

CARIBBEAN DEVELOPMENT BANK

GUIDELINES FOR PROCUREMENT

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APPENDIX MEMBERS OF THE BANK

GUIDELINES FOR PROCUREMENT

1. GENERAL

1.01 Purpose and Objectives

- (a) The purpose of these Guidelines is to inform recipients of financing from the Caribbean Development Bank (the Bank) and prospective suppliers and contractors about the general requirements which apply and procedures which are required to be observed in the procurement of goods and services.^{1/}

- (b) Under Article 15(h) of the Agreement establishing the Bank, the proceeds of financing by the Bank in its ordinary operations "shall normally be used only for procurement, in territories of members, of goods and services produced in those territories". In support of this, Article 15(i) of the Agreement establishing the Bank states that "in procuring services and in facilitating financing for entities or enterprises in the private sector, the Bank shall pay due regard to the need to develop and strengthen under-takings, entities and skills of individuals belonging to the region".

1/ "Services" include construction services as well as related services such as transportation, insurance, installation, training, initial maintenance and other similar services, but not consultants' services to which the Bank's Procedures for the Selection and Engagement of Consultants by Recipients of CDB Financing apply.

- (c) Article 15(h) further states that "In special cases the Board of Directors may, however, determine the circumstances in which the procurement of goods and services may be permitted elsewhere, giving particular consideration wherever practicable to procurement of goods and services produced in the territory of countries which have contributed substantially to the resources of the Bank".
- (d) In general, procurement from the Bank's Ordinary Capital Resources is limited to the Bank's member countries (See Appendix). Where, however, funding is provided by the Bank from resources of other multilateral financing institutions, such as the World Bank or the Inter-American Development Bank, member countries and other designated countries of those institutions in addition to the Bank's member countries are eligible for procurement from such funds.
- (e) In general, the proceeds of financing from the Bank's Special Funds Resources may be used for procurement in the territories of the contributors of the respective resources, the Bank's member countries and other countries eligible for procurement from the funds of such contributors.
- (f) Goods and services financed with Bank resources must not only be procured from an eligible country but must also have their source and origin in one or more of the eligible countries.

- (g) For the purposes of these Guidelines, "eligible countries" are the member countries of the Bank and those other countries referred to in sub-paragraphs (d) and (e) above, subject to the qualifications outlined therein.
- (h) The arrangements between the Bank and the recipient of Bank financing regarding such matters as the use of the proceeds of the particular financing, the procurement contracts which are to be financed, and the extent to which procurement documents are subject to Bank review, will be set forth in each case in the agreement for such financing.
- (i) The primary responsibility for the procurement of goods and services rests with the recipients of financing from the Bank, but the Bank must be satisfied, and will assist in ensuring, that goods and services are procured in accordance with the procedures, and in conformity with the requirements, set out in these guidelines. The rights and obligations of the recipients of financing *vis-a-vis* suppliers and contractors for goods and services are governed by the contracts made between them.

1.02 Applicability of Guidelines

- (a) Generally, the Bank finances only a part of the cost of the project or programme. The requirements and procedures outlined in these Guidelines apply to

procurement of all goods and services financed wholly or in part by the Bank financing except as otherwise stated in the agreement for such financing.

- (b) For the procurement of those goods and services not financed out of the proceeds of Bank financing, the recipient of such financing may adopt other procedures. In such cases, the Bank should be satisfied that the procedures used by the recipients of such financing for the procurement of all goods and services required for the project will fulfill their obligations to cause the project to be carried out diligently and efficiently and that the goods and services to be procured:

- (i) are of satisfactory quality and are compatible with other goods and services required for the project;

- (ii) will be delivered or completed in a timely manner; and

- (iii) are priced so as not to adversely affect the technical, economic and financial viability of the project.

1.03 Advance Contracting and Retroactive Financing

In certain circumstances advance contracting, whereby the recipient of Bank financing signs a contract for the supply of goods and/or services before the approval of such financing by the Bank's Board of Directors, may be acceptable in the interest of more timely and efficient execution of the project. The procurement procedures, including advertising, should be in accordance with these Guidelines in order for advance contracts to be eligible for Bank financing and the normal review process as set out in these Guidelines should be followed. A recipient of Bank financing undertakes advance contracting at its own risk and any concurrence by the Bank with the procedures, documentation or proposal for award does not commit the Bank to provide financing for the proposed project. The reimbursement by the Bank of any payments made by the recipient of such financing under the contract prior to Board approval of such financing is referred to as retroactive financing and is only permitted within the limits specified in the agreement for such financing.

1.04 Eligibility

The following criteria shall be applied for the purpose of determining the eligibility of goods and construction services for procurement:

(i) In relation to goods:

(aa) "source" shall mean the country from which an item is transported to the country in which the project is located or the latter country, provided that in both cases the item is located there at the time of purchase;

- (bb) "origin" shall mean the country in which an item is mined, grown or produced. An item is produced when, through manufacturing, processing or substantial and major assembling of components, a commercially recognised new product results that is substantially different in basic characteristics or in purpose or utility from its components; and
 - (cc) goods shall be considered to originate in the territory of an eligible country if they meet the criterion of 50% by value derived from within that eligible country, unless otherwise agreed by the Bank.
- (ii) In relation to construction services, a construction contractor, each member of a joint venture or consortium and any sub-contractor shall be eligible for procurement if:
- (aa) in the case of a body corporate, it is legally incorporated or otherwise organised in an eligible country, has its principal place of business in an eligible country and is either:
 - (1) more than 50% beneficially owned by a citizen or citizens and/or a *bona fide* resident or residents of an eligible country or countries or by a body

corporate or bodies
corporate meeting these
requirements; or

(2) owned or controlled by the
government of an eligible
country provided that it is
legally and financially
autonomous and operates
under the commercial law of
an eligible country;

(bb) in the case of natural persons and
unincorporated firms, the person
or persons is or are a citizen or
citizens or *bona fide* resident or
residents of an eligible country;
and

(cc) in all cases, the tenderer has no
arrangement and undertakes not to
make any arrangement where-by any
substantial part of the net
profits or other tangible benefits
of the contract will accrue or be
paid to a person not a citizen or
bona fide resident of an eligible
country.

1.05 Contracts

(a) Unless otherwise stated in the agreement
for the financing and except as
otherwise provided in this paragraph,
all procurement contracts should be made
on the basis of tenders either in
response to advertisement or in response
to letters of invitation to at least
three qualified contractors or
suppliers. For the purpose of these

Guidelines, a qualified contractor or supplier is a contractor or supplier who is able to meet the criteria required for the provision of the goods and services needed for the particular project, taking into account the requirements set out at paragraph 1.07 below. The procedure for and form of solicitation must in either event be approved by the Bank.

- (b) Goods of any origin (including ineligible countries) may be purchased off-the-shelf in any eligible country without letters of invitation if the price per unit of the goods does not exceed USD 7,500, provided that the total amount disbursable by the Bank for such purchases in respect of any project shall not exceed USD 50,000.
- (c) Procurement of used equipment estimated to cost up to USD 150,000 and used ships and aircraft estimated to cost up to USD 300,000 may, with prior approval of the Bank, be made otherwise than in accordance with the Guidelines set out in this section.
- (d) Except as provided in sub-paragraphs (b) and (c) above, contracts for works or goods estimated to cost up to USD 150,000 may be awarded on the basis of response to letters of invitation to at least three qualified contractors or suppliers resident in the country where the project is located or, if there are not at least three qualified contractors or suppliers resident in that country, to three or more qualified regional

contractors or suppliers, or, if there are not at least three qualified regional contractors or suppliers, to three or more qualified contractors or suppliers from all eligible countries.

(e) Except as provided in sub-paragraph (c) above, contracts for works or goods estimated to cost more than USD 150,000 and up to USD 300,000 may be awarded on the basis of response to letters of invitation to at least three qualified contractors or suppliers resident in the country where the project is located and at least one qualified contractor or supplier from each other regional eligible country which is a potential supplier of such goods and services, or if there are not at least three qualified contractors or suppliers resident in the country where the project is located and at least one qualified contractor or supplier from each other regional eligible country which is a potential supplier of such goods or services, to three or more qualified contractors or suppliers from all eligible countries. The Bank must be satisfied that a contractor or supplier from each such other regional eligible country has been solicited.

(f) Except as provided in sub-paragraph (c) above, contracts for works or goods estimated to cost more than USD 300,000 and up to USD 750,000 in the case of works and up to USD 1 million in the case of goods only or works and goods together, may be awarded on the basis of response to letters of invitation to at

least three qualified contractors or suppliers resident in the country where the project is located and at least one qualified contractor or supplier from each other eligible country which is a potential supplier of such goods and services. The Bank must be satisfied that a contractor or supplier from each such other eligible country has been solicited.

- (g) For works estimated to cost more than USD 750,000 and goods or works and goods together estimated to cost more than USD 1 million, contracts should be awarded on the basis of response to advertisements in accordance with paragraph 1.06.
- (h) Subject to any necessary concurrence of the contributor of specific resources, where the Bank's resources are provided to national development banks or other financial institutions for onlending:
 - (i) goods and services financed from sub-loans made there from may be procured without letters of invitation as provided in sub-paragraphs (d), (e) and (f) above;
 - (ii) in the procurement of goods and services financed from such sub-loans, the national development banks or other financial institutions and sub-borrowers shall be required to take all necessary measures to ensure that the works and service

contracts and all purchases of goods will be at a reasonable cost which will generally be the lowest market price taking into account time of delivery, quality, efficiency, reliability of goods and availability of maintenance facilities and spare parts therefor and, in the case of services, of their quality and the competence of the parties rendering them;

(iii) procurement of goods and services financed from sub-loans of USD 300,000 or less will not be restricted to eligible countries; and

(iv) student loans will be subject to the guidelines for the Bank's Student Loan Scheme.

(i) Where the Bank's resources are lent directly to the private sector, goods and services may be procured:

(i) by competitive shopping without being restricted to eligible countries; and

(ii) in the case of an expansion project, from existing suppliers in cases where maintenance of established contacts with such suppliers or compatibility of equipment is considered by the Bank important for the viability of such projects as set out in the financing agreement.

1.06 Advertising

- (a) For any procurement contract estimated to cost more than USD 750,000 for works and USD 1 million for goods only or for goods and works together, the invitation to pre-qualify or to bid of the recipient of Bank financing should be advertised in the newspaper of widest circulation in the country of the recipient of Bank financing, in at least one other news-paper having a wide circulation outside such country and in Development Business, The Business Edition of the Development Forum, a publication of the United Nations.
- (b) In all cases, in addition to publication in newspapers, advertisements and notices should also be sent simultaneously to official representatives of other eligible countries in the country of the recipient of Bank financing. In addition, all advertisements and notices which are published or cleared by the Bank for publication by a recipient of Bank financing should be sent immediately to all Bank Directors for information.
- (c) The closing date appearing in newspaper publications for receipt of responses shall be a date at least 60 days from the date of first publication except where large or complex contracts are involved, when this date should be at least 90 days from the date of first publication.

1.07 Pre-Qualification of Bidders

- (a) Where the Bank determines that pre-qualification is required for a contract, a pre-qualification application should be sent to the recipient of Bank financing by the prospective bidder. Such recipient will base its assessment on the prospective contractor's ability to perform satisfactorily taking into account:
 - (i) the contractor's experience and record on similar work; and
 - (ii) its capabilities with respect to size, efficiency and financial situation.
- (b) Normally, pre-qualification notices should provide for at least 60 days for submission of responses.
- (c) The recipient of Bank financing shall inform the Bank of the procedure to be followed and shall introduce such modifications in the procedure as the Bank may reasonably request. The list of pre-qualified bidders together with a statement of their qualifications and of the reasons for the exclusion of any applicant for pre-qualification shall be furnished by the recipient of Bank financing to the Bank for its comments before the applicants are notified of the decision of the recipient of Bank financing and the recipient of such financing shall make such additions to, deletions from or modifications in, the said list as the Bank may reasonably

request. The recipient of Bank financing shall inform all applicants of the outcome of their applications. Pre-qualified bidders should be allowed at least 45 days for submission of bids.

1.08 Size and Nature of Contracts

The Bank wishes to foster widespread competition and in order to do so individual contracts should be of an appropriate size to attract responsible bidders. Subject to approval by the Bank, the project could be divided into discrete parts for bidding purposes and may also be divided into sections to allow smaller contractors to bid, provided "all-or-none" or partial bids of sufficient size to interest international contractors also are allowed. Contracts for turnkey projects (i.e. those involving engineering, supply of equipment and construction by a single firm) are acceptable in appropriate circumstances approved by the Bank. In such cases, the recipient of Bank financing must clearly demonstrate the proposed method of evaluation of bids. In all cases proper consideration should be given to the requirements of economy, efficiency and convenience.

1.09 Joint Ventures

Contractors and suppliers in eligible countries may bid independently or in joint venture with contractors and suppliers from other eligible countries but the Bank does not approve conditions of bidding which require mandatory joint ventures or other forms of association between local or regional contractors or suppliers and foreign contractors or suppliers.

1.10 Reference to the Bank

If it is necessary or appropriate to refer to the Bank in tender documents, the following language is recommended:

"(Name of recipient of funds) has received (or has applied for) financing from the Caribbean Development Bank in various currencies equivalent to \$_____towards the cost of (name of project). It is intended that the financing will be applied to eligible payments under the contract for which this invitation to bid is issued. Payments by the Caribbean Development Bank will be made only upon approval by the Bank of an application presented by (name of recipient of funds) in accordance with the terms and conditions of the agreement for such financing and will be subject in all respects to the terms and conditions of that agreement."

1.11 Language

Under paragraph 1 of Article 38 of the Agreement establishing the Bank, the official language of the Bank is English. All invitations and responses thereto, specifications and contracts shall be prepared in English.

2. BIDDING DOCUMENTS

2.01 General

The bidding documents should furnish all information necessary for a prospective bidder to prepare a bid for the goods and/or works to be provided. The details and complexity of these documents will vary with the size and nature of the contract. They should include, *inter alia*, invitation to bid; instructions to bidders; the criteria and methodology for evaluation of bids and selection of the successful bidder; form of bid; form of contract; conditions of contract, both general and special; technical specifications; list of goods or bill of quantities and drawings as well as necessary appendices such as formats for various securities. The bidding documents must be submitted to the Bank for review before they are issued to prospective bidders.

2.02 Clarity of Bidding Documents

- (a) Bidding documents should describe clearly and precisely the works to be done and/or the goods to be supplied, the location of the works, the place and period of delivery or installation, the warranty and maintenance requirements, and other pertinent terms. The technical specifications should describe all the essential features of the item(s) to be procured and should state that any non-conformity to these essential features would render the bid as substantially unresponsive. Drawings should be consistent with the text of the technical specifications. If alternative bids are acceptable, this should be expressly stated. The bidding documents should indicate the methods, terms and conditions of bid evaluation, as well as the factors or bases (including those unquantifiable in monetary terms and the specific weights to be given) to be taken into account in comparing bids. If the recipient of Bank financing reserves its right to compare bid prices based on single items or groups of items or a total package, this should be stated in the bidding documents.
- (b) Any additional information, clarification, correction of errors or alteration in bidding documents should be provided to all those who have requested the original documents. In the event of any substantive amendments to the bidding documents, adequate time should be allowed for bidders to make any necessary changes in their bids in

response to such amendments. A period of 30 days is considered adequate for this purpose.

2.03 Standards

Where applicable, specifications must conform to local codes of practice. If specific standards to which equipment or materials must comply are cited, the specifications should state that goods meeting other authoritative standards, which ensure an equivalent or higher quality than the standards mentioned, will also be accepted.

2.04 Use of Brand Names

- (a) Equipment specifications should be based on performance capability. In particular, descriptions contained in specifications should not prescribe brand names, catalogue numbers or types of equipment of a specific manufacturer unless:
 - (i) specific replacement parts are required; or
 - (ii) it has been determined that this is necessary to include certain essential features.
- (b) In the case of sub-paragraph (a) (ii) above, the reference should be to at least three brand names followed by the words "or equal" and the specifications should permit offers of alternative equipment, articles or materials, which have similar characteristics and provide equal performance and quality to those specified.

- (c) In special cases, with prior approval of the Bank, specifications may require that a proprietary item be supplied.

2.05 Currency

- (a) The Bank requires that the cost of goods and services to be financed under the proceeds of a Bank financing be paid in the currencies of the countries from which such goods and services are acquired unless otherwise agreed by the Bank. The bidding documents should therefore contain appropriate payment provisions to comply with this requirement.
- (b) Whenever expenditures in both local currency and foreign currencies are involved, the bidding documents should require that the amounts of these expenditures be shown separately, in so far as is practicable.
- (c) For comparison purposes, all bids should be expressed in the currency of the country where the project is to be undertaken and should state the rate of exchange used for conversion. The exchange rates used should be the selling rate as determined by the Central Bank or other monetary authority for the country of the recipient of financing on the date 28 days prior to the latest date for the submission of tenders, unless otherwise specified by the agreement in respect of the financing.

2.06 Bid Bonds and other Bidding Guarantees

Bid bonds or other bidding guarantees are a usual requirement for large projects but should not be set so high as to discourage prospective bidders.

Bid bonds or other bidding guarantees should be released to unsuccessful bidders once it is determined that they will not be awarded a contract.

2.07 Performance Bonds or other Surety

The bidding documents for construction works should require performance bonds or other surety to ensure that the works will be carried to completion in the case of failure by the contractor to perform under the contract. The amount of the bond or surety will depend on the type and magnitude of the works to be done. The life of the bond or surety should extend sufficiently beyond completion of the contract to cover a reasonable warranty period. In contracts for the supply of goods, the need for performance security will depend on market conditions and commercial practice for the particular kind of goods.

Performance bonds or other surety may be required, although in such cases it is usually preferable to provide in the bidding documents that a percentage of the total payment be held as retention during the warranty period to guarantee performance.

2.08 Insurance

- (a) The bidding documents should state precisely the types of insurance to be provided by the successful bidder and should indicate the kinds of risks insured against, the liabilities to be covered, and the duration of the insurance. In contracts for the supply of goods on c.i.f. basis, marine insurance and transportation are left to be arranged by the supplier as part of the contract. Where goods are supplied on f.o.b basis, marine insurance and transportation are arranged by the recipient of Bank financing, and the Bank, if called upon to finance such insurance, will require to be satisfied that no undue restrictions have been placed on the procurement of such

insurance and that due attention has been paid to considerations of economy and efficiency.

- (b) Insurance services connected with Bank-financed contracts are eligible for financing out of the proceeds of Bank financing only when rendered by insurers operating in eligible countries.

2.09 Margin of Preference

- (a) The Bank may permit a margin of preference of 15% or the actual import taxes, levies and duties, whichever is less, for goods manufactured in Commonwealth Caribbean member countries, when comparing bids from those countries with bids from other countries. For goods manufactured in other regional member countries a margin of preference of 7.5% may be permitted. In the case of goods manufactured in Commonwealth Caribbean member countries, the preference shall apply only to manufactured goods accepted by the Bank as eligible for area tariff treatment under Article 14 of the Annex to the Treaty establishing the Caribbean Community.
- (b) The Bank may permit a margin of preference of 7.5% to contractors from Commonwealth Caribbean Member Countries who are not resident in the project country for civil works when competing with other contractors.
- (c) When a preference is agreed upon this should be referred to in the bidding documents.

3. BID OPENING, EVALUATION AND CONTRACT AWARD

3.01 Minimum Number of Bids

The Bank reserves the right to ensure that at least three contractors or suppliers have submitted bids.

3.02 Period For Bid Preparation

- (a) The period allowed for bid preparation will depend on the magnitude and complexity of the contract involved and be sufficient to allow for the conduct of technical labour availability and any other investigations on site.
- (b) Such period must be at least 60 or 90 days in the case of solicitation by advertisement as provided for in paragraph 1.06 (c), 45 days in the case of bids from pre-qualified bidders as provided for in paragraph 1.07 and 30 days in cases where bidding is restricted to resident contractors or suppliers.

3.03 Bid Closing and Opening Procedures

- (a) The date, hour and place of bid closing must be stated in the invitation to bid. Bids received after this time should be returned unopened. Results of the bid should be submitted to the Bank. The Bank reserves the right for its representative to be present.
- (b) The date, hour and place of bid openings must be stated in the invitations to bid and all bids must be opened publicly at

the stipulated time. The amounts of each bid must be read aloud. An announcement must be made that the award will be made after the bids have been evaluated.

3.04 Clarification or Alteration of Bids

No bidder should be permitted to alter his bid after the first bid has been opened, but clarifications not changing the substance of the bid may be requested. The recipient of Bank financing may ask any bidder for a clarification of his bid but should not ask any bidder to change the substance or price of his bid.

3.05 Procedures to be Confidential

Except as may be required by law, no information relating to examination, tabulation, clarification or evaluation of bids or recommendations concerning awards should be communicated after the opening of bids to any person not officially concerned with these procedures before the announcement of the award of the contract to the successful bidder.

3.06 Examination of Bids

Following the opening, it should be ascertained whether material errors in computation have been made in the bids, whether the bids are substantially responsive to the terms of the specifications, whether the required bonds or guarantees and sureties have been provided, whether documents have been properly signed and whether the bids are otherwise generally in order. If a bid does not substantially conform to the specifications or is not otherwise substantially responsive to the invitation, it should be rejected. A technical analysis should then be made to evaluate each responsive bid and to enable bids to be compared.

3.07 Rejection of Bids

Bidding documents should provide that all bids may be rejected. Such rejection is justified where bids do not meet the intent of the specifications or where there is evidence of collusion and/or lack of competition. New bids, solely for reasons of price, should normally not be invited where the bid prices are slightly higher than the original estimate. However, recipients of Bank financing may, after consultation with the Bank, reject all bids if the lowest bid exceeds the cost estimates by an amount sufficient to provide a reasonable justification of such action. In such cases, the recipient of Bank financing, with the approval of the Bank, may negotiate a contract with the lowest evaluated bidder or may call for new bids from at least all who were invited to submit bids in the first instance and a reasonable amount of time should be allowed for the submission of new bids.

3.08 Bid Evaluation

- (a) Bid evaluations should be consistent with the terms and conditions set forth in the bidding documents and any modifications thereof prior to the opening of bids. The bid with the lowest evaluated cost but not necessarily the lowest submitted price should be selected for award. For the purpose of determining the lowest evaluated bid, factors other than price, such as the time of completion of construction, the efficiency and reliability of the equipment, the time of its delivery and the availability of service and spare parts and the reliability of construction methods proposed, should also be taken into consideration (whenever possible, being expressed in monetary terms according to

the bases given in the bidding documents).

- (b) A detailed report on the evaluation and comparison of bids, setting forth the specific reasons on which the determination of the lowest evaluated bid is based, should be prepared by the recipient of Bank financing or by its consultants and submitted to the Bank for its review before the award is made by the recipient of Bank financing.

3.09 Post-Qualification of Bidders

In the absence of pre-qualification, the recipient of Bank financing should determine whether the bidder whose bid has been evaluated the lowest has the capability and financial resources effectively to carry out the contract concerned. The criteria to be met should be set out in the bidding documents and, if the bidder does not meet them, his bid should be rejected. In such an event, the recipient of Bank financing should make a similar determination for the next lowest evaluated bidder.

3.10 Contract Award

The award of a contract should be made within the period of the validity of the bids to the bidder whose bid has been determined to be the lowest evaluated bid and who is able to meet the appropriate standards of capability and financial resources. Such bidder should not be required, as a condition of award, to undertake responsibilities for work not stipulated in the specifications or to modify his bid. It is required that the Bank give its prior approval to the award. If the Bank determines that the proposed award is not consistent with the terms of its contract with the recipient of Bank financing,

it will promptly inform the recipient of Bank financing of its determination and state reasons therefor and the contract will not be eligible for financing by the Bank.

4. CONTRACT PROVISIONS

4.01 Expenditure Under Contracts

Contracts shall provide that:

- (a) the supplier or contractor shall not make any expenditure for the purpose of the contract in the territories of any country which is not an eligible country, unless otherwise permitted by the agreement in respect of the financing; and
- (b) only goods and services which have their source and origin in, and are procured from, an eligible country are eligible for procurement.

4.02 General Conditions of Contract

Contracts should contain general conditions which should cover, *inter alia*, definitions, the contractors' general obligations, provisions for bonds, indemnities and insurance, liquidated damages and bonus, percentage of payments to be retained, termination, advances to be made and how payment is to be made. As and when appropriate, general conditions should also cover special risks, variation orders and any special requirements of the project or contract. Where the project is being financed by the Bank with resources provided by Aid Donors on a reimbursement basis, the general conditions should also provide for a sufficient period to enable funds to be obtained by the Bank from the Aid Donors. Before finalising contracts, recipients of Bank financing should consult with the Bank with respect to the likely period.

4.03 Advance Payment

Any advance payment, made upon signature of a contract for goods or works, for mobilisation and similar expenses should be related to the estimated amount of these expenses and be specified in the bidding documents. Amounts and timing of other advances to be made, such as for materials delivered to the site for incorporation in the works, should also be described in the bidding documents. Security must be required for any advance payment. The bidding documents should specify the arrangements for any such security.

4.04 Adjustment Clauses

In appropriate cases provision should be made for adjustment (upwards or downwards) in the contract price in the event that changes occur, including changes of exchange rates, over which the contractor or supplier has no control, in the prices of the major cost constituents of the contract, such as labour and imported materials.

4.05 Retention Money

The percentage of the total payment to be held as retention money and the conditions for its ultimate payment should be stipulated in the contract documents.

4.06 Liquidated Damages and Bonus Payments

Provision for liquidated damages should be contained in contracts when delays in completion will result in extra cost, loss of revenue or loss of other benefits to the recipient of Bank financing. Provision may also be made for a bonus to be paid to contractors for completion of contract ahead of the time specified in the contract, if completion ahead

of the time specified in the contract will result in a significant benefit to the project.

4.07 Force Majeure

It is desirable that the general conditions of the contract contain clauses, when appropriate, stipulating that failure on the part of the parties to perform any of their obligations under the contract shall not be considered a default in the performance of such obligations in so far as such failure is the result of an event of force majeure (to be defined in the general conditions of the contract).

4.08 Disputes

It is desirable that provisions dealing with the settlement of disputes be included in contract documents, but the Bank should not be named arbitrator nor asked to name an arbitrator.

4.09 Termination of Contract

In the event that the contractor is unable, for any reason, to complete the contract, the recipient of Bank financing may with the approval of the Bank choose any other contractor acceptable to the Bank.

APPENDIX

MEMBERS OF THE BANK

REGIONAL MEMBERS

Commonwealth Caribbean Members

1. Anguilla
2. Antigua and Barbuda
3. Bahamas, The
4. Barbados
5. Belize
6. British Virgin Islands
7. Cayman Islands
8. Dominica - Commonwealth of
9. Grenada
10. Guyana - Co-operative Republic of
11. Jamaica
12. Montserrat
13. Saint Kitts and Nevis
14. Saint Lucia
15. Saint Vincent and the Grenadines
16. Trinidad and Tobago - Republic of
17. Turks and Caicos Islands

Other Regional Members

1. Colombia
2. Mexico
3. Venezuela

NON-REGIONAL MEMBERS

1. Canada
2. China, People's Republic of
3. Germany
4. Italy
5. United Kingdom