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Enabling poor rural people
to overcome poverty

Project Procurement Guidelines

Note to Executive Board representatives

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The revised IFAD Procurement Guidelines, together with the Procurement Handbook, were prepared under the leadership of Kevin Cleaver, Associate Vice-President, Programmes, Programme Management Department (PMD), by the following working group:

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Recommendation for approval

The Executive Board is invited to approve the revised Procurement Guidelines, which provide direction to entities implementing development projects and programmes financed by the Fund. Once approved, the guidelines will replace the Procurement Guidelines adopted by the Executive Board at its eighty-third session in December 2004.

These guidelines are underpinned by the Procurement Handbook, which has been presented along with these guidelines for the information of the Executive Board.

Definitions

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

“Borrower/recipient” means the party designated as such in the financing agreement or other agreement.

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

“Procurement process” is the entire procurement cycle starting from the identification of need through to the completion of the contract.

“Project management” means the party designated as such in the financing agreement by the borrower/recipient and responsible for implementing and managing the project. It refers equally to the lead project/programme agency and project coordination units and project implementation units.

“Services” is a general term referring to both consultancy and non-consultancy services.

Project Procurement Guidelines

I. Introduction

A. Background

1. Article 7, section 2(j) of the Agreement Establishing IFAD provides that the Executive Board will adopt suitable regulations for procuring goods and services to be financed from the resources of the Fund. These revised Procurement Guidelines will apply to all projects and programmes financed from IFAD's resources, and to financing provided from supplementary funds unless otherwise agreed. They replace the Procurement Guidelines adopted by the Executive Board in December 2004.¹
2. IFAD's revised General Conditions for Agricultural Development Financing (April 2009) (hereafter: the General Conditions) adopt a new approach to procurement that is financed by IFAD loans and grants, stating that: "Procurement of goods, works and services financed by [IFAD] shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines."
3. In adopting this approach, IFAD is following the principles set out in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action in respect of the use of existing national procurement systems.
4. The use of a borrower's/recipient's regulations for procurement will always be subject to verification by IFAD that:
 - (a) Those regulations are in line with internationally accepted practices for public procurement;
 - (b) Those regulations also encompass the basic principles of procurement and support the development of national procurement capacity in the process; and
 - (c) Practical implementation complies with those principles and with national legal and regulatory requirements.
5. As a result, these revised Procurement Guidelines focus less on the details of procurement methods and more on the general principles, standards and policies that borrowers/recipients must adhere to in implementing IFAD-financed projects.
6. IFAD will therefore take a more active role in assessing and monitoring national procurement regulations and procedures to ensure that they are consistent with these revised guidelines. In supervising project procurement and providing implementation support, the Fund will ensure that the procurement process conforms to agreed national rules.
7. In cases where IFAD deems that a borrower's/recipient's system for procurement, either in whole or in part, is not in line with these guidelines, then alternative provisions for procurement will apply, as provided for in section III and in the annex of these guidelines.
8. The only exception will be in the case of international competitive bidding, where, regardless of the results of any assessment of national procurement regulations or procedures, the procedures of the World Bank as set forth in its procurement guidelines will always apply.

¹ The IFAD Procurement Guidelines adopted in December 2004 will continue to apply to agreements approved or entered into before the adoption of these revised guidelines, unless otherwise agreed between the Fund and the borrower/recipient.

B. Purpose

9. This document sets out the policies, principles and standards that IFAD requires borrowers/recipients to adhere to when undertaking the procurement of goods, works or services² needed under development projects or programmes governed by a financing agreement³ (section I.D of these guidelines).
10. For purposes of harmonization, these guidelines have been closely aligned to generally accepted international procurement principles and operating procedures, and to the procurement policies and standards of other development funding institutions. They have also, where practicable, taken into account the size and specialized nature of IFAD's operations and mandate.
11. The rights and obligations of the borrower/recipient and all providers of goods, works and services are governed by the conditions of the bidding⁴ documents and contracts signed by the borrower/recipient and such providers, and not by these guidelines or the financing agreement. No party other than the parties to the financing agreement will derive any rights from the agreement or have any claim to financing proceeds.
12. These guidelines are not designed to provide the detailed operational procedures for undertaking project-related procurement. That information is contained in the Procurement Handbook for use by IFAD staff and borrowers/recipients, which is available on the IFAD website (www.ifad.org).

C. Contents

13. These guidelines are in three sections:
 - (a) Section I covers the guidelines' background, purpose, contents and applicability;
 - (b) Section II outlines the procurement principles that apply to IFAD-funded projects or programmes; and
 - (c) Section III provides information about procurement arrangements, outlining the basic standards expected during implementation.

D. Applicability

14. These guidelines apply to any procurement activity undertaken by a borrower/recipient when procuring goods, works or services under any development project or programme governed by an IFAD financing agreement where IFAD is the sole funding source.
15. Some IFAD projects may involve cofinancing with cooperating institutions, some of which have their own procurement guidelines. Where a cooperating institution with established guidelines assumes responsibility for project administration and supervision on behalf of IFAD, then that institution's own procurement guidelines will normally be followed unless otherwise agreed with IFAD. The IFAD guidelines should be followed for all projects administered by cooperating institutions that do not have their own procurement guidelines and for all projects directly supervised by IFAD.
16. Where these guidelines apply, deviations are permitted only where expressly stated in the financing agreement.

² Both consultancy and non-consultancy services.

³ As defined by the General Conditions.

⁴ For the purposes of these guidelines, "bid"/"bidding" and "tender"/"tendering" have the same meaning.

II. Procurement principles

A. Ethics

17. The guiding principles of ethical behaviour are impartiality, independence and integrity.
18. No person or entity shall use his/her/its authority, position or office for personal gain, which will be defined as soliciting, accepting or otherwise benefiting from anything of material value, in any form,⁵ either in person or indirectly through close relatives or associates, as a result of procurement financed by IFAD.
19. Borrower/recipient officials engaged in procurement activity have a duty to:
 - (a) Maintain and enhance the reputation of the borrower/recipient country by:
 - (i) Maintaining the highest standards of honesty and integrity in all professional relationships;
 - (ii) Developing the highest possible standards of professional competence;
 - (iii) Maximizing the use of IFAD funds and other resources for which they are responsible for the purposes for which these funds and resources were provided to the borrower/recipient country; and
 - (iv) Complying with both the letter and the spirit of:
 - The financing agreement;
 - The laws and regulations of the borrower/recipient country;
 - Accepted professional ethics; and
 - Contractual obligations;
 - (b) Declare any personal interest that may affect, or might reasonably be deemed by others to affect, impartiality in any matter relevant to their duties (conflict of interest). In a situation of this nature, the official concerned should not participate in any way in the procurement process, to avoid misprocurement; and
 - (c) Respect the confidentiality of information gained in the course of duty and not use such information for personal gain or for the unfair benefit of any bidder, supplier or contractor. Information given in the course of their duties shall be true, fair and not designed to mislead.

B. Accountability

20. The borrower/recipient is accountable to IFAD for all actions and decisions in relation to project-funded procurement.
21. This includes, but is not limited to:
 - (a) Ensuring that the funds are used solely for the purpose for which they were provided; and
 - (b) Ensuring that procurement is undertaken in accordance with these guidelines.
22. Borrowers/recipients are further directed to the provisions of section 4.09 "Refund of Withdrawals" of the General Conditions and section III.A of these guidelines, "Borrower/recipient obligations".

C. Competition

23. Full, fair and legitimate competition among eligible suppliers and contractors⁶ is the foundation on which project-funded procurement activities should be based.

⁵ Including, but not restricted to, gifts, services, favours or hospitality.

⁶ As defined in section III.

24. The most common method of seeking competition is through a competitive bidding process, and, in this regard, IFAD specifies that all goods, works and services should be obtained through an agreed procurement process⁷ involving at least three separate⁸ suppliers or contractors whose business is directly related to the procurement being undertaken.
25. It is recognized that it is neither practical nor efficient to advertise internationally for low-value contracts for goods, works or services, and the degree to which the principle of competition is required for each procurement activity will be outlined in the procurement method approved by IFAD within the procurement plan.
26. Borrowers/recipients will be expected to promote genuine competition at every opportunity and may be required to provide evidence of:
 - (a) Fair and genuine competition in the compilation of shortlists and in the solicitation of bids; and
 - (b) The effectiveness of competition during the bidding process.
27. Single sourcing and direct contracting do not provide the elements of competition required by IFAD. Only in exceptional circumstances⁹ will these approaches be considered and approved in procurement plans agreed with IFAD.

D. Fairness

28. IFAD's expectation is that project-funded procurement will be open to as many eligible bidders as is practicable in order to meet the requirements of competition.
29. IFAD expects borrowers/recipients to ensure that all prospective bidders are:
 - (a) Managed with a consistent approach and application of laws, regulations and requirements in respect of the procurement process;
 - (b) Offered a level playing field on which to genuinely compete; and
 - (c) Treated in a fair, impartial and unbiased way, so that principles of impartiality and equal opportunity can be demonstrated in all procurement activities.
30. In striving for fairness in its procurement operations, IFAD:
 - (a) Will not tolerate exclusion of, discrimination, bias or prejudice against, or favouritism or inequality towards any potential supplier or contractor, either directly or indirectly through manipulation of any part of the procurement process, including, but not limited to, the preparation of technical specifications, evaluation criteria or bidding requirements. Where any such activity is suspected or proven, IFAD reserves the right to take any preventative, corrective or punitive action it considers appropriate; and
 - (b) Will seek to address, in consultation with the borrower/recipient, any impositions that may deter or impinge on the attainment of fairness within the procurement process.

E. Transparency

31. IFAD expects the highest degree of transparency and openness within the procurement processes undertaken under its projects. A lack of transparency can be perceived as an attempt to withhold information, which in turn may make the fairness and integrity of the procurement process suspect.

⁷ "Agreed" refers to the use of a recognized procurement method approved in the procurement plan.

⁸ In this context, "separate" means that the suppliers or contractors must (i) all have separate ownership, (ii) not have any affiliation, connection, association or attachment with each other that may be deemed to compromise the principle of competition, and (iii) have no common shareholders or directors.

⁹ Conditions for applying single source/direct contracting are defined in the Procurement Handbook.

32. Transparency within procurement relates to disclosing,¹⁰ in the public domain, information for parties involved, interested in or affected by the process, including but not limited to information on:
- (a) The availability of potential and existing procurement opportunities;
 - (b) Where to access relevant data;
 - (c) The processes by which the procurement is being undertaken;
 - (d) The mechanisms by which contracts will be awarded;
 - (e) Contract award data; and
 - (f) Appeal procedures.
33. Modes of communication/publication of such information will vary depending on the nature of the data but will generally be through existing means of public information (e.g. government websites, public notice boards or media) or in the procurement documentation relevant to an individual procurement activity (e.g. bid notices and bidding documents).
34. Borrowers/recipients are required at all times to act openly, predictably and in accordance with the information provided.

F. Efficiency, effectiveness and economy

35. IFAD requires borrowers/recipients to demonstrate efficiency and economy in undertaking project-related procurement, to avoid undue implementation delays and to achieve value for money.
36. Procurement must be well organized, carried out correctly with regard to quantity, quality and timeliness, and at the optimum price, in accordance with the appropriate guidelines, principles and regulations.
37. Processes must be proportionate to the procurement activity, so that the overall cost of conducting the procurement process is minimized and tailored to the size of the budget for the activity being undertaken, while upholding the guiding principles.
38. Efficiencies can be obtained through a combination of methods. For instance, a strategic approach can be taken to planning, combining and conducting procurement activities so as to minimize loss of time and resources. For this reason, the design of all IFAD-funded projects must now include a procurement plan as per section III.D of these guidelines and as defined in, and required by, the General Conditions.

G. Value for money

39. Underpinning all of the above is the need to obtain value for money for all project procurement activities through the optimum combination of several factors, including:
- (a) Applying sound, internationally recognized procurement principles;
 - (b) Ensuring that the goods, works or services procured meet the requirements for the task and are not overspecified;
 - (c) Ensuring that the goods, works or services are contracted on the best possible terms, taking into account their expected life cycle; and
 - (d) Ensuring that the provider/supplier of the goods, works or services is qualified, legally entitled and competent to execute the contract.

¹⁰ IFAD recognizes that some countries have national legislation governing the disclosure of information, and in such circumstances specific provision will be made during negotiations to ensure that the principle of transparency is maintained.

40. Best value does not necessarily mean the lowest initial price option, but rather represents the best return on investment, taking into consideration the unique and specific circumstances of each procurement activity; the balance of time, cost and quality required; and the successful overall outcome of the contract in meeting its original objectives.

III. Procurement arrangements

A. Borrower/recipient obligations

41. Borrowers/recipients must:
- (a) Act at all times in accordance with the legal relationship governed by the financing agreement;
 - (b) Take full responsibility for project implementation, planning, and the award and administration of contracts under the project; and
 - (c) Undertake all project-related procurement in accordance with the policies, principles and standards set out in these guidelines.
42. IFAD's review of procurement procedures, documents, evaluations and award recommendations as part of its supervision functions does not in any way absolve borrowers/recipients from any of their obligations as specified above.

B. General Conditions for Agricultural Development Financing

43. As stated in section I.A of these guidelines, the General Conditions were revised in April 2009 taking into account IFAD's new approach to procurement financed by its loans and grants. These guidelines are also in line with the various commitments of the international donor community to work towards increasing the use of national systems.¹¹
44. The revised General Conditions are designed to be clearer and less complex for IFAD and borrower/recipient staff. They apply to all financing agreements for projects approved after the ninety-sixth session of the IFAD Executive Board.
45. Specifically in relation to procurement, the General Conditions focus on:
- (a) The emphasis placed on using the borrower's/recipient's procurement regulations, provided they are deemed to be consistent with IFAD's guidelines; and
 - (b) The increased importance of the project procurement plan in identifying procurement procedures to be followed by the borrower/recipient to ensure consistency during implementation.
46. Both of these aspects are discussed in more detail in sections III.C and D.

C. Use of national procurement systems

47. In line with the provisions of the General Conditions, procurement of goods, works and services financed by IFAD shall be carried out in accordance with the provisions of the borrower's/recipient's procurement regulations, to the extent such are consistent with these guidelines. Each procurement plan shall identify procedures that must be implemented by the borrower/recipient in order to ensure consistency with these guidelines.
48. This section therefore elaborates the process that IFAD will use to assess whether a country's national procurement system and regulations are consistent with the procurement policies, principles and standards laid down in these guidelines.

¹¹ For example, the Paris Declaration on Aid Effectiveness, to which IFAD is a signatory, affirmed the commitment for "increasing alignment of aid with partner countries" priorities, systems and procedures and helping to strengthen their capacities"(paragraph 3(ii)). The Accra Agenda for Action reaffirmed this by committing to "strengthen and use developing country systems to the maximum extent possible" (paragraph 15).

Stage 1: Overarching country assessment

49. During preparation of a country strategic opportunities programme (COSOP), or in the absence of a COSOP process, when deemed appropriate, IFAD in conjunction with the borrower/recipient, will undertake a desk review of existing available data to ascertain the status of two aspects:
 - (a) The overall legislative and regulatory framework; and
 - (b) The national structure for public procurement.
50. Sources of such data for this kind of assessment will vary according to the availability and completeness of information and the size of the overall country portfolio, but will usually include:
 - (a) Results from assessments of national procurement systems made by the Organisation for Economic Co-operation and Development's Development Assistance Committee;
 - (b) Recent findings from other governmental implementing agencies, donors and development partners; and
 - (c) Previous working experience from IFAD projects.
51. As a result of this review, IFAD will include, for general overview purposes, some high-level statements within the COSOP regarding its findings. These statements will not be absolute decisions but will merely serve as the starting point for more detailed assessment at the project design stage.
52. Should IFAD conclude, as a consequence of this review, that there are numerous and/or fundamental concerns in relation to the issues assessed, then the overarching country assessment will state that the procurement system cannot be adopted at the present time.

Stage 2: Specific project assessment¹²

53. Carrying out procurement efficiently is critical to good project implementation, to the attainment of a project's objectives, and to its sustainability. During project design, IFAD will undertake, in conjunction with the borrower/recipient, a more comprehensive assessment¹³ of the agency or agencies designated to undertake project procurement. This will include, but not be restricted to, issues such as:
 - (a) The level of practical application of any existing laws, decrees, regulations or procedures covering procurement and the extent to which they meet the requirements of section II of these guidelines;
 - (b) The level of the existing human capacity to undertake project procurement;
 - (c) Organization and functions;
 - (d) The support and control systems relating to procurement;
 - (e) Recordkeeping; and
 - (f) The overall procurement environment within the agency or agencies.
54. A checklist of the issues to be reviewed is included in the Procurement Handbook.
55. As a result of this stage-2 assessment, IFAD will classify these aspects individually into one of three categories:
 - (a) Fully in line with requirements and considered suitable for use for project procurement;

¹² To be conducted at project design.

¹³ IFAD will depend on relevant assessments carried out by other regional development banks and partners where available.

- (b) Generally in accordance with requirements and possibly suitable for use for project procurement with some modifications; and
- (c) Not in line with requirements and considered unsuitable for use.

Findings and results

56. Based on the result of the findings of the individual assessments, IFAD will decide to what extent the national system for procurement can be used in whole, in part, or not at all. This decision will be shared with the borrower/recipient and be reflected in the project design.
57. Where procurement methods or practices within the legal and regulatory framework are classed as "not in line with requirements and considered unsuitable for use", IFAD will use the procurement methods attached as an annex to these guidelines. These procurement methods are consistent with those of other implementing agencies, donors and development partners.
58. Where any other aspects of national systems are found to be "not in line with requirements and considered unsuitable for use" for project procurement, then IFAD, in conjunction with borrowers/recipients, will seek to identify measures to be introduced that will apply to its projects and support borrowers/recipients in meeting their own development goals through the management of their own resources.

D. Procurement planning

59. Accurate and realistic planning and prioritization of needs is an essential prerequisite to effective procurement and a key tool for monitoring project implementation.
60. At the time of negotiation of each project, the borrower/recipient, in consultation with IFAD, must establish an 18-month procurement plan, which must include, as a minimum:
 - (a) A brief description of each procurement activity to be undertaken during that period;
 - (b) The estimated value of each activity;
 - (c) The method of procurement to be adopted for each activity; and
 - (d) The method of review IFAD will undertake for each activity (section III.H of these guidelines);
61. Where national procurement plan templates exist and are agreed by IFAD as suitable, then such templates should be used. If no such templates exist, IFAD will adopt those from other international financing institutions with which the borrower/recipient is familiar and which are in use for other projects.
62. Borrowers/recipients are required to keep plans updated frequently to reflect changes to the project or timescales.
63. IFAD's review of and no objection to procurement plans is compulsory under all financing agreements directly supervised by IFAD.

E. Eligibility

64. IFAD financing proceeds are disbursed exclusively for expenditures for goods, works and services produced in or supplied from the territory of any country.¹⁴

¹⁴ IFAD maintains two lists of Member States: (i) those that are eligible sources of procurement under the Regular Programme; and (ii) those that are eligible sources of procurement under the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification. A copy of the appropriate list is available to the borrower/recipient upon signing of the financing agreement.

F. Domestic preferences

65. The borrower/recipient may, with the agreement of IFAD, grant a margin of preference in the evaluation of bids conducted under the international competitive bidding method of procurement to:
- (a) Goods manufactured in the borrower's/recipient's country, when comparing against bids offering goods manufactured from abroad; and
 - (b) Works in Member States that are borrower/recipients under IFAD financing on highly concessional terms, when comparing bids from eligible domestic contractors with those from foreign firms.
66. The conditions for the application of any such preference will be stipulated in the financing agreement.

G. Procurement involving community participation

67. Given the size and nature of IFAD projects, there is a high degree of involvement with community-based procurement activities.
68. It needs to be underscored that procurement with community participation is not a distinct method of procurement and it therefore requires the same adherence to all principles and standards set out in these guidelines. Project designers are to ensure that simple yet reliable arrangements, which adhere to these guidelines, are in place within the project to:
- (a) Facilitate translation of documents and records from the borrower's/recipient's official language(s) to one of the IFAD official languages as may be required for purposes of audit and review;
 - (b) Provide appropriate procedures for regular monitoring and audit of community procurement activities, including the retention of relevant records by the project management staff and/or the intermediary agency;
 - (c) Define the relationships, roles and responsibilities between intermediaries and the community, including a clear exit strategy for the completion of the intermediary assistance; and
 - (d) Ensure proper handover of assets.
69. Under the term "community participation", it is understood that the community may play one or more of the following roles during project implementation:

As a provider of goods, works or services directly to the project

70. Communities are permitted to undertake works or provide goods or services to the project where:
- (a) It is an implementation modality within the project design document; or
 - (b) It is not an implementation modality but it is agreed with IFAD that this represents a cost-effective and practical alternative to procuring externally. IFAD will also consider factors such as fostering ownership, the sustainability of project activities, effective operation and maintenance of a project facility, and the overall risk/reward equation.
71. Generally, agreement will only be granted where it can be demonstrated that such goods, works or services have been or could be successfully provided or produced by the community.
72. As a provider, a community may act either:
- (a) On a commercial basis under contract; or
 - (b) As part or all of the beneficiary community's contribution to the project;

73. In either case, the estimated financial value of the community contribution and the modalities for supervision must be quantified and agreed with IFAD.

As the implementing agency undertaking procurement for the project

74. Communities or informal groups may be brought together to act as implementing agencies to undertake project procurement.
75. Where this is the case, their role will include:
- (a) Competitive contracting using any of the agreed procurement methods¹⁵; and
 - (b) Supervision of a contracted provider of works, goods or services.
76. The extent to which this is permitted will be determined on a project-by-project basis, identified in the project design and/or in the implementation manual, and clearly defined in the approved procurement plan. Factors to be considered as part of the assessment are defined in the Procurement Handbook.
77. Where the project's beneficiary community does not have adequate institutional capacity to receive and account for funds or administer procurement reliably, it may be necessary to introduce intermediaries to act on behalf of the community. Such intermediaries could be civil society organizations, cooperative societies, private entities or others.
78. The project management will ensure that such intermediaries have adequate capacity to perform such duties.
79. When civil society organizations or other entities are included as implementing agencies for weak community groups, the following aspects will be addressed during project design:
- (a) **Legal status of intermediary.** This will include regulations governing registration (with the government or local authority), functioning in specific sectors, authority to receive and account for public funds, and ability to participate in the project;
 - (b) **Selection of intermediary.** Intermediaries can be hired either through a transparent competitive process (if more than one intermediary is available) or through sole-source direct contracting (if only one functioning intermediary exists in the targeted community); and
 - (c) **Financial viability and administrative capacity.** The intermediary's primary source of funding, staffing, management, administrative capacity and accountability via independent audits, etc., should be examined to ensure safety and security in handling public funds on behalf of the project management and the community.

H. IFAD monitoring and review

80. To ensure that the procurement process is carried out in conformity with these guidelines and with the agreed procurement plan, IFAD will review arrangements for procurement of goods, works and services proposed by the borrower/recipient, including:
- (a) Contract packaging;
 - (b) Applicable procedures and procurement methods;
 - (c) Bidding documentation;
 - (d) Composition of bid evaluation committees;
 - (e) Bid evaluations and award recommendations; and

¹⁵ Such procurement methods will be agreed between the project management and the communities and informal groups.

(f) Draft contracts and contract amendments.

81. The extent to which these review procedures will be applied to each project or programme will be contained in the letter to the borrower/recipient and the procurement plan.
82. For full details on the review processes, refer to the Procurement Handbook.

I. Misprocurement

83. IFAD will not finance expenditures for goods, works or consulting services that have not been procured in accordance with these guidelines and the financing agreement. In such cases, IFAD may, in addition, take other remedial action under the financing agreement, including cancellation of the amount in question from the loan and/or grant account by declaring it ineligible. Even if the contract was awarded following IFAD's "no objection" statement, the Fund may still declare misprocurement if it concludes that this statement was issued on the basis of incomplete, inaccurate or misleading information furnished by the borrower/recipient, or that the terms and conditions of the contract had been modified without IFAD's approval.

J. Fraud and corruption

84. IFAD requires that its own staff and the staff of borrowers/recipients (including beneficiaries of IFAD financing), and all bidders, suppliers, contractors and consultants under IFAD-financed contracts, observe the highest standard of ethics and integrity during the execution of and procurement under such contracts. This position is clearly stated in the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations¹⁶ (hereafter: the anticorruption policy), which applies to these guidelines. In line with this policy, IFAD will have the right to:
- (a) Reject a proposal for award if it determines that the bidder, supplier, contractor or consultant recommended for award has, directly or through an agent, engaged in coercive, collusive, corrupt or fraudulent practices in competing for the contract in question;¹⁷
 - (b) Suspend or cancel all or part of the financing in accordance with the General Conditions if it determines at any time that representatives of the borrower/recipient or of a beneficiary of the financing engaged in coercive, collusive, corrupt or fraudulent practices during the procurement or the execution of that contract, without the borrower/recipient having taken timely and appropriate action satisfactory to IFAD to remedy the situation;
 - (c) Sanction an individual or firm – which may include declaring the individual or firm ineligible to be awarded an IFAD-financed contract indefinitely or for a stated period of time – if at any time it determines that the individual or firm has, directly or through an agent, engaged in coercive, collusive, corrupt or fraudulent practices in competing for, or in executing, an IFAD-financed contract;
 - (d) Require that bidding documents and the contracts that it finances include a provision requiring suppliers, contractors and consultants to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by IFAD-appointed auditors;

¹⁶ The IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations (EB 2005/85/R.5/Rev.1) is available on the IFAD website at www.ifad.org.

¹⁷ As defined in the General Conditions.

- (e) Refer any cases of irregular practices that include, but are not limited to, fraud and corruption¹⁸ to the relevant national authorities for further investigation; and
 - (f) Apply, in the event of cases in which irregular practices have been determined, the sanctions it deems necessary and appropriate.
85. With the specific agreement of IFAD, a borrower/recipient may include, in bid forms for IFAD-financed contracts, an undertaking of the bidder or consultant to observe, when competing for and executing a contract, the country's laws against fraud and corruption (including bribery), as listed in the bidding documents or requests for proposals.¹⁹ IFAD will accept the inclusion of such a requirement, at the request of the borrower's/recipient's country, provided the arrangements governing such an undertaking are satisfactory to IFAD.

K. Dispute resolutions

86. In the event of a dispute between IFAD and its borrower/recipient, the provisions of section 14.04 of the General Conditions will apply.
87. Where there is a dispute between the borrower/recipient and a bidder or contractor, then the process for dealing with this dispute will be as outlined in the bidding documents, contract and/or national laws of the country, as applicable. In these circumstances, IFAD will not be named as an arbitrator or be asked to name an arbitrator.

L. References to IFAD

88. If the borrower/recipient wishes to refer to IFAD in procurement documents, the following language is to be used:

"(Name of borrower/recipient or designate) has received (or in appropriate cases "has applied for") a financing from the International Fund for Agricultural Development (IFAD) in various currencies equivalent to _____ towards the cost of (name of project), and intends to apply a portion of the proceeds of this loan to eligible payments under this contract. Payment by IFAD will be made only at the request of (name of borrower/recipient or designate) and upon approval by IFAD, and will be subject, in all respects, to the terms and conditions of the financing agreement. The financing agreement prohibits a withdrawal from the loan and/or grant account for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of IFAD, is prohibited by a decision of the United Nations Security Council taken under chapter VII of the Charter of the United Nations. No parties other than (name of borrower/recipient) shall derive any rights from the financing agreement or have any claim to financing proceeds."

¹⁸ As defined in IFAD's anticorruption policy as may be amended from time to time.

¹⁹ An example might be: "We undertake that, in competing for (executing) the contract, we will strictly observe the laws against fraud and corruption in force in the country of the (purchaser) (employer), as such laws have been listed by the (purchaser) (employer) in the bidding documents for this contract."

Methods of procurement in the event that national systems are not suitable

1. This annex outlines the various methods of procurement that can be selected¹ when it has been decided by IFAD that the borrower's/recipient's national procurement methods or practices within the legal and regulatory framework are "not in line with requirements and considered unsuitable for use" in whole or in part.
2. Details of the individual steps to be taken during the procurement stage are further elaborated in the specific modules of the Procurement Handbook.

A. International competitive bidding

3. International competitive bidding (ICB) is a procurement method suited to high-value requirements that would be of interest to the international business community. The objective of ICB is to provide all eligible prospective bidders located and operating both within the borrower's/recipient's country and abroad with timely and adequate notification of the borrower's/recipient's requirements and an equal opportunity to bid for the required goods and works.
4. Where ICB is the identified method of procurement within an approved procurement plan, World Bank procedures as set forth in their guidelines will apply.

B. Limited international bidding

5. Limited international bidding (LIB) is essentially ICB by direct invitation without open advertisement. It may be an appropriate method of procurement where:
 - (a) Contract amounts are small;
 - (b) There is only a limited number of suppliers or contractors; or
 - (c) Other exceptional reasons exist that may justify departure from full ICB procedures.
6. Under LIB, borrowers/recipients should seek bids from a list of potential suppliers or contractors broad enough to ensure competitive prices. This list should include all suppliers and contractors when there are only a limited number. Domestic preferences are not applicable in the evaluation of bids under LIB. In all respects other than advertisement and preferences, ICB procedures apply to procurement under LIB, including the publication of the contract award.

C. National competitive bidding

7. National competitive bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the borrower/recipient, and may be the most efficient and economical way of procuring goods or works that, by their nature or scope, are unlikely to attract foreign competition.
8. NCB may be the preferred method of procurement where foreign bidders are not expected to be interested because:
 - (a) Contract values are small;
 - (b) Works are scattered geographically or spread out over time;
 - (c) Works are labour-intensive; or
 - (d) The goods or works are available locally at prices below those on the international market.

¹ This applies equally to goods, works and services. For consultancy services, there are also methods of selection (e.g. quality and cost-based selection, selection based on consultants' qualifications and least cost selection), which determine the process of evaluation and award. These are discussed further in the Procurement Handbook.

9. NCB procedures may also be used where the advantages of ICB are clearly outweighed by the administrative or financial burden involved.
10. Advertising for procurement under NCB may be limited to the national press, the official gazette of the borrower's/recipient's government or, where possible, a free and open-access website. Bidding documents may be in an official language of the country,² and local currency is generally used for the purposes of bidding and payment. The procedures are to provide for adequate competition in order to ensure reasonable prices, and the methods used in the evaluation of bids and the award of contracts are to be objective and made known to all bidders, and are not to be applied arbitrarily. The procedures will also include public opening of bids, publication of results of evaluation and of the award of contract, and provisions for bidders to protest. In addition, bidding documents will provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission of bids. Adequate response time for preparation and submission of bids will be provided. If eligible foreign firms wish to participate under these circumstances, they are to be allowed to do so.

D. International or national shopping

11. International or national shopping is a procurement method that entails comparing price quotations from several suppliers or contractors (usually at least three) to ensure competitive prices. It is an appropriate method for procuring readily available, off-the-shelf goods or standard specification commodities that are small in value, or simple civil works of small value. Requests for quotations should indicate the description and quantity of the goods, together with desired delivery (or completion) time and place. Quotations may be submitted by mail, electronic mail or facsimile. The evaluation of quotations will follow the principles of competition. The terms of the accepted offer are to be incorporated in a purchase order or brief contract.
12. Under international shopping, the purchaser is to solicit quotations from at least three suppliers in two different countries. National shopping may be used where the desired goods are ordinarily available from more than one source in the country of the borrower/recipient at competitive prices.

E. Direct contracting

13. Direct contracting without competition (by single or sole-source selection) is the least favourable method of selection. Due to its non-competitive nature, it may only be used with the express agreement of IFAD and is only permitted in the following exceptional circumstances:
 - (a) An existing contract for goods or works, awarded in accordance with procedures acceptable to IFAD, may be extended for additional goods or works of a similar nature to a maximum of 25 per cent of the original contract value, with the prior approval of IFAD, provided that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provision for such an extension, if considered likely in advance, is to be included in the original contract;
 - (b) Standardization of vehicles, equipment or spare parts to ensure compatibility with existing vehicles, equipment or machinery may justify additional purchases from the original supplier. For such purchases to be justified, the original vehicles, equipment or machinery should be suitable; the number of new items should generally be less than the existing number; the price should be reasonable; and the advantages of another make or source of equipment are to have been considered and rejected on grounds acceptable to IFAD;

² Translation into one of IFAD's or the cooperating institution's official languages is to be provided if required. Pursuant to article 15.02 (Language of reporting) of IFAD's General Conditions, the agreed language will be specified in the financing agreement.

- (c) The required equipment is proprietary and obtainable only from one source;
 - (d) The contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee; and
 - (e) Purchases from the original supplier may also be justified in exceptional cases and emergencies, such as in response to a natural disaster, conflict and post conflict, or in countries where there are restrictions to free markets and enterprises.
14. Any request for direct contracting from a borrower/recipient must be accompanied by a detailed justification, which IFAD will examine carefully to ensure that it is satisfied that no other alternative selection methods can be used.

F. Procurement from commodity markets

15. Market prices of commodities, such as grain, animal feed, cooking oil, fuel, fertilizer, pesticides and metals, fluctuate depending on the demand and supply at any given time. Prices of many such commodities are quoted in established commodity markets. Procurement often involves multiple awards for partial quantities to ensure security of supply and multiple purchases over a period of time to take advantage of favourable market conditions and to keep inventories low. A list of prequalified bidders may be drawn up to whom periodic invitations are issued. Bidders may be invited to quote prices linked to the market price at the time of or prior to the shipments. Bid validities are to be as short as possible. A single currency in which the commodity is usually priced in the market may be used for bidding and payment. The currency is to be specified in the bidding document. Bidding documents may permit telexed or faxed bids, if there is no requirement for bid security or if prequalified bidders have submitted standing bid securities valid over a specified period of time. Contract conditions and forms consistent with market practices are to be used.

G. Work by force account

16. Force account³ is the use of the borrower's/recipient's own personnel and equipment to perform construction work. In some circumstances it may be the only practical, efficient and economic method for constructing some kinds of works. The use of force account may be justified, and only used after IFAD's no-objection statement, where:
- (a) Quantities of work involved cannot be defined in advance;
 - (b) Works are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices;
 - (c) Work is required to be carried out without disrupting ongoing operations;
 - (d) The risk of unavoidable work interruption is better borne by the borrower/recipient than by a contractor; or
 - (e) There are emergencies needing prompt attention such as natural disasters, conflict and post conflict, or countries where there are restrictions to free markets and enterprises.
17. Where force account is used, IFAD is to be satisfied that local force account units are staffed, equipped and organized to carry out the works expeditiously and at a reasonable cost.
18. Maintenance and minor improvements of roads are a typical example of force account usage. A government-owned construction unit that is not managerially and financially autonomous is to be considered a force account unit. Force account may also be used for specialized non-consulting services when, for matters of national

³ Force account is also known as "direct labour", "departmental force" or "direct work".

security, the borrower's/recipient's law only permits for these services to be provided by government agencies (i.e. aerial mapping).

H. Procurement from United Nations agencies

19. There may be situations in which procurement from specialized agencies of the United Nations, acting as suppliers and pursuant to their own procedures, may be the most economical and efficient way of procuring relatively small quantities of off-the-shelf goods. Use of such agencies as supply sources, together with the project component and the type of goods or works to be procured from such sources, are to be expressly and specifically agreed between the borrower/recipient and IFAD before proceeding with the application of this method of procurement.