Procurement of Goods, Works and Services in Development Projects

With an Overview of Project Management

In many developing countries, the lack of skills in project management and public procurement hinders the accrual of the benefits that should be derived from projects financed by the international donor community. In Africa particularly, the management of donor-funded projects is often entrusted to public servants or national consultants that have not had sufficient experience. Reference tools are needed in order to facilitate and increase the efficiency of the work done by these professionals. This book presents an overview of the best practices in project management and public procurement with emphasis on the particularities of projects financed by development organizations.

The concepts are explained in a simple and accessible manner, which makes the book easy to read. Professionals and students in various fields such as engineering, business administration, law and accounting will find it a handy introduction to two complex areas of expertise.

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This book may not be duplicated in any way without the express written consent of the publisher.
To my beloved father, Antoine Ribeiro, 1932 - 2003
Foreword

During years of practice as a project manager in private consulting and as a procurement specialist at the African Development Bank (AfDB), I have come to understand that procurement is one of the lesser-known areas of project management in Africa although it can lead to the successful take-off and implementation of development projects.

However, books dedicated to procurement processes are quite rare and are generally written from the perspective of contract managers or litigation specialists working for international private firms. In Africa, the biggest projects are government- and donor-funded. They are typically managed by civil servants who are assigned by their government to the project as members of the management team or who, eventually, receive extra pay for managing projects outside their usual work. Hence the need for government staff and national consulting professionals to be comfortable with issues related to public procurement under donor funding conditions.

Despite the current trend of African countries to push for foreign support through the national budgets, which facilitates the use of their own national procurement guidelines, I believe that the project financing approach under donor-funded conditions still has a long way to go in Africa given that progress is still needed in terms of good governance for many countries.

The purpose of this book is to introduce the most important concepts related to procurement in public-sector projects and to discuss them in a simple and accessible fashion. This text does not pretend to be exhaustive, and comments and suggestions from the readers are most welcome. Because procurement is itself only one facet of project management, this book features a chapter on the topic, but here again, the aim is simply to present and discuss the major concepts.

This book is aimed at African professionals who are entrusted with piloting a development project funded by a single donor or by multiple donors, irrespective of the individual’s academic background or field of work. This book may also prove useful to new staff from multilateral donor institutions such as the AfDB, the World Bank, the Inter-American Development Bank or the Asian Development Bank. University students in engineering, law, accounting, business administration or other fields may also find it a handy introduction to an interesting area of expertise.

For simplicity’s sake, the male gender is used throughout the book to designate both men and women.

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List of Main Acronyms and Abbreviations

BD  Bidding documents
BDS  Bid data sheet
BOQ  Bill of quantities
DC or D/C  Documentary credit
DP  Direct purchase
FIDIC  International Federation of Consulting Engineers
GCC  General conditions of contract
GPN  General procurement notice
ICB  International competitive bidding
ICC  International Chamber of Commerce
Incoterm  International commerce terms
ITB  Instruction to bidders
IS  International shopping
LC or L/C  Letter of credit
LIC  Limited international competition
LOI  Letter of invitation
NS  National shopping
PSC  Project steering committee
PCR  Project completion report
RFP  Request for proposals
RFQ  Request for quotations
SBD  Standard bidding document
SCC  Special conditions of contract
SPN  Specific procurement notice
SS  Sole sourcing
TOR  Terms of reference
UNCITRAL  UN Commission on International Trade Law
UNDB  UN Development Business
Chapter 1

Introduction

This chapter discusses the concept of a development project, including the project’s background and preparation cycle. The donor’s lending instruments, the project team’s role and the donor’s role during the course of project implementation are also outlined.

1.1 WHAT IS A DEVELOPMENT PROJECT?

A project may be defined as a response to a problem, opportunity or need. That response meets a specific objective. A project is time-bound and is carried out using its own resources, both financial and human.

Development projects can be any project that a public entity or a non-governmental organization finds necessary to improve the living conditions or future prospects of people in a given area. For instance, projects can be designed to improve public health, upgrade a population’s level of education or increase revenues in a rural area. Development projects may also address less tangible needs such as institutional reforms within ministries, parastatals or other government bodies, and they may also target institutional capacity-building through staff training, equipment acquisition or the provision of additional space through construction. Except where they are made necessary by an emergency situation, such as natural or manmade disasters, development projects are normally part of a program designed for a development sector, such as water and sanitation or agriculture; the project’s specific objective is a building block to achieving that sector’s goal.

All projects can be benchmarked by deliverables, which are partial outputs contributing towards the concretization of the specific objective. Deliverables can be reports, reinforced human resources capacities, construction works or equipment acquisitions. The project’s deliverables have to be submitted to the project sponsor—meaning the public entity, the NGO or the donors financing the project—and to the beneficiaries within a specified timeframe, in accordance with quality specifications and within budget constraints. The three factors of time, quality and cost make up the project triangle (Fig. 1.1) within which compromises have to be found whenever necessary during implementation. For instance, quality can usually be increased only at the expense of cost and possibly at the expense of time.
Development projects spring from the vision defined by a government in collaboration with its partners. The vision typically outlines what a country or an administrative entity should be like by a certain time, for instance 25 years ahead. In order to reach the vision, a strategy is articulated for the various development sectors, for instance health, education or infrastructure. The strategy is the orchestration of all the processes, or changes, to be implemented within a given development sector in order to reach the vision. In order to be manageable, the strategy must identify and articulate a number of programs which will target the achievement of the milestones it has set out. The programs will be themselves broken down into a range of projects that are to be implemented concurrently or sequentially, each of them addressing a specific objective.

1.3 PROJECT PREPARATION CYCLE

A project’s life span is commonly called the “project life cycle” because it encompasses stages that are typically the same for all projects. The life cycle of an investment project can be broken into two different stages: (i) the pre-investment stage, and (ii) the investment stage. The pre-investment stage includes all the studies, investigations and pilot tests that take place before the project sponsors and financiers decide to invest. The investment stage concerns the implementation of the project, following the decision to invest.

For the pre-investment phase, most donors identify the following sequence of project maturation steps: (i) project concept definition, (ii) project identification, (iii) project preparation and (iv) project appraisal. The project concept is generally prepared by the government, which presents it in the form of a request for financing to the donors, while the identification, preparation and appraisal reports are more
Chapter 2

An Overview of Project Management

This chapter presents a number of key definitions as well as the major actions to be taken during the project’s initiation, control and closure phases.

2.1 SOME DEFINITIONS

Project Objectives and Stakeholders: As mentioned earlier in Chapter 1, a project is set up by one or several sponsors to reach an objective that is of value to them and to other stakeholders, and it is carried out within a limited timeframe. The sponsor authorizes the project, defines the scope of the work, provides it with the necessary resources and approves or rejects the final output. The objective of the project is set in the appraisal report, meaning it is agreed upon between the sponsors. To be operational, it is important that the objectives be SMART: Specific, Measurable, Action-oriented, Realistic and Time-limited. In that sense, a project objective is defined by a set of deliverables, with specifications given with regard to the nature, quality and quantity of work to be achieved within deadlines based on a defined set of resources. A stakeholder is anyone with a vested interest in a project’s outcome. Stakeholders can be contributors, users, beneficiaries, other people affected by the project, and so forth. Because of their inherent complexity, development projects are generally placed under the supervision and guidance of a project steering committee (PSC) that includes representatives of the various stakeholders. The role of the PSC is discussed in detail later in this chapter.

Project Implementation Cycle: The project preparation cycle was considered in Chapter 1 and the stages of concept definition, identification, pre-feasibility study and preparation, detailed feasibility study and appraisal were discussed. The purpose of the preparation cycle is to come up with a fully studied and validated project definition, and to obtain financing for implementation. Once such is the case, the project implementation cycle begins. The cycle can generally be sub-divided into three phases: (i) initiation, (ii) control and (iii) closure. Section 2.2 of this chapter discusses the various activities that are undertaken in the course of each of these project implementation phases.

Project Management: The success of a project is delicate as it requires good preparation, coordination, monitoring, and validation of deliverables as well as the closing of these various processes, which themselves can be separated into other processes, throughout the stages of initiation, control and closure—hence the need for adequate expertise and methods. Project management can be defined as the allocation, utilization and tracking of resources to achieve a particular project objective within a specified period of time. As mentioned earlier, a project has
a unique objective and is time-bound with clear beginning and ending points; therefore, managing a project should be considered a time-bound mission.

**Project Manager:** The project manager is the individual charged with planning and scheduling project tasks and with the day-to-day management of project execution. The project manager receives authority from the sponsors and plays a central role in each phase of the project’s life cycle. The project manager is in the project’s “driver’s seat” and his mission is to obtain the required results by managing people and other resources. He will organize, coordinate and manage the work of the various players in order to concretize the project deliverables by the required deadlines and at the specified level of quality. As a project progresses, frequent and urgent decisions are often required, and the project manager should not be adverse to taking on the responsibility for making them. Experience shows that very often the success of a project depends on the project manager’s professionalism, communication skills and qualities as a team leader. Project management is very much about leading teams.

**Project Steering Committee:** The project steering committee (PSC) is the supervisory body overseeing the actions of the project team. Its role is also to provide guidance on all matters brought to its attention by the project manager or any stakeholder. The PSC normally includes the sponsors or their representatives, and representatives of all the key stakeholders. However, in development projects, the PSC usually includes only representatives of the borrower and the stakeholders, and does not include the donors’ representatives. That said, the latter’s participation in PSC meetings is normally welcomed and considered to be helpful.

The PSC is supposed to meet on a regular basis to examine and approve documents presented by the project team. As a minimum it will meet at the end of each stage, including the project initiation stage, to review the achievements of the completed stage and authorize the next stage to begin. The PSC approves all operational documents such as the project charter and the project plan (discussed later in this chapter), helps to secure resources whenever needed, and examines and adjudicates all requests to change key project elements, including deliverables, schedule and budget. The PSC has ultimate authority on these matters.

### 2.2 PROJECT INITIATION

The project initiation starts right after the donor’s board approves the financing request and the agreements are signed. Very often, the project team has not been put in place at this time, and the initiation is started by an appointed interim project manager. The various activities pertaining to project initiation are discussed below.

#### 2.2.1 Putting Together Project Documentation

The (interim) project manager should collect all documentation and information related to the decision to invest: pre-investment studies, contracts and letters of agreement, the project’s detailed cost tables, the minutes of the negotiations held
Chapter 4

Procurement of Goods and Works

Once the project team is on board, one of the first things to do is usually to procure a number of goods such as office equipment, computers, consumables, motorcycles and vehicles. Following that, the project team will look for consultants that will provide technical assistance, prepare the project’s manual of procedures, undertake the design of civil works and help in the recruitment of contractors for civil works. In this chapter and the following one we discuss the various methods for the procurement of goods, works and services. Goods and works are dealt with simultaneously because their procurement cycles are similar. However, wherever needed, we’ll point out the particularities of each type of object of procurement. The procurement of services is discussed separately in the next chapter.

4.1 CONTENT OF BIDDING DOCUMENTS FOR GOODS OR WORKS

There are various modes of procurement for goods and works, discussed below in section 4.3. According to the specific mode of procurement, the donors generally have various SBDs that are required to be used by the project team when preparing the customized bidding documents. This section discusses the typical content of an SBD. The approach required for the preparation of a BD is discussed in section 4.2.

It is essential that the bidding documents provide all the information necessary for bidders to prepare responsive bids. While the detail and complexity of these documents vary depending upon the kind of goods or works to be procured and the size of the contract, the BD will normally include the following:

- Invitation for bids (IFB)
- Instructions to bidders (ITB)
- Bid data sheet (BDS)
- General conditions of contract (GCC)
- Special conditions of contract (SCC)
- Technical specifications (TS)
- Bill of quantities (BOQ) and drawings
- Schedule of prices
- Delivery schedule
- Bidding forms
- Bid security form
Chapter 4

- Performance security form
- Other

The project team should use the appropriate SBD with as few changes as possible to address project-specific conditions. The ITB and GCC sections normally remain untouched. Changes should be introduced only through the BDS and SCC and other sections of the BD. The ITB and GCC are adapted to the particular bidding process by thorough complements specified in the BDS and SCC respectively. The BD is normally reviewed and approved by the donor before it can be distributed to contractors or suppliers. The project team can use an electronic system to distribute it, provided that such a system proves to be adequate. When BDs are distributed electronically, the electronic system must be secure to avoid undue modifications (particularly of the ITB and GCC sections) while nonetheless placing no restriction on bidders’ access (in particular to the BDS and SCC sections). BDs must be provided in print form to bidders who request them. A master copy of each electronic document must be retained in print form, suitably authenticated by a signature, a stamp or another instrument. Due care needs to be exercised when preparing a BD because it will govern the competition among bidders and define the rights and obligations of the future contract co-signatories. The preparation of BDs is discussed in section 4.4.

4.2 PROCUREMENT CYCLE FOR GOODS AND WORKS

In the preceding chapter we gave an abridged introduction to the procurement cycle for goods and works. Here we’ll go into more detail. The procurement cycle for goods and works can be described in the following steps:

1. Preparation of technical specifications – this means defining what is basically wanted, including minimum performance requirements;
2. Preparation of the bill of quantities and the delivery schedule – this will specify the needed quantity of each item and the time schedule for the contractor or supplier to make them available;
3. Preparation of the pre-qualification document – this step is normally done for bigger and more complex contracts, when the borrower wants to ensure that competition is restricted only to truly qualified contractors or suppliers;
4. Preparation of the BD – this is done on the basis of the appropriate SBD made available by the financier or using another agreed-upon format;
5. Advertisement and notification – this is a key exercise of transparency and fosters competition among potential bidders;
6. Pre-qualification of bidders, if applicable as explained above. A short list of suppliers and contractors is prepared after screening the firms that expressed their interest on the basis of their experience and their technical and financial capabilities;
7. Issuance of bidding documents and of clarifications as requested by the prospective bidders during the bid period;
In many developing countries, the lack of skills in project management and public procurement hinders the accrual of the benefits that should be derived from projects financed by the international donor community. In Africa particularly, the management of donor-funded projects is often entrusted to public servants or national consultants that have not had sufficient experience. Reference tools are needed in order to facilitate and increase the efficiency of the work done by these professionals. This book presents an overview of the best practices in project management and public procurement with emphasis on the particularities of projects financed by development organizations.

The concepts are explained in a simple and accessible manner, which makes the book easy to read. Professionals and students in various fields such as engineering, business administration, law and accounting will find it a handy introduction to two complex areas of expertise.

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