framework comprises (i) the Procurement Policy for Bank Group-Funded Operations (Procurement Policy) approved by the Boards in September 2015; (ii) the Methodology for Implementation of the Procurement Policy of the African Development Bank (Methodology); (iii) Operations Procurement Manual (OPM); and (iv) the Procurement Toolkit. This Procurement Policy replaces the Bank's two Procurement Rules, namely; (i) the Rules and Procedures for the use of Consultants; and (ii) the Rules and Procedures for Procurement of Goods and Works approved by the Boards in May 2008.*

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## **ABBREVIATIONS AND ACCRONYMS**

ADB	African Development Bank
ADF	African Development Fund
AFT	Agricultural fast Track Fund
AUFI	Audit and Finance Committee
BCPA	Bank's Country Procurement Assessment
COI	Conflict of Interest
DAM	Delegation of Authority Matrix
EU	European Union
ESRP	Environmental and Socially Responsible Procurement
FA	Financing Agreement
FCS	Fragile and Conflict-affected States
FfP	Fit-for-Purpose
FIDIC	International Federation of Engineers
F&C	Fraud and Corruption, including collusive, coercive and obstructive practices
GCC	General Conditions of Contract
ITC	Instruction to Consultants
MAPS	Methodology for Assessment of National Procurement Systems
MDBs	Multilateral Development Banks
NPM	National Procurement Methods
NPP	National Procurement Procedures
NTF	Nigeria Trust Fund
OCB	Open Competitive Bidding
OECD	Organization for Economic Cooperation and Development
OPM	Operations Procurement Manual
PAS	Procurement Accredited Staff
PCR	Project Completion Report
PPRA	Project Procurement Risk Assessment
PRC	Procurement Review Committee
PS	Procurement Specialist/ Officer
RFP	Request for Proposals
RMCs	Regional Member States
SBD	Standard Bidding Document
TA	Technical Assistance
STM	Sector Task Manager
TOR	Terms of Reference
CPS	Country Procurement Systems
UN	United Nations
UNDB	United Nations Development Business
VfM	Value for Money

## A INTRODUCTION

### Purpose

1. The purpose of this Guidance Note on Procurement of Goods and Works, and Acquisition of Consulting Services under the Multi-Donor Agriculture Fast Track (AFT) Fund, (the “Guidance Note”) is to support execution of the activities of the AFT as outlined in the Board Document establishing it<sup>3</sup> (herein referred to as the Board Memo), within the context of the Bank’s new Procurement Framework. This Framework comprises the *Procurement Policy for Bank Group Funded Operations* (the “Procurement Policy”) and the *Methodology for Implementation of the Procurement Policy of the African Development Bank* (the “Methodology”), which were approved by the Boards of Directors in September 2015.
2. This Guidance Note is designed to underpin execution of the AFT’s vision by providing detailed explanations, examples and case studies to assist, firstly, Staff of the Bank comprising the AFT Coordination Unit (CU), Sector Task Managers (STM), Procurement Specialists (PS), Procurement Accredited Staff, (PAS), as well as Staff of Recipients, Beneficiaries, or Grantees (hereinafter referred to as Recipients)<sup>4</sup>, in executing their daily activities under AFT-funded operations. Such activities include identifying, preparing, appraising and implementing, operations in support of developing and advancing a pipeline of bankable food security projects, that support Africa’s agricultural transformation agenda.

### Objectives

3. The objectives of this Guidance Note are to:
  - (a) Provide the overall procurement rules, methods and procedures to guide the preparation of proposals, review of applications approval of grants, implementation and reporting requirements of the AFT;
  - (b) Provide guidance on the practical execution of the procurement elements in AFT operations within the context of the application of the Bank’s Procurement Policy and Methodology;
  - (c) Elaborate on upstream and downstream procurement modalities for AFT operations when Recipients are private or public sector entities;
  - (d) Clarify the procurement provisions and requirements of the Bank, for all AFT operations in order to achieve VfM, while ensuring good governance (due diligence requirements) and promoting the development of local and national agricultural capacity while fostering development of industrial capacity; and
  - (e) Provide assistance to Recipients in the execution of the procurement process.
4. A further objective of the Guidance Note is to safeguard integrity and transparency in procurement, throughout AFT’s project development cycle, within the context of the execution of procurement functions by the Bank and its Recipients. It describes the roles and responsibilities of Bank Staff that manage the procurement process throughout the project cycle including project planning and design, project

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<sup>3</sup> *Establishment of a Multi-Donor Agricultural Fast Track Fund (AFT). ADB Board Document ADB/BD/WP/2013/47 and ADF/BD/WP/2013/33. Dated 24 April 2013.*

<sup>4</sup> *Recipients, Beneficiaries or Grantees are hereinafter and throughout this document referred to as “Recipients”.*

documentation, implementation and supervision as well as oversight and review of Recipients' procurement actions including executing due diligence requirements.

### **Scope of Application**

5. This Guidance Note is applicable only to the procurement aspects of the operations of the AFT. Other Guidance Notes cover other aspects of AFT's activities and together these constitute the 2015 Operations Guidelines (OG) of the AFT. It replaces the previous AFT Operational Guidelines dated June 2013.
6. The Note has been prepared based on analysis of the characteristics of AFT operations which, point to the fact that AFT operations comprise mostly the execution of studies by Consultants. It therefore focuses on the methods and procedures for acquisition of Consulting Services. Should in future the volume and value of procurement of goods and works begin to grow the methods and procedures for procurement of these will need to be more fully incorporated.
7. The Board Memo specifies that the policies and procedures applicable to the operations of the African Development Bank Group will generally be applicable to the operations of the AFT, except as otherwise expressly provided in it. These rules, policies and procedural instruments that guide the governance, administration, and safeguarding of the procurement aspects of the activities of the AFT include, but are not limited to the following:
  - (a) Procurement Policy for Bank Group Funded Operations
  - (b) Bank Group Policy on Disclosure and Access to Information;
  - (c) Whistle Blowing and Complaints Handling Policy; and
  - (d) Guidelines for Preventing and Combating Corruption and Fraud in Bank Group

## **B. BANK PROCUREMENT PRINCIPLES AND CONSIDERATIONS**

### **The Procurement Vision and Principles**

8. The Bank's Procurement Policy covers public and private sector operations and highlights the vision to support Bank-financed operations and enhance the procurement systems of Regional Member Countries (RMCs) in order for them to obtain optimal Value for Money (VfM) based on mutually supporting and reinforcing principles of economy, efficiency, effectiveness and equity (the 4Es). This is achieved using processes and procedures that are competitive, fair and transparent. This search for VfM and the project's interests and overall viability are at the centre of the Bank's concerns with regard to procurement methods and procedures, and therefore, it requires project expenditure, including those under the AFT as stated in the Board Memo, to be undertaken in the most effective and efficient manner to meet these objectives.

Figure 1: The New Procurement Vision

The Procurement Framework supports Bank-financed operations and enhances RMCs' procurement systems in order to obtain optimal **Value for Money** based on mutually supporting and reinforcing principles of **Economy, Efficiency, Effectiveness and Equity** to achieve RMCs' development outcomes using processes that are **competitive, fair and transparent**.



### Achieving Value for Money (VfM) under AFT Financing

9. In a procurement transaction, an assessment of the total costs and the value or benefits obtained at the level of procurement outcomes (based on project needs) is normally required for procurement to obtain VfM. At the project level, under Bank Group funding whether public or private, this begins with initial procurement planning defining the overall procurement strategy to be followed and includes consideration of bid-packaging and the timing of procurement transactions based on the specific markets and the development outcomes of the intervention. It leads to building the comprehensive procurement plan covering the whole project, where appropriate, that incorporates, in addition to the project components and activities, the procurement methods and procedures to be employed for specific procurement transactions. It also shows how the Bank's fiduciary responsibility will be discharged.
10. As defined and developed in the Bank's new Procurement Framework, VfM takes into account not only the initial and/or life cycle costs and quality but also factors such as, "fitness for purpose", risks, proportionality in terms of balancing the 4Es, predictability and sustainability, flexibility, innovation, timeliness and achievement of the targeted outcome of both the procurement and the project, during the entire procurement cycle. In practice, it is expected that Value in procurement would be measured by assessing whether procurement meets the "five rights" principle, i.e "right price, right quality, right quantity, right timing and right source/ Provider", that is, whether the transaction delivers the desired outcomes in a cost effective manner.
11. Under AFT Operations this VfM approach requires, at the transactional level, a critical review to ensure, among others, that:
  - (a) Recipients' requirements, in terms of Terms of Reference (TOR), and the Specifications and any quantities, are suitably and optimally defined to achieve the expected project outcomes. TORs and Specifications must be contextual in terms of meeting the specific needs of the project, and should encourage effective competition by being sufficiently precise, clear, neutral and objective;
  - (b) The packaging of the components or the various activities constituting the study or project must be optimally carried out taking adequate account of all the critical business and other elements, such as whether all the necessary requirement for evaluation of proposals following Merit Points, Life Cycle Costing (LCC), or other approved private or public sector evaluation procedures and associated

requirements, have all been included in the Request for Proposals (RFP) document, or any bidding documents; and

- (c) The various Contracts proposed to be used are fair, balanced and these are in favour of neither the Recipient nor the Service Provider, to ensure the diligent execution of the services to achieve VfM in the project outcomes.

### **Specific Provisions and Requirements of the Bank on all Procurement**

- 12. The specific provisions and requirements of the Bank applicable to acquisition of consulting services and procurement of goods and works are derived from the Agreements Establishing the Bank, Fund and the Nigeria Trust Fund. These are further developed in the Procurement Policy and comprise;
  - (a) eligibility of the goods, works and services provided including the service providers;
  - (b) conflict of interest requirements;
  - (c) prohibited practices and sanctions; and
  - (d) misprocurement requirements.
- 13. These are highlighted in more detail in Annex 1 and are applicable to all AFT operations as stated in the Board Memo of the AFT.
- 14. In particular, the system of debarring or sanctioning certain consulting firms, suppliers of goods and providers of works services from participating in Bank Group funded procurement, will be in accordance with the Bank's Procurement Framework, the Sanctions Regime of the integrity Department and the Bank's Whistleblowing and Complaints Handling Policy (paragraph 5) as publicly disclosed on the Bank's external website.
- 15. The challenge of this Guidance Note is to layout the modalities required to achieve both the Bank's Procurement Vision as well as AFT's Vision. Section C below highlights the operational characteristics of the AFT including its track record from June 2013 to June 2015, to set the background for establishing FfP procurement in AFT financed projects.

## **C. CHARACTERISTICS OF AFT OPERATIONS**

### **Background**

- 16. The purpose of the AFT is to contribute to reducing the infrastructure deficiency in the agriculture sector by developing a pipeline of investment-ready projects. Its objective is to operationalize the vision of the New Alliance for Food Security and Nutrition by developing and advancing a pipeline of bankable food security projects that support Africa's agricultural transformation agenda. Specifically, the AFT provides untied grants to support the development of a pipeline of projects that are attractive to, and can be financed by, Development Finance Institutions (DFIs), other agricultural finance organizations and can also engage the interest of private sector lenders and project sponsors. In so doing, the AFT is expected to provide eligible Recipients, with financing to defray front-end project development costs and the risks that commercial sponsors may be unable or unwilling to assume alone.
- 17. In its operations, the Fund is expected to be a demand driven, nimble and efficient facility that will 'fast track' promising agricultural ideas and businesses into bankable investments. It aims to defray the front-end project development costs and risks that commercial developers are unwilling to shoulder alone. Thus the Trust Fund finances



upstream work of project design including feasibility studies, market analyses and other activities necessary to ensure quality project design. It is essentially a Project Preparation Facility that is expected to exclusively support public-private matchmaking in the agriculture sector that does not currently exist. The AFT provides targeted, new resources to develop high value agriculture projects that are aligned with CAADP investment plans.

18. The targeted activities are in line with the first pillar of the Bank's Agriculture Sector Strategy (2010 – 2014) - agricultural infrastructure - which focuses on building and rehabilitating rural and community roads, markets and storage infrastructure, supporting agro-processing and reducing post-harvest losses. The focus on infrastructure development and enhancing private sector participation in the agriculture sector is also aligned with the Bank's Long Term Strategy (2013 - 2022), in which private sector and infrastructure development are two of the five core operational priorities.
19. It is expected that as a result of its operations, the AFT will contribute to improving the pipeline of Bank-financed projects as well as the pipeline for other DFIs and also provide resources for Regional member Countries (RMCs) to undertake the upstream work of project development. All grants from the AFT will be recipient executed.
20. The prioritization of projects will be based on the selection criteria for the AFT that will be approved by the Oversight Committee.

#### **The 2013 AFT Provisions on Procurement**

21. The Board Memorandum of April 2013, outlines policy guidance for procurement under AFT operations and states that:

*“The procurement under the AFT will be in accordance with the Bank’s Rules and Procedures for the Use of Consultants<sup>5</sup> and Bank approval modalities will be in line with PD 06/2012 Delegation of Authority Matrices. Proposals for AFT will normally be expected to be of values up to UA 1.0 million. Recruitment of Consulting Firms for assignments of value less than UA 200,000 will be processed and cleared by the Sector Task Manager (STM) irrespective of location and be approved by the Country or Sector Manager. Assignments of value between UA 200,000 and UA 1.0 million will normally be processed by the STM, reviewed by the Regional Procurement Coordinator (RPC), cleared by the Sector Manager and approved by the Regional Director or Sector Director. Given the fast track nature of the Fund, the fact that the majority of the grantees would be from the Private Sector that require immediate responses, and that the operations of the AFT will be coordinated and managed by the Sector Department from the headquarters of the Bank, OSAN will seek from the President the authority to grant the procurement approvals through the Sector Manager and Sector Director, in place of the Country Manager and Regional Director. For the same reason, in place of the RPC, OSAN will recruit an experienced Procurement Officer, who will report technically to the Manager ORPF.1 and take instructions from him/her on technical matters, but will be dedicated to and work with the AFT. All AFT contracts will be subject to post-review by ORPF”.*
22. Building on these provisions in the Board Memo, the supporting Operational Guidelines (OG) recommended that the Bank should recruit a Long Term Procurement Consultant and it was also anticipated the AFT STM will work directly with the

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<sup>5</sup> <http://www.afdb.org>. May 2008 Edition Revised July 2012; and Rules and Procedures for Procurement of Goods and Works. Available at <http://www.afdb.org>.

Recipient to facilitate the fast tracking of all procurement and disbursement processes.

### Target Group, Eligible Activities and Types of Contracts

23. The Board Document establishing the AFT, in its Clause 3, highlights the types of organizations that the fund aims to reach (Box 1), in order to generate high value agricultural projects that are aligned with the country led Comprehensive Africa Agriculture Development Programme (CAADP) investment plans on food security. This target group comprises both public and private sector entities. Accordingly the procurement rules and procedures to be followed must be designed appropriately for each type of organization.

<b>Box 1: Target Recipients, Beneficiaries or Grantees</b> <i>Organizations Qualifying for AFT Funding for which Procurement Provisions Need to be Made</i>		
<b>Board Memorandum</b>	<b>OG</b>	<b>Type of Organization</b>
<i>Small and Medium Enterprises in the Agriculture sector</i>	<i>Private enterprises operating in the Agriculture Sector (including nationally or internationally incorporated small and medium enterprises in the agriculture sector);</i>	<i>Private</i>
<i>Government Agencies preparing agriculture infrastructure projects</i>	<i>Public Institutions and their Collective Representations, including: Government Ministries and related institutions such as State Owned Enterprises and Agricultural Boards involved in financing or implementing agriculture infrastructure projects;</i>	<i>Public</i>
<i>Non-Governmental and Civil Society Organizations such as Farmer organizations</i>	<i>Legally constituted Farmer Cooperatives/Associations;</i>	<i>Private</i>
<i>Agriculture Fund Managers with clients seeking last mile financing or advisory services</i>	<i>National, Regional and International Financial Institutions including the various Organizational Units of the AfDB itself..</i>	<i>Private</i>
<i>Bank units such as Agriculture and Agro-Industry Department (OSAN) and the Private Sector Department (OPSD).</i>		<i>Public /Private</i>

<b>Box 2: Eligible Activities of the AFT</b>	
<p><i>Eligible activities of the AFT proposed in the OG include the following:</i></p> <ul style="list-style-type: none"> <li><i>• scoping assessments; including engineering designs and costing (from OG Annex II),</i></li> <li><i>• feasibility (financial/economic) studies, which must be further expanded to include technical aspects of the feasibility) ,</i></li> <li><i>• market research and analyses,</i></li> <li><i>• financial structuring,</i></li> <li><i>• legal advisory services (including tax advice),</i></li> <li><i>• investment/business plan development,</i></li> </ul>	<p><i>In practice, during the period from June 2013 to June 2015, the following types of contracts were approved for financing under AFT Operations:</i></p> <ul style="list-style-type: none"> <li><i>• Design studies for agriculture infrastructure (e.g. feeder roads, irrigation schemes, post-harvest storage infrastructure, processing plants etc.)</i></li> <li><i>• Agriculture value chain analysis and market studies;</i></li> <li><i>• Environmental and social impact analyses (ESIA);</i></li> <li><i>• Technical feasibility studies, business plans and financial modeling.</i></li> </ul>

<ul style="list-style-type: none"> <li>• <i>community consultations,</i></li> <li>• <i>environmental and social impact assessments and</i></li> <li>• <i>other project development activities as necessary.</i></li> </ul>	
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24. Further reference to the 2013 OG and AFT's operations brings out the characteristics of AFT's operations. Essentially AFT operations were expected to, and in practice they have comprised mostly feasibility (technical, economic, financial) and design studies, and assessments (Box 2). Therefore, this Guidance Note concentrates predominantly on the modalities for acquisition of consulting services as Service Providers.

### **Summary of AFT Operations from June 2013 to June 2015**

25. In terms of implementation, according to the AFT CU, a total of 12 operations had been approved during the period from June 2013 to June 2015, amounting to US \$ 5.83 million. At the end of this period there had been disbursement on 5 approved projects in the total amount of US\$ 700,000 representing only 13.5 % of the approved funds. This rate of AFT's progress, after two full years of operation, can be considered to be disappointing, given the conception of the facility as a fast disbursing source of funds for agricultural development in Africa.
26. A communication from the AFT Technical Review Committee (TRC) to STMs in December 2014 highlighted both Management and Donors concern about the lack of progress with implementation of the AFT Grants. While noting procurement as a major bottleneck, it advises STMs to move away from using the Quality and Cost-Based Selection (QCBS) mode as the default to using other simpler forms of selection of consulting firms and to ensure Recipients prepared Procurement Plans (PP). The AFT Coordination Unit (CU) also indicated the AFT would recruit a Procurement Expert to support the STMs.
27. A brief analysis by the Bank's Procurement Department, has pointed to the fact that the lack of progress with implementation of AFT grants was mostly related to the poor capacity of the Recipients to execute procurement and to weak supervision by the AFT CU.
28. It is noted that after various reviews of the situation by the TRC, decided at the end of 2014, to introduce more flexibility in order to streamline the AFT's procurement activities. Specific measures were agreed upon (Box 3) but as at June 2015, it was not clear how far the AFT had gone with implementing these measures.

**Box 3: List of Measures Previously Agreed  
by the TRC to Expedite AFT's Operation**

- (a) *To insert general TORs in the proposals to be submitted by Recipients;*
- (b) *To undertake procurement capacity assessment of the Recipients;*
- (c) *To request Recipients to prepare simplified procurement plans with simplified methods for each grant (CQS for most of the contracts), and fastest procurement times.*
- (d) *AFT to carry out more hands on training of Recipients;*
- (e) *To establish a Roster of pre-qualified consultants capable of carrying out project preparation studies.*

- (f) To consider use of other procedures deemed acceptable to the Bank;
- (g) To prepare a simplified manual of procedures (Guidance Note) on procurement that includes simplified templates of procurement documents.

29. Examples of the components, activities, costing and the recommended selection methods, for certain types of operations financed by AFT during the period are given in Boxes 4-6.

<b>Box 4: Example of the Components under a Comprehensive Feasibility Study</b>				
	<b>Description of Component</b>	<b>Total Amount (US\$)</b>	<b>AFT Contribution (US\$)</b>	<b>Procurement Method</b>
1	Technical Feasibility Studies- including: Data collection, Marketing Research, Financial Analysis and Preparation of a Comprehensive Business Plan	75,000	75,000	Selection Based on Consultants Qualifications (CQS)
2	Environmental Impact Assessment	25,000	25,000	CQS
3	Completion Report	10,000	10,000	Individual Consultant
<b>Total Project Cost</b>		<b>110,000</b>	<b>110,000</b>	

<b>Box 5: Example of the Activities in a Detailed Feasibility Study</b>			
	<b>Description of Components</b>	<b>Total Amount (USD)</b>	<b>Procurement Mode<sup>[1]</sup></b>
1	Environmental Impact Assessment	44,000	FBS
2	Preparation of Detailed Business Plan	75,200	CQS
3	Marketing and Communications Plan	48,000	CQS
4	Project Completion Report	10,000	Individual Consultant
<b>Total Project Cost</b>		<b>177,200</b>	

<b>Box 6: Example of the Elements of in An Agro-Industry Project:</b>			
	<b>Component</b>	<b>Amt in USD</b>	<b>Proposed Procurement Method</b>
1	Market Research and Study to estimate demand, supply and pricing and project demand growth.	90,000.00	CQS - Combine Procurement for Comps 1 and 2 since TORs are similar
2	Export Market study to estimate potential market demand, supply, pricing and potential growth	75,000.00	
3	Two-Farms detailed topographical, hydrologic, soil and irrigation studies	55,000.00	LCS/CQS
4	ESIA and design of out-grower extension programme trial	75,000.00	LCS/CQS
5	Green/Tunnel house, cold storage, warehouse and pack house engineering design, planning and costing	95,000.00	LCS/CQS

<sup>[1]</sup> Procurement Methods to be confirmed once Terms of Reference have been shared with the Bank and are review by the Task Manager and Procurement Expert.

6	<i>Financial, legal and tax advisory services</i>	<i>90,000.00</i>		CQS
7	<i>Project Completion Report</i>	<i>10,000.00</i>		<i>Individual Consultant</i>
<b>Total</b>		<b>490,000.00</b>		

30. Eventually, the AFT Donors review of the Annual Work Plan and Budget 2013-2014 highlighted in December 2014 two essential prerequisites for improved performance of the Fund. The first was for the AFT to establish a Roster of Pre-Qualified Service Providers comprising Consulting Firms. This was a requirement stated in the Board Memo and the OG and for this considerable progress had been made by February 2015. OSAN reports that Requests for Expressions of Interest (REOs) were issued in October to which 45 firms responded. From these, 19 firms meeting the pre-established qualifying evaluation criteria are now incorporated in an AFT Roster of Consulting Firms, capable of undertaking project preparatory studies under AFT financing.
31. The second prerequisite raised by the Donors concerned the recruitment of a PS also initially stipulated both in the Board Memo and the OG since June 2013. As at the end of June 2015 this had not been done. An Operations Officer was recruited in May 2015.
32. Moving forward, In order to effectively remodel the AFT procurement provisions and improve operations in a realistic and workable manner, it is necessary to make a clear distinction between the provisions that were made in the Board Memo and which were expanded in the OG, and AFT's execution of same.
33. It is to be noted, that the Long Term Procurement Expert/Consultant proposed to be recruited to support the AFT Sector Task Managers (STMs) and particularly Grant Recipients under the Board Memo and the OG, among others, and which had not been done even by June 2015, contributed in a great measure to the operations of the AFT CU during the period under review, which has been adjudged disappointing.
34. This Procurement Expert would additionally have prepared more detailed operations guidance notes, advised on procurement policy in relation to expediting processing, worked as a member of the CU to identify options for using alternative procurement modalities that would lessen the grant Recipients' burden for managing procurement processes.
35. Additionally, the use of Field Office (FO) STMs and Procurement Specialists (PS) who essentially were not conversant with the fast tracking requirements of the AFT also contributed to AFT's initial poor performance. Looking forward, AFT procurement processing needs to be centred at HQ, in the hands of the AFT CU Procurement Expert.

### **The Need and Justification for Remodeling the AFT Procurement Provisions**

36. Two factors have dictated the current review of the procurement process under AFT operations and the revision of the 2013 OG. The first, as indicated above, is the rather low level of implementation of the AFT funded projects which eventually resulted in the Donors suggestions, in May 2015, for restructuring and re-launching of the AFT. In its letter to the Bank dated 19 May 2015, the USAID suggested for AFT to refocus its efforts on making the procurement process streamlined and achievable for Recipients and requested new procedures and protocols, to enable Recipients to receive Grant funding within 30-60-days of approval
37. The second factor is the current comprehensive review of the Bank's Procurement Rules, which has completely changed the Bank's procurement operating platform by introducing a new procurement vision emphasizing achievement of VfM and

introducing considerable flexibility and which was approved by CODE/AUFI in June 2015. It is to be considered by the Boards in September 2015.

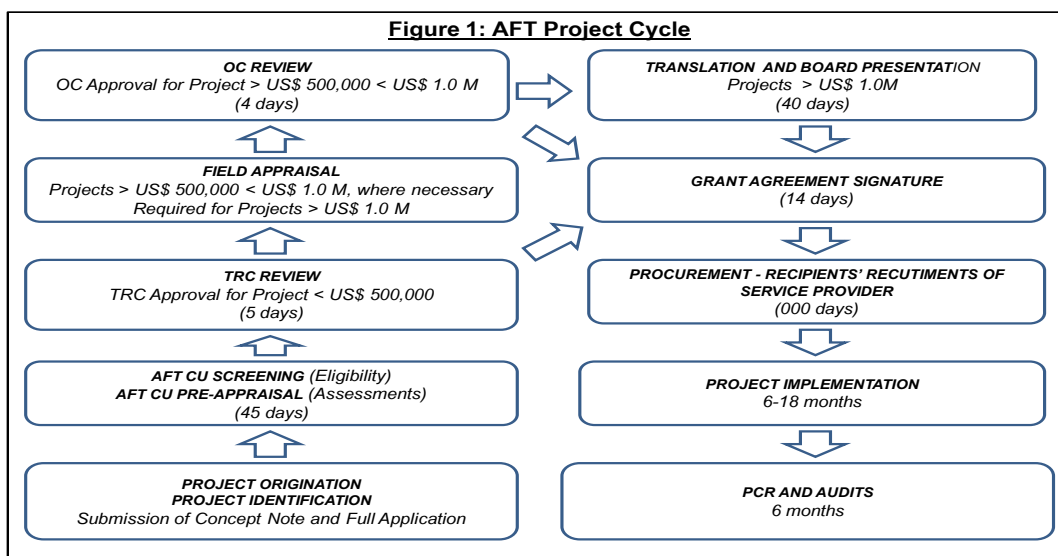
38. It is within this context that this Guidance Note has been prepared.

## F. UPSTREAM SELECTION OF THE RECIPIENT

### Processing of Proposals - The Call for Proposals

39. The AFT's project cycle process is designed to ensure a demand driven, efficient fund that will 'fast track' promising agricultural ideas and businesses into bankable investments. The emphasis in determining the procurement arrangements therefore, is on fast tracking the preparation of these investment studies.

40. **Project Origination / Preparation:** The AFT's project cycle begins with a Call for Proposals, which is essentially project identification, through the AfDB's webpage dedicated to AFT activities. As outlined in other parts of this OG, proposals are prepared by Proponents and submitted to the AFT CU in two parts; (i) a Concept Note (CN) and a Full Proposal (FP). The following sections highlight only the procurement aspects and also emphasize the critical elements.



41. **Modifications to the Project Cycle in the 2013 OG:** The project cycle outlined in the June 2013 OG has been modified herein in Figure 2, by introducing three essential elements:

- The AFT CU's technical appraisal of the project after screening pre-appraisal, has been expanded to include assessment of the capacity and performance of the Recipient, because this constitutes the basis on which the Bank's risk-based FfP decision on procurement methods and procedures is made for each transaction:
- Field Appraisal is made a requirement for projects of value greater than US\$ 1.0 M. This is because any Consulting Services of that value is considered a large project, by any account in the Bank, and is likely to also be complex, and therefore, detailed field preparation should be an essential necessity; and
- The 2013 OG completely overlooked, and therefore, failed to provide for the procurement lead time for recruitment of the Service Provider by the Recipient,



after the Grant Protocol Agreement has been signed. This is the single most major reason for the currently perceived delays in project execution.

42. Each of these three elements is further explained and the modalities for execution are outlined in the remaining paragraphs of this Section D.
43. **AFT CU Screening, Pre-Appraisal and Appraisal:** The first step in the examination of Applications, as outlined in other parts of the OG, is the review of the CN by the CU to; (i) to determine whether the applicant meets all eligibility requirements by screening against a simple uniform technical Screening Form; and (ii) to see if the information provided is sufficient to proceed with appraisal and detailed assessment of the project. Requests found to be ineligible are rejected and the Applicants informed.
44. On the other hand, Requests found to have adequate information are passed on to the next screening level of pre-appraisal that entails examining in greater detail, the CN based on a standardized and transparent process which is detailed in other parts of this OG, to further eliminate ineligible or sub-standard projects. For those CNs found to be ineligible, the Application is rejected and the applicant informed.
45. Where Applications are deemed to be eligible for AFT funding following pre-appraisal, the Full Application is then examined (technical appraisal), This technical appraisal helps to identify the benefits, but also weaknesses that need to be addressed for the project to be 'investment ready'. It seeks to ensure that all likely issues including those related to procurement, relating to a project have been addressed or will be addressed as part of the proposed Grant activity, and that the Grant financing is suitable to be recommended by the CU to the TRC for approval. At this stage, each project is analyzed against a uniform application assessment format based on a scoring matrix (detailed in other parts of the OG), after which, a recommended for final selection is made by the CU, to the TRC for approval.
46. The final stage of this technical appraisal and identification of weaknesses is the assessment of the procurement capacity and performance of the Recipient. This assessment seeks to establish the foundation for the risk-based FfP selection of Service Provider under the Bank's Procurement Framework (paragraph 48 below) for each particular Recipient.
47. The technical appraisal process should also include a review, by the CU Procurement Expert, of the Recipient's draft Procurement Plan (PP), the format of which should be included in the FP which is currently being revised by the CU.
48. The complete appraisal process, including the Recipients procurement capacity and performance assessment, is the third part of the CU screening and appraisal process. The whole screening and appraisal process is estimated to take no longer than 45 days from the date of closure of the application submission period. This may take longer where there is need for the AFT CU to request for additional information or clarification. Applications found ineligible will be rejected and applicants informed.

#### **Assessment of Procurement Capacity, and Performance of Recipients**

49. **Recipient Procurement Risk Assessment (RPRA):** The intent of assessment of the Recipient's project execution capacity and performance is to develop an overall risk

classification for each Recipient, and for each transaction, which guides the FfP decision-making process, in the preparation of the procurement arrangements for the contemplated project. The exercise involves conducting a Recipient's Procurement Risk Assessment (RPRA) that incorporates the project risk, and the EA's capacity and performance risk. It results in the determination of Recipient Procurement Risk Rating (RPRR). While the risks associated with the project are based on technical and packaging complexity as well as geographic extent of the project, those associated with the Recipient include its capacity, its demonstrated ability in terms of compliance and track record performance, typically as evidenced through its handling of other similar projects over time. (Box 8).

<b>Box 8: Factors for Assessing the Recipient's Procurement Risk for a Project</b>	
<b>Risks Associated with the Project</b>	<b>Risks Associated with the Recipient</b>
<ul style="list-style-type: none"> <li>• <b>Technical Complexity of the Project:</b> This addresses the issue of whether an untested technology is being proposed to be used in a project and may be disaggregated into the various transactions under the project;</li> <li>• <b>The Geographic Extent of the Implementation of the Project:</b> Deals with the geographic spread of the project; and</li> <li>• <b>Project Packaging Complexity:</b> Relating to the way the various elements of consulting services and any goods or works are divided into contracts for the purpose of procurement.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Recipient's Capacity:</b> considers existence and availability of human and other resources for execution of its activities, adequacy of accountability, controls, transparency and oversight mechanisms; and existence of adequate integrity and anti-corruption systems; and</li> <li>• <b>Recipient's Operational Track Record:</b> Considers operational results obtained by the Recipient for key dimensions of procurement performance in the context of Economy, Efficiency, Effectiveness and Equity. This may include, for example, a comparison of prices obtained by the Recipient to those by other entities or companies for substantially similar services, goods, or works.</li> </ul>

- Risk measurement is, in the main, an exercise of professional judgment and is based on the knowledge and experience of the reviewer of good procurement practices, country context and sector specific circumstances. The objective is to measure risk by looking at two critical dimensions, severity of impact and likelihood of occurrence as they affect project outcomes. This results in a risk-rating matrix for the project as shown in Figure 3.

**Figure 3: Recipient Procurement Risk Rating (RPRR) Matrix – Risk Rating Scale**

<b>Impact</b> (on achievement of Project Objectives)	<b>Medium – I</b> (High Impact/ Low Likelihood)	<b>High</b> (High Impact/ High Likelihood)
	<b>Low</b> (Low Impact/ Low Likelihood)	<b>Medium – L</b> (Low Impact/ High Likelihood)
	<b>Likelihood</b> (of Materializing)	

The rating provides four possible outcomes that are combined into two for AFT purposes:

- **Low (L)** corresponds to a risk factor with a low impact if it were to occur and a low likelihood of occurrence – Otherwise considered “Acceptable”;
- **High (H)** relates to a risk with a high impact and a high likelihood of occurrence. This is aggregated with



the **Medium (M)** rating which combines a risk that would have a low impact on the project objectives even if there is a high likelihood that it will happen to one that would have a high impact even if it took place, but with a low likelihood of it occurring – Other considered “Not Acceptable”.

50. The CN and FP are currently being revised. The FP Form will contain two specific sections on the Project (technical, packaging and location parameters) and the Recipient’s Management Structure, Capacity, Profiles and Track Record. These must be completed by Recipients for all projects with any proposed single procurement of value greater than UA 200,000 (US\$ 300,000). Where necessary additional information will be requested by the AFT CU as part of its desk appraisal or for projects of value greater than (>UA 1.0 million), during the field appraisal.
51. The RPRR that is developed here-above (Figure 3) is the main input to the Procurement Plan (PP), to determine the flexibility to be accorded to the project packaging, procurement methods, procedures and Bank oversight including assistance to the Recipient. The RPRA and RPRR shall be undertaken by the CU Procurement Expert. Ideally it may be monitored, and adjusted over the course of execution of the project and during the Bank’s project supervision. It is a dynamic instrument and may require reassessment during project implementation as it measures changes to procurement circumstances, as evidenced by achievements against agreed mitigating measures.

#### **The Recipient’s Simplified Procurement Plan**

52. **Procurement Planning:** The Bank requires the achievement of VfM on all the operations that it finances. Therefore, as part of the project preparation, appraisal and approval procedures, for AFT financed projects the Bank will examine the implementation conditions of the project, to ensure that it incorporates careful procurement planning.
53. The Recipient is normally expected to prepare a Procurement Plan (PP) as part of the project appraisal exercise, for Bank review, reflecting the enterprise’s particular needs, and showing (i) the procurement procedures designed to achieve economy, efficiency, effectiveness and equity; (ii) well defined contract packages, and (iii) the scheduling of procurement consistent with the project implementation programme. Given the demand-driven nature of some AFT projects the PP may be based on indicative eligible procurement activities. For the AFT the simplified PP must be given in the Project Brief, and be detailed in the Project Implementation Manual (PIM), where there is one.
54. As indicated earlier in this Section, the 2013 OG completely overlooked the need to allow for procurement lead time in the Recipients recruitment of Service Providers. This may be because the provision of a PP was initially not taken into account in AFT operations. Therefore, an additional 30 days must be added to the 30-60 days estimated for Recipients to receive funding, making it 60-90 days.
55. For AFT operations a simplified PP is recommended. This simplified format is given in Box 7 and should include all those methods that will be used for acquisition of consulting services as well as any procurement of goods and works. It must also include any applicable country and sector thresholds for various selection methods, as well as for prior-post review, where applicable. It is mandatory that the initial PP including the responsibilities for implementation and any advance contracting requirements when applicable, are agreed between the Bank and the Recipient before signature of the Grant Protocol Agreement.

<b>Box 7: Simplified Procurement Plan for AFT Operations</b>									
<b>Example: Comprehensive Feasibility Study for Manufacture of Pig Feed</b>									
<b>Description of Project Component</b>		<b>Recipient's Private Sector Commercial Procedures</b>				<b>Bank or Third Party Selection Methods and Procedures</b>			
		QCBS	CQS	OTHER	DIRECT	QCBS	CQS	OTHER	DIRECT
<i>Acquisition of Consulting Services for Technical, Economic and Financial Feasibility Studies as well as EIA and PCR-</i>									
1	Preparation of Comprehensive Manufacturing Business Plan								
2	Market Research to Determine (i) internal potential; and (ii) external export potential.								
3	Environmental Impact Assessment								
4	Project Completion Report								
Recipient's Reference No:	Brief Description of Proposed Contract	Estimated Cost US \$	Procurement Mode / Selection Method	Recipient's Oversight	Bank's Prior / Post Review	Expected Issue Date of Solicitation Documents	Expected deadline for Submission of Bids/ Proposals	Expected Contract Completion Date	
1		195,000							
2		110,000							
3		60,000							
4		15,000							

56. **Procurement Lead Time During Recipient's Recruitment of Service Provider:** Following the assessment of the procurement capacity and performance of the Recipient there is need, immediately the Grant Protocol Agreement is signed, for the CU to follow-up with the Recipient to undertake the Launching of the Project and to commence recruitment of the Service Provider. This recruitment process, referred to as "procurement lead time" is critical for effective and efficient project execution.
57. The FP which is currently being revised by the CU should contain the PP format. This will be reviewed by the Procurement Expert during the technical appraisal of the project.
58. **Advance Contracting<sup>6</sup>:** If the Recipient had prepared a realistic PP covering the whole project period from Grant approval to project completion, it will be evident which procurement activities are on the critical path. Activities on the critical path, such as the recruitment of Service Providers to advise the Recipient, may therefore need immediate attention. These may be subject to advance contracting under which the Recipient may commence preparation and issue of the REOI and RFP, while the Grant is being processed for approval. Advance Contracting is undertaken at the risk of the Recipient, in the event that the Grant is not approved.

## F. DOWNSTREAM SELECTION OF SERVICE PROVIDERS

### General

59. On the whole, this upstream selection process of the AFT Recipient, is in effect competitive and the result may be the selection of a Recipient that is either a private sector company or public sector entity, with a specific procurement risk level, that is, whether its procurement risk rating is acceptable (RPRR is low) and therefore the Recipient's own procurement methods and procedures (PMPs) may be used with post review, or the RPRR is high and the Bank's PMPs will be used with prior review, and

<sup>6</sup> *Advance Contracting is when, in order to accelerate project execution the Recipient commences the procurement process prior to approval of the Grant with the understanding that this is at the risk of the Recipient.*

possibly with additional direct Bank assistance. Consequently, the factors determining the PMPs and the respective oversight modalities for selection of the downstream Service Provider include the following;

- (a) The Target Recipient, or type of organization, that is private sector company or public sector entity;
- (b) Procurement competency, capacity, capability and performance;
- (c) Value of the transaction or proposed contract; and
- (d) Market research and analysis covering the sector of the transaction.

60. The interplay between these factors in the decision on the procurement arrangements for a given procurement transaction under an AFT project, is discussed in the sections following. This is also summarized in Table 1 below. In practice the questionnaire for preparation of the CN and the FP contains sufficient information on these four factors to enable decisions to be made regarding the methods and procedures for each transaction with respect to the selection of the Service Provider. Where adequate information is not provided by the specific CN or FP, the CU, during its screening and appraisal of the project must request any needed information from the Applicant. Any outstanding information may also be obtained during the field project appraisal, where this is undertaken.

<b>Table 1: Details of Procurement Arrangements for Recipients with Different Competencies and for Varying Values of Procurement Transactions</b>				
RECIPIENT	PRIVATE SECTOR COMPANY		PUBLIC SECTOR ENTITY	
<b>Any Single Procurement Transaction of Value &gt; UA 1.0 million (US\$ 1.5 m)</b>				
<b>Recipient's Level of Procurement Competency</b>	<b>Acceptable</b>	<b>Not Acceptable</b>	<b>Acceptable</b>	<b>Not Acceptable</b>
<b>Downstream PMP*</b>	<i>Executes procurement using private sector (own) PMP acceptable to the Bank</i>	<i>Executes procurement using Bank PMP</i>	<i>Executes procurement using Bank PMP</i>	<i>Executes procurement using Bank PMP</i>
<b>Bank Oversight</b>	<i>Due diligence Prior review</i>	<i>Bank Supervision Prior review</i>	<i>Prior review</i>	<i>Bank Supervision Prior review</i>
<b>Bank Support</b>	<i>Nil</i>	<i>Capacity building; Training; Hands-on assistance</i>	<i>Nil</i>	<i>Capacity building; Training; Hands-on assistance</i>
<b>Any Single Procurement Transaction of Value &gt; UA 200,000 &lt; UA 1.0 million</b>				
<b>Recipient's Level of Procurement Competency</b>	<b>Acceptable</b>	<b>Not Acceptable</b>	<b>Acceptable</b>	<b>Not Acceptable</b>
<b>Downstream PMP</b>	<i>Executes procurement using private sector (own) PMP acceptable to the Bank</i>	<i>Executes procurement using Bank PMP</i>	<i>Executes procurement using Bank PMP</i>	<i>Executes procurement using Bank PMP</i>
<b>Bank Oversight</b>	<i>Due diligence Post review</i>	<i>Bank Supervision Prior review</i>	<i>Post review</i>	<i>Bank Supervision Prior review</i>
<b>Bank Support</b>	<i>Nil</i>	<i>Capacity building; Training; Hands-on assistance</i>	<i>Nil</i>	<i>Capacity building; Training; Hands-on assistance</i>
<b>Any Single Procurement Transaction of Value &lt; UA 200,000</b>				
<b>Recipient's Level of Procurement Competency</b>	<b>Acceptable</b>	<b>Not Acceptable</b>	<b>Acceptable</b>	<b>Not Acceptable</b>
<b>Downstream PMP</b>	<i>Executes procurement using private sector (own) PMP acceptable to the Bank</i>	<i>Executes procurement using private sector (own) PMP acceptable to the Bank</i>	<i>Executes procurement using public sector (own) PMP acceptable to the Bank</i>	<i>Executes procurement using public sector (own) PMP acceptable to the Bank</i>
<b>Bank Oversight</b>	<i>Due diligence Post review</i>	<i>Due Diligence Prior review</i>	<i>Post review</i>	<i>Prior review</i>

<b>Bank Support</b>	<i>Nil</i>	<i>Capacity building; Training; Hands-on assistance</i>	<i>Nil</i>	<i>Capacity building; Training; Hands-on assistance</i>
*PMP = Procurement Methods and Procedures				

### **Selection of Service Providers by Private Sector Recipients**

61. **Use of Established Commercial Practices:** According to the Bank's Procurement Framework private sector enterprises<sup>7</sup> may achieve VfM by following established private sector commercial practices other than formal open competitive bidding for their procurement. Therefore under AFT funding, private sector Recipients may utilize procurement methods and procedures (PMPs) in accordance with well-established private sector procurement methods and commercial practices acceptable to the Bank. In a given Regional Member Country (RMC) the Bank normally accepts procedures that at least meet national requirements as established by the chamber of commerce, selected and established private sector enterprises, the central bank, or import licensing and customs authorities. Usually, the more flexible and faster negotiated procedures, generally consisting of an international or national request for proposals, including by electronic means, among a limited number of suppliers or service providers followed by negotiations, are considered to be effective by private sector enterprises.
62. Under AFT funding, the combination of value of the specific transaction and the private sector Recipient's level of procurement risk, as they affect the procurement arrangements to be decided under the project, are each highlighted in the paragraphs following hereon. Three categories of the value of the transactions are considered, namely;
- (a) Value > UA 1.0 million;
  - (b) Value > UA 200,000 < UA 1.0 million; and
  - (c) Value < UA 200,000;
63. This is combined with two levels of Recipient's procurement competency or risk (RPRR), namely;
- (a) Acceptable (low risk); and
  - (b) Not acceptable (high risk).
64. In the first place, where the value of the specific transaction exceeds UA 1.0 million and the Recipient's level of procurement competency is rated acceptable, with a low RPRR, the Recipient may execute this procurement using commercial practices acceptable to the Bank with due diligence exercised by the Bank, but subject to prior review.
65. On the other hand, when the value of the specific transaction exceeds UA 1.0 million and the Recipient's level of procurement competency is rated not acceptable, with a high RPRR, the Recipient executes procurement using the Bank's PMP under Bank Supervision, with prior review and Bank's Assistance. The Bank supports this particular Recipient through capacity building, training and direct hands-on assistance Section H). In this case the CU Procurement Experts takes additional time during the Launching of the project, which follows immediately after approval of the Grant (paragraphs 56 and 57), to assist the Recipient to; (i) fine-tune and finalize the TORs; (ii) prepare all the necessary, REOIs, and RFPs; (iii) conduct a detailed procurement

<sup>7</sup> *In the Bank's definition, for a company to be considered private and be eligible for the Bank's private sector financing, it must be privately owned and managed, i.e. more than 50 percent of its voting shares must be held by private individuals or firms.*

- seminar; and (iv) ensures the Recipient has set up an Evaluation Committee, and will be able to properly conduct the evaluation of proposals, with due attention to time.
66. Secondly, where the value of the specific transaction is greater than UA 200,000 but less than UA 1.0 million, and the Recipient's level of procurement competency is rated acceptable, with a low RPRR, the Recipient may execute this procurement using commercial practices acceptable to the Bank with the exercise of due diligence by the Bank, but subject to post review.
67. On the other hand when the value of the specific transaction is greater than UA 200,000 but less than UA 1.0 million, and the Recipient's level of procurement competency is rated not acceptable, with the a high RPRR, the Recipient executes procurement using the Bank's PMP under Bank Supervision, with prior review and Bank's Assistance. The Bank supports this particular Recipient through capacity building, training and hands-on assistance. In this case the CU Procurement Experts takes additional time during the Launching of the project, which follows immediately after approval of the Grant, to assist the Recipient to; (i) fine-tune and finalize the TORs; (ii) prepare all the necessary, REOs, and RFPs; (iii) conduct a detailed procurement seminar; and (iv) ensures the Recipient has set up an Evaluation Committee, and will be able to properly conduct the evaluation of proposals, with due attention to time.
68. Finally, in those cases where the value of the specific transaction is less than UA 200,000 and the Recipient's level of procurement competency is rated acceptable, the Recipient may execute this procurement using commercial practices acceptable to the Bank with due diligence by the Bank, but subject to post review.
69. On the other hand, when the value of the specific transaction is less than UA 200,000 and the Recipient's level of procurement competency is rated not acceptable with a high RPRR, the Recipient executes this procurement using commercial practices acceptable to the Bank with the Bank's due diligence, subject to prior review and Bank's Assistance. The Bank supports this particular Recipient through capacity building, training and direct hands-on assistance. In this case the CU Procurement Experts takes additional time during the Launching of the project, which follows immediately after approval of the Grant, to assist the Recipient to; (i) fine-tune and finalize the TORs; (ii) prepare all the necessary, REOs, and RFPs; (iii) conduct a detailed procurement seminar; and (iv) ensures the Recipient has set up an Evaluation Committee, and will be able to properly conduct the evaluation of proposals, with due attention to time.

### **Selection of Service Providers by Public Sector Recipients**

70. **General:** In general, the acquisition of consulting services, for public sector purposes under the Procurement Policy, exhibits considerable flexibility. It requires selection of the Service Provider to be *“conducted through competition among qualified short-listed firms in which the selection is based on the quality of the proposal and, where appropriate, on the cost of the services to be provided”*. While quality is the most major factor, cost is also a minor one for consideration.
71. **Specific Methods for Selection of Consultants in Public Sector Procurement:** There are essentially six main methods of selection of Consulting Firms in public procurement, aimed at achieving quality in the provision of services while taking economy into consideration. These are:
- (a) Quality and Cost Based Selection (QCBS);
  - (b) Quality Based Selection (QBS);
  - (c) Selection under a Fixed Budget (FBS);
  - (d) Selection Based on Consultants Qualifications (CQS);

- (e) Least Cost Selection (LCS); and  
(f) Direct Recruitment or Single Source Selection (SSS).
72. The details of each of these six methods and the associated procedures are provided in Annex 4. Under AFT financing the Bank Procurement Framework contains adequate flexibility to support all procurement in the fast track without requiring any waivers from the Board of Directors. The interaction between types of assignments, consulting services selection methods, and the normal types of contracts within the context of AFT operations, are given in Table 2.
73. **Determining the Highest-Ranked Proposal.** The objective in the selection of consulting services is to acquire the services of the Consultant with the highest technical quality proposal at the most reasonable cost. Therefore, during the evaluation of consultant's technical and financial proposals, the highest-ranked proposal is defined on the basis of technical and quality considerations that have been clearly stipulated in the Request for Proposals (RFPs). Evaluation criteria should include but not be limited to, experience in similar assignments, local experience and presence, qualifications of key personnel proposed for the assignment, and suitability and quality of the proposed methodology. Generally a Merit Point System is used in which quality is weighted against cost. The quality of the services is normally the principal factor and is given a higher weight of between 70 to 85 points, and price as a secondary consideration is given between 15 and 30 points, out of a total of 100 points. For assignments of a straightforward technical nature and limited scope and duration, price may be given more weight in the evaluation. The firm that submitted the highest-ranked proposal is normally invited to negotiate the contract.
74. The details of the application of these good practice principles, in the particular case of each of the six selection methods, is outlined in Annex 4.

TYPE OF TYPE OF ASSIGNMENT	SELECTION METHOD		TYPE OF CONTRACT
	Value < UA 200,000	Value > UA 200,000	
<ul style="list-style-type: none"> <li>➤ Critical studies in the field of policy, strategy, and management of Recipient's institutions</li> <li>➤ Country economic, sector, or investment studies</li> <li>➤ Master plans</li> <li>➤ Prefeasibility studies</li> <li>➤ Complex feasibility studies</li> <li>➤ Studies or design of complex projects</li> <li>➤ Studies in new technology or human and social sciences</li> </ul>	QBS	QBS	Time-based
<ul style="list-style-type: none"> <li>➤ Financial sector reforms</li> </ul>	QBS	QBS	Retainer and/or success fee
<ul style="list-style-type: none"> <li>➤ Simple planning studies</li> <li>➤ Simple feasibility studies</li> <li>➤ Environmental studies</li> <li>➤ Contract and detailed design of infrastructure</li> <li>➤ Preparation of bidding documents</li> <li>➤ Data processing</li> <li>➤ Clearly defined strategy and management studies</li> </ul>	CQS	QCBS	Lump-sum
<ul style="list-style-type: none"> <li>➤ Technical assistance for institutional development</li> <li>➤ Technical assistance for privatization programs</li> </ul>	CQS	QBS or QCBS	Time-based

➤ <i>Technical assistance in investment projects</i> ➤ <i>Construction supervision</i>	CQS	QCBS	<i>Time-based</i>
➤ <i>Privatization operations</i>	QCBS	QCBS	<i>Retainer and/or Success fee</i>
➤ <i>Procurement/Inspection</i>	QCBS	QCBS	<i>Percentage</i>
➤ <i>Simple, precisely defined assignment with fixed budget such as sector studies, market studies, surveys with limited scope, field during project preparation, pre-feasibility studies, reviews of existing feasibility studies</i>	FBS	FBS	<i>Lump-sum</i>
➤ <i>Standard or routine assignments costing less than US\$200,000, such as audits, engineering design, supervision of simple construction projects, and routine operations and maintenance work, and engineering inspection.</i>	LCS	LCS	<i>Lump-sum</i>

75. Under AFT funding, the combination of value of the specific transaction and the public Entity's level of procurement risk, as they affect the procurement arrangements to be decided under the project, are each highlighted in the paragraphs following hereon.,
76. The value of the transactions are considered in three groups, namely;
- (a) Transactions of value > UA 1.0 million;
  - (b) Transactions of value > UA 200,000 < UA 1.0 million; and
  - (c) Transactions of value < UA 200,000;
77. This is combined with two levels of Recipient's procurement competency or risk (RPRR) namely;
- (a) Acceptable (low risk); and
  - (b) Not acceptable (high risk).
78. In the first place, where the value of the specific transaction exceeds UA 1.0 million and the Recipient's level of procurement competency is rated acceptable with a low RPRR, the Recipient may execute this procurement using Bank PMP, subject to prior review.
79. On the other hand, when the value of the specific transaction exceeds UA 1.0 million and the Recipient's level of procurement competency is rated not acceptable with high RPRR, the Recipient executes procurement using the Bank's PMP under Bank Supervision, with prior review and Bank's Assistance. The Bank supports this particular Recipient through capacity building, training and hands-on assistance. In this case the CU Procurement Experts takes additional time during the Launching of the project, which follows immediately after approval of the Grant (paragraphs 48 and 49), to assist the Recipient to; (i) fine-tune and finalize the TORs; (ii) prepare all the necessary REOs, and RFPs; (iii) conduct a detailed procurement seminar; and (iv) ensures the Recipient has set up an Evaluation Committee, and will be able to properly conduct the evaluation of proposals, with due attention to time.
80. Secondly, where the value of the specific transaction is greater than UA 200,000 but less than UA 1.0 million and the Recipient's level of procurement competency is rated acceptable, with low RPRR, the Recipient may execute this procurement following Bank PMPs subject to post review.
81. On the other hand when the value of the specific transaction is greater than UA 200,000 but less than UA 1.0 million, but the Recipient's level of procurement competency is rated not acceptable with high RPRR, the Recipient executes



procurement using the Bank's PMP under Bank Supervision, with prior review and Bank's assistance. The Bank supports this particular Recipient through capacity building, training and hands-on assistance. In this case the CU Procurement Experts takes additional time during the Launching of the project, which follows immediately after approval of the Grant, to assist the Recipient to; (i) fine-tune and finalize the TORs; (ii) prepare all the necessary, REOs, and RFPs; (iii) conduct a detailed procurement seminar; and (iv) ensures the Recipient has set up an Evaluation Committee, and will be able to properly conduct the evaluation of proposals, with due attention to time.

82. Finally, where the value of the specific transaction is less than UA 200,000 and the Recipient's level of procurement competency is rated acceptable, the Recipient may execute this procurement using its own public sector PMP acceptable to the Bank, subject to post review.
83. On the other hand, when the value of the specific transaction is less than UA 200,000 and the Recipient's level of procurement competency is rated not acceptable with high procurement risk, the Recipient executes this procurement its own public sector PMP acceptable to the Bank, subject to prior review and Bank's Assistance. The Bank supports this particular Recipient through capacity building, training and hands-on assistance. In this case the CU Procurement Experts takes additional time during the Launching of the project, which follows immediately after approval of the Grant, to assist the Recipient to; (i) fine-tune and finalize the TORs; (ii) prepare all the necessary, REOs, and RFPs; (iii) conduct a detailed procurement seminar; and (iv) ensures the Recipient has set up an Evaluation Committee, and will be able to properly conduct the evaluation of proposals, with due attention to time.

## **G. PARTICULAR SITUATIONS**

### **Co-Application Considerations**

84. Co-application may be defined as the submission of an Application by an eligible Recipient in partnership with a Service Provider such as a Consulting Firm. While transparency and good governance are paramount, the selection of a proposal for a study leading to the development of a project, even if selected on a competitive basis, raises issues of eligibility, ownership and proprietary nature. This needs to be discussed in detail by the TRC which should then outline a position paper for consideration by the Donors.

## **H. CAPACITY DEVELOPMENT ASSISTANCE TO THE RECIPIENT**

85. The Bank, in line with the Procurement Framework, is committed to holistic procurement capacity development in the RMCs encompassing both public and private sector organizations, to increase reliance on acceptable procurement systems that are essential to sustained and effective development. This it does by: (i) supporting procurement systems to deliver credible outputs; (ii) assisting the private sector to participate effectively; and (iii) enabling civil society to play an effective oversight role.
86. The Bank recognizes that increased participation by local industry in meeting the needs of government for goods, works and acquisition of consulting services improves competition and quality and leads to better VfM for the country. The private sector, apart from its active participation, is an important resource for identification of inefficiencies in the procurement system. Local industry often operating through a Chamber of Commerce usually provides the RMCs with important feedback and recommendations for change. Civil society represents the interests of citizens in



obtaining VfM and quality service delivery. In some countries, the civil society organizations exist to complement the work of government oversight organizations and the private sector.

87. It is for this reason that the Bank provides holistic support to all the participants in its RMCs in procurement capacity development. Under AFT financing, such support would typically comprise Recipient's procurement capacity development in the form of training, technical assistance and transfer of knowledge, which must be included in the project for Recipients with low procurement capacity.
88. During the preparation and appraisal of the project the Recipients capacity and performance analysis (PPRA) identifies potential agency level procurement-related fiduciary risks and the ways in which these can be mitigated, it also identifies agency capacity gaps to be rectified either prior to, or during, project implementation. These capacity building measures can include, in some cases, support for technical assistance and procurement training for staff of the Recipient.
89. **Technical Assistance, Transfer of Knowledge:** Financing technical assistance is a key contribution that must be strategically implemented and in many cases, direct technical assistance provided in the form of short or long-term on-site consulting service will maximize the benefit to achieving the desired outcome. In the situations where the Recipient's PPRR is high, technical assistance may additionally be critical to assist with execution of the procurement process in order to ensure its success. Where transfer of knowledge is an important aspect, the Recipient should provide suitable counterpart staff of high quality to work alongside the TA.
90. **Training:** Generally, the full benefits of training will only be realized through the implementation of a broader training strategy that the Recipient can use in the short term to build an initial cadre of staff with necessary skills and knowledge, and implement and maintain over the long term to provide a stream of trained staff who continue to support the procurement system. Depending on the Recipient, areas of emphasis in the training plan may include; (i) using regional and domestic training centers; (ii) twinning or partnering with internal and external institutions; (iii) partnering with local private sector organizations; and (iv) on-the-job training. Electronic means for dissemination of training should be considered for inclusion in the training plan.

## **I. BANK OVERSIGHT**

91. Supervision of Recipients' Private Sector Procurement: The Bank's oversight of private sector procurement would essentially be in the form of executing due diligence in addition to undertaking prior and post reviews and providing no objections.
92. Supervision of Recipients Public Sector Procurement: The Bank's oversight for all public sector procurement will be in the form of prior and post review of Recipients' general requests, REOs, RFPs, evaluation of technical and financial proposals documents in specific areas and activities under AFT operations. Further details are provided in the Ban's OPM Part F Annex 4.
93. The level of Bank oversight will be indicated in the PP, the Project Supervision Plan in the Project Brief, and for large AFT Grants, in the Board Memorandum.

## **J. IMPLEMENTATION MONITORING BY THE RECIPIENT**

94. Even though the implementation of AFT projects is expected to be of short duration, usually from 6 to 18 months, the Bank will monitor the implementation at scheduled intervals and randomly with the Recipient, having the right to increase its reviews when there are failures to meet or maintain targets. Recipients are required to prepare and submit quarterly reports on the physical and financial status of implementation of

preparatory activities. This must include procurement aspects. In addition, AFT operations usually provide for project completion reports to be prepared by independent consultants and be submitted 30 days after completion.

95. The implementation of a successful monitoring regime and a possible consequential payment deduction mechanism is dependent on the quality of the output specifications drafted in the feasibility stage and reflected in the respective contracts. Output specifications and performance measurement systems should be set out in the relevant contracts, in objective, quantifiable and measurable terms. For example, since most AFT operations involve execution of studies, payments may easily be based on outputs such as upon completion, delivery and acceptance of the following outputs:
  - The Inception Report - usually delivered one month after commencement;
  - Progress Reports – usually on a monthly basis thereafter;
  - The Interim Report - if one is needed and is specified;
  - The Draft Final Report; and
  - The Final Report
96. Each of these reports must be critically reviewed by the Recipient an adequate feedback should be provided, on a timely basis, to the Consultant to ensure that these are properly incorporated into subsequent work.
97. Where the PPRA recommends capacity development actions, close monitoring of these initiatives is most essential and must be made part of any AFT project supervision plan. These are documented in the PP, project Brief and the Board Memorandum for large AFT Grants. Progress against action plan targets may result in adjustment to the PPRR, including change in oversight arrangements.

## **Annex 1**

### Bank Specific Provisions and Requirements Applicable to AFT Procurement

#### Eligibility of Beneficiaries, Recipients, Grantees and Service Providers for Goods, Works and Consulting Services

98. The eligibility of Beneficiaries, Recipients, or Grantees, the definition of infrastructure applicable to the AFT the eligible activities and selection criteria are outlined in other parts of the AFT Operational Manual. This section deals with the eligibility of Service Providers in terms of their countries of origins and the goods, works or services that are provided in terms of countries of origin.
99. The Bank's Procurement Policy provides that firms and individuals offering goods, works<sup>8</sup> and consulting services<sup>9</sup> for contracts financed by the Bank will satisfy the country of origin requirements of the Bank. Presently, while the African Development Fund provides for universal eligibility, the Agreement Establishing the African Development Bank<sup>10</sup>, and the Nigeria Trust Fund, both stipulate that the proceeds from any loan, investment or other financing within the context of Bank operations will be used to procure goods, works and services, provided by bidders, from eligible Bank member countries. This requirement covers both the goods supplied as well as the supplier or the service provider. Bidders from non-member countries of the Bank are not eligible even if they offer the said goods, works and services from eligible member countries. Under AFT, which operates under ADB rules and procedures, therefore, the eligibility criteria must be met "upstream", that is, concerning the Beneficiary, Recipient or Grantee, and "downstream" concerning the goods, works and services procured by the former. Any exception to this rule requires the approval of the Bank's Board of Directors in accordance with the provisions of Article 17.1(d) of the Agreement.

#### Conflict of Interests

100. The Bank's Procurement Policy requires the highest standard of ethics during the procurement and execution of Bank-financed contracts, and this also applies to AFT operations and it is enforced as part of the Bank's internal integrity due diligence and should be enforced as the Beneficiary, Recipient or Grantees, due diligence.
101. The Procurement Policy defines a situation of conflict of interest (COI) to be one in which a consultant/contractor/supplier may be perceived to provide biased services so that its own or its affiliates interests prevail over the interests of the client. Consultants recruited by Recipients are required to provide professional, objective and impartial advice, and at all times hold the Client's interests paramount, without any consideration

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<sup>8</sup> References to "goods" and "works" in this Policy Framework include related services such as transportation, insurance, installation, commissioning, training, and initial maintenance. It also includes non-consulting services which are bid and contracted on the basis of performance of a measurable physical output, such as drilling, aerial photography, satellite imagery, mapping, and similar operations. "Goods" includes commodities, raw material, machinery, equipment, and industrial plant.

<sup>9</sup> Consulting Services" comprise services of an intellectual and advisory nature.

<sup>10</sup> Article 17.1(d) : "The proceeds of any loan, investment or other financing undertaken in the ordinary operations of the Bank shall be used only for procurement in member countries of goods and services produced in member countries, except in any case in which the Board of Directors determines to permit procurement in a non-member country or of goods and services produced in a non-member country in special circumstances making such procurement appropriate, as in the case of a non-member country in which a significant amount of financing has been provided to the Bank";.

for future work, and to strictly avoid conflicts with other assignments or their own corporate interests. Consultants shall not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out their assignment in the best interest of the Recipient.

102. Consequently contracts awarded by public sector Recipients should be negotiated on an arm's-length basis, taking into account the financial interests of the Recipient rather than the interests of its parent firm. Situations may occur where conflicting interests exist between the borrowing project company and its shareholders, as may be determined by the Bank<sup>11</sup>. When a shareholder of a public sector Recipient also acts as contractor to the Recipient, it should be demonstrated to the Bank that the costs of the acquisition are approximately equivalent to budget estimates and market prices, and that the conditions of the contract are equitable and reasonable. Specific due diligence that may be required for such situations are described in paragraphs 19-25. The Bank will not finance acquisitions that exceed market prices.
103. Solicitation documents must clearly identify the risk of COI and stipulate the related provisions for avoidance or mitigation measures (such as disqualification, cooling-off periods, and corporate separations).
104. In the AFT situation the possibility of several project functions being bundled together may exist, and therefore, due care must be taken to ensure that the Bank's COI requirements are complied with.

### **Prohibited Practices, Sanctions and Misprocurement**

105. In terms of fraud and corruption the Bank's Procurement Policy requires that Beneficiaries, Recipients or Grantees and all service providers involved in Bank-financed operations, including suppliers, contractors, service providers, and consultants, and their agents (whether declared or not), as well as sub-contractors, sub-consultants, and any personnel thereof, shall observe the highest standards of transparency, ethics and integrity during the procurement, execution and implementation of Bank-financed contracts and shall fully adhere to the Bank's Integrity Policy<sup>12</sup>.
106. In pursuance of the Bank's policy to prevent and combat fraud and corruption in its operations and to promote good governance, the Bank requires that the procurement activities carried out under operations funded by the AFT, should be free from fraud and corruption and in compliance with all applicable laws and regulations. While the procurement process undertaken by the Recipient may not necessarily be prior reviewed by the Bank, the result of the procurement will still be subject to Sections 6 and 7 of the Procurement Policy on Prohibited Practices and Sanctions and on Misprocurement.
107. The Bank will sanction a firm or individual, at any time, in accordance with the Bank's prevailing sanctions procedures<sup>13</sup>, including by publicly declaring such firm or individual

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<sup>11</sup> *Particular risks under a private sector operation would be "transfer pricing" and over-investment, where goods, works or services are expected to be procured from affiliates or subsidiaries of a shareholder in the project company. The price of goods, works or services, or the volume of investment might be inflated to ensure immediate profits for the affiliates or subsidiaries to the detriment of the project (or end-users).*

<sup>12</sup> *The Bank's Integrity Policy comprises the Sanctions Procedures of the African Development Bank Group, the Bank's Whistleblowing and Complaints Policy, this Procurement Policy and any other applicable policies and procedures including their updates.*

<sup>13</sup> *A firm or an individual may be declared ineligible to be awarded a Bank-financed contract (i) upon completion of the Bank's sanctions proceedings as per its sanctions procedures, including, inter alia, cross-debarment as agreed with other International Financial Institutions, including Multilateral Development Banks, or otherwise decided by the*

ineligible either indefinitely or for a stated period of time, (i) to be awarded a Bank-financed contract; and (ii) to be a nominated<sup>14</sup> sub-contractor, consultant or sub-consultant, supplier, or service provider of an otherwise eligible firm being awarded a Bank-financed contract.

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*Bank; and (ii) as a result of temporary suspension or early temporary suspension in connection with an on-going sanctions proceeding.*

<sup>14</sup> *A nominated sub-contractor, consultant, sub-consultant, manufacturer, supplier, or service provider is one which has been either: (i) included by the bidder in its prequalification application, bid or proposal because it brings specific and critical experience and know-how that allow the bidder to meet the qualification requirements or are accounted for in the technical evaluation of the consultant's proposal, or (ii) appointed by the Recipient.*

### **Selection of Service Providers by Private Sector Recipients Best Practice Methods and Procedures Acceptable to the Bank**

#### **Due Diligence Review and Verification**

1. In any case where the mode of procurement is not through open competition, the Bank will examine and assess the justification of prices to ensure that they reflect; (i) quality in the item to be procured; (ii) fair market prices; and (iii) that the contractual terms proposed by the Recipient are fair and balanced. In the event that; (i) the proposed prices are above market rates – due consideration being given to the specific quality requirements of the project; or (ii) the contractual conditions are not equitable; the Bank may request the Recipient to adopt a different mode of procurement offering more competitive and equitable conditions. If procurement has already taken place at the time of project appraisal, the Bank may have to decline to finance the said procurement or the project altogether.
2. In general, the Bank will verify, to its satisfaction, that consulting services and any goods, works; (i) are of high quality; (ii) are appropriate for the project; (iii) are procured at fair market prices; and (iv) that contracting conditions adequately protect the project. The Bank will review the procurement process, focussing on the following basic due diligence requirements:
  - (a) Review of the Project Costs, Prices and Assumptions;
  - (b) Recipient's Procurement Organisation;
  - (c) Recipient's Procurement Planning;
  - (d) Recipient's Procurement Practices;
  - (e) Contract Conditions;
  - (f) Monitoring of Progress in Project Execution; and
  - (g) Performance and Completion.
3. The detailed elements of the main issues and risks addressed during each of these reviews are considered in the sections following hereon.

#### **Costs, Prices and Assumptions**

- 1.1. The Bank's review will cover the project costs prices, and assumptions, justifications, the grounds on which these have been determined and justified. It will also further confirm consistency with current market prices. This is to assure the Bank that the Recipient is using Bank financing in a cost effective manner. Where applicable, the project may be further verified by an independent consultant engaged by the Bank.
4. Wherever possible, contracts should be awarded in a competitive manner seeking to ensure achievement of VfM, and on an arm's length basis to obtain market prices for the consulting services, goods and works required. Prices should be confirmed by the Recipient as representing fair market prices. Normally, a high degree of cost overrun protection should be obtained from the Recipients. Where contract prices significantly exceed the cost estimates made at appraisal, an independent review should be carried out and a verification of the project's financial viability (financial return, debt service coverage, etc.) should be undertaken.
5. Contracts should be either fixed price, lump sum, or incorporate binding guaranteed maximum prices. Cost plus contracts should normally not be used.

#### **Recipient's Procurement Organization**

6. The structure and size of the Recipient's procurement organization (resources, number and qualifications of staff) as well as its experience and performance in recruiting similar consulting services, and in managing similar projects or contracts should be assessed, described and summarized. An indication must be given as to whether the Recipient's procurement organization is suitable for the project needs and recommendations formulated for strengthening, if necessary.
7. A summary of the structure and size of the Recipient's procurement organisation and their experience in managing similar projects or contracts should be provided.
8. Recipient's Procurement Planning: The procurement planning which has been undertaken for the project, if any, should be described and its suitability assessed. If necessary, recommendations for early procurement planning for the project should be formulated.
9. Information on any procurement planning which has been undertaken for the project should be provided. Careful procurement planning taking into account the particular needs of the enterprise as well as the specific of the project, is essential to ensure the most cost-effective approach in achieving VfM and in reducing the need for direct contracting arrangements.

### **Recipient's Procurement Practices**

10. The procurement practices, methods and procedures to be followed by the Recipient for the project should be assessed and should be FfP for each specific transaction. Further, the suitability of such practices and methods, taking into account the Recipient's experience, must be reviewed to ensure acquisition of quality consulting services and sound procurement of goods and works, all at fair market prices taking into consideration achievement of VfM for the project as a whole.
11. A summary of the procurement practices and methods to be followed by the Recipient for the project expenditures should be provided. The Recipient should demonstrate that these ensure quality acquisition of consulting services and sound procurement of goods and works, at fair market prices, to the satisfaction of the Bank.

### **Contract Conditions**

12. The contract provisions which the Recipient intends to use must be reviewed. This review should also indicate if the Recipient is using internationally recognized best practice contract conditions, and which ones. For Large contract of value greater than US\$ 500,000, the use of internationally recognized forms of contract, such as FIDIC, or Bank standard contract forms is encouraged, wherever possible. The essential elements to be clearly outlined in contract documents are given in Box 1:

***Box 1: Essential Elements to be Clearly Stated in Recipients' Contract Documents***

- (a) *Scope, quality, timing costs and prices of any consulting services, goods or any works services to be supplied, carried out or performed, and the rated capacity and quality of output from any plant;*
- (b) *Rights and obligations, in particular of performance, of all parties to the contract;*
- (c) *Guarantees of performance, and warranties;*
- (d) *Acceptance;*
- (e) *Payment terms and procedures;*
- (f) *Variations and price adjustments;*
- (g) *Incentives and penalties (bonuses, liquidated damages, etc.);*



- |     |   |
|-----|---|
| (h) | <i>Liability; insurance;</i>                          |
| (i) | <i>Modifications to the contract and termination;</i> |
| (j) | <i>Force majeure; and</i>                             |
| (k) | <i>Settlement of disputes and governing law.</i>      |

13. The roles of all parties involved in the execution and monitoring of the contract must be defined, including the role of the project manager and the Bank's (or other lenders') independent experts.
14. Intellectual property rights shall be secured by appropriate licenses. In particular, all rights needed to use, maintain and possess updated software, procedures, processes, etc. should be covered by the contract. The contract should also provide protection from infringement of third party rights.
15. Provisions limiting the liability of the contractor must be carefully reviewed to ensure that the project, the Bank and the sponsor/client are adequately protected. Information should be provided on the contractual basis allowing for balanced contract conditions and acceptable levels of risk management.
16. Any advance payments must be secured by an advance payment guarantee. There should normally be some form of retention payment, the release of which being subject to the supplier or contractor having satisfied all contractual requirements.
17. Supply, completion and performance guarantees are crucial to protect the Recipient against risks of non-performance. For consulting services contracts performance security is normally not required but for the supply of goods and works, of value greater than US \$100,000, the contractor shall provide an on-demand performance security. Provisions for liquidated damages in the event of delays or less than specified performance must be made. Caps on liquidated damages should be sufficiently high to avoid a contractor abandoning a project when problems arise. It should be very clear what protection is being provided to the project against failure to meet specifications for product quality, yield and output, against non-completion or delays, and whether the protection is adequate and appropriate. There must be an appropriate period after completion during which the contractor is liable for defects (defects liability period).

### **Monitoring of Project Implementation and Progress**

18. Details must be provided of the project supervision and monitoring arrangements to be undertaken by the Bank, and these shall be documented in the Project Appraisal Report, to ensure that the Recipient undertakes the procurement and implements the project as agreed with the Bank.
19. In general, adequate day to day monitoring and supervision of any project works, is the responsibility of the Recipient. Usually this is executed by independent consultants on behalf of the Recipient. Any such needs must be provided for in the project. The Bank must receive progress reports as a matter of routine and should have access to all information needed to verify them. This should include access to any works, or facilities.

### **Contract Performance and Project Completion**

20. The ability of any feasibility study to lead to bankable projects depends on it being fully completed as well as on its technical economic, financial, environmental viability. Similarly, the ability of a project to generate revenue necessary to repay the Bank's financing largely depends on whether plant, facilities, buildings, etc. are completed, properly constructed, supplied and installed, ready and available for the intended use,

and performing as planned (i.e. producing cash flow). Managing the risks of failure comprises taking the following measures.

21. The impact of the estimated completion date on the grant period, and other financing implications should be reviewed and documented.

## Selection of Consulting Firms and Individual Consultants as Service Providers by Public Sector Recipients

### Best Practice Methods and Procedures Acceptable to the Bank

#### General:

1. The acquisition of consulting services under the Procurement Policy exhibits considerable flexibility. It requires selection of the Service Provider to be “conducted through competition among qualified short-listed firms in which the selection is based on the quality of the proposal and, where appropriate, on the cost of the services to be provided”.

#### Consulting Firms Selection Methods

2. **Introduction:** There are six methods for selecting Consulting Firms as Service Providers, namely:
  - (a) Quality- and Cost-Based Selection (QCBS)
  - (b) Quality-Based Selection (QBS);
  - (c) Fixed-Budget Selection (FBS);
  - (d) Consultants’ Qualifications Selection (CQS);
  - (e) Least-Cost Selection (LCS); and
  - (f) Direct Contracting or Single-source selection (SSS).
3. Normally, the primary and preferred selection method is QCBS, but for AFT Operations given the need to fast-track the acquisition process, CQS is recommended for assignments of value less than UA 200,000 (US\$ 300,000). This is because the Procurement Framework provides the flexibility to use other methods apart from QCBS if they appear more appropriate to the circumstances within which the consulting services will be implemented. Justification must be provided in the Procurement Plan, the Project Brief, the Board Memorandum (for assignments of value greater than US\$ 1.0 million, and summarized in all the Grant Protocol Agreements (GAs), if a selection method other than QCBS is agreed to be used.
4. For all selection methods, apart from SSS, when continuity for downstream work is essential, the initial RFP should outline this prospect, and, if practical, the factors used for the selection of the consulting firm should take the likelihood of continuation into account. Continuity in the technical approach, experience acquired, and continued professional liability of the same consultant may make continuation with the initial consultant preferable to a new competition subject to satisfactory performance in the initial assignment. For such downstream assignments, the Recipient should ask the initially selected consultant to prepare technical and financial proposals on the basis of the TOR furnished by the Recipient, which shall then be negotiated.
5. Following is a more detailed description of the six methods.
6. **QCBS:** As stated earlier, normally QCBS is the preferred method of selection, since it allows for both efficiency and economy. It allows a sorting mechanism for technical quality as well as a weighting mechanism for cost. QCBS provides efficiency and quality (qualifying firms must attain a minimum technical score) as well as economy (firms with lower priced proposals may still have an advantage). QCBS is considered suitable for recruiting consultants from firms in most situations.

7. **QCBS Process:** Consultants submit both a technical proposal and a financial proposal at the same time. The technical proposals are opened first and evaluated against a maximum of 100 points. Any firm scoring less than a minimum specified in the RFP (typically 70 to 85 points) is considered technically nonresponsive, and is dropped from the list. Financial proposals are then opened in public, evaluated by a technical committee in private and ranked. The lowest proposal is allocated a financial score of 100, and the financial proposals of other firms are prorated and provided a score according to their value relative to the lowest proposal. A final combined score incorporating a cost factor is then calculated, based partly on the technical scores and partly on the financial scores. The ratio normally used is 80% for the technical score and 20% for the financial score, stated as "80:20". The ratio may, at the discretion of the Recipient and with concurrence of the AFT, be set at other values; such as 60:40 for audit assignments or 70:30 for simple feasibility activities. For consulting services with a high level of complexity or impact, if quality is considered paramount and a ratio higher than 80:20 is considered justified, then QBS should typically be used.
8. **QBS:** In certain cases, the importance of technical quality may be overriding to the extent that it is counterproductive to consider price factors in the selection. Such situations include:
  - (a) Assignments that are complex or highly specialized, making it difficult to define precise TOR and the required input from the consultants to demonstrate innovation in their proposals (for example, country economic or sector studies, multi-sector feasibility studies, design of a hazardous waste remediation plant or of an urban master plan, financial sector reforms);
  - (b) Assignments where the downstream impact is so large that the quality of services is of overriding importance for the outcome of the project, since there may be a high negative impact or cost if the services fail (for example, feasibility and structural engineering design of such major infrastructure as large dams, policy studies of national significance, management studies of large government agencies); and
  - (c) Assignments that can be carried out in substantially different ways such that financial proposals may be difficult to compare (for example, management advice, and sector and policy studies in which the value of the services depends on the quality of the analysis).
  - (d) When recruiting expertise from a United Nations (UN) Organization, NGO, or academic institute, because such organizations may have an undue cost advantage vis-à-vis commercial firms and—to present a more level field of competition— proposals based purely on technical criteria may be considered more appropriate than QCBS.
9. **QBS Process:** Under QBS either a single technical proposal envelope may be requested in the first stage or both technical and financial envelopes (two envelopes system) may be requested at the same time as in QCBS. Using the single envelope procedure, initially only technical proposals are submitted. After these are evaluated, the highest ranked firm is asked to submit a detailed financial proposal in the second stage. This is then subject to negotiation and, if unsuccessful, the next ranked firm is asked for a financial proposal. This process continues until a contract is successfully negotiated. If the RFP requests consultants to provide financial proposals simultaneously together with the technical proposals (two envelop system), only the financial proposal of the firm selected through the technical evaluation is opened and evaluated as for QCBS. Those of the rest are returned unopened, after the negotiations are successfully concluded. In view of the need for lengthy and detailed negotiations and the greater possibility that negotiations will be unfruitful, QBS tends to be a longer process than QCBS.
10. **FBS:** FBS may be appropriate when:

- (a) The outcome or impact of the consultancy is important enough to favor technical soundness over potential cost savings possible through QCBS;
- (b) The TOR are detailed, specific, precise, and position based; and neither the Bank nor the Recipient will change them during implementation;
- (c) The experts' inputs in person-months are adequate to complete the TOR and unlikely to need revising;
- (d) The budget is sufficient for all the requirements in the TOR; or
- (e) The funding available is fixed and cannot be exceeded.

11. **FBS Process:** FBS follows a similar process as QCBS but does not include a weighting for cost. The maximum possible contract amount is stated in the RFP. Technical and financial proposals are submitted, and an evaluation is first made of the technical proposals. Those scoring less than the minimum specified in the RFP (typically 75 points out of 100) are considered technically nonresponsive, and the firms are dropped from the evaluation. Financial proposals are then opened in public. During the financial evaluation by the committee, any proposals exceeding the maximum contract amount (which has been specified in the data sheet in the RFP) are also rejected. The firm that had submitted the highest-ranking technical proposal among the remaining firms is then invited for negotiations.

**Box 4-A: FBS Examples**

*Examples of assignments for which FBS may be appropriate include sector studies, market studies, and surveys with limited scope; field studies during project preparation; prefeasibility studies and reviews of existing feasibility studies; social, land acquisition, or environmental surveys; reviews of technical designs and proposal documents; and project benefit monitoring.*

12. FBS may be more appropriate than QBS especially under grant funding, where the budget is fixed and difficult to adjust. FBS would allow, in such circumstances, a rigorous technical evaluation while ensuring that the financial proposals remain within budget. Where grants are involved, the budget may in any event be known, since grant information is often available through published public documents of the funding agency.
13. **CQS:** CQS is usually used when specialized expertise is required; recruitment time is critical (such as in the case of AFT operations); few consultants would be qualified for the assignment; or because of special circumstances, the competitive preparation and evaluation of proposals is not justified. Using CQS can save time, since, normally, only one proposal is evaluated. It is recommended for AFT operations of value less than UA 200,000 (US\$ 300,000).

**Box 4-B: When to Use CQS**

*CQS may be used for brief evaluation studies, high-level and short-term legal assignments, participation in expert panels to review projects, advisory assignments that are highly specialized and narrow in scope, assignments that require the best available qualifications, assignments for NGOs, simple safeguard studies such as the preparation of an environmental impact assessment or resettlement plan for a subproject, and emergency relief.*

14. **CQS Process:** Firms are chosen from amplified expressions of interest (EOIs)<sup>15</sup> submitted in response to a detailed advertisement. Typically three top-ranked firms are identified. The first-ranked firm is then normally requested to submit a combined biodata technical proposal (see 5.4.1 (f) (iii)) and financial proposal as a basis for negotiations with the EA. Biodata are evaluated and, if considered of sufficiently high caliber, the firm is invited for negotiations. . If this firm cannot submit an acceptable proposal (in terms of personnel), then the second-ranked firm is invited to submit a proposal. The technical proposal is usually based on biodata, and the negotiations may be carried out by e-mail. If a lump-sum contract is used, administration and supervision are simplified. The normal contract used is for a lump sum.
15. **LCS:** LCS may be suitable for use if:
- Contracts are small in value and technically straightforward;
  - Services are standard and routine;
  - Well-established practices and standards exist;
  - Outcomes are clearly defined;
  - There is a low risk of failure; or
  - Competing firms are expected to have different cost structures providing a possible cost saving to the EA through a price-competitive process.

**Box 4-C: When to Use LCS**

*Assignments for which LCS may be appropriate include, for example, audits, simple surveys, engineering design and/or supervision of simple construction projects, and routine operation and maintenance work and inspection. Most LCS contracts will be for lump sums.*

16. **LCS Process:** LCS follows procedures similar to QCBS and FBS. Firms submit both a technical and a financial proposal as in QCBS and FBS. The technical proposals are evaluated first. The firm with the lowest financial proposal of those scoring a minimum specified in the RFP (typically 75 points or more) on the technical proposal is then selected.
17. **Direct Contracting or SSS:** SSS or Direct Contracting of Consulting Services entails the selection of a firm without competition from other firms. SSS does not provide the benefits of competition in comparison with quality and cost, lacks transparency in selection, and could encourage unacceptable practices. Therefore, single-source selection should be used only in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of the Recipient and the project, and the Bank's responsibility to ensure economy and efficiency and provide equal opportunity to all qualified consultants. The exceptional cases in which SSS may be used are highlighted in Box 4-D below.

**Box 4-D: When SSS May be Used**

*Direct Recruitment or Single-Source Selection (SSS) may normally be used under the following circumstances:*

- *For tasks that represent a natural continuation of previous work carried out by the Consulting Firm or Individual Consultant;*
- *In emergency cases, such as in response to disasters and for consulting*

<sup>15</sup> *These will vary on a case-by-case basis but might include references from previous clients, a detailed indication of staff qualifications, and an indication of the continuity of senior management personnel in the firm.*

*services required during the period of time immediately following the emergency;*

- *For very small assignments where the administrative cost of conducting competition outweighs the possible savings; or*
- *When only one Consulting Firm or Individual Consultant is qualified or has experience of exceptional worth for the assignment.*

18. The SSS Process: When using SSS, under prior review oversight provisions, the Recipient must submit to the AFT for its review and no objection the following three materials:
- (a) The TOR for the assignment,
  - (b) A sufficiently detailed justification including the rationale for SSS instead of a competitive selection process; and
  - (c) The basis for recommending a particular firm, except for contracts below a threshold defined on the basis of risks and the scope of the project, and set forth in the Procurement Plan.
19. The Recipient is not required to issue an RFP, but none the less the Recipient may use the RFP as its basis to request the selected Consulting Firm to prepare and submit technical and financial proposals.
20. In certain circumstances, UN Organizations are used to provide technical expertise (commonly the International Labour Organization or the Food and Agriculture Organization Investment Center). It is possible to use the expertise of such institutions on a single-source basis. However, the justification for SSS should be examined in the context of the overall interests of the Recipient and the project, and the Bank's fiduciary responsibility to ensure economy and efficiency and provide equal opportunity to all qualified consultants. Justification for the use of SSS must be documented in the Project Brief and the Board Memo (in the case of project of value greater than US\$ 1.0 million).

### **Steps in the Selection Process**

21. **General**: A well-managed selection process generally followed under public sector recruitment, entails the following steps:
- (a) Preparation of the Terms of Reference (TOR);
  - (b) Preparation of the Cost Estimates and the Budget;
  - (c) Publication, advertisement and promotion of opportunities;
  - (d) Preparation of the Shortlist of Consultants;
  - (e) Preparation and issuance of RFPs;
  - (f) Preparation of technical and financial proposals by Consultants;
  - (g) Submission and opening of proposals;
  - (h) Evaluation of Technical Proposals: consideration of quality;
  - (i) Public opening of Financial Proposals;
  - (j) Evaluation of Financial Proposals;
  - (k) Final evaluation of quality and cost and determination of best evaluated bid; and
  - (l) Negotiation and award of contract.
22. The sections following hereunder provide guidance on the best practices to be followed under each of these steps.

23. **Terms of Reference:** The Recipient is normally responsible for preparing the TOR for the assignment. The TOR is prepared by a person or persons specialized in the area of the assignment. It defines clearly the objectives, goals, and scope of the assignment and provides background information (including a list of existing relevant studies and basic data) to facilitate the consultants' preparation of proposals. The TOR lists the services and surveys necessary to be carried out under the assignment and the expected outputs (for example, reports, data, maps, surveys, etc.). However, the TOR should not be too detailed and inflexible, so that competing consultants may propose their own methodology and staffing. Firms are encouraged to comment on the TOR in their proposals. The Recipient's and consultants' respective responsibilities should be clearly defined in the TOR.
24. **Cost Estimate (Budget):** Preparation of a well-thought-through cost estimate is essential if realistic budgetary resources are to be earmarked. This must be based on the TOR and must closely reflect the scope of the assignment. The cost estimate is prepared based on the Recipient's assessment of the resources needed to carry out the assignment, in terms of experts' time, logistical support, and physical inputs. The cost of experts' time inputs are estimated based on a realistic assessment of the required expertise under the TOR.
25. **Publication, Advertisement and Promotion<sup>16</sup> of Opportunities:** The publication, advertisement and promotion of AFT's consulting services opportunities are widely published through the issuance of Specific Procurement Notices (SPNs) in the form of a Request for Expressions of Interest (REOI) in the national and international press. Assignments of value less than UA 200,000 (US 300,000) shall be advertised in at least one newspaper of national circulation in the Recipients' country, in an official gazette and on an electronic portal. In addition, assignments valued more than UA 200,000 (US\$ 300,000) shall be advertised in UNDB online<sup>17</sup> and in the Bank's external website. Recipients may also in such cases advertise REOIs in an international newspaper or a technical or financial magazine. The information requested must be the minimum required to make a judgment on the firm's suitability and not be so complex as to discourage consultants from expressing interest. REOIs must at a minimum include all essential information applicable to the assignment such as; (i) the required qualifications and experience of the firms, but not individual experts' bio data; (ii) short-listing criteria; and (iii) conflict of interest requirements. The Bank will arrange the simultaneous publication of all REOIs prepared and submitted by the Recipients on the Bank's external website. Recipients shall allow at least 7 (seven)<sup>18</sup> days from date of posting on UNDB online prior to preparation of the short list.
26. **Shortlisting of Consultants:** The Recipient is responsible for preparing the shortlist of consultants to be requested to submit proposals and thereby compete for the assignment. The shortlist is prepared based on the Expressions of Interest (EOIs) received from the wide and free publication of REOIs. There should be no restriction on the participation of consultants except for eligibility conditions. In addition, there should be equal opportunity for all eligible consultants to participate.
27. Short lists shall comprise six firms with a wide geographic spread, with (i) no more than two firms from the same Member Country unless there are no other qualified firms

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<sup>16</sup> *Advertisement shall consist of the open and timely notification to the business community of the opportunities for the selection of a Service Provider. To foster competition, promotion shall take place in advance of the process, by calling the attention of qualified Service Providers around the world to the project in question.*

<sup>17</sup> *Exceptionally, when the Bank has agreed to a short list comprising only national consultants, the Bank may agree that the Recipient does not publish in the UNDB online contracts above UA\$200,000. UA thresholds indicated throughout these Rules include all taxes and duties, if applicable.*

<sup>18</sup> *Under normal circumstances the minimum allowable period is 14 (fourteen) days.*



identified to meet this requirement<sup>19</sup>; and (ii) there is at least one firm from the Recipient's country in addition to another firm from an RMC, unless no qualified firms from such countries could be identified.

28. The short list may comprise entirely national consultants (firms registered or incorporated in the country), if the value of the assignment is less than UA 200,000 (US\$ 300,000).
29. When consulting services may be optimally obtained through a pre-qualification exercise, the Bank may agree to use of such process in appropriate circumstances<sup>20</sup> which include situations in which the assignments are complex, have high impact downstream or are of value greater than US\$ 1.0 million (UA 700,000).
30. **Preparation and Issue of RFPs:** The main purpose of the Request for Proposals (RFPs) is to regulate the acquisition process and to give bidders information about: (a) the project scope; (b) its objectives; (c) how proposals shall be prepared and submitted; (d) how proposals will be evaluated; and (e) the draft contract. The Bank has prepared standard or model RFPs for use by its Recipients at two levels and these are available on the Bank's Website:
- (a) For assignments of value greater than US\$ 1.0 million (UA 700,000) the MDB's harmonized standard model (SRFP) must be used,
  - (b) For those assignments between US\$ 300,000 (UA 200,000) and US\$ 1.0 million (UA 700,000) the RFP for QCBS and QBS must be used. FBS may also be used where exceptionally appropriate.
  - (c) On the other hand, the FBS, CQS, LCS or RFPs must be used for assignments of value less than US\$ 300,000 (UA 200,000).
31. All the RFPs are structured in the same manner as indicated in Box 4.

**Box4-E: Essential Contents of RFPs**

- Section 1 – An Letter of Invitation (LOI), which announces the intention of the Recipient to enter into contract for execution of the assignment, identifies the short-listed firms, states the source of funds, gives the details of the Recipient and the date, time and addresses for submission of proposals;
- Section 2 – Instructions to Consultants (ITC), including detailed guidance on preparing and on submitting the technical and financial proposals, including the evaluation criteria; as well as the Proposals Data Sheet (PDS) with the specifics of the assignment;
- Section 3 – Standard forms for preparation of technical proposals;
- Section 4 – Standard forms for preparation of financial proposals;
- Section 5 – List of the Bank's Eligible Countries;
- Section 6 – The Bank's Requirements on Corrupt and Fraudulent Practices;
- Section 7 – Terms of Reference (TOR); and
- Section 8 – Conditions of Contract and Contract Forms: The most common forms of contract include Lump Sum and Time-based contracts.

32. The RFPs must contain and describe the technical evaluation criteria and sub-criteria to be used to determine the highest-ranked technical proposal, along with their relative maximum scores (Box 3-E). Normally such criteria shall include:

<sup>19</sup> For the purpose of establishing a short list, the nationality of a firm is that of the country in which it is registered or incorporated, and, in the case of Joint Ventures, the nationality of its lead partner.

<sup>20</sup> Procurement Policy for Bank Group Funded Operations. Clause 8.6. Procurement and Fiduciary Services Department. June 2015.

- (a) Consultant’s relevant experience for the assignment;
- (b) Quality of the methodology proposed;
- (c) Qualifications of the key experts proposed;
- (d) Transfer of knowledge, if required in the TOR; and
- (e) Extent of the participation of nationals among key experts in the performance of the assignment.

<b>Box 4-F Ranges of Technical Scores for Different Criteria</b>	
<i>The criteria shall be within the following indicative range of scores, but for each assignment, specific scores which shall be within these ranges, must be specified in the RFP:</i>	
• Consultant’s Specific Experience:	0 to 10
• Methodology:	20 to 50
• Key Experts:	30 to 60
• Transfer of Knowledge <sup>21</sup> :	0 to 10
• Participation by National Experts <sup>22</sup> :	0 to 10
<b>Total:</b>	<b>100 points</b>

33. The RFP shall also disclose the overall minimum technical score below which a proposal will be rejected as nonresponsive. The indicative range for the overall minimum technical score is 70 to 85 points on a scale of 1 to 100. The maximum score for each criterion and the minimum overall technical score shall be determined based on the nature and complexity of the specific assignment.
34. Details of the evaluation criteria for the specific assignment shall be contained in the PDS in Section 2 of the RFP.
35. **Receipt, Opening and Evaluation of Proposals:** Period for Preparation of Proposals: The time allowed by the Recipient, for Service Providers to prepare and submit their proposals normally depends on the type of assignment. In general the Recipient should allow sufficient time as follows:
- (a) For assignments of value greater than US\$ 1.0 million (UA 700,000), using the MDB’s harmonized standard model (SRFP) the normal minimum of 4 weeks shall be allowed;
  - (b) For those assignments of value between US\$ 300,000 (UA 200,000) and US\$ 1.0 million (UA 700,000) using Bank’s RFPs for QCBS, QBS and FBS, the minimum time allowed should be 3 weeks; and
  - (c) On the other hand, for assignments of value less than US\$ 300,000 (UA 200,000) using FBS, CQS, or LCS 2 weeks may be allowed.
36. During the period of preparation of proposals, consulting firms may request clarifications about the information provided in the RFP. The Recipient must provide these clarifications in writing and copy them to all firms on the short list contained in the RFP. The technical and financial proposals shall be submitted at the same time and in order to safeguard the integrity of the process, these technical and financial proposals shall be submitted in separate sealed envelopes.
37. Recipients may use electronic systems permitting consultants to submit proposals by electronic means, provided the Bank is satisfied with the adequacy of the system,

<sup>21</sup> *Transfer of knowledge may be the main objective of some assignments; in such cases, it shall be indicated in the TOR and, only with Bank prior no objection, may be given a higher weight to reflect its importance.*

<sup>22</sup> *As reflected by the participation of nationals among key experts (whether presented by foreign or national firms), and calculated as the ratio of key national experts’ time (in person-months) to the total number of key experts’ time (in person-months) in the proposal.*

including, inter alia, that the system is secure, maintains the integrity, confidentiality and authenticity of proposals submitted, and uses an electronic signature system or equivalent to keep consultants bound to their proposals.

38. Opening of Technical Proposals: The Recipient shall open all technical proposals received by the deadline for the submission of proposals at the designated place stipulated in the RFP irrespective of the number of proposals received by such deadline. Consultants or their representatives may attend. The Recipient shall neither reject nor discuss the merits of any proposal. Any proposal received after the deadline shall be declared late and rejected and promptly returned unopened. The Recipient shall read aloud the names of the consultants that submitted proposals, the presence or absence of duly sealed financial envelopes, and any other information deemed appropriate. The financial proposals shall remain sealed and shall be deposited with a reputable public auditor or independent authority<sup>23</sup> during the period of evaluation of technical proposals.
39. Evaluation of Technical Proposals: The evaluation of the proposals shall be carried out in two stages: first the technical quality, and then the cost. The Recipient shall constitute an Evaluation Committee (EC) comprised of at least 3 and not more than 7 sufficiently qualified specialists in the sector of the assignment with relevant competence (technical, finance, legal, as appropriate). Each EC member shall not be in a conflict of interest (COI) situation (Annex 2) and shall certify to that effect before participating in the evaluation. Evaluators of the technical proposals shall not have access to the financial proposals until the technical evaluation, including any Bank reviews and no objection, is concluded. Financial proposals shall be opened only thereafter. The evaluation shall be carried out in full conformity with the provisions of the RFP.
40. Given the need for high quality services, the quality of the evaluation of technical proposals is paramount. The EC shall evaluate each technical proposal using only the criteria specified in the RFP.
41. The EC shall normally divide these criteria into sub-criteria. Each criterion shall then be scored on the basis of the weights assigned to respective sub-criteria. For example, sub-criteria under methodology might be innovation and level of detail. However, the number of sub-criteria should be kept to the essential. The Bank recommends against the use of exceedingly detailed lists of sub-criteria that may render the evaluation a mechanical exercise more than a professional assessment of the proposals. The weight given to experience can be relatively modest, since this criterion has already been taken into account when short-listing the consultant. More weight shall be given to the methodology in the case of more complex assignments (for example, multidisciplinary feasibility or management studies).
42. Only the key experts should be evaluated. Since they ultimately determine the quality of performance, more weight shall be assigned to this criterion if the proposed assignment is complex. The Recipient shall review the qualifications and experience of proposed key experts in their curricula vitae, which must be accurate, complete, and signed by an authorized official of the consulting firm and the individual proposed. The individuals shall be rated following three sub-criteria, as relevant to the task:
  - (a) General qualifications: general education and training, length of experience, positions held, previous assignments as team expert, experience in developing countries, and so forth;
  - (b) Adequacy for the assignment: education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and

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<sup>23</sup> *An independent entity shall have no direct or indirect interest or involvement with the assignment in question.*

- (c) Experience in the region: knowledge of the local language, culture, administrative system, government organization, and so forth.
43. The EC shall evaluate each proposal on the basis of its responsiveness to the TOR. A proposal shall be considered unsuitable and shall be rejected at this stage if it fails to comply with important aspects described in the RFP. Any technical proposal containing any material financial information shall be declared nonresponsive.
44. The EC's evaluation shall be individually conducted independently of each other, and without any external influence from any person or entity. A proposal shall be rejected if it fails to achieve the overall minimum technical score specified in the RFP. At the end of the evaluation process, the EC shall prepare a detailed Technical Evaluation Report (TER) The report shall;
- (a) Clearly state and substantiate the results of the evaluation;
  - (b) Justify the total technical scores assigned to each proposal by describing the relative strengths and weaknesses of each proposal;
  - (c) Address any large differences in the individual scores given to a proposal for the same criterion or sub-criterion by different TEC members; and
  - (d) Contain the detailed evaluation sheets for each TEC member.
45. In the case of contracts subject to prior review, the TER shall be submitted to the Bank for its review and no objection. All records relating to the evaluation, such as individual score sheets shall be retained for future Bank review and audit purposes.
46. **Opening of Financial Proposals and Evaluation of Costs:** Upon completion of the technical evaluation (and for prior review cases after the Bank has issued its no objection), the Recipient notifies those consulting firms that have secured the minimum overall technical score of the date, time, and place set for opening the financial proposals. The financial proposals are opened in public, the presence of representatives of the consultants who choose to attend. The name of the consultant, the technical scores, including the break-down by criterion, and the offered total prices are all read aloud (and posted online when electronic submission of proposals is used). Minutes of the bid opening are kept in which all information announced are recorded.
47. The Recipient then evaluates and compares the financial proposals in accordance with the following procedures:
- (a) Prices are converted to a single currency selected by the Recipient (local currency or fully convertible foreign currency) as stated in the RFP, by using the selling (exchange) rates<sup>24</sup> for those currencies quoted by an official source (such as the Central Bank) or by a commercial bank or by an internationally circulated newspaper for similar transactions
  - (b) For a time-based contract, any arithmetical errors are corrected, and prices are adjusted if they fail to reflect all inputs that are included in the respective technical proposals.
  - (c) For a lump-sum contract, the consultant is deemed to have included all prices in its financial proposal, so neither arithmetical corrections nor price adjustments are made, and the total price, net of taxes understood, included in the financial proposal are considered as the offered price.

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<sup>24</sup> *The RFP must specify the source of the exchange rate to be used and the date of that exchange rate, provided that the date shall not be earlier than four weeks prior to the deadline for submission of proposals, nor later than the original date of expiration of the period of validity of the proposal.*

48. For the purpose of evaluation, the offered prices shall exclude local identifiable indirect taxes<sup>25</sup> on the contract and income tax payable to the country of the Recipient on the remuneration of services rendered in the country of the Recipient by non-resident experts and other personnel of the consultant. In exceptional circumstances, when indirect taxes cannot be fully identified by the Recipient when evaluating the financial offers, the Bank may agree that prices, for the purpose of evaluation only, include all taxes payable to the country of the Recipient. The offered total price shall include all consultants' remuneration and other expenses such as travel, translation, report printing, or secretarial expenses.
49. Combined Technical Quality and Cost Evaluation for QCBS: For QCBS only, the proposal with the lowest offered total price may be given a financial score of 100 (one hundred) and other proposals given financial scores that are inversely proportional to their prices, as stated in the RFP. The total score is obtained by weighting the quality and cost scores and adding them. Except for the complex and high impact services, the weight for cost shall normally be 20 points out of the total score of 100. The weight for the "cost" is chosen, taking into account the complexity of the assignment and the relative importance of quality. The proposed weightings for quality and cost are specified in the RFP. The firm obtaining the highest total score shall be invited for negotiations.
50. Financial Evaluations under QBS, FBS, CQS and LCS: These are described in paragraphs 9-21.
51. Negotiations: In the acquisition of Consulting Services, negotiations generally include discussions of the TOR, the methodology, Recipient's inputs, and special conditions of the contract. These discussions should not substantially alter the original scope of services under the TOR or the terms of the contract, lest the quality of the final product, its price, and the relevance of the initial evaluation be affected. The final TOR and the agreed methodology are incorporated in the "Description of Services" which forms part of the contract.
52. If the negotiations with the highest ranked consultant fail, the Recipient will terminate the negotiations and invite the next ranked Consulting Firm for negotiations (the Bank's no objection shall first be obtained under prior review situations).

### ***Procedure for Selection of Individual Consultants***

53. ***Use of Individual Consultants***: Individual consultants are employed on assignments for which (a) a team of experts is not required, (b) no additional outside (home office) professional support is required, and (c) the experience and qualifications of the individual are the paramount requirements.
54. The following steps are provided to guide Recipients with a recruitment process for individual consultants:
  - (d) Preparing a consulting services package including the TOR, time frame, number of person-months, the cost estimate and budget;
  - (e) Advertising for candidates through the Bank's website and/ or directly in the print media (generally, international publications, but also—in some countries—national publications)<sup>26</sup>;
  - (f) Compiling a refined long list based on EOIs from interested individuals, candidates suggested by the Bank, and/or candidates suggested by other agencies or sources;

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<sup>25</sup> *All indirect taxes levied on the contract invoices, at National, State (or Provincial), and Municipal levels, such as sales tax, VAT, excise tax, and similar taxes and levies.*

<sup>26</sup> *Where possible, a standardized REOI format must be used.*

- (g) Preparing short-listing and evaluation criteria;
- (h) Compiling a short list, along with CVs of short-listed candidates; for international consultancies, the short list should include 3–5 individuals from a broad geographic range of Bank member countries;
- (i) Approval of the TOR, evaluation criteria, and proposed short list by the appropriate authority;
- (j) Evaluation of the candidates by the selection committee using the standard evaluation form;
- (k) Determination of the availability of the first-ranked candidate (if not available, the second- and third ranked candidates may be contacted to determine their availability);
- (l) Where prior review is used, submission to the Bank for approval of
  - the finalized TOR,
  - the ranked list of individuals and their CVs, and
  - the format of the draft contract to be used;
- (m) Negotiations with the first-ranked candidate following Bank’s concurrence (where prior review is applied); and
- (n) Submission to the Bank of a copy of the signed contract (for disbursement purposes).

55. **Advertising or Publication of Opportunities:** Advertisements or Requests for expressions of interest (REOI) are encouraged in the recruitment of Individual consultants, particularly when the Recipient does not have knowledge of experienced and qualified individuals or of their availability, or the services are complex, or there is potential benefits from wider advertising, or if it is mandatory under national law. It may not, however, be required in all cases and should not take place for small value contracts<sup>27</sup>. All REOIs should specify selection criteria that are solely based on experience and qualifications.

56. **Process for Competitive Selection:** Individual consultants are selected on the basis of their relevant experience, qualifications, and capability to carry out the assignment. They do not need to submit proposals and are considered if they meet minimum relevant requirements which are determined by the Recipient on the basis of the nature and complexity of the assignment, and assessed on the basis of academic background and relevant specific experience, and, as appropriate, knowledge of local conditions such as national language, culture, administrative systems, and government organization. The selection are carried out through the comparison of the relevant overall capacity of at least three qualified candidates (not to exceed six) among those who have expressed interest in the assignment or have been approached directly by the Recipient. Individuals selected to be employed by the Recipient shall be the most experienced and best qualified and shall be fully capable of carrying out the assignment.

57. **SSS:** Individual consultants may be selected on a single-source basis, in exceptional cases, with due justification provided in the PP. Such special situations include: (a) tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively; (b) assignments with a total expected duration of less than 6 (six) months; (c) urgent situations; and (d) when the individual is the only consultant qualified for the assignment.

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<sup>27</sup> Advertising for EOIs may not normally take place for individual contracts of value below UA 50,000.



### Provisions in the Operational Guidelines of June 2013

1. Building on the provisions in the Board Memo, the supporting Operational Guidelines outlined that: *“The selection and engagement of consultants and the procurement of goods and services shall be carried out in accordance with the AfDB’s applicable rules and procedures as amended from time to time.<sup>28</sup> A summary note of these procedures will be posted in the web page containing application materials to inform applicants on this requirement and what it means.*
2. *In order to fast track procurement, over the course of the program as a list of successful grantee contractors is established, AFT will establish a list of pre-selected consultants through competitive bidding, prior to and ahead of a submission of project proposals. Such a list will be set up only where the future assignments are such that the technical (and financial) evaluation criteria can be specified in detail in advance.*
3. *The system of debarring certain consultancy companies from procurement and that of blacklists will adhere to the AfDB’s Procurement rules, the AfDB’s Sanctions Regime and the AfDB’s Whistleblowing and Complaints Handling Policy as publicly disclosed on the AfDB’s external website.*
4. Highlighting the deviations from the 2008 Procurement Rules: *the OG indicated that: According to the PD 06/2012 Delegation of Authority Matrices, recruitment of Consulting Firms follows the following procedure:*
  - (a) *Assignments of value less than US\$ 300,000 (UA 200,000) will be processed and cleared by the Task Manager and approved by the Country Manager or Regional Director;*
  - (b) *Assignments of value  $\geq$  US\$ 300,000 (UA 200,000)  $\leq$  1.50 million (UA 1.00 million) will be initiated and processed by the Task Manager, recommended by the Procurement Officer, cleared by the Regional Procurement Coordinator and approved by the Country Manager or Regional Directors; and*
  - (c) *Assignments of value  $\geq$  US\$ 1.5 million (UA 1.00 million)  $\leq$  7.50 million (UA 5.00 million) will be initiated and processed by the Task Manager, recommended by the Regional Procurement Coordinator, cleared by the Sector Manager and approved by the Regional Director.”*
5. The June 2013 OG continued that: *“The above process is long and can cause delays. Given, the fast track nature of the AFT and the fact that the majority of the grantees will be from the Private Sector and require immediate responses and the operations of the AFT will be coordinated and managed by a Sector Department from the Head Quarters of the AfDB, OSAN will have the authority to grant the procurement approvals through the Division Manager and Division Director, in place of the Country Manager and Regional Director. For the same reason, in place of the RPC, OSAN will recruit an experienced Procurement Specialist (as referenced in the Staffing section), who will report technically to the Manager ORPF.1, but will be dedicated to and work with the AFT. Consequently, as proposals for AFT will not exceed US\$ 1.5 million, the recruitment for consultancy services will be processed and cleared by the AFT Procurement specialist and approved by the Sector Manager. All AFT contracts will be subject to post-review by ORPF”.*

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<sup>28</sup> [Rules and Procedures for the Use of Consultants. Procurement and Fiduciary Services Department \(ORPF\). May 2008 Edition Revised July 2012; and Rules and Procedures for Procurement of Goods and Works. Available at http://www.afdb.org.](http://www.afdb.org)