



PROCUREMENT PROVISIONS FOR HAITI

January 2012

PUBLIC

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ANNEXES

The Annexes contain information related to one or more of the ten exceptions of the Access to Information Policy and will be initially considered as confidential. The information will be eligible for declassification and disclosure over time.

ABBREVIATIONS

ICB	International Competitive Bidding
LIB	Limited International Bidding
NCB	National Competitive Bidding
PPC	Project Procurement Committee
PTL	Project Team Leader
VPC/HRC	Haiti Response Group
VPC/PDP	Procurement, Financial Management, and Portfolio Monitoring Division

I. BACKGROUND

- 1.1 In response to the emergency caused in Haiti by the January 2010 earthquake, the Bank implemented an ambitious program to support the country's reconstruction and development. One of the measures approved at the 2010 Annual Meeting of the Board of Governors was to annually consider a transfer of US\$200 million from the Ordinary Capital income to the Grant Facility from 2011 through 2020. When added to the program approved in 2010 and the Fund for Special Operations transfers, this translates into a Bank commitment to invest US\$2.3 billion in Haiti in the period 2010-2020.
- 1.2 In addition to the Governors' decisions and in the context of IDB procurement policies, on 8 April 2010 the Bank approved special procurement provisions to address the emergency caused by the 12 January 2010 earthquake in the Republic of Haiti (hereinafter the Special emergency procurement provisions)¹ with a view to facilitate an effective and timely response to procurement requests to address the emergency. These provisions were in effect until 31 December 2011.
- 1.3 In view of, among other aspects, the need to establish execution arrangements that are more effective and suitable for the circumstances in Haiti and the characteristics of the Bank's operations in the country, the Procurement, Financial Management, and Portfolio Monitoring Division (VPC/PDP) and Haiti Response Group (VPC/HRC) evaluated² the application of the special emergency procurement provisions to determine their impact and examine the importance of preserving their applicability during the effective period of the Bank's new country strategy with Haiti 2010-2015.³ During this period, the Bank will continue to provide support aimed not only at undoing the recent earthquake's effects but, more importantly, at quickly reversing the recent decline and laying the foundation for a society able to create jobs and improve the welfare of all its inhabitants.
- 1.4 Despite the relatively short time elapsed since the provisions were implemented, the evaluation shows that they have had a positive impact, particularly as they have been suitable for satisfactorily addressing low-complexity, Bank-financed procurement in Haiti while maintaining fiduciary standards.

II. INSTITUTIONAL CONTEXT AND MEDIUM-TERM OUTLOOK

- 2.1 Since July 2010,⁴ the Bank has focused its efforts on six priority sectors: education, private-sector development, transportation, water and sanitation, energy (particularly electricity), and agriculture. The new country strategy with Haiti 2011-2015 shows the Bank's interest in continuing to focus its efforts in these sectors.

¹ Document OP-387-1.

² The evaluation was performed in August 2011. See Annex I.

³ Document GN-2646, approved by the Board of Directors on 14 December 2011.

⁴ See Haiti Country Strategy Update 2007-2011 (document GN-2465-2).

- 2.2 Given the continuity of the Bank's work both in the priority sectors and on the objectives and components of the operations considered for approval in each sector, no significant procurement changes are expected over the next four years with respect to what has been done in the past 18 months.
- 2.3 Most of the procurement is low complexity, such as procurement of basic infrastructure works (sewage, construction of schools, construction of drinking water distribution systems in rural neighborhoods or communities, repair of irrigation systems), procurement of readily available local goods (school kits and anti-cholera kits), and contracting of low-complexity consulting services, such as supervision of basic infrastructure projects. Execution of more complex or larger projects is also expected, in which case the procurement method will be international competitive bidding in order to attract contractors from other Bank member countries who are able to remain in Haiti.
- 2.4 Furthermore, the emergency has passed but its resulting challenges are still present. Thus, the country is in a fragile state, as is typically the case during a recovery process following a major natural disaster. While the country's institutional recovery has been faster than expected, both the Bank and the international community recognize the importance of continuing to support execution capacity at this stage of the recovery.
- 2.5 In addition, as shown in the evaluation of the special emergency procurement provisions, there is local capacity⁵ in terms of contractors, suppliers, and consulting firms to address the low-complexity projects which represent a large part of the Bank's portfolio and which have been procured effectively and efficiently in accordance with the aforementioned provisions.
- 2.6 In short, the Bank's intention of continuing to work in the priority sectors jointly identified with the country in the 2011-2015 country strategy, the relatively low complexity of most procurement in the portfolio,⁶ and the presence of local industry able to satisfactorily serve these projects are reasons for keeping the procurement provisions in place, with the modifications laid out in the aforementioned evaluation.⁷

III. PROCUREMENT PROVISIONS FOR HAITI

- 3.1 The proposed procurement provisions for Haiti are in line with the Bank's procurement policies but are aimed at establishing procedures that are more effective and suitable for the country's circumstances and the characteristics of

⁵ Response to or participation in procurement processes by local companies, while limited, has been satisfactory, particularly in the case of low-complexity construction projects. However, participation by foreign companies has been scarce, and a more ambitious strategy is needed to identify companies capable of executing larger or more complex projects (see Annex II).

⁶ The method for more complex or larger-scale procurement will be international bidding, in order to attract contractors able to remain in the country.

⁷ Annex III includes a table indicating which of the approved provisions to address the emergency are to be extended, which are to be modified, and which are new.

Bank operations in Haiti, while also allowing more efficient supervision of the Bank's procurement process. In terms of benefits, these provisions generally lead to lower transaction costs both for the executing agencies in Bank-financed (or Bank-managed) projects and for the Bank itself, as well as greater competition. To this end, the proposal seeks to: (i) increase, as indicated in paragraph 3.3 below, the authorization amounts set forth in the Procurement Function Operational Guidelines⁸ for Project Team Leader (PTL) approval of direct contracting requests for providers of goods and services, consultants, and contractors; (ii) establish a single Shopping (S) and National Competitive Bidding (NCB) threshold⁹ for the procurement of goods, works, and nonconsulting services; (iii) establish criteria for determining the time frames for submitting bids;¹⁰ and (iv) establish mechanisms to promote greater use of the Limited International Bidding (LIB) method.

A. Increase in the authorization levels set forth in the Procurement Function Operational Guidelines for approval of direct contracting¹¹

- 3.2 With a view to expediting the Bank's response to the executing agencies in Bank-financed (or Bank-managed) projects, and given that reconstruction activities in Haiti are expected to involve a large number of high-value direct contracting transactions, including the contracting of specialized United Nations agencies, and as a prevention mechanism in the event of potential emergency situations, the proposal seeks, as indicated below, to increase the levels established in the Procurement Function Operational Guidelines for PTL approval of direct contracting requests for providers of goods and services.¹²

The proposal is to authorize the PTL to approve, jointly with one other sector specialist for the project financing the procurement and in consultation with a procurement specialist or certified procurement personnel in the event of complexity level I procurement pursuant to the table in paragraph 3.4, direct contracting of: (i) works, goods, and nonconsulting services for up to the equivalent of US\$2 million (up from US\$750,000 under the current Procurement Function Operational Guidelines); (ii) consulting firms for up to the equivalent of US\$1 million (up from US\$500,000 under the current Procurement Function Operational Guidelines); and (iii) individual consultants for up to the equivalent of US\$200,000 (up from the current US\$100,000 limit). Decisions to authorize direct contracting must be based on the Bank's procurement policy provisions.

⁸ Document OP-272-2.

⁹ Refers to the threshold or amount over which the Bank requires that a certain procurement method (such as international competitive bidding, national competitive bidding, etc.) be used.

¹⁰ The term "bids" includes "technical proposals" submitted by consultants.

¹¹ This provision remains unchanged with respect to the emergency measures; document OP-387-1. See Annex III.

¹² PTL and procurement specialist approvals of direct contracting took an average of three business days, while Project Procurement Committee (PPC) approvals took eight business days.

3.3 The increase in the delegation of authority is reflected in the following table:

Technical and management approval levels for direct contracting with ex-ante review in effect under document OP-272-2				Proposed technical and management approval levels for direct contracting with ex-ante review			
Procurement decisions	Complexity level	Issues EO ¹³	Makes the decision	Procurement decisions	Complexity level	Issues EO	Makes the decision
Works, goods, and services				Works, goods, and services			
Direct contracting:				Direct contracting:			
- Up to US\$750,000 equivalent	II	PS ¹⁴	PTL ¹⁵	- Up to US\$750,000 equivalent	I	CP ¹⁶ or PS	PTL
- Above US\$750,000 equivalent	III	PPC ¹⁷	SM ¹⁸	- Above US\$750,000 and up to US\$2,000,000 equivalent	II	PS	PTL/SS
				- Above US\$2,000,000 equivalent	III	PPC	SM
Consulting services				Consulting services			
Direct contracting of consulting firms:				Direct contracting of consulting firms:			
- Up to US\$500,000 equivalent	II	PS	PTL	- Up to US\$500,000 equivalent	I	CP or PS	PTL
- Above US\$500,000 equivalent	III	PPC	SM	- Above US\$500,000 and up to US\$1,000,000 equivalent	II	PS	PTL and SS ¹⁹
				- Above US\$1,000,000	III	PPC	SM
Direct contracting of individual consultants:				Direct contracting of individual consultants:			
- Up to US\$50,000 equivalent	I	CP/PS	PTL	- Up to US\$100,000 equivalent	I	CP or PS	PTL
- Above US\$50,000 and up to US\$100,000 equivalent	II	PS	PTL	- Above US\$100,000 and up to US\$200,000 equivalent	II	PS	PTL and SS
- Above US\$100,000 equivalent	III	PPC	SM	- Above US\$200,000 equivalent	III	PPC	SM

¹³ EO: Expert opinion on procurement.

¹⁴ PS: Procurement specialist.

¹⁵ PTL: Project Team Leader.

¹⁶ CP: Certified procurement personnel.

¹⁷ PPC: Project Procurement Committee.

¹⁸ SM: Sector manager.

¹⁹ SS: Sector specialist.

B. Establishment of a single Shopping (S) and National Competitive Bidding (NCB) threshold for the procurement of works, goods, and nonconsulting services²⁰

- 3.4 Since most procurement under the project portfolio in Haiti is of low complexity but the contract amounts exceed the shopping threshold, the proposal seeks to establish a single shopping and NCB threshold for both the procurement of works and the procurement of goods and nonconsulting services.²¹ It is proposed that the PTL be able to approve the use of the shopping method for the procurement of goods, works, and nonconsulting services in amounts that would normally require National Competitive Bidding, when the PTL determines that the goods, works, or nonconsulting services in question are simple or involve low amounts and when the technical specifications are clearly defined or standard.
- 3.5 The International Competitive Bidding (ICB) threshold remains unchanged since there is no evidence of local industry capacity above the ICB threshold.
- 3.6 Below is a summary of the thresholds before the emergency and the proposed thresholds:

THRESHOLDS IN EFFECT BEFORE THE EMERGENCY (IN US\$ THOUSANDS)						
Works			Goods			Consulting firms
ICB	NCB	S	ICB	NCB	S	Shortlist comprising entirely national firms
≥1,000	100 – 1,000	<100	≥100	25 - 100	<25	<100
HAITI – PROPOSED THRESHOLDS (IN US\$ THOUSANDS)						
Works			Goods			Consulting firms
ICB	NCB/S		ICB	NCB/S		Shortlist comprising entirely national firms
≥1,000	<1,000		≥100	<100		<100

C. Criteria for determining the time frames for submitting bids²²

- 3.7 With a view to expediting and streamlining low-complexity procurement under the project portfolio in Haiti, as provided in the Bank’s procurement policies, the proposal is to allow the PTL, with a technical opinion from a procurement specialist, to arrange for a shortening of the time frames normally used for bid submissions in Haiti.²³ To this end, the PTL and the procurement specialist will

²⁰ This provision was adjusted to restore the ICB threshold for the procurement of goods to the level in effect before the January 2010 emergency. See Annex III.

²¹ The benefits of this provision are reduced transaction costs and increased competition.

²² This provision was adjusted with respect to the emergency support measures by eliminating references to minimum periods. See Annex III.

²³ The term “bids” includes “technical proposals” submitted by consultants.

have to ensure reasonable competition and allow a reasonable time for the preparation of bids.²⁴

D. Mechanisms to promote the use of the Limited International Bidding (LIB) method²⁵

- 3.8 The use of LIB is proposed for the procurement of works, goods, and nonconsulting services above the ICB threshold, in cases in which: (a) there is only a small number of providers; or (b) there are other exceptional reasons justifying the proper use of procedures other than those of ICB (for example, when provider participation, i.e., market response, is limited). This measure seeks to add a greater number of national companies from other Bank member countries and thereby lower the risk of potential cartelization practices due to the limited number of active bidders in the market.
- 3.9 The specific procedures for the use of LIB are described in Annex II.

IV. RISKS AND MITIGATION MEASURES

- 4.1 Other than the increase, as indicated in Section III.A, in the Project Team Leaders' authorization levels for direct contracting with providers of goods and services, consultants, and contractors under the Procurement Function Operational Guidelines, which entails moderate risk, the measures proposed in this document entail low risk since they are in line with the Bank's procurement policies and operational guidelines currently in effect.
- 4.2 To mitigate the risks associated with the PTL's higher authorization levels for approving direct contracting, decisions exceeding the thresholds provided in the current Procurement Function Operational Guidelines will require the approval of the Project Team Leader and one other sector specialist for the project financing the procurement, as well as the expert opinion of a procurement specialist. In addition, for all provisions contained in this document, the proposal calls for: (i) concurrent monitoring of their application by the Operations Financial Management and Procurement Services Office (VPC/FMP); (ii) a midterm evaluation in the first quarter of 2013, for the period from 8 April 2010 (date of approval of the emergency measures) to 31 December 2015; and (iii) a review of the application of the provisions in the periodic review by the Office of the Executive Auditor (AUG).

V. IMPLEMENTATION

- 5.1 The procurement provisions established in this document will be applicable to all portfolio operations in Haiti, in support of the execution of the Bank's country

²⁴ According to the evaluation of the emergency provisions, this measure allowed timely procurement for infrastructure projects by making it possible to simultaneously enter into works construction and supervision contracts. The latter generally used to take longer than the former. See Annex I.

²⁵ This is a new provision not previously included in the emergency support measures.

strategy with Haiti 2011-2015, and will be in effect from 1 January 2012 to 31 December 2015, when the country strategy expires.²⁶

VI. RECOMMENDATION

- 6.1 The provisions described in this document are in line with the “Policies for the Procurement of Goods and Services financed by the Inter-American Development Bank” (document GN-2349-9) and the “Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank” (document GN-2350-9).
- 6.2 Since the increase in the PTL authorization levels (to be exercised jointly with a sector specialist) for direct contracting approval requires modifying the Procurement Function Operational Guidelines (document OP-272-2), it is recommended that the Bank’s Operations Policy Committee approve the measure set forth in paragraph III.A.

²⁶ The effective period of the Bank’s country strategy with Haiti 2011-2015 may be extended by up to one year after its stipulated expiration date (“Transition Period”). During this period, the procurement provisions established in this document will remain in effect. For more information regarding the Transition Period for country strategies, see document GN-2567-2.