

## Appendix 1

*To the Rules for Procurement under the Projects  
Financed by International Investment Bank*

### **The list of IIB's activities implemented for procurement analysis**

<i>No.</i>	<i>Object of analysis</i>	<i>Activities</i>
1.	Project expenses	Analysis of the Project expenses in order to confirm the conformance of the current and anticipated investments to the market prices and carry out procurement cost-effectively. The analysis shall be performed taking into account the Project life cycle. If necessary, an independent consultant may be involved in the analysis.
2.	Procurement Organization	Analysis of the structure, processes, principles, procurement practices and experience of the procurement participant in effective and successful management of similar Projects or experience in procurement agreements administration.
3.	Procurement Planning Organization	Analysis of the procurement plan, the Project schedule. A properly organized planning system and availability of a plan allow to choose the optimal procurement method and to reduce the risks of inefficient funds utilization.
4.	Agreement	Analysis of the current and negotiated terms of the procurement agreements in order to confirm that they are properly drawn up, confirm to these Rules, and the identified risks are properly controlled.
5.	Performance guarantee	Analysis of incentives for successful Project completion. In case of large and complex Projects or when an unproven technology is used, or second-hand goods are used, it is recommended to receive the Project fulfilment guarantees, e.g., guarantees from the parent company, other guarantees.
6.	Compliance check	Analysis of the procurement participants and other involved parties for compliance risks.
7.	Monitoring and reporting	Selective monitoring of procurement and reporting covering its results. Additional monitoring by an independent consultant may be performed by decision of the Bank for large, resource-intensive, complex and long-term Projects.
8.	Arm's length transactions Situations when the Client buys from a Supplier - an affiliated entity	Analysis carried out in order to confirm that the Client is not interested in procurement at excessive prices. In such cases, the analysis of the agreement with the contractor shall confirm that the price of the agreement is justified and that the Client and the Supplier affiliated with the Client are interested, e.g., due to the existence of a performance guarantee, in fulfilment the agreement by the Supplier in the least expensive way.  It is recommended that the guarantee that is provided (including by the project sponsor or another person) should ensure at least fulfillment of the following obligations: coverage of contingencies; fulfilment of the agreement in the event of the Supplier's default; the loan repayment (or a put option for IIB's share of participation

		<p>in the project), if the fulfilment within the procurement scope is not completed.</p> <p>Depending on the complexity and cost of the agreement, IIB shall have the right to involve technical, legal, financial consultants.</p>
9.	Procurement characteristics	<p>During the procurement analysis, it should be noted that:</p> <ul style="list-style-type: none"> <li>– The Client gives priority to companies that may become long-term partners rather than one-time Suppliers;</li> <li>– The Client monitors seasonal and other industry trends, and the corresponding changes on the suppliers' side, endeavors to forecast price volatility, structures negotiations and relations with Suppliers so as to achieve more favorable terms;</li> <li>– The Client maintains the required quantity and quality of the Suppliers for each procurement category on the regional and global levels;</li> <li>– When selecting a Supplier, the Client takes into account not only the procurement prices, but also the total procurement costs, quality, reliability of the Supplier, the possibility to obtain additional services in general;</li> <li>– The Client combines short and long-term agreements;</li> <li>– The Client uses various payment mechanisms, which facilitates achievement of advantages during negotiations.</li> </ul>