Chapter 12

Procurement (Summary of Procurement Manual)

1. GENERAL

Sound public procurement is vital for ensuring success of a Project through promoting good governance and better fiscal management with economy and efficiency. Under the World Bank-financed Projects the Procurement procedure of the World Bank is required to be followed. This is essential to make the expenditure eligible for reimbursement.

The Articles of the agreement requires the Bank to ensure that the proceeds of Loan/Credit are used for the purposes intended with due attention to economy and efficiency. Accordingly, the Bank has developed Guidelines for procurement of Goods, Works and Consultancy, which represent:

- Accumulated Experience of the Bank/IDA and
- Good Public Procurement practices on a Global scale.

The World Bank Guidelines explain the various procedures acceptable and these are applicable only to the extent provided in the Legal Agreements for specific projects. The guideline adopted for the project are:- "Selection And Employment of Consultants under IBRD Loans And IDA Credits & Grants by World Bank Borrowers January 2011" and “Procurement Of Goods, Works, And Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers January 2011”

1.1 Consideration for Procuring Goods under World Bank Financed Projects

- Need for economy and efficiency in the execution of the project.
- The Bank’s interest as a co-operative institution in giving all eligible bidders from the developed and developing countries the same information and equal opportunity to compete.
- The Bank’s interest as a development institution in encouraging the development of domestic contracting and manufacturing industries.
- The importance of transparency in the procurement process.

1.2 Features of World Bank’s Model Procurement Documents

Sharing of risks between the parties of the contract;

- Incorporation of suitable qualification criteria;
- Incorporation of precise and fair evaluation criteria;
- Incorporation of non-discriminatory/ broad technical specification;
- Ensure transparency by public bid opening, pre-disclosure of qualification and evaluation criteria, absence of negotiations;
- Award to the lowest evaluated responsive bidder, meeting the specified qualification criteria;
- Award to be published in a web;
- Satisfactory award appeal/challenge/debriefing procedures;
- Fair conditions of contract; and
- Incorporation of a suitable dispute resolution mechanism and market oriented payments terms.
1.3 Important Concerns in Procurement of Goods in India

- Delays in finalization of bidding documents;
- Delays in bid evaluation and award of contracts;
- Requests for rejection of bids outside a predetermined margin or bracket of prices and negotiations;
- Delays in signing of contracts after obtaining no objection from Bank;
- Delays in releasing of advances and other payments during execution;
- Inadequate engineering leading to wide variations at the time of implementation and consequent disputes;
- Delays in resolving issues during contract implementation; and
- Weak contract administration.

2. METHODS FOR PROCUREMENT OF GOODS UNDER WORLD BANK FINANCED PROJECTS

The following methods of procurement will generally be applicable:

- National Competitive Bidding;
- Shopping, /National;
- Direct Contracting; and
- Force Account.

In the subsequent paragraphs a brief note detailing the salient points on methods of procurement are explained.

2.1 Requirements

- IFB to those who have expressed interest in response the Publication of General Procurement Notice, followed by specific Invitation for Bid (IFB) in the United Nations Development Business (UNDB) online and through Market publication:
  - Transmission of General Procurement Notice:
  - Publication of IFB in national newspapers having wide circulation in all region of country;
  - Use of the World Bank’s standard bidding document:
  - Sale of bidding document to start only after publication of IFB in UNDB and national newspapers; and
  - Bidding period 45 to 90 days from date of start of sale of bidding documents.

2.1.2 Steps

- Notification/Advertising;
- (Pre-qualification, if provided in legal agreement);
- Issue of Bidding Documents;
- Submission of Bid;
- Public opening of Bids;
- Evaluation;
- Selection of lowest evaluated responsive bid based on post qualification;
• Contract Award;
• Contract Performance;
• Award to be published in UNDB online/web; and
• Publication of award in Development Business.

2.2. Other Methods of Procurement

• Where ICB would not be most economic and efficient method of procurement and where other methods are deemed more appropriate.
• As provided in the Legal Agreements.

2.2.1. National Competitive Bidding (NCB)

Competitive Bidding advertised nationally for procuring Goods or Works, which by their nature or scope are unlikely to attract foreign competition. Currency specified is Indian Rupees for bidding as well as for payment. However, foreign bidders are not to be precluded from participation, if they wish to bid; but they are also to be paid only in Indian Rupees. Domestic preference will not be applicable.

To be adopted where:

• The contract values are more than the equivalent of US $ 100,000 for goods / work
• Works are scattered geographically or spread over time;
• Works are labour intensive;
• The Goods and Works are available at prices below market; or
• Foreign firms are not likely to be interested.

Agreed procedure for National Competitive Bidding (NCB) is as under:

• Only the model bidding documents for NCB agreed with the Government of India Task Force ( and as amended from time to time ) shall be used for bidding
• Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least 30 days prior to the deadline for the submission of bids;
• No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with foreign bidders, state-owned enterprises, small-scale enterprises or enterprises from any given State;
• There will be no negotiations of price with bidders, even with the lowest evaluated bidder.
• Extension of bid validity: (a) for the first request for extension if it is longer than four weeks; and (b) for all subsequent requests for extension irrespective of the period will be cleared with the Bank (such concurrence will be considered only in cases of Force Majeure and circumstances beyond the control of the purchaser or employer).
• Re-bidding: the system of rejecting bids outside a pre-determined margin or ‘bracket’ of prices shall not be used.
• The two-or-three envelope system will not be used.
• Rate contracts entered into with the Director General of Supplies and Disposals (DGS&D) are not acceptable as substitute for NCB procedures. However, this can be used in lieu of shopping.
2.2.2 Shopping: National

Shopping is a Procurement method based on comparing price quotations obtained from several National proven suppliers, usually at least three, to ensure competitive prices. It is an appropriate method [a] for procuring small amounts of off-the-shelf goods or standard specification commodities for which more competitive methods are not justified on the basis of cost or efficiency; [b] for procurement in emergency projects or for urgent relief-type operations including re-establishment of vital services like utilities, communication, shelter and vital supplies which stem from disaster or conflict. These emergency contracts may involve one or several activities in supply of goods, installation and commissioning and very urgent minor civil works. Is case of civil works or supply involving substantial installation, the term shopping is not used but referred to commonly as “price comparison”. Such individual contracts not costing more than the equivalent of US $ 100,000 for both Good & Equipment and Works will be procured through using Shopping Procedure.

The requests for quotations shall indicate the description and quantity of the goods as well as desired delivery time and place.

Quotations could be obtained by telex or facsimile. The evaluation shall follow sound public or private sector practices. The terms of the accepted offers shall be incorporated in a purchase order.

Rate Contracts of the Directorate General of Supplies and Disposals (DGS&D) are acceptable under National shopping (Rate Contracts of State Governments are not acceptable, but they can be considered as one quotation and compared with those obtained from other suppliers).

Note: shopping is intended to be a simple and rapid procurement method; it is one of the least competitive procurement methods and may be abused unless it is carried out in compliance with legal agreements and observing a minimum formality in the process and with appropriate record keeping for verification and audit. Shopping shall be restricted to cases when the justification for it is beyond contention. Shopping should not be used as an expedient to by-pass more competitive methods or fraction large procurement into smaller ones solely to allow the use of Shopping. When the nature of the specification is complex or type of procurement requires an elaborate, detailed evaluation system (i.e. efficiency delivery times etc.) That needs substantial documentation, a formal bidding process instead of shopping is to be used. Shopping is not appropriate in these cases because it is a method that would not require complex documentations or all the formalities of a bidding process.

2.2.3. Direct Contracting

Direct contracting without competition will be an appropriate method under the following circumstances:

- Extension of existing contracts for Works or Goods awarded with procedures acceptable to the World Bank, justified on economic grounds;
- Standardization of equipment or spare parts to be compatible with existing equipment;
- Proprietary items, books & periodicals, satellite imagery, data, aerial photography, maps and research data, manuals, software, seeds, plants, fertilizer, etc.
- Need for early delivery to avoid costly delays;
- In exceptional case, such as in response to natural disasters; and
- Award to be published in UNDB online/web.

Rajasthan State Seeds Corporation has reasonability to supply certified seed to farmers and the rates are fixed every year. PMU/DPMU will procure the seed required in the project/
cluster. For hybrids, especially of vegetables, the seed will be purchased from the seed companies / SAUs on direct contracting or through local shopping. Fertilizer prices are regulated by Government. The fertilizer will be procured by PMU/ DPMU at the rate fixed by the Government form Cooperatives societies / authorized supplier.

In case of planting material procurement may be done directly from the universities which have produced the variety at the rate announced by university or from reputed/registered nurseries. However, such universities will not be a implementing agency in RACP.

2.2.4. Force Account

Force Account is construction by the use of borrower’s/implementing agency’s own personnel, materials and equipment (generally limited to 10% of the cost of Civil Works) where:

- Quantities of work involved cannot be defined in advance;
- Works are small and scattered or in remote locations where mobilization costs for contractors would be unreasonably high;
- Work must be carried out without disrupting on-going operations;
- The risk of unavoidable work interruption are better borne by the borrower/implementing agency than by a contractor; or
- There are emergencies needing prompt attention.

Farm development works are expected to be carried out following Force Account procedure. The works under Force Account procedure would require prior approval from Bank.

2.2.5. Prior Review of Contracts by the World Bank

The Procurement Plan shall set forth those contracts which shall be subjected to prior review of the World Bank.

3. PROCUREMENT OF CONSULTANTS

3.1. General Considerations

- The need for high quality services;
- The need for economy and efficiency;
- The need to give qualified consultants from all eligible countries an opportunity to compete in providing the services financed by the Bank;
- The Bank’s interest in encouraging the development and use of national consultants in it’s developing member countries; and
- The importance on transparency in the selection process.

3.2 Steps for Hiring Consultant

- Preparation of the Terms of Reference (TOR);
- Preparation of the cost estimate and the budget;
- Advertising;
- Preparation of the shortlist of consultants;
- Preparation and issue of the Request for Proposals (RFP );
  - Letter of Invitation (LOI);
  - Information to Consultants (ITC); and
  - Proposed contract;
- Receipt of proposals;
- Evaluation of Technical Proposals: consideration of quality;
- Evaluation of Financial Proposals;
- Final evaluation of quality and cost; and
- Negotiations and award of the contract to the selected firm.

### 3.3 Preparation of the Terms of Reference of Consultant

It should include the following points:

- A precise statement of objectives;
- An outline of the tasks to be carried out;
- A schedule for completion of tasks;
- The support/inputs provided by the client;
- The final outputs that will be required of the Consultant;
- Composition of Review Committee (not more than three members) to monitor the Consultant’s works and procedures;
- Mid-term review and Progress Reports required from Consultant;
- Review of the final draft report;
- List of key positions whose CV (1 to 6, exceptionally 8 and experience would be evaluated.

### 3.4 Cost Estimates or Budget

The cost estimates or budget should be based on the client’s assessment of the resources needed to carry out the assignment: staff time, logistical support, and physical inputs (for example, vehicles and laboratory equipment). Costs shall be divided into two broad categories; (a) fee or remuneration and (b) reimbursable and further divided into foreign and local costs.

### 3.5 Advertising (Seeking Expression of Interest) for Short listing

The advertisement is mandatory for all consultancies valued at US $ 300, 000 equivalent and over in the following magazines/ bulletins/newspaper:

- UNDB;
- National Newspapers;
- Newspapers; and
- Technical Magazines

### 3.6. Short listing of Consultants

Borrowers are responsible for preparation of the shortlist and shall give first consideration to those firms expressing interest which possesses the relevant qualifications. The shortlists shall comprise of six firms with a wide geographic spread, with no more than two firms from any one country and at least one firm from a developing country, unless qualified firms from developing countries are not identifiable.

The shortlist can comprise entirely national consultants if the value of assignment is less than equivalent US $ 500, 000. However, if foreign firms have expressed interest, they shall not be excluded from consideration (in these cases payment can be in the Country’s Currency).
3.7. Other Considerations

Government-owned enterprises in the Borrower’s country may participate only if they can establish that they:

- Are legally and financially autonomous, and
- Operate under prevalent commercial law.

No dependent agency of the Borrower or Sub-borrower of the project shall be permitted to submit or participate in a proposal for the provision of consulting services under the project.

3.8. Hiring of Government Employees as Consultants

The guidelines allow the use of Government officials and civil servants to be hired as consultants under the conditions of paragraph 1.13(d).

Government officials and civil servants of the Borrower’s country may only be hired under consulting contracts in the Borrower’s country, either as individuals or as members of the team of experts proposed by a consulting firm provided that such hiring does not conflict with any employment or other laws or regulations or policies of the Borrower’s country and if they (i) are on leave of absence without pay, or have resigned or retired; (ii) are not being hired by the agency they were working for before going on leave of absence without pay, resigning or retiring; and (iii) their hiring would not create a conflict of interest.

4. SELECTION PROCEDURES

The various procedures of selection of a Consultant, depending upon the appropriateness in each case, are described in detail in Consultancy Guidelines, January 2011 (CGL). These are as under:

- Quality and Cost-Based Selection (QCBS): This will be the preferred method.
- Quality-Based Selection (QBS): For small assignments costing US $ 300,000, equivalent or less, selection based on Consultants qualification may be adopted.
- Single Source: May be adopted in cases where the conditions specified in Para 3.9 and 3.10 of the CGL are satisfied.
- Fixed Budget.
- Least Cost, etc.

5. NGOS (NON-GOVERNMENTAL ORGANIZATIONS)

All procedures specified in Consultancy Guidelines will apply;

- No preference;
- No mix up in short list with others; and
- Criteria to adequately reflect the considerations

The selection of NGOs in the shortlist should generally take into account among others, the following criteria;

- The NGOs should be non-political and should be having a proven track record of satisfied beneficiaries on similar assignments (at least two years of experience in works of this type); (Period could be modified to suit individual cases);

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1 In the case of resignation or retirement, for a period of at least six months, or the period established by statutory provisions applying to civil servants in the Borrower’s country, whichever is longer. Professors or staff and experts in specialized fields from universities, educational institutions, and research institutes can be contracted individually on a part-time basis provided that they have been full-time employees of their institutions for a year or more before being contracted and such hiring is justified for the services required.
• It should be registered as a society or have other corporate status;
• It should have facilities to maintain separately, records and accounting and auditing of funds allocated for assignment;
• It should consist of adequate number of experienced field staff conversant with the local culture and language, and the socio-economic dimensions of the beneficiary groups:
• The staff of the selected NGOs should have excellent communication skills;
• It should possess internal stability so as to assure long-term support; and
• It should not have been blacklisted by the Central Social & Welfare Board (CSWB) or Council for the Advancement of Peoples Action & Rural Technology (CAPART) or by Central or any State Governments in India.

6. EVALUATION OF CONSULTANTS

The evaluation of the technical proposals should be done specified in the Request for Proposal (RFP). The evaluation report should be compiled in the format specified and forwarded to Bank for review and comment for all prior review cases, firstly before price envelopes are opened publicly and combined evaluation is done (financial cum technical), and secondly after final selection is made following combined evaluation and before the contract is negotiated with selected consultant.

• General qualifications: General education and training, length of experience, positions held, time with consulting firm as staff, experience in developing countries and so forth;
• Adequacy for the assignment: Education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and
• Experience in the region: Knowledge of the local language, culture, administrative system government organization, and so forth.

7. NEGOTIATION WITH CONSULTANT

Negotiations shall include discussions of the TOR, the methodology, staffing, Borrower’s inputs and special conditions of contract.

The selected firm should not be allowed to substitute key staff, unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives of the assignment.

Current India specific clause allows only Service Tax is payable to the Consultant. All other taxes, duties and levies should be included in the proposal.

Correction of Errors

Activities and items described in the Technical Proposal but not priced in the Financial Proposal, shall be assumed to be included in the prices of other activities or items, and no corrections are made to the Financial Proposal.

a. Time-Based Contracts

If a Time-Based contract form is included in the RFP, the Client’s evaluation committee will (a) correct any computational or arithmetical errors, and (b) adjust the prices if they fail to reflect all inputs included for the respective activities or items in the Technical Proposal. In case of discrepancy between (i) a partial amount (sub-total) and the total amount, or (ii) between the amount derived by multiplication of unit price with quantity and the total price, or (iii) between words and figures, the
Procurement

former will prevail. In case of discrepancy between the Technical and Financial Proposals in indicating quantities of input, the Technical Proposal prevails and the Client's evaluation committee shall correct the quantification indicated in the Financial Proposal so as to make it consistent with that indicated in the Technical Proposal, apply the relevant unit price included in the Financial Proposal to the corrected quantity, and correct the total Proposal cost.

b. Lump-Sum Contracts

If a Lump-Sum contract form is included in the RFP, the Consultant is deemed to have included all prices in the Financial Proposal, so neither arithmetical corrections nor price adjustments shall be made. The total price, net of taxes understood as per Clause ITC 25 below, specified in the Financial Proposal (Form FIN-1) shall be considered as the offered price.

8. REJECTION OF CONSULTANTS

Cases of rejection of all proposals received need to be referred to the World Bank, through the PMU of RACP, for no objection and clearance.

9. SELECTION AND EMPLOYMENT OF CONSULTANTS

Types of Contracts specified in the Consultant Guidelines are as under:

9.1. Lump Sum Contracts

Lump Sum contracts are used for assignments in which the content and the duration of the work are clearly defined. Payment is made upon delivery of outputs. The main advantage of this type of contract is that it is easy to administer.

Examples of Lump Sum contracts include-

- Feasibility studies.
- Environmental Studies.
- Detailed design of a standard structure.

9.2 TIME-BASED CONTRACTS

Time Based contracts are used for assignments in which it is difficult to define the scope and the duration of the work to be performed. Payment is based upon an hourly, daily or monthly rate, plus reimbursable expenses using expenses or agreed-upon unit prices. This type of contract provides for a maximum total payable amount that includes a contingency for unforeseen work and duration, price adjustments etc.

Examples of Time-Based contracts include-

- Preparation of data.
- Complex Studies.
- Supervision of construction.
- Training assignments.
- Advisory services.
10. REQUEST FOR PROPOSALS (RFPS)

The RFP shall include:

- A Letter of Invitation (LOI);
- Information to Consultants;
- The TOR; and
- The proposed contract

The Implementing agencies are required to use the standard RFPs issued by the World Bank and adopted in RACP. Bank’s standard RFP of October 2011 as available in Bank’s website will be used.

11. CONDITIONS FOR PRIOR REVIEW BY WORLD BANK

- The Procurement Plan shall set forth those contracts which shall be subjected to prior review of the World Bank. Revised thresholds for Prior Review By Bank:___
- Works $10 million and above.
- Goods $1.0 million and above.
- IT and non-consultancy services $1.0 million and above.
- Consultancy services by Firms $0.50 million and above
- Consultancy services by individuals $0.20 million and above.
- Direct contracts for goods and works $1000 and above.
- Single source selection of consultants $1000 and above.

All Consultant Contracts for assignment of a critical nature regardless of value:

- Any standard document that the Borrower/implementing agency intends to develop and use repeatedly;
- First few contracts (say three), irrespective of value in the case of all new projects;
- Procurement Plan for Consultancy (reviewed annually).

Prior review would be at every stage as follows:

- Terms of Reference;
- Short list;
- RFP documents containing Letter of Invitation, Information to Consultants and Conditions of Contracts;
- Evaluation report of the technical proposals;
- Report after financial/ combined evaluation (with a copy of the winning proposal for information only):
- Negotiated draft contact: and
- Final Contract (to be accompanied by Checklist). *

(*The checklist is available in the detailed Procurement Manual of RACP. It could however be obtained from the PMU, RACP separately.)
12. POST REVIEW BY WORLD BANK

Post review covers the final contract along with appendices and copy of evaluation note/award recommendations, which should be submitted along with the Checklist (however, TOR and Consultants contracts for assignments of critical nature will be reviewed in all cases, regardless of value)

GUIDELINES FOR PROCUREMENT OF COSTLY EQUIPMENTS

For procurement of costly equipment's, the following points may be kept in view:

13.1 Specifications

The specifications of the required goods/equipment should be clearly stated without any ambiguity so that the prospective bidders can send meaningful bids. In order to attract sufficient number of bids, the specifications should be broad-based to the extent feasible. A technical committee may be constituted to review and finalize the specifications. Finalization of specifications should also be preferably based on a market survey of available models and their specifications.

13.2 Warranty

Warranty and Annual Maintenance Contract (AMC) for the duration of the life of the equipment are desirable but we have to be careful in deciding the period for which they are to be provided. Laboratory equipment may get obsolete with time and there is a need to replace them. Providing a very long warranty with AMC coverage may therefore add to the cost without being fruitfully utilized as the length of commitment does have an effect on price. A Warranty with AMC coverage of around 5 years (2+3 years or 3+2 years, respectively) may be preferable to begin with. The AMC can be extended beyond this if the equipment remains serviceable and is to be continued. The World Bank suggests that the Warranty period of 24/27 months should be provided only if it is an accepted industry standard for the equipment being procured. Otherwise, this may result in reduced competition and increased cost. The period should therefore be stipulated after ascertaining the normal industry standards. Bank Guarantee (BG) coverage for AMC should invariably be obtained so that the supplier or his agent has continued interest in maintaining the equipment.

13.2 Qualification Criteria:

It may be desirable to buy a standard model befitting the laid down specifications rather than equipment tailor-made for the purpose. This is likely to give more trouble free service as such equipment has stood the test of time. In the qualification criteria therefore we may include that the bidder or his principal should have been manufacturing and supplying the particular equipment for say six months or one year prior to bid opening. Qualification criteria like years of experience and extent of sales in the past have a bearing on quality as also on competitiveness. It is better to base them on a market survey. In case an Indian agent is to provide substantial incidental services it may be desirable to prescribe qualification criteria for the agent in addition to the qualification criteria for the manufacturer/supplier.

13.3 Training:

Training for use of critical equipment is necessary and should form part of the incidental services. However free training at a manufacturer’s end if located in a foreign country will add to the cost and should be asked for only when it is considered essential. Otherwise non-utilization of this provision will only mean payment of a hidden cost, remaining unused. Further the break-up of the cost of training must be obtained at the time of bidding itself. Also the nature and scope of training should be clearly defined in the bid documents.

13.4 On-site Service:
Unless onsite service is provided for both warranty and AMC there may be problems, wherein the bidder may agree to provide replacement of parts but the work involved with documentation, import, customs clearance, insurance etc. for replacement of parts may fall on the purchaser.

13.5 Consumer Certificates:
Bidders are usually required to furnish certificates from their consignees for satisfactory performance of the equipment supplied. If complete details are not given by the bidder, the purchaser is not able to verify. It is desirable to ask the bidder to provide the names of contact persons and their telephone numbers with a confirmation that the bidder has no objection to the purchaser verifying with the users.

13.6 Bid Evaluation Committees:
It is better to constitute standing bid evaluation committees for major points of purchase at the site, to avoid delays in approvals for constituting such committees each time.

13.7 Indian Laws:
The Bidding Document should indicate that the relevant contract would be interpreted under Indian Laws.

13.8 Successful Bidder:
The name of successful bidders awarded the contract should be mentioned on the notice board of the Department/Organization or in the Bulletin or the Website.

13.9 Payment Schedule:
The payment schedule should be: (i) ten percent as advance, (ii) seventy percent on shipment (in case of imported items), seventy percent on proof of delivery in case of indigenous supply; and (iii) twenty percent on final acceptance.

Reference Documents
1. Guidelines for Consultancy January 2011
2. Guideline for Goods and Works January 2011
3. Standard NCB Documents for Works (W2)
4. Standard NCB Documents for Goods (E1)
5. Standard Document for Shoppie : Works (W5)
Procurement

1. Procurement for the proposed project would be carried out in accordance with the World Bank’s "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 (Consultant Guidelines) and the provisions stipulated in the Financing Agreement. For each contract to be financed by the Bank, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank project team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

2. Procurement of Works: Works procured under this project would include construction of works for watershed by the communities, construction of small buildings, go-downs, construction of waste weirs, construction of piezometers, rain gauge stations etc. These works will be mostly procured following shopping and NCB in some cases. The procurement of civil works will not involve any ICB. The NCB Standard Bidding documents of the Bank as agreed with GoI will be used for procurement of all NCB civil works.

3. Procurement of Goods: Goods procured under this project would include goods and equipment under the institutional strengthening like computers, testing equipment, pesticides, seeds, fertilizers, etc. The purchase of thematic GIS layer is proposed to be procured from designated agencies under central / state government which are the only approved sources for such supplies within the country. These procurement will be treated as procurement under Force account and agreed with the Bank. Software of proprietary in nature will be procured by direct contracting, other specialized software will be procured by NCB. The NCB standard bidding documents of the Bank as agreed with GoI will be used for procurement of all NCB Goods. Project does not envisage ICB contracts for procurement of goods, the Bank’s latest SBDs will be used.

4. Requirements under National Competitive Bidding (NCB). In order to ensure economy, efficiency, transparency and broad consistency with the provisions of the Procurement Guidelines, goods, works, and non-consultant services procured under the National Competitive Bidding (NCB) method shall be subject to the following requirements:

- Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least 30 days prior to the deadline for the submission of bids;
- No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with foreign bidders, state-owned enterprises, small-scale enterprises, or enterprises from any given State;
- There will be no negotiations of price with bidders, even with the lowest evaluated bidder;
- Extension of bid validity: (a) for the first request for extension if it is longer than four weeks; and (b) for all subsequent requests for extension irrespective of the period when such concurrence will be considered only in cases of Force Majeure and circumstances beyond the control of the purchaser or employer;
- Re-bidding: the system of rejecting bids outside a pre-determined margin or ‘bracket’ of prices shall not be used;
- The two-or-three envelope system will not be used;
• Rate contracts entered into with the Director General of Supplies and Disposals (DGS&D) are not acceptable as substitute for NCB procedures. However, this can be accepted in lieu of Shopping.

5. Selection of Consultants: Some of the major consultancies may include firms for preparation of CACP plans and NGOs for field level service. In addition there will be consultancies for M&E, Internal Audit and various Individual consultants. Capacity building, activities will be done by an existing GoR organization who will be part of implementation. Short lists of consultants for services estimated to cost less than $500,000 or equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The Bank’s Standard Request for Proposal Document will be used as a base for all procurement of consultancy services to be procured. The following methods will be applicable for selection of consultants, consistent with the relevant sections of the Bank’s Consultant Guidelines:

(a) Quality- and Cost- Based Selection (QCBS)
(b) Quality-Based Selection (QBS)
(c) Least Cost Selection (LCS)
(d) Fixed Budget Selection (FBS)
(e) Selection based on Consultants’ Qualifications (CQS): for services estimated to cost less than US$300,000 equivalent per contract, in accordance with the provisions of paragraph 3.7 of the Consultant Guidelines
(f) Single-Source Selection (SSS)
(g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(h) Sole Source Procedures for the Selection of Individual Consultants

Table 8.1: Thresholds for Procurement Methods and Prior Review

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Contract Value (Threshold)</th>
<th>Procurement Method</th>
<th>Contracts/Processes Subject to Prior Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works</td>
<td>&gt;= US$10,000,000</td>
<td>ICB</td>
<td>All contracts</td>
</tr>
<tr>
<td></td>
<td>&lt;= US$40,000,000</td>
<td>NCB</td>
<td>First contract awarded by each implementing agency. All other contracts subject to post review.</td>
</tr>
<tr>
<td></td>
<td>&lt;= US$100,000</td>
<td>Shopping</td>
<td>All contracts subject to post review.</td>
</tr>
<tr>
<td>Goods</td>
<td>&gt;= US$3,000,000</td>
<td>ICB</td>
<td>All contracts</td>
</tr>
<tr>
<td></td>
<td>&lt;= US$3,000,000</td>
<td>NCB</td>
<td>First contract awarded by each implementing agency. All other contracts subject to post review.</td>
</tr>
<tr>
<td></td>
<td>&lt;= US$100,000</td>
<td>Shopping</td>
<td>All contracts subject to post review.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DC</td>
<td>All contracts</td>
</tr>
<tr>
<td>Consultant Services</td>
<td>&gt;= US$300,000</td>
<td>All competitive methods; advertise internationally</td>
<td>All contracts over US$500,000</td>
</tr>
<tr>
<td>(firms)</td>
<td>&lt; US$300,000</td>
<td>All competitive methods; advertise locally</td>
<td>First contract awarded by each implementing agency subject to prior review. All other contracts subject to post review.</td>
</tr>
<tr>
<td></td>
<td>&lt; US$300,000</td>
<td>CQS</td>
<td>SSS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>All contracts</td>
</tr>
<tr>
<td>Individual</td>
<td></td>
<td>IC (Section V of</td>
<td>All contracts over US$200,000</td>
</tr>
</tbody>
</table>
Assessment of the agencies’ capacity to implement procurement

6. Procurement under this project will be carried out mainly at the PMU under the supervision of the Project Director. A society under Societies’ Act (RACPMIS) has been created to function as PMU. The Society has been delegated with adequate financial power to take procurement decisions. While PD will have power to approve procurement cases up to Rs 50 Million, the full power will be with the Principal Secretary of the Agriculture Department. This delegation will be adequate for the project. Procurement in relation to activities carried out by the line departments like Agriculture, Water Resources (Canal), Ground Water, Horticultural, Animal husbandry, Marketing, Rural development will be done by themselves. However, these procurement will be for simple procurement of goods and works limited to shopping threshold. Any procurement larger than shopping will be handled by PMU. A few procurement not exceeding shopping thresholds may be undertaken by DPMU (District Project Management Unit) and few community level procurement at the Communities for watershed, Animal husbandry component under support by DPMU. However the details would be covered under the Procurement Manual.

7. **Procurement Risks and Mitigation Measures**

   - Procurement Risk Mitigation: The main procurement risks that can be perceived at this stage, are: Limited experience in procurement particularly in selection of consultants;
   - Absence of systematic procurement performance and compliance monitoring.
   - Limited experience in dealing with complaints, and fraud and corruption issues.
   - Lack of established system of public disclosure of information on procurement actions, and
   - Possible collusive practices in procurement of works.
   - Procurement of goods and works has normal fiduciary risks of transparency, fairness and varying capacity

8. Varying capacity in designing appropriate qualification requirements as per Bank’s SBD Goods and Works with an ability to influence the market in receiving appropriate pricing and delivery commitments, The corrective measures which have been agreed are:

   - Immediate placement of experienced and qualified staff for procurement at PMU and identification of staff at line departments who can be trained.
• Ensure that staff assigned to carry out the procurement activities under the project will continue throughout the project period as practicable.

• A procurement officer at the PMU will be responsible for procurement carries out at the PMU. In addition, S/he will be responsible for inter-department procurement activities, project procurement monitoring and reporting, and providing training and guidance to line departments. DPMU as necessary, during project implementation. PMU will recruit additional procurement trained staff to the PMU during implementation to assist the procurement officer to handle high quantum of work expected during implementation.

• Procurement staff will be imparted with sufficient training specifically on fraud and corruption flags, and addressing of complaints.

• The project’s Procurement Manual will include all procurement procedures to be followed under each component of the project, together with the standard/model documents, formats and templates to be used, as agreed with the Bank.

• PMU will prepare and forward to the Bank an annual procurement progress report, which will include, inter alia, procurement plan updates and post review reports.

• The following key indicators will be used for assessing procurement performance and risk rating:
  ✓ Percentage of procurement activities which have more than 25% delay in bid/proposal evaluation.
  ✓ Percentage of contracts which have been extended and/or have more than 15% modifications by value.
  ✓ Percentage of post reviewed contracts with notable irregularities.
  ✓ Percentage of procurement activities which had complaints.

• The Bank will carry out its own procurement post reviews annually, discuss the findings, and agree with PMU and project implementing staff on corrective actions to address deficiencies.

9. At the insistence of World Bank a Procurement Cell has been created at PMU comprising of Manager (Procurement), Assistant Manager (Procurement), Junior Manager (Procurement), and Procurement Assistant as dedicated team of Government employees posted on deputation in the project. Additional Assistant Manager (Procurement) has been hired from Manpower Agency and in due course an Assistant would also be hired. All the members of the Procurement Cell have undergone Procurement Training on World Bank Procurement procedures. Procurement staff of the line departments is not in existence who will require training and handholding even for shopping level procurement.

10. Disclosure: The following documents shall be disclosed on the Borrower’s website: (i) procurement plan and updates, (ii) invitation for bids for goods and works for all NCB contracts, (iii) request for expression of interest for selection/hiring of consulting services, (iv) contract awards of goods and works procured following NCB procedures, (v) list of contracts/purchase orders placed following shopping procedure on quarterly basis, (vi) short list of consultants, (vii) contract award of all consultancy services, (viii) list of contracts following DC or CQS or SSS on a quarterly basis, and (xi) action taken report on the complaints received on a quarterly basis.

11. The following details shall be sent to the Bank for publishing in the Bank’s external website and UNDB: (a) invitation for bids for procurement of goods and works using ICB procedures, (b) request for expression of interest for consulting services with
estimated cost more than $300,000, (c) contract award details of all procurement of goods and works using ICB procedure, (d) contract award details of all consultancy services with estimated cost more than $300,000, and (e) list of contracts/purchase orders placed following SSS or CQS or DC procedures on a quarterly basis.

12. Complaint Handling Mechanism: The project has developed a CHM as part of PIP to deal with the procurement complaints received by the project which and will be published in the Borrower’s website. In addition, this is to be widely disseminated during project launch and during implementation. On receipt of complaints, immediate action will be initiated to acknowledge the complaint and redress in reasonable time frame which are detailed in the CHM. All complaints will be dealt at levels higher than that of the level at which the procurement process was undertaken. Any complaint received will be forwarded to the Bank for information and the Bank will be kept informed after the complaint is redressed. The effectiveness of CHM will be monitored as part of ISM.

13. Procurement Plan (PP): Initial Procurement Plan for first eighteen months was prepared and submitted to the World Bank which was agreed upon. Revision to the plan would be done based on restructured design.

14. Procurement Manual (PM): Project has prepared a procurement manual for project implementation which has been reviewed by the Bank and agreed with the project. The Procurement Manual would now be amended as per the Restructuring of the project.