

PTK-14

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**PROCUREMENT RULES
for Projects Financed by
International Investment Bank**

Moscow

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Appendix 1. The list of IIB's activities implemented for procurement analysis (a separate file)

1. GENERAL PROVISIONS

1.1. Scope and General Provisions

1.1.1. The purpose of these Procurement Rules for Projects Financed by International Investment Bank (hereinafter - the Rules) is to approve the procurement key principles, approaches and rules to be used by Private Sector Organizations and Public Sector Organizations within the scope of implementation of the Projects financed or co-financed by International Investment Bank (hereinafter —IIB, the Bank).

1.1.2. The rules shall apply to the Projects financed or co-financed by the Bank supervised by the IIB Credit and Investment Block and involve procurement of goods, works or services using the credit funds of the Bank. Furthermore, the Client's procurement shall be eligible to financing only provided that the Bank's no-objection has been duly obtained and such procurement constitutes an integral part of the funded Project and/or is prerequisite for successful implementation of such a Project.

1.1.3. These Rules shall apply to all methods of procurement of goods, works and services performed both by Private Sector Organizations and by Public Sector Organizations.

1.1.4. The rules are based on the Procurement Policies and Rules of the European Bank for Reconstruction and Development¹, as well as the Procurement Principles applicable to Private Sector Transactions. Guidance for MDBs².

1.1.5. When financing procurement of Private Sector Organizations and Public Sector Organizations, the Bank shall be guided by these Rules and other internal documents specified in Section 7 of these Rules.

1.1.6. In relation to Public Sector Organizations, if this is provided for by the legislation of the country of their registration, these Rules may be applied instead of the procurement rules established by the legislation of the country.

1.1.7. The provisions of the Rules shall apply to all separate divisions of the Bank and its subsidiaries.

1.1.8. The division that developed the document and is responsible for keeping it up to date: the Compliance Department.

1.2. Terms and definitions

Below there is a list of terms and definitions accepted within the framework of this document:

Term	Definition
Affiliated entity	A legal entity under the Client's direct or indirect control or capable of influencing its activities directly or indirectly
Direct contracting	A method of non-competitive procurement when the Client carries out procurement from a Supplier it selected without a tender in the cases set out in clause 3.2. of these Rules
Prohibited practices	Corruption, coercion, collusion, obstructive actions, fraud, legalization (laundering) of proceeds from crime, financing of terrorism

¹ Procurement Policies and Rules. November 2017

² Procurement Principles applicable to Private Sector Transactions. Guidance for MDBs. Multilateral Development Banks' Private Sector Procurement Working Group. October 2012. The document was approved by representatives of ADB, AfDB, BSTDB, EBRD, EIB, IDB, WB (IBRD/IDA).

Client	A Private Sector Organization or a Public Sector Organization which entered into a credit transaction or contacted the Bank in order to enter into a credit transaction or for the Bank to issue a guarantee, or which is a borrower in a transaction claims under which were transferred to the Bank in one or another form.
Tender	The method of competitive procurement through bidding (tender), as well as other forms of competitive procurement, including those envisaged by the national legislation of the procurement participants (an auction, request for quotations, request for proposals and others)
Bid	Documents provided by the procurement participant for participation in the procurement, including technical and financial proposals
Consultant	A legal entity or a natural person rendering consulting services
Short list	The list of Consultants formed by the Client based on the results of selection of the Consultants at the first stage in a two-stage Open Tender
Procurement Notice	Information about the planned procurement published by the Client and/or the Bank (if applicable) in accordance with the provisions of these Rules
Public Sector Organization	An organization the government share in the capital of which exceeds 50% or control over which is directly or indirectly exercised by the state or an organization recognized as such in accordance with the national procurement legislation of the country of registration of the organization
Private Sector Organization	An entity which is not a Public Sector Organization
Open Tender	A type of a Tender in which the procurement information is provided to an unlimited number of persons and uniform requirements are applied to the procurement participants and which is held in accordance with the terms set out by these Rules
IIB website	The official website of the Bank in the Internet on which information on procurement for the projects financed by the Bank is published (www.iib.int)
Agreement	The agreement between the Client and the Supplier for supply of goods, works or services, concluded based on the results of selection of the Project Supplier, setting out their rights and obligations, actions to be performed and the liability of the parties to the Agreement
Supplier	The person supplying goods, works or services under the Agreement with the Client, a procurement participant. The term is similar to the terms: provider, contractor, consultant (when consulting services are acquired)
Project	The Project financed or being considered/proposed for financing by the Bank's Credit and Investment Block.
Financial intermediary	A financial institution which used the Bank's funds to provide financing to Private Sector Organizations
Arm's length principle	The principle of equality and lack of interest of the parties according to which the transaction between the affiliated Client and Supplier is concluded on market terms acceptable for two transaction participants independent of each other under similar circumstances

2. KEY PRINCIPLES

2.1. The key principles

2.1.1. The Bank's primary objective shall be arranging financing and co-financing in the interests of social and economic development of the member states for economically viable investment projects and programs implemented by the Bank's member states and organizations operating in the territory of the Bank's member states, which are vital for the development and diversification of the economies of the Bank's member states, as well as other projects that conform to the Bank's aims.

2.1.2. The following principles form the basis of the Bank's requirements to procurement by the Bank's Clients:

2.1.2.1. **Cost saving and efficiency.** Procurement shall be carried out in the manner most beneficial and efficient for the Project based on the analysis of the essential procurement terms (the price, quality, delivery time and other terms) and characteristics of the Supplier (availability of appropriate qualifications and experience, guarantees, business reputation and other criteria).

2.1.2.2. **Market fit.** Procurement shall be carried out in the manner most appropriate considering the existing market conditions.

2.1.2.3. **Assurance of competition, equity and justice.** When carrying out the procurement, the Client shall not take actions that may lead to the prevention, restriction or elimination of the Suppliers' competition during procurement, thereby ensuring development of fair competition.

2.1.2.4. **Compliance with the Project requirements.** Procurement shall be carried out in a timely manner taking into account the needs of the Project, it shall conform to its basic requirements, conditions and stages of implementation.

2.1.2.5. **Integrity and transparency.** Procurement shall be carried out by qualified staff demonstrating high ethical standards. The Client shall endeavor to ensure that the necessary internal controls are in place to detect and prevent the risks of Prohibited practices. The procurement information shall be stored properly and shall be made available at request of the Bank within a reasonable time.

2.1.2.6. **Promotion of sustainable development.** Implementing its activities, the Bank seeks to promote the long-term economic, environmental and social progress of the member states in order for them to achieve sustainable development through responsible business practices.

2.1.3. The Bank prefers to finance the Projects that involve procurement of goods, works and services originating from the Bank's member states. Financing of procurement of goods, works and services originating from third countries shall be permissible only if the Client obtains an obvious competitive advantage in the event of procurement of such goods, works or services, or if more beneficial price and/or quality proposals are received.

2.1.4. When technically complex and/or resource-intensive Projects are implemented, the Bank may recommend to use procurement methods established by national legislation of the member states (for the Public Sector Organizations) or other procurement methods recommended by international organizations.

2.2. Relationship between the Client and the Bank

2.2.1. These Rules establish the key principles and rules governing procurement related to the Projects financed by the Bank. The rights and obligations of the parties with respect to the Project implementation are established by the relevant Agreements and loan agreements.

2.2.2. The Bank's Client shall be fully responsible for implementation of the Project financed or co-financed by the Bank, including all aspects of the procurement process organization, administration and execution of the Agreements, settlement of claims and disputes and shall provide the Bank with reports on the procurement, fulfilment of the Agreement, Project implementation within the time agreed upon with the Bank.

2.2.3. When necessary, the Client may, prior to receipt of the financing from the Bank and entering a loan agreement for the Project, procure goods, works and services for implementation of the Project in accordance with the requirements of these Rules. In this case, Bank's no-objection of such procurement, documents or proposals related to them by the Bank shall not impose any obligations to finance the Project on the Bank.

2.2.4. While executing relevant Agreements the Bank's clients (including beneficiaries of the Projects financed by the Bank) as well as procurement participants, Suppliers, including any subcontractors, of the Projects financed by the Bank and all their employees shall adhere to the highest standards of integrity and transparency of procurement procedures, and shall fully cooperate with the Bank in any investigation of alleged Prohibited practices. For these purposes, as well as in order to follow the principles and rules established by these Rules, these persons shall include the relevant provisions in loan agreements for the Projects financed by the Bank.

2.2.5. If the Bank has grounds to suppose that Clients (including beneficiaries of the Projects financed by the Bank), as well as procurement participants, Suppliers, including any subcontractors of the Projects financed by the Bank and/or their employees violate the principles and rules of these Rules, and/or procurement requirements, and/or the loan agreement, and/or are involved in or use Prohibited practices, the Bank shall have the right to inform the Client accordingly and to suspend/terminate/withdraw/cancel the financing of the Project, to start the repeated procurement procedure and/or to use other acceptable measures based on its statutory and internal normative documents.

2.2.6. Should the Bank identify risks of a conflict of interest (for example, when the Client buys from a Supplier - an affiliated party), the Bank shall analyze the terms of such procurement for its compliance to the Arm's length principle taking into account the financial interests of the Client.

2.2.7. Any interested person can send to the Bank a message on violation of these Rules and/or a message on violation of the terms of a specific procurement set forth by the Bank for the Client. The message shall be sent to the email address compliance@iibbank.com or via the web form on the IIB website and shall be reviewed by the Bank in accordance with the Procedure [5].

2.2.8. The Bank shall have the right to carry out control activities for implementation of the Project financed by the Bank at all stages, starting from procurement, to require and receive from the Client reports, documents and other necessary information related to procurement.

2.2.9. The information on the concluded Agreement with indication of the company names and countries of the Parties to the Agreement - procurement participants and the price of the Agreement, including, when applicable, the information on the Shortlisted Consultants, shall be published on the IIB website.

2.3. Languages used

2.3.1. The documentation on procurement, including requests, as well as all published Procurement Notices shall be prepared by the Client in English or Russian. The Client shall have the right to prepare additionally separate procurement documents in another language, for example, in the official language of the country in the territory of which the Project is implemented, if this facilitates the Project implementation. Documents provided for the Project at the Bank's request in accordance with these Rules shall be submitted to the Bank in the same language in which the Project procurement documents were prepared (English or Russian).

2.3.2. The report on violation of these Rules and/or the report on violation of the terms and conditions of a specific procurement established by the Bank for the Client may be sent in Russian or English.

3. PROCUREMENT RULES FOR OPERATIONS IN THE PUBLIC SECTOR

3.1. Operations in the Public Sector

3.1.1 For the purposes of these Rules, operations in the public sector are understood as operations:

- a) carried out in the interest and when a guarantee of a member state is available; or
- b) carried out in the interest of the Public Sector Organizations; or
- c) carried out in the interest and/or when a guarantee of national or local authorities of the country and/or Public Sector Organizations is available, except for such organizations that, in the Bank's opinion, operate independently (i.e. are not subject to the national legislation governing public procurement and use procurement practices conforming to the best international practices) in a competitive market environment and are subject to the insolvency and bankruptcy laws.

3.1.2 Procurement by Clients that are Public Sector Organizations shall be carried out through an Open Tender in accordance with the principles and rules established by these Rules.

3.2. Other methods to carry out procurement

3.2.1 Other methods of procurement (Direct contracting, procurement in accordance with the requirements of the national legislation of the Client, procurement in accordance with the principles and rules of international organizations, etc.) may be used under special circumstances, including those related to the particularities of the Project financed by the Bank. In such cases, the use of other procurement methods shall be substantiated by the Client and approved by the Bank.

3.2.2 **Direct contracting** may be used in the following cases:

3.2.2.1. Prolongation of the existing Agreement concluded in accordance with these Rules for additional goods, works or services of a similar type, which, in the Bank's opinion, is economically beneficial and rational, and competitive procurement would not give any additional benefits for the Project in this case;

3.2.2.2. An unsatisfactory response to competitive procurement carried out in accordance with these Rules was received (an insufficient number of participants, non-conformance of the participants' bids to the procurement requirements, other similar cases listed in these Rules, specifically, set out in clause [3.3.4.8](#));

3.2.2.3. Goods, works or services can be supplied only by one Supplier;

3.2.2.4. The supplied goods, works or services are compatible with the previously supplied ones and cannot be provided by other Suppliers;

3.2.2.5. Extraordinary circumstances caused by unforeseen events.

3.2.3 In case of Direct contracting, the Client shall provide the Bank with a written substantiation of the price of the Agreement, and the Bank shall review it and send to the Client its no-objection notice or relevant comments. The Procurement Notice shall not be published, the procurement stages envisaged for the Open Tender shall not apply.

3.2.4 Other methods and procedures of procurement in accordance with the national legislation may be applied, if, in the Bank's opinion, this is economically feasible and rational, in the following cases:

3.2.4.1. The procurement amount does not exceed 75,000 euros; or

3.2.4.2. Works have a wide geographic distribution or are spread over time; or

3.2.4.3. Goods, works or services are available in the domestic market at prices lower than the international prices; or

3.2.4.4. By its nature or scope, the Agreement has no potential to interest international participants.

3.2.5 Other procurement methods used in accordance with the national legislation of the member states shall be acceptable for the Bank and shall guarantee timely placement of the Procurement Notice and ensure fair competition of Suppliers in order to minimize prices as much as possible and to improve the quality of the supplied goods, works or services. The Bank shall have the right to require that standard procurement documents with adjustments taking into account the national legislation of the member states should be used and that the Client should provide the procurement information for its publication on the IIB website. At the discretion of the Bank, official public procurement portals of the Client's country of registration in the Internet may also be used for publication of the procurement information.

3.2.6 Clients - Public Sector Organizations shall have the right to apply their own procurement rules, methods and procedures approved in accordance with the applicable national legislation, provided that such rules, methods and procedures are acceptable to the Bank, in particular, they include the following principles and rules: publication of an international Procurement Notice, assurance of non-discriminatory competition, use of transparent and fair evaluation procedures, existence of verifiable compliance mechanisms and independent mechanisms for submission of complaints. Furthermore, the Bank shall have the right to require adjustment of the principles, rules and procedures of procurement by such Clients in accordance with the principles and procedures of these Rules.

3.2.7 The specific procurement stages, procedures shall depend on the procurement method.

3.3. The main stages and requirements for an Open Tender

3.3.1. The procurement documents shall be compiled by the Client and shall establish the requirements to potential procurement participants, parameters of the required goods, works or services, the rights and obligations of the buyer, the Supplier, as well as the conditions to be met in order for the Bid of the Procurement Participant to be accepted by the Client for consideration. The content and level of detailed elaboration of the procurement documents shall correspond to the scope and content of the Project.

3.3.2. As a rule, the procurement documents include:

- a) the Invitation to participate in the procurement;
- b) the instructions for the procurement participants;
- c) a standard form of the Participant's Bid;
- d) the Bid evaluation criteria, including the criteria for evaluation at the stage of Pre-selection of the procurement participants, if applicable;
- e) the terms and conditions and the draft Agreement;
- f) the requirements and performance guarantees, including advance payment guarantees;
- g) technical specifications and drawings;
- h) the Procurement Schedule;
- i) a list of necessary goods, works or services, or requirements to them.

3.3.3. Preparing for the procurement, the Client shall send to the Bank the following procurement documents for preliminary no-objection:

- a) a draft Invitation to participate in the procurement, instructions for the procurement participants, including the Bid evaluation criteria, including for the Pre-selection of procurement participants, if applicable;
- b) draft reports with the results of the Client's evaluation of the participants of the Pre-selection of procurement participants and with the evaluation of the Tender participants, with specific substantiation of the choice of the winner with which the Agreement will be signed;
- c) draft Procurement Agreements between the Client and the Supplier;
- d) any other necessary information and documents at the request of the Bank.

3.3.4. The procurement process for Public Sector Organizations includes the following steps:

3.3.4.1. **Procurement planning.** When planning procurement, the Client shall develop a detailed Procurement Schedule for the Project, including:

- a) a description of the procurement object, its functionality and conformance to the Project requirements;
- b) the conditions and resources required for the Project implementation;
- c) justification of the need for financing;
- d) the procurement strategy.

The Client shall send the draft Project Procurement Schedule to the Bank for no-objection. The Bank's no-objection of the Project Procurement Schedule shall be the main prerequisite for further consideration of financing of the Client's procurement within the Project scope by the Bank. The Project Procurement Schedule may be amended and supplemented at the subsequent implementation stages, subject to approval of such amendments and additions by the Bank.

3.3.4.2. **The Procurement Notice.** The Procurement Notice shall be prepared by the Client and sent to the Bank for no-objection after the acceptance of the Project Procurement Schedule. The Procurement Notice shall include:

- a) the financing amounts and purposes;
- b) a general Procurement Schedule;
- c) the procurement rules and procedures to be applied;
- d) the procurement method;
- e) the Terms of Reference containing a detailed description and requirements to the goods, works or services to be supplied;
- f) the procurement timing;
- g) the contact details (the name and surname of the responsible officer; his or her email address and telephone number) for sending expressions of interest and obtaining additional information about the procurement.

In case of implementation of large-scale and/or technically complex Projects, the Client shall include in the Procurement Notice the information on the design, structures, technical specifications of the goods, works or services to be supplied.

The Client shall publish (ensure publication of) the Procurement Notice on its official website and/or on the appropriate official government procurement portal of the country of its registration in the Internet. If possible, the Client shall also publish the notice in the appropriate national printed media with a circulation of more than 5 thousand copies or at least in one of the recognized international periodicals covering international trade issues. In addition, the Client shall submit a Procurement Notice to the Bank for subsequent publication on the IIB website. All subsequent notifications, messages, documents pertaining to the procurement shall be published by the Client and the Bank on the same information resources and in the same media in which the Procurement Notice was originally published.

3.3.4.3. **Invitation to participate in the procurement.** The invitation to participate in the procurement shall be drawn up by the Client and published by the Client and the Bank immediately after publication of the Procurement Notice in a manner similar to the way of publication of the Procurement Notice. The invitation to participate in the procurement shall contain an instruction for the procurement participants, the evaluation criteria for the Pre-selection of the procurement participants (if applicable) as well as for evaluation of the technical and financial proposals of the potential procurement participants.

3.3.4.4. **Expression of interest by the participants.** Potential procurement participants shall send expressions of interest to the Client.

3.3.4.5. **Pre-selection of the procurement participants.** If the Project is large-scale and/or technically complex, prior to the Open Tender the Client shall conduct a Pre-selection of the procurement participants. Should the Client decide during implementation of such a Project that a Pre-selection of procurement participants is unnecessary, it shall obtain the relevant consent from the Bank.

To conduct Pre-selection of procurement participants, the Client shall determine a set of qualification criteria, based on which it shall assess the capabilities and resources of the potential procurement participants necessary for the Project implementation.

Such criteria shall include:

- a) the experience of the potential procurement participant in implementation of similar or comparable projects;
- b) availability of appropriate technical expertise, personnel, equipment, and, if applicable, construction or production facilities;
- c) the financial and economic status of the potential procurement participant.

Pre-selection of potential procurement participants shall be performed taking into account the principle of involvement of the maximum number of potential Contractors and shall not be used to restrict participation in the Open Tender, as well as to impose any excessive and/or unreasonable requirements on the potential procurement participants.

3.3.4.6. **Open Tender.**

If an Open Tender is held, the Client shall send to all potential procurement participants or pre-selected potential procurement participants (if the Pre-selection of the procurement participants is carried out) the procurement documents approved by the Bank and shall open the Open Tender.

In the case of procurement of works, when the Client develops project documents on its own or when standard goods, products or equipment are purchased, the Client shall use a one-stage Open Tender (in this case, technical and financial proposals shall be provided by the Tender Participants once). In order to use a one-stage Open Tender, the Client shall obtain the relevant no-objection from the Bank.

The Client shall use a two-stage Open Tender in the event of implementation of:

- a) Turnkey projects, in which the procurement participant is responsible for the project works in full scope;
- b) Projects related to construction of large-size and/or technically complex buildings and facilities;
- c) special and specially regulated Project works;
- d) innovative or state-of-the-art products constituting the Project basis.

At the first stage of the two-stage Open Tender, the procurement participant shall provide the Client with a preliminary technical proposal based on the procurement Terms of Reference prepared by the Client. The Client, in its turn, shall provide the necessary clarifications regarding the adjustments to the preliminary technical proposal based on the results of its review, if applicable.

At the second stage of the two-stage Open Tender, the procurement participant shall provide the Client with the final technical and financial proposals.

3.3.4.7. **Bid Opening**

The Client shall ensure the conditions for the Open Tender corresponding to the established international business practice. The time and place of the Open Tender opening and any information related to its holding shall strictly comply with the applicable provisions of the procurement documents.

The Bids shall be opened in the presence of the participants who expressed a desire to participate in the Tender. The Client shall keep Bid opening minutes a copy of which shall be handed over to the Bank immediately after completion of the Bid opening procedure. The Bid received after

the expiry of the specified time shall be returned by the Client to the respective procurement participant without opening.

3.3.4.8. Evaluation of the participants' Bids by the Bank and selection of the procurement winner shall be carried out in accordance with the principles set out by these Rules.

The purpose of participants' bids evaluation is to identify the Bid with the most beneficial economic parameters. The Client shall specify the criteria to be taken into account during the participant's Bid evaluation and how they will be applied to determine the most economically beneficial Bid in the procurement documents (for example, in the procurement instructions).

The factors that may be taken into account during the Bid evaluation:

- a) the payment schedule;
- b) the Project implementation period;
- c) operating and maintenance costs;
- d) efficiency, compatibility, performance, equipment quality;
- e) environmental/social aspects and Project requirements;
- f) availability of maintenance and spare parts, as well as minor deviations from the requirements, if any;
- g) the price.

When the most economically beneficial Bid is identified, in addition to the price, other factors that should be expressed in monetary terms may be taken into account, and if this is impossible for good reasons, their relative value shall be reflected in the evaluation provisions of the procurement documents. The Bid with the most economically beneficial proposal and not necessarily with the lowest price shall win.

During the Open Tender, the Client shall evaluate the proposals of the procurement participants solely on the basis of the criteria specified in the procurement documents.

The Client shall ensure confidentiality of the Bid evaluation process, and the Client shall ensure that all the Tender participants are informed about its results at the same time.

During the evaluation, the Client shall not have the right to require and to accept from the procurement participants amendments to their proposals and to require them to accept new conditions of the Open tender.

The Client shall not have the right to significantly change the terms of the Agreement entered into with the Supplier in comparison with the terms set out in the procurement documents.

The Client shall reject all non-competitive bids of the procurement participants, e.g. if the procurement participant's bid price significantly exceeds the estimated costs or the available procurement budget of the Project.

If during the evaluation it is determined that the procurement participant's bid price for performance of work is inadequately low and the procurement participant is not able, in the absence of reasonable doubt about it, demonstrate the ability to fulfil the Agreement at the offered price, the Client may reject such a bid subject to the Bank's prior no-objection.

If the Client intends to reject the proposals of all the procurement participants, it shall obtain the Bank's no-objection for further actions.

The Client shall provide the Bank with a report issued in the required format showing the results of the Bids evaluation and recommendations on selection of the Open Tender winner. Receiving the Bank no-objection concerning the choice of the Open Tender winner is the final stage of the Open Tender and the suspensive condition for the Banks provision of the Project financing.

3.3.4.9. Administration of Agreements

3.3.4.9.1. The Client shall fulfil, administer and store the concluded Agreements and all procurement documents with an appropriate degree of care and with proper prudence for at least 5 years from the date of termination of the respective Agreements. The Client shall monitor the

execution of the Agreements and shall provide the Bank with information and reports on their fulfilment within the agreed time.

3.3.4.9.2. The Client shall obtain the Bank's no-objection for any amendments to such Agreements and amend them accordingly at the request of the Bank.

3.3.4.9.3. As a general rule, the Client shall send draft Agreements that the Client intends to conclude with the Supplier based on the results of the Tender or other means of procurement to the Bank for no-objection. The Bank shall have the right to check fulfilment of Agreements after their conclusion.

3.3.4.9.4. Immediately after signing, the Client shall send one copy of the signed Agreement with the Supplier to the Bank (an e-copy).

3.3.4.10. **Standards and technical specifications.** When compiling the procurement documents, the Client shall use the relevant international standards and technical specifications, if applicable. If national or other standards and specifications are used, the procurement documents shall state that other standards equivalent to them or setting higher quality and performance requirements may be used. Care should be taken to avoid requirements or instructions regarding trademarks, service marks, brand names, patents, utility models, industrial models, other similar requirements to goods, works, services in the procurement documents, if such requirements or instructions entail an unjustified restriction of the number of potential procurement participants from the IIB member states, unless there is no other method to ensure a more accurate and clear description of such parameters of the procurement object. If such instructions on the procurement object are necessary to determine the requirements to the goods, work or service, the procurement documents shall state that the goods, works or services of an equivalent or higher quality are acceptable.

3.3.4.11. **Prices and currency.** In order to ensure fairness and equivalence of the comparative assessment of the Suppliers' proposals, the Client shall clearly define how the price shall be specified (including/excluding applicable taxes, the payment currency, the Incoterms basic delivery terms, etc.).

3.3.4.12. **Payments.** Payment terms and payment procedures shall be established in accordance with international commercial practice applicable to the relevant goods, works, or services.

3.3.4.13. **Timing.** The timelines for preparation and submission of the Participants' Bids shall be sufficient for preparation and submission of bids by all the procurement participants. As a general rule, the participant's Bid shall be submitted no later than in 40 days from the date of publication of the Invitation to participate in the procurement or submission of the procurement documents, whichever of the dates occurs later. In relation to large or technically complex goods, works or services, the Bank shall have the right to agree on a longer period of time. For small procurements, simple Agreements, the Bank shall have the right to shorten the period of time.

The terms of validity of participants' bids and the delivery time shall meet the Client's reasonable requirements but shall not be used for discrimination against any of the potential bidders. The Participants shall not be allowed and the Client shall have no right to require them to amend the Bids they submitted. In exceptional cases, it may be necessary to request the procurement participants to prolong the term of validity of the Bids they submitted. In such cases, the procurement participants shall have the right to refuse to prolong the term of validity of the Bids they submitted.

3.4. A procurement participant may submit only one Bid for participation in the procurement or participate as a joint venture partner or a consortium participant only in one Bid. If a participant submits more than one Bid or if it participates in more than one Bid for any procurement, all Bids submitted by it for such a procurement shall be rejected, which, however, does not exclude participation of the same subcontractor in more than one Bid of the procurement participant.

3.5. A bidder shall have the right to change or withdraw its bid before the bid submission deadline.

3.6. Organizations affiliated with the Client or with an agent for procurement of goods, works, and services hired by the Client shall not be allowed to carry out procurement as well as to participate in procurement in any capacity, unless it is proven that there is no significant extent of joint ownership, influence or control between the Client or the Client's agent and such Affiliated entity.

3.7. When the Consultant and/or its affiliated entities, including its parent organization, in addition to providing consulting services, also have opportunities for the manufacture / supply of goods and/or performance of work, such a Consultant and/or its affiliated entities, including its parent entity, as a general rule, shall not be allowed to supply goods or perform work for the Project for which such a Consultant provides consulting services, unless it is proven that there is no significant extent of joint ownership, influence or control or that such a Consultant does not benefit from an unfair competitive advantage.

4. PROCUREMENT RULES FOR OPERATIONS IN THE PRIVATE SECTOR

4.1. The Bank regards the use of the method of procurement through holding a Tender by Clients - Private Sector Organizations, especially in cases when they implement large-scale Projects, to be a positive factor.

4.2. Clients - Private Sector Organizations are encouraged to use procurement methods ensuring a high-quality selection of goods, works and services at fair market prices and providing the possibility to carry out procurement in the most cost-effective manner.

4.3. Agreements concluded by Clients – Private Sector Organizations shall be fulfilled on market terms and satisfy, first of all, the interests of the Client, rather than its owners. When the owner (the shareholder, participant, beneficiary) of the Client or one of its affiliated entities, including parent companies and affiliated entities of such parent companies, is, at the same time, the Supplier for this Project, the Bank shall make sure that the costs are in line with the current market prices and the original procurement budget of the Project and that contract terms are fair and substantiated. The Bank shall not finance expenses exceeding prices prevailing in the market.

4.4. When the Bank finances a Private Sector Organization – an operator of a public concession, the Tender procedure acceptable to the Bank shall be followed when the concessionaire is selected.

4.5. The Bank shall use the tools of control of implementation of these Rules in relation to Clients –Private Sector Organizations on a sample basis, depending on the identified risks of their violation of the key principles and rules of procurement established by these Rules.

4.6. When necessary, the Bank may conduct a procurement analysis of the applicable objects in accordance with Appendix 1 to these Rules. At the same time, the task of the Bank shall consist in stimulation of the procurement with the use of the appropriate method corresponding to the market conditions, suitable for the effective implementation of the Project, that would ensure selection of the most suitable goods, works or services based on a variety of parameters (the price, quality, servicing, reliability, innovation, etc.) subject to assurance of transparency and cost effectiveness.

4.7. For procurement where the payment is made with use of the Bank's funds provided through Financial intermediaries, the Bank, if necessary, shall have the right to contact the Financial intermediary with a proposal to monitor procurement in order to ensure cost-effectiveness and to inform the Bank about the results of such monitoring.

5. PROCUREMENT RULES FOR CONSULTING SERVICES BY PUBLIC SECTOR ORGANIZATIONS

5.1. Key requirements

5.1.1. The main parameter in selection of Consultants shall be the service quality. To ensure effective and high-quality fulfilment of tasks and fulfilment of the necessary reporting conditions, it is necessary to ensure transparency and flexibility of the procedure of selection of the Consultants and entering into Agreements with them.

5.1.2. Choosing the method of consulting services procurement, the Client shall give preference to an Open Tender.

5.2. The Consultant selection process

5.2.1. The Consultant selection process includes, as a rule, the following main stages:

5.2.1.1. Determination of the scope of services (including the anticipated increase in volume due to the extension of the assignment and/or the anticipated subsequent services), the methodology and goals of the assignment, the budget, determination of the procurement method, evaluation criteria;

5.2.1.2. Selection of the Consultant in accordance with these Rules;

5.2.1.3. Coordination and entering into the Agreement with the selected Consultant;

5.2.1.4. Administration of the Agreement.

5.3. Procurement Methods

5.3.1. To select a Consultant, the Client may use one of the following procurement methods:

5.3.1.1. **Direct selection.** Direct selection is used subject to prior agreement with the Bank for Agreements with a price of less than EUR 75,000 (including the anticipated increase in volume due to extension of the assignment and/or anticipated subsequent services). This procurement method envisages that the Client selects the Consultant with which the Agreement will be concluded without tendering.

The Client shall have the right to resort to Direct Selection of the Consultant subject to the Bank's no-objection if:

a) The Consultant has a unique qualification or experience; or

b) The Consultant participated or is involved in the early stages of the Project, such as the feasibility study or design works, the need for continuity has been identified, while the Open Tender will not give benefits; or

c) due to unforeseen circumstances, a need for additional services not specified in the original Agreement emerged, provided that such additional services cannot be technically or economically split from the original Agreement without causing major inconvenience to the Client or when such services, although they can be split from the original Agreement, are absolutely necessary for finalization of its fulfilment; or

d) an unsatisfactory response to competitive procurement carried out in accordance with these Rules was received (for example, an insufficient number of participants, non-compliance of the participants' Bids with the procurement requirements, other similar cases listed in these Rules, specifically, set out in clause [3.3.4.8](#)).

5.3.1.2. **A One-Stage Open Tender.** For agreements with a price of 75,000 euros or more (including the anticipated increase in volume due to extension of the assignment and/or anticipated subsequent services), the Consultant shall be selected in a one-stage Open Tender. To conduct a one-stage Open Tender, the Client shall publish the Procurement Notice on the IIB website and/or, as agreed with the Bank, on another Internet site (of the Client and/or the procurement platform).

5.3.1.3. The Procurement Notice shall specify the scope of services (the terms of reference), the methodology and objectives of the assignment, the budget, the procurement method, as well as the evaluation criteria for selection of the winner to which the procurement will be awarded. Depending on the nature of the assignment, the Consultant shall send, in response to the Procurement Notice, a procurement summary, a technical proposal with or without a financial proposal, or another set of documents specified in the Procurement Notice. The Client shall select the procurement winner based on the results of evaluation of the criteria specified in the Procurement Notice, with a substantiation of the choice. The evaluation process and the substantiation of the choice of the Consultant shall be recorded in appropriate documents.

5.3.1.4. **A Two-stage Open Tender.** A two-stage Open Tender is normally used for technically complex and/or highly specialized consulting services when it is possible to determine the procurement objectives, but it is difficult in the beginning to accurately determine the scope of the required services and their methodology. An example of consulting services in which it is recommended to the Client to use a two-stage Open Tender is consulting services for concept development, design of complex information systems and processes.

The Client shall draw up the Procurement Notice and send it to the Bank for publication on the IIB website and/or, with the Bank's no-objection, publish it (ensure that it is published) on its official website and/or in other appropriate resource on the Internet. The Procurement Notice shall contain the assignment objectives and criteria for inclusion into the Consultants Short List. The process and substantiation Consultant short-listing shall be recorded by the Client in appropriate documents (the minutes of authorized bodies).

Consultants short-listed by the Client shall be invited to submit proposals. The invitation to submit proposals shall include the objectives of the assignment and the evaluation criteria used to determine the Tender winner. The Client shall evaluate the Consultants' proposals, including the scope of services and methodology proposed by them, on the basis of the criteria set out in the invitation to submit proposals and recorded in the appropriate documents (the minutes of authorized bodies).

Unless otherwise agreed upon with the Bank, the Client shall short-list minimum three, maximum six Consultants satisfying the short-listing criteria.

5.4. The key procurement stages

5.4.1. Evaluation and Selection of the Consultant

5.4.1.1. Evaluation and selection of the Consultant shall be based on a quality assessment that includes technical aspects, and, as a rule, shall include the following criteria:

- a) experience in performance of similar tasks;
- b) experience of work and presence in the Project implementation region;
- c) qualification of the Consultant's key personnel proposed for the Project implementation;
- d) The quality of the methodology and work plan.

The Consultant selected on the basis of the evaluation as the winner shall be invited by the Client for negotiations on the draft Agreement.

5.4.1.2. The Agreement shall not be concluded with:

a) the Client's affiliated entities, if it is impossible to demonstrate that there is no significant extent of joint ownership, influence or control between the Client and such an affiliated entity and likelihood of occurrence of conditions that may affect the objectivity of this affiliated entity during implementation of the assignment. The selection process Participants shall not have a conflict of interest.

b) legal entities and natural persons which submitted more than one response, or expressions of interest, or proposal, as applicable, under one Agreement (in such cases, all submitted bids shall be

rejected). The consultant which is a subcontractor shall not be considered as the procurement procedure participant.

5.4.2. **Approval and conclusion of the Agreement with the selected Consultant.** During the discussion of the draft Agreement, the Client and the Consultant may agree on minor amendments to the Agreement. The Client shall have the right to express suggestions on changing the scope of services and the staff proposed by the Consultant and then discuss the respective adjustment of the price of services. The draft Agreement agreed upon by the Client and the Consultant shall be submitted to the Bank for no-objection. The draft Agreement approved by the Bank may be signed by the Client and the Consultant. The Client shall provide to the Bank a copy of the Agreement entered into with the Consultant immediately after its signing.

5.4.3. **The Agreement Administration.** Within the scope of the Project implementation, the Client shall be responsible for administration of the Consultant's work in order to ensure high performance indicators, authorize payments, agree on the necessary amendments to the Agreement, review complaints and resolve disputes, ensure timely and high-quality fulfilment of the assignment, and evaluate the Consultant's performance indicators. The Client shall coordinate with the Bank any changes to be introduced into the Agreement with the Consultant.

5.4.4. **The procurement control by the Bank**

5.4.4.1. The qualification and experience of the Consultant, the timelines and terms and conditions of the Agreement shall comply with the Bank's requirements. In order to confirm that the Consultant's assignment conforms to the terms on which the Bank will provide financing, the Client shall get the Bank's no-objection at least for the following documents:

- a) the proposed scope of services, the Terms of Reference;
- b) the draft Procurement Notice;
- c) the proposed Short List of the Consultants (if applicable);
- d) the Invitation to submit proposals (if applicable);
- e) the Client's proposals regarding the choice of the Consultant;
- f) the draft Agreement between the Client and the Consultant.

5.4.4.2. The Client shall introduce, at a reasonable and timely request of the Bank, the necessary changes into the procurement documents. The Client shall not introduce any significant changes into the previously approved procurement documents or reports without the Bank's no-objection.

5.4.4.3. The draft Agreement for provision of consulting services shall, as a general rule, be subject to prior review by the Bank, except for cases specifically determined by the Bank based on the Project particularities. The Bank shall have the right to carry out check-ups under the Agreements and the Projects after completion of the procurement process and require the Client to assess the Consultant's work.

5.4.4.4. For all Agreements with Consultants, which are subject to the Bank's prior review process:

a) before the Procurement Notice publication, if applicable, the Client shall submit to the Bank for review and no-objection a full complete set of procurement documents;

b) before sending of the Invitation to submit proposals to the short-listed Consultants (if applicable), the Client shall submit to the Bank for review and no-objection the proposed Short List of the Consultants, the scope of services and the Terms of Reference and criteria for evaluation the performance of the assignment;

c) before inviting the selected Consultant for negotiations, the Client shall submit to the Bank for no-objection a detailed Consultant assessment report with specific substantiation of the recommendation to choose it as the winner and the provisions of the future Agreement that are the subject of negotiations with the Consultant; and

d) one copy of the Agreement shall be provided to the Bank immediately after the Agreement signing (an e-copy).

6. THE CONCLUDING PROVISIONS

6.1. The IIB Management Board shall have the right to make additions to the requirements of these Rules in relation to any Project and to make an exception in application of these Rules, in particular, if the Project is financed jointly with another international financial institution (other international financial institutions) and the rules of such an institution (such institutions) apply.

6.2. These Rules shall be published on the IIB website.

6.3. If the Agreement Establishing International Investment Bank and its Charter are amended, this document, as well as the amendments to it, shall be applied in as much as they do not contradict the newly adopted regulations as well as the Agreement Establishing International Investment Bank and its Charter.

7. REFERENCES

1. Anti-money Laundering and Combating the Financing of Terrorism, Fraud and Corruption Policy (PTK-2), approved by Order No. 81 dated September 1, 2016.
2. Regulations on the Procedure for Settlement of Conflicts of Interest (PLZh-48), approved by Order No. 73 dated July 16, 2013 (the most recent version).
3. The Code of Conduct of International Investment Bank (OND-32), approved by Order No. 100 dated November 7, 2013 (the most recent version).
4. IIB Compliance Policy (PLZh-47), approved by Order No. 50 dated May 17, 2016 (the most recent version).
5. Procedure for receiving and handling complaint reports in the IIB (PDK-69), approved by Order No. 50 dated May 17, 2016.
6. The Procedure for Provision and Support of Credit and Guarantee products at International Investment Bank (PDK-99), approved by Order No. 46 of June 1, 2018 (the most recent version).
7. Corporate Social Responsibility Policy (PTK-9), approved by Order No. 40 of April 19, 2016.