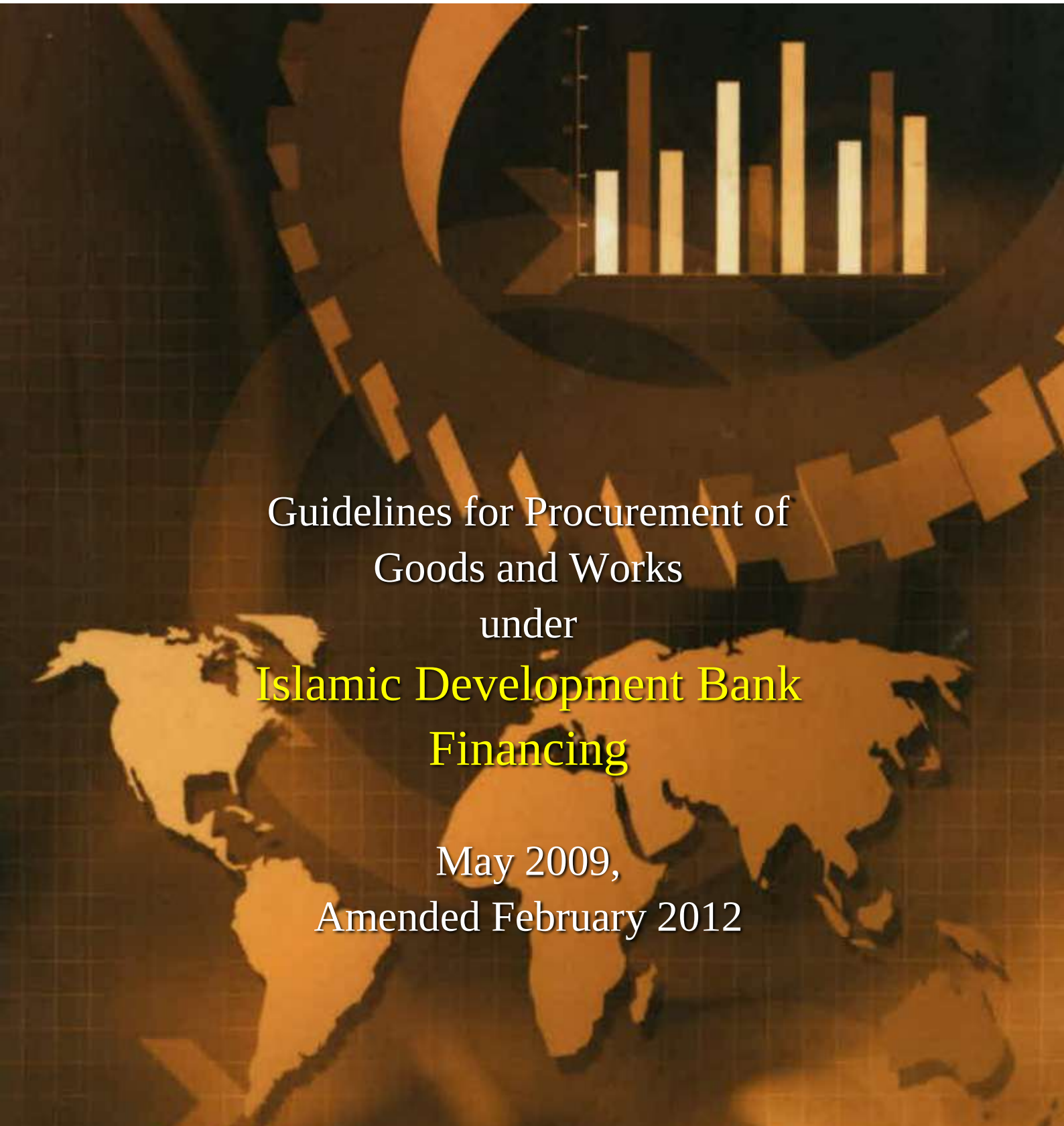
Islamic Development Bank



Guidelines for Procurement of Goods and Works under Islamic Development Bank Financing

May 2009,
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GUIDELINES
FOR PROCUREMENT OF GOODS AND WORKS
UNDER
ISLAMIC DEVELOPMENT BANK FINANCING

1. GENERAL PRINCIPLES

1.1 Purpose of the Guidelines

1.1.1 The following Guidelines define the policies and procedures of the Islamic Development Bank ("IDB") for the procurement of goods, works and related services (excluding Consultants services) for IDB financed projects, whether by way of loan, leasing, installment sale, profit sharing, istisna'a or any other mode of financing used by IDB.

1.1.2 References to "goods" and "works" in these Guidelines include related services such as transportation, insurance, installation, commissioning, training, and initial maintenance. "Goods" includes commodities, raw material, machinery, equipment, and industrial plant. The provisions of these Guidelines also apply to services which are bid and contracted for on the basis of performance of a measurable physical output, such as drilling, mapping, and similar operations. These Guidelines do not apply to Consultants' services, to which the Guidelines for the Use of Consultants under Islamic Development Bank Financing apply.

1.1.3 The Guidelines assist (i) Beneficiaries of IDB financed projects to obtain the best possible quality services from bidders and to do so with due attention to the four basic principles of procurement: economy, efficiency, fair opportunity for eligible bidders, and transparency of the bidding process, and (ii) Bidders to prepare bids and execute contracts that meet the requirements of IDB and the Beneficiary for high quality services. If in a project financed by IDB, certain goods and works are financed by the Beneficiary or by other sources, IDB reserves the right to ensure that these services are of satisfactory quality.

1.2 Relationship between IDB, the Beneficiary and Providers of Goods and Works

The Financing Agreement governs the legal obligations between the Beneficiary and IDB regarding procurement financed by IDB. No party other than the parties to the Financing Agreement shall derive any rights therefrom or have any claim to the funds provided by IDB. The bidding documents issued by the Beneficiary and the contract signed between the Beneficiary and the providers of goods and works define the rights and obligations of the Beneficiary and said providers. For leasing, installment sale and istisna'a modes of financing, the contracts relating to the components financed by the IDB shall clearly indicate that the Beneficiary is acting as IDB agent in the said contracts.

1.3 Responsibilities of the Beneficiary

The ultimate responsibility of the effective and economic procurement of goods and works and the successful completion of the projects rests with the Beneficiary of IDB financing.

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1.4 Responsibilities of IDB

IDB is responsible for making the disbursement in accordance with the terms and conditions of the Financing Agreement and the contract, provided that goods and works are those defined in the Financing Agreement and are procured in accordance with the procedures defined therein.

1.5 Procurement Methods

IDB normally requires the Beneficiaries of its financing to obtain goods and works through International Competitive Bidding, as indicated in Section 2, in accordance with its eligibility rules (paragraph 1.7). However, depending on the project's requirements, other methods of procurement (Section 3) may be allowed as long as the principles of economy and efficiency referred to in paragraph 1.1 are respected.

1.6 Applicability of the Guidelines

The procedures described in these Guidelines apply to all contracts for goods and works financed in whole or in part by IDB. If partially financed by IDB, the Beneficiary may use other procurement procedures, which should be satisfactory to IDB, so that the project will be carried out efficiently and the goods and works procured (a) are of satisfactory quality and in accordance with the requirements of the entire project; (b) will be delivered timely and completely; and (c) are priced competitively to ensure the economic and financial viability of the project. In exceptional cases like post conflict situations or natural disasters, specific procurement arrangements could be used to facilitate fast utilization of allocated funds.

1.7 Eligibility

1.7.1 It is a fundamental policy of IDB that the bidding documents shall unequivocally stipulate that the providers of goods and works, and their associates and subcontractors, shall be in strict compliance with the Boycott Regulations of the Organization of the Islamic Cooperation, the League of Arab States and the African Union. The Beneficiary shall advise intending contractors and suppliers that bids will only be considered from contractors and suppliers who are not subject to said Boycott Regulations. Bidders, through an agent in the Member Countries concerned or through one of the Member Countries' Embassies in the country of origin of the bidder, may acquire a certificate which certifies that the bidder is not blacklisted.

1.7.2 For the boycott requirement, the eligibility of a supplier or contractor will be determined during the evaluation process. In cases where suppliers or contractors withhold information to evade disqualification on account of the boycott requirement, the Beneficiary will have the right to cancel the contract at any time and also to penalize such parties and claim compensation for losses incurred, as a consequence thereof, by the Beneficiary and IDB. IDB reserves the right not to honor any contract if the supplier or contractor involved is found to be subject to the boycott requirement.

1.7.3 For the purpose of these Guidelines, a Member Country contractor or supplier is defined as follows:

1. it is registered or otherwise organized in a Member Country of the IDB;
2. its principal place of business is located in a Member Country of the IDB;

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3. it is more than 50% beneficially owned by a firm or firms in one or more Member Countries (which firm or firms must also qualify as to nationality) and/or citizens of such Member Countries;
4. not less than 80% of all persons who will perform services under the contract, whether employed directly or by a subcontractor, are nationals of IDB Member Countries; and
5. the majority of managerial and professional staff are nationals of the Beneficiary Member Country or of other Member Countries.

1.7.4 For the purpose of these Guidelines, a domestic firm of a Member Country is defined as follows:

1. it is registered or incorporated in the Beneficiary Member Country;
2. its principal place of business is located in the Beneficiary Member Country;
3. it is more than 50% beneficially owned by a firm or firms in the Beneficiary Member Country (which firm or firms must also qualify as to nationality) and/or citizens of such Member Country;
4. not less than 80% of the persons who will perform services under the contract in the Beneficiary Member Country, whether employed directly or by a subcontractor, are nationals of the Beneficiary Member Country; and
5. the majority of managerial and professional staff are nationals of the Beneficiary Member Country.

1.7.5 Government-owned enterprises in the Beneficiary's country may participate only if they can establish that they:

1. are legally and financially autonomous;
2. operate under commercial law, and
3. are not dependent on the Beneficiary's Agency responsible for contracting.

1.7.6 A firm or individual declared ineligible by IDB in accordance with sub-paragraph (iv) of paragraph 1.13 of these Guidelines or in accordance with the IDB Group Anti-Corruption Guidelines on Preventing and Combating Fraud and Corruption in IDB Group-Financed Activities and sanctions procedures shall be ineligible to be awarded an IDB-financed contract during the period of time determined by IDB.

1.8 Conflict of Interest

1.8.1 IDB policy requires that a firm participating in a procurement process under IDB-financed projects shall not have a conflict of interest. Any firm found to have a conflict of interest shall be ineligible for award of a contract.

1.8.2 A firm shall be considered to have a conflict of interest in a procurement process if:

a. such firm is providing goods, works, or non-consulting services resulting from or directly related to consulting services for the preparation or implementation of a project that it provided or were provided by any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm. This provision does not apply to the various firms (consultants, contractors, or suppliers) which together are performing the Contractor's obligations under a turnkey or design and built contract; or

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b. such firm submits more than one bid, either individually or as a joint venture partner in another bid, except for permitted alternative bids. This will result in the disqualification of all bids in which the Bidder is involved. However, this does not limit the inclusion of a firm as a sub-contractor in more than one bid. Only for certain types of procurement, the participation of a Bidder as a sub-contractor in another bid may be permitted subject to the IDB's approval and as allowed by the IDB's Standard Bidding Documents applicable to such types of procurement; or

c. such firm (including its personnel) has a close business or family relationship with a professional staff of the Beneficiary (or of the project implementing agency, or of a recipient of a part of the financing) who: (i) are directly or indirectly involved in the preparation of the bidding documents or specifications of the contract, and/or the bid evaluation process of such contract; or (ii) would be involved in the implementation or supervision of such contract unless the conflict stemming from such relationship has been resolved in a manner acceptable to the IDB throughout the procurement process and execution of the contract; or

d. such firm does not comply with any other conflict of interest situation as specified in the IDB's Standard Bidding Documents relevant to the specific procurement process.

1.9 Development and Use of Domestic Suppliers and Contractors

To promote the industrial activity of developing countries, it is the policy of IDB to encourage the participation of domestic suppliers and contractors in projects for which they are qualified and judged capable of performing the particular services required, either alone or in association with foreign firms. When domestic and foreign firms form "Joint Ventures" or associate themselves to supplement particular services, IDB requires that the roles and responsibilities of each party shall be clearly defined. The leadership of the joint venture or the association and the ultimate responsibility for the supply of the goods or the completion of the works shall be stipulated in the documents concerned.

1.10 Association of Firms (Joint Ventures and Subcontracting)

1.10.1 Firms may conclude association agreements either for the long term or for a specific assignment. Such associations may take different forms and constitute (i) a Joint Venture, whereby all members are jointly and severally liable for the entire contract, and all members are required to sign the contract with the client; or, (ii) an intermediate form of association, where the contract is divided in individual lots assigned to each member of the group individually, whereby each member only signs a contract with the client for the lot that is assigned to it, except the lead-firm, which remains severally liable for all members of the group and signs the contract with the client for all goods or works to be provided; or (iii) a Subcontracting Arrangement, whereby the lead firm assumes complete responsibility for and coordination of the works or supplies and signs the contract with the client, while the subcontractor only executes part of the contract assigned to it under specific terms of reference, and signs a subcontract with the lead-firm only.

1.10.2 In case of ICB, association of non-member countries firms with member countries firms is encouraged.

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1.10.3 In case of ICB/MC, association of non-member countries firms with member countries firms may be accepted. However, the lead MC firm is expected to perform at least 50% of the required assignments.

1.10.4 In case of National Competitive Bidding, association of domestic firms with a non-domestic firm is accepted, whereby the domestic firm is expected to perform at least 50% of the required assignments.

1.11 Review by IDB and IDB Assistance

1.11.1 The draft bidding documents shall be submitted to IDB allowing sufficient time for its review and comments and shall be issued for bidding only after obtaining approval of IDB.

1.11.2 While it is the Beneficiary's responsibility to carry out all steps to procure goods and works, IDB reviews the adequacy of the procurement procedure, documents, bid evaluation recommendations and contracts to satisfy itself that the procurement procedure is carried out in accordance with the provisions of the Financing Agreement[1]. The staff of IDB remain available to assist the Beneficiary at all stages of the procurement procedure in order to ensure that the required scope of supplies or works is fully covered and that the procedure is suitably applied.

1.11.3 The proposal of the method of procurement and corresponding procedures, as well as the categories of goods and works and the packages to which they apply, shall be discussed and agreed upon at the time of project appraisal, and specified in the Financing Agreement.

1.12 Misprocurement

IDB does not finance expenditures for goods and works which have not been procured in accordance with the agreed procedures in the Financing Agreement or if the terms and conditions of the contract are not satisfactory to IDB, and it is the policy of IDB to cancel that portion of the funds allocated to the goods and works that have been misprocured.

1.13 Fraud and Corruption

1.13.1 It is IDB's policy to require Beneficiaries as well as bidders/suppliers/contractors and their subcontractors under IDB-financed contracts, to observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, IDB:

a. defines, for the purposes of this provision, the terms set forth as follows:

   i. "corrupt practice" is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;

   ii. "fraudulent practice" is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation;

   iii. "collusive practices" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;

[1] IDB's review procedures are described in Annex C.

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iv. "coercive practices" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;

v. "obstructive practice"

(aa) deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an IDB investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or
(bb) acts intended to materially impede the exercise of the IDB's inspection and audit rights provided for under paragraph 1.13.1(e) below.

b. will reject a proposal for award if it determines that the bidder recommended for award, or any of its personnel, or its agents, or its sub-consultants, sub-contractors, service providers, suppliers and/or their employees, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question;

c. will declare misprocurement and cancel the portion of the Financing allocated to a contract if it determines at any time that representatives of the Beneficiary or of a recipient of any part of the proceeds of the Financing engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices during the procurement or the implementation of the contract in question, without the Beneficiary having taken timely and appropriate action satisfactory to the IDB to address such practices when they occur, including by failing to inform the IDB in a timely manner at the time they knew of the practices;

d. will sanction a firm or individual, at any time, in accordance with the prevailing IDB's sanctions procedures[2], including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a IDB-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded a IDB-financed contract; and

e. will require that a clause be included in bidding documents and in contracts financed by the IDB, requiring bidders, suppliers and contractors, and their sub-contractors, agents, personnel, consultants, service providers, or suppliers, to permit the IDB to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the IDB.

1.13.2 With the specific agreement of the IDB, a Beneficiary may introduce, into bid forms for contracts financed by the IDB, an undertaking of the bidder to observe, in competing for and executing a contract, the country's laws against fraud and corruption (including bribery), as listed in the bidding documents[3]. The IDB will accept the introduction of such undertaking

[2] A firm or individual may be declared ineligible to be awarded a IDB-financed contract upon: (i) completion of the IDB's sanctions proceedings as per its sanctions procedures, including, inter alia, cross-debarment as agreed with other International Financial Institutions, including Multilateral Development Banks; and (ii) as a result of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding.

[3] As an example, such an undertaking might read as follows: "We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will strictly observe the laws against fraud and

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at the request of the Beneficiary country, provided the arrangements governing such undertaking are satisfactory to the IDB.

1.14 Confidentiality of Procedures

After the opening of bids, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards shall not be disclosed to those who have submitted bids, or other persons not officially concerned with this procedure, until the award of contract is notified to the successful bidder.

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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."

2. INTERNATIONAL COMPETITIVE BIDDING

A. Principles of International Competitive Bidding (ICB)

2.1 Purpose and Scope of ICB and ICB/MC

2.1.1 The purpose of International Competitive Bidding (ICB), whether through "open" ICB or ICB limited to Member Countries (ICB/MC), is to provide the Beneficiary with a wide range of choices in selecting the best bid from competing suppliers/contractors, and to give all prospective bidders from eligible source countries adequate, fair and equal opportunity to bid for the goods and works, which are being procured under IDB financing.

2.1.2 Since IDB encourages the development of industries and engineering organizations in its Member Countries, it considers that, as a matter of priority, goods and works it is financing should be procured, to the extent possible, from its member countries. The ICB open to non Member Country firms will, however, be allowed for the procurement of goods and works for which it is considered that MC do not have yet enough competent companies able to provide them in all regions of its membership. At present these goods and works are those described in Annex B. The Annex will be revised from time to time as the competence of the MC firms will be expanded.

2.1.3 The ICB open to non Member Country firms may also be acceptable for the procurement of goods and works which do not appear in the Annex B but the prevailing market conditions in the country/region of the project will make it unlikely that enough acceptable proposals will be received from MC firms.

2.1.4 To achieve the objectives of ICB and ICB/MC, IDB requires Beneficiaries to observe certain guidelines in preparing bidding and contract documents and to follow certain procedures in advertising bid invitations and in receiving, opening and evaluating bids. These procedures are described in the following paragraphs.

2.2 Procedure for Notification and Advertising

2.2.1 It is in the interest of the Beneficiary to get the best qualified bidders for a given project. Adequate notification and advertisement should, therefore, be made so that potential bidders are informed in a timely manner of the opportunity to bid.

2.2.2 Notification and Advertising shall be done in two steps. When the Financing Agreement for a project is signed between IDB and the Beneficiary, the Beneficiary shall launch a General Procurement Notice (GPN). Where it concerns ICB, the GPN shall be published in an international newspaper of wide circulation. This shall be done at least 60 days before the formal invitation to bid is issued to give sufficient time for potential bidders to obtain information and prepare themselves. Where it concerns procurement under ICB/MC the GPN may be published on the IDB Website. In addition, copies of the Notice are sent to Embassies, Consulates and local representatives of IDB's Member Countries. The Notice shall contain information concerning the Beneficiary, the scope and purpose of the project and the amount, the name, telephone or fax number and address of the Beneficiary or the Beneficiary's Agency responsible for the procurement, and the website and e-mail address, if

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available. If known, the scheduled date for availability of prequalification or bidding documents shall also be indicated.

2.2.3 Subsequently, to enable prospective bidders to obtain bidding documents and prepare bids, Beneficiaries shall issue a Specific Procurement Notice (SPN) to advertise the "Invitations to Bid" when the bidding documents are available for interested bidders, in the same manner as for the GPN as described in paragraph 2.2.2 above. Beneficiaries may also advertise in well-known technical magazines, newspapers, and trade publications of wide international circulation. The SPN shall indicate where the bidding documents can be obtained and provide more detailed information on the scope of the goods and works and the time when they are needed. In addition, copies of the SPN are sent to Embassies, Consulates and local representatives of IDB's Member Countries.

2.2.4 In the selection of news media, the international aspect of IDB is important and it shall be assured that the magazines, newspapers, and other news media are selected in all the three working languages of IDB, i.e. Arabic, English, and French. Invitation to bid should be advertised in at least one newspaper of general circulation in the Beneficiary country where it must appear at least twice on two nonconsecutive days within a span of ten (10) days.

2.3 Advance Contracting

In certain circumstances, in order to accelerate project implementation or in emergencies, the Beneficiary may, with IDB's prior agreement, proceed with the initial steps of procurement before signature of the Financing Agreement. This procedure is called advance contracting. In such cases, the Beneficiary shall follow these Guidelines and IDB will apply its normal review procedure3. The Beneficiary undertakes such advance contracting at its own risk and any concurrence by IDB with the procedures or proposal for award does not commit IDB to provide the financing for the project in question.

2.4 Retroactive Financing

2.4.1 IDB does not normally finance any expenditure incurred prior to the approval of the project. However, in very exceptional circumstances, this might be considered as per Guidelines. This procedure is called Retroactive Financing. Retroactive Financing should normally be restricted to expenditures incurred and paid for by the Beneficiary 6 months before the expected date of signing the Financing Agreement. However, in cases where the project objectives, design and implementation arrangements have been worked out, this period may be extended up to 12 months before signing the Financing Agreement.

2.4.2 Retroactive Financing shall not normally exceed 10% of the total project cost. Only in case of an emergency, IDB may consider Retroactive Financing of up to 20% for expenditures incurred within 4 months prior to the expected date of signing the Financing Agreement.

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2.5 Two-Stage Bidding[4]

Detailed engineering of the works or goods to be provided, including the preparation of technical specifications and other bidding documents, normally precede the invitation to bid for large contracts. However, in the case of a turnkey contract or contracts for large complex industrial projects or works or similar complex contracts of a special nature, it may be inappropriate or undesirable to prepare the technical specifications in advance. In such a case, a two-step procedure shall be necessary to first invite unpriced technical proposals on the basis of a conceptual design or performance specifications, on which the Beneficiary may ask technical clarifications and require necessary adjustments. Subsequently, the Beneficiary, while safeguarding the confidentiality of the earlier technical proposals, shall issue the amended bidding documents and request the submission of final technical proposals with priced bids.

2.6 Prequalification of Bidders

2.6.1 IDB requires the use of formal prequalification for large or complex contracts, supply contracts of specialized equipment and machinery or turnkey contracts, to ensure, in advance of bidding, that only contractors with a relevant technical expertise and adequate resources for implementing the contract will bid. The Financing Agreement with IDB will specify whether prequalification is required in respect of particular contracts. Prequalification shall be based entirely upon the ability of the interested firm, provided it is not otherwise disqualified, to perform the particular work satisfactorily, taking into account inter alia: (i) experience and past performance on similar contracts; (ii) capabilities with respect to personnel, equipment and plant, and manufacturing facilities; (iii) current commitment of works under execution and progress of work; and (iii) financial position during the past 3 to 5 years.

2.6.2 The prequalification shall be notified and advertised as described in paragraphs 2.2 above. The scope of works, abbreviated specifications, and a clear statement of the requirements for qualification should be sent to all firms (not otherwise disqualified) desiring to be considered for prequalification. When the prequalification is employed, all firms which are found to be qualified shall be permitted to bid. The report on the pre-qualification process shall be submitted to IDB for approval of the final list of prequalified contractors. The Beneficiary shall then inform all applicants of the results of the prequalification. As soon as prequalification is completed, the bidding documents shall be made available to the qualified prospective bidders.

2.6.3 Where a margin of preference is allowed for Member Countries firms, they should be required to prequalify in order to determine their eligibility for such a preference.

2.7 Type and Size of Contracts in Bidding Documents

2.7.1 The bidding documents shall clearly state the type of contract to be entered into and contain the appropriate proposed contract provisions. The most common types of contracts provide for payments on the basis of a lump sum, unit prices (for work performed or goods supplied), or a combination thereof.

[4] As opposed to two-stage bidding, and to ensure transparency, IDB does not accept the two- or three-envelope system in which bidders are required to submit separate qualification and technical proposals and priced bids at the same time, but where the qualification and technical proposals are opened and evaluated first, and the priced bids are opened and evaluated after that.

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2.7.2 Contracts based principally on the reimbursement of actual cost plus fixed fee are normally not acceptable to IDB, except in special conditions (such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy) and with the explicit prior approval of IDB. Such contracts shall include appropriate incentives to limit costs.

2.7.3 The scope of individual contracts will depend on the size, nature and location of the project. For large projects requiring a variety of works and equipment, it is generally preferable to award separate contracts for civil works and for the supply and installation of different major items of plant and equipment.

2.7.4 On the other hand, for a project requiring similar but separate civil works or items of equipment and machinery, bids may be invited under alternative contract options that would attract the interest of both smaller and larger firms. Contractors or manufacturers/suppliers, small and large, should be allowed to bid individual contracts or for a group of similar contracts at their option. All bids and combination of bids shall be received by the same deadline and opened and evaluated simultaneously so as to determine the bid or combination of bids offering the lowest evaluated cost for the Beneficiary.

2.7.5 In certain cases, e.g., when special processes or closely integrated manufacturing or works of a special nature are involved, IDB may accept or require a turnkey contract under which the design, engineering, the supply and installation of equipment, and construction of a complete industrial plant or works are provided through a single contract. Alternatively, the Beneficiary may issue bids for a single responsibility contract under which all the goods and works are provided, except the design and engineering, the responsibility for which would remain with the Beneficiary. Design, build and management contracting[5] contracts are also acceptable where appropriate.

B. Essential Elements of the Bidding Documents

2.8 Contents of the Bidding Documents

2.8.1 The bidding documents shall furnish all the information necessary for a bidder to prepare a tender for the goods and services to be supplied. While the details and complexity of these documents will vary with the size and nature of the proposed contract, they should normally include: invitation to bid; instructions to bidders; form of bid; form of contract; conditions of contract, both general and special; technical specifications; bills of quantities and drawings; schedule of prices; delivery time or schedule of completion; and necessary appendices, including forms for proforma bid bonds, performance guarantee and advance payment guarantee.

2.8.2 The basis for bid evaluation and selection of the lowest evaluated bid shall be clearly outlined in the instructions to bidders and/or the specifications. If a fee is charged for the bidding documents, it shall be reasonable and reflect only the cost of their printing and delivery to prospective bidders, and shall not be so high as to discourage qualified bidders.

[5] In construction, a Management Contractor usually does not perform the work directly but contracts out and manages the work of other Contractors, taking on the full responsibility and risk for price, quality, and timely performance. Conversely, a Construction Manager is a Consultant for, or agent of, the Beneficiary, but does not take on such risks. (If financed by IDB, the services of the construction manager should be procured under the Consultant Guidelines.).

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2.8.3 Bidding documents shall be submitted to IDB for review and clearance before issuance to bidders.

2.8.4 Beneficiaries shall use the appropriate Standard Bidding Documents (SBDs) issued by IDB with minimum changes, acceptable to IDB, as necessary to address country and project specific issues. Any such changes shall be introduced only through bid or contract data sheets, or through special conditions of contract, and not by introducing changes in the standard wording of the SBDs. Where no relevant standard bidding documents have been issued, the Beneficiary shall use other internationally recognized bidding documents and conditions of contract and contract forms acceptable to IDB.

2.9 Reference to IDB

When the contract is to be financed wholly or partly by IDB, it is necessary to give reference to IDB in the bidding documents, along the following lines:

"(Name of the Beneficiary)… has received (or in appropriate cases has applied for)… financing from the Islamic Development Bank in various currencies equivalent to ID towards the cost of (name of project), and intends to apply part of the proceeds of this financing to the contract(s) for which this invitation to bid is issued. Disbursement of funds by IDB will be subject in all respects to the terms and conditions of the Financing Agreement, including the Guidelines for Procurement under IDB financing. Except as IDB may specifically otherwise agree, no party other than (the name of Beneficiary) shall derive any rights from the Financing Agreement or have any claim to its proceeds."

2.10 Language and Interpretation

Prequalification and Bidding documents for ICB and ICB/MC shall be prepared in one of the working languages of IDB (Arabic, English, or French). Documents may be prepared in local language as well, in the case of local bidding only, but the Bank should be supplied with a certified translation of the same in one of the working languages of the Bank.

2.11 Clarity of Bidding Documents

2.11.1 Bidding documents and specifications shall be worded in such a manner so as to permit and encourage international competitive bidding, and shall set forth, as clearly and precisely as possible, the work to be accomplished, the goods and services to be supplied, the place of delivery or installation, warranty and maintenance requirements, and any other pertinent terms and conditions. In addition, the bidding documents, where appropriate, shall define the test, standards and methods that will be utilized to judge conformity with the original equipment specifications, quality of works and delivery time. Drawings shall be consistent with the text of the technical specifications and, where appropriate, an order of preference between the two shall be specified in the bidding documents.

2.11.2 The documents shall clearly spell out (a) all factors, including price, which will be taken into account in evaluating and comparing bids; (b) the evaluation criteria, including how these factors will be quantified or otherwise evaluated (methods, terms and conditions of bid evaluation); and (c) if alternative bids, based on alternative designs, materials, completion schedules, payment terms, are permitted. In this case, the bidding documents shall clearly state the conditions for their acceptability and the method of their evaluation, and require that

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goods, equipment and works meeting other internationally accepted standards shall be of equal or higher equivalence.

2.11.3 All prospective bidders shall be provided the same information, and shall be assured of equal opportunities to obtain additional information on a timely basis. Beneficiaries shall provide reasonable access to project sites for visits by prospective bidders. For works or complex supply contracts, particularly for those requiring refurbishing existing works or equipment, a pre-bid conference may be arranged whereby potential bidders may meet with the representatives of the Beneficiary to seek clarifications. Minutes of the conference shall be provided to all prospective bidders with a copy to IDB. Any additional information, clarification, correction of errors or modifications of bidding documents shall be sent to each Beneficiary of the original bidding documents in sufficient time before the deadline for receipt of bids to enable bidders to take appropriate action. If necessary, the deadline shall be extended. IDB shall receive a copy (in hard copy or by electronic mail) and be consulted for issuing a "no-objection".

2.12 Specifications and Standards

Technical specifications and standards quoted in bidding documents shall promote the broadest possible competition, while assuring the critical performance or other requirements for the goods and works under procurement. As far as possible, the Beneficiary shall specify internationally accepted standards such as those issued by the International Standards Organization with which the equipment or materials or workmanship shall comply. Where such standards are unavailable or are inappropriate, national standards may be specified. In all cases, the bidding documents shall state that such equipment, material or workmanship will be acceptable as long as it has equal or higher standards.

2.13 Specifications for Equipment and Use of Brand Names

Specifications shall be based on relevant characteristics, performance, capability, and quality, and shall not prescribe brand names, catalogue numbers, or products of a specific manufacturer. If it is necessary to quote a brand name or catalogue number of a particular manufacturer to clarify an otherwise incomplete specification, the words "or equivalent" shall be added after such reference, except in very special cases when specific spare parts are required where a degree of standardization is necessary to maintain certain essential features. In such cases, and where appropriate, the specifications shall permit acceptance of alternative goods which have similar characteristics and provide performance and quality at least equal to those specified. In all cases, where brand names are deemed justified to be procured, prior approval of IDB must be obtained.

2.14 Origin of Goods and Works

Bidding documents shall indicate that the supply of goods and works financed by IDB is limited to goods and works and related services originating from eligible countries, and prospective bidders are required to provide the appropriate information.

2.15 Validity of Bids

Bidders shall be required to submit bids valid for a period specified in the bidding documents, sufficient to enable the Beneficiary to complete the comparison and evaluation of bids, obtain the necessary approvals from IDB and possible other co-financiers so that the award of

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contract can be notified within that period. The validity period should normally be from 60 to 120 days and may be up to 180 days for large and complex bids.

2.16 Bid Security

Beneficiaries shall require from bidders a bid security to secure the validity of the bid within the period specified in the bidding documents. The bid security shall be in the form and amount specified in the bidding documents[6]. Two percent is generally considered fair and reasonable[7]. To ensure confidentiality of the bid price, bid securities should preferably be set in fixed amounts for all bidders. The bid security shall remain valid for a period of four weeks beyond the validity period of the bids, in order to provide reasonable time for the Beneficiary to act if the security is to be called or till the performance security of the successful bidder is obtained. The Beneficiary shall return the bid securities to the unsuccessful bidders ten days after notification of the final decision of selection to the successful bidder.

2.17 Pricing

2.17.1 The Beneficiary shall invite bids for goods on the basis of CIF (port of destination) or CIP (place of destination)[8] for all goods offered from and manufactured abroad, including those previously imported, and EXW[9] (ex works, ex factory or off-the-shelf) for goods manufactured in the country of the Beneficiary. Bidders may arrange for ocean and other transportation and related insurance from any eligible source in accordance with IDB eligibility requirements. Where installation, commissioning or other similar services are required to be performed by the bidder, as in the case of "supply and installation" contracts, the bidder shall be required to quote additionally for these services. 2.17.2 In the case of turnkey contracts, the bidder shall be required to quote the price of the installed plant at site, including all costs for supply of equipment, marine and local transportation and insurance, installation, and commissioning, as well as associated works and all other services included in the scope of contract such as design, maintenance, operation. Unless otherwise specified in the bidding documents, the turnkey price shall include all duties, taxes, and other levies[10]."

2.17.2 Bidders for civil works contracts shall be required to quote unit prices or lump sum prices for the performance of the works, and such prices shall include all duties, taxes, and other levies. Bidders will be allowed to obtain all inputs (except unskilled labor) from any eligible source, in accordance with the eligibility/boycott requirements of IDB, so that they may offer their most competitive bids.

[6] The format of the bid security shall be in accordance with the form included in the bidding documents and shall be issued by a reputable bank or financial institution selected by the bidder. If the institution issuing the security is located outside the country of the Beneficiary, it shall have a correspondent financial institution located in the country of the Beneficiary to make it enforceable.

[7] In the case of Force Account (paragraph 3.6), the bid security may be waived at the discretion of IDB.

[8] Refer to INCOTERMS 2000 for further definitions. Published by the International Chamber of Commerce, 38 Cours Albert 1er, 75008 Paris, France. CIF is cost, insurance and freight for maritime transportation. CIP is cost, carriage and insurance in the case of multimodal transportation to the place of destination. Both terms are for duty unpaid, payment for which is the responsibility of the Beneficiary. If previously imported goods are concerned, the CIP price of such goods shall include the mark-up of the local agent or representative and all local costs, except import duties and taxes.

[9] The EXW price includes all duties, sales, and other taxes already paid or payable for the components and raw materials used in the manufacture of the equipment offered in the bid.

[10] Beneficiaries may prefer to exclude customs duties on imported equipment from the bid prices, since these are difficult to ascertain or, alternatively, to include a "provisional sum" for reimbursement of actual costs.

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2.18 Price Adjustment

2.18.1 Bidding documents shall state either that (i) bid prices will be fixed or (ii) that price adjustments will be made to reflect any changes (upwards or downwards) in major cost components of the contract, such as labor, equipment, materials, and fuel. Price adjustment provisions are usually not necessary in simple contracts involving delivery of goods or completion of works within 12 months, but shall be included in contracts which extend beyond 12 months. However, it is normal commercial practice to obtain firm prices for some types of equipment regardless of the delivery time and, in such cases, price adjustment provisions are not needed.

2.18.2 Prices may be adjusted by the use of a prescribed formula (or formulae) which breaks down the total price into components that are adjusted by price indices specified for each component or, alternatively, on the basis of documentary evidence (including actual invoices) provided by the supplier or contractor. The use of the formula method of price adjustment is preferable to that of documentary evidence. The method to be used, the formula (if applicable) and the base date for application shall be clearly defined in the bidding documents. If the payment currency is different from the source of the input and corresponding index, a correction factor shall be applied in the formula, to avoid incorrect adjustment.

2.19 Currency of Bids

2.19.1 To ensure fairness and transparency in the bid evaluation process, and to obtain best possible price, bidding documents shall (a) clearly state the currency or currencies in which bid prices may be expressed and the contract price shall be paid, and (b) the conversion method of prices expressed in different currencies into a single currency for the purpose of comparing bids. Clarity of the pricing provisions in bidding documents is essential to provide bidders an opportunity to minimize exchange risks, and, if needed, to choose a stronger currency for payment to strengthen and stabilize the value of the bid, and to protect the Beneficiary against possible claims arising from unforeseen currency fluctuations.

2.19.2 Specifically, the bidding documents shall state that the bidder may express the bid price in the currency of the bidder's country, or in a foreign currency widely used in international trade. A bidder who expects to incur expenditures in more than one foreign currency may express its bid in more than one but no more than three such currencies. Alternatively, the bidder may express the entire bid in one currency but require percentages of the bid price to be paid in other currencies, while providing the exchange rates used in these calculations. The Beneficiary may require that bidders state the portion of the bid price representing local costs in the national currency. In bidding documents for works, the Beneficiary may require bidders to state the bid price entirely in the Beneficiary's currency, along with requirements for foreign currency payments in up to three foreign currencies of their choice for expected inputs from outside the Beneficiary's country. Such requirements shall be expressed as a percentage of the bid price, together with the exchange rate used for these calculations.

2.20 Currency Conversion for Bid Comparison

The bid price is the sum of all payments in various currencies required by the bidder. For the purpose of comparing prices, bid prices shall be converted to a single currency selected by the Beneficiary (local currency or fully convertible currency) and stated in the bidding

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documents. The Beneficiary shall use this conversion by using the selling (exchange) rates 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. The conversion date shall be selected in advance, and the source and date shall be specified in the bidding documents. The date shall not be earlier than four weeks prior to the deadline for bid-submission and not later than the original expiry date of the period of bid validity.

2.21 Currency of Payment

2.21.1 Payment of the contract price shall be made in the currency or currencies in which the bid price is expressed in the bid of the successful bidder.

2.21.2 When the bid price is required to be stated in the Beneficiary's currency and the bidder has requested payment in foreign currencies expressed as a percentage of the bid price, the exchange rates to be used for purpose of payments shall be those specified by the bidder in the bid, so as to ensure that the value of the foreign currency portions of the bid is maintained without any loss or gain.

2.22 Transportation and Insurance

The bidding documents shall state precisely the types and terms of insurance to be provided by the bidder from any eligible Country and shall indicate the kinds of risks to be insured against, the liabilities to be covered, and the duration of the insurance. For goods, the indemnity payable under transportation insurance shall be at least 110 percent of the contract amount in the currency of the contract or in a freely convertible currency, to enable prompt replacement of lost or damaged goods. For works, a Contractor's All Risk form of policy shall usually be specified. Depending on the mode of financing, the type and extent of insurance to be taken out is to be fully covered in the Financing Agreement. For leasing, Installment sale and Istisna'a, the IDB shall be the loss-payee of the insurance and any indemnity shall be payable to IDB in freely convertible currency.

2.23 Alternative Bids

If alternative bids are allowed, the Bidding Documents shall state clearly how such bids shall be submitted, prices shall be offered and how they shall be evaluated. If a bidder wishes to propose deviations, or propose an alternative solution, the bidder shall first quote the price for the method and specifications indicated in the bidding document and secondly indicate the price for the deviation or alternative solution. Only the alternative bid submitted by the substantially responsive lowest evaluated bid shall be considered.

C. Essential Elements of the Contract Documents

2.24 Conditions of Contract

The contract documents shall clearly define the scope of work to be performed, the goods to be supplied, the rights and obligations of the Beneficiary and the Supplier or the Contractor, and the functions and authority of the engineer, architect or construction manager, if one is employed by the Beneficiary in the supervision and administration of the contract, including payments and advances to be made, if any. In addition to the general conditions of contract, special conditions shall be included particular to the types of goods and works to be procured

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and the location of the project site. The conditions of contract shall provide a balanced allocation of risks and liabilities.

2.25 Terms and Methods of Payment

2.25.1 Payment terms shall be in accordance with the international commercial practices applicable to the specific goods and works, and disbursement of such payments from the IDB financing shall be made in accordance with IDB's Disbursement Procedures and the Financing Agreement.

2.25.2 Contracts for the supply of goods shall provide for the payment on the delivery and inspection, if so required, of the contracted goods except for contracts involving installation and commissioning, in which case a portion of the payment may be made after the Supplier has complied with all its obligations under the contract. The use of letters of credit is encouraged so as to ensure prompt payment to the supplier.

2.25.3 Contracts for works shall provide in appropriate cases for mobilization advances, advances on Contractor's equipment and materials to be delivered to the site for incorporation in the works, regular progress payments, and reasonable retention amounts to be released upon compliance with the Contractor's obligations under the contract.

2.26 Advance and Progress Payments

2.26.1 The tender documents shall (a) specify any advances that may be made for supply of equipment and machinery, mobilization expenditures, or shipment of materials on site for incorporation into the civil works and such percentage should not be in excess of 80% of the value of such materials, (b) require that such advance payments shall be covered by an unconditional and irrevocable bank guarantee issued by a bank acceptable to IDB and (c) specify the modalities and the terms and conditions under which the guarantee will be recovered and released. Advance payments made upon signature of the contract for mobilization and expenses should be reasonable and should not exceed 20% of the contract price.

2.26.2 Progress payments under the contract shall be made in the currency or currencies in which the price has been stated in the currency of payment mentioned in the tender documents.

2.27 Change Orders

During the execution of a contract, changes may occur in the quantity of work done requiring amendments to the contract agreement between the Beneficiary and the contractor. Such amendments are executed by a change order or variation order, provisions for which are made in the Conditions of Contract, and are justified in the progress reports of the project. The Beneficiary shall seek IDB's "no-objection" prior to the proposed amendment. Price escalation resulting from change orders should not exceed 20% of the contract price.

2.28 Performance Security and Retention Money

2.28.1 Performance security:

1. Bidding documents for goods and works shall require a performance security in the form of guarantee from a bank or a performance bond from an insurance company acceptable

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to IDB, in accordance with the form included in the bidding documents[11], and in an amount sufficient to protect the Beneficiary against unsatisfactory quality of the goods, nonperformance of the goods contract or the equipment installed, or noncompletion of the works. In contracts for goods, guarantees to protect the Beneficiary against nonperformance of the contract are required only when this is normal commercial practice under the market conditions for the goods in question. In supply and installation contracts, the performance security extends until acceptance of installed plant and is usually replaced by a warranty for the warranty period.

The performance security shall be provided by the selected bidder prior to contract signature[12]. The amount of the security will depend upon the type and magnitude of the goods or works, but normally 5 to 10% of the contract value is deemed adequate to protect the Beneficiary and in any case this should not exceed 10%. However, the bid and contract documents shall require that if through change orders or for other reasons the value of the contract price exceeds the amount of the original contract price by a certain percentage, the security will be increased by a proportional amount. The performance security shall be discharged after completion of the contract and expiration of the warranty period up to final acceptance, if there is no default.

2.28.2 Retention Money:

1. Retention money may be required in addition to the performance security because it serves different purposes. It is a percentage deducted from the agreed periodic payments for works or supplies to protect the Beneficiary, in the case of works, against defects liabilities or to cover the maintenance period up to final acceptance of the works by the Beneficiary, or, in the case of goods, to cover the supplier's warranty obligations or any installation or commissioning requirements. Retention money shall be reasonable in amount and in accordance with commercial practice and vary between 5 to 10% of the payments, but the total amount should not exceed 10% of the contract price. The retention money may, at the option of the Beneficiary, be replaced with a suitable bank guarantee from a bank acceptable to the IDB. When used as a guarantee, retention money should not exceed 5% of the contract price.

2. If the contract provides for both a performance security and retention money, the total amount should not exceed 10%, otherwise it may discourage potential bidders because of the high financing cost. For small works contracts (in particular community participation - paragraph 3.7), only retention money may be sufficient. Bidding documents may provide that part of the retention money may be released upon provisional acceptance of the works, and the remaining retention money be replaced by a bank guarantee acceptable to IDB.

2.29 Indemnification Requirements

Contracts shall clearly state that the proceeds of any claim arising from performance guarantees, advance payment guarantees and any insurance policies entered into by the contractor under the terms of the contract, shall be payable to IDB to the extent of its financial participation for the account of the Beneficiary. IDB, upon receipt of such proceeds,

[11] The format of the performance security shall be in accordance with the form included in the bidding documents and shall be issued by a reputable bank or financial institution selected by the bidder. If the institution issuing the security is located outside the country of the Beneficiary, it shall have a correspondent financial institution located in the country of the Beneficiary to make it enforceable.

[12] In the case where works are executed by Force Account (paragraph 3.6), the performance security or retention money may be waived at the discretion of IDB.

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will credit the Beneficiary. Upon reaching agreement, any amount which is rightly due to IDB as reimbursement of previous disbursement on any item which is the subject of the claim, will be deducted from the Financing Agreement and the balance of the amount received under the claim will become due for payment to the Beneficiary or the contractor, as the case may be.

2.30 Liquidated Damages and Bonus Clauses

2.30.1 Contracts shall provide for liquidated damages or similar clauses in an appropriate amount[13] to cover the cost of delays in the delivery of goods or failure to meet performance requirements, or noncompletion of the works, which result in loss of revenues or other benefits to the Beneficiary.

2.30.2 Provision may also be made for a bonus to be paid to suppliers or contractors for completion of contracts ahead of the time specified in the contract when such earlier completion would be of benefit to the Beneficiary.

2.31 Force Majeure

The conditions of contract shall stipulate that failure on the part of the parties to perform their obligations under the contract will not be considered a default if such failure is due to force majeure as defined in the contract.

2.32 Applicable Law and Settlement of Disputes

The conditions of contract shall contain provisions dealing with the applicable law and the forum for the settlement of disputes. International commercial arbitration has practical advantages over other methods for the settlement of disputes. It is, therefore, recommended that Beneficiaries consider international commercial arbitration in contracts for the procurement of goods and works. In case of works contracts, supply and installation contracts, and turnkey contracts, the dispute settlement provision shall also include mechanisms such as dispute review boards or a dispute review expert which are designed to permit a speedier dispute settlement.

D. Procedures for Bid Submission, Opening, Evaluation and Award of Contract

2.33 Bid Submission

2.33.1 Unless otherwise agreed, IDB requires that bids are submitted in accordance with the IDB Standard Bidding and Contract documents.

2.33.2 The Standard Bidding Document includes: (a) the Invitation for Bids including the bid submission and opening date; (b) a standard section comprising the Instructions to Bidders on how to prepare the bids and how they will be evaluated and awarded, complemented by a Bid Data Sheet elaborating on the standard instructions and indicating the specific requirements for the procurement, including the bid price, and specific evaluation and award criteria; and (c) Notes on Technical Specifications and Drawings, Sample Forms, including the Bid Form, Bid Security and Performance Guarantee Forms, Bank Guarantee Form, Price Schedules, Change Order Procedures and Completion and Acceptance Certificates.

[13] An amount not exceeding 10% of the contract price is normal commercial practice.

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2.33.3 The Standard Contract document includes (a) the General Conditions of Contract, including provisions for contract implementation and payments, performance guarantees and acceptance, liabilities, and arrangements for dispute resolution, (b) the Special Conditions of Contract, elaborating on the General Conditions of Contract where needed, providing specifics on the contract price, guarantees and retention money, advances and payment schedules, work and delivery schedules, certificates of provisional and final acceptance, penalties and dispute resolution, and (c) Forms of Contract Agreement and Advance Payments, as well as other relevant Forms.

2.33.4 Modifications to the General Instructions to Bidders or General Conditions of Contract shall only be introduced through the Bid Data Sheet or the Special Conditions of Contract, respectively.

2.34 Time interval between Bid Invitation and Bid Submission

The time allowed for preparation of bids will depend upon the magnitude and complexity of the contract. Generally not less than 60 days shall be allowed for ICB or ICB/MC. Where large civil works or complex process plants are involved, generally not less than 90 days shall be allowed to enable prospective bidders to conduct investigations at the site before submitting their bids. In such cases, it is recommended that the Beneficiary convene pre-bid conferences and arrange site visits.

2.35 Bid Opening and Evaluation Procedures

The date, hour and place for the receipt of bids and for the bid opening shall be announced in the invitation to bid. The time for bid opening shall be the same as for the deadline for the receipt of bids or if bids are received in a location different from the place of bid opening, promptly thereafter, allowing just sufficient time to take the bids to the place announced for bid opening. Bids shall be opened in public and bidders or their representatives shall be allowed to be present. Bids received after this time shall be returned unopened[14]. The name of the bidder and total amount of each bid and of any alternative bids if they have been requested or permitted shall be read aloud and recorded, and a copy of this record shall promptly be sent to all bidders who submitted bids in time and to IDB along with the evaluation report.

2.36 Clarification or Alteration of Bids

Bidders shall not be permitted or requested to alter their bids after the deadline for bid submission. For the purpose of bid evaluation, the Beneficiary may need to ask clarifications from bidders, for example in the event that some pages of supporting information are not initialed, if required in the bidding documents, or if the bidder has not sent the required number of copies or omitted a form. Requests for clarification and bidder's responses shall be made in writing and any discrepancies noted shall be recorded in the bid evaluation report. However, the Beneficiary shall not ask nor allow bidders to change the substance or price of the bids after bid opening.

[14] No exception permitted

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2.37 Confidentiality of Procedures

No information relating to the examination, clarification and evaluation of bids and recommendations concerning awards shall be communicated to any person not officially concerned with these procedures until the award of a contract to the successful bidder is announced.

2.38 Examination and Comparison of Bids

2.38.1 The Beneficiary shall use, or ensure the use of, the IDB Standard Bid Evaluation Report for the Evaluation of Goods and Works to detail the specific reasons on which the determination for the recommendation for the award of contract is made and send this Report to IDB with the Beneficiary's contract award recommendation for IDB's comments and "no-objection" before the award of contract to the successful bidder is announced. In case of doubt, the IDB may request the three lowest evaluated cost bids.

2.38.2 The Beneficiary shall carry out the bid evaluation in two phases: (a) a Preliminary examination and (b) Evaluation and Comparison of Bids.

2.38.3 Preliminary examination is used to verify whether the bids are substantially responsive to the bidding documents: have they been properly signed, are they accompanied by a valid bid security, if required, do they meet the eligibility requirements, are they complete, do they quote prices for all items in the lot or package as stipulated in the bidding document, have computational errors been made, and are the bids generally in order. If a bid does not substantially conform to the specifications, or contains inadmissible reservations or is not otherwise substantially responsive to the bidding documents, it shall be rejected and not be considered further. However, a bid should not be rejected on minor procedural grounds[15], which can be rectified through the clarification process. The bid shall not be made responsive by the bidder by correcting the nonconformity or withdrawing material deviations or reservations.

2.38.4 Detailed evaluation and comparison of bids is used to determine the cost to the Beneficiary of each responsive bid in a manner that permits a comparison on the basis of their evaluated cost in order to select the technically acceptable lowest evaluated cost bid.

2.38.5 Bid evaluation shall be consistent with the terms and conditions set forth in the bidding documents. The bid price read out at bid opening shall be adjusted for any arithmetical errors, and adjustments shall be made for any quantifiable nonmaterial deviations or reservations. Price adjustment provisions applying to the period of implementation of the contract shall not be taken into account in the evaluation.

2.38.6 For the supply of imported goods, the evaluation and comparison of bids shall be on the basis of CIF or CIP (Place of Destination) prices[16]. For goods manufactured in the Beneficiary's country, EXW prices are evaluated and compared. If bids are on the basis of CIP (Place of Destination), the cost of inland transportation and insurance to the place of destination shall be added to the price of domestically produced goods. In addition, prices for

[15] For example, a bidder has omitted to initial some pages of supporting documentation, if this is required in the bidding documents.

[16] CIF is used for sea transport only. CIP is used for any mode of transport, including sea and multimodal transport and usually concerns containerised goods.

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any required installation, training for technology transfer, and other similar services shall be evaluated and compared[17].

2.38.7 In addition to the bid price, adjusted for arithmetical errors, other factors may be taken into consideration, such as the time of completion of construction, the reliability of construction methods proposed, payment schedules, delivery times, operating costs or the efficiency and compatibility of the equipment, the availability of service and spare parts, and related training for technology transfer and safety. To the extent practicable, these factors shall be expressed in monetary terms according to criteria specified in the bidding documents.

2.38.8 Under works and turnkey contracts, contractors are responsible for all duties, taxes and other levies and bidders shall take these factors into account in preparing their bids. The evaluation and comparison of bids shall be on this basis. Bid evaluation for works shall be strictly in monetary terms. Any procedure, under which bids above or below a predetermined bid value are automatically disqualified, is not acceptable. If time is a critical factor, the value of early completion to the Beneficiary may be taken into account according to criteria presented in the bidding documents, but only if the conditions of contract also provide for commensurate penalties for noncompliance.

2.39 Margins of Preference

With the consent of the Beneficiary, a margin of preference may be provided to Member Countries firms, in case of ICB, when comparing bids from the Member Countries with those of non Member Countries. The tender documents should refer to this preference and specify the manner in which it will be applied. The preference will be stated in the tender documents with prior consent of the IDB. In the case of goods, no goods shall be eligible to this preference except those goods complying entirely with the required specifications and standards. Such preference shall not exceed 15% of the price of the lowest evaluated offer (after the exclusion of custom duties, taxes and other charges). It is a condition for the application of this preference that the added value in the Member Country reaches 30% or more. In the case of civil works, a margin of preference may be provided to local contractors and shall be a percentage to be agreed upon with the Beneficiary and shall not exceed 10% of value of the lowest bid from amongst the bids that satisfy the conditions, according to the technical and financial evaluation. In case of joint ventures or any other form of association between member country firms and non Member Country firms (excluding subcontracting arrangements) the above margins of preference shall not be applied.

2.40 Extension of Validity of Bids

2.40.1 Beneficiaries shall complete evaluation of bids and award of contract within the initial period of bid validity so that extensions are not necessary. An extension of bid validity, if justified by exceptional circumstances, shall be requested in writing from all bidders before the expiration date stated in the bidding document. The extension shall be for the minimum period required to complete the evaluation, obtain the necessary approvals and award the contract. In the case of fixed price contracts, requests for second and subsequent extensions will be permissible only if the request for extension provides for an appropriate adjustment mechanism of the quoted price to reflect changes in the cost of inputs for the contract over the period of extension.

[17] The evaluation of bids shall not take into account (a) customs duties and other taxes levied on the imported goods and (b) sales and similar taxes levied in connection with the sale or delivery of goods.

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2.40.2 Whenever an extension of bid validity period is requested, bidders shall not be requested or be permitted to change the quoted (base) price or other conditions of their bid. Bidders shall have the right to refuse to grant such an extension without forfeiting their bid security, but those who are willing to extend the validity of their bid shall be required to provide a suitable extension of their bid security.

2.41 Postqualification of Bidders

If the bidding procedure did not provide for prequalification, the Beneficiary shall carry out a postqualification of the bidder whose bid has been determined to offer the lowest evaluated cost bid, in order to verify if the bidder has the capability and resources to effectively carry out the contract as offered in the bid. Even though the preliminary examination will reveal if the bidder's bid is responsive, postqualification is needed because bidders' situations may change or may not be properly reflected in the bids. The criteria for such postqualification, including the bidder's relevant experience, financial position, technical staff, and network of after-sales service, if needed, shall be explained in the bidding documents, and if the bidder does not meet them, the bid shall be rejected. In such an event, the Beneficiary shall select the next lowest evaluated cost bidder.

2.42 Award of Contract

2.42.1 The award of contract is subject to IDB's prior approval in writing and shall be made, within the period of the validity of bids, to the bidder who meets the appropriate standards of technical capability and financial resources and whose bid has been determined to be substantially responsive to the bidding documents and to offer the technically acceptable lowest evaluated cost bid. Such bidder shall not be required, as a condition of award, to undertake responsibilities or work not stipulated in the specifications or to modify its bid as originally submitted.

2.42.2 Upon receipt of IDB's "no-objection", the Beneficiary shall promptly inform the successful bidder that it has been awarded the contract and invite it to conclude the contract[18], within the time period of the validity of the bids. The terms and conditions of the contract shall not materially differ from those which were included in the bidding documents and on the basis of which the bids were invited.

The final draft contract with the successful bidder should be submitted to the IDB for clearance.

2.42.3 The Beneficiary shall furnish to IDB a copy of the signed contract, together with the first request for disbursement and the performance guarantee.

2.42.4 The Beneficiary shall publish the awards for contracts let under ICB, ICB/MC and NCB in an appropriate newspaper or Gazette giving the name of the bidder and the amount of the contract. The description and amount of these contracts, together with the name of the winning bidder, shall also be subject to public disclosure by IDB upon the Beneficiary's confirmation of contract award.

2.42.5 A contract which is awarded without IDB's "no-objection" shall not be eligible for IDB financing.

[18] The contract is not "negotiated" as in the case of consultants contracts, but only finalized for implementation.

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2.43 Return of the Bid Securities

Not later than ten days after notification of the final decision of selection to the successful bidder, the Beneficiary shall return the bid securities to the other bidders.

2.44 Rejection of All Bids and Re-bidding

2.44.1 Bidding documents usually provide that Beneficiaries may reject all bids, but bids should not be rejected and new bids invited on the same specifications solely for the purpose of obtaining lower prices. If the lowest evaluated responsive bid exceeds the Beneficiary's pre-bid cost estimates by a substantial margin, the Beneficiary shall investigate the causes for the excessive cost, including the contents of the bidding documents (in particular quantities and technical specifications), and consider requesting new bids on the basis of a revised scope and cost estimate of the works or the supplies to be procured.

2.44.2 Alternatively, the Beneficiary may consider a reduction in the scope and/or a reallocation of risk and responsibility which can be reflected in a reduction of the contract price. Following "no-objection" from IDB, the Beneficiary may then negotiate with the lowest evaluated bidder to try to obtain a satisfactory contract on the basis of the revised terms and conditions. However, substantial reduction (exceeding 20%) in the scope or modification to the bidding documents often requires rebidding to avoid ambiguities.

2.44.3 Rejection of all bids is justified when there is lack of effective competition, or when bids are not substantially responsive. However, lack of competition shall not be determined solely on the basis of the number of bidders. If, following IDB prior approval, all bids are rejected, the Beneficiary shall review the causes justifying the rejection and consider making revisions to the conditions of bidding documents, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

2.44.4 If only one bid has been received or is admitted for detailed evaluation, and is found to be technically and financially responsive compared to market prices, it may be considered, that a competitive procedure has taken place, provided that the IDB is satisfied that all required procedures have been adequately carried out (e.g. advertisement and evaluation process have been properly done) and that justifications given are acceptable.

2.44.5 If the rejection of all bids is due to lack of competition, wider advertising shall be considered. If the rejection is due to most or all of the bids being non responsive, new bids with improved clarity of scope, specifications and conditions may be invited, with the prior approval of IDB, from the initially prequalified firms, or if there was no prequalification, from only those firms that submitted bids, and a reasonable amount of time shall be allowed for the submission of new bids.

2.44.6 IDB's prior approval shall be obtained before rejecting all bids, soliciting new bids, selecting the only one bid received or evaluated, or entering into negotiations with the lowest evaluated cost bidder.

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3. OTHER METHODS OF PROCUREMENT

3.1 General Principles

There may be circumstances where open ICB or ICB/MC are not the most economic and efficient methods for procurement, and where other methods may be appropriate. In determining the most advantageous method for the Beneficiary, IDB will take into account the principles of fairness, equal opportunity, economy and efficiency in the interest of the Beneficiary. The appropriate methods and procedures, and the categories of goods and works to which they apply, shall be agreed between the Beneficiary and IDB in the Financing Agreement. Packages shall not be split into smaller units in order to make them less attractive for ICB or ICB/MC or to distribute various lots to different bidders to enlarge bidder participation at the cost of lesser economy and efficiency. "Value for money" should remain the main objective of the Beneficiary. If applicable, packages may be divided in efficient lots that can be handled by local or smaller contractors, while at the same time allowing larger bidders to bid for the entire package and offer discounts in the case of multiple contract awards, which reduces the cost to the Beneficiary. The other methods of procurement are described below in descending order of preference. The procedures for bidding, evaluation and contract award for these methods are similar to the procedures for ICB and ICB/MC in these Guidelines, unless otherwise indicated.

3.2 Limited International Bidding

Limited International Bidding (LIB) is essentially ICB (or ICB/MC) by direct invitation without open advertisement. It may be an appropriate method of procurement where (i) the contract values are small, or (ii) there is only a limited number of suppliers, or (iii) other exceptional reasons may justify departure from ICB procedures, such as emergency measures needed following a natural disaster. Under LIB, Beneficiaries shall prepare, and submit to IDB for "no-objection", a list of potential suppliers and contractors from eligible Member Countries or non-member countries as the case may be, broad enough to assure competitive prices, such list to include all suppliers/contractors when there are only a limited number. In all respects other than advertisement, ICB and ICB/MC procedures shall apply, including submission of the draft bidding documents to IDB for "no-objection".

3.3 National Competitive Bidding

3.3.1 National Competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Beneficiary, and may be the most efficient and economical way of procuring goods or works when, by their nature or scope, they are unlikely to attract foreign competition because:

i. the contract values are relatively small;
ii. works are scattered geographically or spread over time;
iii. works are labor intensive, or
iv. the goods or works are available locally at prices below the international market and adequate in terms of efficiency and prompt delivery.

3.3.2 NCB procedures may also be used where the advantages of ICB or ICB/MC are clearly outweighed by the administrative or financial burden involved. To be acceptable for use in IDB-financed procurement, NCB procedures shall be reviewed and modified as

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necessary to ensure economy, efficiency, transparency and broad consistency with the provisions included in Section 1 of these Guidelines. NCB will be open to domestic firms only, in accordance with the criteria described in paragraph 1.7.4 of these Guidelines.

3.3.3 Advertising under NCB

Publication of a General Procurement Notice is not required for NCB, and advertising may be limited to the national press or official gazette. The Special Procurement Notice shall be advertised when the bidding documents are available for interested bidders, at least twice on two non-consecutive days within a span of 10 days in at least one widely circulated national newspaper in the country of the Beneficiary and the official gazette. The Notice shall contain information concerning the Beneficiary, the scope and purpose of the project and the amount, the name, telephone or fax number and address of the Beneficiary or the Beneficiary's Agency responsible for the procurement, and the website and e-mail address, if available.

3.3.4 Use of Bidding Documents under NCB

The IDB standard bidding and contract documents shall be used, and shall specify the languages that shall govern for national bidding. If prepared in a national language different from the three official languages of IDB (Arabic, English or French), IDB shall be provided with a formal translation. The currency of the Beneficiary's country is generally used for the purposes of bidding and payment. Adequate response time for preparation and submission of bids shall be provided. The bidding procedures shall provide for adequate competition in order to ensure reasonable prices, and shall otherwise be the same as for ICB. The award of contract shall be published in a local newspapers or the official Gazette.

3.4 International or National Shopping

3.4.1 Shopping is a procurement method comparing written price quotations obtained from several suppliers (in the case of goods) or from several domestic contractors (in the case of small works), following written requests for quotations from a minimum of at least three suppliers or contractors to assure competitive prices.

3.4.2 This method is appropriate for procuring readily available off-the-shelf goods or standard specification commodities, or simple local civil works, that are small in value. Requests for quotations for small value goods shall be issued in writing to at least three reputable suppliers, and at the international level to at least three reputable suppliers in at least two different Member Countries. Requests for quotations for small civil works shall be issued to at least three reputable domestic contractors. The requests shall state the IDB financing source, the payment terms, provide for a reasonable time to submit quotations (between 10-30 days), and indicate the time and place of opening.

3.4.3 Quotations for goods shall indicate the description, technical specifications and quantity and cost of the goods, including the cost of inland transportation and insurance as the case may be, as well as the estimated delivery time if not immediately available. Quotations for works shall include the necessary drawings, estimated quantities, and completion time. Quotations shall be given in writing and may be submitted by telex or facsimile. Quotations shall be opened at the same time and read out in public before the solicited suppliers or contractors or their representatives, if present, and evaluated and compared at the same time. This procurement method shall be agreed between IDB and the Beneficiary in the Financing Agreement.

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3.4.4 The analysis and recommendation for award shall be recorded in a brief evaluation report, signed by the Beneficiary, which shall be copied to IDB. Purchases below a monetary threshold set in the Financing Agreement may be carried out without prior "no-objection" of IDB.

3.5 Direct Contracting

Direct contracting or single source bidding without competition involves dealing with a particular supplier or contractor and may be allowed in the following situations, subject to prior approval of IDB:

i. When buying small or off-the-shelf items of small value.
ii. When standardization is important and equipment and spare parts required for expansion or repair of existing equipment must be procured from the original supplier or from a supplier of identical goods.
iii. When the equipment is proprietary in character and is obtainable only from one supplier.
iv. When the contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of the performance guarantee.
v. When, after the items originally envisaged for the project have been procured through ICB, an additional quantity of the same items is urgently needed to meet the requirements of the project, and when IDB can be satisfied that there is no advantage to obtain these items through ICB or NCB;
vi. When the civil works to be undertaken are a natural extension of an earlier or ongoing job, for which the corresponding contract had been awarded following international or national competitive bidding satisfactory to IDB, and when it can be shown to the satisfaction of IDB that the engagement of the same contractor will be more economical than normal bidding, and will ensure compatibility of results in terms of quality of work.
vii. In exceptional cases, such as in response to a natural disaster.

3.6 Force Account

3.6.1 Force Account[19] involves the use of the Beneficiary's own work force, equipment and other resources in carrying out civil works. This method is employed in exceptional circumstances:

i. when the size, nature and location of the works are small and scattered or in remote areas for which qualified contractors are unlikely to bid ,
ii. when the quantities of work cannot be defined in advance,
iii. when ongoing works are interrupted due to breach of contract or contractor failure and need to be continued to avoid serious damage, or
iv. when there are emergencies requiring immediate attention like in case of natural disaster.

3.6.2 IDB needs to be satisfied that the Beneficiary's construction facilities are adequate and efficient, and that the Beneficiary has the capability to undertake the works expeditiously and at reasonable cost. In cases where the Implementing Agency is distinct from the

[19] A government-owned construction unit that is not managerially and financially autonomous shall be considered a "force account unit."

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Executing Agency, the two shall enter into a contract for the execution of the works, which shall have the prior approval of IDB.

3.7 Community Participation

Where, in the interest of project sustainability, or to achieve certain specific social objectives of the project, it is desirable to (i) call for the participation of local communities and/or non-governmental organizations (NGOs) in the delivery of goods and works, or (ii) increase the utilization of local know-how and materials, or (iii) employ labor-intensive and other appropriate technologies, the procurement procedures, specifications, and contract packaging shall be suitably adapted to reflect these considerations, provided these are efficient.

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4. SPECIAL PROCUREMENT ARRANGEMENTS

4.1 Use of Procurement Agents and Management Contractors

Where Beneficiaries lack the necessary organization, resources, and experience, Beneficiaries may wish (or be required by IDB) to employ, as their agent, a firm specializing in handling international procurement. The agent shall strictly follow all the procurement procedures outlined in the Financing Agreement on behalf of the Beneficiary, including the use of IDB Standard Bidding Documents, review procedures and documentation. Management contractors may be employed in a similar manner for a fee to contract for miscellaneous works involving reconstruction, repairs, rehabilitation, and new constructions in emergency situations, or where large numbers of small contracts are involved. If this procedure is funded by IDB, IDB's Guidelines for the Use of Consultants shall be used to acquire the services of the Procurement Agent or a Management Contractor on a competitive basis.

4.2 Inspection Agents

Preshipment inspection and certification of imports is one of the safeguards for the Beneficiary, particularly where the country has a large import program. The inspection and certification usually covers quality, quantity and reasonableness of price. Imports procured through open or limited ICB procedures shall not be subject to price verification, but only verification for quality and quantity. However, imports not procured through open or limited ICB may additionally be subjected to price verification. The inspection agents are ordinarily paid for on a fee basis levied on the value of the goods. Costs for certification of imports shall not be considered in the evaluation of bids under open or limited ICB.

4.3 Procurement in Loans to Financial Intermediaries

Where the Financing Agreement provides for the use of IDB funds through an intermediary institution such as an agricultural credit institution or a development finance company, to be used by Beneficiaries such as private sector enterprises, or autonomous commercial enterprises in the public sector for the partial financing of subprojects, the procurement is usually undertaken by the respective Beneficiaries in accordance with established local private sector or commercial practices, which shall be acceptable to IDB. However, even in these situations, open or limited ICB may be the more efficient and economic procurement method for the purchase of large single items or in cases where large quantities of goods can be grouped together for bulk purchasing.

4.4 Procurement under BOT and Similar Private Sector Arrangements

Where IDB is participating in financing the cost of a project procured under a BOO/BOT/BOOT[20] or similar type of private sector arrangement, either of the following procurement procedures shall be used, as set forth in detail in the Financing Agreement:

(a) The entrepreneur under the BOO/BOT/BOOT[21] or similar type of contract shall be selected under ICB or LIB procedures acceptable to IDB, which may include several

[20] BOO: Build, Own, Operate; BOT: Build, Operate, Transfer; BOOT: Build, Own, Operate, Transfer.

[21] For projects such as toll roads, tunnels, harbours, bridges, power stations, waste disposal plants, and water distribution systems.

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stages in order to arrive at the optimal combination of evaluation criteria, such as the cost and magnitude of the financing offered, the performance specifications of the facilities offered, the cost charged to the user or purchaser, other income generated for the Beneficiary or purchaser by the facility, and the period of the facility's depreciation. The said entrepreneur selected in this manner shall then be free to procure the goods, works and services required for the facility from eligible sources, using its own procedures. In this case, the Financing Agreement shall specify the type of expenditures incurred by the said entrepreneur towards which IDB financing will apply.
Or,

(b) If the said entrepreneur has not been selected in the manner set forth in subparagraph (a) above, the goods, works or services required for the facility and to be financed by IDB shall be procured in accordance with open or limited ICB or LIB procedures.

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ANNEX A
Category "A" Projects

1. Schools
2. Education centers
3. Hospitals (civil works)
4. Health centers
5. Office buildings
6. Paved roads
7. Rural and gravel roads
8. Pavements (ports, cold storage areas, etc.)
9. Minor electrical installations (33KV and below) including sub-stations less than 1000 KVA and low voltage systems.
10. Electrical transmission lines less than 220 KV not including sub-stations.
11. Installation of minor steam and diesel generation plants – up to 5MW per unit.
12. Minor and main canals
13. Irrigation schemes- Field distribution system
14. Main irrigation water control structures
15. Bridges of span not exceeding 30 meters (reinforced concrete bridges and steel girder bridges) up to a total length of 500 meters.
16. Stores and storage areas.
17. Water transmission lines including main transmission lines and distribution lines
18. Airstrips
19. Sewerage lines
20. Boreholes for water and geo-physical surveys up to 3000 feet.
21. Earth and Concrete Dams up to a height of 30 meters above foundation and a total storage capacity not exceeding 150 millions m^3

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ANNEX B
Category "B" Projects

1. Earth and Concrete Dams up to a height of more than 30 meters above foundation and a total storage capacity exceeding 150 millions m^3.
2. Major power plants – generation of electricity from units greater than 5MW each
3. Viaducts
4. 220 KV transmission lines or above, and major electrical distribution system – capacity of substation more than 1000 KVA
5. Major power stations – total generation 50 MW and above
6. Major bridges with spans greater than 30 meters and with complex foundations or super structures) up to a total length of more than500 meters
7. Telecommunication system
8. Ports and harbors
9. Treatment plants (water and sewerage)
10. Tunnels
11. Railways – permanent way rolling stock (wagons, prime movers, locomotives, coaches)
12. Towers (water and high rise buildings)
13. -shore structures
14. Deep Boreholes greater than 3000 ft.
15. Factories
16. Buildings for industrial plants
17. Water desalination plants
18. Oil refineries
19. Fertilizer plants
20. Mining Projects
21. Petrochemical installations
22. Oil and gas pipelines and pumping stations.

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ANNEX C
Review by IDB of Procurement Decisions

Scheduling of Procurement

1. IDB shall review the procurement arrangements proposed by the Beneficiary, including contract packaging, applicable procedures, and the scheduling of the procurement process, for its conformity with these Guidelines and the proposed implementation program and disbursement schedule. The Beneficiary shall promptly inform IDB of any delay, or other changes in the scheduling of the procurement process, which could significantly affect the timely and successful implementation of the project contracts, and agree with IDB on corrective measures.

Prior Review

2. With respect to all contracts above the amount indicated in the Financing Agreement[22], that are subject to IDB's prior review:

   - In cases where prequalification is used, the Beneficiary shall, before prequalification submissions are invited, furnish IDB with the draft documents to be used, including the text of the invitation to prequalify, the prequalification questionnaire, and the evaluation methodology, together with a description of the advertising procedures to be followed, and shall introduce such modifications in said procedure and documents, as IDB shall reasonably request. Subsequently, the Beneficiary shall furnish to IDB for its comments the report evaluating the applications it received, the list of the recommended prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification. The Beneficiary shall furnish this information to IDB before the applicants are notified of the Beneficiary's decision, and the Beneficiary shall make such additions to, deletions from or modifications in the said list as IDB shall reasonably request.

   - Before bids are invited, the Beneficiary shall furnish to IDB for its comments, draft bidding documents, including the invitation to bid; instructions to bidders, including the basis of bid evaluation and contract award; and the conditions of contract and specifications for supply of goods, or installation of equipment, or the civil works, as the case may be, together with a description of the advertising procedures to be followed for the bidding (if prequalification has not been used), and shall make such modifications in the said documents as IDB shall reasonably request. Any further modification shall require IDB's approval before it is issued to the prospective bidders.

   - For the evaluation of bids, the Beneficiary shall use IDB’s Standard Bid Evaluation Report.

[22] The Financing Agreement may provide that for contracts up to an amount to be specified in the Financing Agreement, the Beneficiary may proceed with the appropriate procurement procedure without the prior review of IDB, up to the stage of contract award. At that stage, IDB will receive the minutes of opening of the bids and the bid evaluation report to determine if the evaluation procedure is in conformity with IDB’s Guidelines and the contract can be awarded and signed as proposed by the Beneficiary.

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- After bids have been received and evaluated, the Beneficiary shall, before a final decision on the award is made, furnish to IDB in sufficient time for its review, a detailed report (prepared, if IDB shall so request, by experts acceptable to IDB), on the evaluation and comparison of the bids received, together with the recommendations for award, the draft contract submitted by the lowest evaluated bidder, and such other information as IDB shall reasonably request.

- IDB shall, if it determines that the intended award would be inconsistent with the Financing Agreement, promptly inform the Beneficiary and state the reasons for such determination. Otherwise, IDB shall provide its "no objection" to the draft contract and authorize the Beneficiary to proceed with the award and the signature of the contract. The Beneficiary shall confirm the award to the selected bidder.

- If the Beneficiary requires an extension of bid validity to complete the process of evaluation, obtain necessary approvals and clearances and to make the award, it should seek IDB's prior approval for the first request for extension, if it is longer than 45 calendar days, and for all subsequent requests for extension, irrespective of the period.

- If the Beneficiary receives protests or complaints from bidders about the evaluation, the Beneficiary shall sent a copy of the Beneficiary's response to IDB for information.

- The terms and conditions of a contract shall not, without IDB's prior approval, materially differ from those on which bids were asked or prequalification of contractors was carried out, if this was the case.

- One conformed copy of the contract shall be furnished to IDB promptly after its signing with the first application for withdrawal of funds from the IDB Financing in respect of such contract.

- The description and amount of the contract, together with the name and address of the successful bidder, shall be subject to public disclosure by IDB upon receipt by IDB of the signed contract.

Amendments, Modifications or Extensions

3. Before granting a material extension of the stipulated time for performance of a contract, agreeing to any modification or waiver of the conditions of such contract, including issuing any change order or orders under such contract (except in cases of extreme urgency) which would in aggregate increase the original amount of the contract by more than 15 percent of the original price, the Beneficiary shall request IDB's prior approval on the proposed extension, modification, or change order and the reasons therefor. If IDB determines that the proposal would be inconsistent with the provisions of the Financing Agreement, it shall promptly inform the Beneficiary and state the reasons for its determination. A copy of all amendments to the contract shall be furnished to IDB for its record.

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Post Review

4. For all contracts not governed by paragraph 2, below a monetary threshold specified in the Financing Agreement, the Beneficiary shall furnish to IDB, promptly after its preparation, the bid evaluation report and recommendation for contract award, for IDB's comments and "no-objection". IDB will review such documents to verify the compliance of the evaluation and award procedure and to determine if the Beneficiary can proceed to contract award.

5. IDB shall, if it determines that the award of a contract or the contract itself is not consistent with the Financing Agreement, promptly inform the Beneficiary that paragraph 1.12 of the Guidelines on misprocurement shall apply and state the reasons for such determination.

6. In addition, in respect of all signed contracts financed by IDB, the Beneficiary shall retain one conformed copy of each contract during project implementation, and up to two years after the closing date of the Financing Agreement, and all documentation with respect to each contract, for examination by IDB or by independent auditors. IDB will review if the contract implementation is in conformity with IDB's procedures and the provisions of the Financing Agreement. The Beneficiary shall furnish such documentation to IDB upon request.

Translations

7. If national bidders were permitted to submit bids in the national language, a certified translation of the bid, evaluation report and the draft contract in either Arabic English or French shall be furnished to IDB to facilitate the review. Such certified translations shall also be furnished to IDB for any subsequent modifications of such documents.

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ANNEX D
Guidance To Bidders

Purpose

1. This Annex provides guidance to potential bidders interested in participating in IDB-financed procurement.

Responsibility for Procurement

2. As emphasized in paragraph 1.3 of these Guidelines, the Beneficiary is legally responsible for the procurement. It invites, receives, and evaluates bids, and awards the contract. The Standard Bidding Document and the terms and conditions of the standard contract between the Beneficiary and the Supplier or Contractor define the rights and obligations of each contracting party.

IDB's Role

3. IDB reviews the procurement procedures, documents, bid evaluations, award recommendations and the contract to ensure that the process is carried out in accordance with agreed procedures, as required in the Financing Agreement. Except for small contracts (below monetary thresholds specified in the Financing Agreement) IDB reviews the documents before they are issued, as described in Annex D.

4. If at any time in the procurement process (even after the award of contract), IDB concludes that the agreed procedures were not followed in any material respect, IDB may declare misprocurement. However, if a Beneficiary has awarded a contract after obtaining IDB's "no objection," IDB will declare misprocurement only if the "no objection" was issued on the basis of incomplete, inaccurate or misleading information furnished by the Beneficiary. Furthermore, if IDB determines that corrupt or fraudulent practices were engaged in by representatives of the Beneficiary or of the bidder, IDB may impose the applicable sanctions set forth in paragraph 1.13 of the Guidelines.

5. IDB publishes Standard Bidding Documents (SBDs) for various types of procurement. It is mandatory for the Beneficiary to use these documents, with minimum changes to address country- and project-specific issues. The prequalification and bidding documents are finalized and issued by the Beneficiary.

Information on Bidding

6. Information on bidding opportunities under ICB may be obtained from the General Procurement Notice and the Specific Invitation to Prequalify or to Bid, as described in paragraph 2.2 of the Guidelines.

Bidder's Role

7. Once a bidder receives the prequalification or bidding document, the bidder should study the documents carefully to decide if it can meet the technical, commercial and

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contractual conditions, and if so, proceed to prepare its bid. The bidder should then critically review the documents to see if there is any ambiguity, omission or internal contradiction, or any feature of specifications or other conditions which are unclear or appear discriminatory or restrictive; if so, it should seek clarification from the Beneficiary, in writing, within the time period specified in the bidding documents for seeking clarifications.

8. The criteria and methodology for the selection of the successful bidder are outlined in the bidding documents, generally under Instructions to Bidders and Specifications. If these are not clear, clarification should be similarly sought from the Beneficiary.

9. In this connection, it should be emphasized that the specific bidding documents issued by the Beneficiary govern each procurement. If a bidder feels that any of the provisions in the documents are inconsistent with the Guidelines, it should also raise this with the Beneficiary.

10. It is the responsibility of the bidder to assure submission of a fully responsive and compliant bid, including all the supporting documents requested in the bidding documents. Noncompliance with critical (technical and commercial) requirements will result in rejection of the bid. If a bidder wishes to propose deviations to a noncritical requirement, or propose an alternative solution, the bidder should first quote the price for the fully compliant bid and then separately indicate the adjustment in price that can be offered if the deviation or alternative solution is accepted. Once bids are received and publicly opened, bidders will not be required or permitted to change the price or substance of a bid.

Confidentiality

11. The process of bid evaluation shall be confidential until the award is notified to the successful bidder. This is essential to enable the Beneficiary and IDB reviewers to avoid either the reality or perception of improper interference. If during evaluation, a bidder wishes to bring additional information to the notice of the Beneficiary, IDB, or both, it should do so in writing.

Action by IDB

12. The Beneficiary is responsible for the selection and award procedure and bidders should address themselves to the Beneficiary for any queries, issues and possible grieves. However, bidders are free to send copies of their communications with the Beneficiary to IDB. It is recommended that they only write to IDB directly, when the Beneficiary does not respond promptly. When the communication concerns a complaint against the Beneficiary, such complaint should first be introduced in writing to the Beneficiary. Unless the bidder has formally lodged a complaint with the Beneficiary, IDB cannot deal with such complaint because it is not a party to the contract, so that, in fact, the complaint would not exist. If IDB receives a copy of a complaint, it will forward the related correspondence to the Beneficiary requesting that it take the necessary action and keep IDB informed.

13. References received by IDB from potential bidders, prior to the closing date for submission of the bids, will, if appropriate, be referred to the Beneficiary with IDB's comments and advice, for action or response.

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14. Communication received by IDB from bidders after the opening of the bids, will be sent to the Beneficiary for due consideration and appropriate action. Besides acknowledging receipt of communications, IDB shall not enter into any discussion or correspondence with any bidder during the evaluation and review procedure, until award of the contract is notified. IDB shall examine the communication only when it has first been sent to the Beneficiary. In consultation with the Beneficiary, IDB will determine if it needs additional information or clarification, and shall request it from the Beneficiary only. IDB shall ask the Beneficiary to comment on or incorporate it, as appropriate, in the evaluation report. IDB's review of the evaluation and award procedure will not be completed until the Beneficiary has fully examined and considered the communication and replied to it, with copy to IDB.

Debriefing

15. If, after notification of award, a bidder wishes to ascertain the grounds on which its bid was not selected, it should address its request to the Beneficiary. If a discussion is arranged, only the bidder's bid can be discussed and not the bids of competitors.

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