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Strategic Procurement Planning

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Lahore, August 2023

1

Procurement Plan

Information on:

- Contract package for goods, works, and services
- Methods for procurement as agreed in the Financing Agreement
- Standard Bidding Document to be used
- ADB review procedure: prior review or post review
- Date of advertisement

It translates project implementation requirement into series of procurement actions which involves:

- Application of procurement principles
- Economic, social, and environmental objectives
- Market factors: scale – risk – value
- Specific circumstances: constraints, emergency situation, etc.

Systematic procurement planning process can improve quality of the Procurement Plan and enhance project implementation



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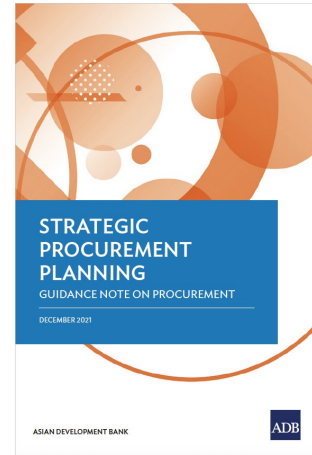
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2

Strategic Procurement Planning (SPP)

A systematic approach to prepare a Procurement Plan

- **Increase Efficiency and Reduce Procurement Time** – capacity constraints, market condition, packaging, contracting modality
- **Reduce Risk and Improve Quality** – proper risk assessment and mitigation action, use of right type of specifications and evaluation criteria
- **Deliver Value for Money** – trade-off between cost and quality, consideration of sustainability
- **Improve Fitness for Purpose** – better understanding of options, contracting modality, review requirements
- **Improve Fairness and Transparency** – end-users and stakeholder assessed in project design, well-planned procurement arrangement, Procurement Plan disclosure.



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3

3

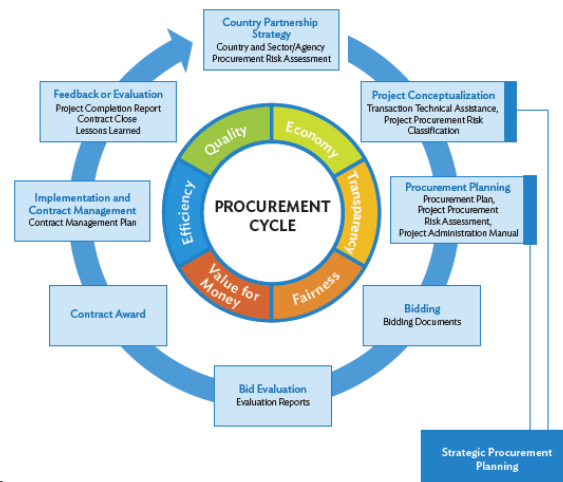
When is SPP required?

SPP is required for all investment projects

- each tranche under multi-tranche or small expenditure financing facilities (MFF / SEFF), except for subsequent tranches when time slicing contracts are used, and no new contract packages are proposed in the new tranche
- additional financing requests (except where additional financing was processed to only to cover cost overruns),
- project readiness financing (PRF)
- sector development program
- financial intermediary loans

SPP is not required

- Policy-based lending and result-based lending

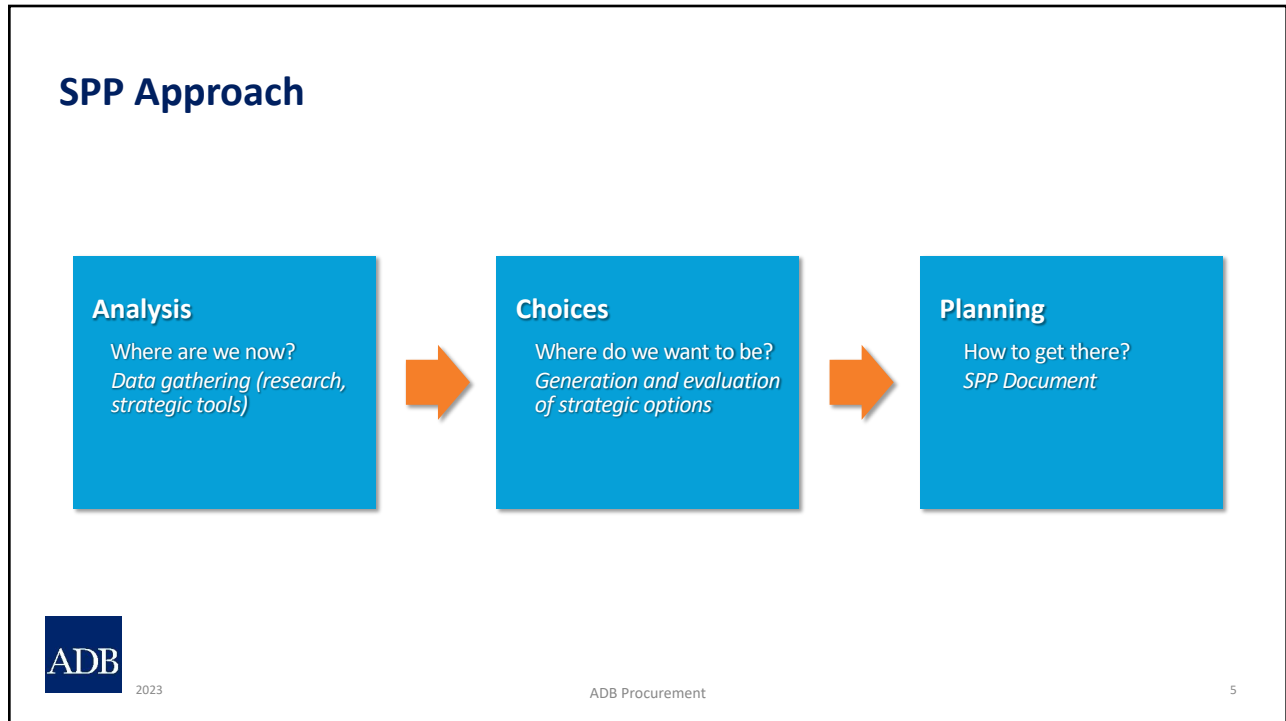


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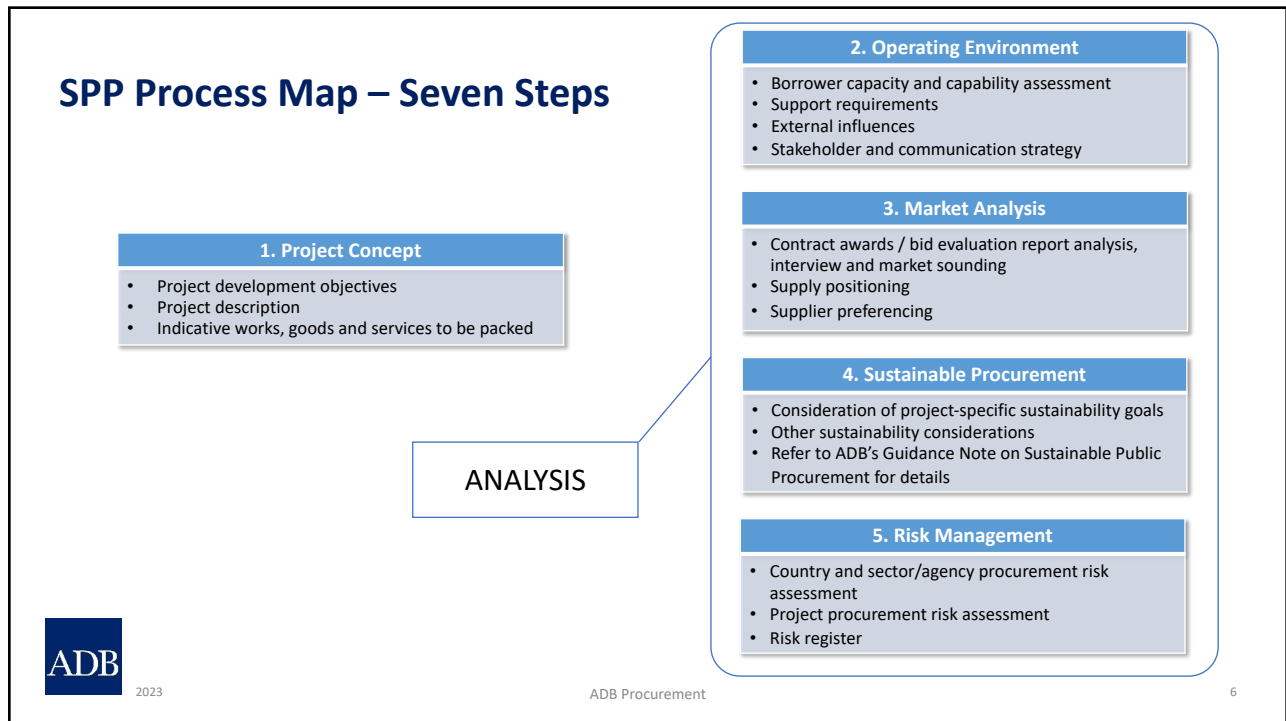
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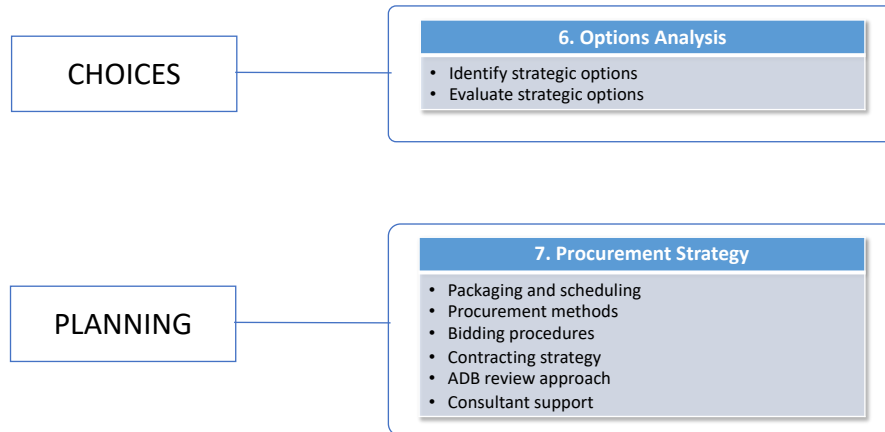


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6

SPP Process Map – Seven Steps



7

2. Operating Environment

Borrower capacity and capability assessment:

- CSPRA, PIR, PCR, previous experiences

Appendix 5: Questionnaire to Executing Agency / Implementing Agency

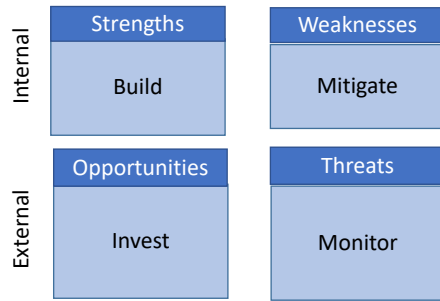
	Question	Response
A	ORGANIZATIONAL AND STAFF CAPACITY	
	The procuring agency	
A1	Name of agency that would undertake day-to-day procurement and contract management activities	
A2	Description of the agency (Year established, ownership, number of staff, main business field, annual budget / revenue). Please provide a copy of the organization structure, and of the legal document for establishment of the agency	
A3	Type of infrastructure or services the agency is responsible for construction and operation (approximate proportions related to civil works, building works, goods supply, IT systems, or other)	
A4	Number of years experience of the agency in similar activities to those proposed in the project? (If none, what other kind of civil works / building construction / services or operations has it been involved in?)	



8

2. Operating Environment

Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis



Internal to Organization	Strengths <ul style="list-style-type: none"> The borrower agency has access to many competent consultants and contractors used to applying proven design and construction techniques. The borrower agency is the dominant buyer of relevant services. The borrower agency has sufficient influence and power to shape the market. 	Weaknesses <ul style="list-style-type: none"> Funding for road rehabilitation is not viewed as a priority by the current government. Security risks are very high. There are high levels of fraud and corruption. The procurement capacity is low. There is a low awareness of best practices in procurement.
	Opportunities <ul style="list-style-type: none"> New high-level technology exists in-country to improve the speed of road rehabilitation. There is access to local labor pool for capacity building. 	Threats <ul style="list-style-type: none"> The market does not have a history of offering innovation at tender stage. The market believes the procurement process seeks to achieve the lowest delivery price not the lowest project life cycle cost. The interest of innovative suppliers is limited. Some potential bidders are concerned about the security risks.

Source: Asian Development Bank.



2. Operating Environment

• GEST analysis

GOVERNANCE	<ul style="list-style-type: none"> Government type and stability Fragility and conflict Regulation and rule of law 	<ul style="list-style-type: none"> Performance of oversight agencies Government corruption State involvement in the economy
ECONOMIC	<ul style="list-style-type: none"> Rates of economic growth Rates of inflation Exchange rates 	<ul style="list-style-type: none"> Commodity prices Levels of unemployment Labor supply
SUSTAINABILITY	<ul style="list-style-type: none"> Climate change impacts Local environmental standards Recycling capability 	<ul style="list-style-type: none"> Waste disposal Environmental impacts and remedies Corporate social responsibility drivers
TECHNOLOGY	<ul style="list-style-type: none"> Emerging technologies Information availability Pace of change adoption 	<ul style="list-style-type: none"> Access to latest technology IT systems capability and interfaces Access and use of e-procurement systems



2. Operating Environment

- Support requirement

Procurement capability and capacity	
Experience in implementing similar projects	
Contract management capability and experience	
Level of reliance on external consultants	
Existence and description of complaints management system	



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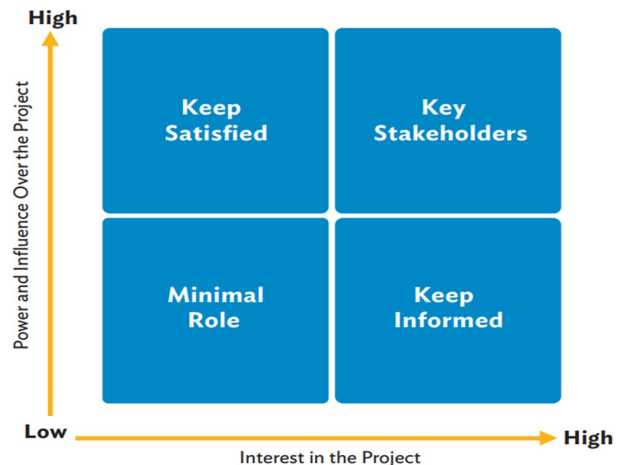
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11

11

Step 2 – Operating Environment

- Map internal stakeholders (the project management unit, various units within the agency), and external stakeholders (other government agencies, the applicants or bidders, trade associations, civil society organizations, and local communities).
- Identify interest in the Project, and power and influence over the Project.
- Prepare Communication Plan



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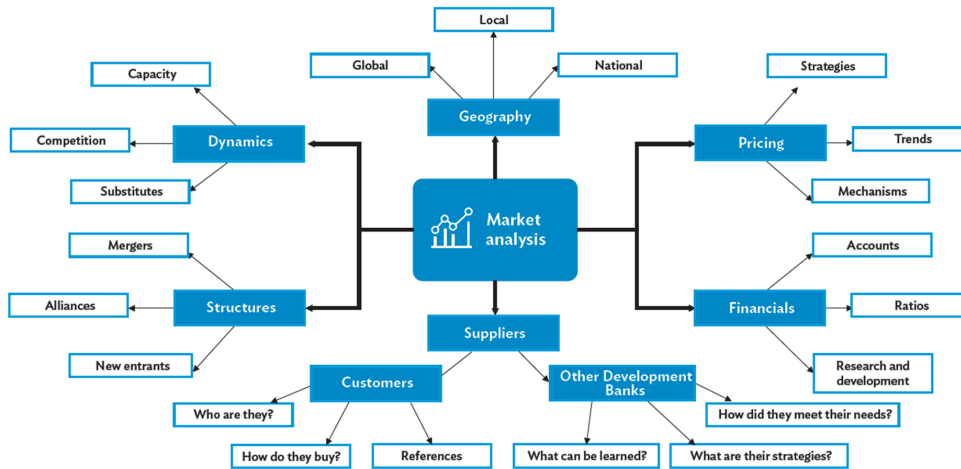
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12

12

12

3. Market Analysis



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13

13

3. Market Analysis

Summarize:

- Target markets and segmentation
- Market's capability to meet the borrower's needs and the project's development objectives
- How the market views the borrower in terms of attractiveness as the contract employer, e.g., its payment promptness, complaints management, responsiveness to queries, procurement capability, etc.
- The nature and level of competition within the target market
- Suppliers, contractors, and service providers, and their market shares
- Pricing



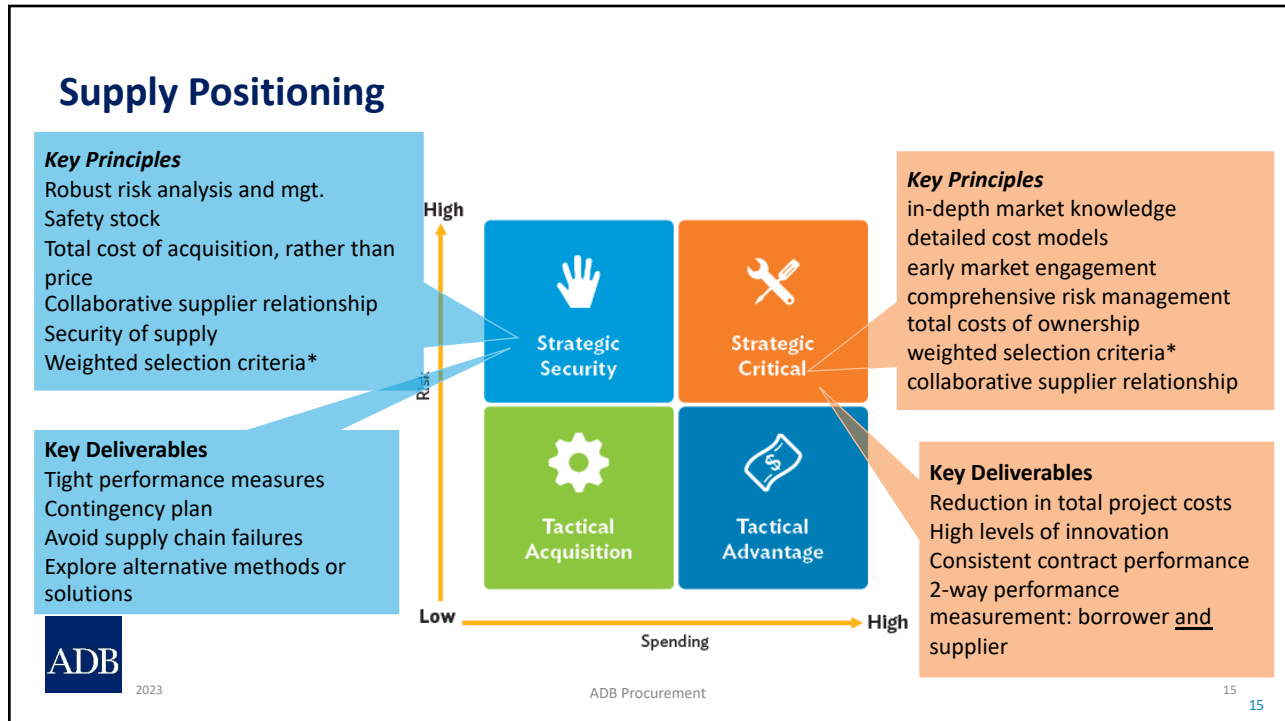
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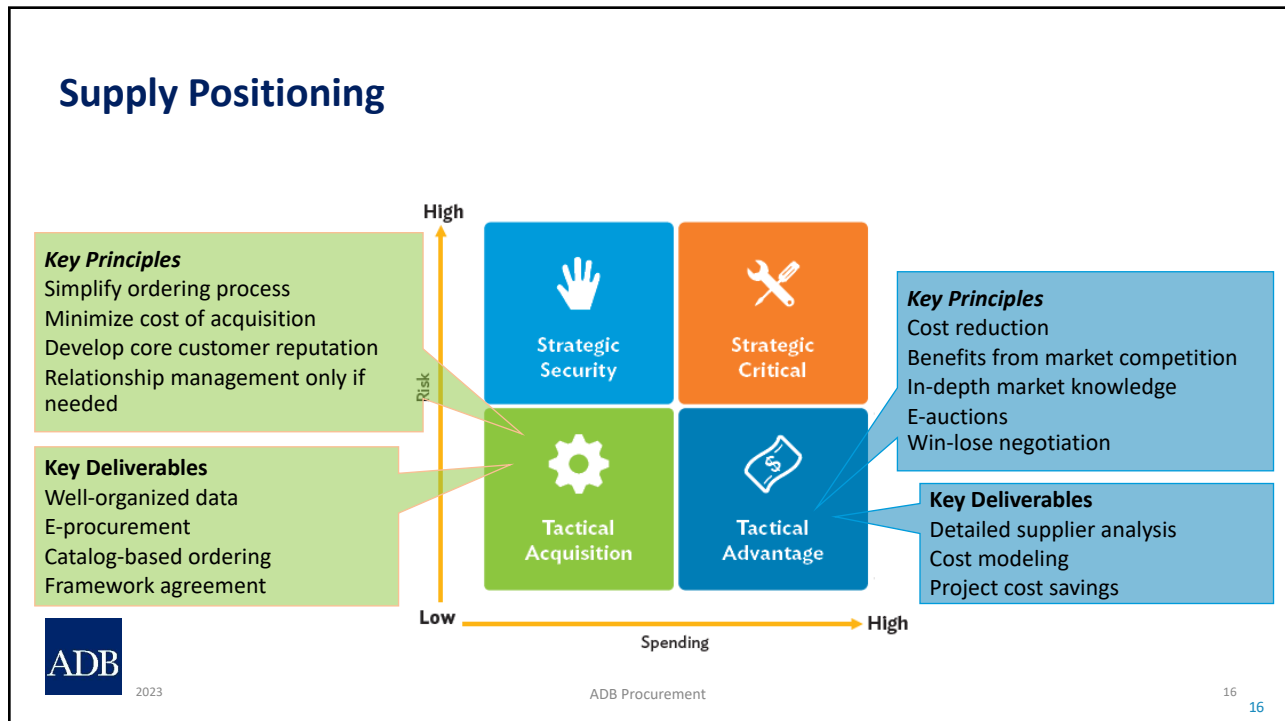
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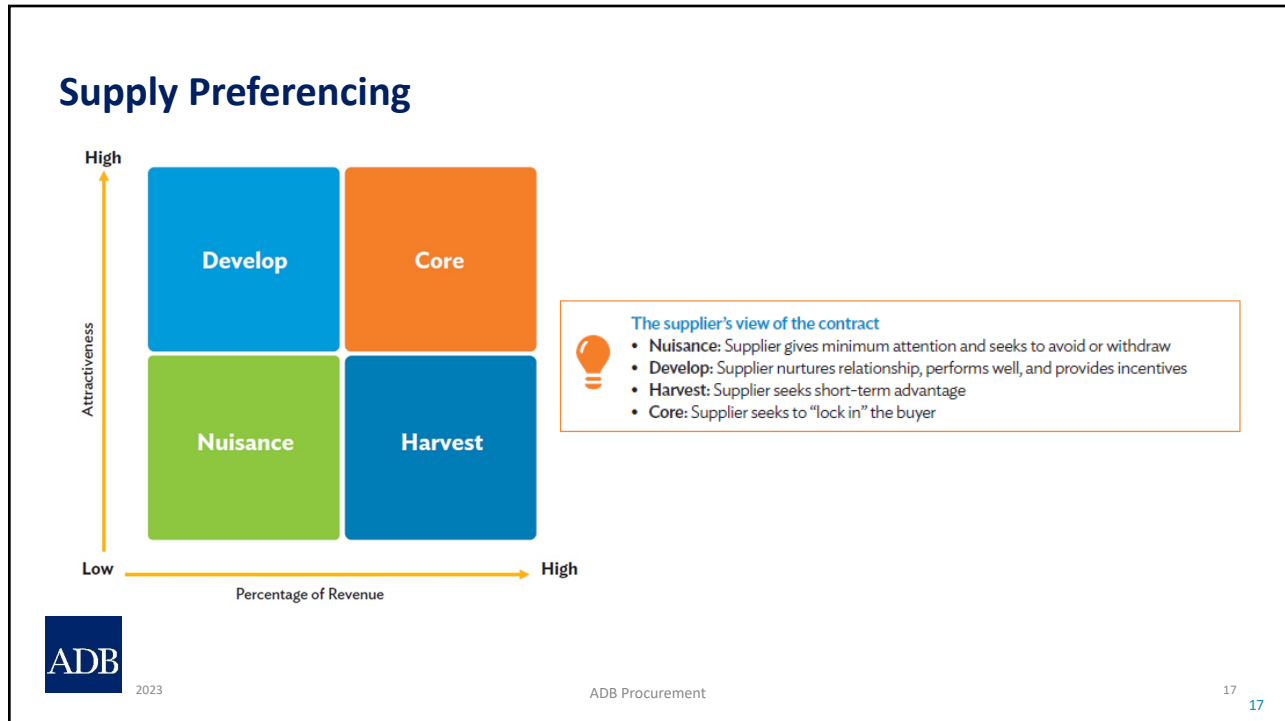
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15



16



17

4. Sustainable Procurement

Conventional Procurement

- The act of procuring and/or obtaining goods or services, typically for business purposes

Sustainable procurement

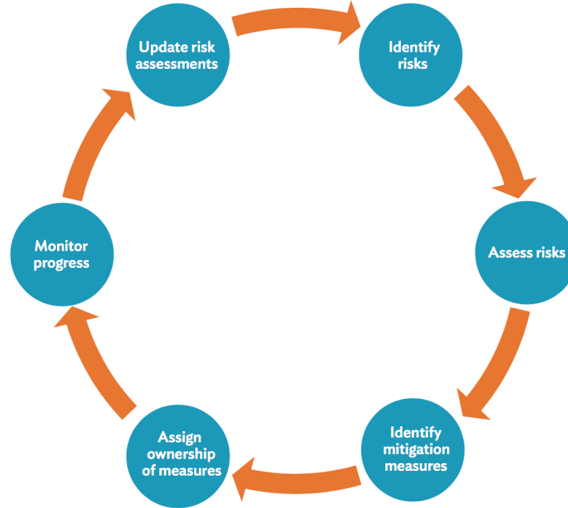
- A procuring and investment process considering the environmental, social, economic, and institutional impacts of the entity's spending.

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18

5. Risk Management

• Risk Process



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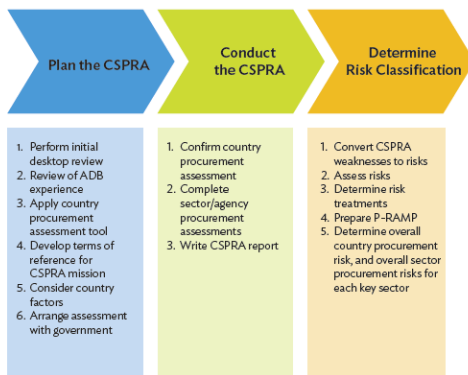
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19

5. Risk Management

Risk Assessment



ADB = Asian Development Bank, CSPRA = country and sector/agency procurement risk assessment, P-RAMP = procurement risk assessment and management plan.

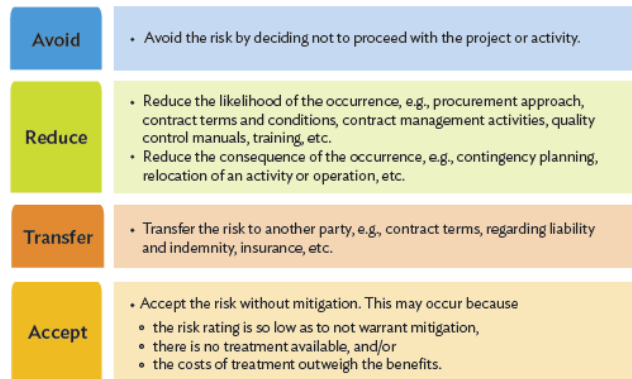


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20

Risk Treatment



20

5. Risk Management

Consequences

Descriptor	Consequence Score*	How the risk identified affects the achievement of					Value for Money (6)
		Economy (1)	Efficiency (2)	Fairness (3)	Transparency (4)	Quality (5)	
Insignificant	1						
Minor	2						
Moderate	3						
Major	4						
Severe	5						

Likelihood

Descriptor	Likelihood Score	Description	Indicative Probability
Almost certain	5	Expected to occur	> 95%
Likely	4	Probably will occur	66%-95%
Possible	3	May occur at some stage	26%-65%
Unlikely	2	Would be surprising if it occurred	5%-25%
Rare	1	May never occur	< 5%

Rating

		Risk Consequence				
		Insignificant	Minor	Moderate	Major	Severe
		1	2	3	4	5
Risk Likelihood	Almost Certain 5	Medium	Medium	High	Extreme	Extreme
	Likely 4	Medium	Medium	High	High	Extreme
	Possible 3	Low	Medium	Medium	High	High
	Unlikely 2	Low	Low	Medium	Medium	High
	Rare 1	Low	Low	Low	Medium	Medium



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21

21

5. Risk Management

A. Project Procurement Risk Assessment Risk Register

(the following is an example)

Risk Description	Risk Impact	Likelihood ("L") (1-5)	Impact ("I") (1-5)	Risk Score (L x I) and rating	Proposed Mitigation	Risk Owner
Project director is also head of bid evaluation committee, signs contracts and payment authorization i.e. inadequate separation of powers	Increased potential for corruption, increased costs, unfairness	Almost certain 5	Moderate 3	Substantial 15	IA to appoint chair of evaluation committees that is independent of the project team IA board to continue to maintain oversight, consider strengthening ability of audit team to also oversee procurement	EA
Agency does not have access to an advanced government procurement training program	Agency is unable to carry out procurement to ADB requirements, leading to implementation delay and/or rebidding	Almost certain 5	Moderate 3	Substantial 15	Startup support individual consultant(s) and an implementation support consulting firm will be engaged to assist the IA with procurement.	EA
IA's lack of familiarity with ADB new procurement regulations	Implementation delay	Possible 3	Moderate 3	Moderate 9		EA



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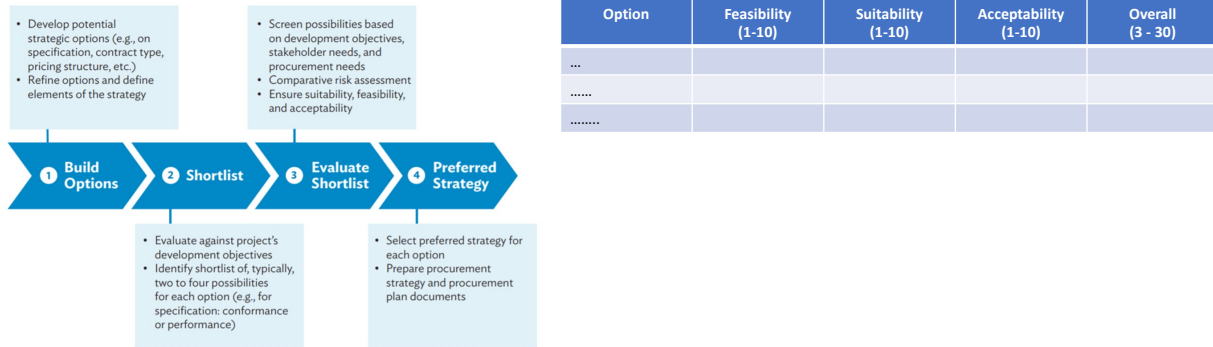
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22

22

6. Options Analysis

Process



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23

23

6. Options Analysis

- May not be required for all packages
- Key considerations:
 - ❖ Contract packaging & scheduling: completion date, implementation period, lead time
 - ❖ Procurement method and bidding procedures
 - ❖ Specifications: conformance, performance
 - ❖ Review requirement: prior, post
 - ❖ Contract form – pricing method – bidding documents
 - ❖ Performance indicators
 - ❖ Evaluation and qualification criteria
 - ❖ Contract management approach
- Examples:
 - ❖ Contract packaging (number of packages and their scope),
 - ❖ Use of international or national advertising (if national advertising may use local language for bidding and the contract language),
 - ❖ Use of one envelope or two envelope procedure,
 - ❖ Conventional design – bid – build, or design and build approach,
 - ❖ Use of prequalification (either with or without ranking) or post-qualification,
 - ❖ Application of ADB or counterpart finance to packages,
 - ❖ Combined civil and mechanical and electrical packages or separate packages,
 - ❖ Use of lump sum or unit price / remeasurement methods of pricing,
 - ❖ Evaluation method to solely apply pass / fail criteria, or include use of merit points,
 - ❖ Site security to be provided by client or contractor, and reimbursement mechanism.



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24

24

7. Procurement Strategy

- A. Procurement Packaging
- B. Procurement Method
- C. Prequalification
- D. Bidding Procedures
- E. Specifications
- F. Sustainability Requirements
- G. Review Requirements
- H. Standstill Period
- I. Standard Bidding Documents and Contract Forms
- J. Payment Method
- K. Key Performance Indicators
- L. Evaluation Method
- M. Contract Management Approach.
- N. Suggestions on Qualification Criteria or Other Content of Bidding Documents.
- O. Value for Money Statement
- P. Project Risk and Mitigation Measures Statement.



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25

25

Procurement Plan

- The final step of the SPP process is to synthesize the analyses, preferred options, and strategy into the project procurement plan

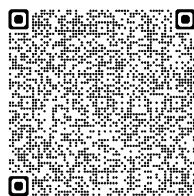
Section A: Methods.

Section B: Active Procurement Packages.

Section C: Indicative Packages.

Section D: Awarded Contracts.

Section E: Non-ADB-Financed Contracts.



Template: Procurement Plan
(All text in red and footnotes should be removed from a completed procurement plan.)

Procurement Plan	
Basic Data	
Project Name:	Approval Number:
Project Number:	Executing Agency:
Country:	Implementing Agency:
Procurement Risk: (High, Substantial, Moderate, or Low)	Project Closing Date:
Project Financing Amount: \$	
ADB Financing: \$	
Co-financing (ADB Administered): \$	
Non-ADB Financing: \$	
Date of First Procurement Plan (loan/grant approval date):	Date of this Procurement Plan: (dd / mm / year)
Procurement Plan Duration: _____ months (indicate initial period of 18 months). The Procurement Plan shall be updated at least annually or as necessary.	Related to COVID-19 response efforts: (yes / no)
Advance contracting: (yes / no)	Use of e-procurement (e-GP): (yes / no)

A. Methods, Review and Procurement Plan
Except as the Asian Development Bank (ADB) may otherwise agree, the following methods shall apply to procurement of goods, works, nonconsulting services, and consulting services.

Procurement of Goods, Works and Nonconsulting Services	
Method	Comments
<small>(List here any applicable methods of procurement approved for use (see Section II of the Regulations))</small>	<small>(To be agreed with ADB during project processing)</small>

Consulting Services	
Method	Comments
<small>(List here any applicable methods of recruitment approved for use (see Section II of the Regulations))</small>	<small>(To be agreed with ADB during project processing)</small>

B. List of Active Procurement Packages (Contracts)
The following table lists goods, works, nonconsulting, and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan's duration.

Goods, Works, and Nonconsulting Services							
Package Number	General Description	Estimated Value (\$)	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments



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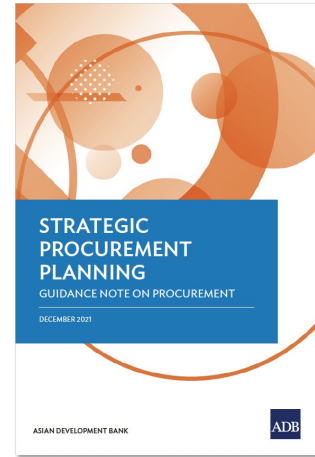
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26

26

Summary

- The Borrower prepares the SPP with supports from ADB.
- Preparation of SPP will depend on the complexity, risks, value of project/contracts.
- SPP includes the implementation arrangement and role of key stakeholders in the processing and implementation, key risks identified and how these shall be addressed, VFM statement, and draft Procurement Plan to be finalized and included in the Project Administration Manual (PAM).
- SPP is a living document and should be referred to and may be updated during project implementation.



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27

27

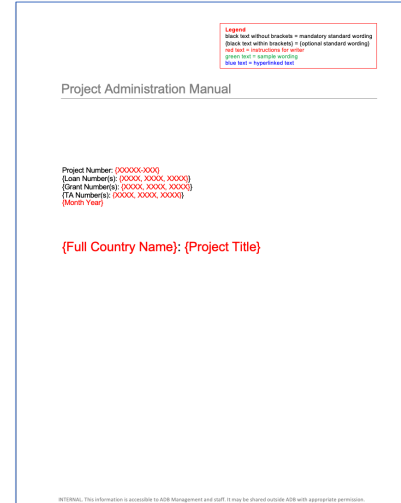
Procurement Provisions in the Project Administration Manual (PAM)



28

Content

- To seek proposed project/grant approval from the ADB’s Board of Director, ADB staffs prepare a Report and Recommendations to the President (RRP).
- Project Administration Manual (PAM) is a linked document to the RRP.
- PAM describes the essential administrative and management requirements to implement the project on time, within budget, and following the policies and procedures of the government and the ADB
- PAM should reference all available templates and instructions either by linking to relevant URLs or by directly incorporating them in the PAM.



PAM – Procurement Provisions

- Procurement arrangement.
- Information on advance contracting and retroactive financing.
- Details of key procurement activities throughout the project duration.
- Contact information on procurement assigned staff.

Table 2: Advance Contracting Actions

Date	Project Processing Milestone (ADB)	Advanced Procurement Activities		
		Project Implementation/ Supervision Consultant	Output 1 (A1)	Output 2 (A2)
Jan 2023	Concept paper review meeting; approve advance contracting	Advertise EOIs		
Feb	Consultant's preparatory output	Prepare shortlist report		
Mar	Fact-finding mission; prepare MOU and preliminary PAM	Issue RFP	Invite bids	
Apr	Management review meeting; RRP and loan agreement sent to the Government of Sri Lanka		Receive bids	
May	Loan negotiations; Board consideration or approval	Submit proposal; Submit technical evaluation	Submit technical evaluation	Invite bids
Jun	Loan signing	Open and evaluate financial proposals	Open and evaluate financial proposals; Submit financial evaluation	
Jul	Loan effectiveness	Sign contract	Sign contract	Receive bids
Aug		Mobilize consultants	Commence works	Submit technical evaluation

Table 3: Overall Project Implementation Plan

(Indicative) Activities	Year 1		Year 2		Year 3		Year 4		Year 5			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
A. DMP												
Output 1												
Activity 1.1												
Activity 1.2												
Output 2												
Activity 2.1												
Activity 2.2												
B. Management Activities												
Procurement plan key activities to procure contract packages												
Consultant selection procedures												
Environmental management plan key activities												
Gender action plan key activities												
Communication strategy key activities												
Annual and/or midterm review												
Periodic progress reports												
Annual project financial statements												
Project completion report												

DMP = design and monitoring framework, Q = quarter. Either define abbreviations within the table or list them alphabetically and define them here. Use a consistent approach and do not define some in the table and others below the table. Source(s): Indicate source(s).



Procurement Template



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17

VI. PROCUREMENT¹²

A. Applicable Procurement Policy

43. Procurement of goods, works, consulting services, and nonconsulting services will follow the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time). In case another procurement policy framework applies, replace the contents of this paragraph with the details of the applicable framework.

B. Procurement Strategy Summary

44. The executing agency has prepared a strategic procurement planning report for the project, which defines a procurement strategy that will support the delivery of the project outputs and the achievement of the planned project outcomes. Procurement activities include (provide a brief summary of the procurement strategy for the project, outlining the main packages and any specific approaches of interest).

45. Describe how the project will achieve value for money in procurement through the inclusion of a value-for-money statement.

C. Project Procurement Risk Classification

46. Describe the procurement risk level for the project. This risk classification should update the risk rating assigned in the project concept paper based on further due diligence undertaken during project processing. This section should detail the main procurement risks observed and the main mitigation measure implemented to address those risks, and link to the project risk assessment and risk management plan included as a linked document to the RRP.¹³

D. Project Implementation Arrangements

47. **Procurement methods.** Provide a brief summary of the procurement methods to be used on the project for procuring goods, works, and consulting and nonconsulting services. In addition:

- (i) **(Open competitive bidding with national advertisement.)** If this procurement method is used, include a paragraph describing any requirements related to its use, e.g., additional clauses to be included in bidding documents accepted for use, minimum bidding durations, or procedures for opening bids and/or proposals. State: Before the start of any procurement, ADB and the government will review the public procurement laws of the central and state governments to ensure consistency with the ADB Procurement Policy and record if any procurement arrangements mandated by those public procurement laws will not be applicable to procurement undertaken on the project.
- (ii) **(Direct contracting.)** If this procurement method is to be used, provide details of the entity to be engaged by the government, the estimated value of the contract, and the related justification for not undertaking competitive procurement.¹⁴

¹² If the project is a financial intermediary loan, the content of this section will be substantially adjusted. Liaise with the Procurement, Portfolio, and Financial Management Department for related advice on structure and content.
¹³ For support materials to assist in developing the updated procurement risk classification, refer to the following guidance notes: ADB [Procurement Risk Framework](#) and ADB [Strategic Procurement Planning](#).
¹⁴ For details on circumstances where direct contracting may be justified, refer to ADB [Procurement Regulations for ADB Borrowers](#).

INTERNAL: This information is accessible to ADB Management and staff. It may be shared outside ADB with appropriate permission.

31

31

<p>18</p> <p>48. Advance contracting. Describe the types of advance contracts to be entered into regarding goods, works, consulting services, and nonconsulting services; and the steps to be concluded in advance, e.g., prequalification and short-listing, tendering, and bid and proposal evaluation. The issuance of invitations to bid (for goods, works, and nonconsulting services) or requests for proposals (for consulting and nonconsulting services) under advance contracting will be subject to ADB approval. The borrower, executing agency, and implementing agencies have been advised that approval of advance contracting does not commit ADB to finance the project.</p> <p>49. Retroactive financing. Describe the maximum amount of eligible expenditures up to (insert the retroactive financing ceiling as a xx% of the total ADB loan or grant), incurred before loan or grant effectiveness, but not more than 12 months before the signing of the loan or grant agreement. The borrower, executing agency, and implementing agencies have been advised that approval of retroactive financing does not commit ADB to finance the project.</p> <p>50. Post-review sampling approach. Describe the approach to post-review sampling agreed with the executing and/or implementing agencies for all packages not subject to prior review.</p> <p>51. Contract management. Describe the requirements on preparing contract management plans for procurement packages, as well as specific requirements in terms of their review and update, as appropriate.</p> <p>52. If applicable, include additional paragraphs for the following elements.</p> <ul style="list-style-type: none"> (i) (Alternative procurement arrangements.) Describe the main responsibilities of the various parties to the alternative procurement arrangements. (ii) (Cofinancier requirements.) Describe any specific requirements of project cofinanciers with respect to procurement, e.g., requirements with respect to the eligibility of bidders, inclusion of covenants of integrity in bidding documents, and additional requirements related to anticorruption and integrity provisions. (iii) (Community participation in procurement.) Describe the procurement and oversight procedures agreed for the implementation of any project components that will involve community participation. (iv) (Domestic preference.) If the government will apply domestic preference provisions to the procurement of goods, works, and/or consulting or nonconsulting services, provide related details. (v) (eProcurement system.) Describe the use of the borrower's e-procurement system on the project, including details of any system assessments undertaken, the procurement methods for which the use of the system is approved, and any restrictions on its usage. (vi) (Enhanced procurement support.) If ADB will provide additional support (e.g., in consultant recruitment), provide related details. (vii) (Force account.) Describe procedures agreed for implementing force account activities on the project. (viii) (Universal procurement.) If ADB's member eligibility requirements are to be waived, in whole or in part, provide relevant details. <p>INTERNAL: This information is accessible to ADB Management and staff. It may be shared outside ADB with appropriate permission.</p>	<p>19</p> <p>E. Procurement Plan</p> <p>53. An 18-month procurement plan indicating procurement packages and review procedures for goods, works, consulting services, and nonconsulting services is included in Appendix (XX).¹⁵</p> <h2>VII. SAFEGUARDS</h2> <p>54. Describe the project's safeguard categorization and provide a brief outline of key safeguard impacts. Describe who is responsible and the resources required to implement the actions identified in the relevant safeguard plans at the government, technical supervision, and contractor levels; indicate whether financing of safeguard mitigation comes from ADB loan or grant resources and describe any additional institutional and fiduciary arrangements required. The mitigation plans include (i) the environmental management plan and/or environmental assessment and review framework, (ii) the resettlement plan and/or resettlement framework, (iii) the indigenous peoples plan and/or indigenous peoples planning framework, and (iv) environmental and social management system arrangements for financial intermediary projects. Refer to the respective safeguard action plans for the detailed implementation guidelines. Indicate whether a further update of safeguard plans is required, who will update, and when it needs to be done. Describe how implementation of safeguard plans is aligned and synchronized with procurement and sequencing of civil works at the package level. Describe how safeguard mitigation measures are cascaded to the bidding documentation and contracts for civil works, including those financed through advance contracting or retroactive financing. If national competitive bidding is used for civil works, describe additional actions to ensure environment and social mitigation plans are followed. Refer to para. 62 for safeguard monitoring.</p> <p>55. As agreed by ADB and the (borrower or client), the (environmental management plan) (resettlement plan) (indigenous peoples plan) will be updated from time to time during project implementation, upon availability of detailed engineering design, and to reflect adaptive management of project changes and unforeseen circumstances or in response to project performance, ensuring that standards originally planned are not lowered.</p> <p>56. Prohibited investment activities. Following ADB's Safeguard Policy Statement (2009), ADB funds may not be applied to the activities on the ADB Prohibited Investment Activities List in Appendix 5 of the Safeguard Policy Statement. (For a financial intermediation loan or grant, also state: All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the ADB Prohibited Investment Activities List to subprojects financed by ADB.)</p> <h2>VIII. GENDER EQUALITY AND SOCIAL DIMENSIONS</h2> <p>57. With reference to the summary poverty reduction and social strategy (SPRSS) report¹⁶ (RRP linked document) describe how each action plan required under the project (gender,¹⁷ consultation and participation, labor, HIV/AIDS, and other social risks) will be implemented, i.e., (i) describe who will ensure that actions are implemented, including summary information on contract packages where gender actions are included and how these will be implemented;</p> <p>¹⁵ The procurement plan should be placed as an appendix to the PAM or included directly here. It should be created in ADB's Procurement Review System and then transferred to the PAM to ensure consistency in structure and content. ¹⁶ ADB 2012 Handbook on Poverty and Social Analysis: A Working Document, Manila. ¹⁷ If the project is categorized under effective gender mainstreaming, include the gender action plan in this section. ADB Guidelines for Gender Mainstreaming Categories of ADB Projects and ADB Trustee No. 3—Implementing Gender Action Plans, Roles and Responsibilities.</p> <p>INTERNAL: This information is accessible to ADB Management and staff. It may be shared outside ADB with appropriate permission.</p>
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32

Summary

- PAM includes Procurement Plan as a linked document.
- Procurement Plan and its updates will be published on ADB's website.
- Procurement Plan should be updated *at least* once a year or as and when changes are made.
- Proposed changes must be consistent with the strategic procurement planning and procurement risk assessment including supply market analysis, as may be updated from time to time.
- Seek ADB's approval as per the agreed implementation arrangement and procedures defined in the PAM.



2023

ADB Procurement

33