



STRATEGIC PROCUREMENT PLANNING

GUIDANCE NOTE ON PROCUREMENT

DECEMBER 2021

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Note:

In this publication, “\$” refers to United States dollars.

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ABOUT THIS PUBLICATION

In April 2017, the Asian Development Bank (ADB) approved its new procurement framework, the ADB Procurement Policy: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time); and the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time). These replace the former Guidelines on the Use of Consultants (2013, as amended from time to time) and Procurement Guidelines (2015, as amended from time to time). The procurement policy and the procurement regulations address the procurement activities of project executing agencies and implementing agencies on projects financed in whole or in part by a loan or grant from ADB, or by ADB-administered funds. ADB designed the 2017 procurement policy to deliver significant benefits and flexibility throughout the project procurement cycle, as well as to improve project delivery through a renewed focus on the concepts of quality, value for money (VFM), and fitness for purpose.

This note is part of a series of guidance notes published by ADB in 2018 to accompany the 2017 procurement policy and the procurement regulations. Each note discusses a topical issue for borrowers (including grant recipients), bidders, and civil society under the new framework (see list below). The guidance notes cross-reference each other frequently and should be read in conjunction. All references to “guidance notes” pertain to these notes. The notes may be updated, replaced, or withdrawn from time to time.



List of Guidance Notes for the 2017 ADB Procurement Policy and the Procurement Regulations

1. Value for Money
 2. Procurement Risk Framework
 3. Strategic Procurement Planning
 4. Procurement Review
 5. Alternative Procurement Arrangements
 6. Open Competitive Bidding
 7. Price Adjustment
 8. Abnormally Low Bids
 9. Domestic Preference
 10. Prequalification
 11. Subcontracting
 12. Consulting Services Administered by ADB Borrowers
 13. Nonconsulting Services Administered by ADB Borrowers
 14. High-Level Technology
 15. Quality
 16. Bidding-Related Complaints
 17. Noncompliance in Procurement
 18. Standstill Period
 19. State-Owned Enterprises
 20. E-Procurement
 21. Framework Agreements for Consulting Services
 22. Public-Private Partnerships
 23. Contract Management
 24. Fragile, Conflict-Affected, and Emergency Situations
 25. Sustainable Public Procurement
 26. Use of Merit Point Criteria for Bid Evaluation
-

This revision of the guidance note includes the following major changes:

- Guidance for carrying out data collection and market analysis is improved,
- Project procurement risk assessment is merged into the strategic procurement planning report,
- Questionnaire is added to assist data collection for capacity assessment, risk analysis, and procurement planning.

ADB procurement reforms intend to ensure VFM by improving flexibility, quality, and efficiency throughout the procurement cycle (see illustration below and the *Guidance Note on Value for Money*). VFM is part of a holistic procurement structure with three support pillars: efficiency, quality, and flexibility. The two key principles of transparency and fairness weave across all elements of the structure.





Time

Time is an important element of VFM. When a project is delivered promptly or when a process is completed rapidly, greater value is created for all stakeholders. For example, a road project completed early provides economic benefit, security, or other value to the community it serves. It increases the return on investment to the executing agency and accelerates the project and payment cycle to the successful bidder. Likewise, a project delivered late loses significant value.

When considering VFM in the context of procurement, pay attention to anything that (i) shortens the procurement cycle time frame or (ii) accelerates delivery of the development project.



Objective

This guidance note is intended to assist readers by elaborating on and explaining ADB's 2017 procurement policy and procurement regulations for borrowers (including grant recipients).

This note identifies additional information for the reader to consider when applying ADB's procurement policy and procurement regulations to their circumstances.



Living Document

This guidance note is intended to be a living document and will be revised as required.

Be sure to check the ADB Business Center website for the latest version and updates, <https://www.adb.org/business/main>.



The Reader

In many circumstances, readers are expected to use this guidance note in a manner unique to their needs. For consistency throughout the suite of guidance notes, the following assumption is made about the reader:

The reader is a professional involved in activities financed in whole or in part by an ADB loan or grant, or by ADB-administered funds.



FAQs

Frequently asked questions, clarifications, examples, additional information, links to training, and other useful resources will be made available on the ADB website.

Be sure to check the ADB Business Center website for more information, <https://www.adb.org/business/main>.



Legal and Order of Priority

This guidance note explains and elaborates on the provisions of the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time) applicable to executing (and implementing) agencies under sovereign (including subsovereign) projects financed in whole or in part by an investment loan from ADB (i.e., excluding ADB results- or policy-based loans), ADB-financed grant (excluding ADB-administered technical assistance and staff consultancies), or by ADB-administered funds.

In the event of any discrepancy between this guidance note and the procurement regulations, the latter will prevail. The financing agreement governs the legal relationships between the borrower and ADB. The rights and obligations between the borrower and the provider of goods, works, or services are governed by the specific procurement document issued by the borrower and by the contract signed between the borrower and the provider, and not by this guidance note.

ABBREVIATIONS

ADB	—	Asian Development Bank
CPS	—	country partnership strategy
CSPRA	—	country and sector/agency procurement risk assessment
EA	—	executing agency
EPC	—	engineer–procure–construct
IA	—	implementing agency
IT	—	information technology
MAPS	—	methodology for assessing procurement systems
OECD	—	Organisation for Economic Co-operation and Development
PPRA	—	project procurement risk assessment
PRF	—	project readiness financing
PRS	—	Procurement Review System
RFI	—	request for information
RRP	—	report and recommendation of the President
SEFF	—	small expenditure financing facility
SPP	—	strategic procurement planning
SusPP	—	sustainable public procurement
SWOT	—	strengths, weaknesses, opportunities, threats
VFM	—	value for money

EXECUTIVE SUMMARY

This guidance note aims to assist borrowers (including grant recipients) in developing a procurement strategy and procurement plan for projects financed in whole or in part by an ADB loan or grant, or by ADB-administered funds. Effective and strategic procurement planning helps ensure that fit-for-purpose procurement approaches are developed to achieve VFM and the project's development objectives. The guidance note reflects the principles-based approach in ADB's 2017 procurement framework, centered around its core procurement principles. The strategic procurement planning approach described in this note follows three main steps:

- **Analysis.** Data is gathered on the agency¹ capacity and experience, operating environment, supply markets, and key risks.
- **Choices.** Potential strategic procurement options are analyzed.
- **Planning.** A fit-for-purpose procurement approach including appropriate levels of ADB oversight is designed and presented.

This structure allows a methodical approach to the elements of the procurement environment that can potentially create risk within development projects, e.g., capacity and capability of the borrower, stakeholders, country factors, and supply markets. This guidance note describes procurement tools and techniques widely used across public and private sector organizations globally, and provides examples of data and template documents to enable the borrower to design a fit-for-purpose procurement strategy and procurement plan. The borrower may select only those tools and techniques that provide necessary information. This guidance note is not a template that must be followed for all projects.

Effective use of strategic procurement planning may:

Increase Efficiency and Reduce Procurement Time

- Greater flexibility enables procurement arrangements to be more appropriate to the contracts being procured, delivering faster processing of activities and more efficient contract implementation.
- Appropriate procurement arrangements increase the level of attractiveness to reputable contractors, suppliers and consultants .

¹ In this document the term "agency" may refer to Executing Agency and/ or Implementing Agency as applicable

- Greater account of supply market conditions, local capacity, stakeholders, and risks helps to structure procurement arrangements to minimize risk of collusion, insufficient responsive bids, rebidding, and/or cost overrun from occurring.

Reduce Risk and Improve Quality

- A comprehensive project procurement risk assessment during procurement planning ensures that borrower and supply market risks are identified and mitigated.
- Better planning helps to ensure that contracts are awarded based on suitable specifications and evaluation criteria and may include an appropriate assessment of cost over the life of the asset.

Deliver Value for Money

- Well-planned, fit-for-purpose procurement arrangements will deliver better VFM.
- Better consideration of trade-offs between costs and quality.
- Consideration of sustainability, both environmental and social factors, and of a healthy supply chain.²

Improve Fitness for Purpose

- Procurement arrangements are flexibly designed and implemented to reflect the strategic needs and circumstances of the contract to be procured.
- A better understanding of key procurement options, such as specifications, bidding procedures, review requirements, and contract packaging helps to ensure that they are used and applied appropriately.

Improve Fairness and Transparency

- The needs of end users and other stakeholders are accurately assessed and incorporated into the project design and procurement arrangements.
- Well-planned procurement arrangements give reputable contractors, suppliers, and consultants confidence that they will be treated fairly and transparently.
- Public disclosure of detailed procurement plans enables bidders to better prepare for the procurements and civil society to better understand the project and its contracts.

² Refer to the *Guidance Note on Sustainable Public Procurement*.

I. Introduction

1.1 This guidance note is intended to assist users with the process of strategic procurement planning (SPP) for projects financed in whole or in part by an Asian Development Bank (ADB) loan or grant, or by ADB-administered funds, which are governed by the ADB Procurement Policy: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time).

1.2 An SPP is required for all investment projects which require a new procurement plan, including:

- (a) each tranche under multi-tranche or small expenditure¹ financing facilities (MFF / SEFF), except for subsequent tranches when time slicing contracts are used and no new contract packages are proposed in the new tranche,
- (b) additional financing requests (except where additional financing was processed to only to cover cost overruns),
- (c) project readiness financing (PRF),²
- (d) sector development program,³
- (e) financial intermediary loans,⁴

An SPP is not required for:

- (a) policy-based lending,
- (b) results-based lending

1.3 The process of SPP is in line with the shift of ADB's procurement policy toward a best practice, principle-based approach to procurement, rather than its previous compliance-based approach. The process of SPP begins during the project conceptualization stage of ADB's procurement cycle and continues as the main activity within the procurement planning stage (Figure 1).

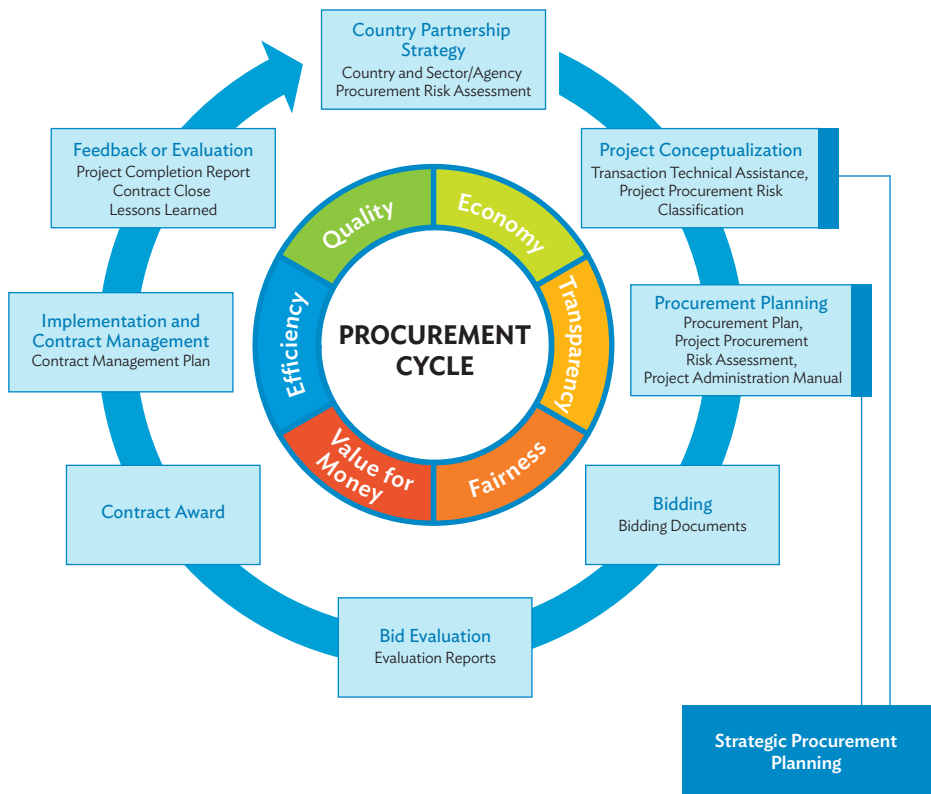
¹ Given the small value of SEFFs a simplified SPP would be used (see Box 1)

² Given the small value of PRFs a simplified SPP would be used (see Box 1)

³ An SPP would only be required for the investment component, if any

⁴ An SPP would only be required when the EA/IA also requires procurement of goods, works and services.

Figure 1: Strategic Procurement Planning in the ADB Procurement Cycle



Source: Asian Development Bank.

1.4 The success of the development objectives of a project and its contracts can be improved with a greater focus on SPP. SPP enables the borrower (or grant recipient) to ensure that projects are implemented with a fit-for-purpose approach that will help improve the speed of contract implementation and ensure ADB’s procurement principles are adopted throughout the procurement cycle.

1.5 More comprehensive and project-focused risk assessments are conducted as part of SPP, which will identify and address issues encountered in previous procurements and contract administration and foreseeable risks, resulting in better designed and packaged procurement plans. This will reduce processing time and administrative burdens for agencies and ADB during implementation, while maintaining sound fiduciary oversight. This more strategic approach will result in procurement plans that increase the motivation of bidders to bid and help shape the market to meet the needs of the borrower.

1.6 During the SPP process, ADB makes a determination whether to use alternative procurement arrangements based on the procurement rules and procedures of an accredited agency or entity of the borrower or of another multilateral or bilateral agency or organization involved in the project.

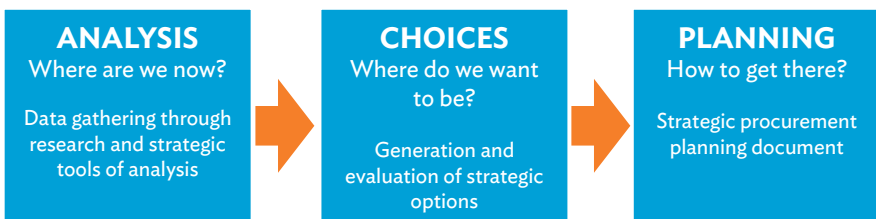
together with the data gathered and analyses undertaken through the SPP process help to inform this decision. The *Guidance Note on Alternative Procurement Arrangements* gives further details.

1.7 When developing the procurement plan, the borrower must first consider the key findings of the latest country and sector/agency procurement risk assessment (CSPRA).^{5,6} The *Guidance Note on Procurement Risk Framework* discusses the CSPRA process as a key input to the SPP process, and should be read in conjunction with this guidance note.

1.8 For projects financed in whole or in part by an ADB loan or grant, or by ADB-administered funds, the procurement plan is specifically referred to in the financing agreement between ADB and the borrower. The borrower may not begin a procurement process without ADB's no-objection if the relevant contract is not included in the procurement plan agreed with ADB. The procurement plan is based on the template available for download from the ADB website.⁷ It also forms the basis for ADB's oversight of the borrower's procurement contracts, through bidding to contract award and up to contract completion. Moreover, the procurement plan also serves as an advertising medium once it is disclosed on the ADB website and, in many cases, by the borrower on relevant websites and periodicals.

1.9 This guidance note explains the overarching approach recommended to facilitate effective SPP and to develop the procurement plan, and gives a template SPP (Appendix 1) to support this. The template can be adapted as required to suit the scope and complexity of each project. The SPP strategic approach has three key considerations—analysis, choices, and planning—described further in Figure 2. Figure 3 and Box 1 describe the full SPP process in more detail. The following subsections discuss each key step in the SPP process. Appendix 1 provides a template for the SPP document.

Figure 2: Strategic Procurement Planning Strategic Approach



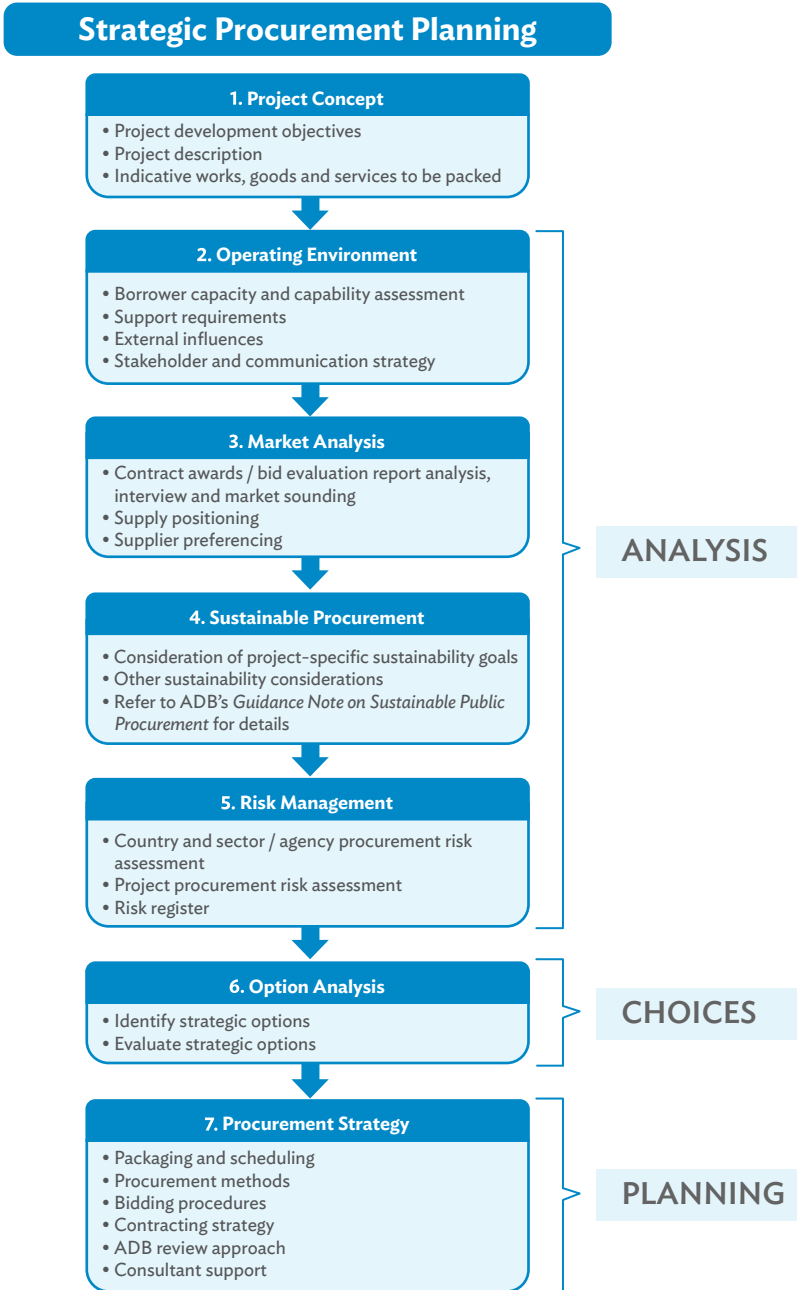
Source: Asian Development Bank.

⁵ A summary of the CSPRA key findings can be provided by ADB.

⁶ Organisation for Economic Co-operation and Development (OECD) methodology for assessing procurement systems (MAPS) reports may also be available, and can provide information on procurement systems in the country.

⁷ <https://www.adb.org/documents/procurement-planning>

Figure 3: Flowchart of the Strategic Procurement Planning Process



Source: Asian Development Bank.

Box 1**Strategic Procurement Planning Depends on Complexity, Risk, and Value**

The complexity, risk, and value of the project and its procurement contracts will drive the level of research and analysis undertaken to ensure the procurement approaches are proportional and relevant. Technically complex, high market risk, and/or high-value projects or procurement contracts may require a detailed strategic procurement plan, while routine, low-risk, and/or low-value projects or procurement contracts may require a simple justification for the preferred procurement approaches (a simplified SPP).

Source: Asian Development Bank.

II. Project Concept

2.1 The project concept step of the SPP process provides a summary of the project's development objectives, which will stem from the CPS and project preparation documents. The SPP document (Appendix 1) should provide

- (i) the full project title,
- (ii) a summary of the project development objectives,
- (iii) the project description,
- (iv) a description of the indicative contract packages, and
- (v) a summary of the financing agreement.

2.2 This information can be gained from the project concept paper, which is available on the ADB website, and/or may be requested from the ADB project officer.

2.3 Based on the country and sector risk ratings identified in the CSPRA and the complexity of the project, ADB assigns a procurement risk rating to the project at the concept stage, to guide project preparation and due diligence. This project procurement risk rating shall be further confirmed at the time of SPP during project processing, as explained in sections III and IV.

III. Operating Environment

3.1 The operating environment assessment step of the SPP process (i) assesses the capacity and capability of the borrower's executing and/or implementing agency(ies) to undertake the procurement required under the project, their support requirements, and (ii) identifies the key project stakeholders. The assessment results are reflected in the SPP document.

A. Capacity and Capability Assessment of the Borrower

3.2 The aim of the assessment of the capacity and resources of the borrower's executing and/or implementing agency(ies) is to identify any enabling or constraining factors that may affect the procurement approach being developed, and ultimately the delivery of the project. It should also help ADB to identify any targeted, and/or early interventions, such as training or enhanced support, from which the borrower may benefit.

3.3 The assessment may use a questionnaire to collect information. The example in Appendix 5 may be modified as appropriate depending on the project scope and complexity. The agency to be assessed should be the party that would undertake day-to-day procurement and contract administration activities. There may be a number of agencies to be assessed in the event that there are a number of components or subprojects having different implementing agencies. In particular, the assessment should examine past procurement and contract administration case studies of the agency, and the successes and problems encountered.⁸ The questionnaire further seeks the agency's initial ideas for procurement packaging and methods to be applied for the proposed project, and any knowledge they may have regarding the market for the required packages.

3.4 The assessment should build upon the findings of the CSPRA where present and up to date, and may draw upon input received from ADB staff.

⁸ ADB conducts proactive integrity reviews (PIR) on ADB sovereign projects that identify procurement, financial management, and contract implementation. Many of the findings raised were attributed to the capacity weakness of the relevant executing/implementing agencies. Lessons may be drawn from the PIR reports to inform the operating environment step of the SPP process. PIR reports are available at: <https://www.adb.org/who-we-are/integrity/proactive-integrity-review>.

3.5 A strengths–weaknesses–opportunities–threats (SWOT) analysis can present the findings of the assessment (Figure 4). It will also provide data to be used in the project risk register as described in Section V.

Figure 4: Sample Analysis for a Road Project

Internal to Organization	Strengths	Weaknesses
	<ul style="list-style-type: none"> • The borrower agency has past experience with an ADB financed project of a similar nature. • The country has well developed legal and institutional systems for public procurement • There is an existing project management unit. 	<ul style="list-style-type: none"> • The agency's procurement capacity is low. • There is a low awareness of best practices in procurement • Security risks at the project site are high. • There is limited experience in attracting foreign bidders • There are high levels of fraud and corruption in the country.
External to Organization	Opportunities	Threats
	<ul style="list-style-type: none"> • New high-level technology exists in-country to improve the speed of road rehabilitation. • Performance-based maintenance can enhance road maintenance efficiency • Management information systems can increase administrative efficiency 	<ul style="list-style-type: none"> • Contractors may hesitate to invest in new equipment unless there is a clear pipeline of projects. • The market believes the procurement process seeks to achieve the lowest delivery price not the lowest project life cycle cost. • The interest of innovative suppliers is limited. • Some potential bidders are concerned about the security risks.

Source: Asian Development Bank.

3.6 Feeding into the SWOT analysis, external influences may include any external drivers of change specific to the project. In line with the 2017 procurement regulations, external drivers (Figure 5) might include:

- (i) governance aspects, including fragile or conflict-affected situations and legislative processes and frameworks;
- (ii) economic aspects, including inflation, and exchange rate volatility;
- (iii) sustainability aspects (environmental, social, supply chain);⁹ and
- (iv) technological aspects, including availability of information technology, e-procurement, reliable and secure communication channels.

⁹ Refer to the *Guidance Note on Sustainable Public Procurement*.

Figure 5: Some Considerations for an External Influences Analysis

GOVERNANCE	<ul style="list-style-type: none"> • Government type and stability • Fragility and conflict • Regulation and rule of law 	<ul style="list-style-type: none"> • Performance of oversight agencies • Government corruption • State involvement in the economy
ECONOMIC	<ul style="list-style-type: none"> • Rates of economic growth • Rates of inflation • Exchange rates 	<ul style="list-style-type: none"> • Commodity prices • Levels of unemployment • Labor supply
SUSTAINABILITY	<ul style="list-style-type: none"> • Climate change impacts • Local environmental standards • Recycling capability 	<ul style="list-style-type: none"> • Waste disposal • Environmental impacts and remedies • Corporate social responsibility drivers
TECHNOLOGY	<ul style="list-style-type: none"> • Emerging technologies • Information availability • Pace of change adoption 	<ul style="list-style-type: none"> • Access to latest technology • IT systems capability and interfaces • Access and use of e-procurement systems

IT = information technology.

Source: Asian Development Bank.

B. Support Requirements

3.7 Based on the weaknesses identified in the SWOT analysis, the borrower will need to consider its resource requirements to successfully implement the project. The following factors to be considered include:

- (i) procurement capability to undertake fit-for-purpose SPP processes, bidding, and contract awards;
- (ii) experience in procuring and implementing similar projects;
- (iii) contract management capability and experience;
- (iv) level of reliance on external consultants.

3.8 This analysis will feed into recommendations for fit-for-purpose implementation arrangements including staffing requirements of the Government counterparts and consulting services input.

C. Stakeholder Analysis

3.9 To enable successful project planning and implementation, it is necessary to map the internal stakeholders e.g. the project management unit, various units of the agency, who will be involved in the project implementation. Problems may arise when stakeholders are not considered at the outset and become involved too late. This can often occur after the contract is in place, which can lead to project delivery delay.

3.10 Of equal importance are the external stakeholders of the project. These would typically include other government agencies, the applicants or bidders, trade associations, civil society organizations, and local communities affected by the project.

3.11 The responses to the questionnaire (Appendix 5) should identify any key stakeholders whose involvement has led to issues in past projects, or that might lead to issues for the proposed project, and suggested mitigation measures. Issues may for example have been encountered in preparation and approval of designs and cost estimates, in procurement and approvals, and during contract implementation such as land acquisition, or timely counterpart funds availability. These issues should be recorded as “threats” in the SWOT analysis.

IV. Market Analysis

A. Data Collection and Analysis

4.1 The purpose of the market analysis step of the SPP process is to allow the borrower to develop an appropriate understanding of the relevant market sectors, their structures, and how they operate, which is then reflected in the SPP document (Appendix 1). Based on this understanding, the procurement plan will be tailored to ensure that the contract packages are attractive to bidders and motivates them to provide innovative solutions in their proposals.

4.2 Market analysis will summarize:

- (i) the nature and level of competition within the market;
- (ii) suppliers, contractors, and service providers, and their market shares;
- (iii) the market's capability to meet the borrower's needs and the project's development objectives for varying package sizes and procurement methods;
- (iv) how the market views the borrower in terms of attractiveness as the contract employer, e.g., its payment promptness, complaints
- (v) management, responsiveness to queries, procurement capability, etc.;
- (vi) supplier preferences, such as packaging and, for specific packages, the procurement method, bid preparation period, or contract form.

4.3 Data can be gathered using the following means:

- (i) Contract awards databases;
- (ii) Bid evaluation reports;
- (iii) Interviews with industry associations, or a public procurement agency, internet research, issuance of requests for information (including by online survey tools) etc.¹⁰

4.4 Contract awards databases of most relevance may include (a) ADB's contract awards database at ProcDash on the ADB website¹¹ (additional data fields may be requested via the project officer), (b) World Bank's contract awards database,¹² (c) contract awards databases held by the borrower, if available. Bid evaluation reports for similar contracts previously procured by the borrower should be examined.

¹⁰ Reference can also be made to market assessment in CSPRA/MAPS reports, where available.

¹¹ <https://data.adb.org/dataset/operational-procurement-database-2016-2020>

¹² <https://finances.worldbank.org/Procurement/Major-Contract-Awards/kdui-wcs3>

4.5 Analysis of contract awards data (Appendix 1, attachment (1) can be used to determine the market share of the top 10 supplier / contractors by contract awards value in the target country / sectors, to examine the number of suppliers / contractors having prior contract awards at various contract sizes, and the existence or otherwise of unhealthy factors such as market domination by a small number of firms, inability of national firms to compete etc. Analysis of bid evaluation reports (Appendix 1, attachment (2) examines the number of bids for similar contracts, the number of responsive bids, reasons for non-responsiveness, details of the qualification criteria used, the balance between national and foreign bidders, award price as a proportion of the cost estimate, and potentially the existence or otherwise of negative factors such as abnormally low bidding or rigged bidding.

4.6 The above approach works well for conventional procurement for which there is a body of knowledge in contract awards databases and previous bid evaluation reports. If such information is not available, it may be necessary to either (a) broaden the search to examine previous examples in other countries, or (b) carry out internet research and contact with industry associations or suppliers to learn about the market, or (c) issue requests for information to contractors/suppliers for their experience, capability and willingness to participate.

4.7 Based on the data and understanding gained from analysis of the market data, strategic analytical tools may be applied such as:

For the purchaser viewpoint:

- (i) supply positioning, and

and for the supplier viewpoint:

- (ii) supplier preferencing.

4.8 Data collection and detailed market analysis is not required for all packages. Those packages identified as routine procurement for which there are successful prior examples of procurement require little study. Effort should instead be focused on (a) packages which are considered to be main content of the projects, (b) types of package where issues have arisen on previous projects, (c) types of package which are more specialist or where the purchaser has less familiarity with the market, and (d) packages for which more than one procurement option is under consideration.

4.9 Market analysis will be deemed to be successful if it gives a reasonable level of confidence that an adequate number of responsive and competitive bids will be received, that certain types of bidder are not inadvertently excluded from participation, and that problems in previous procurements have been identified and addressed.

4.10 During preparation of an SPP workshops can be a useful tool to rapidly collect and exchange viewpoints and information from a range of stakeholders. However, caution is required since not all opinions expressed will have a sound factual or statistical basis. Therefore, it is recommended that market analysis should preferably be undertaken prior to a workshop, and its findings presented to the participants.

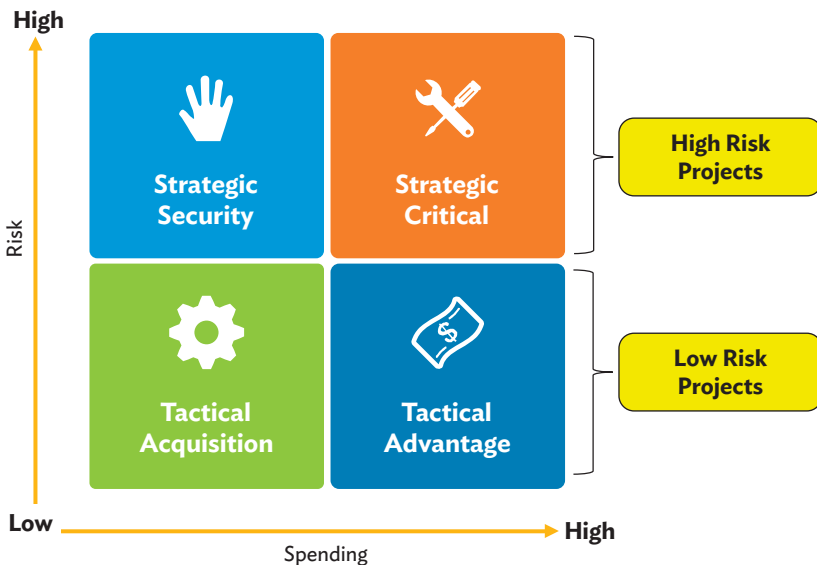
4.11 Data and findings from market analysis will provide input to preparation of the risk assessment, options analysis, and the procurement strategy.

B. Supply Positioning

4.12 The supply positioning tool reflects the borrower (purchaser) viewpoint and is used to consider how to differentiate the procurement approaches for the proposed contract packages and lots within any given project. It positions contracts into four groups based on their level of spending and level of risk: strategic security, strategic critical, tactical acquisition, and tactical advantage (Figure 6). The tool also enables the borrower to adopt the correct level of performance metrics and relationship management styles within the project. While the project's procurement risk will have been rated at project conceptualization, it is worth validating further at this stage, based on the analysis of the market and the operating environment.

4.13 Categorizing goods, works, and services according to the nature of the supply situations provides a basis for developing appropriate strategies for managing these procurement arrangements. From the purchaser point of view based on supply positioning, projects with most contract packages or lots in the two "strategic" boxes of Figure 6 will be "high-risk" projects, while those in the two "tactical" boxes will be considered as "low-risk" projects.

Figure 6: Supply Positioning Tool



Source: Asian Development Bank.

4.14 This analysis will also provide areas to be considered within the project risk register. It may also give rise to options to be considered in options analysis. It is noted that some packages may plot differently according to their packaging, procurement method, or contracting mode. For example, a package might be plotted as strategic critical if applying design and build method and that mode is unfamiliar to the borrower, but the same package might be plotted as tactical advantage if applying design-bid-build approach. If both options are under consideration, such a package should be plotted once in each box and labelled to distinguish between the different options.

4.15 The tool is applied as follows:

- (i) In accordance with Pareto principle, place the top 80% of project spending, by value, in the two right-hand quadrants and the bottom 20% in the two left-hand quadrants. All contract packages and lots within a project should be positioned.
- (ii) Assess the internal and external risks that the borrower may face during each contract, to position them among the two, top quadrants and the two, bottom quadrants. Examples of typical risks are
 - (a) complex content of the package,
 - (b) complex or unfamiliar procurement or contract mode,
 - (c) borrower's limited experience of similar procurements,
 - (d) limited availability of suppliers / contractors,
 - (e) procurement lead time,
 - (f) critical to completion of overall project,
 - (g) risk of cartel or market collusion,
 - (h) bespoke goods, works, or services rather than off the shelf,
 - (i) difficulty in obtaining desired quality / reliability of products,
 - (j) risk of delay,
 - (k) pace of technological change.

1. Strategic Critical

4.16 Contract packages and lots in this category are critical to the success of the project. Values of individual items are high and are likely to represent the greatest proportion of project spending. Figure 7 gives examples. Key supply positioning principles (Figure 8) for contracts in this quadrant include

- (i) gaining in-depth market knowledge,
- (ii) building detailed cost models,
- (iii) engaging the market early in the process to increase the attractiveness of the packages,
- (iv) taking a comprehensive risk management approach,
- (v) focusing on total costs of ownership or life cycle costs,
- (vi) using weighted selection criteria, and
- (vii) taking a collaborative approach to supplier relationship management.

Key deliverables include

- (i) reductions in total project costs,
- (ii) high levels of innovation,
- (iii) clear strategies with executive support and involvement,
- (iv) high levels of consistent supplier performance, and
- (v) two-way performance measurement, i.e., performance indicators for both the supplier and the borrower.

2. Strategic Security

4.17 The basic characteristic of these low-cost contract packages and lots is that they have the potential to stop or delay the project. Availability of items in this category is constrained by factors, such as limited supply sources, long lead times, or unique or complex technical features. They offer little opportunity for cost reduction due to their low value. The item value is insignificant compared to the potential cost of disruption to the project. Figure 7 gives examples. Key supply positioning principles (Figure 8) for contracts in this quadrant include

- (i) undertaking robust risk analysis and management,
- (ii) noting that goods in this quadrant may require safety stock,
- (iii) focusing on total costs of acquisition rather than price,
- (iv) taking a collaborative supplier relationship management approach,
- (v) ensuring security of supply, and
- (vi) using weighted selection criteria.

Key deliverables include

- (i) tight performance measures,
- (ii) contingency plans,
- (iii) no supply chain failures, and
- (iv) frequent checks for alternative methods or solutions to reduce risk.

3. Tactical Acquisition

4.18 Items in this category are the many, low-value, low-risk items typically required by projects to satisfy their routine requirements. Items will normally be available on short lead times from a relatively large number of supply sources and would be to standard designs or specifications. The low level of spending and risk associated with these items does not justify anything other than the minimum of effort in managing supply arrangements. Figure 7 gives examples. Key supply positioning principles (Figure 8) for contracts in this quadrant include

- (i) simplifying ordering processes,
- (ii) minimizing costs of acquisition,
- (iii) ensuring a few suppliers that see the borrower as a “core” customer, and
- (iv) requiring relationship management only by exception.

Key deliverables include

- (i) well-organized data,
- (ii) use of e-procurement where possible,
- (iii) catalogue-based ordering, and
- (iv) use of framework agreements.

4. Tactical Advantage

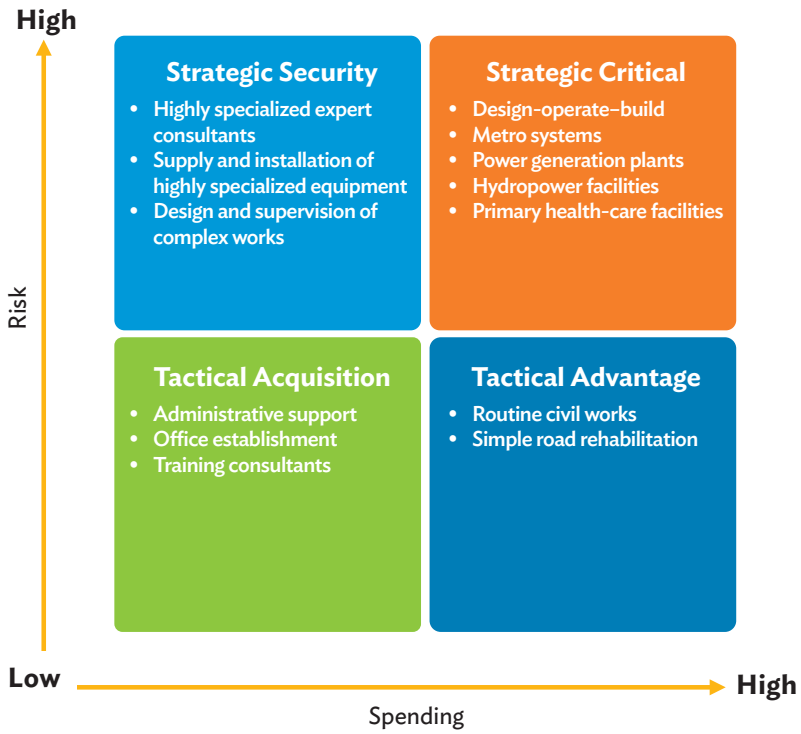
4.19 Typical characteristics of these items are they are readily available from alternative sources and offer an opportunity to reduce overall project costs. They will normally be regarded as “commodity” goods, works, and services. Management of supply arrangements for these items is based on maximizing the competitive nature of the marketplace, although whilst still ensuring motivation for participation by reputable suppliers. Figure 7 gives examples. Key supply positioning principles (Figure 8) for contracts in this quadrant include

- (i) focusing on cost reduction,
- (ii) taking advantage of market forces and competition,
- (iii) developing in-depth market knowledge,
- (iv) using e-auctions where possible, and
- (v) taking a win-lose negotiation approach.

Key deliverables include

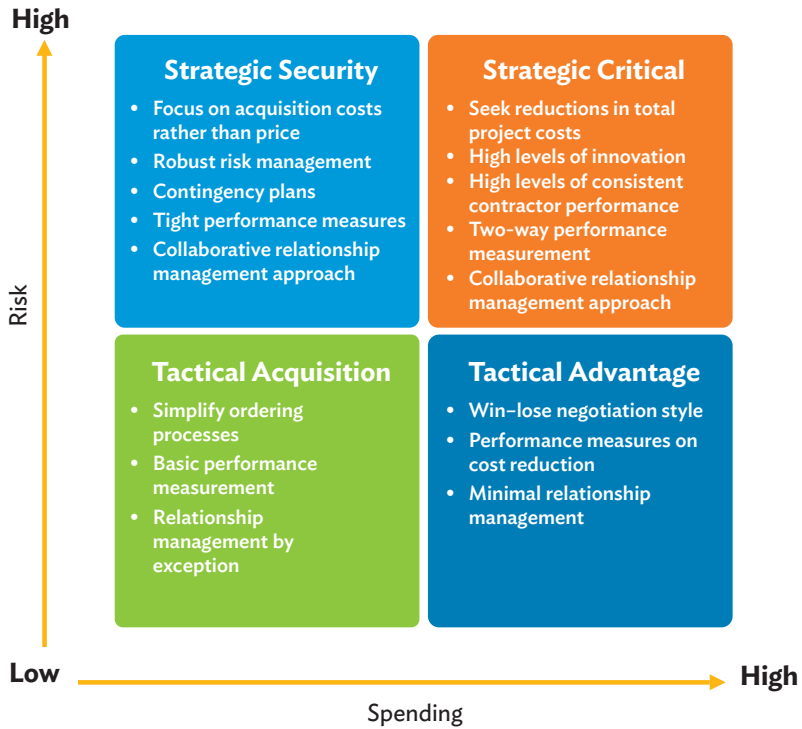
- (i) detailed supplier analysis,
- (ii) cost modeling, and
- (iii) project cost savings.

Figure 7: Examples of Typical Contract Packages within Each Supply Positioning Quadrant



Source: Asian Development Bank.

Figure 8: Summary of Key Supply Positioning Principles for Each Quadrant



Source: Asian Development Bank.

C. Supplier Preferecing

4.20 Supplier preferencing is a tool that enables a borrower to identify how it is viewed by reputable contractors, suppliers and consultants, how attractive a particular project or contract may be to them, and the likelihood that they will participate in bidding and contribute to fulfilling the project's objectives and outcomes.

4.21 Supplier viewpoint is clearly important for those packages which risk attracting too few bids from reputable suppliers to enable effective competition. Some borrowers may question the need to consider supplier viewpoint for packages which routinely attract many bids, indicating that the borrower is an attractive client. Yet, when borrowers are asked about their biggest challenges, common responses include (i) poor quality, disputes and delay in contracts awarded to firms submitting low bid prices, (ii) awarded firms lack financial capacity, leading to delay in implementation, or (iii) awarded firms subcontract the bulk of the work making contract supervision problematic. This indicates that encouraging competition or minimizing the number of packages does not ensure participation of and award to reputable and financially-sound firms. Hence, supplier preference should be considered not only for packages that may receive insufficient responsive bids, but also for packages that may attract numerous responsive bids but risk being awarded to unsuitable firms.

4.22 As a quick exercise, borrowers are encouraged to identify based on past procurement some firms they would be happy to contract with (those displaying characteristics of integrity, and completing on time, on budget, with expected quality), and then review some recent procurements and examine which of those firms participated, the responsiveness of their bids, their pricing, and whether they were awarded the contract. If the borrower determines that those firms are either not winning contracts, or more crucially not even submitting bids, then the borrower should investigate the reasons and consider adjusting the procurement approach.

4.23 The understanding gathered from this analysis will enable a borrower to ensure that they can develop a procurement plan that will appear attractive to the market and encourage participation by reputable firms in the bidding processes. The borrower should consider the following:

- (i) Can the procurement approach be changed to make contracts more attractive to the market, or to target segments thereof?
- (ii) How can the market be motivated to provide fit-for-purpose, innovative solutions that meet the project development objectives?
- (iii) How, and when, to engage with the market to ensure participation in the bidding process?

4.24 The tool firstly considers two criteria to position the supplier's perspective: contract value and contract attractiveness. Contract value is considered in terms of its proportion of the supplier's annual revenue. Generally, the higher the proportion, the more motivated the supplier will be to bid. Contract attractiveness is often harder to determine, but can be validated through early supplier engagement. Table 2 describes some typical characteristics that may make a project and its contracts attractive or unattractive to suppliers. Prospective suppliers are placed into four groups based on these criteria: core, develop, harvest, and nuisance (Figure 9).

Table 2: Supplier Preferencing Examples of Project or Contract Attractiveness

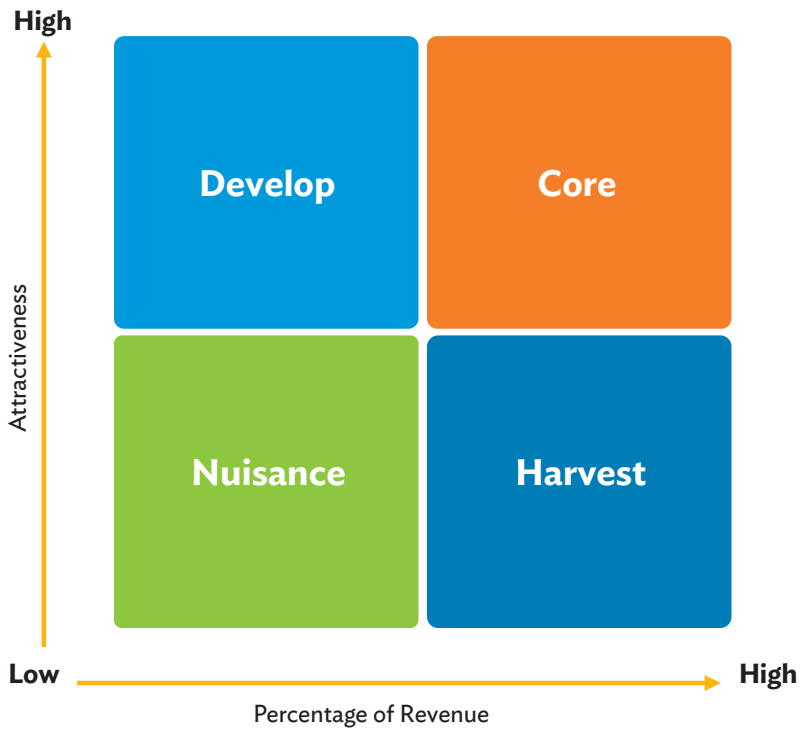
Attractive Characteristics	Unattractive Characteristics
<ul style="list-style-type: none"> • Profitable contracts • Good contract management processes • Transparent complaints handling • Reliable payment processes • Security in country • Minimal bureaucracy • Stable government • Business growth opportunities • Forward planning • Easy to service during contract execution • Information sharing • Good risk management • Efficient customs processes • Client values quality and sustainability 	<ul style="list-style-type: none"> • Delayed or erratic payments • Security concerns • Unreliable supply chains • Onerous terms and conditions • Poor borrower planning • Uncertain or unmanageable risks • Limited local labor • Lack of support market capability • Difficult logistics and customs • Bureaucratic processes • Low profit margins • Lack of trust in relationship management • Delayed evaluation processes • Uncertainty on project execution dates

Source: Asian Development Bank.

4.25 The first step only considered the intrinsic attractiveness of each package, but does not take into account the chance of winning the contract or cost of bidding. Therefore, the second step considers the risk / reward ratio of the project, in other words the cost of bidding compared to the likelihood of winning the contract and the likely profit. From the viewpoint of a reputable firm, factors lowering the likelihood of award include:

- (i) evaluation criteria that focus heavily on price,
- (ii) the potential for a large number of bids,
- (iii) integrity risks,
- (iv) firms submitting abnormally low bids, and
- (v) poorly-prepared qualification criteria (allowing less reputable bidders to participate) or specifications (allowing inappropriate products at low prices to be offered).

Figure 9: Supplier Preferencing Tool



The supplier's view of the contract



- **Nuisance:** Supplier gives minimum attention and seeks to avoid or withdraw
- **Develop:** Supplier nurtures relationship, performs well, and provides incentives
- **Harvest:** Supplier seeks short-term advantage
- **Core:** Supplier seeks to “lock in” the buyer

Source: Asian Development Bank.

4.26 To ensure sustainable business operations, the cost of bid preparation (including locking up working capital for a bid security) multiplied by the probability of contract award must be less than the likely profit that can be earned. For example, the form of bidding may require a high cost of preparing a bid e.g. for a design and build contract where a bidder must prepare a design and calculate a price as part of its bid. However, if a firm is prequalified along with a reasonable number of reputable firms, it will provide strong motivation to participate and submit a good quality bid based on careful investigation and research. On the contrary, a package using post-qualification in a market likely to attract a large

number of bids may have a higher probability of receiving poorly-researched bids and award to a firm that either (a) made a misjudgment, or (b) is in a severe financial condition and is desperate to win work and receive the advance payment. Accordingly, post-qualification may be viewed by a reputable bidder as providing a lower chance of success, and the bidder would be less likely to decide to incur the cost of preparing a bid.

4.27 Further to the above point, one of the characteristics of a responsible government client is that the cost of bidding borne collectively by the bidders for each procurement should remain proportionate to the value of the goods, works or services procured.

4.28 The conclusions drawn from this analysis should help identify risks and concerns of potential bidders, and measures that could potentially be taken to increase the attractiveness of the procurement packages to targeted suppliers, and the attractiveness of the purchaser to the market in general.

V. Sustainable Procurement

5.1 The ADB Procurement Framework encourages borrowers to actively consider and apply sustainable public procurement (SusPP) where appropriate, to achieve value for money and support quality outcomes. Sustainability considerations should be considered as part of ADB's SPP process. Beyond the mandatory considerations in the SPP process, and established process as per other ADB policies (e.g. safeguard matters), the exact SusPP considerations can vary from project to project. In recognition of the evolving national and regional level policy settings that work toward greater sustainability in development, the use of sustainable procurement is at the borrower's discretion.

5.2 SusPP is a systematic approach to identifying and encouraging the procurement of goods, works, and services that are assessed to be less damaging to the environment during their production, use, and disposal than other goods or services that serve the same purpose while also considering economic, social, and institutional impacts.

5.3 SusPP is a strategic approach that promotes the integration of the pillars of sustainable development, i.e., economic development, social development, environmental protection, and quality institutional governance. It is a spending and investment process typically associated with public policy, although it is equally applicable to the private sector and involves a high degree of collaboration and engagement between all parties in a supply chain.

5.4 Procuring in a sustainable way involves looking beyond short-term needs and considering the longer-term impacts of each project and procurement. Organizations practicing SusPP meet their needs for goods, services, utilities and works not on a private cost benefit analysis, but with a view to maximizing net benefits for themselves and the wider world. In practice the sustainable impacts of a potential supplier's approach are often assessed as a form of quality consideration. These quality considerations are typically divided between environmental, economic, social, and institutional. Refer to ADB's *Guidance Note on Sustainable Public Procurement* for more details, considerations, and examples of how sustainability considerations can be factored into the SPP process.

VI. Risk Management

6.1 The purpose of the risk management step of the SPP process is to thoroughly and accurately identify and mitigate potential procurement and contract management risks to the project, which are then reflected in the SPP (Appendix 1). Risk management begins during ADB's CPS and operational business planning with the borrower, through the CSPRA. The *Guidance Note on Procurement Risk Framework* discusses the CSPRA process in detail. The risks and mitigation measures identified in the CSPRA may cascade down to the project level and be included in the SPP. It is noted that separate project procurement risk assessment (PPRA) reports are no longer required, and the PPRA is undertaken as part of the SPP.

A. Project Procurement Risk Assessment

6.2 The *Guidance Note on Procurement Risk Framework* sets out the purpose and method of procurement risk assessment at country, sector, and project level. PPRA is the process of identifying and minimizing the likelihood and impact of risks occurring within a project. The PPRA should focus on risks that may affect the successful implementation of the project and seek to ensure that projects are not subject to delays or failures caused by the realization of these risks.

6.3 Consideration needs to be given to risks already identified in the CSPRA (if available) or MAPS report, and to the risk rating assigned in the concept paper. The PPRA is informed by the responses to the questionnaire to the executing agency (EA)/ implementing agency (IA) (Appendix 5) regarding the borrower's capacity and capability, procedures for procurement and contract management, operational performance, and arrangements to ensure integrity and transparency.¹³

¹³ ADB conducts proactive integrity reviews (PIR) on ADB sovereign projects that identify procurement, financial management, and contract implementation. Many of the findings raised were attributed to the capacity weakness of the relevant executing/implementing agencies. Lessons may be drawn from the PIR reports to inform the operating environment step of the SPP process. PIR reports are available at: <https://www.adb.org/who-we-are/integrity/proactive-integrity-review..>

6.4 To make the PPRA process manageable, the assessment can be structured around the following key areas:

- (i) agency capability and capacity,
- (ii) agency experience,
- (iii) issues encountered in past procurement and contract management by the agency,
- (iv) market issues (may include insufficient, or excessive competition, failure of reputable firms to win etc.),
- (v) safety and security at the project site,
- (vi) business and operating environment,
- (vii) effectiveness of oversight mechanisms,
- (viii) any discrepancies between local procurement regulations and ADB procurement regulations,
- (ix) sustainability issues,¹⁴ and
- (x) contract management.

6.5 Once all the key risks have been identified, they need to be expressed in appropriate terms in the risk description. It is not sufficient to only describe an issue; detail of the actual risk caused by the issue must also be stated.

6.6 The risks then need to be rated and prioritized, using the risk assessment tables available in Appendix 1 of the *Guidance Note on Procurement Risk Framework*. Each risk should be scored against the two criteria of impact and likelihood on a scale of 1 to 5, so that a classification of their criticality can be made, in terms of how they may affect the project's development objectives.

6.7 It may not be possible for ADB and the borrower to address all risks identified through the PPRA and procurement arrangements selected in the SPP. Nonetheless appropriate mitigation measures should be developed for as many risks as possible, including assigning a responsible authority to each mitigation measure. Preferably just a single party should be assigned responsibility for each mitigation measure, in order to provide accountability. This approach will inform the procurement strategy, and relevant risks and mitigation measures may also be transferred to the contract and/or contract management plan during implementation stage.

6.8 Mitigation actions fall into the following four main types:

- (i) Avoid. Choosing not to accept the risk, e.g., an activity is avoided as the risk is deemed too great.
- (ii) Minimize. Reduce or control the risk through improved monitoring, process change, new procedures, etc.
- (iii) Spread or transfer. It may be possible to transfer or share risks using actions, such as subcontracting, outsourcing, design and build contracts, design / build / operate contracts, public-private partnerships, joint ventures, hedging, insurance, etc.
- (iv) Accept. Decide that the risk is within an agreed tolerance level.

¹⁴ Refer to the *Guidance Note on Sustainable Public Procurement*.

B. Risk Register

6.9 A project procurement risk register will allow the effectiveness of risk mitigation measures to be monitored, and the measures to be adjusted if necessary. It will also help in determining (i) the use of international and national advertisement under open competitive bidding for the project, based on the market capacity, sustainability, and other borrower considerations, and identified risks; and (ii) whether ADB's oversight of borrower procurement decisions will be on a prior review or post review (sampling) basis, based on the borrower's experience, capacity, and mitigation measures. The procurement risk register provides inputs into ADB's project processing documents, including the report and recommendation of the President (RRP), the project administration manual, and the project risk assessment and management plan. Appendix 1 includes an example risk register.

VII. Options Analysis

7.1 This step of the SPP process examines procurement options that will fulfill the overarching project needs, achieve the core procurement principles, and address the issues raised in the capacity assessment, market analysis, and risk analysis.

7.2 Options analysis may not be required for straightforward packages, but should be carried out for those packages having options which were considered and discussed during SPP preparation. Procurement aspects most commonly studied in options analysis can include:

- (i) Contract packaging (number of packages and their scope),
- (ii) Use of international or national advertising (if national advertising may use local language for bidding and the contract language),
- (iii) Use of one envelope or two envelope procedure,
- (iv) Conventional design – bid – build, or design and build approach,
- (v) Use of prequalification (either with or without ranking) or post-qualification,
- (vi) Application of ADB or counterpart finance to packages,
- (vii) Combined civil and mechanical and electrical packages or separate packages,
- (viii) Use of lump sum or unit price / remeasurement methods of pricing,
- (ix) Evaluation method to solely apply pass / fail criteria, or include use of merit points,
- (x) Site security to be provided by client or contractor, and reimbursement mechanism.

7.3 It is important for the SPP to document the options that were considered and discussed, to record their advantages and disadvantages, and to state the agreed approach together with the rationale. During project implementation if there is a change of team members, a change in available information or other circumstances, and the borrower requires amendment of the procurement plan, the SPP provides a record of the reasons that decisions were made in formulating the original SPP and procurement plan.

7.4 A scoring system may be useful to aid the evaluation of options in complex cases, however it is more important in all cases to document by a narrative explanation the advantages and disadvantages of each option and the rationale for selecting the preferred option.

7.5 ADB's suite of procurement guidance notes provide information on procurement aspects that may be considered in options analysis. Furthermore, specific information on selection of bidding procedure is presented in Appendix 3, and on special considerations for procurement of information technology in Appendix 4.

VIII. Procurement Strategy

8.1 After screening the options available to fulfill the project's objectives, the procurement arrangements being recommended are summarized as the procurement strategy in the SPP document (Appendix 1).

8.2 The borrower prepares and furnishes the draft procurement plan supported by the SPP to ADB as part of project preparation, to be agreed by ADB before loan negotiations.

8.3 The SPP is a document of the borrower whose preparation may be facilitated by ADB and / or a consultant. The recommended approach for its preparation is:

- (i) The objectives, methodology, and data requirements for SPP should be explained by ADB to the participants at the project preparation inception mission
- (ii) Following data collection and analysis, draft SPP findings and options can be presented at an SPP workshop held jointly by the borrower and ADB teams
- (iii) Based on the discussions and agreement in the SPP workshop or thereafter, the SPP and procurement plan should be finalized and submitted to ADB.

8.4 ADB may choose to publish the SPP as a linked document to the RRP. In such case commercially sensitive information will be redacted. However, in order to permit informed judgements to be made, the SPP draft presented at the SPP workshop and submitted to ADB for no-objection should include full information to the extent possible. Sections of the report proposed for redaction prior to public disclosure should be indicated.

IX. Procurement Plan

9.1 The final step of the SPP process is to synthesize the analyses, preferred options, and strategy into the project procurement plan. The procurement plan shall be prepared for all investment projects, including tranches under multitranches or small expenditure financing facilities, project readiness financing, additional financing requests, and financial intermediary loans, except for policy-based lending and results-based lending. The borrower prepares the project procurement plan and its results shall be endorsed by ADB. It has five sections and shall provide basic project data, including project name; number; country; name of executing and/or implementing agency(ies); project financing amount, including financing from ADB and any cofinancing; project closing date; etc. The template procurement plan is available at <https://www.adb.org/documents/procurement-planning>.

- (i) Section A: Methods. Indicates the methods to be applied for the procurement of goods, works, nonconsulting, and consulting services.
- (ii) Section B: Active Procurement Packages. Lists the goods, works, nonconsulting, and consulting services contracts for which procurement activity is either ongoing or expected to commence within the procurement plan's duration.
- (iii) Section C: Indicative Packages. Lists the goods, works, nonconsulting, and consulting services contracts for which procurement activity is expected to commence beyond the procurement plan's duration and over the life of the project (i.e., those expected beyond the current procurement plan's duration).
- (iv) Section D: Awarded Contracts. Lists the awarded and completed contracts for goods, works, nonconsulting and consulting services in the project (applicable to revisions of the procurement plan made once the project is underway).
- (v) Section E: Non-ADB-Financed Contracts. Lists the goods, works, nonconsulting, and consulting services contract packages over the life of the project financed by non-ADB sources, i.e., by government counterpart funds or cofinanciers.

A. Contract Packages and Scheduling

9.2 The procurement plan shall, to the extent possible, detail the confirmed and indicative contract packaging and scheduling arrangements, following the format of the plan's five sections.

B. Procurement Review

9.3 ADB's procurement review arrangements of prior or post review (sampling) shall be specified in the procurement plan for each package. High-risk contracts in the procurement plan are subject to ADB's prior review. The decision on granting post review (sampling) will be based on the assessment of the executing agency's capacity to take on greater procurement responsibility. The decision on using prior or post review (sampling) depends not on the method of procurement, but on the procurement risk level. The *Guidance Note on Procurement Review* has more details.

C. Documenting and Updating the Procurement Plan

9.4 The first procurement plan and the updates, annual or as necessary, will be published on the ADB website. It is the responsibility of concerned ADB project staff to ensure that borrowers prepare and forward soft copies of the procurement plans to ADB, so that ADB project staff can enter or update the information in Procurement Review System (PRS) which is ADB's internal database for tracking procurement plans and their packages. ADB does not require borrowers to publish procurement plans locally, but they are encouraged to do so.

9.5 The first procurement plan is incorporated into the project administration manual and is endorsed by ADB. ADB and the borrower agree on the procurement plan during loan or grant negotiations. Additional details, if necessary, can be provided as a supplementary appendix to the RRP during project approval.

9.6 When ADB approves advance contracting, the advance procurement activities shall be reflected in the procurement plan agreed on at loan or grant negotiations.

9.7 The initial duration of the procurement plan is set at 18 months. This implies that, to the extent possible, packages to be procured during the first 18 months of the project should be inputted in the procurement plan.

9.8 The procurement plan should be updated every 12 months or, if necessary, more frequently, by the borrower. A delay in loan effectiveness, other start-up delays, and delays during implementation will require an unscheduled procurement plan update. Changes to a procurement plan will conform to any approval requirements set out in ADB's internal staff instructions on procurement. ADB will review each updated procurement plan prior to its publication.

Appendix 1: Strategic Procurement Planning Template

Section 1: Project Concept

A. Key Project Information

A1.1 Key project information is shown in Table A1.

Table A1: Project Overview
(information may be obtained from concept paper or draft RRP)

Project Title	
Country	
Executing agency (EA)	
Implementing agency (IA)	<i>[If there are multiple implementing agencies, state here. If there are multiple project implementing entities under the implementing agencies, explain here.]</i>
Project outcomes	<i>[Note that these are the higher level objectives or problems to be solved, and are different to the (physical) outputs.]</i>
Project description	<i>[This may refer to the project outputs, components etc..]</i>
Description of works, goods, and services to be procured	<i>[This statement should explain the scope of items to be procured e.g. upgrading of runways and terminals of 3 airports and air traffic control system. Tentative packaging options may be mentioned here if it aids understanding of subsequent sections of the SPP, but should avoid being too specific since packaging is the conclusion of the SPP rather than input data]</i>
Summary of the proposed financing	<i>[Identify proposed ADB financing amount and modality e.g. whether OCR or ADF, and if part of an MFF, counterpart financing amount, and financing by co-financiers]</i>

continued on next page

Table A1 *continued*

Are alternative procurement arrangements proposed for the project?	<i>[Yes/ No. If Yes, please summarize the packages (all or part of the project scope) to be covered by the APA.]</i>
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B. Initial Risk Rating

A1.2 Information relating to the project initial risk rating is shown in Table A2.

Table A2: Initial Risk Rating

Project procurement risk rating in concept paper	<i>[Low, moderate, substantial, high]</i>
Rationale for procurement risk rating as indicated in concept paper procurement risk classification	<i>[e.g. based on country sector rating of xxx, the use of large packages and contracting methods such as design and build with which the borrower has limited experience]</i>
Does the country / project location have conflict or security risks	<i>[Yes/ No, If yes, provide brief description.]</i>

Section 2: Operating Environment

A. Capacity and Capability Assessment of the Borrower

A1.3 Based on review of relevant aspects of ADB's country and sector risk assessment, responses to the questionnaire survey completed by the Executing Agency / Implementing Agency(ies), review of past project performance shown in the bid evaluation report analysis of Attachment 2 and consultation with ADB project staff, key findings of the capacity and capability assessment of the borrower are shown in Table A3.

Table A3: SWOT Analysis of the Project
(Executing Agency / Implementing Agency)

	Strengths	Weaknesses
Internal to procuring agency	<i>(state strengths of the borrower and operating environment which will support the likelihood of successful project implementation. Ensure to identify which agency is referred to in each statement)</i>	<i>(state weaknesses of the borrower and operating environment which will hinder the likelihood of successful project implementation. Ensure to identify which agency is referred to in each statement)</i>
	Opportunities	Threats
External from procuring agency	<i>(state external factors which might (a) facilitate successful implementation of the project such as ongoing legal/ regulatory developments, technical initiatives, or (b) give downstream opportunity for the implementing agency after the project. If there are none, leave blank)</i>	<i>(state external factors such as availability of budget allocation, approvals, which might hinder the timely completion of the project procurement and contract implementation, within budget, to the desired quality, and meeting sustainability or other project objectives. These can often be identified based on past project experience, supplemented based on the particular aspects of the proposed project)</i>
SWOT = strengths, weaknesses, opportunities, threats.		

A1.4 [if there is no existing CSPRA and/or MAPS, or the relevant sector / agency is not adequately covered, or if there have been substantial changes to the legal / regulatory / operating environment since the last CSPRA or MAPS, additional detail may be added here in summary and presented in an attachment to the SPP]

B. Support Requirements

A1.5 Based on review of responses to the questionnaire survey completed by the [Name of Agencies], review of past project experience shown in the bid evaluation report analysis of Attachment 2 and consultation with ADB staff, assessment of the agency(ies) capacity and support requirements are shown in Table A4.

Table A4: Agency Experience and Support Requirements

	Assessment
Experience in implementing similar projects	<i>(state level of relevant project experience considering the range of project phases such as design management, procurement, contract administration; the modalities applied such as conventional, design-build, or PPP; and the similarity of technical scope of the projects. Ensure to distinguish between experience on donor financed projects, and projects implemented under country systems. Ensure to identify which agency is referred to in each statement. The assessment of experience should focus on the agency that will be responsible for day-to-day project implementation rather than the parent or affiliates)</i>
Procurement capability and capacity	<i>(consider capability for donor financed projects, in both planning and procurement implementation phases. If not available, explain relevant capability under country systems)</i>
Contract management capability and experience	<i>(consider capability for donor financed projects, in both planning and procurement implementation phases. If not available, explain relevant capability under country systems)</i>
Level of reliance on external consultants	<i>(explain if the agency tends to carry out procurement and contract management using in-house resources, and if not identify the likely project phases in which consulting support may be required and the skills/roles required). If it is already known which consultant packages are likely to be donor or counterpart financed, this should also be stated.</i>

C. Stakeholder Analysis and Communication

A1.6 Based on review of responses to the questionnaire survey completed by the [name of agency], and consultation with ADB staff, key stakeholders that risk affecting the successful implementation of the project procurement and contract implementation are identified as follows.

Table A5: Stakeholder Analysis

<p>Stakeholder name and role</p>	<p>[Name] [Complete one table for each key stakeholder.]</p> <p>[common causes of project delay due to external agencies are a] provision of finance, b) approvals, and c) procurement procedural issues under the control of the public procurement agency]</p>
<p>Potential issues</p>	<p>[Based on past project experience, or anticipated issues for this project, what issues or problems may arise that need resolving?]</p>
<p>Action</p>	<p>[State proposed actions to mitigate the risk of adverse impact]</p>

Section 3: Market Analysis

A. Market Overview

A1.7 Understanding of the market is presented in Table A6 based on responses to the questionnaire survey completed by the [name of agency], contract awards analysis shown in Attachment 1, review of past project performance shown in the bid evaluation report analysis of Attachment 2, questionnaire survey / interview with potential suppliers and internet search. Effort has been focused on the packages constituting the main proportion of the project costs, and those packages where there is less confidence in knowledge of the market due to their specialist nature or limited prior experience of their procurement under the proposed procurement method, packaging scale, or contract form.

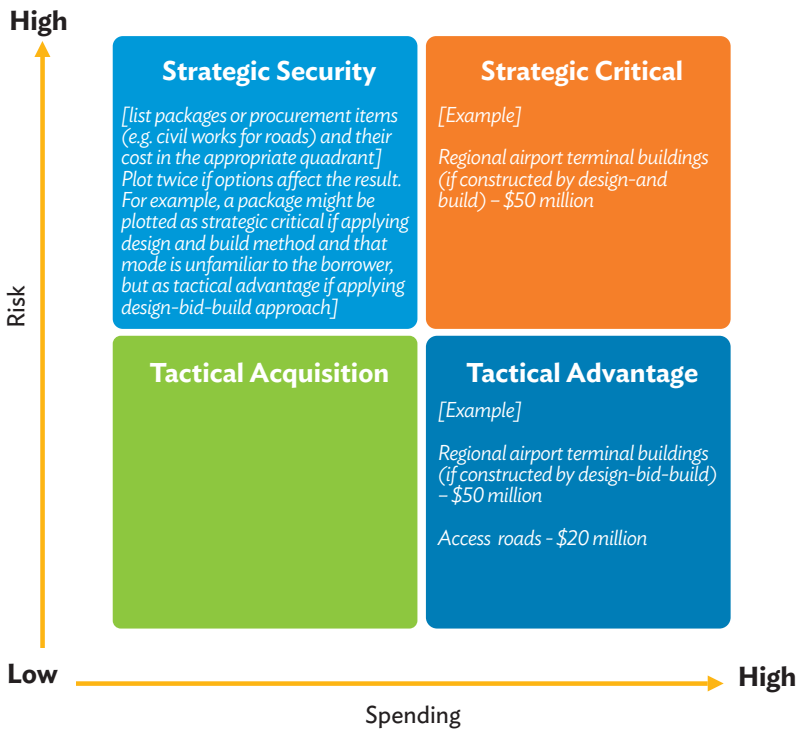
Table A6: Market Overview

<p>1. [Package name / type]</p> <p><i>(carry out analysis by group of packages having similar market characteristics)</i></p>	<p><i>Explain the level of competition within the market suppliers, contractors, and service providers, the distribution of market share (concentrated, or distributed); the market's ability to meet the borrower's needs and the project's development objectives for varying package sizes and procurement methods. In case options are under consideration an assessment should be made for the case of each option. The balance of participation between national and international bidders should be explained.</i></p>
<p>2. [Package name / type]</p>	
<p>3. Etc</p>	
<p><i>[it is not necessary to list all procurement packages, and those of a routine nature or for which there are no particular issues in past procurements may be omitted]</i></p>	
<p>Example:</p> <p>Civil works for roads</p>	<p><i>There is a well-functioning and competitive market for civil works for road construction, with recent bids attracting 6 – 10 bids, of which the majority responsive. There is a core of contractors that routinely win work and no evidence of concentration in the market. Award prices are generally 80 – 90% of the cost estimate. There are at least 5 national contractors with capacity for contracts up to around \$10 million, and contracts above \$10 million attract international bidders, mainly from [country name] and [country name].</i></p>

B. Supply Positioning

A1.8 The purchaser’s viewpoint regarding the criticality and risk for the various procurement items, and of the overall procurement is presented in Figure A1. The [majority / minority] of procurement value falls within the strategic security or strategic critical categories, hence the supply positioning risk is assessed as [high/low].

Figure A1: Supply Positioning



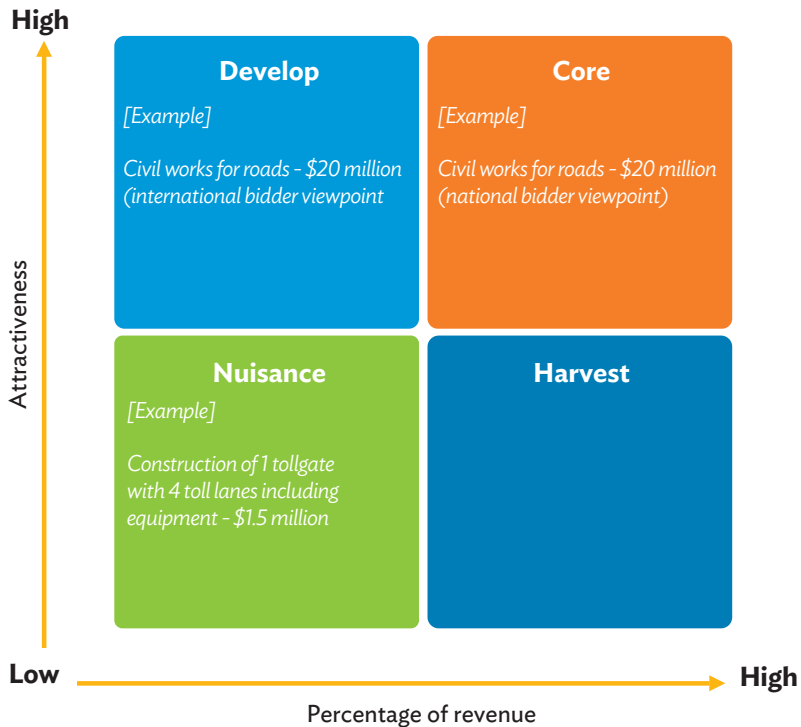
Source: Asian Development Bank.

A1.9 [state key observations, if any].

C. Supplier Preferencing

A1.10 An assessment of potential supplier’s viewpoint based on the attractiveness and size of the various packages is presented in Figure A2. [Some packages may be entered multiple times in order to represent the different viewpoints of larger / smaller, or international / national bidders, or to represent the different viewpoints that may be obtained for different procurement options.]

Figure A2: Supplier Preferencing



Source: Asian Development Bank.

A1.11 [state key observations, if any].

A1.12 The above analysis considers the attractiveness of packages if awarded. It does not consider the likelihood of award. Likely viewpoints of suppliers regarding the cost of bid preparation and risk / reward ratio based on issues observed in bid evaluation reports, analysis of past procurements, and interviews with key suppliers include the following:

[state any additional supplier viewpoint gained from market analysis, market outreach, relating to the packaging and procurement options which could also affect supplier's expected chance of success in bidding and profit potential and hence motivation to submit a well-prepared bid. In particular state (a) which packages (if any) risk having too few responsive bids, and if measures are suggested to increase attractiveness, (b) which packages (if any) risk excessive competition leading to poorly prepared bids / abnormally low bids / unwillingness of reputable firms to participate, and if measures are suggested to improve participation by reputable firms, (c) which packages (if any) risk presenting challenges to participation by national firms, or international firms (as applicable), and d) any supplier views on how to ensure a level playing field for reputable suppliers of good quality products, or to minimize the cost of bid preparation.]

Example:

Feedback from interviews with national contractors, bid evaluation report analysis, and borrower information gave key conclusions as follows:

(a) Preferable to not mix civil work and buildings elements since in the market these types of work are generally carried out by different types of company, and to combine them increases the complexity, risk, and challenge to all contractors, and to national contractors in particular

(b) Preferable that goods supply contracts are pure supply contracts since adding associated minor civil works elements to the contracts would increase the risk profile (given the security risks in the country) and reduce the likelihood of participation by reputable international suppliers. Such minor civil works could be arranged by the Client.

(c) Rather than open bidding with post-qualification which attracts large numbers of bids including low-ball bidders or bidders with falsified qualification data, contractors stated a preference for prequalification (with ranking) in order to exclude less reputable contractors or financially unsound companies, to increase the chance of success and motivation to carefully prepare bids by the shortlisted firms, to reduce abortive bidding costs, and increase attractiveness to reputable bidders.

Section 4: Sustainable Procurement

A1.13 The project [*includes / does not include*] particular sustainability goals. Those goals are [*state goals*].

A1.14 Notwithstanding the absence of particular sustainability goals, the borrower would like to pilot certain initiatives in the project procurement and contract implementation. Those initiatives and considerations regarding the potential impact on procurement and contracting, and on support requirements, are examined in Table A7.

Table A7: Sustainable Procurement Considerations

Legal/Policy Requirements	<i>A statement of any legal or policy requirements covering Sustainable or Green Procurement requirements.</i>
Procurement items potentially having sustainability targets, and nature of those targets	<p><i>For example:</i></p> <p><i>Package item 1 - Sustainable procurement aspects, such as minimization of embodied energy, consideration of end-of-life disposal or recycling;</i></p> <p><i>Package item 2 - social impacts such as promotion of involvement by local SMEs.</i></p>
Procurement or contracting approach to apply	<i>Record the designer's advice on whether or not sustainability requirements can be achieved through conformance or performance specifications in the bid documents and evaluation on a least cost basis, or if additional measures are recommended for example through qualification criteria for key experience, or use of merit points in evaluation etc.</i>
Implementation and support requirements	<i>Identify the stakeholder that will act as project champion, and identify potential support requirements necessary to ensure preparation of appropriate designs and specifications, to carry out bid evaluations, and to supervise implementation.</i>

(The Guidance Note on Sustainable Public Procurement has more details).

Section 5: Risk Management

A. Project Procurement Risk Assessment Risk Register

(the following is an example)

Risk Description	Risk Impact	Likelihood (“L”) (1–5)	Impact (“I”) 1–5)	Risk Score (L x I) and rating	Proposed Mitigation	Risk Owner
Project director is also head of bid evaluation committee, signs contracts and payment authorization i.e. inadequate separation of powers	Increased potential for corruption, increased costs, unfairness	Almost certain 5	Moderate 3	Substantial 15	IA to appoint chair of evaluation committees that is independent of the project team IA board to continue to maintain oversight, consider strengthening ability of audit team to also oversee procurement	EA
Agency does not have access to an advanced government procurement training program	Agency is unable to carry out procurement to ADB requirements, leading to implementation delay and/or rebidding	Almost certain 5	Moderate 3	Substantial 15	Startup support individual consultant(s) and an implementation support consulting firm will be engaged to assist the IA with procurement.	EA
IA’s lack of familiarity with ADB new procurement regulations	Implementation delay	Possible 3	Moderate 3	Moderate 9		EA

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Table A5 *continued*

Risk Description	Risk Impact	Likelihood ("L") (1-5)	Impact ("I") 1-5)	Risk Score (L x I) and rating	Proposed Mitigation	Risk Owner
Lack of established procedures for implementation of donor financed projects under the new procurement law	Lengthy approvals, inefficiency	Almost certain 5	Moderate 3	Substantial 15	EA to facilitate ADB consultation in identifying any aspects of the new procurement law that will not apply to ADB-financed procurements. All such details to be included in the PAM to avoid procurement delays.	EA
Lack of document retention policy and inadequate electronic backup system	Data loss, implementation delay, cost. Inability to carry out audit	Possible 3	Major 4	Substantial 12	IA to create a retention policy, and to ensure external electronic backups are maintained.	EA
Contract award for abnormally low bid price	Poor compliance with schedule, potentially unsatisfactory quality, dispute and delay, termination, and rebidding,	Likely 4	Major 4	Substantial 16	IA to consider wider use of mechanisms such as prequalification, rejection of abnormally low bids (ALB) based on the ALB clause in ADB standard bidding documents, and updating of the register of debarred companies. IAs to ensure careful preparation of bid documents, bid evaluation, and contract management, to close out loopholes and to protect the IA's interests.	EA

continued on next page

Table A5 continued

Risk Description	Risk Impact	Likelihood ("L") (1-5)	Impact ("I") 1-5)	Risk Score (L x I) and rating	Proposed Mitigation	Risk Owner
National contractors are unable to win contracts,	Decreased capacity of the national contracting industry, absence of a local sustainable supply chain for operation and maintenance of the facilities, inability of IA's to continue its capacity expansion program.	Likely 4	Major 4	Substantial 16	<p>IA to make careful strategic procurement planning to ensure that packaging is responsive to market capacity of national and international contractors / suppliers, and that qualification criteria are not unnecessarily onerous.</p> <p>IA to analyze and ensure a level playing field by ensuring there are no tax preferences for international or national firms.</p>	EA
Small number of bidders for highly specialized equipment	Limited competition, bid prices substantially exceed the cost estimate	Possible 3	Major 4	Substantial 12	<p>IA to ensure specifications and qualification criteria are not restrictive.</p> <p>IA to conduct market outreach to ensure the procurement method and conditions do not inadvertently increase bid prices.</p> <p>IA to consider use of prequalification.</p> <p>IA to minimize risk transfer in packaging i.e. by not including civil works in goods packages.</p> <p>IA to take particular measures to ensure invitations to bid reach key potential bidders, to proactively follow up to confirm their interest in bidding, and actively resolve any points of concern raised by bidders.</p>	EA

continued on next page

Table A5 *continued*

Risk Description	Risk Impact	Likelihood ("L") (1–5)	Impact ("I") 1–5)	Risk Score (L x I) and rating	Proposed Mitigation	Risk Owner
Bid evaluation committees are subject to political interference	Corruption, increased costs, unfairness	Possible 3	Major 4	Substantial 12	IA to ensure bid evaluation committees follow principles of good governance	EA
Absence of procedures to rate performance and blacklist erring suppliers, contractors, and consultants	Repeat award to unqualified, incapable, or dishonest firms	Possible 3	Moderate 3	Moderate 9	IA to develop procedures for performance rating and for blacklisting	EA
EA breaches contract by late payment of counterpart funds, and non-payment of interest on late payment	Damage to financial status of contractors, especially smaller firms, damage to client reputation	Almost certain 5 (severe payment delay occurred on previous project)	Major 4	High 20	ADB to strengthen loan covenants to ensure budget allocation and release by Treasury IAs to consider to increase advance payment percentage to support national contractors most affected by cashflow delay IA to pay interest for late payment in accordance with the conditions of contract Use bid securing declaration in place of bid securities.	EA / ADB
Bid rigging by contractors	Lack of fairness, increased contract costs	Unlikely 2	Moderate 3	Moderate 6	IA to ensure packaging, procurement method, qualification criteria, and specifications are prepared in such manner that there is likely to be a sufficient number of responsive bids to ensure competition	EA

Section 6: Options Analysis

A. Procurement Packaging and Scheduling

A1.15 Options analysis is carried out for the following topics:

- (i) Issue 1 [*identify the package(s), and the nature of the option*]
- (ii) Issue 2
- (iii) Issue 3
- (iv) Issue 4

B. Issue 1 [*state what is the nature of the option*]

- Option 1 is [*elaborate on the first option, making sure to state the advantages and disadvantages.*]
- Option 2 is [*elaborate on the first option, making sure to state the advantages and disadvantages.*]
- Option 3 is [*elaborate on the first option, making sure to state the advantages and disadvantages.*]

Selected: [*state the option number selected and reason why. If the procurement specialist opinion differed with the opinion of the borrower, record both the procurement specialist recommendation together with the borrower's conclusion and reason*]

C. Issue 2 [*state what is the nature of the option*]

Etc.

A1.16 [*For complex cases, a scoring analysis may also be used as an option although its use is not compulsory. However greater importance is placed on a text description of the advantages and disadvantages*]

Option Description	Feasibility^a (1–10)	Suitability (1–10)	Acceptability (1–10)	Overall (3–30)	Narrative of advantages / disadvantages
<i>Issue 1 [identify the issue]</i>					
<i>Option 1: [identify the option]</i>					
<i>Option 2: [identify the option]</i>					
<p>^a Suggested definitions.</p> <p>(i) Feasibility. Will the option work? Can it be achieved in an acceptable cost and time frame? Does the market have the capacity? Are the required resources available?</p> <p>(ii) Suitability. Will the option meet the project's overall development objectives?</p> <p>(iii) Acceptability. Will the identified stakeholders support and buy-in to the option?</p>					

Section 7: Procurement Strategy Summary

[This section summarizes the results of the strategic procurement planning (SPP) exercise into the procurement strategy by indicating and rationalizing the preferred procurement arrangements through the following subsections. Complete each subsection.]

A. Procurement Packaging

A1.17 [Summarize the contract packages and lots, with brief justification based on the analyses of the SPP process.]

B. Procurement Method

A1.18 [Summarize the procurement methods and advertising arrangements that will be used in the project (e.g., open competitive bidding with international advertising, open competitive bidding with national advertising, limited competitive bidding, request for quotations, direct contracting, etc.), including any thresholds that may have been agreed for the project packages, above or below which a particular method will apply. Provide justification based on the analyses of the SPP process, especially if limited competitive and noncompetitive methods are proposed.]

C. Prequalification

A1.19 [Describe any planned prequalification arrangements for key packages, including whether the prequalification plans to limit the number of applicants that are invited to bid. Provide justification based on the analyses of the SPP.]

D. Bidding Procedures

A1.20 [Describe the planned bidding procedures for key packages (i.e., single-stage-one-envelope, single-stage-two-envelope, two-stage, two-stage-two-envelope, multistage) and provide justification based on the analyses of the SPP process.]

E. Specifications

A1.21 [Describe the type of specifications that will be developed for key packages, e.g., conformance or performance, and provide justification based on the analyses of the SPP process.]

F. Sustainability Requirements

A1.22 *[State whether or not there are particular sustainability considerations, identify those considerations, and describe the designer’s advice on whether or not sustainability requirements can be achieved through conformance or performance specifications in the bid documents and evaluation on a least cost basis, or if additional measures are recommended for example through qualification criteria for key experience, or use of merit points in evaluation etc.]*

G. Review Requirements

A1.23 *[Summarize the proposed procurement review arrangements for the project (i.e., prior review and/or post review {sampling}), including any thresholds that may have been agreed for the project packages, above or below which a particular review arrangement will apply (refer to Guidance Note on Procurement Review for details). Provide justification based on the analyses of the SPP process, especially where post review (sampling) is proposed.]*

H. Standstill Period

A1.24 *[State whether the use of a national standstill period is proposed for any of the packages and, if so, indicate the length of the standstill period (refer to Guidance Note on Standstill Period for details).]*

I. Standard Bidding Documents and Contract Forms

A1.25 *[Summarize the standard bidding documents (SBDs) and contract forms that will be used for the project (e.g., for SBDs, the Asian Development Bank’s (ADB’s) SBDs for goods, works, small works, plant, information technology, or design–build–operate, or its standard request for proposals for consultants, other SBDs from the borrower or other international organizations, etc.; and, for contract forms, the FIDIC Multilateral Development Bank Harmonized Edition of General Conditions of Contract for large works, the Engineering Advancement Association of Japan General Conditions of Contract for Process Plant Construction, ADB’s general conditions of contract for consulting services, forms from New Engineering Contracts, etc.). Provide justification based on the analyses of the SPP process, especially if the use of non-ADB SBDs are proposed.]*

J. Payment Method

A1.26 *[Describe the payment method for key packages, indicating whether payments are lump sum, fixed price, unit price or admeasurement, cost plus, target fee, etc. Provide justification based on the analyses of the SPP process, especially if arrangements other than lump sum or unit price are proposed.]*

K. Key Performance Indicators

A1.27 [State the project’s development objectives (if any) that need translating into performance indicators and indicate how these will be applied across the different packages, e.g., certain indicators may only apply to specific contracts. Provide justification based on the analyses of the SPP process. The Guidance Note on Quality, and Guidance Note on Contract Management provide advice.]

L. Evaluation Method

A1.28 [Describe the evaluation method for key packages, e.g., whether it will use rated criteria, lowest evaluated price, or another method. Provide justification based on the analyses of the SPP process. If the project is located in a country / location having ongoing conflict or security risks, identify the approach to be used for provision of security and how it will be evaluated.]

M. Contract Management Approach

A1.29 [Identify the contract management approach to be used for key packages, e.g., collaborative, transactional, minimal, adversarial. Provide justification based on the analyses of the SPP process.]

N. Suggestions on Qualification Criteria or other content of Bidding Documents

A1.30 [State suggestions (if any) relating to the qualification criteria or any other aspects of the bidding documents not already covered by the above sections, together with reasons. Such suggestions may be of most use for packages proposed for advance procurement. The suggestions may arise from observations of supplier capacity based on past bid evaluation reports, or from market analysis, market sounding or risk assessment, and might include for example: (a) the basis for the Average Annual Construction Turnover criteria (e.g. 80% of current contract, or otherwise), (b) the definition to be used for experience of “similar projects”, the % of the current project value to be used for share in similar project, the number of similar project experiences required, and the number of years within which they must be completed, (c) the list of key experience requirements, and (d) whether to use bid security or bid securing declaration etc., (e) any special consideration required, if any, on conditions of contract, etc. ADB endorsement of the SPP does not constitute acceptance of such suggestions, which occurs at the stage of endorsement of the relevant bidding documents.]

O. Value for Money Statement

[Not exceeding 150 words. This paragraph will be included in the RRP. Refer to Guidance Note on Value for Money for details.]¹

A1.31 Value for money is achieved by *[state key features of the procurement approach that will ensure value for money (VFM)].*

P. Project Risk and Mitigation Measures Statement

[Not exceeding 150 words. This paragraph will be included in the RRP.]

A1.32 The procurement risk is assessed as *[low, moderate, substantial, high]* reflecting *[state main reasons. The rationale would typically refer to the background of the country/sector rating, and any key influencing factor in the project (if any) such as either the complexity of the project, or the agency experience / capacity / past performance, or the highest risks in the risk register. Typically a project risk rating would not differ from the country rating by more than one rank either higher or lower.]* The EA/IA has *[state level of experience and/or key capacity issues]*. The procurement function will be carried out by *[state which agency]* with support by *[state any key support measures]*. Potential risks in the procurement arrangement will be *[state key risks.]*

¹ ADB procurement policy defines VFM as the principle that “enables the borrower to obtain optimal benefits through effective, efficient, and economic use of resources by applying, as appropriate, the core procurement principles and related considerations, which may include life cycle costs and socioeconomic and environmental development objectives of the borrower. Price alone may not sufficiently represent VFM.

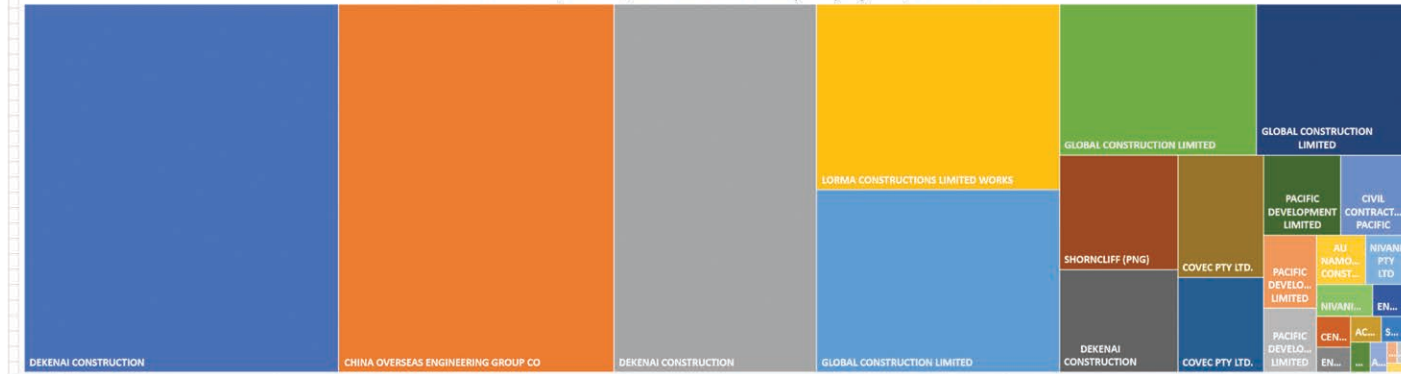
Attachment 1 – Contract Awards Analysis – (identify: source e.g. ADB or WB, country, sector, date range)

Fiscal Year	Project Name	Contract Description	Supplier	Total Contract Amount (USD)
2014	PNG Road Maintenance & Rehab Project II	Upgrade to Seal of Hiritano Highway between Malalaua Station	DEKENAI CONSTRUCTION	34,864,820.12
2016	PNG Road Maintenance & Rehab Project II	Upgrade to Seal of the East Cape Road in Milne Bay Province,	CHINA OVERSEAS ENGINEERING GROUP CO	30,477,096.55
2017	PNG Road Maintenance & Rehab Project II	Output and Performance Based Road Contract for Hiritano Hwy	DEKENAI CONSTRUCTION	22,473,927.97
2016	PNG Road Maintenance & Rehab Project II	Upgrade to Seal of the Hula Road from Gabone to Geno Junctio	LORMA CONSTRUCTIONS LIMITED WORKS	13,594,740.14
2013	PNG Road Maintenance & Rehab Project II	Upgrade to seal of the Hiritano Highway between Inawabul Vi	GLOBAL CONSTRUCTION LIMITED	13,328,167.91
2010	PG-ROAD MAINT. & REHAB	Reconstruction of Gravel Section of Hiritano Hwy between Kep	GLOBAL CONSTRUCTION LIMITED	8,969,882.51
2010	PG-ROAD MAINT. & REHAB	Upgrade to Seal of Magi Highway between Alepa Village and Or	GLOBAL CONSTRUCTION LIMITED	6,778,913.30
2012	PNG-Smallholder Agriculture Development	Contract W.05 for Spot Patching & Drainage Works on Access R	SHORNCLEIFF (PNG)	4,069,187.08
2010	PG-ROAD MAINT. & REHAB	UPGARDE TO SEAL HIRITANO HWY BETWEEN CH 96.5 ANSD 101.0 AND	DEKENAI CONSTRUCTION	3,662,647.03
2012	PNG-Smallholder Agriculture Development	Spot Road & drainage works on access roads in Buusuli, Kaviu	COVEC PTY LTD.	3,167,058.97
2012	PNG-Smallholder Agriculture Development	Contract W.03 - 2 for Spot Patching and Drainage Works on Ac	COVEC PTY LTD.	2,445,268.15
2013	PNG-Smallholder Agriculture Development	Construction of Drainage Works on Oro Incomplete Roads in the	PACIFIC DEVELOPMENT LIMITED	1,847,151.18
2010	PG-ROAD MAINT. & REHAB	CONSTRUCTION OF NO 2 AND 3 CULVERTS IN CENTRAL PRONVINCE	CIVIL CONTRACTORS PACIFIC	1,565,433.85
2012	PNG-Smallholder Agriculture Development	Spot Patching & Drainage Works on Access Roads.	PACIFIC DEVELOPMENT LIMITED	1,170,249.60
2012	PNG-Smallholder Agriculture Development	Spot patching & drainage works on access roads in the Salelu	PACIFIC DEVELOPMENT LIMITED	1,019,539.44
2014	PNG Road Maintenance & Rehab Project II	Routine Maintenance of the Gravel Section of Hiritano Highwa	AU NAMONA CONSTRUCTION LIMITED	726,872.63
2010	PG-ROAD MAINT. & REHAB	Maintenance of Warangoli Bridge in East New Britain Province	NIVANI PTY LTD	593,653.90
2010	PG-ROAD MAINT. & REHAB	Improvements to Gavuvu Bridge Sub-Structure in West New Brit	NIVANI PTY LTD	545,648.81
2013	PNG - Urban Youth Employment Project	YIC Road and Drainage Maintenance	ENGINEERING & CONSTRUCTION SOLUTIONS	323,194.83
2010	PG-ROAD MAINT. & REHAB	Routine Maintenance of gravel section of Magi Hwy between Bu	CENTRAL LUMBER	316,869.38
2013	PNG - Urban Youth Employment Project	YIC for Road and Drainage Maintenance - Kaugere & Kila Kila,	ENGINEERING & CONSTRUCTION SOLUTIONS	259,441.73
2015	Disaster and Climate Resilient Transort	Supply, Installation and Commissioning of 2 Automatic Weathe	ACETECH LIMITED	234,887.92
2015	PNG Productive Partnerships in Agr.	Rehabilitation of Pamkubau Feeder Road, ENB, PNG.	SPS LIMITED	188,103.49
2016	PNG Productive Partnerships in Agr.	Rehabilitation Works for Unapalading No. 1Ward	NIVANI LIMITED	175,341.25
2014	PNG - Urban Youth Employment Project	Management and Job support for the youth job corps and road	AKU ENTERPRISES	152,319.46
2013	PNG - Urban Youth Employment Project	Bush & Grass Cutting, Vegetation Control, General Waste Coll	LAE BUILDERS & CONTRACTORS LTD	62,964.13
2013	PNG - Urban Youth Employment Project	Management and Support Services to the Youth Job Corps for B	CITY MISSION PNG	57,341.21
2013	PNG - Urban Youth Employment Project	Bush and Grass Cutting, vegetation control, general waste co	AKU ENTERPRISES	50,850.26

Contractor	Sum of Total Contract Amount (USD)
DEKENAI CONSTRUCTION	61,001,395.12
CHINA OVERSEAS ENGINEERING GROUP CO	30,477,096.55
GLOBAL CONSTRUCTION LIMITED	29,076,963.72
LORMA CONSTRUCTIONS LIMITED WORKS	13,594,740.14
COVEC PTY LTD.	5,612,327.12
SHORNCLEIFF (PNG)	4,069,187.08
PACIFIC DEVELOPMENT LIMITED	4,036,940.22
CIVIL CONTRACTORS PACIFIC	1,565,433.85
NIVANI PTY LTD	1,139,302.71
AU NAMONA CONSTRUCTION LIMITED	726,872.63
Grand Total	151,300,259.14



Contract Awards, Works, WB financed transport projects, 2010 - 2017



Attachment 2 – Bid Evaluation Report Analysis – (identify nature e.g. ADB, WB, or government financed)

	BER 1	BER 2
Contract name		
Documents reviewed		
Bid evaluation report date		
Bid evaluation committee members (number, chair, and job title of members)		
Bid document type		
No. of bid docs issued		
No. of bids received		
No. of national company bids		
Names of national bidders		
Names of foreign bidders and country		
Reasons for non-responsiveness (e.g. EXP1, EXP2, FIN1, missing data, abnormally low bid etc. and how many bids for each reason)		

continued on next page

Attachment 2 *continued*

Number of responsive bids and countries		
Cost estimate amount		
Award amount		
Currency		
Awarded Contractor name		
Awarded Contractor country		
Contract duration		
Average Annual Turnover criteria		
Financial resources criteria		
Experience criteria for projects completed in last how many years?		
Similar experience amount \$ m		
Similar experience definition		
Key experience criteria		
Awarded bid as % of cost estimate		
Rank of awarded bidder at readout		
Min bid price (readout) as % of cost estimate		
Max bid price (readout) as % of cost estimate		
Comments		

Appendix 2: Determining the Type and Size of Contracts

A2.1 A project will normally involve one or a combination of contract types:

- (i) **Supply contracts.** These involve the supply and delivery of equipment or materials to a project location (or locations under the same bid), and may also include related services, such as installation, testing, and commissioning, and training necessary to meet the overall scope.
- (ii) **Works contracts.** These involve constructing engineered structures, such as roads, bridges, buildings, and irrigation structures like canals or dams.
- (iii) **Contracts for plant.** These comprise the design, supply, and installation of an entire facility, which may include various items of equipment, machinery, and materials, including certain construction works, and are usually a single responsibility contract, such as water or wastewater treatment plants, electricity generation or transmission components, etc.
- (iv) **Consulting services contracts.** These comprise services of an intellectual or advisory nature.
- (v) **Nonconsulting services contracts.** These comprise (i) services for which the physical aspects of the activity predominate and performance standards can be clearly identified and consistently applied as the basis for contracting; or (ii) routine services which, while requiring intellectual and advisory inputs, are based on recognized standard offerings readily available and which do not require evaluation of tailored methodologies or techniques.

A2.2 The objective in determining contract packages is to divide the requirements of the project into a manageable number of appropriate contracts that will encourage participation and competitive pricing by reputable bidders and that will deliver the project's development objectives in the most fit-for-purpose manner while achieving value for money. Considerations in determining packages include

- (i) the magnitude, nature, and location of the project;
- (ii) contract sizes should be as large as practical to attract contractors, suppliers, or service providers in the market and to minimize the number of bid packages, while ensuring effective competition;
- (iii) for projects requiring both civil works and the supply and installation of equipment, separate contracts are usually awarded, and the type of contract is normally determined by which items in the scope dominate, e.g., a certain works contract may include the supply

- of some limited pieces of equipment, and a supply contract may include some installation works that are civil in nature;
- (iv) goods of the same or related nature should be included in a single contract or a single bid package with multiple lots, even if the goods are to be delivered to different locations and/or at different (but not too distant) times;
 - (v) bidding by manufacturers should be facilitated, e.g., by using a single bid package with multiple lots, where each lot includes goods potentially having the same manufacturer;
 - (vi) works to be carried out in different locations (even if they are of a similar nature) may be considered for procurement under separate contracts;
 - (vii) for works, homogeneous contract sections or buildings or other physical facilities need to be determined and assessed against the capabilities of local contractors and the perceived level of interest of foreign contractors;
 - (viii) the manufacturing of a certain product or equipment and other fixtures, and the building containing them for a manufacturing or industrial operation for a certain type of output, can be procured under a single plant contract, where such contracts are normally large and complex, e.g., power plant, water treatment plant, telecommunications system, and similar projects; and
 - (ix) the capacity of the borrower to procure and administer the contracts.

A2.3 Whenever possible, each bid package or contract should be large enough to attract international bidders, normally through the use of international advertising and English language bidding documents. Upon the request of the borrower, national advertising² may be considered where the procurement and market risk assessments demonstrate that

- (i) either (a) foreign contractors, service providers, and/or suppliers are not likely to be interested in bidding or (b) the advantages of international advertising are clearly outweighed by the administrative or financial burden involved, provided procurement procedures are satisfactory to the Asian Development Bank (ADB); and
- (ii) enough domestic contractors, service providers, and/or suppliers are capable of providing the required quantity and quality of works, services, or goods at reasonable costs and within the required time frame.

² In this guidance note, “national advertising” refers to advertising solely in the national press or official gazette, or a free and publicly accessible website. In such cases, the use of local language in bidding documents will be permitted with provisions requiring (i) bids to be submitted in the local language; (ii) bid prices and payment currency limited to local currency; and/or (iii) bid and performance security (if used) restricted to local banks or in forms different from those allowed by ADB for international advertising, provided they are authorized to be used by local procurement laws, rules, and regulations deemed acceptable by ADB.

A2.4 For goods procurement, the nature and value of the goods grouped into each contract package and the conditions of the potential market of supply must be understood. Grouping of dissimilar products in a manner not typically served by specialist suppliers in the market is not generally considered good practice since it may hinder participation of specialist suppliers in favor of brokers.

A. Multiple Contracts

A2.5 For similar but separate construction works or items of equipment, bids should be invited under alternative contract options (lots), i.e., bidders may submit bids for any or all contracts in a multi-contract package, so that both small and large contractors or suppliers can bid for individual contracts or for a group of similar goods or works. Bidders may offer various combinations or discounts for awards of two or more contracts. Bids and combinations of bids are evaluated simultaneously to determine the least-cost combination. A maximum of five contracts (or lots) is recommended to be included in a single package to avoid complicated assessment of possible combinations. Bidders may be evaluated and awarded contracts based on different qualification criteria, i.e., annual turnover and financial resources, for different contracts (lots).³ The method of evaluating and awarding the contracts must be clearly stated in the bidding documents.

B. Complex Contracts

A2.6 Normally the borrower will provide the design and specifications, the winning bidder will deliver the goods or construct the physical facility, and the borrower's representatives or engineers will supervise the performance of the contract. Bidding starts when the engineering designs are ready so suppliers and contractors will be able to quote prices for the goods and/or works desired and in accordance with borrower-provided designs and specifications.

A2.7 When a large, complex contract is to be undertaken, the borrower may consider that completing all the engineering designs and specifications before selecting the contractor may not be efficient, in which case the design work is included in the scope of the contract to be bid out. Thus, a single-responsibility design, supply, and install contract should be considered.

A2.8 In the context of ADB-financed and ADB-administered projects, particularly for a contract for plant, another dimension in classifying the type of contract is whether it is a turnkey contract, in which the engineering, the design,

³ Experience-related criteria should not be aggregated in multiple contracts criteria. By meeting the "experience in similar contracts" or "experience in key activities" criteria for the highest experience among the contracts (lots), a bidder will almost always have sufficient capacity to successfully perform all contracts (lots), subject to the size of its operations (as determined by its average annual turnover) and its access to sufficient financial resources, equipment, and key personnel.

the supply of equipment, and the construction and commencement of operations of a complete plant are provided through a single contract, including commissioning and training. In this case, the borrower requires the delivery of a fully-equipped facility from the contractor, ready for operation (or turnkey). Usually, the contractor carries out all the engineering, procurement, and construction works, in which case a turnkey contract is also termed an engineer–procure–construct (EPC) contract. EPC contracts, which have the advantage of less risk and administrative burden on the borrower, normally involve little or no underground works.

A2.9 While a single-responsibility contract has advantages, the borrower will have less control over the design and may have difficulty imposing varied requirements during contract implementation. In addition, the more responsibility given to the contractor, the less the borrower's role in administering the contract. More responsibility means more risk taken by the contractor, with the expectation of higher contract prices to accommodate this. Successful implementation of such approach requires involvement of specialized consultants who (a) at the time of bidding document preparation, are familiar with the preparation of performance specification (sometimes called design brief) rather than conformance specifications (typically detailed drawings and specification) and b) at the time of contract implementation, have the necessary expertise to review the contractor's design and to supervise the works in conformity with the design brief and approved design.

A2.10 Depending on the capacity and experience of executing agencies, project teams may consider contract forms other than those provided in ADB's standard bidding documents, such as internationally-recognized forms for design–build, design–build–operate, operation and maintenance, turnkey, or EPC contracts. In all cases, ADB's bidding procedures will be used, including project-specific particular conditions of contract.

Appendix 3: Selecting the Bidding Procedure

A. Summary of Bidding Procedures

A3.1 The appropriate bidding procedure depends largely on the type and complexity of the procurement contract (Asian Development Bank (ADB) Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services [2017, as amended from time to time], Appendix 3). ADB generally uses four bidding procedures:

- (i) single-stage-one-envelope,
- (ii) single-stage-two-envelope,
- (iii) two-stage, and
- (iv) two-stage-two-envelope.

A3.2 The single-stage-one-envelope procedure is generally recommended due to its efficiency (the procedure has fewer steps requiring approval and there is no need to evaluate bids that have no realistic chance of winning, due to having a high bid price) and transparency (price envelopes are opened immediately). However, the other procedures may be used when appropriate. Table A3 describes each of these procedures.

Table A3: Summary of Bidding Procedures

1. Single-Stage-One-Envelope	Often used for goods, works, and nonconsulting services contracts
Bidders submit their bids in one envelope containing both the technical and financial proposals	
(i)	The borrower opens bids in public on the date, time, and place specified in the bidding document. ^a
(ii)	Relevant information should be read out and recorded. It should include each bidder's total bid price (and price for any alternative bids, if they have been requested or permitted).
(iii)	The borrower evaluates technical and financial proposals in parallel, enabling the borrower to evaluate the technical proposals of only those bidders that have a realistic chance of being first-ranked, due to their financial proposals. No amendments to the technical proposals are permitted.
(iv)	Bids are evaluated and ranked in accordance with the bidding document, and the first-ranked bidder is awarded the contract.

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Table A3 *continued*

2. Single-Stage-Two-Envelope	Used generally for consulting services, but also applies to procurement of goods, works, and nonconsulting services contracts, if suitable
Bidders submit two sealed envelopes simultaneously—one containing the technical proposal and the other the financial proposal, enclosed together in an outer single envelope.	
<ul style="list-style-type: none"> (i) Technical proposals are opened first, while the financial proposals remain sealed and held in custody of the borrower. (ii) The objective of this procedure is to allow the borrower to evaluate the technical proposals without reference to price. Any technical proposals assessed as nonresponsive (including not meeting any specified minimum technical score) will be rejected and the unopened financial proposal will be returned to the bidder. No amendments to the technical proposals are permitted. (iii) Financial proposals of all technically and commercially responsive bidders are opened at a date and time notified to those bidders. Relevant information to be read out and recorded includes each bidder's technical score (if applicable) and total bid price (and price for any alternative bids if they have been requested or permitted). The <i>Guidance Note on Consulting Services Administered by ADB Borrowers</i> provides further details. (iv) Financial proposals are evaluated, taking into account each bidder's technical score (if applicable). Bids are evaluated and ranked in accordance with the bidding document, and the first-ranked bidder is awarded the contract (or invited to contract negotiations in the case of consulting services). 	
3. Two-Stage	Used for large and complex works (including plant and turnkey contracts) and nonconsulting services of special nature (e.g., information and communication technology systems)
Bidders submit first-stage technical proposals only and, later, second-stage bids in one envelope containing a financial proposal and revised technical proposal.	
<ul style="list-style-type: none"> (i) Bidders first submit unpriced technical proposals that address the technical requirements described in the first-stage bidding document. (ii) Technical proposals are evaluated by the borrower and discussed with the respective bidders that meet the qualification criteria and any minimum technical requirements.^b Any deficiencies, extraneous provisions, and unsatisfactory technical features are pointed out to the bidders, whose comments are carefully evaluated.^c The objective of this procedure is to ensure that all technical proposals conform to the same acceptable technical standard and meet the technical solution required by the borrower. First-stage bids that do not meet the qualification criteria are rejected in the first stage. (iii) A second-stage bidding document (potentially including revised technical specifications) is issued to each qualified first-stage bidder, inviting them to submit a revised technical proposal and financial proposal, along with a memorandum of changes describing (i) the revisions required to meet the technical specifications and/or (ii) amendments to the minimum technical requirements, if any. (iv) Second-stage technical and financial proposals are opened together at a date and time advised by the borrower. In setting the date, the borrower should allow sufficient time for bidders to incorporate the changes required for technical proposals and to prepare financial proposals. (v) Bids are evaluated and ranked in accordance with the bidding document, and the first-ranked bidder is awarded the contract. 	

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Table A3 *continued*

4. Two-Stage-Two-Envelope	Used for complex goods, works, and nonconsulting services
<p>In the first stage, bidders submit two sealed envelopes simultaneously—one containing the technical proposal and the other the financial proposal, enclosed together in an outer single envelope. In the second stage, bidders submit one envelope containing both a supplementary (revised) financial proposal and revised technical proposal.</p>	
<p>(i) Technical proposals that address the technical requirements described in the first-stage bidding document are opened, while the financial proposals remain sealed and held in custody of the borrower.</p> <p>(ii) Technical proposals are evaluated by the borrower and discussed with the respective bidders that meet the qualification criteria and any minimum technical requirements.^b Any deficiencies, extraneous provisions and unsatisfactory technical features are pointed out to the bidders, whose comments are carefully evaluated.^c The objective of this procedure is to ensure that all technical proposals conform to the same acceptable technical standard and meet the technical solution required by the borrower. First-stage bids that do not meet the qualification criteria are rejected in the first stage.</p> <p>(iii) A second-stage bidding document (potentially including revised technical specifications) is issued to each qualified first-stage bidder, inviting them to submit a supplementary (revised) financial proposal and revised technical proposal, along with a memorandum of changes describing the revisions to the first-stage bid required to meet the revised technical specifications. A supplementary financial proposal varies from the original financial proposal only to the extent necessary for the first-stage technical proposal to meet the final technical specifications. The revised technical proposals, original financial proposals, and supplementary financial proposals are opened at the date and time indicated in the second-stage bidding document.</p> <p>(iv) Bids are evaluated and ranked in accordance with the bidding document, and the first-ranked bidder is awarded the contract.</p>	
<p>^a For all bidding procedures: (i) bids are opened on the date, time, and place specified in the bidding document or notified to bidders; (ii) bidders or their representatives can be present in person (or online, when electronic bidding is used); (iii) the names of the bidders and other relevant information, including any discounts, the presence of a bid security or bid-securing declaration, as applicable, are read aloud (and posted online when electronic bidding is used) and recorded when opened; (iv) a copy of the bid opening record is promptly sent to all bidders (and to ADB in the event of prior review); (v) bids received after the time stipulated, as well as those not opened and read out at bid opening, are not considered; and (vi) when electronic bid submission is used, an online bid opening procedure acceptable to ADB should be employed and any reference to “envelopes” would be replaced by the equivalent electronic arrangements.</p>	
<p>^b The bidding document should have flexibility to allow the borrower to advance a bid to the second stage of bidding even if it does not meet any or all minimum technical requirements, e.g., to ensure a level of effective competition in the second stage, or where it becomes apparent that a minimum technical requirement(s) is unrealistic, restrictive, or inappropriate.</p>	
<p>^c Discussions are beneficial for bidders to better understand the borrower’s technical requirements and for the borrower to better understand the available technical solutions. However, if the borrower is concerned about the transparency of such discussions, its ability to discuss technical matters especially in English, or inadvertent disclosure of information about other bids, the clarification and discussion step may be avoided.</p>	

Source: Asian Development Bank.

B. Single-Stage versus Two-Stage Bidding Procedures

A3.3 For simple and straightforward contracts, a single-stage procedure will normally be sufficient. However, some contracts may be so complex that it is undesirable or impractical to prepare complete technical specifications for bidding, such as

- (i) turnkey (design, supply, and/or construction) contracts;
- (ii) contracts for large complex facilities;
- (iii) complex or sophisticated infrastructure, equipment, or nonconsulting services; or
- (iv) contracts involving complex information and communication technology.

A3.4 Even if the technical specifications are complete, the complexity of such contracts means that (i) there may be issues or deficiencies in the specifications or contractual arrangements unforeseen by the borrower or its consultants, and/or (ii) bids may have deficiencies unforeseen by the bidders due to misunderstandings about the specifications. In a single-stage process, such issues cannot be addressed during the bidding after the bids have been submitted, creating potential for implementation risks and delays or even a failed bidding process.

A3.5 Therefore, the above complex contracts are more conducive to procurement through a two-stage bidding procedure that allows both the borrower and bidders a second chance to become aware of and address the issues they have misunderstood or not foreseen. Bidders also have the opportunity to test innovations or alternative technical solutions against the specifications without risk of their bids being rejected in the first stage. Properly conducted, this process leads to competitive and quality bids transparently evaluated against accurate specifications, leading to a successful procurement outcome.

A3.6 During clarification discussions with bidders and when inviting second-stage technical and financial proposals, the confidentiality and intellectual property rights of each bidder's first-stage technical proposal must be maintained, including in any revisions to the specification.

A3.7 A disadvantage of two-stage bidding is that if only one first-stage bid meets the qualification criteria and is assessed as suitable to progress to the second stage, the bidding process must be cancelled. This is to avoid a situation where that sole bidder can submit its price bid in the second stage in the absence of any competition. However, this situation can be avoided through the use of two-stage-two-envelope bidding, in which first-stage technical proposals are accompanied by a sealed financial proposal. Following finalization of the technical specifications at the end of the first stage, the revised technical proposals are accompanied by a revised financial proposal. The revisions must only address the changes to the bidder's first-stage technical proposal necessary to meet changes to the technical specifications. Even if only one bid is received, the two-stage-two-envelope process can continue to contract award, since the bidder's first-stage financial proposal was submitted in a competitive environment and there are controls over the extent to which that financial proposal can be revised at the second stage.

Appendix 4: Special Considerations for Procurement of Information Technology

A. Introduction

A4.1 Procurement of information technology (IT) and associated services falls broadly into two categories. The first is relatively straightforward: that of off-the-shelf software, hardware, and services. Typical examples of these will include laptops, desktops, printers, basic servers, smartphones, and productivity applications, such as word processing and spreadsheets. This is commonly referred to as “run” procurement, in that it secures the basic resources to keep an operation running and is not strategic in nature.

A4.2 The second is significantly more complex, and can include enterprise resource planning systems, core financial and banking systems, implementation services, testing, managed services, cloud apps, systems integration, internet service provider provision, outsourcing of IT support, communications hard and soft infrastructure, cybersecurity systems and services, web hosting, etc. The supply market has also become significantly more diversified. It is moving away from on-premise, client-owned, customized solutions toward solutions, such as software as a service, hardware as a service, managed services that combine both, cloud-based solutions, and hosted solutions. This may be described as “innovation” procurement.

A4.3 Each category requires a fundamentally different approach to the market to secure value for money (VFM). Run procurement should employ traditional approaches to the market of offer and acceptance. Given the repeatable nature of the requirements, it is well-suited to long-term supply agreements of around 3 years in duration. Innovation procurement must be approached differently. There are many examples of IT procurement failing to deliver the benefits foreseen in both the public and private sector, as procurement for innovation has been treated as run procurement to which the market will respond in a uniform manner. It does not. Procurement for innovation must be an adaptive and iterative process. This is described as “agile” within the industry and is fully consistent with the Asian Development Bank’s core procurement principles.

B. Run Procurement

A4.4 Run procurement is suitable for off-the-shelf standard procurement of hardware, software, and services. When the requirement is large enough and repeatable, and there is a benefit to operational standardization, e.g., laptops, smartphones, printers, and productivity applications, such as word processing or

spreadsheets, the requirements should be incorporated into long-term supply agreements. These may also be described as framework contracts and are usually 3 years in duration. They are ideal for incorporating into catalogs, a functionality provided by best-in-class electronic procurement systems.

A4.5 The advantages of this aggregation are threefold, all of which contribute to achieving better VFM:

- (i) Aggregation will lead to a more attractive contract to suppliers and almost all suppliers will offer better discounting levels for higher volumes.
- (ii) Transaction costs and delivery times will significantly reduce for future requirements, as they will be met by ordering documents under the supply agreement, not a new procurement exercise.
- (iii) Costs of ownership, servicing, and spares or consumables holding (when relevant) will be reduced through standardization.

A4.6 The approach to market will depend on what is being purchased. When items from competing suppliers can be compared, such as with laptops, printers, and photocopiers, traditional procurement methods are appropriate. Requests for quotations (shopping) or open competitive bidding will deliver the best value and it is possible to have competition between brands. In these cases, it is important to factor the cost of consumables and servicing into the purchasing decision. These costs will often be greater than the initial purchase costs. Accurately forecasting the life cycles of the equipment requires that suppliers provide price information on the costs of consumables, support, or parts as appropriate, and that these are factored into the evaluation process. When possible, these life cycle factors should also be included into the scope of the contract, so their pricing can be secured.

A4.7 When specific software or hardware is required to be integrated into an existing IT ecosystem, such as servers, network switches, local area network accelerators, teleconferencing, or version upgrades of existing software, competition is often limited, with one or few accredited distributors in the market. Large software and hardware suppliers normally limit the number of distributors they supply through and will normally only supply through these distributors and not directly to clients.

A4.8 At times, the distributors will compete for business with customers, although the competition on price will be limited to the margin they apply to the suppliers' pricing to them. Other suppliers will allocate customers to distributors based on a number of mechanisms, such as first-come-first-served, geographic location, or industry sector. In these cases, price competition is not possible, and pricing will have to be negotiated.

A4.9 Therefore, it is essential to identify two issues in the procurement planning stage to determine an optimal approach to the market: (i) the choices and barriers to switching from existing hardware, software, or services for the organization and (ii) the structure of the market. These will determine if a competitive approach is possible or a negotiated approach with direct contracting should be used.

A4.10 When competition is not possible, it is important to seek alternative benchmarks to ensure VFM. The internet is always a useful starting point. For higher-value procurement, the use of a specialized consultancy service to advise on both pricing and negotiations is also possible.

C. Procurement for Innovation

A4.11 Procurement for innovation is almost always a brownfield activity, i.e., it is not an independent and stand-alone exercise. There is a need to maintain and integrate with existing software and hardware infrastructure and in-house capacity. The need to maintain the value and function of existing investments will constrain the ability to source competitively. Once the investment decision is made, it will result in a long-term dependence on the supplier, as the switching costs of replacement are often prohibitive.

A4.12 Traditionally, IT procurement for innovation has performed poorly and frequently results in suboptimal VFM outcomes. There are several reasons for this:

- (i) the assumption that competition will always exist in the market;
- (ii) an arm's length, adversarial relationship is used;
- (iii) the faulty assumption that it is a buyer's market, whereas the best-in-class suppliers are selective about the clients they take on;
- (iv) procurement as compliance-based, not outcomes-based;
- (v) technology changes rapidly, where the current technology described in a bidding specification may be out of date, unavailable, and/or overpriced by the time the contract is actually awarded;
- (vi) specifications can be poorly defined and, in some cases, can deviate significantly from the real requirements of the business;
- (vii) costings can be inaccurate, typically where the requirement's complexity is underestimated or some technical challenges are unforeseen; and/or
- (viii) a custom-build mind-set exists, forcing multiple adaptations on the supplier's side to match preexisting, old systems, or manual processes.

A4.13 Perhaps the greatest challenge in IT procurement is the information asymmetry on two counts: (i) the supplier knows its product's features and functionality well, but its potential client's processes and objectives very little, if at all; and (ii) the reverse is true for the client, although in many cases, objectives are not clearly expressed or identified at the outset.

A4.14 The custom-build mind-set can also be exceptionally harmful. Most robust applications and systems are ready to use “out-of-the-box.” They are relatively easy to configure if a buyer can adapt itself to the standard systems and processes on offer. This will start getting more expensive as soon as customizations start being requested. The more of these required, the less robust and stable the system will become. Furthermore, maintaining the custom-built system in an operational state and through upgrades will become increasingly expensive. The key message is that buyers should, to the maximum extent possible noting the long-term dependence risk, adapt themselves—not adapt systems to themselves.

A4.15 Procurement of IT for innovation must be flexible, iterative, and adaptive. It should not be treated as a linear process. If it is, the chances of failure during implementation are higher than those of success.

A4.16 When planning IT procurement, nontraditional models should be considered. A qualitative approach should be taken and include substantial market research. This can be carried out through a request for information (RFI). The RFI should first identify the market, then refine and reduce the number of potential suppliers based on predetermined metrics. These could include

- (i) fit with existing infrastructure;
- (ii) fit with existing processes;
- (iii) global presence;
- (iv) market share and vision (leading IT consulting companies constantly review and update market share and vision);
- (v) local ability to support and implement any solution purchased;
- (vi) organizational level at which the supplier is engaged (the higher it is, the better); and/or
- (vii) any preexisting relationship with the supplier (the better they understand a client, the better they are likely to perform).

A4.17 The RFI stage will produce a shortlist of qualified and suitable suppliers and, on occasion, a single supplier. If there is more than one supplier, there are two possible approaches to conclude the selection phase. The first is to invite the shortlisted suppliers to demonstrate proof of concept. The second is to enter into a two- or multiple-stage bidding process.

A4.18 In the case that the selection will be made based upon proof of concept (which the buyer may have to pay for), the competing suppliers are required to demonstrate the viability and function of their system or application within the test environment of the purchaser. They will also be required to provide budgetary proposals for licensing or subscriptions, implementation, and maintenance. The selection criteria should be predetermined, shared with competing suppliers, and be a combination of best fit and functionality. The option to hold simultaneous price and scope negotiations through a competitive negotiation process should be available.

A4.19 The second option, which is to adopt a multiple-stage bidding process, is closer to traditional methods of procurement and will normally be more readily accepted by oversight agencies. Bidders are required to submit unpriced, preliminary technical proposals against a well-defined technical specification, where the client bears the design risk, or against a functional or performance specification, to attract technical solutions that may be innovative or not known to the client. These are then reviewed and evaluated. Bidders are then informed of the modifications they are required to do on their proposals to bring them to a comparable standard and invited to update their preliminary proposals. Once all technical proposals are on a similar enough basis to allow a like-for-like comparison, price proposals are invited.

A4.20 In both circumstances, price remains an important, but secondary, consideration. Generally, it should be given a weight of 10% to 40%.

A4.21 Governance is an important issue and any evaluation in support of a proposed selection would be expected to cover

- (i) the expected cost of the investment, both direct and indirect over its life cycle;
- (ii) the functionality provided by the investment;
- (iii) the gains in efficiency that it brings;
- (iv) the potential sunk and switching costs, e.g., those that would be written off should the buyer not extend the relationship;
- (v) the importance of the investment and/or criticality of the equipment, system, or service to operations (low, medium, or high);
- (vi) the expected tenure of the relationship, normally longer than the initial contract;
- (vii) the alternatives to the existing equipment, system, or service, including the costs of the same; and
- (viii) the point in time when the investment will be fully reviewed.

A4.22 It is advisable to create a procurement steering committee or similar structure to oversee the process from the inception through to completion. The implementation team should report periodically to the steering committee. The steering committee would normally be composed of the head of the functional business unit; the head of IT; the head of procurement; and, if there are implications for financial systems, the head of finance.

Appendix 5: Questionnaire to Executing Agency / Implementing Agency

	Question	Response
A	ORGANIZATIONAL AND STAFF CAPACITY	
	The procuring agency	
A1	Name of agency that would undertake day-to-day procurement and contract management activities	
A2	Description of the agency (Year established, ownership, number of staff, main business field, annual budget / revenue). Please provide a copy of the organization structure, and of the legal document for establishment of the agency	
A3	Type of infrastructure or services the agency is responsible for construction and operation (approximate proportions related to civil works, building works, goods supply, IT systems, or other)	
A4	Number of years experience of the agency in similar activities to those proposed in the project? (If none, what other kind of civil works / building construction / services or operations has it been involved in?)	
A5	Does the agency have experience of procurement of similar packages to those required in this project. Please provide details using the attached form. If experience of donor financed procurement is available please provide it, otherwise provide details of government / self-financed procurement.	
A6	Name of agency that will operate and maintain the facilities provided under the project. Are they already experienced in such a role and have the required resources?	
	Procurement Department / Unit	
A7	Procurement / supply department and contract management department exist? (number of staff in each, roles)	
A8	Is there only one committee involved in procurement (bidding committee) or more than one committee (e.g. bidding committee, bid evaluation committee, bid opening committee, etc.)?	
A9	Is the Procurement Committee independent from the head of the agency?	

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Table A5 *continued*

	Question	Response
A10	Does the agency have a procurement department/unit, including a permanent office that performs the function of a Secretariat of the Procurement Committee?	
A11	If yes, what type of procurement does it undertake?	
A12	Description of the bid evaluation committee composition (who chairs the committee, how many members, how to ensure necessary specialist expertise)	
A13	Is it a legal requirement for procurement committee members to have a formal procurement qualification, and do the members typically have such qualification?	
A14	How many years' experience does the head of the procurement department/unit have in a direct procurement role?	
A15	How many staff in the procurement department/unit are: (i) full time (ii) part time (iii) Seconded	
A16	Do the procurement staff have a high level of English language proficiency (verbal and written)?	
A17	Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	
A18	Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	
A19	Does the agency have, or have ready access to, a procurement training program?	
A20	At what level does the department/unit report (to the head of agency, deputy etc.)?	
A21	Do the procurement positions in the agency have job descriptions, which outline specific roles, minimum technical requirements, and career routes?	
A22	Does the agency use e-procurement? Which system? Has the e-procurement system been approved for use in ADB projects. Has it previously been used by ADB or other multilateral donor financed projects?	
A23	Is there a procurement process manual for goods and works?	
A24	If there is a manual, is it up to date and does it cover foreign-assisted projects?	
A25	Is there a procurement process manual for consulting services?	
A26	If there is a manual, is it up to date and does it cover foreign-assisted projects?	

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Table A5 *continued*

	Question	Response
	Project Management Unit	
A27	Is there a fully (or almost fully) staffed PMU for this project currently in place?	
A28	Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	
A29	Description of proposed procurement team (i.e. would the work be assigned to an existing procurement department, or would the work be by a separate project management unit, how many proposed members and whether full time or part time, whether the team is already formally established or not)	
A30	If lacking expertise in procurement / construction / operation of the works / goods / services in the project, from where will the agency obtain the necessary resources and how will those resources contribute to the project e.g. by technical review of designs/ cost estimates, by participation in committees, by secondment of staff (on full time or part time basis) or by recruitment?	
A31	Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	
A32	Description of standard bidding documents in use (e.g. donor templates, government templates, or agency templates)	
A33	Is the agency required to follow the national procurement law, procurement processes, and guidelines?	
A34	Do ToRs for consulting services follow a standard format such as background, tasks, inputs, objectives, and outputs?	
A35	Who drafts the procurement specifications?	
A36	Who approves the procurement specifications?	
A37	Who prepares cost estimates, and who approves them? Are cost estimates made based on government cost norms and government established unit rates, or based on reference to market data such as recent projects and suppliers?	
A38	Who in the PMU has experience in drafting bidding documents? Who decides procurement packaging and methods to be used, determines the procurement plan?	
A39	Are records of the sale of bidding documents immediately available?	
A40	Who identifies the need for consulting services requirements?	
A41	Who drafts the Terms of Reference (ToR)	
A42	Who prepares the request for proposals (RFPs)	

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Table A5 *continued*

	Question	Response
B	INFORMATION MANAGEMENT	
B1	Is there a referencing system for procurement files?	
B2	Are there adequate resources allocated to record keeping infrastructure, which includes the record keeping system, space, equipment, and personnel to administer the procurement records management functions within the agency?	
B3	Does the agency adhere to a document retention policy (i.e. for what period are records kept)?	
B4	Are copies of bids or proposals retained with the evaluation?	
B5	Are copies of the original advertisements retained with the pre-contract papers?	
B6	Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	
B7	Are copies of invoices included with the contract papers?	
B8	Is the agency's record keeping function supported by IT?	
C	PROCUREMENT PRACTICES	If the agency has donor experience, please describe processes applied on donor projects. If the agency does not have donor experience, please describe processes applied for government/self-financed procurement.
	Goods and Works	
C1	Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 5 years)? If yes, indicate the names of the development partner/s and project/s.	
C2	If the answer is yes, what were the major challenges faced by the agency?	
C3	Is there a systematic process to identify procurement requirements (for a period of one year or more)?	
C4	Do you publish procurement advertisements on a procurement portal?	
C5	Are bidding documents made available for free? If not, what is the fee structure? Is there a risk that bidders have to purchase a bid document, and then find that they do not meet the qualification criteria or that the specification cannot be met by their product, and thus waste their money?	
C6	Is there a minimum period for the preparation of bids and if yes, how long?	

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Table A5 *continued*

	Question	Response
C7	Are all queries from bidders replied to in writing?	
C8	Does the bidding document state the date and time of bid opening?	
C9	Are bids opened in public?	
C10	Where are procurement opportunities advertised and for how many days/ times. Do the advertisements give sufficient information for bidders to make a decision on whether or not it is of interest? Please give some example advertisements.	
C11	Can late bids be accepted?	
C12	Can bids (except late bids) be rejected at bid opening?	
C13	Are minutes of the bid opening taken?	
C14	Are bidders provided a copy of the minutes?	
C15	Are the minutes provided free of charge?	
C16	Who undertakes the evaluation of bids (individual(s), permanent committee, ad-hoc committee)?	
C17	What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	
C18	Is the decision of the evaluators final or is the evaluation subject to additional approvals (not including ADB)? Approval is required by which persons / agencies?	
C19	Using the three 'worst-case' examples in the last year, how long from the issuance of the invitation for bids can the contract be awarded?	
C20	Are there processes in place for the collection and clearance of cargo through ports of entry?	
C21	Are there established goods receiving procedures?	
C22	Are all goods that are received recorded as assets or inventory in a register?	
C23	Is the agency/procurement department familiar with letters of credit?	
C24	Does the procurement department register and track warranty and latent defects liability periods?	
	Consulting Services	
C25	Has the agency undertaken foreign- assisted procurement of consulting services recently (last 5 years)? (If yes, please indicate the names of the development partner/s and the Project/s.)	
C26	If the above answer is yes, what were the major challenges?	
C27	Are assignments and invitations for expressions of interest (EOIs) advertised?	

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Table A5 *continued*

	Question	Response
C28	Is a consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?	
C29	What criteria are used to evaluate EOIs?	
C30	Historically, what is the most common method used (QCBS, QBS, etc.) to select consultants?	
C31	Do firms have to pay for the RFP document?	
C32	Does the proposal evaluation criteria follow a pre-determined structure and is it detailed in the RFP?	
C33	Are pre-proposal visits and meetings arranged?	
C34	Are minutes prepared and circulated after pre-proposal meetings?	
C35	To whom are the minutes distributed?	
C36	Are all queries from consultants answered/addressed in writing?	
C37	Are the technical and financial proposals required to be in separate envelopes and remain sealed until the technical evaluation is completed?	
C38	Are proposal securities required?	
C39	Are technical proposals opened in public?	
C40	Are minutes of the technical opening distributed?	
C41	Do the financial proposals remain sealed until technical evaluation is completed?	
C42	Who determines the final technical ranking and how?	
C43	Are the technical scores sent to all firms?	
C44	Are the financial proposal opened in public?	
C45	Are minutes of the financial opening distributed?	
C46	How is the financial evaluation completed?	
C47	Are face to face contract negotiations held?	
C48	How long after financial evaluation is negotiation held with the selected firm?	
C49	What is the usual basis for negotiation?	
C50	Are minutes of negotiation taken and signed?	
C51	How long after negotiation is the contract signed, on average?	
C52	Is there an evaluation system for measuring the outputs of consultants?	

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Table A5 *continued*

	Question	Response
	Payments	
C53	Are advance payments made?	
C54	What is the standard period for payment included in contracts?	
C55	On average, how long is it between receiving a firm's invoice and making payment?	
C56	When late payment is made, are the beneficiaries paid interest?	
D	EFFECTIVENESS	
D1	Is contractual performance systematically monitored and reported?	
D2	Does the agency monitor and track its contractual payment obligations?	
D3	Is a complaints resolution mechanism described in national procurement documents?	
D4	Is there a formal non-judicial mechanism for dealing with complaints?	
D5	Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment?	
E	ACCOUNTABILITY MEASURES	
E1	Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	
E2	Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	
E3	Is the commencement of procurement dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	
E4	Who approves procurement transactions, and do they have procurement experience and qualifications?	
E5	Which of the following actions require approvals outside the procurement unit or the evaluation committee (but not including ADB), as the case may be, and who grants the approval? (a) Bidding document, invitation to pre-qualify or RFP (b) Advertisement of an invitation for bids, pre-qualification or call for EOIs (c) Evaluation reports (d) Notice of award (e) Invitation to consultants to negotiate (f) Contracts	

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Table A5 *continued*

	Question	Response
E6	Is the same official responsible for: (i) authorizing procurement transactions, procurement invitations, documents, evaluations and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	
E7	Who signs contracts?	
E8	Who administers the contract (signing correspondence with the contractor / supplier / consultant)?	
E9	Who has final approval of making payments to contractors / suppliers / consultants?	
E10	How are award notices published? Please give a copy of an example award notice.	
E11	Do award notices provide sufficient detail on reasons for rejection to enable bidders to receive feedback and learn from their failure? If not, do you use any other method to communicate such information to the market / its potential suppliers?	
E12	For large works contracts under FIDIC conditions of contract does the agency assign a consulting firm to be the Engineer? Does the consulting firm act as an independent party to determine value of variations or is that carried out by the agency?	
E13	For goods contracts does the agency assign a consulting firm to act on its behalf, or does it administer contracts itself?	
E14	Does the agency maintain a register of debarred firms based on their non-performance or fraudulent actions? Is it supported by objective evidence such as the client's contract termination, imposition of liquidated damages, or court determinations? Is there a right of appeal of debarred firms?	
E15	Is there a written auditable trail of procurement decisions attributable to individuals and committees?	
F	PROCUREMENT FOR THE PROPOSED PROJECT	[Questions in this section may be modified according to the nature of the project]
F1	If already available, please list the proposed procurement packages to be financed by ADB and their estimated contract amounts. Also packages proposed to be fully financed by other sources.	

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Table A5 *continued*

	Question	Response
F2	Regarding the procurement packages to be procured (works, goods, consulting services, and IT packages) what is your assessment of the market for each of those packages or types of packages (identify for each package 5 potential bidders that you would like to participate. Are there any reasons why they might not participate? What is the ideal number of bids you would like to receive to give a balance between competition and administrative burden? Is there a risk of insufficient competition in the bidding, or too many bids? Are there any bidders or types of bidders that you would not like to participate, or issues that give you concern?)	
F3	How was the performance of your contractors / suppliers for major recent works, goods, consulting services, IT system contracts? Any lessons learnt?	
F4	Please provide a draft implementation schedule for your procurement packages showing the timing of design, procurement, and implementation. Please make allowance for approvals steps.	
F5	For each of the proposed procurement packages to be financed by ADB: <ul style="list-style-type: none"> (a) Approx. how many firms in your locality / county would likely meet qualification requirements for such work? (b) Approx. how many bids would you expect for such packages under least cost bidding under ADB regulations? What is the basis for your estimation? (c) Do you anticipate that open bidding might result in excessive numbers of bids or negative behavior (e.g. abnormally low bids, dishonest bids) that might dissuade participation of quality bidders? If so, do you feel pre-qualification is advisable? (d) Do you propose conventional design - bid - build approach for all contracts, or alternatives such as design - build or EPC? (e) Any other innovative procurement features that you propose? 	
F6	If your proposed procurement packages to be financed by ADB include building construction <ul style="list-style-type: none"> (a) do you propose procurement as a single package, or separate packages for civil works and Mechanical and Electrical works? Please state your reasons. (b) In your experience are design institutes in the locality / country able to prepare good quality drawings, specifications, bills of quantities for the proposed package if including both civil and M&E works? 	

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Table A5 *continued*

	Question	Response
F7	<p>If your proposed procurement packages to be financed by ADB include IT systems</p> <p>Is this proposed as a single package (with or without lots?), or for shopping? If lots please identify the lots and costs, and if by shopping please advise approximate number of contracts. Please give reasons for your proposed packaging.</p> <p>Is the product you envisage a readily available off-the shelf product, or is it so unique that it would need to be custom made? If an off the shelf product would it require substantial customization? Please provide the names of 5 potential suppliers of the proposed IT system considering both suppliers of off the shelf systems and software design houses as appropriate.</p> <p>Approximately how many suppliers are available for the proposed packaging option? How many bids would you expect for the proposed packaging option?</p> <p>Are the products of different suppliers different thus making it difficult to prepare a specification that can be met by all suppliers? If so, how do you propose to deal with this?</p>	

Reference Question A5 - Procurement experience of the Agency

Please provide information for at least 3 Case Studies of previous experience of the agency. Attach copies of bidding documents and bid evaluation reports.

Item	Case study 1	Case study 2	Case study 3
Contract name / description			
Date bid docs issued			
Date contract awarded			
Bid document type (goods, works, IT etc.)			
No. of bid docs issued			
No. of bids received			
No. of bids from the same province as the client and their names			
No. of bids from companies outside the province and their names			
Number of non-responsive bids and reasons for non-responsiveness			
Number of responsive bids			
Cost estimate			
Award amount			
Awarded Contractor			
Contract duration			
Qualification criteria for annual turnover			
Qualification criteria for financial resources			
Qualification requirement for similar experience			
Comments on success or otherwise of the procurement, and how it met good procurement practice			

Strategic Procurement Planning

Guidance Note on Procurement

This guidance note aims to assist borrowers in developing a procurement strategy and procurement plan for projects financed in whole or in part by an ADB loan or grant, or by ADB-administered funds. Effective and strategic procurement planning helps ensure that fit-for-purpose procurement approaches are developed to achieve value for money and the project's development objectives. The note enables borrowers to take a flexible approach to developing a procurement strategy and procurement plan, applying tools and techniques widely used across public and private sector organizations to provide the necessary information to make sound procurement decisions.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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