

STANDARD PROCUREMENT DOCUMENTS

**User's Guide
for
Prequalification Document
for
Procurement of Works**



Caribbean Development Bank

September 2007

Introduction

The Standard Prequalification Document for Procurement of Works (SPD) and User's Guide have been designed to: (i) simplify the Employer's preparation of a specific Prequalification Document (PQD) for Procurement of Works; (ii) reduce the Applicants' preparation time and effort; and (iii) facilitate and simplify the Employer's evaluation of applications; and (iv) minimize CDB's time required for the prior review of the PQD

The purpose of the Users' Guide (the Guide) is to provide guidance to Employers on how to prepare prequalification documents for works based on the standard procurement document. In addition the Guide includes guidance on how to prepare the Invitation for Prequalification (IFP). The provisions in **Section I, Instructions to Applicants (ITA) of the SPD must be used without any modification to its text or format.** Any data and provisions that this section requires for a specific prequalification shall be included in **Section II, Prequalification Data Sheet.**

The remaining sections of the SPD, which are also explained in the Guide are: **Section III, Qualification Criteria and Requirements; Section IV, Application Forms; and Section VI, Scope of Works.**

At the end of each section of the Guide, "**Guidance Notes for Users,**" explain the rationale for certain clauses of the SPD, and provide guidance to executing agencies and their consultants in preparing a particular prequalification questionnaire and evaluating the submissions of applicants. The last section of this Guide provides guidance on the evaluation of applications.

Procurement under projects financed by the Caribbean Development Bank (hereinafter interchangeably called "CDB") is carried out in accordance with policies and procedures laid down in CDB's *Guidelines for Procurement*, hereinafter referred to as the "Guidelines."

The Standard Prequalification Document in this publication has been prepared for use by Recipients of CDB Financing and their implementing agencies in the procurement of works primarily through International Competitive Bidding (ICB), but the principles may also be applied if prequalification is needed under National Competitive Bidding (NCB). The procedures presented are based on good international practice, and are in compliance with the Guidelines.

When ICB is the appropriate method for procurement, the use of the Bank's Standard Bidding Documents (SBDs) is mandatory. For large Works (customarily regarded as more than US\$10 million equivalent) or complex Works, prequalification is usually necessary; to be used under a project, however, prequalification needs to be mandated in the Financing Agreement. Accordingly, CDB's SBD for the Procurement of Works has been prepared on the basis that prequalification, in accordance with this document, will have taken place prior to bidding. CDB has also issued an SBD for smaller contracts (normally less than US\$10 million and/or simple Works), for which prequalification is optional; if, however, prequalification is required, it should be carried out in accordance with this document.

Contents

Acronyms & Abbreviations	4
Glossary	6
Why Prequalification?	12
The Prequalification Process	14
Section I. Instructions to Applicants (ITA)	16
Section II. Prequalification Data Sheet (PDS).....	17
Section III. Qualification Criteria and Requirements	20
Section IV. Application Forms	35
Section V. Eligible Countries	36
Section VI. Scope of Works	37
Section VII. Evaluation of Applications	38
Invitation for Prequalification.....	45

PQ **Prequalification**

PQ **Prequalification Document**
D

SB **Standard Bidding Documents**
D

SP **Standard Prequalification Document**
D

Glossary

Employer	One of the two parties to a works contract, the other party being the “Contractor.”
Contractor	The legal entity that is party to and performs a works contract, the other party to the contract being the “Employer.”
joint venture	An ad hoc association of firms that pool their resources and skills to undertake a large or complex contract in the role of “Contractor,” with all firms (partners in the JV) being legally liable, jointly and severally, for the execution of the contract in the event of a partner’s withdrawal.
management	A firm, acting in the role of “Contractor,” that does not

contractor	normally usually perform contract construction work directly, but manages the work of other (sub) contractors, while bearing full responsibility and risk for price, quality, and timely performance of the work contract.
construction manager	A consultant, acting as agent of the Recipient of CDB Financing/Employer, engaged to coordinate and monitor the timing of preparation, bidding award, and execution of a number of different contracts comprising a project, but does not take on the responsibility for price, quality, or performance of those contracts.
nominated subcontractor	A specialist enterprise selected and approved by the

Employer to provide pre-specified works included in the Bill of Quantities and nominated as subcontractor to the main Contractor for such purpose.

postqualification An assessment made by the Employer after the evaluation of bids and immediately prior to award of contract, to ensure that the lowest-evaluated, responsive, eligible Bidder is qualified to perform the contract in accordance with previously specified prequalification requirements.

prequalification An assessment made by the Employer before inviting bids, of the appropriate level of experience and capacity of firms expressing interest in undertaking a particular contract, before inviting them

to bid.

prime contractor

A firm that performs a substantial part of a contract construction work itself and the balance, if any, by subcontractors, while bearing full responsibility for the whole contract.

provisional sum

A sum included provisionally in the Bill of Quantities of a contract, normally for a specialized part of the Works or for contingencies, which sum shall be used only on the instructions of the Employer/Engineer for payments to the contractor and/or to nominated subcontractors.

“slice and package”

A procedure whereby a large homogeneous project is sliced into smaller similar contracts, which are bid simultaneously

so as to attract the interest of both small and large firms; firms offer bids on individual contracts (slices) or on a group of similar contracts (packages), and award is made to the combination of bids offering the lowest cost to the Employer. Slices comprising a number of similar construction units together in a small area are sometimes referred to as “lots,” which are bid concurrently with other similar “lots” as part of the larger “package.

Turnover

The gross earnings of a firm (in this context, a construction contractor), defined as the billings for contract work in progress and/or completed, normally expressed on an annual basis, and excluding income from other sources.

Works

The total work involvement in a construction contract, including the “Permanent” Works or finished product as specified, and the “Temporary” Works required by the Contractor for the execution and completion of the contract.

In writing

For the purpose of this document, means authenticated handwritten, typed, or printed; a document prepared in writing can be transmitted by telex, electronic mail, facsimile, with proof of receipt; and in the form requested by the sender.

Why Prequalification?

Introduction

1. The successful execution of contracts for large buildings, civil engineering, supply and installation, turnkey, and design and build projects requires that contracts be awarded only to firms, or combinations of firms, that are suitably experienced in the type of work and construction technology involved, that are financially and managerially sound, and that can provide all the equipment required in a timely manner. The assessment by an implementing agency of the suitability of firms to carry out a particular contract **prior** to being invited to submit a bid is a process called **prequalification**.

The Requirement for Prequalification of Bidders

2. Most multilateral financing institutions require the prequalification of firms for the construction of large or complex Works contracts, followed by a closed competitive bidding procedure in which only those firms meeting specified prequalification criteria are invited to submit a bid. CDB's Guidelines for Procurement state the requirements for prequalification in paras. 2.09 and 2.10. It is CDB's policy that all applicants meeting the specified criteria shall be allowed to bid. Therefore, prequalification should not be used for limiting competition to a predetermined number of potential bidders.

3. The decision whether to carry out prequalification is a matter of professional judgment based upon a number of considerations about the contract itself, and about the actual process of prequalification. Contract considerations include size, complexity, limitations on completion time, the critical nature of the works, environmental impact, associated risks, etc. Considerations regarding the process of prequalification should weigh the potential benefits against the potential disadvantages, which are topics discussed in paras. 4 and 5 below.

Benefits of Prequalification

4. The prequalification process may be of benefit to both bidders and Recipients of CDB Financing¹ alike, in that:

- (a) the process enables prospective bidders, who may be insufficiently qualified on their own, to avoid the expense of bidding. Conversely it is an incentive for these potential bidders to form a joint venture that may give them a better chance of success;
- (b) after being prequalified, well-qualified firms will price their bids with the knowledge that they are competing against other qualified bidders meeting realistic minimum competence criteria; the assurance that inadequately qualified competitors will be excluded from submitting unrealistic low bids thus encourages leading contractors to bid;

¹ Recipient of CDB Financing includes borrower, grantee or the executing agency delegated by the Recipient of CDB Financing to execute the project, normally the Employer in a Works contract.

- (c) prequalification enables Recipients of CDB Financing to assess the interest from qualified firms generated by the contract and, in the event that only a limited number of applications are received, to make any necessary adjustments in the procurement process (including, in particular, the special conditions of contract—sharing of risk, payment terms, liquidated damages, or completion times, which may be perceived as onerous by potential bidders);
- (d) it helps to expose potential conflicts of interest by identifying contractors who may have a business association with consultants to the project;
- (e) it reduces the amount of work and time involved by Employers in evaluating bids from unqualified contractors;
- (f) it encourages local firms to form joint ventures with other local or international firms, thereby benefiting from their resources and experience;
- (g) it enables the Employer to assess the likelihood of contractors' eligibility for domestic bidder price preference in borrowing countries where this is applicable; and
- (h) it reduces significantly, if not eliminates, problems of rejection associated with low-priced bids submitted by bidders of doubtful capability; and.
- (i) it gives CDB some indication of an Employer's ability to manage an important, early procurement function.

Disadvantages of Prequalification

5. On the negative side, prequalification has some potential disadvantages:

- (a) it may increase procurement lead time, although this can be minimized by good procurement scheduling, e.g., undertaking the prequalification process while Bidding Documents are being prepared;
- (b) the Recipient of CDB Financing is required to review all prequalification applications, whereas postqualification requires the review of the qualifications of, normally, only one (the lowest evaluated) bidder;
- (c) collusion (and the possibility of price-rigging) is easier among a limited number of identified bidders, particularly if they are of the same nationality;
- (d) the element of subjective judgment required by evaluators when applying the prequalification criteria to a number of Applicants, and the discretionary rights reserved to the Employer, provide opportunities for externally influenced deviations from the expected high standards of ethics and impartiality in prequalifying applicants.

6. CDB, from its own experience, believes that on balance the benefits of prequalification under transparent conditions for large Works contracts outweigh by a considerable margin the potential disadvantages, for both Recipients of CDB Financing and the construction community alike.

The Prequalification Process

The prequalification process includes four main phases: (i) Advertising, (ii) Preparation and Issuing of the Prequalification Document, (iii) Application Preparation and Submission, (iv) Application Evaluation, and Prequalification of Applicants.

Advertising (Procurement Guidelines; paras 2.07 and 2.08)

The Employer shall advertise prequalification in the project by preparing and submitting to CDB, a draft General Procurement Notice¹ (GPN). CDB will arrange for its publication in the United Nations Development Business² online (UNDB online) and on CDB's website.

In addition the Employer shall advertise an upcoming prequalification process in the project under a Specific Procurement Notice (SPN):

- (a) in at least one newspaper of national circulation in the country of the Recipient of CDB Financing and in the official gazette, or in an electronic portal with free access, and
- (b) in UN *Development Business* online and on CDB's website.

When advertising, the Employer shall give enough time³ for potential Applicants to respond with well-prepared applications.

Preparation and Issuing of the Prequalification Document

The Employer and the Applicant should keep in mind that:

- The Employer is responsible for the preparation and issuance of the Prequalification Document (PQD).
- The Employer shall use the Standard Prequalification Document for Procurement of Works (SPD) issued by the Bank, as this is mandatory for CDB-financed contracts which exceed \$10 mn in estimated value.
- The Employer shall prepare the PQD using the published version of the SPD without suppressing or adding text in Section I, Instructions to Applicants (ITA), which does not allow modifications. All information and data specific to an individual prequalification process must be provided by the Employer in the following sections of the PQD:
 - Section II, Prequalification Data Sheet

¹ The information to be included in the GPN is found in paragraphs 2.07 of CDB's Guidelines for Procurement (January 2006 edition)

² Advertising inquiries about the UN Development Business publication can be directed as shown: Development Business, 1818 H Street, N.W., Washington, D.C. 20433 U.S.A; Telephone 1-202-458-2397; Facsimile: 1-202-5422-3316; Internet: dbusiness@worldbank.org

³ See paragraphs 2.08 and 2.44 of CDB's Guidelines for Procurement

- Section III, Qualification Criteria and Requirements
- Section IV, Application Forms
- Section V, Eligible Countries
- Section VI, Scope of Works
- The Employer shall allow Applicants sufficient time for studying the prequalification documents, preparing complete and responsive applications, and submitting the applications (see Advertising above).

Application Preparation and Submission

The Applicant is responsible for the preparation and submission of its application. During this stage, the Employer shall:

- Promptly respond to requests for clarifications from Applicants and amend, as needed, the PQD,
- Amend the PQD only with CDB's "no objection" in contracts subject to CDB's prior review.

Application Evaluation and Prequalification

The Employer is responsible for the evaluation of applications and the prequalification of applicants. To that effect, the Employer shall appoint experienced staff to conduct the evaluation of applications. Mistakes committed at the application evaluation stage may later prompt complaints from Applicants, hence requiring re-evaluation of the applications, with the consequent delays and waste of time and resources.

The Employer, in observance of best practices, shall:

- Maintain the application evaluation process confidential;
- Reject any attempts or pressures to bias the evaluation, including through fraud and corruption;
- Comply with the prior-review requirements of CDB; and
- Strictly apply the qualification criteria specified in the Prequalification Document Section III, Qualification Criteria and Requirements.

Section I. Instructions to Applicants (ITA)

The Instructions to Applicants (ITA) specify the procedures that regulate the prequalification process. The ITA contains standard provisions that have been designed to remain unchanged, their wording should not be modified. On the other hand, the ITA refer those clauses that need to be complemented to suit the conditions of a particular prequalification process to the Prequalification Data Sheet (PDS); the PDS provides such additional information.

Section II. Prequalification Data Sheet (PDS)

General

The Prequalification Data Sheet (PDS) contains information and provisions that are specific to a particular prequalification process. The Employer must specify in a PDS clause only the information that the corresponding ITA requests. All requested information shall be provided; **no clause of the PDS shall be left blank.**

To facilitate the preparation of the PDS, its clauses are numbered with the same numbers as the corresponding ITA clause. Section II, Prequalification Data Sheet, provides information to the Employer on how to enter all required information.

Guidance Notes

1. Slice and Package of Similar Contracts (ITA 1.1 and 25.3)

- (a) If a number of contracts of a similar nature are to be bid simultaneously on a “slice and package” basis, the nonstandard, contract-specific parts of the bidding documents (Bill of Quantities, Drawings, etc.) should be prepared for each individual contract (slice) in the event that award of individual contracts will be made to different bidders. In the prequalification document, Section III should state the prequalification requirements for each slice based upon the Employer’s cost estimates, including contingencies. Applicants will be asked to indicate in their submissions the individual contract (slice) or combination of contracts (package) in which they are interested, and will be invited to bid on those or similar contracts for which their assessed capacity is sufficient.

Basic Philosophy

- (b) The Guidelines for Procurement (Guidelines) in para 2.04 refer to bidding on a slice and package basis as follows:

“For a project requiring similar but separate items of equipment or works, bids may be invited under alternative contract options that would attract the interest of both small and large firms, which could be allowed, at their option, to bid for individual contracts (slices) or for a group of similar contracts (package). All bids and combinations of bids shall be received by the same deadline and opened and evaluated simultaneously so as to determine the bid or combination of bids offering the lowest evaluated cost to the Recipient of CDB Financing.”
- (c) The essential requirement for breaking a large Works construction project into a package of similar individual contracts or “slices” is that the Works, in the first instance, must be reasonably homogeneous, and that the execution of individual slices by different contractors on a “single responsibility” basis would still result in a timely and satisfactory completion of the whole package. For example: a number of similar building types (such as health clinics, schools, houses, etc.); irrigation canals; pipelines;

- rural roads; highways in similar terrain, etc.
- (d) The manner in which the Works are sliced is of importance. A highway sliced “horizontally” into separate radically different elements such as earthworks, culverts, bridges, road foundation, and paving is not suited for bidding such individual elements as separate contracts on a “slice and package” basis, because of potential problems with contract interfacing and assigning responsibility for any subsequent defects. However, a highway sliced “vertically” into sections with similar features is suited, since each slice is a complete, self-contained entity in itself.
 - (e) The procurement strategy for complex projects, where the risk of planning and coordinating the phasing and site relationships between contractors is high and where such risk is assumed by the Employer, should be discussed with CDB before starting the preparation of the prequalification documentation. Works under these projects are often divided up in separate contracts of a different nature and with critical completion dates. Potential contractors for these separate contracts may be simultaneously prequalified and the contracts may also be simultaneously bid, but their packaging for prequalification and bidding purposes may become very complicated. As an example, the construction of a port could be divided up into several separate contracts for access roads, breakwater and quays, dredging, buildings, etc., with prequalification and bidding each carried out at the same time and the possibility of multiple awards to one or more contractors.

Number of Slices

- (f) The number of slices or individual contracts into which the project is divided is also of importance, and will affect the complexity of the prequalification evaluation and, subsequently, the bid evaluation and contract administration. The complexity of the prequalification and bid evaluation increases very rapidly with the number of slices. The number of combinations of individual contracts above five may require a complex matrix for evaluation purposes. Four or five maximum number of slices or individual contracts is recommended. A large number of small slices, while encouraging small domestic contractors, may discourage larger and more efficient contractors from bidding on a package of small contracts. Even with a reasonable number of slices, the evaluation of different combinations may be somewhat complex, particularly if different time periods are permitted for package construction. CDB strongly recommends against an excessive number of slices.

2. Regional Bidders Preference (ITA 23.1)

- (a) If the Financing Agreement allows a margin of preference for regional contractors, and the Employer wishes to use the preference for the award of contract(s) subject to this prequalification, the PQD (and subsequent Bidding Documents) should include basic information on the preference (eligible countries, reference to the Guidelines Appendix 3 for its application). In particular:

A regional bidder is one that meets the following criteria:

- (i) for an individual firm:
 - (A) is registered in the country of the Recipient of CDB Financing;
 - (B) is more than 50% beneficially-owned by a citizen or citizens and/or bona fide resident or residents of Caricom countries or a body or bodies meeting those requirements;
 - (C) does not subcontract more than 10 percent of the contract price, excluding provisional sums, to foreign contractors from non-Caricom eligible countries.
- (ii) for a joint venture (JV) of regional firms:
 - (A) individual member firms shall satisfy (a)(i) and (a)(ii) above; (B) the JV shall be registered in the country of the Recipient of CDB Financing;
 - (C) the JV shall not subcontract more than 10 percent of the contract price, excluding provisional sums, to foreign firms.

3. Nominated Subcontractors (ITA 24.2)

In large, complex Works contracts, the construction strategy of the Employer may provide for the execution of certain specialized parts of the Works by Nominated Subcontractors in accordance with the provisions of the FIDIC MDB Harmonised General Conditions of Contract.⁵ A typical example would be the supply and installation of the ventilation and lighting systems for a tunnel contract.

⁵ Copies of the FIDIC MDB Harmonised General Conditions of Contract can be obtained from: the Caribbean Development Bank, P.O. Box 408, Wildey, St. Michael, Barbados. Telephone: 246-431-1600

Section III. Qualification Criteria and Requirements

The purpose of Section III. Qualification Criteria and Requirements is to specify the criteria and corresponding requirements that the Employer shall use to evaluate the applications and prequalify the Applicants.

III.1 Qualification Criteria and Requirements (Table)

The Employer shall specify the “Qualification Criteria and Requirements” in the table below. The four main qualification criteria are:

1. Eligibility
2. Historical Contract Non-Performance
3. Financial Situation
4. Experience

Eligibility and Qualification Criteria			Compliance Requirements			Documentation
No.	Subject	Requirement	Single Entity	Joint Venture		Submission Requirements
				All Parties Combined	Each Partner	

Eligibility and Qualification Criteria			Compliance Requirements			Documentation	
No.	Subject	Requirement	Single Entity	Joint Venture		Submission Requirements	
			All Parties Combined	Each Partner	One Partner		
1. Eligibility							
1.1	Nationality	Nationality in accordance with ITA Sub-Clause 4.2	Must meet requirement	Existing or intended JV must meet requirement	Must meet requirement	N/A	Forms ELI – 1.1 and 1.2, with attachments
1.2	Conflict of Interest	No conflicts of interest in ITA Sub-Clause 4.4	Must meet requirement	Existing or intended JV must meet requirement	Must meet requirement	N/A	Application Submission Form
1.3	Bank Ineligibility	Not having been declared ineligible by CDB, as described in	Must meet requirement	Existing JV must meet	Must meet requirement	N/A	Application Submission

Eligibility and Qualification Criteria			Compliance Requirements			Documentation	
No.	Subject	Requirement	Single Entity	Joint Venture		Submission Requirements	
				All Parties Combined	Each Partner		One Partner
		ITA Sub-Clause 4.7		requirement		Form	
1.4	Government Owned Entity	Applicant required to meet conditions of ITA Sub-Clause 4.8	Must meet requirement	Must meet requirement	Must meet requirement	N/A	Forms ELI – 1.1 and 1.2, with attachments
1.5	United Nations resolution or law of the country of the Recipient of CDB Financing	Not having been excluded as a result of the laws or official regulations of the country of the Recipient of CDB Financing, or by an act of compliance with UN Security Council resolution, in accordance with ITA	Must meet requirement	Must meet requirement	Must meet requirement	N/A	Forms ELI – 1.1 and 1.2, with attachments

Eligibility and Qualification Criteria			Compliance Requirements			Documentation
--	--	--	-------------------------	--	--	---------------

No.	Subject	Requirement	Single Entity	Joint Venture		Submission Requirements
				All Parties Combined	Each Partner	

4.11

2. Historical Contract Non-Performance

2.1	History of Non-Performing Contracts	Non-performance of a contract did not occur within the last <i>[insert number]</i> years prior to the deadline for application submission based on all information on fully settled disputes or litigation. A fully settled dispute or litigation is one that has been resolved in accordance with the Dispute Resolution Mechanism under the	Must meet requirement by itself or as partner to past or existing JV	N/A	Must meet requirement by itself or as partner to past or existing JV	N/A	Form CON-2
-----	-------------------------------------	---	--	-----	--	-----	------------

Eligibility and Qualification Criteria			Compliance Requirements			Documentation	
No.	Subject	Requirement	Single Entity	Joint Venture		Submission Requirements	
				All Parties Combined	Each Partner		One Partner
		respective contract and where all appeal instances available to the applicant have been exhausted.					
2.2	Failure to Sign Contract	Not being under execution of a Bid Securing Declaration pursuant to Sub-Clause 4.9 for <i>[insert number]</i> years	Must meet requirement	Must meet requirement	Must meet requirement	N/A	Application Submission Form
2.3	Pending Litigation	All pending litigation shall in total not represent more than <i>[insert number]</i> %, <i>[insert percentage in</i>	Must meet requirement by itself or as a partner to past or	N/A	Must meet requirement by itself or as a partner to past or	N/A	Form CON – 2

Eligibility and Qualification Criteria			Compliance Requirements			Documentation
--	--	--	-------------------------	--	--	---------------

No.	Subject	Requirement	Joint Venture			Submission Requirements
			Single Entity	All Parties Combined	Each Partner	
		<i>words]</i> of the Applicant's net worth and shall be treated as resolved against the Applicant	existing JV		existing JV	

Number of years should usually be one or two.

3. Financial Situation

3.1	Financial Performance	Submission of audited balance sheets or if not required by the law of the Applicant's country, other financial statements acceptable to the Employer, for the last <i>[insert number]</i>	Must meet requirement	N/A	Must meet requirement	N/A	Form FIN – 3.1 with attachments
-----	-----------------------	---	-----------------------	-----	-----------------------	-----	---------------------------------

Eligibility and Qualification Criteria			Compliance Requirements			Documentation
--	--	--	-------------------------	--	--	---------------

No.	Subject	Requirement	Joint Venture			Submission Requirements
			Single Entity	All Parties Combined	Each Partner	
		years to demonstrate:				
		(a) the current soundness of the applicant's financial position and its prospective long term profitability, and	(a) Must meet requirement	(a) N/A	(a) Must meet requirement	(a) N/A
		(b) capacity to have a cash flow amount of US\$ [insert number] equivalent	(b) Must meet requirement	(b) Must meet requirement	(b) N/A	(b) N/A

Time period usually specified is 5 years; it may be reduced to three years minimum (in agreement with CDB) under special country circumstances, such as to provide opportunity for a newly privatized construction industry with limited period of existence, but with suitable experience, etc. Firms owned by individuals and partnerships may not be required to maintain audited balance

Eligibility and Qualification Criteria			Compliance Requirements			Documentation
--	--	--	-------------------------	--	--	---------------

No.	Subject	Requirement	Single Entity			Joint Venture		Submission Requirements
			All Parties Combined	Each Partner	One Partner			

sheets by the laws of their countries of origin; in such cases, the Employer may relax the audit requirement, but should request other acceptable financial statements.

3.2	Average Annual Construction Turnover	Minimum average annual construction turnover of US\$ <i>[insert amount in US\$ equivalent in words and figures]</i> , calculated as total certified payments received for contracts in progress or completed, within the last <i>[insert number]</i> years, <i>[insert number in words]</i> years	Must meet requirement	Must meet requirement	Must meet <i>[insert number] %</i> , <i>[insert percentage in words]</i> of the requirement	Must meet <i>[insert number] %</i> , <i>[insert percentage in words]</i> of the requirement	Form FIN – 3.2
-----	--------------------------------------	---	-----------------------	-----------------------	---	---	----------------

*The amount stated should normally not be less than twice the estimated annual turnover in the proposed Works contract (based on a straight-line projection of the Employer's estimated cost, including contingencies, over the contract duration). The multiplier of 2 may be reduced for very large contracts (say, greater than US\$200 million equivalent) but should not be less than 1.5.**

Eligibility and Qualification Criteria			Compliance Requirements			Documentation
--	--	--	-------------------------	--	--	---------------

No.	Subject	Requirement	Single Entity	Joint Venture			Submission Requirements
				All Parties Combined	Each Partner	One Partner	

The time period is normally five years or more, but may be reduced to not less than three years (in agreement with CDB) under special country circumstances, such as to provide opportunities for a newly privatized construction industry with only a short record of experience, etc.

An asterix() means that some information on the matter is provided in III.2 Guidance Notes.*

4. Experience

4.1	General Construction Experience	Experience under construction contracts in the role of contractor, subcontractor, or management contractor for at least the last <i>[insert number]</i> years prior to the application submission deadline, and with activity in at least nine (9) months in	Must meet requirement	N/A	Must meet requirement	N/A	Form EXP – 4.1
-----	--	---	------------------------------	------------	------------------------------	------------	-----------------------

Eligibility and Qualification Criteria			Compliance Requirements			Documentation
--	--	--	-------------------------	--	--	---------------

No.	Subject	Requirement	Single Entity	Joint Venture		Submission Requirements
				All Parties Combined	Each Partner	

each year.

As for 3.2, The time period is normally five years or more, but may be reduced to not less than three years (in agreement with CDB) under special country circumstances, such as to provide opportunities for a newly privatized construction industry with only a short record of experience.

4.2 (a)	Specific Construction Experience	Participation as contractor, management contractor or subcontractor, in at least <i>[insert number]</i> contracts within the last <i>[insert number]</i> years, each with a value of at least <i>[insert amount]</i> , that have been successfully and substantially completed and that are similar to the proposed works. The similarity shall be	Must meet requirement	Must meet requirement	N/A	Must meet require for one contract (can be a specialist subcontractor)	Form EXP 4.2(a)
---------	----------------------------------	--	-----------------------	-----------------------	-----	--	-----------------

Eligibility and Qualification Criteria		Compliance Requirements			Documentation
--	--	-------------------------	--	--	---------------

No.	Subject	Requirement	Joint Venture			Submission Requirements	
			Single Entity	All Parties Combined	Each Partner		One Partner
		based on the physical size, complexity, methods/technology or other characteristics as described in Section VI, Scope of Works					
<p><i>The range of contract numbers should be one to three (and is normally two), depending on the size and complexity of the subject contract, the exposure of the Employer to risk of contractor default, and country conditions. For example, for small- to medium-sized contracts in a country with newly privatized, but competitive construction firms (which have had some experience as parastatals), an Employer may be prepared to risk an award to an applicant with only one previous similar contract completed. For contracts in a developed environment with high potential supply of construction services, three similar contracts may not limit applications, but would reduce the risk of Contractor default.*</i></p> <p><i>The time range is normally five to ten years, and should be related to the number of similar contracts stated above and to the duration of the subject contract, e.g., ten years for two contracts of about five years' duration, or six years for two contracts of about three years' duration.*3</i></p>							
4.2		For the above or other contracts executed during the period	Must meet	Must meet	N/A	Must meet the following requirements	Form EXP –

Eligibility and Qualification Criteria			Compliance Requirements			Documentation
--	--	--	-------------------------	--	--	---------------

No.	Subject	Requirement	Compliance Requirements			Submission Requirements	
			Single Entity	All Parties Combined	Joint Venture Each Partner		One Partner
(b)		stipulated in 4.2 (a) above, a minimum construction experience in the following key activities: <i>[list activities]</i>	requirements	requirements		for the key activities listed below (can be a specialist subcontractor) <i>[list key activities for this partner and the corresponding minimum requirements]</i>	4.2 (b)

*List the monthly or annual production rate for the key construction activity (or activities) in the proposed contract or works, e.g., "one million m³ of rock placed in rockfill dams in one year; X tons of asphalt concrete per month place in road paving; Y m³ of concrete place in ... etc." The rates should be a percentage (say about 80 percent) of the estimated production rate of the key activity (or activities) in the contract or Works as needed to meet the expected construction schedule with due allowance for adverse climatic condition.*3*

III.2 Guidance Notes

Qualification Criteria

1. CDB's policy on prequalification is that all potential bidders that meet predefined minimum requirements regarding (inter alia): general construction experience; particular or specialized experience; financial capabilities; personnel capabilities, and equipment availability should be invited to bid. The procedure requires the implementing agency (Employer) to set pass/fail criteria which, if all are not met substantially by the Applicants, would cause them to be disqualified.
2. The criteria adopted must relate to characteristics that are essential to ensure satisfactory execution of the subject contract (or each contract with slice and package bidding), and they must be precisely stated. Basically, the criteria must be chosen so that only Applicants that are qualified to carry out the work are permitted to bid. The criteria must also be set so that they neither inhibit competition nor limit the number of eligible firms to be prequalified. All Applicants that meet the criteria should be invited to bid.
3. The verification of availability of resources (liquid assets or line of credit, key personnel and equipment) should be made at the time of contract award, rather than at the qualification stage. Therefore, such criteria have not been included in the SPD.

Average Annual Construction Turnover (sub-criterion 3.2)

4. The Applicant's general capabilities in managing construction contracts should be related to its record of recent experience and to the value of work undertaken. Experience requirements should be stipulated as a minimum annual value of general construction work carried out over a stated period, normally five years, calculated by applying an appropriate multiplier to the projected annual construction rate on the subject contract. The recommended multiplier is normally 2.0, but may be reduced to 1.5 for contracts over about US\$200 million.
5. **Example:** Estimating required minimum "Average Annual Turnover"

Subject Contract

Description :	Port Facility
Estimated Cost (Including contingencies):	US\$120m
Duration:	4 years
Contract:	SBDW Unit Rate

- (a) Average expected annual construction billings (turnover), assuming a straight-line projection: $\$120 \div 4 = \underline{\$30\text{m per year}}$.
- (b) Applying the normal multiplier of 2.0
Required minimum turnover: $\$30\text{m} \times 2.0 = \underline{\$60\text{m per year}}$.

Similar Construction Experience (Sub-criterion 4.2)

6. Applicants should demonstrate that they have successfully carried out works, substantially of a nature, size, value, and complexity similar to that of the contract in question. There are two principal criteria for prequalification.

- (a) The Applicant should have carried out similar works of a size comparable to that of the package of Works for which prequalification is sought. Depending on the nature of the Works to be bid, the requirement should be for the Applicant to have completed or substantially completed one or more contracts each of an amount (not less than about 80 percent) close to that of the proposed contract, over the last five to ten years.
 - (b) The Applicant (or a subcontractor designated in Forms ELI-1.2 and EXP4.2b) should have performed operations of a volume, quality, and rate of execution similar to those required for the timely completion of the subject contract. For example, where large-volume earthmoving, tunneling, or concrete placing is involved, the Applicant should demonstrate experience in those operations, having performed them at the rates necessary to meet a percentage (e.g., 80 percent) of the estimated monthly peak and/or annual rates required for the subject contract.
7. Applicants should not be required to have had direct experience in the Employer's country or region, but only under similar climatic, geological, and other general conditions.

Section IV. Application Forms

The Employer shall include in the PQD all application forms that Applicants must complete and submit together with their applications. These forms are as specified in Section IV of the prequalification document:

- Application Submission Form
- Applicant Information Form
- Applicant's Party Information Form
- Historical Contract Non-Performance
- Financial Situation
- General Construction Experience
- Average Annual Construction Turnover
- Similar Construction Experience
- Construction Experience in Key Activities

Section V. Eligible Countries

The Employer shall provide the list of ineligible countries by filling paras 2(a) and (b).

Section VI. Scope of Works

The Scope of Works should provide sufficient information for an Applicant to decide whether or not to compete for that type of works, and whether it will need to use subcontractors for specific parts of the Works, and/or form a Joint Venture. It should provide information on the three following aspects:

1. Description of the Works

Describe the Works in sufficient detail to identify location, nature, and complexity. Estimated quantities of major components of the works should be indicated in the bill of quantities.

2. Construction Period(s)

State expected construction period and time in weeks or months; if alternative time schedules are permitted, give the range of acceptable construction periods. Additional construction time may be permitted for combinations of contracts if prequalification is for multiple contracts. The evaluation shall then take into account the benefits foregone for the longer times of completion.

3. Site and other Data

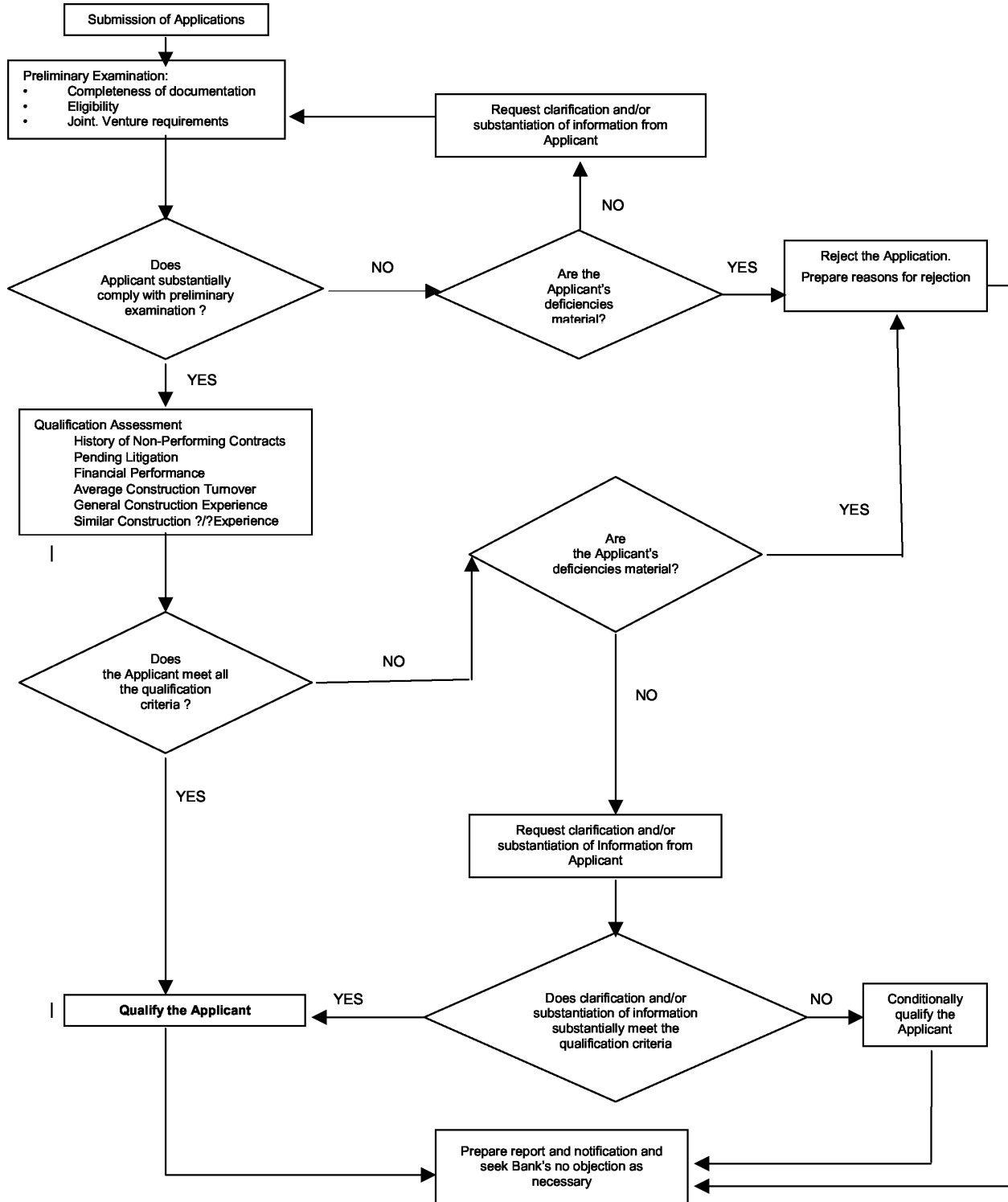
Provide general information on the climate, hydrology, topography, geology, access to site, transportation and communications facilities, medical facilities, project layout, facilities, services provided by the Employer, and other relevant data.

Section VII. Evaluation of Applications

Prequalification Evaluation Flow Chart

The attached flow chart indicates the successive steps of the evaluation process. The process is consistent with (i) Sections I and II, Instructions to Applicants and Prequalification Data Sheet and (ii) Section III, Qualification Criteria and Requirements. The flow chart should be reviewed by the evaluation team prior to the evaluation, and used as a Guide during the evaluation, concurrently with Section III

Prequalification Evaluation Flow Chart



Guidance Notes

The following notes are intended to give guidance on some of the principal issues confronting the evaluating team. They cover:

1. Single and multiple contract evaluation (slice and package)
2. The assessment of an Applicant's financial soundness
3. Analysis of litigation history
4. Conditional prequalification
5. Prequalification evaluation summary
6. Notification to Applicants

1. Single and Multiple Contract Evaluation (Slice and Package) 1.1

Single Contract Evaluation (Slice)

- (a) The average annual amount of the Applicant's past turnover on general construction stated by the Applicants in FIN-3.2 should be equal to or greater than that stated in Section III-3.2. If there has been a downward trend in turnover in more recent years over the specified period, a clarification should be sought by the evaluator with a view to a possible weighting of the more recent years in determining the annual average (see example below).

Example:

Year	Turnover	US\$ equivalent (\$m)
1. 2002 (to end June)	(completed in different currencies)	20
2. 2001	"	40
3. 2000	"	80
4. 1999	"	120
5. 1998	"	100
Totals: 4.5 years		\$360m
Average T/O p.a.: $360 \div 4.5 =$		\$80m p.a.
Minimum Average Requirement stated in Section III-3.2:		\$60m p.a.

Note: Although appearing to pass the qualifying criterion, the Applicant has only averaged \$56m/p.a. ($140 \div 2.5$) in the last two and one-half years, with decreasing turnover. In such cases, the Employer should make a thorough investigation of the financial soundness of the Applicant (from data submitted with FIN-3.1) and, failing a satisfactory resolution, the Applicant could be disqualified.

The particular experience on similar contracts, and minimum key production rates (number of contracts) as stated in Section III-4.2, should be compared with information provided in EXP-4.2a and 4.2b. The contribution of named specialist subcontractors may be a factor in satisfying these criteria.

1.2 Multiple Contract Evaluation (Package) Alternative I

If Applicants have applied for prequalification on more than one particular contract, the procedure in “(1.1) Single Contract Evaluation (slice)” above may be used for evaluation by aggregating the specific requirements for each contract, and comparing the totals of different combinations with the information provided in relevant forms.

Alternative II⁶

The procedure uses the basic information supplied by Applicants to assess the threshold limits (ceilings) for the aggregated total of contract value (or bidding capacity) for which Applicants are considered prequalified by the Employer.

The information provided by the Applicant in FIN-3.2 gives the average annual turnover; this amount is then divided by the multiplier of two (or other factor) as used by the Employer in Section III-3.2, and gives the limit of annual capacity of the Applicant for construction on the subject contracts.

The information provided in EXP-4.2a and 4.2b regarding similar contracts and the annual/monthly key production rates (number of contracts) may lead to a reduction of the ceiling or condition the prequalification.

After refining the initial maximum annual contract amount in the manner stated above, it should be extended over the duration of individual contracts, or over the average durations for multiple contract construction, to provide an indicator of the Applicant's maximum bidding capacity on individual or a group of contracts.

2. The Assessment of Financial Soundness (Section III-3.1)

General Information

2.1 The purpose of assessing the financial soundness of the Applicants is to reassure the Employer that the individual Applicant's financial standing in its whole does not have structural weaknesses that may result in the Applicant's financial inability to perform, and to give an indication of the scope and value of the work the Applicant would be able to undertake. To place a detailed analysis in context, it is necessary to look at trends in key figures over a number of years and to make comparisons of the firm's annual activities to the same firm's results from previous years.

2.2 Because of differing international accounting practices and tax laws, published information on the financial position of companies and financial ratios derived there from do not provide a uniform and satisfactory basis to compare the financial standing of an Applicant with other Applicants for prequalification purposes. Nevertheless, audited financial statements or balance sheets should be

⁶ A similar, simpler, procedure can be used that consists of compiling registers of contractors for different categories of works under National Competitive Bidding procedures

sought as a general guide to the financial situation of the Applicant. Firms owned by individuals and partnerships may not be required to maintain audited accounts by the laws of their countries of origin. In such cases, balance sheets should be certified by a registered accountant and supported by tax returns.

2.3 In any case, the Recipient of CDB Financing should require applicants to provide the following background information to support the presentation in the Information Forms:

- audited or certified financial statements for the last five years or for the period stated in the Section III-3.2, supported respectively by audit statements or tax returns; and
- names and addresses of the Applicant's banker(s), as well as the names and addresses of clients or organizations familiar with its financial standing.

Development of Indicators and Ratios

2.4 The financial information provided by an Applicant should be reviewed in its entirety to allow a truly informed judgment, and the *pass-fail decision* on the financial position of the Applicant should be given on this basis. To assist in this review, the indicators used most frequently are **working capital** and **net worth**. The following table summarizes the financial information of an example firm as would be reported by an Applicant in FIN-3.1, as well as an evaluation by the Employer of the Applicant's **working capital** and **net worth**.

EXAMPLE

Financial Information (US \$ million equivalent)

	Actual: previous five years				
	5	4	3	2	1 0
1. Total assets	18.5	19.0	20.0	23.0	25.0
2. Current assets	12.0	13.0	14.5	14.0	15.0
3. Total liabilities	9.0	10.5	10.0	11.0	11.5
4. Current liabilities	7.0	6.5	7.0	7.5	7.8
5. Profits before taxes	1.4	1.3	1.3	1.4	1.8
6. Profits after taxes	1.0	0.9	0.9	1.0	1.3
7. Net worth (1) - (3)	9.5	8.5	10.0	12.0	13.5
8. Current ratio (2)/(4)	1.7	2.0	2.1	1.9	1.9
9. Return on equity % (5)/(7 of prior year)		13.7	15.3	14.0	15.0

2.5 **Working capital** is the difference between current assets and current liabilities, and measures the firm's ability to generate cash in the short term. Current assets are cash and other assets suitable for conversion into cash within one year. Current liabilities are monetary obligations that must be paid out within the current year. To help in the interpretation of the adequacy of **working capital**, the **current ratio**, which compares the current assets with the current liabilities, is more helpful than a figure for working capital. In the example, the current ratio of the firm varies from 1.7 to 2.1 over the previous five years and the projected ratios for the next two years are also

within this range. This indicates that the firm has had a consistent record of its working capital with at least \$1.7 in current assets to back each dollar of its current liabilities. Construction firms normally have small inventories and accounts receivable are easy to collect; they can therefore operate safely with a low current ratio. The example firm appears healthy from its **working capital** point of view.

2.6 **Net worth or net equity** is the difference between total assets and total liabilities. The **net worth** measures a firm's ability to produce profits over the long run as well as its ability to sustain losses. Although the yearly figures for the **net worth** indicate the growth of the firm, the **return on equity** gives a better indication of the efficiency with which equity is employed within the firm. This is obtained by dividing the annual profit before taxes by the net worth of the previous year and expressed as a percentage. In the example, for every dollar of equity, the firm made 13.7 to 15.3 cents during the five-year period. The example firm shows a rather consistent net worth record.

2.7 Any discontinuities or abnormal features in the above indicators or ratios should alert the Employer to potential financial problems and the need to seek expert professional advice for further review and interpretation.

3. The Analysis of Litigation History (Section III-2)

3.1 The execution of any construction contract will normally result in the payment by the Employer of a number of reasonable claims from the Contractor, e.g., for defaults of the Project Manager, delays, unforeseeable ground and climatic conditions, etc. However, some Contractors have an established business practice of bidding low to obtain award of contract; and then flooding the Employer with excessive or frivolous claims to increase their income. Employers should be on guard against any Contractor who habitually resorts to excessive claims, arbitration, and litigation in the execution of contracts.

3.2 Applicants with a consistent and significant history of excessive contract arbitrations and litigation resulting in awards or decisions against them should not be qualified to bid. So that the litigation history may be evaluated, applicants should be required to list all contracts over a stated period of time (normally five years) that resulted in litigation or arbitration proceedings, with an indication of the matters and amounts in dispute, the parties involved, and the resolution of the dispute.

3.3 The criterion for rejection should be that of numerous arbitral awards or court decisions **against** the Applicant in relation to awards **for** the Applicant, taking the number and amount of contracts executed. As an indicative example, the occurrence of one or two adverse cases over five years for a Contractor handling, on average, ten construction jobs simultaneously, should not be a cause for rejection. If dispute resolution is found relatively frequently in the business of the Applicant, it may indicate an attitude of the management of the firm that could be dangerous for the Employer if the Applicant were awarded the contract, and further investigation with previous Employers may be warranted.

4. Conditional Prequalification

4.1 Applicants may not fully meet all the prequalification criteria with their initial applications. Provided the deficiencies do not materially affect the ability of the Applicant to perform the proposed contract, applicants should be conditionally prequalified. In this case, applicants should be notified

of the deficiencies that they must correct to the satisfaction of the Employer before submitting their bids.

4.2 Typical circumstances for which conditional prequalification of applicants may be appropriate are, inter alia:

- the provision of additional critical information
- the revision of a preliminary JV Agreement
- proposals for subcontracting specialized elements of the Works
- questionable ability to undertake the subject contract, together with other pending contract awards

5. Prequalification Evaluation Summary

5.1 After evaluating the applications received, the implementing agency of the Recipient of CDB Financing should prepare a summary to be submitted to CDB for review and comment. The summary should address each of the pass–fail criteria set in the documents. Disqualification of applicants who fail to meet the criteria should be explained, and details of any conditional prequalified applicants should be submitted. CDB may ask the Recipient of CDB Financing to justify the evaluation and provide further information or clarification.

6. Notification to Applicants (ITA 28.1)

6.1 The implementing agency of the Recipient of CDB Financing should await CDB's "no objection" to the proposals in the evaluation summary before notifying applicants of its decisions. After receiving CDB's no objection, the implementing agency should:

- notify each disqualified applicant, giving an indication of the reasons for disqualification, and
- invite all qualified applicants to bid.

6.2 All applicants, whatever their classification, should be provided with a list (and addresses) of the qualified category and the conditionally qualified category of Applicants (without disclosing details of the conditions). Conditionally qualified applicants should be invited to submit a bid upon satisfactory compliance with the related conditions, whereupon all previously qualified applicants and the remaining conditionally qualified applicants should be notified accordingly.

6.3 Bid documents should be issued only to prequalified applicants. Verification of the information provided in the submission for prequalification shall be confirmed at the time of award of contract, **and award may be denied to a bidder that is judged to no longer have the capability or resources to successfully perform the contract.**

6.4 After prequalification, all Applicants are deemed to have the necessary capabilities to carry out the subject contract or contracts. During the bidding period, however, employers may be approached for approval to changes in the formation or composition of applicants prior to bid submission. The provisions of ITA 30.1 should be followed by the Employer in deciding whether to accept such changes, and CDB should be notified accordingly.

Invitation for Prequalification

Notification and advertising of the Invitation for Prequalification (IFP) shall be conducted in accordance with Sub-Clauses 2.07 and 2.08 of the Guidelines. The IFP shall follow the Sample Format indicated hereafter, and shall be issued as a specific procurement notice in (i) at least one newspaper of national circulation in the Country of the Recipient of CDB Financing and in the official gazette, or in an electronic portal with free access, and (ii) in UN *Development Business* online and CDB's website. In addition, the notice must be sent simultaneously to official representatives of other eligible countries in the Country of the Recipient of CDB Financing and to all members of CDB's Board of Directors for information.

The IFP provides information that enables potential bidders to decide whether to participate. Apart from the essential items listed in the Standard Prequalification Document, the IFP shall also indicate any important or specialized prequalification requirements requested to qualify for the prequalification.

Upon completion of an IFP but prior to its publication in UNDB on-line and [CDB's website](#), the implementing agency should forward it to the appropriate CDB staff for review and subsequent submission for publication. *Development Business* is published in paper form twice monthly, and is continuously updated on its Internet Web site at <http://www.devbusiness.com>.

Sample Format

SPECIFIC PROCUREMENT NOTICE Invitation for Prequalification

[Insert: name of Country]

[Insert: name of Project]

[Insert: Brief Description of Works]

[Insert: Loan/Grant No.]

This invitation for prequalification follows the general procurement notice for this project that appeared in *Development Business* No. *[insert number]* of *[insert date]*¹ on-line and on CDB's website.

The *[insert name of recipient of CDB financing]* *[has received/has applied for/intends to apply for]* a *[loan/grant]* from the *[Caribbean Development Bank (CDB)]* toward the cost of the *[insert name of project]*, and it intends to apply part of the proceeds of this *[loan/grant]* to payments under the contract for *[insert name/no. of contract if prequalification is being invited for more than one contract, describe each contract and indicate whether applications may be made for prequalification for one or more of the contracts]*.² The *[insert name of implementing agency]* intends to prequalify contractors and/or firms for *[insert description of Works or goods to be procured]*.³ It is expected that invitations for bid will be made in *[insert month and year]*.⁴

Prequalification will be conducted through prequalification procedures specified in the CDB's Guidelines for Procurement January 2006 and is open to all bidders from eligible source countries, as defined in the guidelines.⁵

Interested eligible applicants may obtain further information from and inspect the prequalification document (PQD) at the *[insert name of agency]* (address below) *[state address at end of document]* from *[insert office hours]*.⁶ A complete set of the prequalification document in *[English]* may be purchased by interested applicants (a) on the submission of a written application to the address below and upon payment of a nonrefundable fee⁷ of *[insert amount in local currency]* or in *[insert amount in specified convertible currency]*. The method of payment will be *[insert method of payment]*.⁸ The document will be sent by *[insert delivery procedure]*, *[insert "alternatively the PQD can be purchased electronically under the procedures described in the attachment to this IFP" if electronic purchase and delivery is an option. If electronic purchase and delivery of the PQD is not an option, do not include this text]*.

Applications for prequalification should be submitted in sealed envelopes, delivered to the address below⁹ by *[insert date]*,¹⁰ and be clearly marked "Application to Prequalify for *[insert name of project and the contract name(s) and number(s)]*."

[Insert name of office]

[Insert name of officer (optional)]

[Insert postal address] and/or [Insert street address]

[Insert telephone number, indicate country and city code]

[Insert facsimile or cable number]

[Insert Email address]

Notes for preparation

1. *Day, month, year; for example 31 January 2002*
2. *[Insert the following if applicable]. This contract will be jointly financed by [insert name of cofinancing agency]. Bidding will be governed by CDB's eligibility rules and procedures.*
3. A brief description of the works or goods should be provided, including quantities, location of project, and other information necessary to enable *potential* bidders to decide whether or not to respond to the invitation. Bidding documents may require bidders to have specialized experience or capabilities; such requirements should also be included in this paragraph.
4. Insert this sentence if applicable.
5. Occasionally, contracts may be financed out of special funds that would further restrict eligibility to a particular group of member countries. When this is the case, it should be mentioned in this paragraph. Also indicate any margin of preference that may be granted as specified in the loan or grant agreement and set forth in the bidding documents.
6. For example, 0900 to 1200 hours.
7. The fee, to defray printing and mailing/shipping costs, should be nominal.
8. For example, cashier's check, direct deposit to specified account, etc.
9. The office for bid opening may not necessarily be the same as that for inspection or issuance of documents or for bid submission. If they differ, each address must appear at the end of the notice and be numbered; as, for example, (1), (2), (3). The text in the paragraph would then refer to address (1), (2), etc. Only one office and its address may be specified for submission, and it should be near the place where bids will be opened.
10. The time allowed for preparation of the prequalification submission should be sufficient for applicants to gather all the information required, but in any case not less than six weeks after the date the documents are available or the last date of the advertisement, whichever is later. This period may be longer for very large projects, for which more time may be needed for the formation of joint ventures and assembly of the necessary resources.