



## The upcoming Procurement Policy of the African Development Bank

**GPA Symposium (S2.3)**  
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## Contents

1. Background
2. Value for Money
3. Fit for Purpose
4. Use of Country System
5. Fragile Situations
6. Development of National Industry
7. Summary



## 1. Background

## Background

Need  
For

Greater Flexibility & More  
Fit for Purpose

Need  
For

Increased Risk Manag.& Better  
Engagement on Anti-Corruption

Need  
For

Capacity Development

Need  
For

Increased Efficiency &  
Value Addition

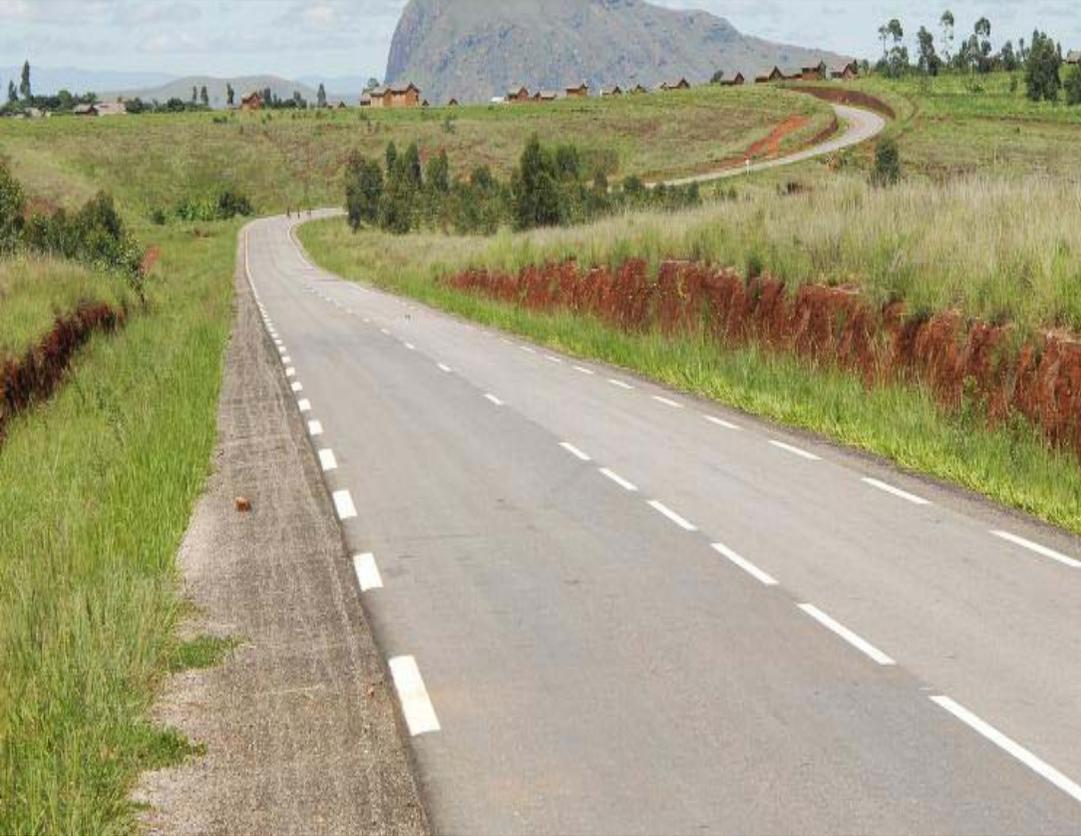
Need  
For

Greater Use of  
Country Systems

Need  
For

More Innovation

No Reduction in Fiduciary Standards



## 2. Value for Money (VfM)

For any  
transaction  
VfM should  
consider

Initial cost of the item

Costs related to the use of the item during its economic life

Cost of the transaction

Cost or benefits of the externalities

Cost of the conditions of contract that addresses specific risk

## ECONOMY

A measure of optimum pricing of procured goods, works or services (including Life-Cycle-Cost) of required quality under a procurement process.

## EFFICIENCY

Is the time-sensitivity and cost-effectiveness of a given procurement process, including transaction costs.

## EFFECTIVENESS

The final outcome of the procurement process. It is a measure of the Borrower's procurement objectives including sustainability and other legislative or policy considerations of the Government.

## EQUITY

The Bank requires that procurement should be carried out with accountability and responsibility by observing the highest standards of ethics, transparency, openness, fairness and integrity.

## PROPORTIONALITY

Refers to prioritization of the procurement policy principles to ensure the achievement of optimal value for money in the outcome of the procurement process taking into consideration the RMC and project contexts

## PREDICTABILITY

Refers to uniformity, certainty, expectedness and obviousness in the outcome of the procurement decisions under similar RMC and project conditions

## Achieving VfM - Evaluation Criteria

### Criteria Mandated by Law

For example, if a country is a signatory to a convention banning child labor, or there is a domestic law giving a 10% preference to minority-owned contractors

### Quantifiable Criteria

All costs associated with acquisition, owning, operation, and maintenance. This may be extended to externalities and incidentals as well

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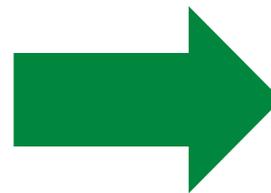
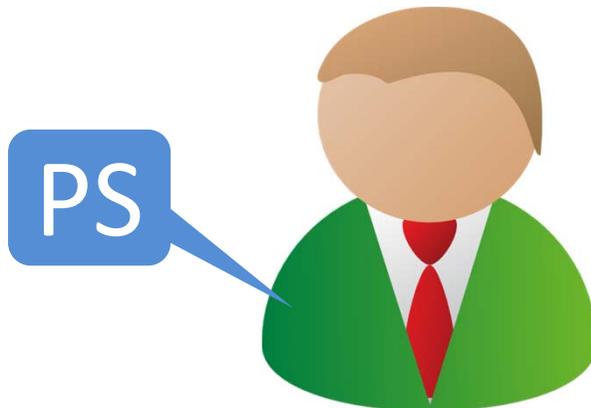
### 3. Fit for Purpose (FfP)

Assessment of CPS at  
Country/Sector &  
Project levels

EA Capacity &  
Performance

Consider  
Market Analysis  
Findings

Establish Associated Risk

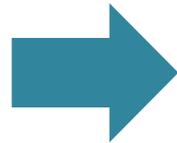


Fit for Purpose  
Procurement  
Arrangements



#### 4. Use of Country Procurement Systems

**Full** Use of  
Country  
Procurement  
Systems



Stronger  
Position While  
Encouraging  
CPS Reforms

**Building By Using**  
An Incentive Modulated Mechanism For CPS

Implementation of the Proposed Policy requires the Bank to collect and analyze key information and conduct risk assessments at different levels



## Objective of Country Assessments

Determine if the country system is based on comparable principles and standards and is delivering against the key objective of providing value for money

Form the basis for the interaction between the Bank and the Borrower

Identify gaps in laws, regulations , practices, organization and capacity

Support the development of an action plan to address identified shortfalls

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graph LR; A[Sector Level] --- B[Sector specificities]; A --- C[Sector capacity (institutions)]; A --- D[Market analysis (bidders' capacity)];
```

Sector Level

Sector specificities

Sector capacity (institutions)

Market analysis (bidders' capacity)

## Project Level

The intent of the Executing Agency and Project Risk Assessment is to develop an overall risk classification for the contemplated project

## Output

Executing Agency Performance Risk Assessment (EAPA)

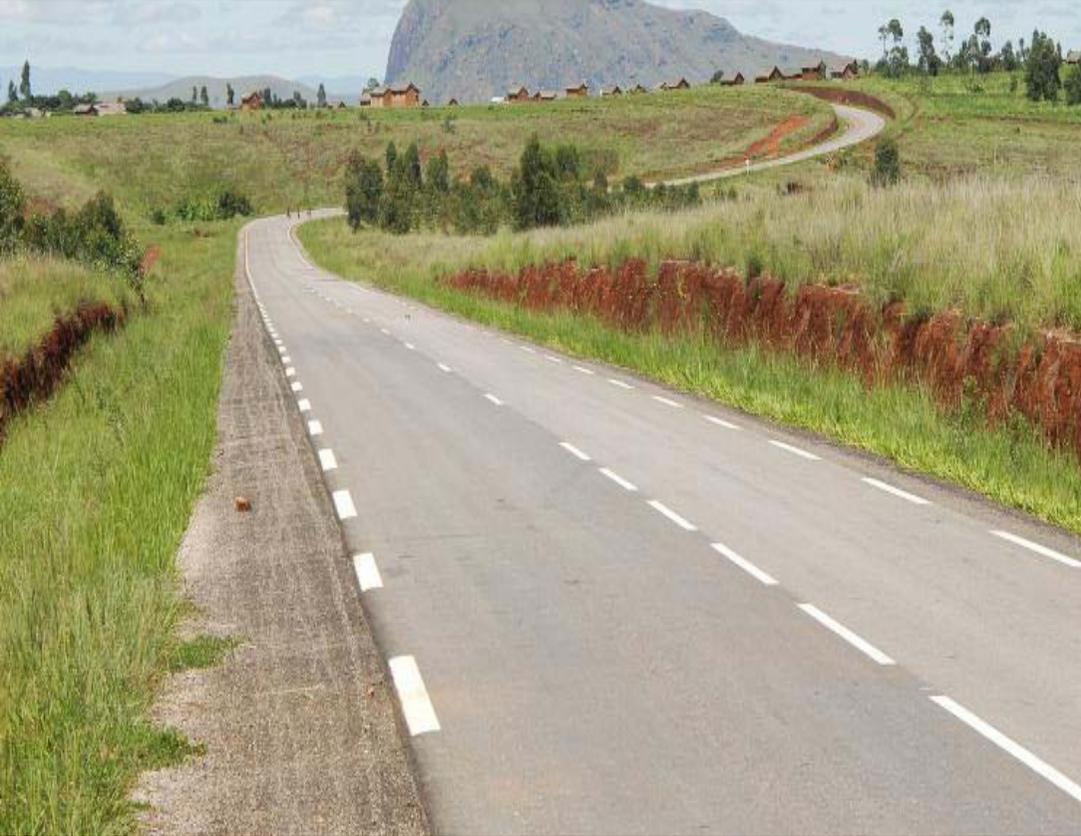
Project Procurement Risk Rating (PPRR)



## 4. Fragile Situations

## Fragile & Conflict Affected States

- More close and effective support
- Procurement Agents
- UN organizations
- Capacity building



## 5. Development of National Industry

- Current preferences have not been effective
- More effective means of support to national industries (set asides, offsets, simplified bidding documents, simplified bidding procedures, suitable evaluation criteria) based largely on the country's own framework and practices. These will be reviewed for reasonableness.
- Use of national consultants based on the market analysis

- Local content should be based on a cognizant economic sound principles
- Should be based on national ownership
- Should not lead to creation of monopolies
- Could be reconsidered if not proven effective over a period of time



## 7. Summary

## Main Features of the New Policy

- ✓ Achieving Value for Money is the overarching principle
- ✓ Applying a Fit for Purpose risk-based approach
- ✓ Full use of country procurement systems for specific transactions
- ✓ Encourages capacity building at the country level
- ✓ Encourages e-procurement
- ✓ Other (Fragile situations, Contract Monitoring, Complaints, Development of National Industry, ESRP, Private Sector)

African Development Bank



[www.afdb.org/procurementreview](http://www.afdb.org/procurementreview)

Thank You