

Procurement Risk Assessment and Management

Project Number: 51181
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People's Republic of China: Air Quality Improvement in
the Greater Beijing–Tianjin–Hebei Region
—Regional Emission-Reduction and Pollution-Control
Facility

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EXECUTIVE SUMMARY

1. The overall procurement risk assessment is **Low to Moderate**.

Strengths Identified:

- (i) Five out of six assessed subborrowers have existing procurement departments consisting of several full-time staff with adequate background and practical experiences, especially for their previous and existing projects or operation.
- (ii) All assessed subborrowers have procurement regulations and procedures based on the Tendering and Bidding Law (TBL) with integration of their own practices and requirements;
- (iii) Five out of six assessed subborrowers have established procurement referencing systems to manage procurement files and contract implementation records;
- (iv) All assessed subborrowers are more experienced with procurement in civil works, equipment, and materials;
- (v) The contractual performances were monitored by all potential subborrowers, especially the payment related progress is monitored or checked, its financial unit is also conducting regular (monthly or quarterly) monitoring; and
- (vi) An ethical standard for the procurement department and the entire company has been set up in all assessed subborrowers, together with the annual internal compliance review system.

Weaknesses Identified:

- (i) All assessed subborrowers don't have experience with Asian Development Bank (ADB) project implementation and management, and are not familiar with ADB's procurement principles and regulations;
- (ii) Privately owned enterprises (POEs) often follow commercial practices during the procurement process, instead of the TBL though open and transparent process claimed by each of them. Only Shanxi Liheng (No.2), CECEP (Fengqiu) (No. 3), and Ansteel ESCO (No. 6) advertise its procurement activities or disclose evaluation criteria, which are emphasized by ADB as key procurement principles of open competition and transparency;
- (iii) Human resources of subborrowers may not be adequate for compliance with additional ADB reporting and monitoring requirements for procurement, iESLab (No. 1) and Shandong Luhai (No. 5) have only two staff each in its procurement division.
- (iv) CECEP (Fengqiu) (No. 3) does not have a procurement department but is under the engineering department in its company. However, all the procurement activities in this company is carried out by a procurement agency based on its needs, which can be considered as low risk;
- (v) Ansteel ESCO (No. 6) does not have a separate procurement department but is under the engineering department in its company. The company does not carry out the procurement activities but its mother company-Ansteel Company owns a subsidiary-Ansteel Bidding Co., Ltd., who carry out all the procurement activities for the whole group. It is noted that the Ansteel Bidding Co., Ltd. has adequate procurement staff with professional background, and adequate contract management, which can be considered as low risk;
- (vi) In Shandong Luhai (No. 5), the decision of a bid evaluation is subject to approval by its higher authorities within the company.

Summary of Mitigation/Management Measures to be adopted:

- (i) A Procurement Manual has been prepared for all subborrowers, to ensure that all procurement activities are implemented in a timely and efficient manner in accordance with ADB's procurement principles, as well as the People's Republic of China (PRC) government's regulations on foreign capital utilization projects. For example, all procurements activities by subprojects shall follow key provisions of TBL, such as (i) open soliciting of bids, (ii) transparent bid evaluation, and (iii) record keeping, as the minimal requirements;
- (ii) According to the national regulations of foreign capital utilization, all the foreign fund supported projects in the PRC are obligated to be audited by the auditing offices (in random selected way). Under this project, the National Auditing Office will be authorized to be responsible for the annual auditing;
- (iii) It is important for ADB, as well as China Energy Conservation and Environment Protection Group Company (CECEP) and CECEP Huayu Fund Management Co., Ltd. (CECEP Huayu), to monitor and supervise the procurements activities by subprojects on a daily or regular basis to ensure that all procurement activities are implemented in an appropriate way in accordance with ADB's key procurement principles, as well as requirements of the PRC Government;
- (iv) Enough human resources (qualified professional staff) for the procurement division in the subborrowers shall be allocated;
- (v) The procurement staff of subprojects involved with project delivery should receive capacity building on ADB and the PRC Government's requirements for procurement and contract management, but also on financial management, which is the most relevant of procurement; and
- (vi) For CECEP Huayu, if necessary, it is suggested to recruit a consultant, which has relevant experiences of ADB project management, to guide or provide advices during the project implementation, including planning, procurements, contracts management, financial management, reporting and others related.

I. PROJECT BACKGROUND

1. The government has requested a loan of €428 million from Asian Development Bank's (ADB) ordinary capital resources to help finance the project through an ADB financial intermediation loan (FIL), which will establish a Regional Emission-Reduction and Pollution-Control Facility (the Facility) to mobilize financing to deploy advanced low-emission technologies in the greater Beijing–Tianjin–Hebei (BTH) region.¹ The financing provided through the Facility will mainly be utilized by subborrowers for purchase and installation of equipment. It is not envisaged that the air quality improvement projects to be financed under the project will have significant civil works or require land acquisition.

2. China Energy Conservation and Environmental Protection Group (CECEP) will act as the executing agency of the project. CECEP's majority-owned subsidiary, CECEP Huayu Fund Management Co., Ltd. (CECEP Huayu) will manage the Facility.² CECEP Huayu will consider technical merit, credit quality, environmental, and social due diligence, and the agreed subproject selection criteria by both ADB and CECEP to finance a subproject. CECEP Huayu will also monitor the implementation and performance of subprojects, including measurement and verification of emission and pollution reduction, and preparation of periodic progress reports on project implementation to be submitted to ADB. CECEP will assume the full credit risk of the financed subprojects.

3. According to the ADB's Operations Manual for FIL projects, ADB does not insist on international competitive bidding procedures for procurement under FIL-financed subprojects, but encourages such use where (i) the amount of a subproject investment is unusually large, and (ii) the procedures foster economy and efficiency. ADB requires financial intermediaries to ensure, through suitable monitoring mechanisms, that subborrowers adopt and implement appropriate procurement procedures for subprojects. ADB expects that for FILs, the procurement is undertaken by the respective loan beneficiaries in accordance with established private sector or commercial practices, and which are acceptable to ADB.

4. Under the project, most of the procurement under the program will be carried out by the subproject borrowers. These will be either privately owned enterprises (POE) or state-owned enterprises (SOE). It is understood that SOEs should comply with the provisions of the Tendering and Bidding Law (TBL), while there are no specific procurement laws that POEs should follow, and therefore, POEs are free to adopt whatever practices they deem commercially sound. As ADB procurement principles, as well as the PRC procurement laws, require the procurement of subprojects to be undertaken using a competitive and transparent process, it is important to assess the procurement capacity of the potential subborrowers to identify procurement risks and propose mitigation measures to ensure that all procurement activities are implemented in a timely and efficient manner in accordance with ADB's key procurement principles, as well as requirements of the PRC government.

¹ The greater Beijing–Tianjin–Hebei region (referred to as BTH region) includes Beijing and Tianjin municipalities; Hebei, Henan, Shandong, Shanxi and Liaoning provinces; and Inner Mongolia Autonomous Region.

² CECEP Huayu was established in 2011 to focus on investment in energy conservation and environmental protection and has managed more than CNY7 billion in funds.

II. PROJECT PROCUREMENT RISK ASSESSMENT

A. Overview

5. The procurement assessment work for the representative subprojects (Table 1) and its subborrowers had been conducted through a questionnaire survey, existing contract review and phone call discussion with subborrowers from end of March to Mid June 2017, and the six questionnaires have been collected (information and risk assessment results are listed in Appendices 2–7).

Table 1: Indicative Representative Subprojects

No.	Focused Area	Borrower	Ownership	Results
1	Smart industrial zone development	Integrated Electronic Systems Lab Co., Ltd (iESLab)	POE	Low to Moderate
2	Industrial by-product gas utilization	Shanxi Liheng Iron & Steel Co., Ltd	POE	Low
3	Biomass energy, biogas and organic fertilizer production	CECEP (Fengqiu) Biomass Energy Co., Ltd	SOE	Low to Moderate
4	H ₂ -based low-emissions transport	Beijing Blue-G Renewable Energy Technology Co., Ltd	POE	Low to Moderate
5	Deep-well geothermal district heating	Shandong Luhai Petrol Technology Co., Ltd	POE	Moderate
6	Super ESCO	Ansteel Energy-saving Technology Service Co., Ltd (Ansteel ESCO)	SOE	Low

ESCO = Energy Service Company, H₂ = hydrogen, POE = Private Owned Enterprise, SOE = State-owned Enterprise. Sources: CECEP Huayu provided and PPTA consultant assessed, June 2017.

6. **National TBL and ADB Principles.** The legal and institutional system for procurement, especially procurement by SOEs and procurement using foreign capital fund, in the PRC is established. For the principles of procurement, openness, fairness, impartiality, as well as faithfulness and trustworthiness, are clearly stated in the TBL,³ while ADB's key principles of procurement are open competition, economy, efficiency, fairness, and transparency. Although there are some details in the central government's regulations, like Implementation regulations of TBL,⁴ are not exactly same as ADB's Procurement Guidelines (2015, amended from time to time), the substantial contents and procedures are likely consistent with each other. The foreign capital utilization projects are subject to audit, which will be carried out by an independent national government organization with a strict ethical code according to *Notice on Improving Management of International Financial Institution Financed Project* (NDRC, Foreign Capital No.1269 [2008]).

7. **Indicative representative subprojects and assessed enterprises.** Six indicative representative subprojects proposed by six developers (as potential subborrowers) were screened jointly by ADB and CECEP Huayu according to the selection criteria (Appendix 2 of the Project Administrative Manual).⁵

³ Adopted by the 11th Meeting of the Standing Committee of the Ninth National People's Congress on August 30, 1999, promulgated by order No.21 of the President of People's Republic of China on August 30, 1999, and effective as of January 1, 2000.

⁴ Adopted by the 183th Executive Meeting of the State Council on November 30, 2011, and effective as of February 1, 2012

⁵ Project Administration Manual (accessible from the list of supplementary documents in Appendix 2 of the Report and Recommendation of the President to the Board of Directors.)

8. By 7 June 2017, feedback from all representative subprojects was received, based on which this assessment is prepared. All assessed enterprises follow their own procurement practices, the main findings are described as follows.

9. The assessment covered five areas, namely: (i) Organization and Staff Capacity; (ii) Information Management; (iii) Procurement Practices; (iv) Effectiveness; and (v) Accountability Measures. The questionnaires completed by each potential subborrower are attached in Appendices 2–7.

B. Organizational and Staff Capacity

- All assessed subborrowers have permanent procurement departments or bidding company under its mother company (No. 6 - Ansteel ESCO), except CECEP Fengqiu (No. 3), consisting of several full-time staff with adequate background and practical experiences. The director/chief of the department is usually a mid-level manager or the key responsible decision maker of the company;
- For POEs, it is quite risky that the staff's experiences and qualification are not sufficient to undertake procurement under proposed subproject without experienced staff, the risk for iESLab (No. 1) and Shandong Luhai (No. 5) is moderate with only two procurement staff, while all others consider as low risk in staff capacity;
- POEs often follow commercial practices with their own procedures during the procurement, while SOEs follow the national TBL.

Table 2: Summary of feedback by each question for the organizational and staff capacity

Questions	Summary of feedback
A.1 Is there a permanent properly staffed procurement unit in the IA?	<p>All assessed subborrowers have the permanent procurement departments, except CECEP Fengqiu (No. 3). Most of the head of the procurement unit have a minimum 5 years' experience, together with several procurement staff. For example:</p> <ul style="list-style-type: none"> ● On strongest staff: Shanxi Liheng (No. 2) has 12 staff in procurement unit, including one director, three division chiefs, seven procurement staff and one administrative staff. Their chief leaders/officers have a minimum 10 years of experience, including 5 years in this unit, other procurement staff have at least 3 years working experience in this unit; ● A special case for Ansteel ESCO (No. 6), it does not have procurement unit, but all the procurement activities for Ansteel Company are carried out by its wholly-owned subsidiary – Ansteel Bidding Co., Ltd., while Ansteel ESCO has five qualified procurement staff to work closely with the Bidding Company for any procurement activities; ● iESLab (No. 1) and Shandong Luhai (No. 5) only have two procurement staff, with about 2 years working experience in this unit and Blue-G (No. 4) has three procurement staff and manager, with 1–3 years' experience in procurement.
A.2 Is qualification of procurement staff sufficient to undertake the procurement under the proposed project?	All assessed subborrowers claimed their procurement staff have adequate experiences and background.
A.3 Does the procurement unit undertake procurement in accordance commercial practices in the sector?	All assessed subborrowers undertake procurement in accordance with commercial practices using open competition.

A.4 Do the commercial practices comply with requirements of national and provincial procurement laws and regulations?	All assessed subborrowers claimed that they conduct their procurement practices comply with requirements of national and provincial procurement laws and regulations, all assessed subborrowers developed Procurement Implementation Guidelines.
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Sources: PPTA consultant assessed and summarized, June 2017.

C. Information Management Systems

- All assessed enterprises have policies or management methods on procurement records and files, including adequate responsible staff to administer the document management functions;
- All assessed enterprises are keeping both hard copy and/or electronic files except Shandong Luhai (No. 5), which keeps only the hard copies for long-term.
- For the retention policy, all assessed enterprises will keep records for a long period;
- For the referencing system, all assessed enterprises have comprehensive referencing system managing by the records list in excel file, and also contract referencing in ledger as per category (such as contract, bidding documents, planning, etc.). CECEP Fengqiu (No. 3) (SOE) has no referencing system;
- All assessed enterprises confirmed that for the types of files or documents kept, they all adopt one folder for one project, including those of from preparation of bidding, advertisement, enquiry/tendering & bidding, evaluation, negotiation and contract award, delivering records, and payments.

Table 3: Summary of feedback by each question for the information management systems

Questions	Summary of feedback
B.1 Is there a referencing system for procurement files in the company?	Five out of six have referencing systems, except CECEP Fengqiu (No. 3), which has no referencing system; All assessed enterprises are keeping both hard copy and/or electronic files except Shandong Luhai (No. 5), which keeps only the hard copies for a long period of time.
B.2 Is there adequate equipment and personnel to administer the procurement records management functions?	All have responsible staff and equipment to administer the procurement records, either in Procurement Unit or Archive Department or Administrative Office.
B.3 Does the procurement unit adhere to a document retention policy (i.e., for what period are records kept)?	All confirmed that they have a document retention policy. All contracts are deemed to be kept for a long period of time.
B.4 Is there a single contract file with a copy of contracts and all subsequent contractual correspondence?	All confirmed that they have single contract folder for all subsequent contractual correspondences under the contract.

Sources: PPTA consultant assessed and summarized, June 2017.

D. Procurement Practices—Works and Goods

10. The procurement practices by SOEs and POEs are different, and will be described separately as follows.

1. General description

11. **SOEs**, as required, have to follow the TBL. The key procedures include: (1) advertising on a public press or official gazette, and a website for usually at least 15 days; (2) being responded by at least 3 bidders. If less than 3 bidders, the tendering will be considered as failed, and will restart the tendering process; (3) the evaluation committee will be established usually consisting of 5 or more odd number experts for bidding evaluation; and (4) the result of winner will be published before issuing the negotiated contract.

12. For bidding evaluation criteria, the combination of technical and financial evaluation is applied, usually price factor, or financial evaluation is weighed half, while others weigh the remaining half to include technical, delivering time, payment terms, etc. Thus, sometimes, the lowest bidder which is also qualified technically may not win.

13. Additionally, the bidding agent will be recruited to be involved in the whole tendering and bidding procedures to ensure fairness and professionalism.

14. **POEs** don't need to follow the TBL when they undertake procurement. They prefer inviting to bid or inquiry, instead of calling for bidders openly. During the assessment, both Shanxi Liheng (No. 2) and Shandong Luhai (No. 5) are conducting advertisement openly. Usually, they select and decided partners from suppliers or contractors they are familiar with. As a common practice, they pay more attention to the price, as well as if previous transactions that were successful. The company's responsible manager or decision maker will play a very important role to decide the winning supplier or contractor.

15. POEs usually do not hire bidding agent to assist in their procurement.

2. Narratives on key procedures

16. Since advertising for bids, bidding documents used, and bid evaluation are the key procedures of procurement, the narratives are as follows by SOEs and POEs separately.

(i) Advertising for bids

17. SOEs will advertise for bids in a couple of appointed websites for tendering and bidding for at least 15 days.

18. POEs will not advertise ordinarily, and will inquire instead, which will heavily rely on experiences and skills of procurement staff, and reputation of partners as suppliers or contractors. Normally, procurement staff will send inquiry to the potential suppliers they are familiar with, and compare and select the most cost-efficient. For the newly procured goods, they will firstly collect information on suppliers from their networks before inquire, negotiate or bargain, evaluate, and finally decide the most suitable suppliers.

(ii) Bidding documents used

19. SOEs are required to prepare a series of documents for the whole bidding process, including pre-qualification, bidder prequalification materials, call for tendering, bidding document and its supplement Q&A, acceptance of tender documents, minute of tender opening, preliminary evaluation, clarification requirement, clarification minute, bid evaluation, decision of winner, issue notice of bidding winner, contract negotiation, and contract signing. The documents are usually prepared and completed by or with assistance of the qualified bidding agent assigned.

20. POEs don't have fixed bidding documents, and different companies have their own documents in accordance to their procurement practices. As they have set up their own management systems for bidding documents, price difference and result of bargaining are the most important documents to be kept.

(iii) Bid evaluation

21. SOEs undertake bid evaluation by the evaluation committee, the members of which are selected randomly, for some large projects, the members are selected randomly from an expertise database appointed by the government authorities. The evaluation committee will evaluate comprehensively from aspects of qualifications, manufacturing capacity, capabilities and credibility as required in bidding documents. As a common practice, the qualified bidding agent will implement or assist the whole process.

22. The evaluation report with the recommended selection will be submitted to the company's management, and usually, the evaluation result from the committee will be the final decision.

23. In all assessed POEs, the procurement staff will prepare a price comparison report according to the market price, and recommend the winner according to the comparing price and negotiated or bargained price, and the report with the recommended selection will be submitted to the responsible managers or higher authorities for approval. For procurement with a high contract value, a procurement evaluation group will be set-up consisting of responsible managers from relevant departments or key technical staff, the group will determine the suitable supplier, contract volume and terms for the president's final decision.

(iv) Procurement experiences for large projects

24. All assessed companies have procurement experiences, and have qualified staff with professional background, such as engineering management.

(v) Procurement manual

25. All assessed subborrowers have procurement rules and procedures and four have procurement manuals, in which the guidelines on selection of the suppliers, contract negotiation, tracking of the contract implementation, etc., are included. The one for Blue-G (No. 4) is under preparation, while CECEP Fengqiu (No. 3) has no manual. However, as an SOE, CECEP Fengqiu (No. 3) is conducting procurement through a bidding agency.

Table 4: Summary of feedback by each question for the procurement practices

Questions	Summary of feedback
C.1 Does the procurement unit have a manual for procurement of goods and works?	Three assessed POEs and one SOE have the procurement manuals; Beijing Blue-G (No. 4) and CECEP Fengqiu (No. 3) have no procurement manual.
C.2 Is there a bid evaluation committee (permanent or ad-hoc) established within the IA?	iESLab (No. 1) has a permanent evaluation committee; Three have temporary evaluation committee based on procurement contents: <ul style="list-style-type: none"> ● Shanxi Liheng (No. 2) ● Blue-G (No. 4) ● Shandong Luhai (No. 5) CECEP Fengqiu (No. 3) is conducting procurement through a bidding agency; Ansteel ESCO (No. 6) is conducting its procurement through Ansteel Bidding Co., Ltd., a wholly-owned subsidiary by Ansteel Company, the ad-hoc bid evaluation committee is established according to the nature of projects.
C.3 Is the decision of a bid evaluation committee final or subject to approval by higher authorities within the IA?	Four companies use the result from evaluation committee as the final decision: <ul style="list-style-type: none"> ● iESLab (No. 1) ● Shanxi Liheng (No. 2) ● Blue-G (No. 4) ● Ansteel ESCO (No. 6) Two companies are subject to approval by higher authorities: <ul style="list-style-type: none"> ● CECEP (Fengqiu) (No. 3) ● Shandong Luhai (No. 5)
C.4 Do the commercial practices applied by the IA comply with key procurement principles of open competition, economy, efficiency, fairness and transparency?	Yes. All assessed companies claimed that they are complying with key procurement principles of open competition, economy, efficiency, fairness, and transparency.

Sources: PPTA consultant assessed and summarized, June 2017.

E. Effectiveness

- (i) All the assessed companies have methods to monitor the implementation of the contracts. To this end, many of them manage the contracts through their management system, while a few others follow their own procurement regulations to check contracts implementation from time to time.
- (ii) Usually the procurement department will also monitor the contract implementation and progress before payment. The Finance Unit is also involved in the process periodically (monthly or quarterly) to ensure that payment is made in an appropriate or reasonable manner.
- (iii) All assessed companies have the complaints resolution mechanism in their contract to with suppliers and/or contractors.
- (iv) Furthermore, it also has descriptions concerning the complaints resolution options could always be found in the contract, which stipulate that (a) concerned parties shall, in the first instance, resolve issues through friendly consultations; and (b) if it's not resolved, then concerned parties resort to the court for arbitration.

Table 5: Summary of feedback by each question for the effectiveness

Questions	Summary of feedback
D.1. Is contractual performance systematically monitored and reported?	All claimed that contractual performance is systematically monitored and reported.
D.2. Does the agency monitor and track its contractual payment obligations?	All confirmed that they monitor and track its contractual payment obligations.
D.3. Is a complaints resolution mechanism described in national procurement documents?	All claimed that in the contract terms, a complaints resolution mechanism will be included.
Questions	Summary of feedback
D.4. Is there a formal non-judicial mechanism for dealing with complaints?	All confirmed that there is a formal non-judicial mechanism for dealing with complaints.

Sources: PPTA consultant assessed and summarized, June 2017.

F. Accountability Measures

- All assessed companies confirmed that a set of procurement regulations and written declarations are required for the procurement staff to follow, which includes not only the integrity and ethic standard, but also the commitment of self-discipline during the procurement process. Some entities request the procurement staff and its contractors to sign copies of declarations to avoid fraud and conflict of interest during the procurement process.
- Annual internal compliance review system for the procurement department is established within all assessed companies strictly or less. All assessed POEs conduct review internally.

Table 6: Summary of feedback by each question for the accountability measures

Questions	Summary of feedback
E.1 Is there a standard statement of ethics to which the procurement unit is required to formally commit?	All companies confirmed this.
E.2 Are staff of the procurement unit required to declare any potential integrity violations during the procurement process?	All companies confirmed this.
E.3 Is the performance of the procurement unit subject to annual audit?	All companies confirmed annual internal compliance review system for the procurement unit, and all the contracts are audited internally in an annual basis.

Sources: PPTA consultant assessed and summarized, June 2017.

III. STRENGTHS

- (i) Five out of six assessed subborrowers have existing procurement departments consisting of several full-time staff with adequate background and practical experiences, especially for their previous and existing projects or operation.
- (ii) All assessed subborrowers have procurement regulations and procedures based on the TBL with integration of their own practices and requirements;
- (iii) Five out of six assessed subborrowers have established the procurement referencing systems to manage procurement files and contract implementation records;

- (iv) All assessed subborrowers are more experienced with procurement in civil works, equipment, and materials;
- (v) The contractual performances were monitored by all potential subborrowers, especially the payment related progress is monitored or checked, its financial unit is conducting regularly (monthly or quarterly) monitoring also; and
- (vi) An ethical standard for the procurement department and the entire company has been set up in all assessed subborrowers, together with the annual internal compliance review system.

IV. WEAKNESSES

- (i) All assessed subborrowers don't have experience with ADB project implementation and management, and are not familiar with ADB's procurement principles and regulations;
- (ii) POEs often follow commercial practices during the procurement process, instead of the TBL though open and transparent process claimed by each of them. Only Shanxi Liheng (No.2), CECEP (Fengqiu) (No. 3) and Ansteel ESCO (No. 6) advertise its procurement activities or disclose evaluation criteria, which are emphasized by ADB as key procurement principles of open competition and transparency;
- (iii) Human resources of subborrowers may not be adequate for compliance with additional ADB reporting and monitoring requirements for procurement, iESLab (No. 1) and Shandong Luhai (No. 5) only have two staff each in its procurement division.
- (iv) CECEP (Fengqiu) (No. 3) does not have a procurement department but is under the engineering department in its company. However, all the procurement activities in this company is carried out by a procurement agency based on its needs, which can be considered as low risk;
- (v) Ansteel ESCO (No. 6) does not have a procurement department but is under the engineering department in its company. The company does not carry out the procurement activities but its mother company-Ansteel Company owns a subsidiary-Ansteel Bidding Co., Ltd., to carry out all the procurement activities for the whole group. It noticed that the Ansteel Bidding Co., Ltd. has adequate procurement staff with professional background, and adequate contract management, which can be considered as low risk; and
- (vi) In Shandong Luhai (No. 5), the decision of a bid evaluation is subject to approval by higher authorities within in the company.

V. PROCUREMENT RISK ASSESSMENT AND MANAGEMENT PLAN (P-RAMP)

26. Based on the above-mentioned weaknesses, although not applicable for all potential subborrowers, the possible risks are identified and described, and the mitigation measures are proposed correspondingly in Table 7.

Table 7: Risk Assessment and Management Plan

Risk Description	Mitigation Measures or Risk Management Plan
Number of procurement staff may not meet the needs of procurement activities for the subproject	<ul style="list-style-type: none"> ● Hire qualified procurement staff with professional background
Procurement through commercial practice doesn't advertise on the public media, which is not applying to opening principle	<ul style="list-style-type: none"> ● Require subborrowers to at least advertise on public media locally ● Train subborrowers on project management
Procurement through commercial practice doesn't have an integrated criterion or the bid evaluation is not transparent, and may vary based on past experience and practices.	<ul style="list-style-type: none"> ● Hire experienced consultant/firm to provide advice on evaluation criteria determined before procurement
Lack of experience in corresponding to audit requirement; Little is known regarding work procedures of the audit and focus areas	<ul style="list-style-type: none"> ● Train subborrowers on procurement and financial management to improve their understanding of the requirements and principles of audit ● Hire experienced consultant/firm to provide advice on preparation for audit

Sources: PPTA consultant assessed and summarized, June 2017.

VI. CONCLUSIONS

A. Assessment results

- (i) The procurement risk assessment for one POE-Shanxi Liheng (No. 2) and one SOE-Ansteel ESCO (No.6) are rated low risk based on their suitable organization and adequate staff capacity, appropriate information management system and procurement mechanism;
- (ii) The procurement risk assessment for the three assessed companies (iESLab [No. 1], CECEP [Fengqiu] [No. 3], Blue-G [No. 4]) is rated low to moderate, due to their suitable organization and adequate staff capacity, appropriate information management system and procurement mechanism, but lack of sufficient procurement staff or non-transparent bid evaluation (such as, the final decision of the evaluation committee should be submitted to the higher authorities for final decision);
- (iii) The procurement risk assessment for the one assessed POE (Shandong Luhai [No. 5]) is rated moderate due to its poor staffing in procurement activities, and lack of transparent bid evaluation and the higher authorities are making the final decision for the bid evaluation;
- (iv) The weaknesses for all assessed POEs are lack of ADB project implementation and management, which can be mitigated by means of strengthening capacity, such as trainings or workshops from experienced consultant/firm. Furthermore, CECEP Huayu needs to provide trainings in project management and contract management towards the project implementation.

Table 8: Assessment Results

No.	Criterion	Organizational and Staff Capacity	Information Management	Procurement Practices	Effectiveness	Accountability Measures	OVERALL RISK RATING
1	iESLab Co., Ltd	Low to Moderate	Low	Low	Low	Low to Moderate	Low to Moderate
2	Shanxi Liheng Iron & Steel Co., Ltd	Low	Low	Low	Low	Low	Low
3	CECEP (Fengqiu) Biomass Energy Co., Ltd	Low to Moderate	Low to Moderate	Low to Moderate	Low	Low	Low to Moderate
4	Beijing Blue-G Renewable Energy Technology Co., Ltd	Low	Low	Low to Moderate	Low	Low	Low to Moderate
5	Shandong Luhai Oil Co., Ltd	Low to Moderate	Low to Moderate	Moderate	Low	Low	Moderate
6	Ansteel Company	Low	Low	Low	Low	Low	Low

Sources: PPTA consultant assessed and summarized, June 2017.

B. The overall procurement risk assessment

27. The overall procurement risk assessment is Low to Moderate.

Procurement Capacity Checklist

This checklist works systematically through the procurement cycle identifying key requirements at each stage.

I. Specific Assessment and Ratings

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
Name of the Company		
Checklist filled by:		
Position:		
Tel/Mobile:		
Email:		
A. ORGANIZATIONAL AND STAFF CAPACITY		
A.1. Is there a permanent properly staffed procurement unit in the IA?		
• Number of procurement staff		
• Position of the procurement unit in the company		
• Name of the procurement unit head and years of working experience in procurement		
A.2. Are the number and qualifications of procurement staff sufficient to undertake the procurement under the proposed project?		
A.3. Does the procurement unit undertake procurement in accordance commercial practices in the sector?		
• If the company is not an SOE, does the procurement unit have clear procurement rules and procedures?		
• Please indicate a simplified full procurement procedures		
A.4. Do the commercial practices comply with requirements of national and provincial procurement laws and regulations?		
• If the company is an SOE, does the procurement comply with the Law on Tenders and Bids?		
• Has the procurement unit prepared procurement rules and procedures accordingly?		
B. INFORMATION MANAGEMENT		
B.1. Is there a referencing system for procurement files in the company?		
• If "yes", please indicate how the system is referencing (i.e., by date, by types (civil works, equipment, services, etc.), amount, etc.)		
B.2. Is there adequate equipment and personnel to administer the procurement records management functions?		
• Does the procurement unit or company Archives Department administrate the records?		
• The records are kept in e-file, hard copies or both?		
B.3. Does the procurement unit adhere to a document retention policy (i.e. for what period are records kept)?		

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
B.4. Is there a single contract file with a copy of contracts and all subsequent contractual correspondence?		
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Does the procurement unit have a manual for procurement of goods and works?		
C.2 Is there a bid evaluation committee (permanent or ad-hoc) established within the IA?		
C.3 Is the decision of a bid evaluation committee final or subject to approval by higher authorities within the IA?		
C.4 Do the commercial practices applied by the IA comply with key procurement principles of open competition, economy, efficiency, fairness and transparency?		
D. EFFECTIVENESS		
D.1. Is contractual performance systematically monitored and reported?		
D.2. Does the agency monitor and track its contractual payment obligations?		
D.3. Is a complaints resolution mechanism described in national procurement documents?		
D.4. Is there a formal non-judicial mechanism for dealing with complaints?		
E. ACCOUNTABILITY MEASURES		
E.1. Is there a standard statement of ethics to which the procurement unit is required to formally commit?		
E.2. Are staff of the procurement unit required to declare any potential integrity violations during the procurement process?		
E.3. Is the performance of the procurement unit subject to annual audit?		

II. General Rating

Criterion	Risk
A. Organizational and Staff Capacity	
B. Information Management	
C. Procurement Practices	
D. Effectiveness	
E. Accountability Measures	
OVERALL RISK RATING	

Procurement Capacity Checklist for iESLab

I. Specific Assessment and Ratings

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
Name of the Company	Integrated Electronic Systems Lab Co., Ltd (iESLab)	
Checklist filled by:	Zhao Qi	
Position:	Vice General Manager	
Tel/Mobile:	+86-18653153707	
Email:	zhaoqi@ieslab.cn	
A. ORGANIZATIONAL AND STAFF CAPACITY		
A.1. Is there a permanent properly staffed procurement unit in the IA?	Yes	Low
• Number of procurement staff	2	Moderate
• Position of the procurement unit in the company	Key (also called Material Supply Unit)	Low
• Name of the procurement unit head and years of working experience in procurement	Li Dehai, Manager, 15 years working experience and 2 years experience in this Unit	Low
A.2. Are the number and qualifications of procurement staff sufficient to undertake the procurement under the proposed project?	Yes Procurement staff has 10 years of working experience and 2 years in this Unit	Low
A.3. Does the procurement unit undertake procurement in accordance commercial practices in the sector?	Yes	Low
• If the company is not an SOE, does the procurement unit have clear procurement rules and procedures?	Yes. Procurement Unit has clear procurement rules and procedures, for instance, selection and management of suppliers, management details of supplies, procurement and bidding management	Low
• Please indicate a simplified full procurement procedures	Propose needs – Procurement plan – shopping – price comparison – (contract amount larger than RMB 300,000) – receiving proposal from more than 3 suppliers – proposal evaluation – contract negotiation – contract signing – contract implementation and disbursement; for contract less than CNY 300,000, a price comparing report will be prepared by procurement staff to the Division and Manager for review and decide	Low
A.4. Do the commercial practices comply with requirements of national and provincial procurement laws and regulations?	Yes	Low
• If the company is an SOE, does the procurement comply with the Law on Tenders and Bids?	Not applicable	NA

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
<ul style="list-style-type: none"> Has the procurement unit prepared procurement rules and procedures accordingly? 	Yes	Low
B. INFORMATION MANAGEMENT		
B.1. Is there a referencing system for procurement files in the company?	Yes	Low
<ul style="list-style-type: none"> If "yes", please indicate how the system is referencing (i.e., by date, by types (civil works, equipment, services, etc.), amount, etc.) 	By contract No. (including project name, by types (civil works, equipment and materials), contract signing data	Low
B.2. Is there adequate equipment and personnel to administer the procurement records management functions?	Yes, one full time staff, and sufficient equipment	Low
<ul style="list-style-type: none"> Does the procurement unit or company Archives Department administrate the records? 	Original contract is been kept within the Operation units, procurement unit is keeping the copies, others such as bidding documents, qualifications of suppliers are kept within procurement unit	Low
<ul style="list-style-type: none"> The records are kept in e-file, hard copies or both? 	Both	Low
B.3. Does the procurement unit adhere to a document retention policy (i.e. for what period are records kept)?	Yes, long term	Low
B.4. Is there a single contract file with a copy of contracts and all subsequent contractual correspondence?	Yes, by supplier (including contract, progress payment document, technical negotiation variations, etc)	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Does the procurement unit have a manual for procurement of goods and works?	Yes	Low
C.2 Is there a bid evaluation committee (permanent or ad-hoc) established within the IA?	Permanent	Low
C.3 Is the decision of a bid evaluation committee final or subject to approval by higher authorities within the IA?	Evaluation committee	Low
C.4 Do the commercial practices applied by the IA comply with key procurement principles of open competition, economy, efficiency, fairness and transparency?	Yes	Low
D. EFFECTIVENESS		
D.1. Is contractual performance systematically monitored and reported?	Yes	Low
D.2. Does the agency monitor and track its contractual payment obligations?	Yes. Financial unit also will track quarterly	Low
D.3. Is a complaints resolution mechanism described in national procurement documents?	Yes. Justice institution agreed between two parties is included in the contract.	Low
D.4. Is there a formal non-judicial mechanism for dealing with complaints?	Yes	Low
E. ACCOUNTABILITY MEASURES		

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
E.1. Is there a standard statement of ethics to which the procurement unit is required to formally commit?	Yes	Low
E.2. Are staff of the procurement unit required to declare any potential integrity violations during the procurement process?	Yes	Low
E.3. Is the performance of the procurement unit subject to annual audit?	Yes, annual auditing to be conducted by Financial Unit to all contracts	Low

II. General Rating

Criterion	Risk
A. Organizational and Staff Capacity	Low to Moderate
B. Information Management	Low
C. Procurement Practices	Low
D. Effectiveness	Low
E. Accountability Measures	Low to Moderate
OVERALL RISK RATING	Low to Moderate

Procurement Capacity Checklist for Shanxi Liheng

I. Specific Assessment and Ratings

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
Name of the Company	Shanxi Liheng Steel Group Co.,Ltd	
Checklist filled by:	Gan Dongdong	
Position:	Division Chief, Material Supply Unit	
Tel/Mobile:	+86-15135394667	
Email:	757636712@qq.com	
A. ORGANIZATIONAL AND STAFF CAPACITY		
A.1. Is there a permanent properly staffed procurement unit in the IA?	Yes	Low
• Number of procurement staff	12 (12 staff, including one director, 3 division chiefs, 7 procurement staff and 1 recorder)	Low
• Position of the procurement unit in the company	Key division (Material Supply Unit)	Low
• Name of the procurement unit head and years of working experience in procurement	Liu Xiaojun (direct led by the VP of the company), over 20 years of working experience, with 5 years in this unit	Low
A.2. Are the number and qualifications of procurement staff sufficient to undertake the procurement under the proposed project?	Yes. All procurement staff has professional background. 3 division chiefs have more than 10 years working experience, with 5 years in this unit and other procurement staff all have 3 years working experience in this unit	Low
A.3. Does the procurement unit undertake procurement in accordance commercial practices in the sector?	Yes	Low
• If the company is not an SOE, does the procurement unit have clear procurement rules and procedures?	Yes, it has confirmative regulations and procedures	Low
• Please indicate a simplified full procurement procedures	Procurement list – bidding documents – advertisement in the procurement platform– receiving proposal – proposal evaluation – contract signing – contract implementation and disbursement	Low
A.4. Do the commercial practices comply with requirements of national and provincial procurement laws and regulations?	Yes	Low
• If the company is an SOE, does the procurement comply with the Law on Tenders and Bids?	Not applicable	NA
• Has the procurement unit prepared procurement rules and procedures accordingly?	Yes, the company prepared procurement regulations	Low
B. INFORMATION MANAGEMENT		
B.1. Is there a referencing system for procurement files in the company?	Yes	Low

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
<ul style="list-style-type: none"> If "yes", please indicate how the system is referencing (i.e., by date, by types (civil works, equipment, services, etc.), amount, etc.) 	Searched by Contract No. (including signing date, contract types)	Low
B.2. Is there adequate equipment and personnel to administer the procurement records management functions?	Yes	Low
<ul style="list-style-type: none"> Does the procurement unit or company Archives Department administrate the records? 	Original contract is been kept within the Financial Unit, procurement unit is keeping the copies, others such as bidding documents, qualifications of suppliers are kept within procurement unit	Low
<ul style="list-style-type: none"> The records are kept in e-file, hard copies or both? 	Both	Low
B.3. Does the procurement unit adhere to a document retention policy (i.e. for what period are records kept)?	Yes, long term	Low
B.4. Is there a single contract file with a copy of contracts and all subsequent contractual correspondence?	Yes, all correspondence files along the procurement procedures and contract implementation are kept	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Does the procurement unit have a manual for procurement of goods and works?	Yes	Low
C.2 Is there a bid evaluation committee (permanent or ad-hoc) established within the IA?	Yes, established by technicians and procurement staff and legal staff	Low
C.3 Is the decision of a bid evaluation committee final or subject to approval by higher authorities within the IA?	Approved by bid evaluation committee	Low
C.4 Do the commercial practices applied by the IA comply with key procurement principles of open competition, economy, efficiency, fairness and transparency?	Yes	Low
D. EFFECTIVENESS		
D.1. Is contractual performance systematically monitored and reported?	Yes, the procurement staff is responsible for that	Low
D.2. Does the agency monitor and track its contractual payment obligations?	Yes, procurement staff is tracking and Financial Division has its regular checking monthly	Low
D.3. Is a complaints resolution mechanism described in national procurement documents?	Yes. Justice institution agreed between two parties is included in the contract.	Low
D.4. Is there a formal non-judicial mechanism for dealing with complaints?	Yes	Low
E. ACCOUNTABILITY MEASURES		
E.1. Is there a standard statement of ethics to which the procurement unit is required to formally commit?	Yes, all procurement staff in the unit and all suppliers are subject to sign the commitment letter	Low
E.2. Are staff of the procurement unit required to declare any potential integrity violations during the procurement process?	Yes	Low

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
E.3. Is the performance of the procurement unit subject to annual audit?	Yes, annual auditing to be conducted by financial unit to all contracts	Low

II. General Rating

Criterion	Risk
F. Organizational and Staff Capacity	Low
G. Information Management	Low
H. Procurement Practices	Low
I. Effectiveness	Low
J. Accountability Measures	Low
OVERALL RISK RATING	Low

Procurement Capacity Checklist for CECEP (Fengqiu)

I. Specific Assessment and Ratings

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
Name of the Company	CECEP (Fengqiu) Biomass Energy Co., Ltd	
Checklist filled by:	Li Zhengru	
Position:	Local Representative	
Tel/Mobile:	+86-18625968839	
Email:	ceceplzr@126.com	
A. ORGANIZATIONAL AND STAFF CAPACITY		
A.1. Is there a permanent properly staffed procurement unit in the IA?	Procurement function is not in a separate unit but under Engineering Unit.	Moderate
• Number of procurement staff	5 staff. 1 procurement manager, 3 procurement staff and 1 archiving staff	Low
• Position of the procurement unit in the company	Under Engineering Unit	Low
• Name of the procurement unit head and years of working experience in procurement	Xie Wenyi, Bachelor in Chemical Engineering, over 10 years procurement experience	Low
A.2. Are the number and qualifications of procurement staff sufficient to undertake the procurement under the proposed project?	Yes. All procurement staff has professional background, such as agricultural science, civil engineering, cost engineering and computer science.	Low
A.3. Does the procurement unit undertake procurement in accordance commercial practices in the sector?	Yes. The Company is a wholly-owned subsidiary of CECEP Green-carbon Environmental Protection Co., Ltd, belongs to a state-owned company	Low
• If the company is not an SOE, does the procurement unit have clear procurement rules and procedures?		
• Please indicate a simplified full procurement procedures	Procurement agency issues the advertisement – suppliers selection from more than 3 bidders – bidding evaluation by Evaluation Committee – contract signing – contract implementation and disbursement	Low
A.4. Do the commercial practices comply with requirements of national and provincial procurement laws and regulations?	Yes	Low
• If the company is an SOE, does the procurement comply with the Law on Tenders and Bids?	Yes	Low
• Has the procurement unit prepared procurement rules and procedures accordingly?	Yes, the company formulated procurement implementation guidelines	Low
B. INFORMATION MANAGEMENT		
B.1. Is there a referencing system for procurement files in the company?	No	Moderate

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
<ul style="list-style-type: none"> If "yes", please indicate how the system is referencing (i.e., by date, by types (civil works, equipment, services, etc.), amount, etc.) 		
B.2. Is there adequate equipment and personnel to administer the procurement records management functions?	Yes, filing clerk is taking care of the procurement contract management. The company has reference room.	Low
<ul style="list-style-type: none"> Does the procurement unit or company Archives Department administrate the records? 	The original contract is archived by the Administrative Office, the Engineering Division keeps copies. Other documents are managed by the Engineering Division	Low
<ul style="list-style-type: none"> The records are kept in e-file, hard copies or both? 	Both	Low
B.3. Does the procurement unit adhere to a document retention policy (i.e. for what period are records kept)?	Yes, long-term kept	Low
B.4. Is there a single contract file with a copy of contracts and all subsequent contractual correspondence?	Yes, all contracts are filed separately. All the information, document and technical negotiation and variations will be placed in the same information booklet for future reference	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Does the procurement unit have a manual for procurement of goods and works?	No	High
C.2 Is there a bid evaluation committee (permanent or ad-hoc) established within the IA?	No, the specialists are outsourced to become an evaluation committee	Low
C.3 Is the decision of a bid evaluation committee final or subject to approval by higher authorities within the IA?	Yes, also need to report to the higher level	Low
C.4 Do the commercial practices applied by the IA comply with key procurement principles of open competition, economy, efficiency, fairness and transparency?	Yes	Low
D. EFFECTIVENESS		
D.1. Is contractual performance systematically monitored and reported?	Yes	Low
D.2. Does the agency monitor and track its contractual payment obligations?	Yes	Low
D.3. Is a complaints resolution mechanism described in national procurement documents?	Yes	Low
D.4. Is there a formal non-judicial mechanism for dealing with complaints?	Yes	Low
E. ACCOUNTABILITY MEASURES		
E.1. Is there a standard statement of ethics to which the procurement unit is required to formally commit?	Yes, all procurement staff and long-term suppliers sign the anti-corruption commitment letters.	Low
E.2. Are staff of the procurement unit required to declare any potential integrity violations during the procurement process?	Yes, procurement staff sign the anti-corruption commitment letter	Low

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
E.3. Is the performance of the procurement unit subject to annual audit?	Yes, all the contracts will be audited, any payment and contract variations shall be approved.	Low

II. General Rating

Criterion	Risk
A. Organizational and Staff Capacity	Low to Moderate
B. Information Management	Low to Moderate
C. Procurement Practices	Low to Moderate
D. Effectiveness	Low
E. Accountability Measures	Low
OVERALL RISK RATING	Low to Moderate

Procurement Capacity Checklist for Beijing Blue-G

I. Specific Assessment and Ratings

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
Name of the Company	Beijing Blue-G Renewable Energy Technology Co., Ltd	
Checklist filled by:	Huang Daqian	
Position:	Financial Manager	
Tel/Mobile:	+86-13911881551	
Email:	daqian@bluetech.com	
A. ORGANIZATIONAL AND STAFF CAPACITY		
A.1. Is there a permanent properly staffed procurement unit in the IA?	Yes, one procurement manager and three procurement staff	Low
• Number of procurement staff	4	Low
• Position of the procurement unit in the company	Procurement Unit is under the Production Unit, and the procurement manager is also the manager of Production Unit	Low
• Name of the procurement unit head and years of working experience in procurement	Procurement manager, 10 years working experience (1 year in this Unit); 3 Procurement staff, with 5-10 years working experience (1-3 years in this Unit)	Low
A.2. Are the number and qualifications of procurement staff sufficient to undertake the procurement under the proposed project?	Yes. All of them have professional background.	Low
A.3. Does the procurement unit undertake procurement in accordance commercial practices in the sector?	Yes	Low
• If the company is not an SOE, does the procurement unit have clear procurement rules and procedures?	Yes	Low
• Please indicate a simplified full procurement procedures	1. Technical division proposes procurement needs; 2. Approve the procurement needs; 3. Procurement unit select suitable supplier; 4. For contract amount more than CNY 1 million shall have more than 3 suppliers for bidding; 5. For contract amount less than CNY 1 million, the procurement staff shall propose selected supplier to the Manager for review and decide; 6. Contract implementation and payment arrangement	Moderate
A.4. Do the commercial practices comply with requirements of national and provincial procurement laws and regulations?	Yes	Low

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
<ul style="list-style-type: none"> If the company is an SOE, does the procurement comply with the Law on Tenders and Bids? 	Not applicable	NA
<ul style="list-style-type: none"> Has the procurement unit prepared procurement rules and procedures accordingly? 	Yes	Low
B. INFORMATION MANAGEMENT		
B.1. Is there a referencing system for procurement files in the company?	Yes	Low
<ul style="list-style-type: none"> If "yes", please indicate how the system is referencing (i.e., by date, by types (civil works, equipment, services, etc.), amount, etc.) 	By project contract (including data and contract types)	Low
B.2. Is there adequate equipment and personnel to administer the procurement records management functions?	Yes. All contracts have been kept by the filing clerk	Low
<ul style="list-style-type: none"> Does the procurement unit or company Archives Department administrate the records? 	Company Archives Division	Low
<ul style="list-style-type: none"> The records are kept in e-file, hard copies or both? 	Both	Low
B.3. Does the procurement unit adhere to a document retention policy (i.e. for what period are records kept)?	Yes, long-term	Low
B.4. Is there a single contract file with a copy of contracts and all subsequent contractual correspondence?	Yes	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Does the procurement unit have a manual for procurement of goods and works?	Under preparation	Moderate
C.2 Is there a bid evaluation committee (permanent or ad-hoc) established within the IA?	Yes, ad-hoc. Procurement manager and financial manager are the member of evaluation committee, depends on the situation, technical staff will be nominated to participate	Low
C.3 Is the decision of a bid evaluation committee final or subject to approval by higher authorities within the IA?	Yes	Low
C.4 Do the commercial practices applied by the IA comply with key procurement principles of open competition, economy, efficiency, fairness and transparency?	Yes	Low
D. EFFECTIVENESS		
D.1. Is contractual performance systematically monitored and reported?	Yes	Low
D.2. Does the agency monitor and track its contractual payment obligations?	Yes	Low
D.3. Is a complaints resolution mechanism described in national procurement documents?	Yes	Low
D.4. Is there a formal non-judicial mechanism for dealing with complaints?	Yes	Low

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
E. ACCOUNTABILITY MEASURES		
E.1. Is there a standard statement of ethics to which the procurement unit is required to formally commit?	Yes, all procurement staff sign the anti-corruption commitment letters.	Low
E.2. Are staff of the procurement unit required to declare any potential integrity violations during the procurement process?	Yes, procurement staff sign the anti-corruption commitment letter	Low
E.3. Is the performance of the procurement unit subject to annual audit?	Yes, all the contracts will be audited by Financial Unit	Low

II. General Rating

Criterion	Risk
A. Organizational and Staff Capacity	Low
B. Information Management	Low
C. Procurement Practices	Low to Moderate
D. Effectiveness	Low
E. Accountability Measures	Low
OVERALL RISK RATING	Low to Moderate

Procurement Capacity Checklist for Shandong Luhai

I. Specific Assessment and Ratings

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
Name of the Company	Shandong Luhai Oil Co., Ltd	
Checklist filled by:	Liu Yanfeng	
Position:	Manager of Material Supply Unit	
Tel/Mobile:	+86-534-6120126/+86-13853457559	
Email:		
A. ORGANIZATIONAL AND STAFF CAPACITY		
A.1. Is there a permanent properly staffed procurement unit in the IA?	Yes, one procurement manager and one procurement staff	Moderate
• Number of procurement staff	2	
• Position of the procurement unit in the company	Key unit	Low
• Name of the procurement unit head and years of working experience in procurement	Liu Yanfeng, Manager; 6 years experience; Procurement staff, 4 years working experience, with 2 years in this Unit	Low
A.2. Are the number and qualifications of procurement staff sufficient to undertake the procurement under the proposed project?	Yes, both have professional background	Low
A.3. Does the procurement unit undertake procurement in accordance commercial practices in the sector?	Yes	Low
• If the company is not an SOE, does the procurement unit have clear procurement rules and procedures?	Yes	Low
• Please indicate a simplified full procurement procedures	Propose procurement needs - Approve the procurement needs - Procurement unit select suitable supplier – contract signing - contract implementation and payment arrangement	Moderate
A.4. Do the commercial practices comply with requirements of national and provincial procurement laws and regulations?	Yes	Low
• If the company is an SOE, does the procurement comply with the Law on Tenders and Bids?	Not applicable	NA
• Has the procurement unit prepared procurement rules and procedures accordingly?	Yes	Low
B. INFORMATION MANAGEMENT		
B.1. Is there a referencing system for procurement files in the company?	Yes	Low
• If “yes”, please indicate how the system is referencing (i.e., by date, by types (civil works, equipment, services, etc.), amount, etc.)	Searched by dates	Low

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
B.2. Is there adequate equipment and personnel to administer the procurement records management functions?	Yes, one staff is responsible for managing those contracts and records	Low
<ul style="list-style-type: none"> Does the procurement unit or company Archives Department administrate the records? 	Original contract is been kept within the Administrative Unit, procurement unit is keeping the copies, others such as bidding documents, qualifications of suppliers are kept within procurement unit	Low
<ul style="list-style-type: none"> The records are kept in e-file, hard copies or both? 	Hard copies	Moderate
B.3. Does the procurement unit adhere to a document retention policy (i.e. for what period are records kept)?	Yes, long term	Low
B.4. Is there a single contract file with a copy of contracts and all subsequent contractual correspondence?	Yes, all correspondence files along the procurement procedures and contract implementation are kept under the same file	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Does the procurement unit have a manual for procurement of goods and works?	No	Moderate
C.2 Is there a bid evaluation committee (permanent or ad-hoc) established within the IA?	Yes, ad-hoc	Low
C.3 Is the decision of a bid evaluation committee final or subject to approval by higher authorities within the IA?	No, subject to approval by higher authorities	High
C.4 Do the commercial practices applied by the IA comply with key procurement principles of open competition, economy, efficiency, fairness and transparency?	Yes	Low
D. EFFECTIVENESS		
D.1. Is contractual performance systematically monitored and reported?	Yes	Low
D.2. Does the agency monitor and track its contractual payment obligations?	Yes. Financial unit also will track quarterly	Low
D.3. Is a complaints resolution mechanism described in national procurement documents?	Yes. Justice institution agreed between two parties is included in the contract.	Low
D.4. Is there a formal non-judicial mechanism for dealing with complaints?	Yes	Low
E. ACCOUNTABILITY MEASURES		
E.1. Is there a standard statement of ethics to which the procurement unit is required to formally commit?	Yes, it is included in the company procedure files	Low
E.2. Are staff of the procurement unit required to declare any potential integrity violations during the procurement process?	Yes	Low
E.3. Is the performance of the procurement unit subject to annual audit?	Yes, Financial Unit audits all contracts annually. Any payment and contract variations shall be approved.	Low

II. General Rating

Criterion	Risk
A. Organizational and Staff Capacity	Low to Moderate
B. Information Management	Low to Moderate
C. Procurement Practices	Moderate
D. Effectiveness	Low
E. Accountability Measures	Low
OVERALL RISK RATING	Moderate

Procurement Capacity Checklist for Ansteel ESCO

I. Specific Assessment and Ratings

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
Name of the Company	An Steel Company-Energy-saving Technology Service Co., Ltd	
Checklist filled by:	Ma Hongfeng	
Position:	Director, Engineering Division	
Tel/Mobile:	+86-412-6728276/+86-15140813199	
Email:	asagin@163.com	
A. ORGANIZATIONAL AND STAFF CAPACITY		
A.1. Is there a permanent properly staffed procurement unit in the IA?	No procurement unit in the company. However, all the procurement activities for Ansteel Company are carried out by its wholly-owned subsidiary – Ansteel Bidding Co., Ltd. Energy-saving Technology Service Co., Ltd has its procurement staff to work on the procurement with the Bidding Co., Ltd	Low
• Number of procurement staff	5	Low
• Position of the procurement unit in the company	All the procurement activities for Ansteel Company are carried out by its wholly-owned subsidiary – Ansteel Bidding Co., Ltd.	Low
• Name of the procurement unit head and years of working experience in procurement	Unit head: Ma Hongtao, senior engineer, and take responsible for the Engineering Division and procurement work; The key person to liaison with the Bidding Co., Ltd: Lin Yuzhong, senior engineer, he has 21 years of working experience and more than 3 years in the Unit	Low
A.2. Are the number and qualifications of procurement staff sufficient to undertake the procurement under the proposed project?	Yes. Ansteel Bidding Co., Ltd has 102 staff, all owned bachelor degree or above, and 90% of them have intermediate or higher grade professional certificate.	Low
A.3. Does the procurement unit undertake procurement in accordance commercial practices in the sector?	Yes	
• If the company is not an SOE, does the procurement unit have clear procurement rules and procedures?	NA	

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
<ul style="list-style-type: none"> Please indicate a simplified full procurement procedures 	Procurement staff from Energy-saving Technology Service Co., Ltd proposes procurement needs to its management for approval - submit to the Bidding Co., Ltd for issuing the advertisement (7-20 days) – evaluation committee (select specialists randomly from its database) evaluates the proposal and prepare an evaluation report-sign off the evaluation report-award the contract-contract signing-payment	Low
A.4. Do the commercial practices comply with requirements of national and provincial procurement laws and regulations?	Yes	Low
<ul style="list-style-type: none"> If the company is an SOE, does the procurement comply with the Law on Tenders and Bids? 	Yes	Low
<ul style="list-style-type: none"> Has the procurement unit prepared procurement rules and procedures accordingly? 	Yes	Low
B. INFORMATION MANAGEMENT		
B.1. Is there a referencing system for procurement files in the company?	Yes	Low
<ul style="list-style-type: none"> If “yes”, please indicate how the system is referencing (i.e., by date, by types (civil works, equipment, services, etc.), amount, etc.) 	By date and types	Low
B.2. Is there adequate equipment and personnel to administer the procurement records management functions?	Yes	Low
<ul style="list-style-type: none"> Does the procurement unit or company Archives Department administrate the records? 	All contracts are kept by the Archives Department	Low
<ul style="list-style-type: none"> The records are kept in e-file, hard copies or both? 	Yes	Low
B.3. Does the procurement unit adhere to a document retention policy (i.e. for what period are records kept)?	Yes, for 30 years	Low
B.4. Is there a single contract file with a copy of contracts and all subsequent contractual correspondence?	Yes, it is kept in a single contract file, including bidding documents, contract, technical negotiations, processing documents, etc	Low
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Does the procurement unit have a manual for procurement of goods and works?	Yes	Low
C.2 Is there a bid evaluation committee (permanent or ad-hoc) established within the IA?	No, it is ad-hoc evaluation committee determined according to each type of project	Low

QUESTION	RESPONSE: 'YES' OR 'NO' WITH BRIEF COMMENTS	RISK
C.3 Is the decision of a bid evaluation committee final or subject to approval by higher authorities within the IA?	Yes, but also need to be signed off by the management	Low
C.4 Do the commercial practices applied by the IA comply with key procurement principles of open competition, economy, efficiency, fairness and transparency?	Yes	Low
D. EFFECTIVENESS		
D.1. Is contractual performance systematically monitored and reported?	Yes	Low
D.2. Does the agency monitor and track its contractual payment obligations?	Yes	Low
D.3. Is a complaints resolution mechanism described in national procurement documents?	Yes	Low
D.4. Is there a formal non-judicial mechanism for dealing with complaints?	Yes	Low
E. ACCOUNTABILITY MEASURES		
E.1. Is there a standard statement of ethics to which the procurement unit is required to formally commit?	Yes, all procurement staff should sign the ethics standard statement	Low
E.2. Are staff of the procurement unit required to declare any potential integrity violations during the procurement process?	Yes	Low
E.3. Is the performance of the procurement unit subject to annual audit?	Yes, and all the contract will be audited annually	Low

II. General Rating

Criterion	Risk
A. Organizational and Staff Capacity	Low
B. Information Management	Low
C. Procurement Practices	Low
D. Effectiveness	Low
E. Accountability Measures	Low
OVERALL RISK RATING	Low