

Procurement: an overview

1. Introduction

Procurement is the careful purchasing of goods and services for which specific procedures are set in order to obtain the best possible price/quality ratio. The basic principle governing the award of procurement contracts is competitive tendering. The purpose is twofold:

1. to ensure the transparency of tendering operations. Bidders should not have a reason to think that the tendering process is unfair;
2. to obtain the desired quality of services, supplies or works at the best possible price.

Each donor has his own set of procurement but when compared, they show similarities. While one says “pre-qualification”, the other says “indirect short listing” but means the same thing. Although there are common principles like transparency and participation on equal terms, donors can give preference to certain bidders. For instance, the European Union gives preference to bidders from ACP (Africa, Caribbean, Pacific) countries.

2. Eligibility

All donors have specific rules by which firms and persons are eligible for contract execution. Eligibility defines whether a bidder will be accepted and concerns not only the **nationality** of the participating firm or person, but also all materials, goods, equipment etc. to be delivered (**origin of goods**) and the status and performance of the firm (possible reasons for **exclusion**).

In case a donor makes an exception to the rule of eligibility this should be foreseen and stated in the tender dossier.

The World Bank stipulates that only bidders from Bank member countries are eligible. Bidders from non member countries offering goods, works and related services (including transportation and insurance) are not eligible even if they offer these from eligible member countries.

For the European Union only firms from EU Member States and all ACP states can participate.

Eligibility of firms also depends on status and performance of firms. Firms are ineligible if: they are bankrupt, payments to them have been suspended, they have been convicted of an offence concerning their professional conduct, they are guilty for misrepresentation of information in tenders or if they are in breach of contract on another contract with the contracting authority.

Eligibility has to be proven in the bid. The tender dossier indicates what type of document(s) the bidder has to deliver in the bid in order to prove eligibility. In practice, to prove nationality the bidder will have to submit a copy of an official document defining the legal status and place of registration (to be obtained from e.g. the Chamber of Commerce).

Origin of items can be officially proven only upon delivery with the presentation of the Certificate of Origin. However, in his tender the tenderer should clearly state that he will abide by the rule of origin. Again, the tender dossier will indicate what is required in terms of statements.

3 Types of procurement procedures (European Union)

Hereunder the procurement process in case of funding by the European Union is presented. The process for other donors differs, the principles are the same, terminology however differs and is indicated between brackets for the World Bank

The procurement procedure to be followed is dependent on the (estimated) amount of contract and type of contract (Works, Supplies, Services). The procurement procedures can be divided into two main categories: Open and Restricted tenders.

a) Open tenders (WB: Competitive bidding):

In the case of an open tender all eligible interested firms and persons can submit a tender. The European Union distinguishes two types of open tenders: the **international open** tender and the **local open**. The difference concerns the way in which the tender is announced.

- a1) International open tenders (WB: International Competitive Bidding) are widely announced in all member states of the ACP-EU partnership. (WB: Bank Member States)
- a2) Local open tenders (WB: National Competitive bidding) are announced only in the country where the contract is to be executed and its neighbouring ACP states. Still the open accelerated tender is open to all ACP-EU eligible parties. For example, if a Jamaican or a German firm hears about an open accelerated tender to be held in Guyana, it is entitled to submit a tender.

b) Restricted tenders (WB: Two stage :

This means that not every eligible interested party can submit a tender, but only the ones that have been shortlisted by the contracting authority.

- b.1) International restricted (WB: two stages tendering):
The contracting authority announces that a tender is coming sooner or later. The announcement gives a short description of what is expected and interested firms and persons are invited to submit an **expression of interest**. From all the expressions of interest received, the contracting authority chooses the 4 – 8 “best ones” and puts them on a shortlist. Only the parties on the shortlist will then receive an invitation and the tender dossier.

b.2) Competitive negotiated (WB: Shopping):

The contracting authority draws up the shortlist itself. Only the parties on the shortlist will receive the tender dossier to write a tender. At least 3 bidders have to be invited.

In case of Services, the Framework contract – managed by the Commission in Brussels – is preferred, however in many cases not possible. The EU delegation will advice on that.

b.3) Single tender (WB: Direct contract) Only in case contract amount is not more than 10,000 Euro a quotation from only one bidder is sufficient.

Remark: In very special cases a negotiated procedure is possible, for instance after a unsuccessful tendering procedure.

The procurement procedures of the European Union are presented in the table below.

Works	Supplies	Services	Procurement procedure
≥ 5 000 000 submission period: min 90 days	≥ 150 000 submission period: min 60 days		International open tender
< 5 000 000 submission period: min 60 days	≥ 60 000 and ≤ 150 000 submission period: min 30 days		Local open tender
≥ 5 000 000 possible in very special cases, see PRAG 2008 5.4		≥ 200 000 submission period: - procurement notice: ≥ 30 days - candidature: ≥ 30 days - tenders: min 50 days	International restricted tender
Not applicable	Not applicable	< 200 000 submission period: 2 – 4 weeks	Framework contract
< 300 000 submission period: min 30 days	< 60 000	< 200 000 in case framework contract is not fruitful or possible submission per.: ≥ 30 days	Competitive negotiated / shortlist with at least 3 offers
≤ 10 000	≤ 10 000	≤ 10 000	Single tender procedure - 1 offer

4 The procurement process (European Union)

We will only look at the tendering for Service contracts. There are three possibilities;

- International restricted;
- Competitive negotiating, at least three quotations;
- Single tender, one quotation.

Websites European Union

For the **templates** of forecast, procurement notice, tender dossier and related documents:

http://ec.europa.eu/europeaid/index_en.htm

For Practical Guide, template tender dossier etc. in left margin: Work with us | Procedures & documents | Implementation

Or consult sitemap (top of screen)

For tender dossiers, forecast and procurement notice:

<https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?do=publi.welcome>

Select language in upper right corner and click (in case of English) on Advanced Search

Select **Program** (e.g. AFRICA, CARIBBEAN AND PACIFIC)

Select **Type** (E.g. Services)

Select **Geographical zone** (regions and countries) and make a selection

Select **Status** (e.g. Open (Tender dossier available) or Forecast)

Check **Published After** and **Published Before**.

The procurement process follows a number of steps, presented below.

1. Contracting Authority (WB: Borrower) makes forecast (WB: General Procurement Notice)
Only for International restricted. It is a one-page announcement with a (maximum 5, 6 lines) description of the Services or Supplies required.
2. Contracting Authority makes procurement notice (WB: Specific Procurement Notice).
Only for international restricted. The procurement notice gives more information on the contract. The applicants have to send in an Expression of Interest and during a selection procedure a shortlist (4 – 8 firms) will be made. See also step 4.
3. Contracting Authority makes tender dossier
4. Contracting Authority makes shortlist and invites bidders.
In case international restricted and also in case of the competitive negotiated procedure. The shortlist for Services, international restricted is made from the list of applicants, based upon the information they present on track record, financial status, experts etc. in the Expression of Interest. The selected service providers (minimum 4, maximum 8) receive an invitation letter with the tender dossier.
In case of the competitive negotiated procedure, the contracting authority makes a list of at least 3 service providers and sends the invitation with the tender dossier to the shortlisted bidders.

5. Contracting Authority answers questions
The tender dossier has been made available and tenderers are working on their bid.
The submission period should be long enough to give bidders sufficient time to come with a good bid.
Tenderers may submit questions **in writing** up to 21 days before the deadline of submission. The Contracting Authority has to reply all answers to all tenderers not later than 11 days before the deadline of submission.
6. Contracting Authority opens tender
The opening session is shortly after the deadline of submission. The opening committee (often the same as the evaluation committee) receives the box with bids and proceeds according to a checklist which is available from the **sources** mentioned in the box above.
7. Contracting Authority evaluates tenders
During this period (maximum 90 days) all bidders have to keep their bid valid.
8. Contracting Authority proposes award
This will take up to 2 months, during which the bidder has to give proof for eligibility and arrange for advance guarantee (if applied for).
9. Contracting Authority signs contract.