

ITTO

GI SERIES

16

Guidelines for the selection and employment of consultants, procurements and payments of goods and services

SECOND EDITION

2009



ITTO

GI SERIES

16

Guidelines for the selection and employment of consultants, procurements and payments of goods and services

SECOND EDITION

2009



INTERNATIONAL TROPICAL TIMBER ORGANIZATION

ITTO Guidelines for the selection and employment of consultants, procurement and payments of goods and services

Second Edition

General Information Series #16

The **International Tropical Timber Organization** (ITTO) is an intergovernmental organization promoting the conservation and sustainable management, use and trade of tropical forest resources. Its 60 members represent about 80% of the world's tropical forests and 90% of the global tropical timber trade. ITTO develops internationally agreed policy documents to promote sustainable forest management and forest conservation and assists tropical member countries to adapt such policies to local circumstances and to implement them in the field through projects. In addition, ITTO collects, analyses and disseminates data on the production and trade of tropical timber and funds projects and other actions aimed at developing industries at both community and industrial scales. All projects are funded by voluntary contributions, mostly from consumer member countries. Since it became operational in 1987, ITTO has funded more than 750 projects, pre-projects and activities valued at more than US\$300 million. The major donors are the governments of Japan, Switzerland and the United States.

© ITTO 2009

This work is copyright. Except for the ITTO logo, graphical and textual information in this publication may be reproduced in whole or in part provided that it is not sold or put to commercial use and its source is acknowledged.

ISBN 4-902045-50-8

Cover photo: J. Carvalho

Foreword

I have the pleasure to introduce herewith the “Guidelines for the Selection and Employment of Consultants, Procurement, and for the Payments of Goods and Services, 2009”. The financial resources of ITTO are used to acquire goods and services and engage consultants to support the implementation of approved projects and pre-projects.

As a major agency for development aid in the forestry sector, ITTO seeks to comply with recognized standards established by other international agencies to ensure fair business practice and secure the best value in goods and services purchased from the voluntary contributions of donors. Likewise, consultants to be hired in ITTO projects should be selected based on their qualifications and experience using a fair, transparent, and cost-effective approach attuned to international norms.

The Executing Agency, the ITTO secretariat, suppliers of good and services, consultants’ organizations, independent auditors, and project evaluators should thoroughly acquaint themselves with these two sets of guidelines, compiled here for ease of reference in a single volume.

This second edition of the set of guidelines has been prepared building upon the first edition published in June 1993; taking into account the experiences gained by Member Countries in these aspects of project work and to utilize project funds for more efficient and effective procurement of goods and services. It should be used in conjunction with other relevant procedures stipulated in the other revised ITTO manuals and guidelines and pertinent decisions of the Council related to the project cycle.

Emmanuel Ze Meka

Executive Director

Yokohama, December 2008

Table of Contents

Foreword	3
A General Introduction and Justification	7
B Guidelines for the Selection and Employment of Consultants	9
Explanatory Note	9
1 Introduction	9
2 Definition	10
3 Scope of Work	10
4 Arrangements Applying to Consultant Firms	10
5 Arrangements Applying to Individual Consultants	12
6 Exclusion	14
C Guidelines for the Procurement and for the Payments of Goods and Services	15
Explanatory Note	15
1 Introduction	16
2 Purpose and General Principles	16
3 Role of Project Document and Project Agreement	16
4 Systems to be Applied	16
5 Public Competitive Bidding	16
6 International Competitive Bidding	19
7 Direct Negotiations to Purchase or Single Tender	20
8 Force Account	20
9 Procurement Agency	20
10 Accounting, Inspection, and Audit	20
11 Disposal of Equipment	21
1 Avoidance of Malpractice	21
ANNEX A Curriculum Vitae Format for Consultants	22
ANNEX B Prohibition on Hiring of Consultants	23

A General Introduction and Justification

The “ITTO Guidelines for the Selection and Employment of Consultants, Procurement, and for the Payments of Goods and Services, second edition 2009” has simultaneously been developed and attuned with the Manual on Standard Operating Procedures (SOP) for the ITTO Project Cycle, 2009; Manual for Project Formulation, third edition 2009; ITTO Manual for Project Monitoring, Review and Evaluation (third edition, 2009); and the ProTool 2009 and its Users’ Manual which are computerized tools (software) to facilitate project proposal and budget preparation downloadable from the internet. The Guidelines have also been updated with reference to pertinent provisions from the “Financial Rules and Rules Relating to Projects of the ITTO, and other appropriate Council Decisions.

The financial resources of ITTO are used to acquire goods and services and engage consultants to support the implementation of approved projects and pre-projects. These expenditure items are specified and defined in the Project Document, Project Agreement, and Yearly Plan of Operations.

The guidelines seek to comply with recognized standards established by other international agencies to ensure fair business practice and secure the best value in goods and services purchased from the voluntary contributions of donors. Likewise, consultants to be hired in ITTO projects should be selected based on their qualifications and experience using a fair, transparent, and cost-effective approach attuned to international norms.

The Guidelines are presented in two parts. The first part on “ITTO Guidelines for the Selection and Employment of Consultants, 2009” govern the selection and employment of consultants by the Organization and by its Executing Agencies for work in any project or other activity which is directly funded, either in whole or in part, by the Organization, and will apply subject to the right of the Council to decide exceptionally upon other arrangements in any specific individual case. A weighted set of selection criteria has been specifically designed for consultant firms and individual consultants with focus on their qualifications and experience.

The Executing Agency should have an internal technical bids and awards committee to evaluate the proposals for consultant services following the Terms of Reference and in accordance with a set of clear criteria. The committee should include at least three staff members of the Executing Agency, including a senior manager and relevant technical officers, and should keep minutes of its proceedings and decisions. Proposals made by consultant firms should be evaluated and ranked without recourse to competitive price bidding. After selection, negotiation on financial terms and conditions should take place with the consultant firm which appears most suitable so as to arrive at a fair and reasonable price. Individual consultants may either be engaged directly, or through an organization such as an academic institution, a governmental or international agency, a non-governmental organization or a consultant firm.

The second part on “ITTO Guidelines for the Procurement and for the Payments of Goods and Services (2009) governs the procurement of goods and services, and payment therefore, by the Organization and by its Executing Agencies, for any Project or other activity which is directly funded, in whole or in part, by ITTO and apply subject to the right of the Council to decide exceptionally upon other arrangements in any specific individual case. The Executing Agency may use the same bids and awards committee for selection of consultants for purpose of procuring goods and services thru competitive bidding.

Contracts for procurement of goods and services to the value of not less than US\$25,000 will be financed by the Organization only where it resulted from public competitive bidding, open without discrimination in accordance with these Guidelines to all firms legally operating in the country or countries within which the Project or Pre-Project is sited; and a contract to the value of not less than US\$100,000 will similarly be financed by the Organization only where it has been let as a result of international competitive bidding in accordance with these Guidelines.

For contracts costing less than US\$25,000, or where specialized instruments, equipment materials, books and publications for scientific and technological projects for applied research are to be procured, or where an additional quantity of items procured under public or international competitive bidding is urgently required to meet the implementation schedule of the Project or Pre-Project activity, or where there is lack of effective competition the system employed may involve dealing with a limited number of local or international suppliers or a particular single supplier. If a limited number of suppliers are approached the aim should be to obtain at least three quotations. If a single supplier is invited to tender, the Executing Agency should aim by negotiation to achieve the most efficient and economical outcome or justify that the supplier is the sole distributor of specified goods or services.

Selected consultants and suppliers of goods and services have to be cleared by the Executing Agency with ITTO based on internationally accepted criteria and selection/procurement procedures as described in the Guidelines. Independent auditors and project evaluators will use these guidelines for accounting and auditing and evaluation purposes to check if the resources of the Organization have been properly used in the procurement and selection processes.

The Executing Agency, the ITTO secretariat, suppliers of good and services, consultants' organizations, independent auditors, and project evaluators should be familiar with these two sets of guidelines to support formulation, implementation, evaluation, and completion with the proper identification, selection, and awarding of goods, services, and consultants to be utilized by the project.

The second edition of the set of guidelines has been prepared building upon the first edition published in June 1993; taking into account the experiences gained by Member Countries in these aspects of project work and to utilize project funds for more efficient and effective procurement of goods and services. It should be used in conjunction with other relevant procedures stipulated in the other revised ITTO manuals and guidelines and pertinent decisions of the Council related to the project cycle.

B Guidelines for the Selection and Employment of Consultants

Explanatory Note

- 1 These Guidelines have been prepared on the basis of the rules applied by other international agencies, but are simpler in form while containing all the essential elements to ensure fair treatment and value for money.
- 2 For consultancy firms, the arrangements proposed follow the normal procedure required by international agencies in the “two envelope” system, under which bids are invited from a range of possible suppliers and are then ranked by technical and other superiority, the financial terms being negotiated subsequently.
- 3 For individual consultancies, more flexible arrangements are applied. The proposed Guidelines take into account that in ITTO’s area of activity the problem may not be so much the width of choice available as the scarcity of individuals able to carry out assignments. No comparative selection would therefore be required in the second instance.
- 4 In the absence of any ITTO policy on this, provision is made that procurement of services from consultancy firms and individual consultants shall be worldwide (an arrangement likely to provide ITTO with the best people at the lowest cost), but that preference shall be given, other things being equal, to nationals of ITTO Member States. Gender discrimination would not be allowed.
- 5 The Secretariat will be required to fix maximum fees or other remuneration for different classes of consultant, using as a guide the general practices in the UN and its Specialized Agencies and the market rates (the latter are determined from time to time by, for instance, the Inter-American Development Bank).

1 Introduction

These Guidelines govern the selection and employment of consultants by the Organization and the Executing Agencies of member countries for work in any project or other activity which is directly funded, either in whole or in part, from the Organization’s Special Account and the Bali Partnership Fund. These are applicable to all subject to the right of the Council to decide exceptionally upon other arrangements in any specific individual case.

The aim of these Guidelines is to ensure that consultants are employed to perform required services financed by the Organization’s operational program essentially on the basis of their demonstrated competence and technical qualification. They should be selected in a transparent and impartial way based on well-specified criteria. Furthermore, the Organization must be satisfied that the functions and responsibilities assigned to consultants are adequately defined; that the consultants concerned are competent for their assignment; that the conditions of the contracts are satisfactory; and that the contract is duly performed.

2 Definition

In these Guidelines:

- “consultant firm” means a legally constituted business, comprised primarily of professional personnel, whose aim is to offer consultation, advice, expert testimony or diversified professional services;
- “individual consultant” means a professional or expert person contracted to perform relevant services;
- “consultant” means both “consulting firm” and “individual consultants”

3 Scope of Work

The tasks to be performed by consultants should be clearly specified in detail in the Terms of Reference, describing the objectives and scope of the work to be undertaken and the functions to be carried out. These Terms of Reference should, if practicable, be embodied in the final agreed Project Document or, failing that, in arrangements agreed thereafter with the Organization.

The TOR should specify the substantive requirements for implementing an ITTO project which include:

- Background of the project
- Project objectives
- Scope of work and outputs
- Institutional arrangements with EA /ITTO
- Period of work
- TOR for individual consultants specifying responsibilities, duration of service, description of work, expected outputs, schedule for delivery of services, and fees

4 Arrangements Applying to Consultant Firms

A Selection

- i Proposals for services required should be invited by the Executing Agency from a short list of consultant firms chosen solely on the basis of a detailed examination of their experience and capabilities, with the aim of achieving a minimum number of bids, normally three.
- ii If the estimated cost of the services required amounts to US\$50,000 or more, an announcement of the requirement should be published in a sufficiently broad range of journals to ensure a satisfactory short list.
- iii An internal technical committee should then evaluate the proposals made in accordance with a set of clear criteria. The committee should include at least three staff members of the Executing Agency, including a senior manager and relevant technical officers, and should keep minutes of its proceedings and decisions.
- iv Proposals made should be carefully analyzed and compared in relation to the approach proposed, the experience and capability (including technical capability) of the persons to be assigned to the work, the intended work schedules, the quality of supervisory leadership proposed, and the back-up to be provided by the principals and headquarters of the consulting firm.

The suggested model award criteria for consultant firm are as follows:

CRITERIA AND SUB-CRITERIA	POINT SYSTEM
1 Experience relevant to assignment	10
2 Adequacy of proposed methodology and work plan to TOR	40
• Technical approach and methodology	20
• Work plan	10
• Organization and staffing	10
3 Key consultants qualifications and competence (points to be allocated to each individual consultant; international and local)	45
• General qualifications	5
• Experience in similar projects	30
• Experience in country or similar countries	10
4 Staffing back-up and facilities	5
Total Points	100
Minimum technical score to pass	75

- v The proposals should then be ranked based on the results of the award criteria, and the most suitable proposals should be selected, on the basis of the comparison provided for in (iv) above, the primary weight being given to the quality of the personnel to be assigned to the work
 - vi No limitations or conditions should be imposed which impede or restrict the selection of consultant firms from any eligible country, nor should any requirements or conditions be based solely on nationality; but preference shall be given, if all other factors are equal, to consultant firms based in any Member State of the Organization.
 - vii Notwithstanding the above, a consultant firm which has satisfactorily completed the feasibility or design of a project may be approved by the Organization for the continuation of services on the project subject to a satisfactory and specific previous request by the Executing Agency justifying this continuation.
 - viii A consultant firm which is a subsidiary or affiliate of a construction contractor, equipment supplier, or holding company, should normally be considered acceptable only if it agrees in writing to limit its role to providing professional consulting services, and agrees in the contract to disqualify itself and its associates from any construction work, material or equipment supply, or financial participation, in the same project.
 - ix For ITTO-implemented projects, where the amount of the contract exceeds US\$50,000, an internal selection panel will be established to carry out evaluation of the proposals submitted. The panel will include the Assistant Director and Project Managers of the Division in charge of the project, the Assistant Director of Management Services and other professional staff of the Organization as appropriate.
- The award criteria in (iv) will also be used and a report will be prepared on each evaluation as basis for selection.

B Negotiation of Contract

- i Proposals made by consultant firms should be evaluated and ranked without recourse to competitive price bidding. After selection, negotiation on financial terms and conditions should take place with the consultant firm which appears most suitable so as to arrive at a fair and reasonable price. If this cannot be agreed, negotiations with that firm should be ended by written notice, and negotiation should begin with the consultant firm offering the next best proposal, and so on until a satisfactory agreement is reached; but Executing Agencies should not be bound to accept any of the proposals made.
- ii In the negotiation on financial terms and conditions each separate cost element should be justified. The price of services to be provided should be calculated and established according to one of four normal internationally accepted methods .i.e.:
 - a Per diem plus incurred direct expenses,
 - b Fixed lump sum,
 - c Cost plus a fixed amount, or
 - d Salary cost times a factor, plus incurred direct expenses.
- iii If appropriate, a system may be used consisting of two sealed envelopes for receiving proposals, one containing the technical proposal exclusive of costs and the other the proposed cost for the services. The financial envelopes should then be kept sealed during the technical evaluation. When contract negotiations begin with the consultant firm offering the best technical services, its financial envelope should be opened preferably in its presence and used as a basis for the negotiations. All other financial envelopes should remain unopened and, when an agreement is reached, returned sealed to the respective firms, subject to the procedure set out in (i) above.

In the case of a two envelope system, a quality – cost approach maybe used with the award criteria fixed at 80 % for the technical proposal and 20 % for the financial proposal. This will prevent lengthy process for financial negotiations.

For this approach the financial score of 20% will be determined by the formula:

$S_f = 100 \times F_m / F$, in which S_f is the financial score, F_m is the lowest price among bidders, and F is the price of the proposal under consideration.

5 Arrangements Applying to Individual Consultants

- i Individual consultants may either be engaged directly, or through an organization such as an academic institution, a governmental or international agency, a non-governmental organization or a consultant firm.
- ii If the Organization and the Executing Agency agree that a single named individual is eminently suitable to carry out an individual consultancy, and such a person is interested and available, an appointment may be negotiated accordingly with that individual. In any other circumstances, details should be gathered for a reasonable number of suitable candidates, making use of whatever sources of information are available, enquiries should be made about their interest and availability; and if more than one suitable individual is found, the resulting candidates should be ranked primarily on the basis of their experience and qualifications. The basic qualifications sought should be professional suitability, good character, a sense of responsibility and a capacity for good human relations, evidenced by a curriculum vitae and if necessary supplementary references. No discrimination should be permitted on the basis of nationality or gender, except that preference will be given, if all other factors are equal, to nationals of Member States of the Organization.

The suggested award criteria for individual consultants are the following:

AWARD CRITERIA	POINTS
1 QUALIFICATIONS	40
Educational attainment	10
Professional suitability	10
Good character	5
Sense of responsibility	5
Capacity for good human relations,	5
Gender Balance	5
2 EXPERIENCE	60
Experience in projects relevant to assignment	30
Years of experience	10
Experience in country and language	20
TOTAL POINTS	100
Minimum passing point	75

- iv The names of proposed individual consultants, with details of their background, qualifications and if practicable their tentative work program, should be sent to the Organization for its concurrence. A copy of a brief Curriculum Vitae of the consultants should also be attached following the suggested format in Annex A.
- v Contracts negotiated should contain sufficient detail to ensure the protection of all parties, and should state all basic obligations such as the terms of reference, work program and schedule, place of work, fees and other benefits.
- vi The Organization will set, and may from time to time alter, the limits of the fees or other remuneration it will meet, on the basis of individual consultants' differing professional qualifications and experience for performing the differing specific tasks, international market conditions, and the limits generally applied for similar appointments within the United Nations and its Specialized Agencies. Any remuneration beyond these limits shall be the financial responsibility of the Executing Agency.
- vii As specified in the Project Document and the yearly Plan of Operations, consultants to be engaged by a project are categorized as international or local. International consultants have proven global or multi-country experience in conducting similar projects while local consultants are professionals from the country where the project is executed with experience pertaining to the relevant project limited to that country. However, a national of a member country can be classified as international consultant if she /he is proven to have the necessary global / regional experiences. In consonance with limits of remuneration mentioned in (iv), the remuneration rates for international consultants can be initially set at US \$ 7,000.00 – 12,000.00 per man-month based on qualifications and experienced and market rates. For local consultants, the rates can be approximated at US \$3,000.00 – 6,000.00. The DSA while on duty travel will be normally based on prevailing United Nations rate for the area /country specified.
- viii Contracts should provide for the retention of a certain amount of total fees or other remuneration, normally 20 %, which will be disbursed once the individual consultant has concluded his or her tasks to the satisfaction of the Executing Agency and the Organization.

- ix An individual consultant who has associated business interests should normally be considered acceptable only if he or she agrees in writing to limit his or her role to providing professional consulting services, and agrees in the contract to disqualify himself or herself, and his or her associates, from any construction work, material or equipment supply, or financial participation, in the same project.

6 Exclusion

The resources of the Organization will not be used to pay for the salary, fees or other remuneration of any consultant who;

- a is a member of the permanent or temporary staff of a government entity or of the Executing Agency; However if the regulations of the member country allow, these personnel can be engaged as consultants provided they have an approved leave of absence and seconded without pay from the EA or any government agency they are connected with to work in an ITTO project on full-time basis.
- b is related to any person receiving remuneration from the Organization or from the Executing Agency within any of the categories listed in Annex B of these Guidelines.

C Guidelines for the Procurement and for the Payments of Goods and Services

Explanatory Note

- 1 These Guidelines have been drawn up after careful study of the rules and guidelines applied by other international agencies, in particular the Common Fund, the UNDP and the Inter-American and Asian Development Banks.
- 2 The UNDP system differs from the others in that in principle it requires international competitive bidding (or the equivalent) to be applied down to a low level of contract. The various thresholds in the UNDP system chiefly distinguish at what level in that organization the procurement decision is taken.
- 3 The international financial institutions also apply international competitive bidding (ICB) as the norm. This system is particularly appropriate in this case, given that the beneficiary member receives help as a loan (although often on very concessional terms). However, they incorporate in their procedures a series of exceptions which can be applied in particular circumstances for obvious practical reasons. The ICB is accompanied with two other policies; the deduction of government import (or similar) taxes in evaluating bids for the goods and services to be imported, balanced by a degree of domestic preference for local suppliers as part of a wider policy to promote borrowers' general economic development. To some extent these balance out.
- 4 The Common Fund sets a threshold of US \$10,000 below which ICB is not required. Above that, ICB is promoted as desirable up to the level of US \$99,999 and essential for contracts of US \$100,000 and above.
- 5 Against this background, the attached Guidelines start from the expectation that relatively few ITTO contracts will exceed US \$100,000 and that below US \$25,000 fully competitive bidding is not likely to be worth the cost of the system. Accordingly, it is expected that most contracts will be appropriately let by a system of local public competitive bidding (sometimes called "local competitive bidding"). However - not least to keep in step with the Common Fund, which is expected to help fuel the Special Account, but also because there is likely to be greater external interest in contracts of this size - it is proposed that ICB should apply to all contracts of US \$100,000 or more.
- 6 It is of course essential that public competitive bidding should not be discriminatory as between goods originating domestically and, for example, from other ITTO Member States, and that the system applied should be transparent, fair and give good value for money. The Guidelines are drawn up with this principle in mind.
- 7 Where ICB is involved, certain extra requirements or modifications are needed to the standard system proposed. These are set out in paragraph 26. To avoid complexity, however, the trade-off applied by the international lending agencies (see paragraph 3 above) is not included.
- 8 Exceptions to the system would be allowed in the circumstances set out in **paragraph 27-29**. These generally follow standard international practice.
- 9 **Paragraph 30** encourages the use of specialized procurement services (including from UN bodies such as the UNDP Office for Project Services) in the particular circumstances described.
- 10 **Paragraph 31-35** set out guidelines for accounting, audit, disposal etc. plus the general principle of responsible stewardship. These follow the rules laid down by the Common Fund and other agencies.

1 Introduction

- 1 These Guidelines shall govern the procurement of goods and services, and payment therefore, by the Organization and by its Executing Agencies, for any Project or other activity which is directly funded, in whole or in part, from the Organization's Special Account and the Bali Partnership Fund, and apply subject to the right of the Council to decide exceptionally upon other arrangements in any specific individual case. Services shall refer to other services excluding the provision of consultants covered in B. Part 1 and can include work on forest inventory, mapping and cartography, and workshop facilitation which can be provided by technical suppliers.

2 Purpose and General Principles

- 2 The aim of these Guidelines is to ensure that the funds of the Special Account and the Bali Partnership Fund are used in the most efficient and economic way, to meet the purposes for which they are provided and to attain the maximum lasting positive impact from the Projects and Pre-Project activities which ITTO finances, in accordance with the governing general principle of obtaining higher value for money.

3 Role of Project Document and Project Agreement

- 3 The general purpose for which the relevant goods or services are to be supplied, and their nature, are defined in the Project Agreement, the Project Document in its final agreed form, the Yearly Plan of Operations or in any supplementary clarifications which subsequently become necessary for the implementation of the Project.

4 Systems to be Applied

- 4 Except as provided under paragraphs 27 and 29 below, a contract to the value of not less than US\$25,000.00 will be financed by the Organization only where it has been let as a result of public competitive bidding, open without discrimination in accordance with these Guidelines to all firms legally operating in the country or countries within which the Project or Pre-Project is sited; and a contract to the value of not less than US\$100,000 will similarly be financed by the Organization only where it has been let as a result of international competitive bidding in accordance with these Guidelines. The Executing Agencies should provide safeguards to assure that these set amounts are not altered or circumvented to avoid the prescribed bidding procedures.

5 Public Competitive Bidding

- 5 **Advertisement and notification.** Invitations to bid should be published for at least three consecutive issues in the official newspaper or newspapers, or other publication of the widest possible circulation, in the country or countries within which the Project or Pre-Project is to be sited, giving to all prospective bidders, whether they offer to supply goods or services produced domestically or abroad, full information on what is required, including the period for which bids are to remain valid, and an adequate, fair and equal opportunity to bid on such goods and services.
- 6 **Prequalification of bidders.** Prequalification may be required for contracts involving large or complex civil works services, for turnkey contracts, and for contracts to fabricate expensive and technically complex items, where it is essential that invitations to bid are extended only to those who are capable. Prequalification should be based entirely upon the ability of the interested firms to perform the work satisfactorily.

- 7 **Bidding documents.** Bidding documents should provide all the information needed for a prospective bidder to prepare a tender for the goods and services to be supplied and should, inter alia, include the following; instructions to the tenderer; form of tender; form and conditions of contract, both general and special; technical and performance specifications (subject to paragraph 8 below); bill of quantities and drawings and/or list of goods; and necessary appendices, such as pro-forma bonds. Bidding documents should clearly set out, as appropriate, the work to be carried out, its location, the goods to be supplied, the place of delivery or installation, the schedule of delivery or completion, and the warranty and maintenance requirements, together with any other relevant terms and conditions, including those set out subsequently in these Guidelines.
- 8 **Test and specifications.** Where appropriate, bidding documents should define the tests, standards and methods that will be used to judge whether the equipment as delivered, or the services as performed, conform with the specifications. Specifications should be based on performance requirements, avoiding reference to brand names, catalogue numbers or the like unless this is considered necessary to ensure the inclusion of certain essential features; in which case the reference should make plain that equivalent and alternative goods which provide performance and quality at least equal to those specified may be offered.
- 9 **Bid bonds.** Where bid bonds or other bidding guarantees are required they should be set at a level high enough to ensure, but not discourage, responsible bidders. Bid bonds or guarantees should be released to unsuccessful bidders promptly as soon as possible after it has been decided that they will not be awarded the contract.
- 10 **Terms and methods of payment.**
 - 1 Bidding documents should specify terms and methods of payment, which should be in accordance with the normal commercial practice applicable to the goods, works and market in question.
 - 2 Bidding documents should clearly state whether prices are subject to adjustment (upward and downward) and if so in what circumstances. Price adjustments should be based on changes in the costs of the major components of the contract, according to a method which shall be indicated in the bidding documents; but no price adjustment should be provided in contracts to supply goods which are to be delivered within one year, unless such a provision is necessary in the light of the market situation which prevails at the time when the contract is signed.
 - 3 If there are to be any advance payments to cover the costs of mobilization or for any other expenses, the amounts and timing of such payments should be stated in the bidding documents together with the purposes for which they are intended. Bidding documents should specify any security to be given against advance payment disbursement, and the manner in which this advance payment will afterwards be deducted from what will be due to the contractor.
- 11 **Performance security.**
 - 1 Specification for civil works should include performance bonds or other surety to guarantee that the work will be carried on to completion, sufficient to allow the work to be completed at no increase in expense to the Organization or the Executing Agency in case of default by the contractor in the performance of the work.
 - 2 Specification for the supply of goods or services may provide for a percentage of the total payment to be held as retention money to guarantee performance during the continuation of the warranty or maintenance obligations.

- 12 **Insurance.** Bidding documents should state clearly the types of insurance to be provided by the successful bidder and the kinds of risks to be insured against, with the liabilities to be covered and the length of the insurance period. Indemnity under insurance must be readily available to allow prompt replacement of lost or damaged goods.
- 13 **Liquidated damage and bonus.** When delays in completion of works or delivery of goods, or failure of the works or goods to meet performance requirements, would result in extra cost, loss of income or loss of other benefits to the project, the bidding documents should include clauses requiring liquidated damage or similar compensation in an appropriate amount. Provision may also be made for a bonus to be paid to contractors for completion of services ahead of the time specified in the contract, where such earlier completion would financially benefit the Project or Pre-Project activity.
- 14 **Force majeure.** If necessary, the conditions of contract should stipulate when failure to perform the obligations of the parties under the contract shall not be considered a default but a result of force majeure as defined in the contract.
- 15 **Dispute settlement.** Whenever necessary, the contract should contain clauses stipulating the applicable law and the forum for the settlement of disputes. This may in particular be required if the project or pre-project activity is located in more than one country.
- 16 **Bid submission and opening; timing.** The time allowed for preparation and submission of bids should be adequate in relation to the circumstances of each project or pre-project activity, taking into account the size and complexity of the contract involved and the remoteness of the location of the project or pre-project activity from areas from which bids may be expected. Where large civil works are involved, enough time should be allowed to enable prospective bidders to visit the site and make their own investigations before submitting their bids. The date, hour and place for the latest delivery of bids, and for the opening of bids, should be included in the invitation to bid.
- 17 **Bid opening procedure.** The Executing Agency should open all bids in public at the stipulated time. Bidders or their representatives should be allowed to be present. The name of the bidder and total amount of each bid, and of any alternative bids if they have been requested or permitted, should be read out aloud and recorded.
- 18 **Extension of bid validity.** If in exceptional circumstances, the Executing Agency finds it necessary to extend the validity of bids to complete its evaluation, such an extension should be requested of all bidders before the original expiry date but may not be required of any that are not willing to grant such an extension.
- 19 **Clarification and modification.** Bidders should not be requested nor allowed to change their bids after the first bid has been opened. Clarifications may be sought if needed to evaluate bids, but no change may be made in the substance or price of bids after the bid opening.
- 20 **Confidentiality.** No information which relates to the examination, clarification and evaluation of bids after the public opening of bids shall be communicated to any person not officially concerned with the procedure after the public opening and before the announcement of the award of a contract to the successful bidder.
- 21 **Bid examination.** Bids should first be examined to make sure that each conforms to the requirements of the bidding documents. If a bid is not substantially responsive and contains material deviations from, or reservations to, the terms specifications and conditions in the bidding documents, it should not be considered further.
- 22 **Bid evaluation.** The evaluation of bids should be made upon specified factors, including *inter alia* in addition to price; the operating costs; the maintenance costs; the reliability and performance of the equipment; its compatibility with other equipment already in use or already chosen for the project; the ease of maintenance; the life expectancy of the equipment; the availability of service and spare parts; the time of completion of construction or delivery; the reputation of the bidder; the financial standing and integrity of the bidder.

- 23 **Award of contract.** The contract should be awarded to the bidder whose bid has been determined in accordance with paragraph 22 to be the lowest evaluated bid and who meets the appropriate standards of capability and financial responsibility; but preference will be given, if other factors are equal, to goods and services originating from any member country of the Organization.
- 24 **Rejection of all bids.** Notwithstanding paragraph 23, the Executing Agency may reject all bids where the bidder with the most favorable bid exceeds the cost estimated by a substantial amount, or where there is lack of effective competition; but before deciding either to reject all bids in such circumstances or to award the contract the Executing Agency will make a full and urgent report to the Organization to ascertain its views, bearing in mind the agreed limits on the Organization's financial obligation to the relevant Project or Pre-Project activity, as decided by the Council or the relevant Permanent Committee respectively.
- 25 **Trading companies.** Acceptance of bids for the procurement of goods from a trading company should be subject to the company being an authorized agent of the manufacturer and that the latter extends its full quality, performance and servicing warranties without limitations deriving from the participation of the intermediary.

6 International Competitive Bidding

- 26 Paragraphs 5 to 25 inclusive of these Guidelines will apply, *mutatis mutandis*, where international competitive bidding is to be undertaken, subject to the following clarifications and additions:
- a **Advertisement and notification** (paragraph 5). In addition to other requirements, invitations to bid for large and important contracts should be placed in well-known technical magazines, newspapers and trade publications of wide international circulation or in the United Nations "Development Business".
 - b **Bid opening; timing** (paragraph 16). As a general rule, not less than 60 days from the date of the invitation to bid or the availability of bidding documents, whichever is the later, and not less than 120 days from such date where large works or complex items of equipment are involved, should be allowed for the submission and preparation of bids.
 - c **Language.** Invitations to bid, bidding documents and other documents should be prepared in one of the languages customarily used in international transactions and should, unless prohibited by law, specify that the text of the documents in that language is governing.
 - d **Currency provision.** The bidding documents should state the currency or currencies in which bidders are to state their prices, which should be a usable currency or a currency widely used in international trade; the procedure for converting prices expressed in differing currencies for the purpose of comparing bids; and the currency or currencies in which the contract prices will be paid. A bidder who expects to incur expenditure in more than one currency and wishes to be paid accordingly may state the respective portion of the bid price in each such currency. Where a payment to be made to a contractor or supplier is based on the conversion of local currency into foreign currency, -the contract should include provisions to ensure that the contractor or supplier does not carry the exchange risk.
 - e **Bid evaluation; transport** (paragraph 22(2)). Bids should be invited on cost, insurance and freight (cif) port of entry border point terms, and the evaluation and selection of the lowest evaluated bid should be on the basis of these costs, insurance and freight prices.
 - f **Dispute settlement** (paragraph 15). International commercial arbitration should normally have preference over other methods for settling disputes.

7 Direct Negotiations to Purchase or Single Tender

- 27 For contracts costing less than US\$25,000, or where specialized instruments, equipment materials, books and publications for scientific and technological projects for applied research are to be procured, or where an additional quantity of items procured under public or international competitive bidding is urgently required to meet the implementation schedule of the Project or Pre-Project activity, or where there is lack of effective competition (see paragraph 24), the system employed may involve dealing with a limited number of local or international suppliers or a particular single supplier. If a limited number of suppliers are approached the aim should be to obtain at least three quotations. If a single supplier is invited to tender, the Executing Agency should aim by negotiation to achieve the most efficient and economical outcome, in accordance with the principle established by paragraph 2 above.
- 28 Paragraphs 5 to 26 above should apply to the extent that they are appropriate to a form of procurement which is used in accordance with paragraph 27 above.

8 Force Account

- 29 Force account involves construction by use of the Executing Agency's own personnel and equipment, and an Executing Agency may employ this method with the agreement of the organization where:
- a Quantities of work cannot be defined in advance.
 - b Small and scattered services, or the remoteness of location, would make the mobilization costs of other contractors too high.
 - c Work must be carried out to avoid disruption of ongoing operations when a contractor is unable, for reasons beyond his control, to complete the work.
 - d No contractor is interested in carrying out the work.

9 Procurement Agency

- 30 Where procurement is particularly complex, or the Executing Agency lacks the necessary organization and experience, the Project Agreement or Document may stipulate that the services of firms or other bodies which specialize in handling international procurement shall be employed to ensure the efficient and economic purchase, verification, expedition, insurance and transport of the items required. Such procurement may also be carried out by a United Nations Specialized Agency or other United Nations body if appropriate.

10 Accounting, Inspection, and Audit

- 31 To ensure proper accountability and for the purposes of audit, the Executing Agency shall ensure in respect of all contracts wholly or partly funded by the Organization that:
- a Payments are made to contractors or suppliers only against invoices or statements which have been checked and certified by an appropriate officer of the Agency as being in accordance with the contract and its conditions and, in the case of works, as being correctly valued.
 - b All such invoices or statements and certificates are retained at a convenient location for subsequent audit.
 - c Inventories are kept of all equipment and other materials procured under such contracts.

- 32 Each Executing Agency shall arrange for an independent audit annually of Projects with total ITTO contribution of \$ 200,000 with duration of 2 years or more upon completion, before accounting discharge of expenditure financed by the Organization, in order to verify the accuracy of the accounts. Such audit shall involve a review of;
- a The regularity of the receipt, custody and disposal of the funds provided by the Organization.
 - b The conformity of obligations and expenditure from such funds with the terms of the relevant Project Agreement and final Project Document and any subsequent relevant agreements made between the Agency and the Organization, and with the terms and conditions of the relevant contract or contracts.
 - c Whether the funds of the Organization have been used in the most efficient way practicable.
- 33 The Organization shall have the same right;
- a To inspect the physical and financial progress of any contract to which its funds have been applied.
 - b To receive at regular intervals statements of account in relation to expenditure financed by it.
 - c To receive no later than 12 months after the close of each financial year of the Executing Agency an annual audited statement of such expenditure and the full report of the auditor thereon.

11 Disposal of Equipment

- 34 Before the completion of the project or pre-project activity the Executing Agency will propose, and the Organization will decide, what arrangements are to be made for the continued use or disposal of any equipment bought with funds of the Organization. Written notice of its decision will be given by the Organization to the Executing Agency.

12 Avoidance of Malpractice

- 35 It will be the common aim of the Organization and the Executing Agency to exclude any malpractice from the Projects and Pre-Projects activities to which the Organization is contributing. This includes maintaining an impeccable standard of integrity in all relevant business relationships and rejecting any business practice that might reasonably be considered improper; fostering the highest possible standards of professional competence among their employees; and ensuring that their employees declare any personal or family interest which might impinge upon the Executing Agency's impartiality in procurement decisions.

Annex A Curriculum Vitae Format for Consultants

- 1 Name:
- 2 Sex:
- 3 Present Residence:
- 4 Mailing Address:
- 5 Date of Birth:
- 6 Country of Birth:
- 7 Present Nationality:
- 8 Language: English, Spanish, French, and others; indicate proficiency
- 9 Fields of Expertise:
- 10 Regions of Working Experience:
- 11 Education: Graduate, University
- 12 Technical Education and Training
- 13 Computer Skills:
- 14 Professional Societies and Activities:
- 15 Significant Publications:
- 16 Employment Record: Start with Most Recent
- 17 Relevant Consultancy Work: Related to Consultancy Position in Project

Annex B Prohibition on Hiring of Consultants

The following relatives by blood (consanguinity) of persons receiving remuneration from the Organization or the Executing Agency may not be hired;

- Parents
- Grandparents
- Children
- Grandchildren
- Brothers/sisters
- Uncles/aunts
- Great uncles/aunts
- Nephews/nieces
- First and second cousins

Note: Relationships by adoption are equated to relationships by blood.

The following relatives by marriage (affinity of persons receiving remuneration from the Organization or the Executing Agency) are not eligible to be hired;

- Spouse
- Step-parents
- Step-children
- Step-brothers/sisters
- Parents-in-law
- Grandparents-in-law
- Sons/Daughters-in-law
- Brothers/Sisters-in-law and their spouses

The following relations of persons receiving remuneration from the Organization or the Executing Agency are not eligible to be hired:

- God-parent
- God-child



INTERNATIONAL TROPICAL TIMBER ORGANIZATION

International Organizations Center, 5th Floor, Pacifico-Yokohama, 1-1-1, Minato-Mirai, Nishi-Ku, Yokohama, 220-0012, Japan
Tel 81-45-223-1110 Fax 81-45-223-1111 Email itto@itto.int Web www.itto.int
© ITTO 2009

