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**GUIDELINES FOR THE PROCUREMENT
OF GOODS AND CONTRACTING FOR THE
EXECUTION OF WORKS**

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SECRETARIAT OF THE COORDINATION GROUP

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT

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GUIDELINES FOR THE PROCUREMENT OF GOODS AND CONTRACTING FOR THE EXECUTION OF WORKS

INTRODUCTION

a) PURPOSE OF THE GUIDELINES

These Guidelines aim at defining the rules and procedures to be followed in the procurement of goods and services or contracting for the execution of works financed by loans or other modes of financing provided by the institutions forming the Coordination Group which is composed of the Islamic Development Bank, the Abu Dhabi Fund for Development, the OPEC Fund for International Development, the Saudi Fund for Development, the Arab Fund for Economic and Social Development, the Kuwait Fund for Arab Economic Development and the Arab Bank for Economic Development in Africa (hereinafter referred to individually as "the Fund" and collectively as "the Funds"). The borrowers or beneficiaries of financing (hereinafter referred to individually as "the Borrower" and collectively as "the Borrowers") shall observe these rules and procedures unless agreed otherwise with the financing Fund/Funds. Consequently, the tender documents and the procedure specified therein as well as the procedures related to the conclusion of the agreements and contract documents are subject to review by the financing Fund/Funds to ensure that the rules and procedures set forth in these Guidelines are complied with.

b) RESPONSIBILITY FOR THE PROCUREMENT OF GOODS AND CONTRACTING FOR THE EXECUTION OF WORKS

The ultimate responsibility for the procurement of goods or the execution of works, in an efficient manner, as well as the successful completion of the project financed, rests with the Borrower or Agency appointed by him, in agreement with the financing Fund/Funds, for the implementation of the Project. (Reference to the Borrower, hereinafter, is also deemed reference to the said Agency). It is evident that the rights of the Borrower vis-a-vis the bidders are governed by the tender documents; and his rights and obligations vis-a-vis the suppliers or contractors are governed by the contract for the supply of goods or the execution of the works and not governed by these Guidelines which only relate to the relationship between the financing Fund/Funds and the Borrower.

FIRSTLY: INTERNATIONAL COMPETITIVE BIDDING

1) GENERAL PROVISIONS

1-1 Introduction

The Funds are keen to ensure that their financing is utilized in an efficient and economical manner, particularly, since the establishing agreements or charters of some of the Funds explicitly so require. The Funds consider that international competitive bidding is, in most cases, the best method to achieve efficiency and economy in the procurement of goods or the execution of works financed by them. The Funds, therefore, normally require the Borrowers to procure the goods or to contract for the execution of works or services (with the exception of consultancy services*) through international competitive bidding open to suppliers and contractors from all countries of the world not disqualified in accordance with the provisions of paragraph (1-3) of these Guidelines. Naturally, suppliers and contractors from the Borrower's country and from the financing Fund/Funds State or States, including the Arab States, or the countries members of any of the financing Funds, may participate in the

bidding. The Funds are keen, through these Guidelines, to encourage local industries, including the construction industry in these countries, depending on the scope of activity of each Fund.

1-2 Type and Size of Contracts

Contracts may be based on unit prices for work performed or materials supplied, or they may be concluded on the basis of a lump-sum price or, depending on the nature of the goods or works required, they may be based on a combination of both methods for different parts of the contract. The tender documents must clearly state the selected method of pricing the contract. Cost-plus contracts are not acceptable to the Funds save in exceptional cases and upon prior agreement.

The size and scope of the various contracts depend on the size and nature of the project. If the project is large as in the case of energy, water or industrial projects, it is generally preferable to award separate contracts for civil works and for major items of equipment. On the other hand, in projects comprising similar but numerous and separate civil works or items of equipment, such works and equipment should be tendered in lots of a size that attracts small firms, while allowing, at the same time, any tenderer to submit offers for any lot or any combination thereof in order to attract large firms as well. Hence, contractors and suppliers, small or large, may at their option, bid for separate or combined lots. All tenders are then opened and evaluated simultaneously in order to select the best offer or group of offers that serve the interest of the Borrower best.

In certain cases, the Funds may accept a turnkey contract under which the engineering and construction works and equipment will all be provided under a single contract e.g. where special processes or closely integrated manufacturing is involved. In such a case the details of all engineering and construction works, equipment and technical specifications must be completed before the invitation to bid. In this type of contracts, and especially for complex projects, it may be necessary to use a two-step tendering procedure. The unpriced technical proposals, subject to clarification and modification, are submitted first, then followed by the submission of priced bids. The unpriced technical proposals and priced bids may also be submitted together on condition that the priced bids are not opened until all clarifications have been completed and the satisfactory technical proposals have been determined.

* As for consultancy services please refer to the 1995 Guidelines for the Use of Consultants of the Development Institutions, Members of the Coordination Group.

1-3 Qualification for Financing

Financing provided by the Fund/Funds shall not be used for the procurement of goods or services for the execution of works originating in a country or manufactured, supplied or carried out by any company or any entity which is subject to boycott according to the regulations applied by the financing Fund/Funds and of which the Borrower has been aware or has been informed at the time of concluding the financing agreement or thereafter, but before contracting for the import of the goods or the execution of the works.

2- ADVERTISING AND PREQUALIFICATION

2-1 Advertising

Unless otherwise agreed with the financing Fund/Funds, in all cases where international competitive bidding is required, the invitation to bid must be advertised in at least one newspaper of wide circulation in the Borrower's country and in one or more of the well-known specialized magazines and in newspapers and trade publications of wide international circulation, as may be agreed upon with the financing Fund/Funds. The financing Fund/Funds may also require that advertising be made in one or more newspapers published in the country of the financing Fund/Funds or in the country where the concerned Fund has its headquarters, as the case may be. Advertising must take place a sufficient time before the date fixed for opening the tenders in order to allow bidders adequate time for obtaining the tender documents and preparing their bids. The invitation to tender (or copies of the advertisement thereof) must be sent to embassies of the countries of suppliers or contractors expected to participate in the bidding for the supply of goods or services or for the execution of the works required.

As for cases of non-international tenders where it has been agreed with the financing Fund/Funds that tenders be invited locally, advertising may be limited to newspapers of wide circulation in the Borrower's country. The text of the advertisement must be submitted to the Fund/Funds for approval.

2-2 Prequalification of Bidders

The Funds require the use of the prequalification process in the case of tenders for large or complex civil engineering works or the supply of specialized equipment, or turnkey contracts to ascertain the capability and seriousness of bidders. The prequalification should be based entirely on the ability of the concerned company or firm to perform the required work taking into consideration: (1) the experience and performance of each company or firm in similar works, (2) its capabilities in terms of personnel and equipment or plant, (3) the magnitude of works under execution and progress of work, and (4) its financial status and performance during the past three years. The invitation for prequalification should be advertised according to the procedure specified in section (2-1). The scope of work and a brief of the technical specifications together with a clear statement of the requirements for prequalification

should be sent to the contractors interested in bidding. All this should be incorporated in a document prepared for this purpose and submitted to the financing Fund/Funds for approval before commencement of the prequalification procedure. Upon receipt of the applications for prequalification they shall be evaluated and a detailed report incorporating the results of the evaluation shall be presented to the financing Fund/Funds for approval. All those who have been qualified in accordance with these procedures should be allowed to bid.

3) THE TENDER DOCUMENTS

3-1 Submitting the Tender Documents to the Financing Fund/Funds

Unless otherwise agreed with the financing Fund/Funds with respect to any specific case or cases, tender documents must be submitted to the financing Fund/Funds for approval. Such approval must also be obtained for any modification proposed to be introduced into the tender documents after they have been approved. Model contracts adopted by the Fund/Funds shall be utilized.

3-2 Reference to the Financing Fund/Funds

If it is deemed necessary or appropriate to refer to the Financing Fund/Funds in the tender documents, the following or other similar text, is to be adopted.

"We, (Borrower's name)have received (or applied) to(Financing Fund/Funds' name)for a Loan/Loans/Financing towards the cost of(Name of Project) It is intended that the proceeds of this Loan/Loans/Financing be applied to cover payments due under the contract (or contracts) for which this invitation to bid is issued.

3-3 Bids Security

According to the normal practice, bidders must be required to submit bid-bonds, either in the form of a Bank Guarantee or a guarantee from an accredited insurance company, or in the form of cash, as may be agreed upon with the financing Fund/Funds. The amount of the bid-bond should be of such magnitude to ensure the seriousness of the bidder or submitter, and it may be a percentage of the value of the offer or it may be a specified amount based on a percentage of the estimated cost of the contract, and in both cases the percentage shall not be less than 2% and not more than 5% of the value of the offer or the estimated value of the contract, as the case may be. The bid-bond shall be returned to the unsuccessful bidders as soon as possible after signature of the contract with the successful bidder.

The tender documents shall explicitly state that failure of the successful bidder to sign the contract will result in the forfeiture of the bid-bond and the elimination of this bidder from participating in any bid involving the Borrower or the Fund/Funds.

3-4 Conditions of Contract

The conditions of contract should clearly state the rights and obligations of both the Borrower and the contractor or supplier together with the powers entrusted to any engineer appointed by the Borrower for the supervision of implementation and the administration of the contract and for making any changes or amendments to the contract. In the cases where the contractor or supplier is a joint venture or a partnership between two or more entities, it must be stated that the parties to the joint venture or partnership are jointly and severally bound by the obligations of the contractor or supplier under the contract.

In addition to the standard general conditions of contract, of which some have been referred to in these Guidelines, other conditions relevant to the location and nature of the project should be included. The conditions of contract are subject to approval by the financing Fund/Funds.

3-5 Clarity of Tender Documents

The tender documents and specifications shall precisely and clearly set forth the work required to be realized, the goods and services to be supplied or rendered and the location of its delivery or installation. The tender documents should also specify the main elements or bases which should be taken into account when preparing the bids and which will be used to determine the preference between the bids.

All bidders who requested to be provided with the basic tender documents should, without delay, be informed of any new information, or explanations, or corrections, or amendments, to the specifications or any other part of the tender documents.

Except in the cases where the Fund/Funds agree on a procedure for the procurement of goods and contracting for the implementation of works other than international competitive bidding procedure, the specifications should be so worded to cater for the encouragement of the largest possible number of international bidders to participate in the bidding.

3-6 Standards

If the specifications require compliance of imported materials or equipment with national standards, these specifications should state that materials or equipment complying with other internationally acceptable standards that guarantee equal or better quality than the national standards, may also be accepted.

3-7 Use of Brand Names

The specifications should be based on performance and quality and should not specify brand names, catalogue numbers or products of a specific manufacturer or the goods required, except in the exceptional cases where there is a need for specific spare parts or a necessity to unify, to some extent, the type of equipment used by the Borrower in order to maintain certain basic qualities concerning, e.g. operation and maintenance, provided that, in each case, this is decided in agreement with the submission of offers for alternative goods with similar characteristics and of quality an performance not inferior to what is specified in the basic specifications.

3-8 Currency or Currencies of Pricing of Bids

The tender documents should clearly state the currency or currencies allowed to be used in pricing the offers and which will be adopted for settlement of payments under the contract to this end:

- a) The tender documents should require the bidder to price his offer in the Borrower's currency, or in the currency of his country, or in another currency specified in the tender documents which is widely used in international trade. In all of these cases, the bidder must specify the portion of his pricing which he expects to spend in the Borrower's country and which will be paid in the currency of the Borrower's country.
- b) If a substantial portion of the expenditures of the successful bidder will be in countries other than the country of the Borrower and his country, the tender documents should permit the bidders to price this part of expenditure in the currencies of those other countries.

3-9 Price Adjustment

The tender documents must explicitly state where the prices to be quoted should be fixed or are subject to escalation through the application of price adjustment formula. In the case of contracts whose implementation period is not expected to exceed one year, the quoted prices should be fixed, unless the financing Fund/Funds require a longer period.

In the other cases where price adjustment formula may be applied, the financing Fund/Funds accept reasonable adjustments in the contract prices totaling not more than 20% of the basic contract price in special cases such as: occurrence of a change in cost of the basic components of the contract such as labour cost or cost of major materials. The tender documents should specify the components of the price adjustment formula so that the same components are applicable to all tenders. Such a price adjustment formula may not be applied before the expiry of one year from the date fixed for receiving tenders, unless the financing Fund/Funds require a longer period. Furthermore, the prices of goods and services, which should be delivered or rendered during that period as specified in the tender documents, are not subject to escalation if, due to a default by the supplier or contractor, there is a delay in the delivery of such goods and services.

These guidelines do not tend to specify the formulae to be used in the adjustment of the contract prices.

3-10 Advance and Progress Payments

The advance payment for mobilization upon signature of contract should be reasonable, not exceeding 20% of the total contract price in the case of supply contracts. But in the case of civil engineering works, the advance payment should not be more than 10% of the contract price, unless there are special justifications associated with the project which justify a higher percentage not to exceed 20%. In all such cases, the amount of the advance payment should be covered by a Bank Guarantee and the tender documents should include a specimen of the text of the Bank Guarantee.

The tender documents should clearly specify any other amounts to be paid in advance, such as the percentage of the actual and reasonable value of materials delivered to the site for incorporation into the civil works and such percentage should not be in excess of 80% of the value of such materials. A maximum of 70% may also be paid against the value of work actually completed during the manufacture of major equipment. If such a procedure is to be adopted, the tender documents should explicitly state so, together with the inspection procedures to be followed for assessing the value of the work actually completed. The financing Fund/Funds may require that the amounts paid in advance during the manufacture of equipment be covered by a Bank Guarantee.

3-11 Performance Guarantees – Retention Money

For all works, the tender documents should request an acceptable guarantee to ensure that the work will be executed up to its completion. Such a guarantee may be in the form of Bank Guarantee, or a guarantee from an accredited insurance company, or a performance bond, as the financing Fund/Funds may accept. The amount of the guarantee will vary with the type and magnitude of the work, but in whatever case it should extend beyond the completion of the contract by a sufficient period to cover a reasonable warranty period. In order to maintain the same above-mentioned percentage, the tender documents should require that the amount of the guarantee be increased in the case when the Value of the works exceeds the contract price.

In addition to the above, the tender documents should state, in the case of civil works, that not less than 5% will be deducted from the amounts due to the contractor for the work executed, so that such deductions will represent an additional assurance for the proper execution of the contract. The tender documents should specify this percentage and the terms and conditions for its refund.

3-12 Insurance

The tender documents should precisely specify the types of insurance to be provided by the successful bidder. Maritime insurance and insurance of delivery to the site are mandatory. In most cases comprehensive insurance against all risks during construction is required.

3-13 Liquidated Damages

The tender documents should state the compensation to be paid by the supplier or contractor for the delay in delivery or execution of the works, irrespective of whether the delay in execution or delivery will result in an increase in the cost or a decrease in the revenue or other benefits to the Borrower. Such compensation will be based on the actual period of delay, with a maximum amount to be specified in the tender documents, which shall not exceed 10% of the estimated contract price. On the other hand, the tender documents may specify the amounts to be paid to the contractor for completing the works earlier than the time specified in the contract if such earlier completion will result in benefits to the Borrower. Since contracts for the execution of some projects, such as industrial projects, usually require achievement of a specified performance of the machinery and equipment, the tender documents should include provisions which specify the amount of compensation to be paid by the supplier or contractor as a percentage, not exceeding 10% of the value of machinery or equipment or part thereof when the required performance is not achieved.

3-14 Force Majeure

The conditions of contract incorporated in the tender documents should stipulate that failure of one party to the contract to perform his obligations shall not be considered a default in executing the contract if such failure is attributed to a cause considered to be "Force Majeure". The conditions of contract should precisely define the events of "Force Majeure".

3-15 Language of the Contract

The tender documents should be written in one of the languages widely used in international transactions. The tender documents should state that the text in that language is the ruling text, provided that such a statement does not contradict the law in the Borrower's country.

3-16 Applicable Law-Settlement of Disputes

The conditions of contract should specify the applicable law and shall include provisions for the settlement of disputes. The financing Fund or any of the financing Funds may not be named as arbitrator or asked to recommend an arbitrator.

4- BID OPENING, EVALUATION AND AWARD OF CONTRACT

4-1 Period Between the Invitation and Submission of Bids

The time allowed for the preparation of bids depends, to a large extent, on the magnitude of the contract and its degree of complexity. Generally, not less than 60 days shall be allowed for international bidding. Where large civil works or complex manufacturing processes are involved, this period shall generally be not less than 90 days, to give prospective contractors or suppliers ample time to prepare their bids and visit the site before submitting their bids. However, the period allowed is influenced by the particular circumstances of the project.

4-2 Bid Opening Procedures

The deadline and place of receipt of bids shall be specified in the invitation to bid by date and hour. Any bids received after the deadline shall be returned unopened.

All bids shall be opened in public at the stipulated time and place and the name of the bidder and total amount of each bid shall be read aloud and recorded, together with any alternative bids, if they have been requested or permitted.

4-3 Clarification or Alteration of Bids

No bidder shall be allowed to alter his bid after bids are opened. Clarifications shall not be accepted except in so far as they do not change the substance of the bid. The Borrower may ask any bidder for clarification of his bid, but shall not ask the bidder to change the substance or price of his bid.

4-4 Confidentiality of Procedures

After the public opening of bids any information relating to the examination, or clarification, or evaluation of bids and recommendations concerning awards shall not be disclosed to any person not officially concerned with this process until the award of the contract to the successful bidder is announced.

4-5 Examination of Bids

After opening the bids, it shall be ascertained that: arithmetical computations are correct; that they are substantially responsive to the bidding documents; that they are accompanied by the required securities; that they have been properly signed and otherwise they are generally in order. Any bid shall be rejected if it is not substantially conforming to the specifications or it contains unacceptable reservations or material deviations in an important aspect of the bidding documents, to such an extent that, if it is made to comply with the tender documents, the ranking of the concerned bidder with respect to other bidders will change. The remaining responsive bids shall be technically analysed and each bid shall be evaluated individually for the purpose of determining their ranking. The Funds require that all such actions be recorded and substantiated in the tenders analysis report.

4-6 Postqualification of Bidders

In the absence of formal prequalification, the Borrower shall make sure that the bidder whose evaluated bid is the lowest in price has the adequate technical capabilities and financial resources necessary for the effective execution of the contract. To this end, and in the case of bidding for civil works and other works of large magnitude, all bidders shall be requested to submit the necessary information in order to verify their technical and financial abilities - in the same manner as required in the case of formal prequalification - together with other information that should be included in the proposals. For the purpose of evaluating the technical and financial capabilities of bidders, it may be appropriate to ask the contractors or suppliers who wish to participate in the bidding, to submit the information relating to their technical and financial capabilities in a separate envelope to be submitted 45 days prior to the final date set for receiving the tenders, so that it may be evaluated during that period.

4-7 Evaluation and Comparison of Bids

The purpose of bid evaluation is to determine the cost to the Borrower of each bid in a manner that makes it possible to compare them in a meaningful manner, and consequently determine the bid with lowest evaluated cost.

The bids' evaluation process shall be consistent with the terms and conditions set forth in the tender documents. In addition to the bid price, after the correction of any arithmetical errors, other factors such as: the implementation period, efficiency and suitability of equipment, availability of after-sale service and spare parts, and the suitability of the proposed construction methods shall be taken into consideration. These factors shall, as far as possible, be translated into monetary terms in accordance with the criteria set forth in the tender documents. For the purpose of comparison of qualified bids, the currency or currencies in which they are priced shall be converted to the single currency specified in the tender documents. To this end, the selling prices published by an authorized official source at the day of bid opening (the monetary authority in the Borrower's country) and which are applied in similar transactions, unless there is a change in the exchange rates of the currencies between bid opening and contract award. In this case, the rates of exchange at the time the decision is taken to inform the successful bidder of the award shall be used.

The Borrower himself or through the consultant appointed by him, shall prepare a detailed report on the evaluation and comparison of bids, setting forth the reason on which the determination of the lowest evaluated bid is based. Such report shall be submitted to the financing Fund/Funds for their approval and the approval of the recommendation for award.

4-8 Domestic Preferences

Each of the Funds gives special attention to the encouragement of industry, including the construction industry, in the Borrower's country or the country of the financing Fund/Funds. To this end, it is a policy of the Funds to give a certain margin of preference to local manufacturers and contractors from the Borrower's country or from the financing Fund/Funds countries, whenever they are permitted to participate in tendering. The tender documents should indicate this preference and the method of its application. 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 Borrower's country or in the country of the financing Fund/Funds reaches 30% or more. But in the case of civil works, the margin of preference shall be a percentage to be agreed upon with the financing Fund/Funds and shall not exceed 10% of the value of the lowest bid, from amongst the bids that satisfy the conditions, according to the technical and financial evaluation.

No manufacturer or contractor shall benefit from this margin of preference unless he is owned by citizens of the Borrower's country or the financing Fund/Funds countries with a percentage of not less than 50%.

In addition to the condition to use local labour and materials in the execution of the works to the greatest extent possible and in certain cases, agreed upon with the financing Fund/Funds, where the required works include machines and industrial equipment produced in the Borrower's country, the tender documents may require from the suppliers or contractors that their bids include machines and industrial equipment produced in the Borrower's country, provided that this does not jeopardize the overall responsibility of the supplier or contractor for the quality and efficient performance of the whole works. In the case where it is intended to utilize part or parts of the financing^s provided by the Fund/Funds to contribute towards the cost of those local products, there shall be a reasonable number of local manufacturers to ensure a degree of competition that leads to obtaining the best prices.

4-9 Rejection of all Bids

Although it is customary to state in the tender documents that the Borrower reserves the right to reject all bids, yet all bids shall not be rejected and new bids invited with the same specifications only for the sake of getting lower prices in the new bids, unless the lowest bid exceeds the estimated cost and there is enough justification to expect getting lower prices. Furthermore, rejection of all bids may be justified in either of the following two cases: (1) the bids are not responsive to the intent of the tender documents, (2) lack of enough competition because there are less than three bids. If all bids are rejected the Borrower shall analyse the reason or reasons that led to the rejection and consider either changing the specifications or changing the project's description (or changing the volume of the scope of work stated in the original invitation to bid) or both. In special cases, and in agreement with the financing Fund/Funds, the Borrower may negotiate with one or two of the bidders with the lowest prices in order to arrive at a satisfactory contract, on condition that negotiations shall be conducted with the bidder if negotiations with the first bidder failed.

4-10 Award of Contract

The award of contract is subject to the prior approval of the financing Fund/Funds. The contract shall be awarded to the bidder whose bid has been determined to be the lowest evaluated bid and who has the required technical capability and financial ability. Such bidder shall not be required, as a condition of award of contract, to undertake responsibilities or works not stipulated in the tender documents.

SECONDLY: OTHER METHODS OF PROCUREMENT

1) INTRODUCTION

There may be cases where international competitive bidding is not the most economic or efficient method of procurement or contracting for the execution of the works or execution of the project. In such cases, other methods of procurement may be more appropriate. Examples of these methods are: procurement through local competitive bidding in accordance with the local laws, or shopping by comparing price quotations, or direct purchase of off-the-shelf commodities, or force account. In all such cases the issue shall be subject to prior agreement between the Borrower and the financing Fund/Funds. When considering the suitability of applying a certain method of procurement in order to arrive at the best solution to the Borrower, the financing Fund/Funds take into consideration the principles of fairness, economy and efficiency, which are the same principles on which the bidding procedures, evaluation of proposals and award of contract are based and which are mentioned in the section on international competitive bidding of these guidelines.

2) EXAMPLES

The following are examples of cases where international competitive bidding is not considered a suitable method of procurement or contracting, together with the alternative procurement or contracting methods that may be acceptable for each case.

- 1) Procurement through local competitive bidding in accordance with the procedures applicable in the Borrower's country may be the best method with respect to economy and efficiency in the following two cases:
 - a) Civil works of such a character, location, or size that it is evident they will not attract international bidders, or that the administrative and financial burdens of international competitive bidding are greater than its expected benefits. Examples of this are feeder roads, rural schools, or small scattered irrigation projects.
 - b) Purchase of materials or equipment which are subject to the same considerations stated in the preceding paragraph, by virtue of their quantities or character, such as furniture, or some building materials.

Advertisement for this type of tenders shall be published in the local press without a need to circulate it to international contractors or advertise for it in the international press. Local procurement or contracting procedure under which tendering is carried should be acceptable to the financing Fund/Funds. If international firms wish to participate in the local tendering they should be allowed to do so, and local procedures shall be applied.

- 2) In some special cases, execution of civil works by the Borrower through force account may be the best method with respect to efficiency and economy. In such cases the financing Fund/Funds are keen to ensure that the local entity which will execute the work has the adequate organization, labour force and the equipment necessary for performing the work expeditiously and at a reasonable cost. Typical examples of such work are maintenance and repair of railway tracks.

- 3) Local or International shopping may be the most appropriate method of procurement when the number of suppliers of a particular item is limited, or when the quantities required are small, or, in the case of local shopping, local suppliers and agents have a wide range of items that ensures competitiveness in prices. Procurement of some items by this method should not lead to the deviation from procurement through international competitive bidding at a later stage with the argument of maintaining standardization.
- 4) Extension of an ongoing contract may be accepted if it is required to extend civil works that have been let through international bidding and is being satisfactorily executed, and it is clear that no advantage will be gained from inviting for new bids. Similar cases may arise when there is a need for importing an additional number of equipment (e.g. electricity generators) that were previously contracted for and where the original contract states that the Borrower has the right to purchase a bigger number of them.
Here, the Borrowers may use this option if it is evident that it is not feasible to resort to a new tendering. In both of these cases, the financing Fund/Funds are keen to ensure that the prices in the extended contract or the selected option are acceptable.
- 5) Standardization of equipment or for spare parts to be compatible with existing equipment may require procurement from the original supplier. For the standardization to be acceptable, the original equipment must itself be suitable and purchased at reasonable prices (preferably, through an international competitive bidding), and that the number of units required is less than the number of the existing units and that the advantages of purchasing another make of the equipment from an alternative supplier have been considered and rejected on grounds which the Fund/Funds find acceptable.
- 6) In exceptional cases, the urgent need for the project may justify the direct purchase, which is usually from a supplier from whom similar equipment has been purchased, or from a limited number of official agents. To ensure a reasonable saving in prices, it is necessary, in most of these cases, to obtain quotations from a small number of international suppliers or procure through marketing agencies. An example of this is the purchase of basic equipment for an industrial process with long delivery periods.
- 7) Need may arise for equipment which is patented and can only be obtained from one manufacturer.
- 8) Procurement of basic items from specialized suppliers to ensure that the contractor, responsible for the process design, will guarantee the product of the process.

- 9) When the loan finances the operations of an organization such as an industrial or agricultural credit organization, or a development financing company in which the loan proceeds are re-lent to beneficiaries, such as tradesmen or farmers or small enterprises, or to participate in financing subsidiary projects, in which the beneficiary undertakes the procurement in accordance with established commercial procedures, on conditions that these are acceptable to the financing Fund/Funds.

- 10) When the loan provides financing for an import programme, the procurement may be in different ways - including international competitive bidding - which may be suitable for the materials required to be procured.

MISCELLANEOUS INSTRUCTIONS

1) LANGUAGE OF COMMUNICATION WITH THE FUND/FUNDS

All correspondence or documents addressed to the financing Fund/Funds pertaining to the application of the rules and procedures mentioned in these guidelines shall be in one of the working languages used by the Fund/Funds including Arabic, English and French, as may be agreed upon with the financing Fund/Funds in each case. In cases where the basic documents are prepared in another language, the Borrower shall prepare and submit a certified translation in the language agreed upon with the financing Fund/Funds.

2) PHOTOCOPIES OF DOCUMENTS

In case photocopies of the documents are submitted to the financing Fund/Funds, they must be certified copies and they should be clear and readable, otherwise they may not be accepted and should be replaced, in which case some delay will be experienced.