



REPUBLIKA NG PILIPINAS  
 REPUBLIC OF THE PHILIPPINES  
**KAGAWARAN NG EDUKASYON, KULTURA AT ISPORTS**  
**DEPARTMENT OF EDUCATION, CULTURE AND SPORTS**  
 DECS Complex, Morales Avenue  
 Pasig City, Philippines



*Sama-Sama  
 sa DECS*

*Tanggapan ng Kalihim  
 Office of the Secretary*

April 3, 2000

DECS MEMORANDUM  
 No 167, s. 2000

**PROCUREMENT OF WORKS UNDER SEMP**

To Undersecretaries  
 Assistant Secretaries  
 Regional Directors  
 Schools Division/City Superintendents  
 All Others Concerned

1 Purpose This Memorandum provides the pertinent provisions of the World Bank Procurement Guidelines to be followed in the Procurement of Works under the Social Expenditure Management Project (SEMP) in compliance with the Loan Agreement No 4535 PH between the International Bank for Reconstruction and Development (IBRD)

2 Coverage Works include construction rehabilitation, replacement, repair and maintenance of school buildings, classrooms, libraries, workshops toilets and other structures supervised by the Department of Education Culture and Sports and chargeable against the DECS (including DECS-RO) budget, General Appropriations FY 1999 and FY 2000

FY 1999

FY 2000

School Building Program  
 (10% Unallocated Funds covered by  
 MOA Between DECS and DPWH)

School Building Program  
 (10% Unallocated SBP Funds)

Repair and Maintenance contract/PO  
 which are awarded in accordance  
 with World Bank Procurement  
 Guidelines

3 Procurement Modes The provision of PD 1594 with its Implementing Rules and Regulations DECS Order No 47 s. 1999, DECS Order No. 76, s. 1999 DECS Memorandum No 251, s 1999 and DECS Order No 93, s 1999 shall continue to govern the procurement system in DECS Effective April 3 2000, the procurement procedure for construction, renovation, repair rehabilitation and maintenance shall also be in accordance with World Bank Procurement Guidelines as stipulated in the "Guidelines for Procurement Under IBRD Loans and IDA Credit" as amended and Section 1 of Loan Agreement 4535 PH and other related procurement side letters (Enclosure A) World Bank Procurement Guidelines shall be followed in cases of conflict or inconsistency

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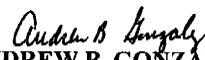

4 Payment and SOEs Terms of Payment for procurement through International Competitive Bidding (ICB) shall be made in accordance with the provisions of the Bidding Documents approved by the World Bank. For other procurement modes, payments shall be processed following the usual government accounting and auditing procedures.

5 All payments shall be recorded in the Statement of Expenditure (SOE) using the Enclosure B for procurement of works. The Chief Accountant of DECS and the Regional Accountants shall submit the Monthly consolidated SOEs to the SEMP-Project Management Office within one week after the end of each month. The Accountant of each Regional Office should ensure that supporting documents such as contracts, purchase order vouchers, invoices, receipts providing evidence of payments, payroll documents giving evidence of wages paid, inspection reports of construction work, list of trainees participating in training courses conducted by regions, full details of repair and maintenance work and Report of Checks Issued (RCI) and other procurement documents are kept in order and made available for review by World Bank auditors and visiting missions.

6 Payments covered by Contracts/Purchase Orders above Eight Million Pesos (P8 000 000.00) shall also be recorded in the Statement of Expenditure forms and shall be submitted to SEMP-PMO with a copy of all the supporting documents enclosed such as contracts, vouchers, check receipts, billings, resolution to award, signed letters of award, inspection reports, etc.

7 All DECS-Regional Offices should submit the monthly SOEs for SEMP eligible items to SEMP-PMO, 4<sup>th</sup> floor, Dorm D, DECS Complex, Meralco Avenue, Pasig City.

8 Immediate compliance with this Memorandum is enjoined.

  
ANDREW B. GONZALES  
Secretary 

Encls. As stated

References: DECS Orders (Nos. 47, 76 and 93 s. 1999)  
DECS Memorandum (No. 251 s. 1999)

Allotment 1—(D.O. 50-97)

To be indicated in the Perpetual Index  
under the following subjects:

✓ PROCUREMENT  
✓ PROJECTS

**WORLD BANK PROCUREMENT GUIDELINES**

**A. EXCERPTS FROM THE PROCUREMENT SIDE LETTER ISSUED BY THE PHILIPPINE GOVERNMENT TO THE IBRD ON SEMP IMPLEMENTATION**

The Philippines specifically assures you that, unless otherwise agreed to in writing by the Bank for all goods and works contracts to be financed by the Bank for the above-noted Project following the National Competitive Bidding Procedures ("NCB")

- a) NCB bidding opportunities including those which are invited by local government units shall be advertised in the national press with sufficient time for bidders to prepare offers, which is normally 30 days, unless different venues and time are specifically agreed upon by the Bank
- b) Foreign suppliers and contractors from eligible countries will be allowed to participate if interested without first being required to associate or enter into a joint venture with local firm
- c) Except for major or complex works where prequalification is required prequalification of contractors may be conducted upon prior concurrence of the Bank
- d) If any bidder is denied access to the bidding process for reasons unrelated to its financial and technical qualifications to perform the contract, the Bank shall be consulted prior to such denial,
- e) Bid submission deadlines time and location specified in the bidding documents will be strictly adhered to and bids submitted after the specified date and time and location, shall be returned unopened to the bidder;
- f) The Bank's domestic or regional preferences will not be applied in the evaluation of bids and other preferences in effect in the Philippines will not be used except with the prior concurrence of the Bank
- g) Bracketing will not apply unless specifically agreed by the Bank in advance of bidding
- h) Single responsive bids will not be rejected without prior Bank concurrence and rebidding will not be mandatory required when few than three responsive bids are received
- i) Bid opening shall be opened to those who wish to attend, and the deadline for submission of bids should be the same as that for bid opening or immediately thereafter
- j) Suppliers and contractors will not be required to purchase local goods or supplies or to hire local labor except unskilled labor
- k) Explicit evaluation criteria will be set forth in the bid documents and

- l) Material modifications of contract scope and condition during implementation require prior Bank concurrence

The Philippines understand that the Bank intends to rely in the representations and assurance contained herein for entering into the Loan Agreement in respect of the Project. It further agrees that, unless otherwise agreed to in writing between the Philippine and the Bank these representatives and assurance will form an integral part of said Loan Agreement. (Signed by Secretary of Finance, Department of Finance)

## **B EXCERPTS FROM LOAN AGREEMENT NO 4535 BETWEEN THE PHILIPPINE GOVERNMENT AND IBRD**

### **Procurement of Goods and Works**

#### **General**

Goods and works shall be procured in accordance with the provisions of Section 1 of the Guidelines for Procurement under IBRD Loans and IDA Credits published by the Bank in January 1995 and revised in January and August 1996 September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule

#### **Other Procurement Procedures**

##### **1 National Competitive Bidding**

- a) Works estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines

##### **2 Procurement of Small Works**

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$15,380,000 equivalent, may be procured under lumpsum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings where applicable. The award shall be made to the contractor or qualified non-governmental organization who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

#### **Review by the Bank of Procurement Decision**

##### **Procurement Planning**

Prior to the issuance of any invitation to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

### Prior Review

The procedures set for in paragraphs 2 and 3 of Appendix 1 to the Guideline shall apply with respect to the following contracts

- a) The first civil works contract per year; the first civil works contract equivalent to at least \$20 000 to be awarded under procurement of small works per province or region per year and each contract for works estimated to cost in excess of US\$200 000 equivalent.

### Post Review

With respect to each contract not governed by paragraph 2 above of this Part the procedures set forth in paragraph 4 of Appendix 1 to the Guideline shall apply

## **C EXCERPTS FROM THE "GUIDELINES FOR PROCUREMENT UNDER IBRD LOAN AND IDA CREDIT", PUBLISHED BY THE BANK IN JANUARY 1995 AND REVISED IN JANUARY AND AUGUST 1996, SEPTEMBER 1997 AND JANUARY**

### **C 1 Introduction**

#### **Purpose**

1.1 The purpose of these guidelines is to inform those carrying out a project that is financed in whole or in part by a loan from the International Bank for Reconstruction and Development (IBRD) or a credit from the International Development Association (IDA) of the arrangements to be made for procuring the goods and works (including related services) required for the project. The Loan Agreement governs the legal relationships between the Borrower and the Bank, and the Guidelines are made applicable to procurement of goods and works for the project, as provided in the agreement. The rights and obligations of the Borrower and the providers of goods and works for the project are governed by the bidding documents and by the contracts signed by the Borrower with the providers of goods and works and not by these Guidelines or the Loan Agreements. No party other than the parties to the Loan Agreement shall derive any rights there from or have any claim to loan proceeds.

#### **General Considerations**

1.2 The responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project's rest with the Borrower. The Bank, for its part, is required by its Articles of Agreement to "ensure that the proceeds of any loan are used only for the purposes for which the loan was granted with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations, and it has established detailed procedure for this purpose. While in practice the specific procurement rules and procedures to be followed in the implementation of a project depend on the circumstances of the particular case, four considerations generally guide the Bank's requirement.

- a) The need for economy and efficiency in the implementation of the project, including the procurement of the goods and works involved
- b) The Bank's interest, as a cooperative institution in giving all eligible bidders from developed and developing countries an opportunity to compete in providing goods and works financed by the Banks

- c) The Bank's interest as a development institution in encouraging the development of domestic contracting and manufacturing industries in the borrowing country, and
- d) The importance of transparency in the procurement process

1.3 The Bank has found that in most cases, these needs and interest can best be realized through International Competitive Bidding (ICB) properly administered and with suitable allowance for preferences for domestically manufactured goods and where appropriate for domestic Contractor's for works under prescribed conditions. In such cases therefore, the Bank requires its Borrowers to obtain goods and works through ICB open to eligible Suppliers and Contractors. Section 11 of these Guidelines describes the procedures for ICB.

1.4 On the other hand, where ICB is clearly not the most economic and efficient method of procurement other methods of procurement are specified in the Loan Agreement. Section III describes these other methods of procurement and the circumstances under which their application would be more appropriate. The particular methods to be followed for the procurement of goods and works for a given project are specified in the Loan Agreement for such project.

#### **Applicability of Guidelines**

1.5 Generally the Bank finances only a part of the cost of the project. The procedures outlined in these Guidelines apply to all contracts for goods and works financed in whole or in part from Bank loans. For the procurement of those contracts for goods and work not financed from the Bank loan the Borrower may adopt other procedures. In such cases the Bank shall be satisfied that the procedures to be used will fulfill the Borrower's obligations to cause the project to be carried out diligently and efficiently, and that the goods and works to be procured

- a) Are not of satisfactory quality and are compatible with the balance of the project
- b) Will be delivered or completed in timely fashion, and
- c) Are priced so as not to affect adversely the economic and financial viability of the project.

#### **Eligibility**

1.6 Funds from Bank loans are disbursed only on account of expenditures for goods and works provided by nationals of, and produced in or supplied from Bank member countries. Under this policy nationals of other countries or bidders offering goods and works from other countries shall be disqualified from bidding for contracts intended to be financed in whole or in part from Bank loans.

1.7 In connection with any contracts to be financed in whole or part from a Bank loan the Bank does not permit a Borrower to deny prequalification if required to a firm for reasons unrelated to its capability and resources to successfully perform the contract nor does it permit a Borrower to disqualify any bidder for such reasons.

#### **1.8 As Exceptions to the Foregoing**

- a) Firms of a member country or goods manufactured in a member country may be excluded if, (1) as a matter of law or official regulations, the Borrower's country prohibits commercial relations with that country provided that the Bank is satisfied

that such exclusion does not preclude effective competition for the supply of goods or works required, or (ii) by an act of compliance with a decision of the United National Security Council taken under Chapter VII of the Charter of the United Nations, the Borrower's country prohibits any import of goods from that country or any payments to persons or entities in that country

- b) A firm which has been engaged by the Borrower to provide consulting services for the preparation or implementation of the project, and of its affiliates, shall be disqualified from subsequently providing goods or works (other than a continuation of the firm's earlier consulting services) for the same project. This provision does not apply to the various firms (Consultants, Contractors or Suppliers), which together are performing the Contractor's obligations under a turnkey or design and build contract.
- c) Government-owned enterprises in the Borrower's country may participate only if they can establish that they (i) are legally and financially autonomous, and (ii) operate under commercial law. No Of Dependent agency of the Borrower or Sub-Borrower under a Bank-financed project shall be permitted to bid or submit a proposal for the procurement of goods or works under the project
- d) A firms declared ineligible by the Bank in accordance with subparagraph (d) of paragraph 1.15 of these Guidelines shall be ineligible to be awarded an Bank-financed contract during the period of time determined by the Bank.

## **C.2 OTHER METHODS OF PROCUREMENT**

### **National Competitive bidding**

- 3.3 National competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Borrower, and may be the most efficient and economical way of procuring goods or works, which by their nature or scope, as unlikely to attract foreign competition. To be acceptable for use in Bank-finance procurement, these procedures shall be reviewed and modified as necessary to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of these Guidelines. NCB may be the preferred method of procurement where foreign bidders are not expected to be interested because (i) the contract values are small, (ii) works are scattered geographically or spread over time, (iii) works are labor intensive, or (iv) the goods or works are available locally at prices below the international market. NCB procedures may also be used where the advantages of ICB are clearly outweighed by the administrative or financial burden involved.
- 3.4 Publication of a General Procurement Notice is not required for NCB and advertising may be limited to the national press or official gazette. Bidding documents may be in an official language of the country and local currency is generally used for the purposes of bidding and payment. Adequate response time for preparation and submission of bids shall be provided. The procedures shall provide for adequate competition in order to ensure reasonable prices and methods used in the evaluation of bids and the award of contracts shall be made known to all bidders and not be applied arbitrarily. If foreign firms wish to participate under these circumstances they shall be allowed to do so.

### **Shopping (International and National)**

- 3.5 Shopping is a procurement method based on comparing price quotations obtained from several Suppliers usually at least three to assure competitive prices, and is an appropriate method for procuring readily available off-the-shelf goods or standard specification commodities that are small in value. Requests for quotations shall indicate the description and quantity of the goods, as well as desired delivery time and place. Quotations may be submitted by telex or facsimile. The evaluation of quotations shall follow sound public or private sector practices of the purchaser. The terms of the accepted offer shall be incorporated in a purchase order.
- 3.6 International shopping shall solicit quotations from at least three suppliers in two different countries. National shopping may be used where the desired goods are ordinarily available from more than one source in the country of the Borrower at competitive prices.

### **Direct contracting**

- 3.7 Direct contracting without competition (single source) may be an appropriate method under the following circumstances:
- (a) an existing contract for goods or works, awarded in accordance with procedures acceptable to the Bank, may be extended for additional goods or works of a similar nature. The Bank shall be satisfied in such cases that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provisions for such an extension if considered likely in advance, shall be included in the original contract.
  - (b) Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original supplier. For such purchases to be justified the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable and the advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to the Bank.
  - (c) The required equipment is proprietary and obtainable only from one source.
  - (d) The Contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee.
  - (e) In exceptional cases such as in response to natural disasters.

## **C 3 REVIEW BY THE BANK OF PROCUREMENT DECISIONS (APPENDIX 1)**

### **Scheduling of Procurement**

- 1 The Bank shall review the procurement arrangement proposed by the Borrower including contract packaging applicable procedures and the scheduling of the procurement process, for its conformity with these Guidelines and proposed implementation program and disbursement schedule. The Borrower shall promptly inform the Bank of any delay or other changes in the scheduling of the procurement process, which could significantly affect the timely and successful implementation of project contracts and agree with the Bank on corrective measures.



## **Prior Review**

- 2 With respect to all contracts, which in accordance with the Loan Agreement, are made subject to the Bank's prior review
  - a) In cases where prequalification is used, the Borrower shall before prequalification submissions are invited, furnish the Bank with the draft documents to be used, including the text of the invitation to prequalify, the prequalification questionnaire, and the evaluation methodology, together with a description of the advertising procedures to be followed and shall introduce such modifications in said procedure and documents, as the Bank shall reasonably request. The list of prequalified bidders together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Bank for its comments before the applicants are notified of the Borrower's decision and the Borrower shall make such additions to deletions from or modifications in the said list as the Bank shall reasonably request.
  - b) Before bids are invited the Borrower shall furnish to the Bank for its comments, draft bidding documents, including the invitations to bid, instruction to bidders, including the basis of bid evaluation and contract award, and the conditions of contract and specifications for the civil works, supply of goods or installation of equipment, etc. as the case may be, together with a description of the advertising procedures to be followed for the bidding (if prequalification has not been used), and shall make such modifications in the said documents as the Bank shall reasonably request. Any further modification shall require the Bank's concurrence before it is issued to the prospective bidders.
  - c) After bids have been received and evaluated the Borrower shall, before a final decision on the award is made, furnish to the Bank in sufficient time for its review, a detailed report (prepared if the Bank shall so request by experts acceptable to the Bank) on the evaluation and comparison of the bids received, together with the recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Loan Agreement promptly inform the Borrower and state the reasons for such determination.
  - d) If the Borrower requires an extension of bid validity to complete the process of evaluating obtain necessary approval and clearances and to make the award, it should seek the Bank's prior concurrence for the first request for extension, if it is longer than eight weeks and for all subsequent requests for extensions irrespective of the period.
  - e) The terms and conditions of a contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or pre-qualification of Contractors, if any was invited.
  - f) One conformed copy of the contract shall be furnished to the Bank promptly after its execution and prior to delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract. Where payments for the contracts are to be made out of a Special Account (SA) a copy of the contract shall be furnished to the Bank prior to the making of the first payment out of the SA in respect of such contract.
  - g) All evaluation reports shall be accompanied with a summary of the procurement on a form provided by the Bank. The description and amount of the contract, together

with the name and address of the successful bidder shall be subject to release by the Bank upon confirmation by the Borrower of contract award

#### **Modifications**

- 3 In the case of contract subject to prior review before granting a material extension of the stipulated time for performance of a contract, agreeing to any modification or waiver of the conditions of such contract including issuing any change order or under such contract (except in case of extreme urgency) which would in aggregate increase the original amount of the contract by more than 15 percent of the original price, the Borrower shall inform the Bank of the proposed extension, modification or change order and the reasons therefor. If the Bank determines that the proposal would be inconsistent with the provisions of the Loan Agreement, it shall promptly inform the Borrower and state the reasons for its determination. A copy of all amendments to the contract shall be furnished to the Bank for its record.

#### **Post Review**

- 4 With respect to each contract not governed by paragraph 2, the Borrower shall furnish to the Bank promptly after its signing and prior to delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, one conformed copy of such contract, together with the analysis of the respective bids, recommendations for awards, and such other information as the Bank shall reasonably request. Where payment for the contract are to be made out of a Special Account, a copy of the contract together with the other information required to be furnished to the Bank shall be furnished to the Bank prior to delivery to the Bank of the first replenishment application in respect of such contract. The Bank shall if it determines that the award of the contract or the contract itself is not consistent with the Loan Agreement, promptly inform the Borrower and state the reasons for such determination. These provisions shall not apply to contracts on account of which withdrawal from the loan are to be made on the basis of Statement of Expenditure for which case all such documents shall be retained by the Borrower for subsequent examination by independent auditors and Bank supervision missions.