

CHART 2: Typical Process for Procurement of Goods and Construction Services through International Competitive Bidding on Projects Financed by Multilateral Development Banks

ACTIONS

BY EXECUTING AGENCY

BY THE BANK

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| <p>1. Discusses financing requirements, breakdown of contract packaging and general procedures with the Bank.</p> <p>3. Prepares bidding documents, invitations to tender (or pre-qualification), and instructions to prospective bidders *</p> <p>5. Pre-qualifies prospective bidders for civil works and major equipment where applicable.*</p> <p>7. Advertises in the media having international distribution such as <i>Development Business</i>, issues invitations to tender (approximately 45-90 days before deadline for receipt of bids) and notifies the embassies of major supplier countries.</p> <p>9. Publicly opens and tabulates bids, analyzes bids, notifies Bank of bid evaluation and recommends contract award to lowest evaluated and responsible qualified bidder.</p> <p>11. Notifies selected suppliers, negotiates and signs contract, obtains bank approval or significant changes from approved draft contract. Sends copy of final contract to Bank.</p> <p>13. Requests bank for downpayment disbursements and letter of credit guarantees.</p> | <p>2. Agrees with borrowers on items it will finance and approves general procurement procedures to be utilized.</p> <p>4. Approves bidding documents and pre-qualification procedures.</p> <p>6. Reviews and approves pre-qualification results.</p> <p>8. May request borrower to issue either clarification or correction to bid document following complaint from prospective bidder or extend bidding period when justified.</p> <p>10. Reviews bid evaluation and recommendation, and authorizes borrower to proceed with contracting. Approves draft contract.</p> <p>12. Reviews and records signed contract.</p> <p>14. Directs payment following receipt of proof of shipment, etc. Prepares statistical report on sources of procurement.</p> |
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* With help from independent consulting firms as necessary.

The Development Cycle for Loans under Consideration at the Multilateral Development Banks

Of major importance is the time frame by which Banks identify, appraise, evaluate, and approve projects for financing. The usual pattern is outlined below.

(i) Project Identification

- MDB programming mission travels to the client country seeking to establish future lending programs and project priorities.
- Area Loan Officer assesses the borrower's five-year fund allocation plan and discovers business suited to Bank financing.
- Sector Project Officer discovers new business on an informal basis during a visit to area for other purposes.
- Resident Bank personnel identify opportunity in the course of continuous review of development requirements.
- UNDP country program report (discussed separately in this Section under Part B) is prepared, describing pre-investment requirements for the eventual capital project.

(ii) Project Fact Finding

An economic and technical feasibility study of the project is financed by either the borrower itself, UNDP, FAO, UNESCO, World Bank, or a bilateral aid program such as CIDA. This should normally provide a sound basis for a formal request for follow-up financing at one of the Banks. Shortly thereafter, information on projects should be reported in *Development Business*, which is the business edition of the *Development Forum*, published by the United Nations, although it may be as much as two years before a loan will be officially approved by the Banks. *Development Business* is discussed below.

Refinement and updating of project information is conducted by a Bank project fact-finding or pre-appraisal mission. At this point, the project's scope will have been determined and the Bank will formally include the proposal in its lending pipeline.

(iii) Project Appraisal

The Bank formally expresses a willingness to move toward commitment by fielding a project appraisal mission which produces an Appraisal Report for internal Bank use containing the first procurement list. Consultants would normally have completed preliminary design and equipment requirements at this stage.

(iv) Loan negotiations between borrower and bank

Loan negotiations are completed, as signalled by the issue of the final project Appraisal Report which contains the final procurement list, procurement schedule and financial plan.

The project Appraisal Report, the Country Economic Report, together with technical and financial annexes are integrated into the "Report and Recommendations of the President", which is then submitted to the Board of Directors for approval.

Following approval, a press release is issued announcing the approval decision. The loan agreement is then signed with the borrowers and the Board documents and Staff Appraisal Reports become available for consultation at the library in the Department of External Affairs.

The stage of "effectiveness" of the loan is reached when the borrower fulfills all conditions agreed during negotiations. Disbursements may commence.

(v) Project Implementation

Though project implementation is the responsibility of the borrower, the Bank will send one or more project supervision missions as appropriate to monitor project progress and spending.

Of major concern is the identification of points in the above time frame when promotional effort by manufacturers should be put into motion.

Procurement of goods for large projects is usually spread out over the implementation stage of the project. However, purchasing for initial stages may follow very quickly after the signing of the loan agreement. In some instances, for large scale projects, an agency may initiate advance procurement action or prequalification well in advance of project approval to facilitate a timely implementation of the project. Promotional work must therefore have been done at an earlier stage.

In the case of "off-the-shelf equipment," promotion can be initiated in most cases as soon as the first procurement list has been formally published in the appraisal report. For unpublished requirements or for "made to specifications" equipment, promotional work