

Procurement Risk Assessment (Draft)

Project number: 48274
July 2017

PRC: Shanxi Urban–Rural Water Source Protection and Environmental Demonstration Project

Prepared by the project preparatory technical assistance consultants in coordination with the Zuoquan County People's Government for the Asian Development Bank

CURRENCY EQUIVALENTS

(as of 24 July 2017)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1482
\$1.00	=	CNY6.7457

ABBREVIATIONS

ADB	–	Asian Development Bank
EMP	–	environment management plan
ha	–	hectare
IEE	–	initial environmental examination
LIBOR	–	London interbank offered rate
LID	–	low-impact development
km	–	kilometer
m ³	–	cubic meter
<i>mu</i>	–	a Chinese unit of land measurement (1 mu = 1/15 ha)
O&M	–	operation and maintenance
PAM	–	project administration manual
PRC	–	People's Republic of China
SPG	–	Shanxi Provincial Government
SPS	–	Safeguard Policy Statement
ZCG	–	Zuoquan County Government

NOTE

In this report, "\$" refers to US dollars.

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**People's Republic of China:
Shanxi Urban–Rural Water Source Protection
and Environmental Demonstration Project**

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EXECUTIVE SUMMARY

1. Overall, the project procurement risk is moderate. The main weaknesses identified are that (i) the Zuoquan County project management office (PMO) are understaffed, with insufficient experienced personnel to conduct all procurements and consultant recruitments for the project; and (ii) there are some inconsistencies in the procurement practices between the Asian Development Bank (ADB) and the Zuoquan County Government (ZCG). These risks are being and will be mitigated as (i) the Zuoquan County PMO has committed to fulfill ADB's requirements for all procurements and consultant recruitments for the project; (ii) capacity development has been included in the project; and (iii) support for procurements and consultant recruitments will be provided by procurement consultants, a procurement agency, the ZCG procurement management office, and the ZCG procurement center under the the ZCG procurement management office.

I. Introduction

2. This report contains findings and observations of a project procurement risk assessment for the Shanxi Urban–Rural Water Source Protection and Environmental Demonstration Project. The project will conduct (i) water source protection of the Qingzhang headwaters by re-forestation, improvement of the reservoir spillway gate and construction of flood discharge tunnel, and monitoring system development; (ii) Qingzhang River rehabilitation and integrated low-impact facilities by river dredging, ecological restoration, wetland construction, water front facility development, and urban road expansion with low-impact design facilities; and (iii) inclusive water supply and wastewater collection services by building water supply facilities, sewer, and drainage pipelines; and expanding the wastewater treatment plant. The assessment was prepared in accordance with the Guide on Assessing Procurement Risks and Determining Project Procurement Classification (the Guide).¹

3. Preparatory activities included review of project documents; ADB's ongoing procurement experiences in the People's Republic of China (PRC); a procurement capacity risk assessment using the project procurement risk assessment questionnaire provided in the Guide; in-depth discussions with the Zuoquan County PMO established in ZCG, the executing agency (EA); and the project implementation units (PIUs) established in four implementing agencies (IAs). The completed project procurement risk assessment questionnaire is presented in Appendix 1.

II. Country Procurement Systems

4. Currently, public procurements in the PRC are governed by two laws: the Tendering and Bidding Law and the Government Procurement Law. The Tendering and Bidding Law was approved by the People's Congress and promulgated by the President on 30 August 1999. It became effective on 1 January 2000. On 12 December 2011, the State Council promulgated the Regulation on Implementation of the Law of the PRC on Tendering and Bidding that became effective on 1 February 2012. The Government Procurement Law was promulgated on 29 June 2002 and became effective 1 January 2003. It covers requirements for procurements of central and subcentral government-financed goods, civil works, and services.

5. The Shanxi Provincial Government (SPG) has also developed various guidelines for implementing the Tendering and Bidding Law in different sectors, including the (i) Shanxi Province Building Projects Tendering and Bidding Management Guidelines (effective on 23 June 1995); (ii)

¹ ADB. 2014. *Guide on Assessing Procurement Risks and Determining Project Procurement Classification*. Manila.

Shanxi Province Water Resource Projects Tendering and Bidding Management Guidelines (1 February 2007); (iii) Shanxi Province Highway Projects Tendering and Bidding Management Guidelines (Trial, 2011); (iv) Communication Projects Tendering and Bidding Management Guidelines (effective on 1 July 2014); (v) Shanxi Province Building and Infrastructure Projects Tendering and Bidding Implementation Rules (Trial 2001); etc.

6. The following issues of general procurement environment in the PRC tend to increase procurement risk for this project:

- (i) Consulting services are not clearly addressed in the two national procurement laws;
- (ii) The national procurement laws are not clear for participation of state-owned enterprises;
- (iii) The laws and regulations do not require collection of nationwide statistics on procurement, and consolidated historical procurement data are not readily available to the public; and
- (iv) Comprehensive training program is not available by executing agencies for procurement accreditation or professionalization in the PRC.

7. For the PRC, the country and sector procurement risk preliminary rated by ADB is medium.

PROJECT PROCUREMENT CLASSIFICATION

8. Project procurement classification was not conducted at the concept stage of the project. Based on analysis in Table 1, category B is proposed for the project.

Table 1: Project Procurement Classification

Characteristic	Assessor's Comments and Finding Summary
Is the Procurement Environment Risk for this project assessed as "High" based on the country and sector/agency risk assessments? according to	No.
Are multiple (typically more than three) and/or diverse Executing Agencies (EAs) and/or Implementing Agencies (IAs) envisaged during project implementation? Do EAs/IAs lack prior experience in the Asian Development Bank (ADB) project implementation?	No. There is one EA and three IAs for the project. Yes. They lack prior experience in ADB project implementation.
Are multiple contract packages and/or complex and high-value contracts expected (compare to recent donor projects in the developing member country (DMC))?	Yes. There are multiple contract packages, but are not complex or high-value contracts (even the highest contract value is around \$29.9 million).
Does the project plan to use innovative contracts (public-private partnership, Performance-based, Design and Build, operation and maintenance, etc.)?	No.
Are contracts distributed in more than three geographical locations?	No. The project will be implemented in and around the Shixia Reservoir and in the Zuoquan County only.

Characteristic	Assessor's Comments and Finding Summary
Are there significant ongoing contractual and/or procurement issues under the ADB- (or other donor) funded projects? Has misprocurement been declared in the DMC?	No. ADB projects have been implemented for either the EA or the IAs. No misprocurement declared for the EA and the IAs have been identified.
Does the DMC have prolonged procurement lead times, experience implementation delays, or otherwise consistently fail to meet procurement timeframes?	No. For the past ADB- and World Bank-funded projects, procurement lead time tends to be shorter than other DMCs, probably because of the use of procurement agencies.
Do EAs/IAs lack capacity to manage new and ongoing procurement? Have EAs/IAs requested ADB for procurement support under previous projects?	No. But additional training will still be needed for updating ADB's requirements and improving procurement performance of the Zuoquan County project management office which will conduct all procurements and consultant recruitments for the project with support from all the IAs.
OVERALL PROJECT CATEGORIZATION RECOMMENDED:	B

Source: Asian Development Bank.

III. Project Procurement Risk Assessment

A. Overview

1. Organizational and Staff Capacity

9. The executing agency (EA) for the project is ZCG. There are three IAs in the project: the Zuoquan Housing Security, and Urban and Rural Construction and Management Bureau (ZHCB, IA1); the Zuoquan Shixia Reservoir Management Office (ZSRMO, IA2); and the Zuoquan Water Resource Bureau (ZWRB, IA3). A project leading group (PLG) chaired by the Executive Vice Mayor and consisting of representatives of key agencies of ZCG and also the IAs has been established in ZCG. The Zuoquan County PMO has been established under the Zuoquan Development and Reform Commission (ZDRC). In each of the IAs, the Project Implementation Office (PIO) has been established to manage the project implementations. The PIOs report to the IAs, who then report to the Zuoquan County PMO. The Zuoquan County PMO reports to the PLG and ZCG. The Zuoquan County PMO conducts the overall project management under guidance of the PLG, and directly communicates with ADB.

10. The Engineering Office of the Zuoquan County PMO will coordinate all procurements and consultant recruitments together with a procurement agency and with supports from procurement consultants engaged for the project and each IA. The ZCG Procurement Center, commissioned by the ZCG Procurement Management Office, will provide overall guidance and supervision. Currently, the Zuoquan County does not have a public resource trading center. A recent notice issued by SPG (SPG 2015, No.80, issued on 14 August 2015) requires that the public resource transaction platforms should be consolidated by 2016 in the province. It is possible that there will be such facilities developed or arranged during project implementation. The Zuoquan County Audit Bureau audits all procurement-related transactions annually, or as necessary.

11. The Zuoquan County PMO is currently staffed with three full-time staff and four part-time staff; and more staff will be recruited, as needed. The three IAs will provide support with part-time procurement staff who have experience in domestic procurements. Staff of the Zuoquan County PMO and the IAs have experience in domestic procurements, but do not have experience in procurements or consultant recruitments for foreign-funded projects. However, a procurement agency and procurement consultants will provide professional services and technical assistances; and ensure that procurements and consultant recruitments for the project will fulfill ADB's requirements.

2. Information Management

12. The Zuoquan County PMO and the IAs have designated personnel and sufficient space and equipment for information management, including record keeping.

3. Procurement Practices

13. The following differences in procurement practices were noted between ADB and ZCG:

- (i) Minimum advertising period is only 20 days or sometimes even lower for domestic procurements in ZCG, against 42 days for international competitive bidding (ICB) and 30 days for national competitive bidding (NCB) required by ADB; and
- (ii) Bid securities are often remitted by cash, which is the most preferred option for most procuring entities in the PRC.

14. For consultant recruitments in ZCG, most consultant selection committee (CSC) members are selected by tendering agencies. However, it is likely that randomly selected CSC members are unfamiliar with the project and ADB's requirements for consulting services, which might cause delays in the selection.

15. The Zuoquan County PMO has agreed to adhere to ADB's requirements for procurement of works and goods, and consultant recruitments for this project.

4. Effectiveness

16. Since it was established only recently, the Zuoquan County PMO does not have records for an assessment of its effectiveness. Records of procurements conducted by key agencies of the IAs where the PIOs have been established show that procurements have been effectively conducted. The Zuoquan County PMO will inherit those agencies' experience through part-time staff that the PIOs will provide, and also the experience of other agencies in ZCG through other staff who have experience in domestic procurements and consultant recruitments in ZCG.

5. Accountability Measures

17. The ZCG procurement management office will supervise all procurement activities, ensure compliance of the procurement process with regulations, and ensure that information disclosure requirements are followed. The ZCG procurement center under the ZCG procurement management office will organize all procurement documents, and records all bid opening and evaluation processes. Bid opening and evaluation for procurements and consulting services for the project will be conducted in facilities with CCTV cameras to assure transparent and fair procurements and consultant recruitments for the project. The Zuoquan County Audit Bureau audits all procurement-related transactions annually, or as necessary. General public,

private sectors, and peoples' organizations can submit complaints to the Zuoquan County PMO and/or oversight agencies.

18. Accountability is strengthened by provisions of the PRC's laws and regulations on sanctions against anticorruption for both bidders and government staff. Moreover, Article 44 of the Tendering and Bidding Law and Article 62 of the Government Procurement Law provide ethical standards for procurement personnel.

B. Strengths

19. A procurement specialist of the project preparatory technical assistance (PPTA) consultant team has provided the full-time staff of the Zuoquan County PMO and also the IAs staff with training on ADB's procurement and consultant recruitment procedures. At project start-up and during project implementation, procurement consultants will continue such training. The procurement consultants and a procurement agency will provide the Zuoquan County PMO with professional services and technical assistances, and ensure that procurements and consultant recruitments for the project will fulfill ADB's requirements.

20. The ZCG procurement management office and the ZCG procurement center under the ZCG procurement management office will provide supervision and necessary facility to facilitate the procurement processes. This agency is experienced with domestic procurement activities to ensure that relevant PRC laws for procurement will be followed to comply with ethical standards for both bidders and the government staff.

21. The IAs will provide necessary experienced supporting staff to assist the Zuoquan County PMO in procurement activities during implementation. The Zuoquan County PMO and the IAs have committed to fulfill ADB's requirements for all procurements and consultant recruitments for the project.

C. Weaknesses

22. Currently, the Zuoquan County PMO established engineering office staffed with two part-time engineers to coordinate all procurement activities. Although support will be provided by the IAs, the staff of the Zuoquan County PMO is inadequate in coordinating the procurement in terms of number and experiences. In addition, these staff will not have the experience in procurements or consultant recruitments for foreign-funded projects.

23. Currently, the Zuoquan County PMO has very limited experience in consultant recruitment.

24. In addition, there are differences in the procurement practices between ADB and ZCG.

D. Procurement Risk Assessment and Management Plan

25. The Project Procurement Risk Assessment and Management Plan in Table 2 has been prepared based on the procurement risk assessment questionnaire in Appendix 1, following the Guide.

Table 2: Project Procurement Risk Assessment and Management Plan

SL No.	Risk	Risk Assessment			Mitigation Measures or Risk Management Plan
		Impact	Likelihood	Risk	
A16, A17	The Zuoquan County project management office (PMO) has insufficient qualified staff to efficiently undertake procurements required to implement the project.	High	Likely	High	<p>Mitigation:</p> <ul style="list-style-type: none"> - The Zuouquan County Government (ZCG) has agreed to provide sufficient staff for the PMO. - An Engineering Office will be established within the PMO to coordinate all the relevant procurement activities. - The individual procurement consultant will provide staff of the PMO with training on procurements and consultant recruitments for projects of the Asian Development Bank (ADB) at project start-up. - A procurement consultant of the project management support consultant team will continue such training. - The individual procurement consultant, the procurement consultant of the project management support consultant team, and the procurement agency will help the PMO conduct procurements and consultant recruitments for the project. - ADB will continue to give guidance and instructions to the PMO staff.
A.6 A.9	The Zuoquan County PMO has insufficient qualified staff to efficiently undertake procurements required to implement the project.	Low	Likely	Substantial	<p>Mitigation:</p> <ul style="list-style-type: none"> - The individual procurement consultant, the procurement consultant of the project management support consultant team, and the procurement agency will help the PMO conduct procurements and consultant recruitments for the project. - The individual procurement consultant will provide the PMO staff with training on procurements and consultant recruitments for the ADB projects at project start-up. - A procurement consultant of the project management support consultant team will continue such training.

SL No.	Risk	Risk Assessment			Mitigation Measures or Risk Management Plan
		Impact	Likelihood	Risk	
					Monitoring: - ADB will closely monitor the Engineering Office's procurement and consultant recruitment activities.
A.19 A.24 C.1 C.2 C.5 C.8 C.9 C.11 C.12 C.14 C.22 C.23 C.24 C.27 C.28 C.29 C.31 C.32 C.39 C.40 C.41 C.42 C.43 C.44 E.4 E.5 E.6	The implementing agency (IA) does not promote non-discriminatory participation and transparent tender processes, or other non-compliance with ADB's procurement guidelines.	High	Unlikely	Substantial	Mitigation: - ZCG, the PMO, and the IAs have promised to follow relevant ADB procedures and requirements. - With help from the individual procurement consultant and the procurement agency, the PMO will prepare manuals for procurements and consultant recruitments which fulfill ADB's requirements for non-discriminatory participation and transparent bidding processes at project start-up. - The individual procurement consultant and the procurement consultant of the project management support consultant team will provide training on procurement and consultant recruitment at project start-up and during project implementation. - The individual procurement consultant, the procurement consultant of the project management support consultant team, and the procurement agency will help the PMO conduct procurements and consultant recruitments. - ADB will continue to give guidance and instructions to the PMO. Monitoring: - ADB will closely monitor the Engineering Office's procurement and consultant recruitment activities.
E.4 E.5 E.6	The IA has inadequate ethics and anticorruption measures in place.	High	Unlikely	Substantial	Mitigation: - ADB continues to remind the PMO for compliance with ADB's Anticorruption Policy. Monitoring: - ADB will monitor compliance with ADB's Anticorruption Policy, through periodical missions and close review

SL No.	Risk	Risk Assessment			Mitigation Measures or Risk Management Plan
		Impact	Likelihood	Risk	
					of procurement and consultant recruitment documents.
Overall				Moderate	<p>High risk has only been identified on the PMO staffing. However, ZCG has promised to provide sufficient staffing to the PMO who will be assisted by the IA staff, individual consultants, and the implementation consultant.</p> <p>For only some items, substantial risks have been identified. However, these risks are mostly due to unfamiliarity with ADB's procedures and requirements. With proper mitigation measures, such as trainings and employing a procurement agent and project management consultants (including procurement specialists), these risks can be mitigated.</p> <p>For other items, risk is low.</p>

Source: Asian Development Bank.

IV. Project Specific Procurement Thresholds

A. Procurement Method Thresholds

26. The applicable thresholds are in Table 3.

Table 3: Procurement Method Thresholds

Method	Threshold (\$)
Works	
International Competitive Bidding	> \$40.0 million ^a
National Competitive Bidding	>= \$ 0.1 million and <= \$40.0 million
Shopping	< \$ 0.1 million
Goods	
International Competitive Bidding	> \$5.0 million ^b
National Competitive Bidding	>= \$0.1 million and <= \$5.0 million
Shopping	< \$0.1 million

^a The Asian Development Bank's (ADB) Project Administration Instructions (PAI) 3.03 provides the international competitive bidding (ICB) threshold for works for the People's Republic of China (PRC) between \$30 million and \$40 million. The lower end of this range (\$40 million) is proposed for this project.

^b ADB's PAI 3.03 provides ICB threshold for goods for the PRC of a range from \$3 million to \$10 million. The lower end of this range (\$5 million) is proposed for this project.

Source: Asian Development Bank.

B. Procurement Supervision Thresholds

27. ADB's project administration instructions 3.02 provides a range of ADB's prior review threshold for each procurement risk level (low, medium, and high). The procurement risk level established for the PRC is medium risk; and the range of ADB's prior review threshold for medium

risk for works, plant, and goods is up to \$10 million. Since the PRC is a large country, the higher end of the threshold range (\$10 million) is proposed as ADB's prior review threshold for this project.

Procurement of Goods and Works		
Procedure	Threshold	Comments
Prior	=> \$10,000,000	The Asian Development Bank's (ADB) prior review and no objection are required for each step of procurement (invitation for bids, bidding document, bid evaluation report, draft negotiated contract, signed contract, contract variations).
Post ^a	< \$10,000,000	ADB approves a contract award after the contract is signed based on the review of the signed contract and bid evaluation report.

^a The first international competitive bidding (ICB) contract for works, the first ICB contract for goods, the first national competitive bidding (NCB) contract for works, and the first NCB contract for goods will be for prior review by ADB irrespective of the estimated value.

Source: Asian Development Bank.

V. Procurement Plan

28. **Scope of procurement.** Works will be for planting forest belts; construction of reservoir spillway gate and silt flushing tunnels; dredging selected sections of the river and tributaries; river rehabilitation and construction of embankment and associated facilities, including wetland; construction of a road with low-impact design; construction of rural water supply system, including pipelines and pumping stations; expansion of the wastewater treatment plant; and construction of sewers. Goods will be for hydrological and water quality monitoring stations, water supply pipelines and pumping station, and the wastewater treatment plant expansion. Consulting services will be for project implementation consulting services, external resettlement monitoring and evaluation, project implementation start-up support, institutional and capacity strengthening for integrated urban–rural water supply, etc.

29. **Packaging.** The project has a total of 20 contract packages, including 10 civil works contracts, 4 goods contracts, and 6 consulting service contracts. A summary of the contract packages is provided below. The draft procurement plan is included in the project administration manual.

Table 4: Breakdown of Number of Packages

General Description	Estimated Value (Cumulative \$ million)	Estimated Number of Contracts	Procurement Method
Goods	21.420	2	ICB
	5.830	3	NCB
Subtotal—Goods	27.250	5	
Works	86.920	10	NCB
Subtotal—Works	75.990	10	
Consulting Services	1.860	3	QCBS
	0.199	1	CQS
	0.120	3	ICS
Subtotal—Consulting Services	2.179	7	
Overall Total	105.420	22	

CQS = consultant's qualifications selection, ICB = international competitive bidding, ICS = individual consultant selection, NCB = national competitive bidding, QCBS = quality- and cost-based selection.

Source: Asian Development Bank estimates.

30. **Advance action and retroactive financing.** The Zuoquan County PMO is interested in advance contracting for some work packages. One civil work contract will use advance contracting.

VI. Conclusion

31. The Zuoquan County PMO that will conduct all procurements and consultant recruitments for the project currently is understaffed, though the current staff has extensive experience in domestic procurements and/or consultant recruitments in ZCG or the IAs. They do not have experience in procurements or consultant recruitments for foreign-funded projects, and there are differences between the procurement practices of ADB and ZCG. However, these risks can and will be mitigated as (i) the Zuoquan County PMO and the IAs have committed to fulfill ADB's requirements for all procurements and consultant recruitments for the project; (ii) capacity development was included in the project design; and (iii) support will be provided for procurements and consultant recruitments by procurement consultants, a procurement agency, and the ZCG procurement management office and its procurement center. Considering these and also that the number of contract packages is not many and they are not innovative contracts, it has been concluded that the Zuoquan County PMO, after recruiting necessary staff and being aided by the supporting staff from the IAs, will be able to conduct all procurements and consultant recruitments for the project fulfilling ADB's requirements.

APPENDIX 1: PROJECT PROCUREMENT RISK ASSESSMENT QUESTIONNAIRE

Participants:

PMO = Zuoquan County Project Management Office (PMO)

IA1 = Zuoquan Housing Security, and Urban and Rural Construction and Management Bureau

IA2 = Zuoquan Shixia Reservoir Management Office

IA3 = Zuoquan Water Resource Bureau

QUESTION	RESPONSE	RISK ^a
A. ORGANIZATIONAL AND STAFF CAPACITY		
Procurement Department and/or Unit		
A.1 Does the agency or government have a Procurement Committee that is independent from the head of the agency?	PMO: No IA1: Yes IA2: No IA3: Yes	
A.2 Does the agency have a procurement department and/or unit, including a permanent office that performs the function of a Secretariat of the Procurement Committee?	PMO: No IA1: Yes IA2: Yes IA3: Yes	
A.3 If yes, what type of procurement does it undertake?	PMO: Newly established; procurement design institute, resettlement plan institute. and environmental impact assessment institute through domestic procurement procedures IA1: Works and goods procurement IA2: Bidding and tendering work of works and goods contracts, etc. IA3: Bidding and tendering work of works and goods contracts, etc.	
A.4. How many years of experience did the head of the procurement department and/or unit had in a direct procurement role?	PMO: 10+years IA1: 3+ years IA2: 4+ years IA3: 10+ years	
A.5 How many staff in the procurement department and/or unit are i. full-time ii. part-time iii. seconded	PMO: 2 part-time staff IA1: 1 full-time staff IA2: 2 part-time staff IA3: 1 part-time staff	
A.6 Do the procurement staff have a high level of English language proficiency (verbal and written)?	PMO: No IA1: No IA2: No IA3: No	* Moderate
A.7 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	PMO: No IA1: Yes IA2: No IA3: Yes	* Low
A.8 Does the unit have adequate facilities, such as PCs, internet connection, photocopy	PMO: Yes IA1: Yes IA2: Yes	

QUESTION	RESPONSE	RISK ^a
facilities, printers, etc. to undertake the planned procurement?	IA3: No	
A.9 Does the agency have, or have ready access to, a procurement training program?	PMO: No IA1: No IA2: No IA3: No	* Moderate
A.10 At what level does the department and/or unit report (to the head of agency, deputy, etc.)?	PMO: Head of PMO IA1: Head of agency IA2: Head of agency IA3: Manager of project department	
A.11 Do the procurement positions in the agency have job descriptions, which outline specific roles, minimum technical requirements, and career routes?	PMO: No, but will develop one. IA1: Yes IA2: Yes IA3: Yes	
A.12 Is there a procurement process manual for goods and works?	PMO: No IA1: No IA2: No IA3: No	
A.13 If there is a manual? Is it up to date, and does it cover foreign-assisted projects?	PMO: No IA1: No IA2: No IA3: No	
A.14 Is there a procurement process manual for consulting services?	PMO: No IA1: No IA2: No IA3: No	
A.15 If there is a manual, is it up to date; and does it cover foreign-assisted projects?	PMO: No IA1: No IA2: No IA3: No	
Project Management Unit		
A.16 Is there a fully (or almost fully) staffed project management unit (PMU) for this project currently in place?	PMO: No IA1: Yes IA2: Yes IA3: Yes	* High
A.17 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	PMO: Not sufficient IA1: Yes, but lack experience in ADB projects IA2: Yes, but lack experience in ADB projects IA3: Yes, but lack experience in ADB projects	* High
A.18 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers, etc. to undertake the planned procurement?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	
A.19 Are there standard documents in use, such as the Standard Procurement Documents and/or Forms, and have they been approved for use on ADB-funded projects?	PMO: No IA1: No IA2: No IA3: No	* Substantial

QUESTION	RESPONSE	RISK ^a
A.20 Does the agency follow the national procurement law, procurement processes, and guidelines?	PMO: Yes, must follow IA1: Yes, must follow IA2: Yes, must follow IA3: Yes, must follow	* Low
A.21 Do the terms of reference (TORs) for consulting services follow a standard format, such as background, tasks, inputs, objectives, and outputs?	PMO: Should have a certain standard format IA1: Not applicable (N/A) IA2: N/A IA3: N/A	
A.22 Who drafts the procurement specifications?	PMO: Delegated bidding agency IA1: Delegated bidding agency IA2: Delegated bidding agency IA3: Delegated bidding agency	
A.23 Who approves the procurement specifications?	PMO: Director of PMO IA1: Head of the agency IA2: Head of the agency IA3: Head of the agency	
A.24 Who in the PMU has experience in drafting bidding documents?	PMO: Head of the Engineering Office IA1: Head of the procurement unit has some experience IA2: Head of the engineering unit IA3: Head of the engineering unit	* Substantial
A.25 Are records of the sale of bidding documents immediately available?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
A.26 Who identifies the need for consulting services requirements?	PMO: Decided by the PMO group study IA1: N/A IA2: N/A IA3: N/A	
A.27 Who drafts the TOR?	PMO: Without experience IA1: Without experience IA2: Without experience IA3: Without experience An individual consultant will be recruited to help.	
A.28 Who prepares the request for proposals (RFPs)?	PMO: Without experience IA1: Without experience IA2: Without experience IA3: Without experience An individual consultant will be recruited to help.	
B. INFORMATION MANAGEMENT		
B.1 Is there a referencing system for procurement files?	PMO: Yes IA1: Yes IA2: No IA3: No	
B.2 Are there adequate resources allocated to record-keeping infrastructure, which includes the record keeping system, space,	PMO: Yes IA1: Yes IA2: Yes	* Low

QUESTION	RESPONSE	RISK ^a
equipment, and personnel to administer the procurement records management functions within the agency?	IA3: Yes	
B.3 Does the agency adhere to a document retention policy (i.e., for what period are records kept)?	PMO: Yes (Permanent preservation) IA1: Yes IA2: Yes IA3: Yes	* Low
B.4 Are copies of bids or proposals retained with the evaluation?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	
B.5 Are copies of the original advertisements retained with the pre- contract papers?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	
B.7 Are copies of invoices included with the contract papers?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	
B.8 Is the agency's record-keeping function supported by information technology?	PMO: No IA1: No IA2: No IA3: No	
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 12 or 36 months)? If yes, indicate the name(s) of the development partner(s) and project(s).	PMO: No IA1: No IA2: No IA3: No	* Substantial
C.2 If the answer is yes, what are the major challenges faced by the agency?	PMO: N/A IA1: N/A IA2: N/A IA3: N/A	* Substantial
C.3 Is there a systematic process to identify procurement requirements (for a period of 1 year or more)?	PMO: Not for now; will prepare procurement plan for the Asian Development Bank (ADB)-financed projects IA1: No IA2: Yes IA3: Yes	
C.4 Is there a minimum period for the preparation of bids; and if yes, how long?	PMO: Yes IA1: Yes, usually 20 days for civil works IA2: Yes, usually 20 days for civil works IA3: Yes, usually 20 days for civil works	* Low

QUESTION	RESPONSE	RISK ^a
C.5 Are all queries from bidders replied to in writing?	PMO: Yes IA1: No IA2: Yes IA3: Yes	* Substantial
C.6 Does the bidding document state the date and time of bid opening?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.7 Are bids opened in public?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.8 Can late bids be accepted?	PMO: No IA1: No IA2: Yes IA3: No	* Substantial
C.9 Can bids (except late bids) be rejected at bid opening?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Substantial
C.10 Are minutes of the bid opening taken?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.11 Are bidders provided a copy of the minutes?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Substantial
C.12 Are the minutes provided free of charge?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Substantial
C.13 Who undertakes the evaluation of bids? Individual(s), permanent committee, or ad-hoc committee?	PMO: Ad-hoc committee IA1: Ad-hoc committee IA2: Ad-hoc committee IA3: Ad-hoc committee. Members of the ad-hoc committee are selected from the expert database managed by the Public Resource Trade Center of Jinzhong Municipality.	
C.14 What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	Members of the ad-hoc committee are selected from the expert database managed by the Public Resource Trade Center of Jinzhong Municipality	* Substantial
C.15 Is the decision of the evaluators final, or is the evaluation subject to additional approvals?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.16 Using the three 'worst-case' examples in the last year, how long from the issuance of the	PMO: N/A IA1: (1) Geological survey and topography mapping, 2015.11.26 / 2016.2.13;	

QUESTION	RESPONSE	RISK ^a
invitation for bids can the contract be awarded?	<p>(2) Four over bridges, 2016.7.19 / 2016.8.31; and (3) Reconnaissance demarcation, 2016.8.8 / 2016.8.25</p> <p>IA2: (1) Zuoquan County Shixia Reservoir emergency response special fund—Reinforcement project, 2013.12.20 / 2014.03.28; (2) Zuoquan County Shixia Reservoir hydropower capacity expansion and efficiency improvement project, 2013.12.13 / 2014.04.15; and (3) Zuoquan County Shixia Reservoir realignment of water supply main pipes, 2013.10.05 / 2013.12.30</p> <p>IA3: (1) Zuoquan County Guai'er Xigou flood control project, 2015.08.04 / 2015.09.28; (2) Zuoquan County Sixian irrigation water source interception groundwater flow project, 2016.03.11 / 2016 04.28; and (3) Zuoquan County 2015 National Water Conservation Key Project—Yangjiaolong East small river basin rehabilitation, 2015.07.10 / 2015.08.25</p>	
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	PMO: No IA1: No IA2: No IA3: No	
C.18 Are there established goods receiving procedures?	PMO: No, but will apply IA1: No IA2: No IA3: No	
C.19 Are all goods that are received recorded as assets or inventory in a register?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	
C.20 Is the agency and/or procurement department familiar with letters of credit?	PMO: No IA1: No IA2: No IA3: No	
C.21 Does the procurement department register and track warranty and latent defects liability periods?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	
Consulting Services		
C.22 Has the agency undertaken foreign- assisted procurement of consulting services recently (last 12 or 36 months)? If yes, please indicate the name(s) of the development partner(s) and the project(s).	PMO: No IA1: No IA2: No IA3: No	* Substantial

QUESTION	RESPONSE	RISK ^a
C.23 If the above answer is yes, what were the major challenges?	PMO: N/A IA1: N/A IA2: N/A IA3: N/A	* Substantial
C.24 Are assignments and invitations for expressions of interest (EOIs) advertised?	PMO: Yes IA1: No IA2: Yes IA3: Yes	* Substantial
C.25 Is a consultants' selection committee formed with appropriate individuals; and what is its composition, if any?	PMO: Yes IA1: No IA2: Yes IA3: Yes	
C.26 What criteria was used to evaluate the EOIs?	PMO: Past experiences of the consulting firms IA1: Past experiences of the consulting firms IA2: Past experiences of the consulting firms IA3: Past experiences of the consulting firms	
C.27 Historically, what is the most common method used (quality- and cost-based selection [QCBS], quality-based selection, etc.) to select consultants?	PMO: QCBS IA1: QCBS IA2: QCBS IA3: QCBS	* Substantial
C.28 Do firms have to pay for the RFP document?	PMO: No IA1: No IA2: No IA3: No	* Substantial
C.29 Does the proposal evaluation criteria follow a pre-determined structure, and is it detailed in the RFP?	PMO: Yes IA1: No IA2: Yes IA3: Yes	* Substantial
C.30 Are pre-proposal visits and meetings arranged?	PMO: Yes, if needed IA1: No IA2: Yes IA3: Yes	
C.31 Are minutes prepared and circulated after pre-proposal meetings?	PMO: Yes IA1: No IA2: Yes IA3: Yes	* Substantial
C.32 To whom are the minutes distributed?	PMO: All bidders IA1: All bidders IA2: All bidders IA3: All bidders	* Substantial
C.33 Are all queries from consultants answered and/or addressed in writing?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.34 Are the technical and financial proposals required to be in separate envelopes and remain sealed until the technical evaluation is completed?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.35 Are proposal securities required?	PMO: Not for consultant recruitments	* Low

QUESTION	RESPONSE	RISK ^a
	IA1: Yes IA2: Yes IA3: Yes	
C.36 Are technical proposals opened in public?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.37 Are minutes of the technical opening distributed?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.39 Who determines the final technical ranking and how?	PMO: Bid evaluation committee IA1: Bid evaluation committee IA2: Bid evaluation committee IA3: Bid evaluation committee	* Substantial
C.40 Are the technical scores sent to all firms?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Substantial
C.41 Are the financial proposal opened in public?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Substantial
C.42 Are minutes of the financial opening distributed?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Substantial
C.43 How is the financial evaluation completed?	PMO: According to evaluation criteria set in the bidding documents, and ADB's requirements IA1: According to evaluation criteria set in the bidding documents IA2: According to evaluation criteria set in the bidding documents IA3: According to evaluation criteria set in the bidding documents	* Substantial
C.44 Are face-to-face contract negotiations held?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Substantial
C.45 How long after financial evaluation is negotiation held with the selected firm?	PMO: Within 7 days after publishing the winning bid announcement, following domestic requirements IA1: Within 7 days after publishing the winning bid announcement, following domestic requirements IA2: Within 7 days after publishing the winning bid announcement, following domestic requirements	

QUESTION	RESPONSE	RISK ^a
	IA3: Within 7 days after publishing the winning bid announcement, following domestic requirements	
C.46 What is the usual basis for negotiation?	PMO: Submitted technical and financial proposals IA1: Submitted technical and financial proposals IA2: Submitted technical and financial proposals IA3: Submitted technical and financial proposals	
C.47 Are minutes of negotiation taken and signed?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
C.48 How long after negotiation is the contract signed on average?	PMO: Within 1 week IA1: Within 2 weeks for internal procedures IA2: Within 2 weeks for internal procedures IA3: Within 2 weeks for internal procedures	
C.49 Is there an evaluation system for measuring the outputs of consultants?	PMO: No IA1: No IA2: Yes IA3: Yes	
Payments		
C.50 Are advance payments made?	PMO: N/A IA1: No IA2: No IA3: No	
C.51 What is the standard period for payment included in contracts?	PMO: N/A IA1: 14 days IA2: 14 days IA3: 14 days	
C.52 On average, how long is it between receiving a firm's invoice and making payment?	PMO: N/A IA1: 2 weeks IA2: 2 weeks IA3: 2 weeks	
C.53 When late payment is made, are the beneficiaries paid interest?	PMO: N/A IA1: No IA2: No IA3: No	
D. EFFECTIVENESS		
D.1 Is contractual performance systematically monitored and reported?	PMO: Yes IA1: No IA2: Yes IA3: Yes	
D.2 Does the agency monitor and track its contractual payment obligations?	PMO: N/A IA1: Yes IA2: Yes IA3: Yes	

QUESTION	RESPONSE	RISK ^a
D.3 Is a complaints resolution mechanism described in national procurement documents?	PMO: N/A IA1: Yes IA2: Yes IA3: Yes	
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	
D.5 Are procurement decisions and disputes supported by written narratives, such as minutes of evaluation, minutes of negotiation, or notices of default and/or withheld payment?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low
E. ACCOUNTABILITY MEASURES		
E.1 Is there a standard statement of ethics, and are those involved in procurement required to formally commit to it?	PMO: Not for now, but will apply IA1: Yes IA2: Yes IA3: Yes	* Low
E.2 Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	PMO: --- IA1: Yes IA2: Yes IA3: Yes	* Low
E.3 Is the commencement of procurement dependent on external approvals (formal or <i>de-facto</i>) that are outside of the budgeting process?	PMO: No IA1: Yes IA2: Yes IA3: Yes	
E.4 Who approves procurement transactions, and do they have procurement experience and qualifications?	PMO: Head of the PMO IA1: Head of the agency IA2: Head of the agency IA3: Head of the agency	* Moderate
E.5 Which of the following actions require approvals outside the procurement unit or the evaluation committee, as the case may be; and who grants the approval?		
a) Bidding document, invitation to pre-qualify, or RFP	PMO: Head of the PMO IA1: Head of the agency IA2: Head of the agency IA3: Head of the agency	
b) Advertisement of an invitation for bids, pre-qualification, or call for EOIs	PMO: Head of the PMO IA1: Head of the agency IA2: Head of the agency IA3: Head of the agency	
c) Evaluation reports	PMO: Evaluation committee IA1: Evaluation committee IA2: Evaluation committee IA3: Evaluation committee	* Moderate
d) Notice of award	PMO: Head of the PMO IA1: Head of the agency IA2: Head of the agency IA3: Head of the agency	* Moderate
e) Invitation to consultants to negotiate	PMO: Head of the PMO IA1: Head of the agency IA2: Head of the agency IA3: Head of the agency	

QUESTION	RESPONSE	RISK ^a
f) Contracts	PMO: Head of the PMO IA1: Head of the agency IA2: Head of the agency IA3: Head of the agency	* Moderate
E.6 Is the same official responsible for (i) authorizing procurement transactions, procurement invitations, documents, evaluations, and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	PMO: No IA1: No IA2: No IA3: No	* Moderate
E.7 Is there a written auditable trail of procurement decisions attributable to individuals and committees?	PMO: Yes IA1: Yes IA2: Yes IA3: Yes	* Low

^a Questions indicated with * are associated with potentially 'high' or 'substantial' risks due to the impact being 'high'. Therefore, the strategy for managing those risks should be addressed in the project procurement risk analysis (Appendix 3).

Source: Asian Development Bank.