

J. PROCUREMENT ARRANGEMENTS

1. The procurement arrangements of the project are aimed at satisfactory implementation, speedy transfer of resources by way of disbursement, and achieving economy and efficiency in the project.

J.1 Procurement Methods/Arrangements

2. Procurement of all goods and works under the project will be undertaken in accordance with World Bank (hereinafter referred to as Bank) guidelines for procurement (May 2004). Procurement of all consulting services (including NGO services) will be in accordance with 'Guidelines for Selection and Employment of Consultants by the World Bank Borrowers' (May 2004). All civil works, goods and services would be procured using India-specific Bank's model documents as well as the formats of the community contracts specifically approved for the Project.

J.2 Procurement of Goods and Works

3. The overall procurement methods to be followed for procurement of goods and works of the project are summarized in Table 10.1

Table 10.1 Procurement Methods for Goods and Works

Items to be procured	Procurement Methods	Key Guidelines
Goods and Works	<ul style="list-style-type: none"> Contracts estimated to cost more than US\$ 50000, but less than US\$ 5,00,000 per contract would be procured following the NCB procedures (as per the provisions of the Bank guidelines). The goods to be procured are packages consisting of computers and related office equipment, networking and website development, communication equipments, other office equipment, furniture, printing materials, vehicles, etc. .The works to be procured are packages consisting of Civil Works, Interior Decoration, Electrical Works, Air conditioners, etc. 	<ul style="list-style-type: none"> Only the model bidding documents for NCB agreed with the Government of India task force, as amended from time to time, shall be used for bidding. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper at least 30 days prior to the deadline for the submission of the bids. No special preference will be accorded to any bidder (including state-owned enterprises, small scale enterprises or enterprises from any given state), either for price or for any other terms and conditions. Except with the prior concurrence of the World Bank, there shall be no negotiation of price with the bidders, even with the lowest evaluated bidder. Extension of bid validity shall not be allowed without the prior concurrence of the World Bank (a) for the first request for extension if it is longer than four weeks; and (b) for all subsequent requests for extension irrespective of the period (such concurrence will be considered by the World Bank only in cases of Force Majeure and circumstances beyond the control of the purchaser or employer). Re-bidding shall not be carried out without the prior concurrence of the World Bank. The system of rejecting bids outside a pre-determined margin or ‘bracket ‘of prices shall not be used. Rate contracts entered into by DGS &D will not be acceptable as a substitute for NCB procedures. Such contracts however will be acceptable for any procurement under shopping procedures. The two-or-three envelope system will not be used.
Goods and Works contd...	<ul style="list-style-type: none"> All contracts estimated to cost US\$ 5,00,000 or more shall be procured through ICB procedures (as per Bank guidelines, May 2004). 	<ul style="list-style-type: none"> Domestic preference will be available in ICB.
	<ul style="list-style-type: none"> Goods (including vehicles) estimated to cost less than US\$ 50000 per contract would be procured by the various implementing agencies in small lots using shopping procedures in accordance with World Bank guidelines. 	<ul style="list-style-type: none"> DGS&D contracts will be acceptable for any procurement under shopping procedures. If purchasing is on DGS&D rate contracts, there is no need to call for quotations.

J.3 Procurement of Services

4. The State Project Management Unit (SPMU) and District Project Management Unit (DPMU) may procure the services of consultants and consultancies required under the project.. Accordingly, after the decision to procure the services is made, SPMU or DPMU shall prepare the bidding documents, finalise the tenders/quotations as per World Bank guidelines.

5. The training, technical assistance and consultancy services include hiring services of Resource Organisations (NGOs, other agencies) and Resource Persons, non-government members of District teams, State teams and capacity building consortia. Consultancies, training and studies would be contracted on terms and conditions which are in accordance with World Bank “Guidelines for Selection and Employment of Consultants by World Bank Borrowers” (May 2004) using right methods of procurement. If the estimated contract value is less than US\$ 500,000, the consultants can be entirely national consultants

J.4 Procurement Threshold for prior review

6. Procurement decisions for Goods, Works and Consulting Services, irrespective of the procurement method, will be subject to Prior Review by the Bank as stated in Appendix 1 to the Bank’s guidelines for procurement (May 2004) and is summarized in Table 10.2.

Table 10.2 Procurement Threshold for Prior Review

	Procurement	Prior Review Threshold
1.	Goods/Works	US\$ 5,00,000 and above
2.	Services - Firms, etc.	US\$ 1,00,000 and above
3.	Services – Individuals and sole source selection of Firm	US\$ 50,000 and above

J.5 Procurement Procedures at Village Level

7. The most important component of the project is the Village Fund Component bulk of which is transferred to village institutions like VP, VPRC and EAG. The VPRC and EAG will prepare VPRC Fund Plan and Livelihood Business Plans as facilitated and guided by the PFTs and other technical assistance service providers. The functioning of the VPRC, the planning and implementation procedures, social accountability mechanisms, like SAC etc. are elaborated in the COM. The VPRC and EAGs will procure goods, works and other services required for implementation of the VPRC Fund Plan and Livelihood Business Plan through community procurement guided by “Community Participation in Procurement – (para 3.17 of the “ World Bank Procurement guidelines)”. The detailed guidelines and process steps for community procurement are elaborated in COM.

8. **Principles of Community Procurement:**

- All procurement procedures must be carried in an open and transparent manner and displaying all details of procurement at prominent places in the village. Transparency mechanisms for procurement need to be there from the beginning and not only when the procurement has taken place. The procurement process should be known and informed to all. Every body should have access to know the process; parties involved, prices offered by them, method to select the party and details of selected parties and product.
- Purchase materials and hire services locally where ever it is possible.
- Direct purchase of non-comparable goods such as cattle, seeds and plants. No quotation is required. If value is more than Rs.25,000/= purchase directly with assistance of technical supervisor.
- Equal opportunity must be given to all suppliers interested in supplying items to the VPRC and uniform evaluation procedures must be adopted.
- Services of experts should be utilized wherever possible.
- Items procured should meet the required technical specifications and the quality standards, and the “best price” including comparing with Govt. rates.
- Service area, guarantee period must be ensured for the materials to be purchased.

9. **Advantages of Community Procurement are:**

- Communities are able to get the best price from the suppliers and procure items at optimum cost which will ensure savings and quality
- Community is accountable and takes responsibility for the decision which is advantageous to the community members
- Communities can use local labour, local materials, and indigenous knowledge
- Communities will improve skills and gain confidence in implementing participatory development projects
- Communities will display information related to procurement actions for the information of communities thus ensuring transparency of their transactions
- Communities will procure the best things and services within the budget on time.
- Community procurement will protect their interest and they can judiciously use the money.
- Communities can avoid undue pressure from political parties or leaders or others.

10. **Rate Bank:** The VPRCs and EAGs while preparing the VPRC Fund and EAG Plans utilize standard price lists called Rate Bank prepared and maintained by the DPMU based on market rates. The DPMU with the help of PFTs will collect market rates for the likely goods, works and services to be procured by the VPRC and EAGs. The Rate Bank will reflect the regional disparities of prevailing market rates within the district. The Rate Bank will be periodically updated as and when there is a change in the market rates.

11. **Accountability and Responsibility:** The VPRC and EAG will undertake all procurements required at the village level. However VPRC will have primary responsibility to ensure that all procurement at the village level follow community procurement guidelines. The Finance and Procurement Sub Committee of the VPRC will guide the VPRC and EAG in community procurement and sub-committee will not directly involved in procurement. All information relating to community procurement will be displayed prominently in the village and all the procurement records will be available for verification by the community members. The SAC will audit all procurement activities at the village level and present its finding and recommendation for rectification if any, to the Gram Sabha. The VPRC and EAG are accountable to Gram Sabha in all their procurement activities.

12. **Community Procurement Methods and Thresholds:** are summarized in Table 10.3.

Table 10.3 – Community Procurement Methods and Thresholds

S.No.	Items to be Procured	Threshold value	Procurement method
01	Goods	Non comparable goods such as cattle, seeds, plants, etc.	a.For value less than Rs.25,000-Direct purchase b.For value more than Rs.25,000- With the assistance of technical expert.
		Other Goods costing less than Rs5,000 per contract	Direct purchase from local market (following quality & specification standard)
		Other Goods costing above Rs.5,000 but below Rs.2,00,000 per contract	Procurement by shopping procedures. Written quotation-at least 3 quotations (following quality, quantity and other specification standards)
		Other Goods costing above Rs.2,00,000 per contract	By giving advertisement in local newspapers and finalise purchase by obtaining quotations.
02	Services	Up to Rs.5,000 per contract	Selection based on qualification and experience
		Rs.5,000 to Rs.50,000	Invite 3 or more proposals and selection based on consultant qualifications, experience and cost
		Rs.50,000 to Rs.2,00,000 per contract	Selection based on consultant qualifications from 3 to 6 firms.
		Above Rs.2,00,000 per contract	By advertising in local newspaper and selection based on quality and competence
03	Works	Works costing up to Rs.1,00,000 per contract	Community to execute themselves- Directly contract with local organizations-SHG/PLF/VPRC or carry out the works themselves with the technical/managerial assistance from DPMU/PFT or hire the services of external experts.
		Works costing more than Rs.1,00,000 but less than Rs.5,00,000 per contract	Procurement by written quotation inviting at least 3 quotations from qualified domestic contractors.
		Works costing more than Rs.5,00,000 per contract	Open tender by inviting bids through advertisement in local newspaper.

NOTE: The thresholds in the above tables must be discussed in the Gram Sabha. The Gram Sabha, if it so wishes, can decide on lower thresholds than those mentioned in the tables but it CANNOT raise the thresholds beyond the limits given in the tables.

13. **Training on Community Procurement:**

- Training on community procurement will be given to VPRC members and EAG office bearers and VPRC sub-committee members.
- Office bearers will visit other villages to learn about procurement methodology used by them and learn from good practices.
- Training of VPRC members on financial and procurement aspects as per COM is a pre-requisite for signing VPRC Financing Agreement by VPRC and DPMU.

14. **Institutional Arrangements for Community Procurement:** The project has defined prior roles to the village-level institutions and district-level institutions in ensuring that the community will be able to implement the Village Livelihoods Action Plan and Vulnerability Sub plans by procuring goods and services, which conform to quality standards. This will also ensure cost effectiveness of the items procured and avoid delays. The roles and responsibilities of institutions involved in community procurement are given in Table 10.4.

Table 10.4 – Roles and Responsibilities for Institutions/Committees

S. No.	Name of the Institution/ Committee	Roles and Responsibilities
01.	DPMU	<ul style="list-style-type: none"> • Publish and periodically update a Rate bank consisting of the prices of all items to be procured. • Maintain a panel of suppliers and service providers – who are reliable and whom the VPRC/EAGs can approach to procure an item • Issue guidelines of procurement procedures, contract guidelines, sample agreements, etc. • Provide guidance to PFT for procurement
02	Project Facilitation Team	To provide guidance to VPRC and EAG for procurement aspects
03.	VPRC (Village Poverty Reduction Committee)	<ul style="list-style-type: none"> • Approval of procurement decisions and providing of funds for materials and services. • Guide and coordinate the activities of the various subcommittees undertaking procurement related functions. • Display Procurement Information

S. No.	Name of the Institution/ Committee	Roles and Responsibilities
04	EAG	Procurement for Implementing Livelihood Business Plan
04.	VPRC Finance and Procurement Subcommittee	<p>Procurement for VPRC</p> <ul style="list-style-type: none"> • Guide VPRC for selection of training institutes for skill training, requisitioning services of resource persons, aids/appliances for disabled etc. <p>Procurement for EAG</p> <ul style="list-style-type: none"> • Guide EAGs on the financial procedures to be followed for making procurement in confirmation with the principles of the project.
05.	VPRC Business plan and monitoring sub-committee.	<ul style="list-style-type: none"> • Verify the quality of items of procured along with quantities, prices, etc. (for business plans) • Monitor the implementation of the business plans including procurement of goods, works and services
06.	Social Audit Committee	<ul style="list-style-type: none"> • Social Audit Committee will, as part of monitoring the VPRC activities, check/verify the procurement of works, goods and services at the community level – VPRC and EAG and report to Grama Sabha periodically.

J.6 Project Staff for Procurement Support

15. The project will be deploying staff at various levels having specialized roles and responsibilities in procurement as summarized in Table 10.5.

Table 10.5 Project Staff for Procurement

Institutional Level	Staff Position	Roles and responsibilities
SPMU	Specialist, Procurement	<ul style="list-style-type: none"> • Preparation of annual procurement plan • Prepare Procurement Manual based on World Bank guidelines for implementation of the Project at the State, District and community levels. • Procure the goods, services and works at the state level with due diligence • Procure the goods, services and works at the beyond certain ceilings at the district level. • Build the procurement capacity to the district staff • Train the PFTs in procurement due diligence • Ensure the procurement related capacity building to the DUs and PFTs and through them to VPRC/EAG

Institutional Level	Staff Position	Roles and responsibilities
DPMU	Asst. Project Manager, Village Funds	<ul style="list-style-type: none"> • Prepare the Annual Procurement Plans for the district, for incorporation in the overall project's Annual Procurement Plans • Procure the goods, services and works within the specified ceilings at the district level with due diligence • Train the procurement related capacity building to the VPRC and EAGs. • Guide and monitor the progress of procurement at the community level (both at the VPRC and at the EAG level).
PFT	Facilitator, Accounts and Monitoring	<ul style="list-style-type: none"> • Train VPRC, EAG and Finance and Procurement Sub committee members on procurement guidelines • Guide and handhold VPRC and EAG in community procurement • Train and guide SAC in auditing procurement at village level

J.7 Procurement Plan

16. The project has prepared a detailed Procurement Plan for the first 2 Years of the project, which is given **Attachment J.1**.