



GENERAL PROCUREMENT GUIDELINES

1. General

NEFCO was established in 1990 by the five Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) as a multilateral venture capital institution. The purpose is to promote financially viable projects that help to improve the environmental situation in the Central and Eastern European countries neighbouring the Nordic region. In order to fulfil its task, NEFCO will pursue the following environmental policy priority:

- to verify that all major inputs to be financed are on an environmentally acceptable level and will contribute to fulfil the projects environmental objectives

NEFCO participates as a risk-capital financier providing equity investments and/or loan financing. Normally the projects involve participation by one or more co-operating partners from the Nordic region.

The financing agreement governs the legal relationships between the Borrower and NEFCO. The present Procurement Guidelines apply to procurement of goods, works and services financed by NEFCO and as provided for in the financing agreement. In procurement issues the rights and obligations of the Borrower (or the Implementing Agency) and the providers of goods, works and services for the project are governed by the contracts signed by the Borrower (or the Implementing Agency) with the providers of goods, works and services, and not by these Procurement Guidelines or the financing agreement.

As stipulated in the financing agreement, NEFCO shall, in co-operation with the Borrower, ensure that the proceeds of any capital contribution, loan or equity are used only for the purposes of the project approved.

The general procurement principles of NEFCO follow internationally recognised practice, e.g. as used by the World Bank (IBRD), the European Reconstruction and Development Bank (EBRD), European Investment Bank (EIB) and DIS procurement procedures applied by EU, taking into account additionally, the mentioned environmental policy priority.

In co-financing with other international financing institutions NEFCO may agree to use the procurement principles of the co-financier, however in view of the environmental soundness aspects of NEFCO.

The invitation to bid shall be issued in such a way that competition is secured from among the eligible bidders, and be advertised or distributed to bidders in a way not discriminating any eligible party from participating in the procurement process. As a minimum a notice of the invitation to bid shall in due course be sent to the Nordic Embassies accredited to the country of the project.

The bidding documents shall furnish all information necessary for a prospective bidder to prepare a bid for the works, goods and services to be provided. While the detail and complexity of these documents will vary with the size and nature of the proposed bid package and contract, they should generally (as applicable) include:

- invitation to bid;
- instruction to bidders;
- conditions of contract - general and particular;
- technical specifications / terms of reference; and
- drawings.

It is the policy of NEFCO to require that Borrowers (including beneficiaries of NEFCO's credits), as well as bidders/suppliers/contractors under NEFCO-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts.

2. Eligible Bidders

In general, an eligible bidder for contracts of goods, works and services to projects under NEFCO financing shall be either a citizen, a permanent resident or a registered company in:

- the country of the project;
- any of the Nordic countries; and
- any other country acceptable to NEFCO, including Belarus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Russia, Slovak Republic and Ukraine.

3. Eligible Goods, Works and Services

A major part of goods, works and services to be supplied under NEFCO funding shall originate from the countries of eligible bidders.

By origin is meant the place where the goods are mined, grown or produced, or from which services are rendered. Goods are produced when, through manufacturing processing or substantial and major assembling of components, a commercially recognised product results that is substantially different in basic characteristics or in purpose or utility from its components. As for personnel nominated for a consultancy assignment, the word origin is understood to be equivalent to citizenship, residence or a long term employment record (minimum 4 years accumulated contractual assignments) with an eligible bidder.

4. Procurement of Goods and Works

In principle, procurement of goods and works under NEFCO funding shall follow internationally recognised practice, e.g. the practice used by international financing institutions as mentioned under para 1 above. Invitations for Bids shall be issued in such a way that competition is secured from among the bidders.

Limited Bidding can be used in case of urgency, or when a limited number of suppliers are available. In exceptional cases, for example with only one supplier or repeat orders, NEFCO may approve direct negotiations with a supplier on a case by case basis.

Shopping (minimum three quotations for similar products and selection of the cheapest offer) can be used in case of small contract values (less than EUR 25 000).

The tender documents shall give all relevant information for the procurement and shall clearly state the type of contract(s) to be entered into, specifications, time of delivery, terms of delivery etc.

As far as possible NEFCO encourages Borrowers to use international standard tender documents including documents used by EU, World Bank and EBRD adjusted for the special requirements of eligibility of these Procurement Guidelines.

In the evaluation of bids the Borrower shall ensure that environmental soundness, economy and efficiency in the execution of the project is secured by evaluating the qualification of bidders, by securing that the offered goods and works comply with the technical specifications, and by selecting the best weighted evaluated bid among the qualified bidders.

5. Procurement of Services

The general principles for selection of consultants follow internationally recognised practice e.g. the practise used by the international financing institutions as mentioned above. Normally not less than 3 and not more than 6 eligible bidders shall be invited to bid.

The Borrower shall prepare the letter of invitation with all relevant information including terms of reference, the proposed contract, and the list of consultants to be invited to bid. NEFCO recommends that the standard formats of contract documents of EU, World Bank and EBRD be used as far as possible. The method of evaluation shall be outlined in the letter of invitation.

The Borrower shall review the environmental aspect and ensure economy and efficiency in the execution of the project also when selecting consultants. The evaluation of proposals shall follow the method of evaluation specified in the letter of invitation and ensure that quality of services is satisfactory and that the selected bidder and nominated personnel are eligible.

6. Local rules

Calls for tender relating to operations in the Nordic and the other EEA-countries are governed by the Directives enacted in the respective Member States of the EEA.

7. Responsibilities of the Borrower

The Borrower is responsible for the procurement and shall ensure that these Procurement Guidelines form an integral part of all procurement documents used under a NEFCO financing. In particular the following considerations shall be made:

- (i) tenders are only open to eligible bidders as specified in para 2 above;
- (ii) NEFCO reserves the right to review procurement procedures before bids are called for;
- (iii) invitations for bids and tender documents shall be reviewed and no objection given by NEFCO before bids are called for. Likewise, in cases of limited tenders for goods and works and in case of invitations for consultancy services, NEFCO shall approve the list of bidders to be invited;

- (iv) the evaluation of the bids shall ensure that quality, environmental soundness and price are satisfactory to the project and that economies and efficiency in the execution of the project are called for;
- (v) the tender evaluation report shall be sent to NEFCO for review and no objection before award of contract. In cases where the evaluation report recommends further negotiations with the best evaluated bidder, such negotiations shall not take place before NEFCO has reviewed the evaluation report and NEFCO has agreed that such negotiations can take place. The deliberations of negotiations shall be recorded in writing and shall, together with the final conclusion, be sent to NEFCO for review and no objection prior to award of contract;
- (vi) negotiated contracts shall be sent to NEFCO for review and no objection before being signed by the Borrower;
- (vii) a copy of the contract, when signed by both parties, shall be sent to NEFCO for information. No disbursements related to financing of a contract will be approved under the NEFCO financing before the executed contract is received by NEFCO; and
- (viii) the requirement of formal competitive bidding with only one potential supplier, direct negotiation may be accepted by NEFCO on a case by case basis. In all instances good commercial practice should be followed to ensure that contract terms are reasonable.

8. Private sector projects

Private sector enterprises often meet the concerns for appropriate use of funds and economy and efficiency by following established practices other than formal open tendering for their procurement. Nevertheless, whenever appropriate NEFCO will encourage the use of competitive bidding methods by its private sector clients, in order to ensure that their capital investments are carried out in an environmental sound and cost effective manner.

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