

**A STUDY OF HOW WELL KOREA'S ODA PROCUREMENT SYSTEM IS
ADVANCED**

By

Lee, Mi-Yeon

THESIS

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

MASTER OF PUBLIC POLICY

2012

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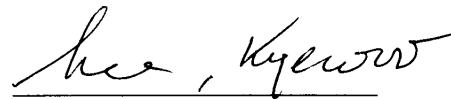
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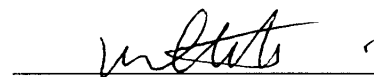
MASTER OF PUBLIC POLICY

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ABSTRACT

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Lee, Mi-Yeon

The current Korea's bi-lateral ODA is based on tied system. Based on this system, procurement system under the Korea's bi-lateral ODA is preceded with National Competitive Bidding between Korean bidders only.

As of 2010, Korea has become the OECD/DAC member countries however there are several requirements to fulfill as official OECD/DAC member countries such as expansion of ODA volume, restructuring current fragmented organization. Among requirements, increasing aid effectiveness through untying aid is also stressed and effective, efficient International Competitive Bidding shall be adopted in advance for successful expansion of untying aid. To newly implement International Competitive Bidding, Analysis of current procurement system shall be required to evaluate whether Korea's current ODA procurement system is proper for ICB or not. For analyzing, World Bank procurement system is adopted as a benchmark based on its world-wide characteristic and Minimum Conditions for Effective International Competitive Bidding included in Good Procurement Practices for ODA by OECD.

Through analysis, Korea's current ODA procurement system is evaluated that it is improper for ICB based on untying aid system. Especially result show that Korea's ODA procurement system shall consider not only eligibility for bid participating but also various concomitant options such as language, currency, advertising, priority to attract qualified international bidder and to encourage local market.

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Dedicated to my beloved family

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
BSTDB	Black Sea Trade and Development Bank
CDB	Caribbean Development Bank
CEB	Council of Europe Development Bank
CIP	Carriage and Insurance Paid (Place of destination)
EBRD	European Bank for Reconstruction and Development
EDCF	Economic Development Cooperation Fund
EXW	Ex works, Ex factory, or Off-the-Shelf
GCC	General Conditions of Contract
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ITB	Instruction to Bidders
ITC	Information to Consultants
LOI	Letter of Invitation
MDBs	Multilateral Development Banks
NCB	National Competitive Bidding
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OECD/DAC	OECD Development Assistance Committee
REOI	Request for Expression of Interest
RFP	Request for Proposal
SBD	Standard Bidding Document
SDR	Special Drawing Rights
SPD	Standard Procurement Document
SRP	Standard Request for Proposal
SF	Sample Form
TOR	Terms of Reference
WB	World Bank

Contextually, Bid and Tender have same meaning as a Bid. Also Employer and Client have same meaning as a Project owner. Also Recipient, Borrower and Partner Countries have same meaning as a beneficiary of ODA.

CHAPTER 1. INTRODUCTION

1.1 Purpose of this study

This study aims to find assess Korea ODA procurement system by comparing with WB procurement system which is most well-organized, and suggest some points to be improved in Korea's ODA procurement system.

1.2 Statement of the Problem

Korea has become the OECD/DAC member in 2010. Before Korea's join in OECD/DAC, at the request of the government of the Korea, the OECD/DAC review team conducted a special review of Korea's international development co-operation in 2008(OECD, 2008). Among several recommendations, there was a recommendation regarding aid effectiveness which is focused on untying¹ bi-lateral ODA.

In the special review, OECD/DAC recommended that the government of Korea should be mindful that untying bi-lateral ODA must fully comply with the 2001 DAC RECOMMENDATION ON UNTYING OFFICIAL DEVELOPMENT ASSISTANCE TO THE LEAST DEVELOPED COUNTRIES (hereinafter referred to as the 2001 DAC Recommendation) (OECD, 2008). The 2001 DAC Recommendation is an initiative about untying bi-lateral ODA to the least developed countries with open procurement market system (OECD, 2001). The 2001 DAC Recommendation requires that the procurement of goods and services covered by recommendation should follow the OECD's Good

¹ DAC definitions of tying status of ODA, other official flows and officially supported credits

Tying Status Category	Definition and Coverage
Untied Aid	Loans and grants whose proceeds are fully and freely available to finance procurement from all OECD countries and substantially all developing countries.
Partially Untied Aid	Loans and grants which are tied, contractually or in effect, to procurement of goods and services from a restricted number of countries which must include substantially all developing countries and can include the donor country.
Tied Aid	All other loans and grants are classified as tied aid, whether they are tied formally or through informal arrangements.

Source: OECD/DAC(1987)

Procurement Practice which recommends adopting ICB for procurement.

As mentioned above, ICB for open procurement market is crucial for untying bi-lateral ODA. Because untying means that there is no restriction and other eligibility except proper qualification. Therefore procurement based on untied aid shall be available to participate bid for every qualified bidder regardless its nationality.

However according to EDCF² official website EDCF is under the tied-aid system which restricts the eligibility for procurement participation to Korean firm only (EDCF, 2012). Therefore, current EDCF system is NCB base and also inappropriate for untied-aid system. For successful conversion of procurement system for untied-aid system, settlement of effective and efficient ICB shall be preceded.

1.3 Importance of the issue

1) OECD/DAC special review for Korea

Korea joined OECD/DAC in 2010 however there are several requirements which to fulfill as a official OECD/DAC member country such as increasing ODA volume/GNI, restructuring current fragmented organization, expanding humanitarian action, increasing the effectiveness of aid. Among these requirements, untying aid is emphasized in aid effectiveness section. In this section, Korea was recommended to expand its untied bi-lateral ODA up to OECD/DAC average level. Currently estimated 98% of Korean bi-lateral aid is either tied or partially tied-an extremely high proportion. Regarding expanding untied aid, DAC also recommended to fully follow the 2001 DAC Recommendation which every OECD/DAC has to comply with (OECD, 2001). Following is detail regarding procurement system in the 2001 DAC Recommendation.

² The government of the Republic of Korea established the Economic Development Cooperation Fund(EDCF) in 1987 with the aim to assist developing countries achieve self-reliance, economic stabilization, and sustainable development. EDCF, EDCF Guide, P.4

2) 2001 OECD RECOMMENDATION ON UNTYING ODA to LDSs

This recommendation stressed the benefits of open procurement markets based on effective and efficient procurement system. Also this initiative is targeted on the least developed countries because of their relative dependence on aid and their relatively greater need for accelerated progress towards the international development goals, as set out in the report “Shaping the 21st Century : the Contribution of Development Co-operation”.

Objectives of untying bi-lateral ODA are to :

- Foster coordinated, efficient and effective partnerships with developing countries;
- Encourage the use of aid funds (save 10 ~ 30%)
- Strengthen the ownership and responsibility of partner countries in the development process;
- Demonstrate responsiveness to the requests from partner countries and others to increase the use of untied aid in order to promote aid effectiveness;
- Contribute to broader efforts with partner countries to promote their integration into the global economy;

This initiative aims to capture the benefits of open procurement markets. With open procurement market by International Competitive Bidding, we could achieve above-mentioned objectives. For implementation, the procurement of goods and services covered by this recommendation should follow the DAC’s Good Procurement Practices for ODA. ICB and NCB are defined as followings in DAC’s Good Procurement Practices;

ICB : Members will consider the scope for enlarged use of international competitive procurement to the extent compatible with their procurement policies. In particular, they will encourage recipient countries, other donors and International Financial Institutions to develop proposals for co-financing and other co-operative financing

arrangements providing for international competitive procurement and will consider such proposals positively.

NCB : As a general rule (and unless ICB or other forms of international competition can be applied), Member will encourage the use of NCB as the main procedure for procurement under tied aid conditions.

Minimum condition for effective ICB is attached to OECD Good Procurement Practices for ODA. Based on this minimum condition, we could assess whether certain procurement system has proper system or not. Therefore in this study, this minimum condition is adopted as the analysis criteria for procurement of works.³

In addition to Good Procurement Practices for ODA, following responsibilities are required to partner countries to secure transparency in procurement procedure.

i) Ex ante notification

- A. Untied aid offers covered by this Recommendation are to be notified ex ante. These notifications should include project and procurement description.
- B. Notifications should be made to the Secretariat not less than 30 calendar days prior to the opening of the bidding period.
- C. Bidding periods should ensure sufficient time to all suppliers to prepare and submit bids, while taking account of the circumstances of the procurement agent. Bearing this in mind, bidding periods should normally be not less than 45 calendar days, except for large projects (with a value of, or exceeding, SDR 50 million), where bidding periods should normally be not less than 90 calendar days.

³ Minimum condition covers only procurement of works. However this study consists of two parts which are selection of consultant and selection of contractor for goods, services, works. Therefore this study adopts this minimum condition for just selection of contractor for goods, services, works.

D. Notifications should be made available to DAC Members and to potential suppliers through the DAC's Internet bulletin board. DAC Members may also, in addition, use their own facilities to publicize the aid offers contained in notifications.

ii) Information on contract awards

DAC Members should provide the Secretariat with information on contract awards pertaining to individual ex ante notifications. This information should include the name, address and country of incorporation of the firm awarded the contract (or the prime contractor, where a syndicate of firms is concerned). The above information should be provided on an annual basis and be reviewed in the context of the overall review procedures.

3) Roadmap for advancement of international development

To meet the DAC special review recommendation, Korea government already made a roadmap for advancement of international development (IDCC, 2010). Various policies and plans consist of roadmap including policy about untied-aid which is expanding the untied-aid up to 75% by 2015. This policy will affect EDCF part more than KOICA⁴ part since KOICA already has a higher proportion of its untied aid. (In 2008, Korea's untied bilateral ODA is totally 35.8% - Grant : 43.3% , Loan : 34.0%). Following is detail plan for expanding untied aid.

Table1. Detail plan for untying aid in roadmap (%)

	2008	2012	2015
Grant	43.4	75	100
Loan	34.0	40	50

Source : Roadmap for advancement of international development

To be a qualified OECD/DAC member country, Korea government shall comply with recommendation which contains to expand untied aid. Also, to expand untied-aid successfully,

⁴ The Korea International Cooperation Agency (KOICA) was founded as a government agency on April 1, 1991, to maximize the effectiveness of Korea's grant aid programs for developing countries by implementing the government's grant aid and technical cooperation programs.

effective and efficient procurement system shall be settled in advance. In this consequence, settlement of effective and efficient procurement system could be a starting point for advancement of Korea ODA system through untied aid.

For this purpose, assessing current Korea procurement system and suggesting supplement point for advancement of Korea's ODA procurement system shall be in first place. This is an ultimate importance of this study.

Therefore, the hypothesis of this study is what Korea's ODA procurement system is compatible with the 2001 DAC Recommendation, and is as advanced as the MDB's procurement system.

CHAPTER 2. LITERATURE REVIEW

As the leading MDB, WB is good benchmark to compare the procurement system. According to WB official website, WB has adopted an ICB to provide all eligible prospective bidders with timely and adequate notification of a Borrower's requirements and equal opportunity. Also WB has the most efficient procurement system based on the master procurement documents.

Master procurement documents were published by 9 MDBs(ADB, AfDB, BSTDB, CDB, CEB, EBRD, IDB, IsDB, IBRD or World Bank) reflected each MDB's best practices(WB, 2011). Because above 9 MDBs shared their best practices in master procurement system, any MDB's procurement system might be proper and useful. However this study adopts WB procurement system as a benchmark based on its world-wide characteristic.

WB is required by its Articles of Agreement to "ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-

economic influences considerations” and WB has established detailed procedures for this purpose. While the specific rules and procedures to be followed for employing consultants and implementing project depend on the circumstances of the particular case, following considerations generally guide WB’s requirements:

Table2. Considerations for Procurement system

Selection and Employment of Consultants	Procurement of Goods, Works, and Non-consulting Services
(a) the need for high-quality services	(a) the need for economy and efficiency in the implementation of the project, including the procurement of the goods, works, and non-consulting services involved
(b) the need for economy and efficiency	(b) WB’s interest in giving all eligible bidders from developed and developing countries the same information and equal opportunity to compete in providing goods, works, and non-consulting services financed by WB
(c) the need to give all eligible consultants and opportunity to compete in providing the services financed by WB	(c) WB’s interest in encouraging the development of domestic contracting and manufacturing industries in the Borrowing country
(d) WB’s interest in encouraging the development and use of national consultants in its developing member countries	(d) the importance of transparency in the procurement process
(e) the need for transparency in the selection process	

Following regulations and conditions are extracted from Guidelines for Selection and Employment of Consultants (WB, 2011), Guidelines for Procurement of Goods, Works, and Non-Consulting Services (WB, 2011). Through reviewing World Bank procurement system, most effective and efficient system could be expounded for following analysis.

2.1 General Consideration

1) Conflict of interest

- Selection and employment of consultants

Bank policy requires that consultants provide professional, objective, and impartial advice

and at all times hold the client's interests paramount, without any consideration for future work, and that in providing advice they avoid conflicts with other assignments and their own corporate interest. Consultants shall not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of being unable to carry out the assignment in the best interest of the Borrower. Without limitation on the generality of the foregoing, consultants shall not be hired under the circumstances set forth below:

- (a) Conflict between consulting activities and procurement of goods, works, or non-consulting services
- (b) Conflict among consulting assignments
- (c) Relationship with Borrower's staff
- (d) A consultant shall submit only one proposal, either individually or as a joint venture partner in another proposal.

- Procurement of goods, works, and non-consulting services

Bank policy requires that a firm participating in a procurement process under Bank-financed projects shall not have a conflict of interest.

A firm shall be considered to have a conflict of interest in a procurement process if:

- (a) such firm is providing goods, works, or non-consulting services resulting from or directly related to consulting services for the preparation or implementation of a project that it provided or were provided by any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm.
- (b) such firm submits more than one bid, either individually or as a joint venture partner in another bid, except for permitted alternative bids
- (c) such firm (including its personnel) has a close business or family relationship with a professional staff of the Borrower (or of the project implementing agency, or of a

recipient of a part of the loan) who: (i) are directly or indirectly involved in the preparation of the bidding documents or specifications of the contract, and/or the bid evaluation process of such contract; or (ii) would be involved in the implementation or supervision of such contract unless the conflict stemming from such relationship has been resolved in a manner acceptable to Bank throughout the procurement process and execution of the contract;

2) Eligibility

To foster competition, Bank permits firms and individuals from all countries to offer goods, works, consulting services, and non-consulting services for Bank-financed projects. Bank does not permit a Borrower to deny participation in a short-listing or procurement process or award to a firm for reasons unrelated to: (i) its capability and resources to successfully perform the contract; or (ii) the conflict of interest situations.

As exceptions (a) firms may be excluded if (i) the Borrower's country prohibits commercial relations with that country, provided that Bank is satisfied that such exclusion does not preclude effective competition for the supply of goods, works, consulting services, and non-consulting services required, or (ii) by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the Borrower's country prohibits any import of goods from, or payments to, a particular country, person, or entity.

(b) Government-owned enterprises or institutions of the Borrower's country may participate in the Borrower's country only if they can establish that they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of the Borrower or Sub-Borrower

(c) A firm sanctioned by Bank in accordance with WB Group Anti-Corruption policies and sanctions procedures shall be ineligible to be awarded a Bank-financed contract or to benefit from a Bank-financed contract, financially or in any other manner, during the period of time determined by Bank.

3) Bank Review

Bank reviews the Borrower's hiring of consultants to satisfy itself that the selection process is carried out in accordance with the provisions of guidelines. Bank reviews the Borrower's procurement procedures, documents, bid evaluations, award recommendations, and contracts to ensure that the procurement process is carried out in accordance with the agreed procedures.

4) Fraud and Corruption

Bank will reject a proposal for award if it determines that the consultant or bidder recommended for award, or any of its personnel, or its agents, or its sub-consultants, sub-contractors, service providers, suppliers and/or their employees, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question. Bank will sanction a firm or individual, at any time, in accordance with the prevailing Bank's sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time : (i) to be awarded a Bank -financed contract; and (ii) to be a nominated sub-contractor, sub-consultant, supplier, or service provider of an otherwise eligible firm being awarded a Bank -financed contract.

5) Procurement Plan

The preparation of a realistic procurement plan for a project is critical for its successful monitoring and implementation. At a minimum, the Borrower shall prepare a detailed and comprehensive procurement plan including all contracts for which procurement action is to take place in the first 18 (eighteen) months of project implementation.

6) Language

RFP, proposal, prequalification and bidding documents shall be prepared in one of the following languages, selected by the Borrower: English, French, or Spanish. In addition to one of the above languages, the Borrower has the option to issue translated versions of these documents in another language which should either be: (a) the national language of the Borrower; or (b) the language used nation-wide in the Borrower's country for commercial transactions, hereinafter both are called the "National Language". The contract signed with the winning consultant or bidder shall always be written in the language in which its proposal or bid was submitted, which shall be the one that governs the contractual relations between the Borrower and the consultant or bidder.

2.2 Selection and Employment of Consultants

QCBS⁵ uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. Cost as a factor of selection shall be used judiciously. The relative weight to be given to the quality and cost shall be determined for each case depending on the nature of the assignment.

⁵ 4 selection methods in WB : CBS(Quality and Cost-Based Selection), FBS(Fixed-Budget Selection), LCS(Least-Cost Selection), SSS(Single-Source Selection)

2.2.1 Selection process

1) Preparation of the TOR

The TOR shall be prepared by a person(s) or a firm specialized in the area of the assignment. The TOR shall define clearly the objectives, goals, and scope of the assignment and provide background information (including a list of existing relevant studies and basic data) to facilitate the consultants' preparation of their proposals. The TOR shall list the services and surveys necessary to carry out the assignment and the expected outputs. However, the TOR should not be too detailed and inflexible, so that competing consultants may propose their own methodology and staffing.

2) Preparation of cost estimate and the budget, and short-listing criteria

3) Advertising

The borrower shall advertise a request for expressions of interest (REOI) for each contract for consulting firms in the national gazette, provided that it is of wide circulation, or in at least one newspaper, or technical or financial magazine, of national circulation in the Borrower's country, or in a widely used electronic portal with free national and international access in English, French, or Spanish.

4) Preparation of the short list of consultants

The Borrower shall give first consideration to those firms expressing interest that possess the relevant qualifications. Short lists shall comprise six firms with a wide geographic spread, with (i) no more than two firms from any one country unless there are no other qualified firms identified to meet this requirement; and (ii) and at least one firm from a developing country, unless no qualified firms from developing countries could be identified.

5) Preparation and issuance of the RFP

The RFP shall include: (a) a Letter of Invitation, (b) Instructions to Consultants and Data Sheet, (c) the TOR, and (d) the proposed type of contract. The ITC shall contain all necessary information shall bring as much transparency as possible to the selection procedure by indicating the evaluation criteria and factors, their respective weights, and the minimum passing quality score. Borrowers shall use the appropriate Standard Form of Contract issued by the Bank with minimum changes, acceptable to the Bank, as necessary to address specific country and project issues.

6) Receipt of proposals

The Borrower shall allow enough time for the consultants to prepare their proposals. The time allowed shall depend on the assignment, but normally shall not be less than four weeks or more than three months. No amendments to the technical or financial proposal shall be accepted after the deadline, although amended proposals may be submitted before such deadline. At the opening of technical proposals, in the presence of consultants wishing to attend, the Borrower shall neither reject nor discuss the merits of any proposal. All proposals received after the deadline shall be declared late and rejected and promptly returned unopened. The committee shall read aloud the names of the consultants that submitted proposals, the presence or absence of duly sealed financial envelopes, and any other information deemed appropriate.

7) Evaluation of technical proposals: consideration of quality

The evaluation of the proposals shall be carried out in two stages: first the quality, and then the cost. The evaluation shall be carried out in full conformity with the provisions of the RFP. The criteria shall include: (a) the consultant's relevant experience for the assignment, (b) the quality of the methodology proposed, (c) the

qualifications of the key experts proposed, (d) the transfer of knowledge, if required in the TOR, and (e) the extent of the participation of nationals among key experts in the performance of the assignment.

Table3. Scoring for consultant evaluation

Consultants specific experience	0 to 10
Methodology	20 to 50
Key experts	30 to 60
Transfer of knowledge	0 to 10
Participation by national experts	0 to 10
Total	100

As stated in above table, key experts of Consultant are most crucial qualification.

Followings are major consideration to evaluate consultant's key experts.

- general qualifications: general education and training, length of experience, positions held, previous assignments as team expert, experience in developing countries, and so forth;
- adequacy for the assignment: education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and
- experience in the region: knowledge of the local language, culture, administrative system, government organization, and so forth.

8) Public opening of financial proposals

Borrower shall inform consultants whose proposals did not meet the minimum qualifying technical score or were considered nonresponsive to the RFP and TOR that their financial proposals will be returned unopened after the signature of the contract.

In addition, the Borrower shall inform each of the above consultants of their overall technical score as well as scores obtained for each criterion and sub-criterion if any.

The opening date shall be set allowing sufficient time for consultants to make arrangements to attend the opening of the financial proposals. The name of the consultant, the technical scores, including the break-down by criterion, and the offered total prices shall be read aloud and recorded when the financial proposals are opened.

9) Evaluation of financial proposal

Prices shall be converted to a single currency selected by the Borrower (local currency or fully convertible foreign currency) as stated in the RFP. For the purpose of evaluation, the offered prices shall exclude local identifiable indirect taxes on the contract and income tax payable to the country of the Borrower on the remuneration of services rendered in the country of the Borrower by non-resident experts and other personnel of the consultant. The proposal with the lowest offered total price may be given a financial score of 100 (one hundred).

10) Final evaluation of quality and cost

The total score shall be obtained by weighting the quality and cost scores and adding them. The weight for cost shall normally be 20 (twenty) points out of a total score of 100 (one hundred). The firm obtaining the highest total score shall be invited for negotiations.

11) Negotiations and award of the contract to the selected firm

Negotiations shall include discussions of the TOR, the methodology, Borrower's inputs, and special conditions of the contract. The selected firm should not be allowed to substitute key experts, unless both parties agree that undue delays in the selection process make such substitution unavoidable or that such changes are critical to meet the objectives of the assignment. The firm may be disqualified and the process continued with the next ranked firm. The key experts proposed for substitution shall

have qualifications equal to or better than the key experts initially proposed. Financial negotiations shall include clarification of the consultants' tax liability in the Borrower's country (if any) and how this tax liability has been or would be reflected in the contract.

2.2.2 Rejection of all proposals

The Borrower will be justified in rejecting all proposals only if: (i) all proposals are nonresponsive because they fail to respond to important aspects of the TOR or present major deficiencies in complying with the TOR in accordance with paragraph 2.21; or (ii) all proposals fail to achieve the minimum technical score specified in the RFP; or (iii) if the offered price of the successful proposal is substantially higher than the available budget or a recently updated cost estimate.

2.3 Procurement of Goods, Works, and Non-consulting Services

The objective of International Competitive Bidding(ICB) is to provide all eligible prospective bidders with timely and adequate notification of a Borrower's requirements and an equal opportunity to bid for the required goods, works, and non-consulting services.

The size and scope of individual contracts will depend on the magnitude, nature, and location of the project. For projects requiring a variety of goods and works, separate contracts generally are awarded for the supply and/or installation of different items of equipment and plant and for the works.

2.3.1 Prequalification

1) Notification

Timely notification of bidding opportunities is essential in competitive bidding. The General Procurement Notice shall contain information concerning the Borrower (or prospective Borrower), amount and purpose of the loan, scope of procurement

reflecting the Procurement Plan, and the name, telephone (or fax) number, and address(es) of the Borrower's agency(ies) responsible for procurement, and the address of a widely used electronic portal with free national and international access or website where the subsequent Specific Procurement Notices will be posted. Invitations to prequalify or to bid, as the case may be, shall be advertised as Specific Procurement Notices in at least one newspaper of national circulation in the Borrower's country, or in the official gazette, or on a widely used website or electronic portal with free national and international access, in English, French, or Spanish, or at the option of the Borrower, in a national language. Notification shall be given in sufficient time to enable prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses.

2) Prequalification of Bidders

Prequalification is usually necessary for large or complex works, or in any other circumstances in which the high costs of preparing detailed bids could discourage competition, such as custom-designed equipment, industrial plant, specialized services, some complex information and technology and contracts to be let under single responsibility (including turnkey), design and build, or management contracting. This also ensures that invitations to bid are extended only to those who have adequate capabilities and resources. Prequalification shall be based entirely upon the capability and resources of prospective eligible bidders to perform the particular contract satisfactorily, taking into account objective and measurable factors, including: (a) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (b) financial position; and, where relevant, (c) capability of construction and/or manufacturing facilities.

Borrowers shall inform all applicants of the results of prequalification. As soon as the

prequalification is completed, the bidding documents shall be made available to the qualified prospective bidders. When the time elapsed between the Borrower's decision with regard to the list of prequalified firms and the issuance of bid invitations is longer than 12 (twelve) months, the Bank may require that the a new prequalification process be conducted through re-advertisement. The verification of the information upon which bidders were prequalified, including their current commitments, shall be carried out at the time of the award of contract, along with their capability with respect to personnel and equipment. The award may be denied to a bidder that is judged to no longer meet the required qualification criteria with respect to technical capability and financial resources to successfully perform the contract. If none or very few applicants are found to be prequalified, which would result in a lack of competition, the Borrower may issue a revised prequalification invitation subject to the Bank's prior no objection.

2.3.2 Bidding

1) Prepare bidding document

a. The Bidding Documents

- It shall contain all information for prospective bidder to prepare a bid for the goods, works, and non-consulting services to be provided.
- They generally include: invitation to bid; instructions to bidders and bid data sheet; form or letter of bid; form of contract; conditions of contract, both general and particular; specifications and drawings; relevant technical data (including of geological and environmental nature); list of goods or bill of quantities; delivery time or schedule of completion; and necessary appendices, such as formats for various securities.

b. Bid Validity

- Borrower shall give sufficient time to complete the comparison and evaluation of bids and to proceed with necessary procedure to obtain approvals.

c. Clarity

- Bid document shall set forth clearly and precisely the work (scope) to be carried out, the location and shall set forth clearly and precisely the work to be carried out, the location of the work, the goods to be supplied, the place of delivery or installation, the schedule for delivery or completion, minimum performance requirements, and the warranty and maintenance requirements, as well as any other pertinent terms and conditions. In addition, the bidding documents, where appropriate, shall define the tests, standards, and methods that will be employed to judge the conformity of equipment as delivered, or works as performed, with the specifications. Drawings shall be consistent with the text of the specifications, and an order of precedence between the two shall be specified.
- Bid document shall specify factors which will be quantified or evaluated.
- Bid document shall provide reasonable access to project sites for visits by prospective bidders.

d. Standards

- As far as possible, the Borrower shall specify internationally accepted standards such as those issued by the International Standards Organization with which the equipment or materials or workmanship shall comply.

e. Pricing

- Bids for goods shall be invited on the basis of CIP (place of destination) for all goods manufactured abroad and to be imported also previously imported goods.
- Bids for goods manufactured in the Borrower's country shall be invited on the basis

of EXW (ex works, ex factory, or off-the-shelf) plus cost of inland transportation and insurance to the place of destination.

f. Price Adjustment

- If contracts extend beyond 18(eighteen) months, Bidding documents shall state either that (a) bid prices will be fixed or (b) that price adjustments will be made to reflect any changes (upwards or downwards) in major cost components of the contract, such as labor, equipment, materials, and fuel. The formula which breaks down the total price into components and the base date for application shall be clearly defined in the bidding documents. If the payment currency is different from the source of the input and corresponding index, a correction factor shall be applied in the formulae, to avoid incorrect adjustment.

g. Transportation and Insurance

- Bidding documents shall state the types and terms of insurance to be provided by the bidder. For all contracts, usually an All Risk form of policy shall be specified. For goods and for single responsibility contracts, the indemnity payable under transportation insurance shall be at least 110% (one hundred ten percent) of the CIP price of the goods. For large construction or supply and install projects with several contractors on a site, a “wrap-up” or total project insurance arrangement may be obtained by the Borrower.

h. Currency Provisions

- Bidding documents shall state
 - the currency or currencies in which bidders are to state their prices;
 - the procedure for conversion of prices expressed in different currencies into a single currency for the purpose of comparing bids; and
 - the currencies in which the contract price will be paid

To minimize any exchange risk, to give bidders in countries with weak currencies the option to use a stronger currency, and to ensure fairness and transparency in the evaluation process.

- Bidding documents shall state that the bidder may express the bid price in any currency. If the bidder wishes to express the bid prices in different foreign currencies, they may do so within no more than three foreign currencies.
- For the purpose of comparing prices, bid prices shall be converted to a single currency selected by the Borrower (local currency or fully convertible foreign currency) and stated in the bidding documents.
- Payment of the contract price shall be made in the currency or currencies in which payment has been requested in the bid of the successful bidder.

i. Terms and Methods of payment

- Payment terms shall be in accordance with the international commercial practices applicable to the specific goods, works, and non-consulting services.
- Any advance payment for mobilization and similar expenses shall be related to the estimated amount of these expenses and be specified in the bidding documents. The bidding documents shall specify the arrangements for any security required for advance payments.

j. Conditions of Contract

- The contract documents shall clearly define the scope of work to be performed, the goods to be supplied, the services to be provided, the rights and obligations of the Borrower and of the Supplier or Contractor, and the functions and authority of the Engineer, Architect, or Construction Manager in the supervision and administration of the contract.
- In addition to the general conditions of contract, any particular conditions for the

specific goods, works, and non-consulting services to be procured and the location of the project shall be included.

k. Performance Security and Retention Money

- Contracts for works and single responsibility contracts shall require security in an amount sufficient to protect the Borrower in case of breach of contract by the Contractor. Contracts for works may provide for a percentage of each periodic payment to be held as retention money until final acceptance.

l. Applicable Law and Settlement of Disputes

- The conditions of contract shall include provisions dealing with the applicable law and the forum for the settlement of disputes. International commercial arbitration in a neutral venue has practical advantages over other methods for the settlement of disputes.

m. Domestic Preferences

- At the request of the Borrower, a margin of preference may be provided in the evaluation of bids for goods manufactured in the country of the Borrower when comparing bids offering such goods with those offering goods manufactured abroad and works in member countries below a specified threshold of GNP per capita, when comparing bids from eligible domestic contractors with those from foreign firms.

2) Time for Preparation of Bids

The time allowed for the preparation and submission of bids shall be determined with due consideration of the particular circumstances of the project and the magnitude and complexity of the contract⁶.

⁶ - Generally, not less than 6 (six) weeks from the date of the invitation to bid shall be allowed for ICB.
- For large works or complex items of equipment are involved, not less than 12 (twelve) weeks shall be allowed.

3) Bid Opening Procedures

- The time for the bid opening shall be the same as for the deadline for receipt of bids or promptly thereafter, and shall be announced, together with the place for bid opening, in the invitation to bid.
- Bids shall be opened in public; bidders or their representatives shall be allowed to be present. The name of the bidder and total amount of each bid, and of any alternative bids shall be read aloud and recorded when opened, and a copy of this record shall be promptly sent to the Bank and to all bidders who submitted bids in time.
- Bids received after the time stipulated, as well as those not opened and read out at bid opening, shall not be considered.

4) Clarifications or Alterations of Bids

Bidder shall not be requested or permitted to alter their bids, including through any voluntary increase or decrease in bid prices, after the deadline for receipt of bids. The Borrower shall ask bidders for clarification needed to evaluate their bids but shall not ask or permit bidders to change the substance or price of their bids after the bid opening.

5) Evaluation and Comparison of Bids

- The purpose of bid evaluation is to determine the cost to the Borrower of each bid in a manner that permits a comparison on the basis of their evaluated cost. The bid with the lowest evaluated cost, but not necessarily the lowest submitted price, shall be selected for award.
- The bid price read out at the bid opening shall be adjusted to correct any arithmetical errors. Also, for the purpose of evaluation, adjustments shall be made for any quantifiable non-material deviations or reservations. Price adjustments provisions applying to the period of implementation of the contract shall not be taken into account in the evaluation.

- The evaluation and comparison of bids shall be on CIP (place of destination) prices for the supply of imported goods and EXW prices, plus cost of inland transportation and insurance to the place of destination, for goods manufactured within the Borrower's country, together with prices for any required installation, training, commissioning, and other similar non-consulting services.⁷
- Bidding documents shall also specify the relevant factors in addition to price to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the lowest evaluated bid. For goods and equipment, other factors may be taken into consideration including, among others, payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and related training, safety, and environmental benefits. The factors other than price to be used for determining the lowest evaluated bid shall be, to the extent practicable, expressed in monetary terms in the evaluation provisions in the bidding documents.

6) Award of Contract

- The Borrower shall award the contract to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (i) to be substantially responsive to the bidding documents and (ii) to offer the lowest evaluated cost.
- A bidder shall neither be required nor permitted, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

⁷ The evaluation of bids shall not take into account : (a) customs duties and other taxes levied on imported goods quoted CIP(which are exclusive of custom duties); (b) sales and similar taxes levied in connection with the sale or delivery of the goods.

7) Rejection of all Bids

- Rejection of all bids is justified when there is lack of effective competition, or all bids are not substantially responsive, or no bidder meets the specified qualification criteria, or the bid price of the lowest evaluated winning bid is substantially higher than the Borrower's updated estimated cost or available budget.

CHAPTER 3. RESEARCH METHOD

While EDCF procurement system is focused on only NCB for Korean bidders because most of bi-lateral ODA were tied aid, WB adopts ICB to provide all eligible prospective bidders for ODA project. Based on this major difference, this study will test the hypothesis that EDCF's procurement system is as advanced as the World Bank' and show detail differences between EDCF's procurement system and World Bank's procurement system based on following criteria. To compare procedure for selection of consultant, WB guidelines for selection and employment of consultants is adopted for criteria. To compare procedure for selection of contract, minimum conditions for effective ICB from OECD good procurement practices for ODA is adopted for criteria. Official guideline and standard procurement documents for selection consultant and contractor will be compared for analysis.

The ultimate goals of this study are assessing appropriateness of procurement system of EDCF for untied aid and level of encouraging local capacity. Appropriateness of procurement system for untied aid can be assessed based on equal opportunity for every qualified participant. Therefore level of giving equal opportunity will be highly stressed in conclusion part. Also, level of encouraging local capacity can be an important indicator for implementation of 2001 DAC Recommendation because encouraging local capacity is one of the major purpose which OECD strongly encouraged declared based on untying. Beside

overall analysis, two major criteria shall be adopted for conclusion, which are appropriateness of procurement system for untied aid and level of encouraging local capacity. Using these criteria, scoring will be given to the procurement system of the World Bank and EDCF.

Please be informed that comparing absolute score between section 1 Selection of consultant and section 2 Procurement for goods, works, non-consulting services is inappropriate. Because criteria is different between section1(WB criteria) and section2(OECD good practice). Also while WB procedure focus on various values such as equal opportunity, effectiveness/efficiency, transparency, etc., OECD conditions mainly focus on effective ICB.

3.1 Selection of Consultant

In the assessment of the selection of consultant, 5 major considerations for selection and employment of Consultant in Literature review. These criteria are major considerations and relevant to procurement process.

(a) the need for high-quality services:

To secure assignment's high quality, information given by Employer shall be accurate and reliable. Also Employer shall give their best effort to attract qualified consultant.

(b) the need for economy and efficiency:

To select consultant economically and efficiently, selection method shall be diversified. To implement project economically and efficient, detail and supporting requirements shall be given to consultant.

(c) the need to give all eligible consultants an opportunity to compete in providing the services financed by the Bank:

To give equal opportunity for all eligible consultants, Employer shall not give any restriction to participate and give various options such as language.

(d) the Bank's interest in encouraging the development and use of national consultants in its developing member countries:

To develop local consultant market, Employer shall encourage local consultant's participation.

(e) the need for transparency in the selection process:

To secure transparency, tight management and thorough evaluation system are needed.

3.2 selection of contractor for goods, services, works

Minimum Conditions for Effective ICB in Good Procurement Practices for ODA are as follows :

(a) Advertising

: Invitations to bid shall be advertised as timely and widely as possible

(b) Size of contracts

: In order to foster widespread competition, individual contracts for which bids are invited should be of a size large enough to attract bids on an international basis.

(c) Pre-qualification bidders

: To ensure that invitations to bid are only sent to capable suppliers, the donor and the recipient may agree on a pre-qualification of bidders, if they feel that this is advisable for large or complex works or specialized equipment.

(d) Bidding documents

: Bidding documents shall be prepared in one or more of the languages customarily used in international trade and should set forth clearly and precisely the work to be accomplished, the goods and services to be supplied, and the place of delivery or installation.

(e) Bids

: All bids should be opened publicly at the time stipulated in the bidding documents.

(f) Evaluation and comparison of bids

: The evaluation of bids shall be consistent with the terms and conditions set forth in the bidding documents. The prices quoted in the responsive bids shall be compared using the formula for the comparison of different currencies set out in the bidding documents.

(g) Award of contract

: The award of a contract shall be made to the bidder whose bid has been determined to be the lowest evaluated bid.

(h) Engagement of independent consultant

: Donors will generally request that the purchaser engage an independent qualified consultants

4. ANALYSIS

4.1 Selection for consultant

- Criteria : the World Bank procurement system for selection for consultant
- Measurement : Scoring

Score	Criteria
3	EDCF has same requirements, conditions, regulations as much as WB procurement system
2	EDCF has requirements, condition, regulations but less than WB procurement system's
1	EDCF does not have any requirements, conditions, regulations

※
 Basement score : 51 (3 score * 17
 criteria in WB)
 Interpretation - Because World Bank
 procurement system is criteria for

analysis, total score of WB system is the maximum score.

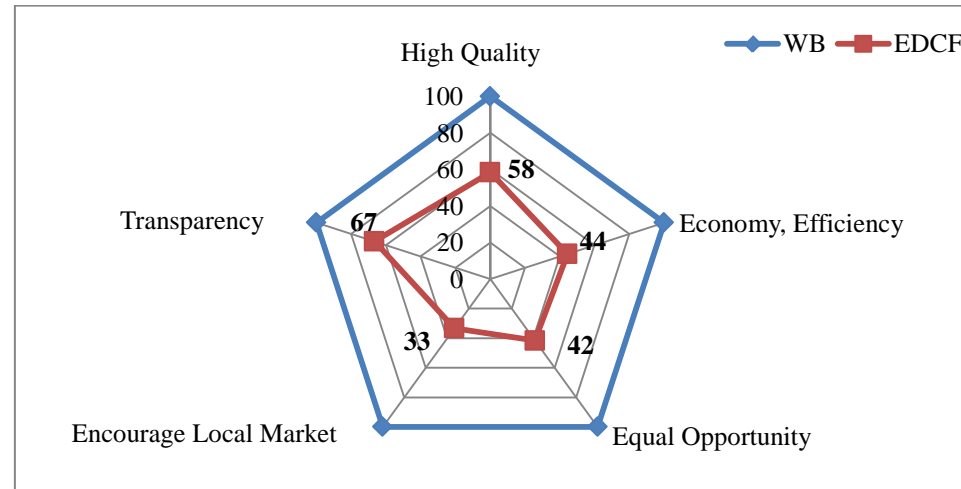
- Different score could be explained different system in condition, requirements, regulation, etc. Also this score gap could be explained deficiency of EDCF system for each category. There will be additional comment for score gap based on deficit of EDCF system.

- Following is summary of analysis. Detail will be expounded one by one with detail criteria.

Table 4. Analysis of selection of consultant

No	Category	WB		EDCF	
		Score	%	Score	%
1	High-Quality	12	100	7	58.3
2	Economy, Efficiency	18	100	8	44.4
3	Equal Opportunity	12	100	5	41.7
4	Encouraging Local Market	3	100	1	33.3
5	Transparency	6	100	4	66.7
	Total	51	100	25	49.0

Figure 1. Analysis of selection of consultant



The highest score is 4 out of 6 for transparency (67%) though this is insufficient. The lowest score is 1 out of 3 for encouraging local market (33%). Generally, EDCF system could be evaluated intermediate status compare to WB system. Especially, differences in equal opportunity and encouraging local market were significant because of tied-aid characteristic of Korean bi-lateral ODA. Moreover, other values such as high-quality, transparency also scored much lower than WB. This could be explained that EDCF shall modify its procurement system regarding not only equal opportunity, encouraging local market but also other values. Detail suggested points will be pointed out in conclusion section.

		WB		EDCF		Analysis / Comment
I	High-quality		12		7	
1	Terms of Reference (TOR)	<p><Guideline II 2.3></p> <ul style="list-style-type: none"> • Shall be prepared by specialized person or firm in the area of the assignment. • Shall include background information (existing study, basic data) • Shall not be too detailed and inflexible when it was published to consultants 	3	<p><Guideline 3.02></p> <ul style="list-style-type: none"> • Shall contain objective, scope, input and output of the assignment 	2	<ul style="list-style-type: none"> • TOR by WB could give more background information than EDCF and lead more qualified and developed proposals from consultants. • EDCF shall try to contain more information in TOR for qualified proposal
2	Qualification – Experiences	<p><SF-tech 2, consultant’s organization and experience></p> <ul style="list-style-type: none"> • Requires experiences with conditions such as similarity and period. - e.g. similar successfully completed in the last () years 	3	<p><SF-tech 2, consultant’s organization and experience></p> <ul style="list-style-type: none"> • Requires experiences with only similarity condition. • Restrict only a number of experiences in 20. 	2	<ul style="list-style-type: none"> • With EDCF requirements, consultants could state their most successful experiences regardless period such as successful experience in 1980s or 1990s. • Recent experiences could well prove consultant’s current capability therefore EDCF should require more specifically.
3	Proposal validity	<p><ITC 12.1></p> <p>30 days ~ 90 days</p>	3	<p><ITC 1.9></p> <p>60 days ~ 90 days</p>	2	<ul style="list-style-type: none"> • Proposal validity is regarding to client’s evaluation period because proposal should be valid until evaluation completion. • Proposal validity should be diversified depend on character of assignment.
4	Interest on delayed	<GCC 46>	3	-	1	If the Consultant cannot be paid

	payment	If payment is delayed beyond 15 days, interest shall be paid to the Consultant			properly for their service, quality of service may be dropped. When the Consultant makes a loss because of delayed payment, they should be compensated.
II	Economy / Efficiency		18	8	
1	Selection Method	<ITC 27><Guideline III> QCBS : Quality and Cost-Based Selection FBS : Fixed-Budget Selection LCS : Least-Cost Selection SSS : Single-Source Selection	3	<LOI> QCBS only	2 WB suggests more several selection methods for diverse assignment while EDCF recommends only QCBS method. Even if QCBS is most useful method for selection consultant, diverse methods is needed for various assignment.
2	Currency	<ITC 16> Proposal : US Dollar, Local Currency, et cetera Payment : same with proposal currency	3	<ITC 3.7.2> Proposal : USD only Payment : Korean Won only	1 EDCF requires US Dollar amount of proposal price but pays with Korean Won because of its tied-aid condition. This is improper for ICB with untied-aid so it shall be modified.
3	Termination of contract	<GCC 19> If the Consultant fails to confirm availability of Key Experts, the Client shall give at least five (5) calendar days' written notice of termination to Consultant.	3	No condition about failure of maintaining key experts	1 Maintaining key expert is most paramount qualification of Consultant. Condition for this situation shall be included for termination clause.
4	Termination of contract	If the Consultant has engaged in corrupt, fraudulent, collusive,	3	If the Consultant has engaged in corrupt or fraudulent practices, the	2 When corruption situation is raised, finding substitute consultant is required

		coercive or obstructive practices, the Client may be terminated after giving at least fourteen (14) calendar days written notice to the Consultant		Employer shall give a not less than thirty (30) days' prior written notice of termination to the Consultant.		as soon as possible. Within WB condition 14 days are vacuum but with EDCF almost a month are vacuum for termination. To continue with new Consultant, vacuum shall be short and client shall be prepared for this circumstance.
5	Insurance to be taken out by the Consultant	<GCC 24> The Consultant shall ensure that such insurance is in place prior to commencing the Services	3	No condition about time to apply insurance whether prior to commencement or not	1	Insurance should be prepared before commencement of service. It will be time consuming to handle after occurrence without an insurance agreement. Therefore the insurance should be prepared in advance of commencement.
6	Advanced Payment	Yes	3	No	1	For mobilization of necessary human and physical resources needed for an early and efficient implementation of the services contracted, an advanced payment system up to a certain amount is useful.
III	Equal opportunity		12		5	
1	Eligibility	<Guideline 1.11> All countries for competition based on its capability and resources to perform. Except Consultant's country is restricted it's commercial relationship by Borrower's country or UN Security Council	3	No condition Korean consultant only	1	If an untied aid system is adopted, it is essential that enterprises from all DAC members with reciprocal arrangement vis-à-vis Korea, as well as all least developing countries including the aid-recipient countries should be allowed to participate in the selection process for provision of equal and fair

					opportunity to compete.	
2	Language	<p><Guideline 1.22> Borrower shall select among English, French or Spanish. Borrower has an option to issue translated versions with Borrower's national language or nation-wide language in Borrower's country.</p>	3	<p><Guideline 4.16> Official language is English only for proposal, contract, reporting during implementation.</p>	2	To give equal opportunity to international consultant, EDCF shall give more options than only one language. Only one option (English) is subject to give more burden to Borrower countries and restrict various consultant's participation.
3	Advertising	<p><Guideline 2.5> -UNDB online, Bank's external website -National gazette (side circulation) or Newspaper or Technical, financial magazine or Free national/international electronic portal in English, French or Spanish -Both National or International method</p>	3	<p><Guideline 2.03> - At least one newspaper of general circulation</p>	1	EDCF should use at least UNDB and a national newspaper of wide circulation for equal opportunity for participation and for hiring an internationally competent consultant.
4	Shortlist of consultant	<p><Guideline 2.6> By WB condition, shortlist shall comprise six firms with a wide geographic spread with (i) no more than two firms from any one country (ii) at least one firm from a developing country. Provided that, consultant should</p>	3	<p><Guideline 3.3> Shortlist shall normally consist of not less than three and not more than five consultants</p>	1	For provision of an equal opportunity, local capacity building in developing countries and a broad based selection of consultant, WB system is more desirable under the untied aid system.

		meet the qualification for participation.			
IV	Encourage the development and use of national consultants In developing member countries.		3		1
1	Eligibility	<Guideline 1.13(c)> In circumstance of the (i) absence of a suitable private sector alternative, (ii) there participation is critical to project implementation, government-owned universities of research centers in Borrower's country shall be eligible to participate.	3	No information about government-owned entities.	1 For local capacity building in developing countries where the private sector is weak, EDCF shall adopt WB system.
V	Transparency		6		4
1	Conflicts of interest	<ITC 3.2.1(c)> The Consultants shall not be recruited if they have a close business or family relationship with a member of the Borrower; the Client; implementing agency; recipient of part of the Bank's financing who is directly or indirectly involved in any part of assignment.	3	< ITC 1.6(c)> The Consultants shall not be recruited if they have a business or family relationship with a member o the Employer's staff who is directly or indirectly involved in any part of assignment.	2 WB condition restricts conflict relation more broadly than EDCF condition. It could protect conflict relation more effectively.
2	Opening of proposals	<ITC19> Opening of technical proposal - in the presence of the shortlisted Consultant's authorized representatives	3	<ITC4.7> Opening of technical proposal - open immediately after the deadline for submission	2 In WB system, Client invites consultants for proposal opening for the sake of transparency. Evaluation committee will read in front of consultants.

	<ul style="list-style-type: none"> - procedure of opening, announcement <p>Opening of financial proposal</p> <ul style="list-style-type: none"> - after the tech. evaluation is completed, the Client shall notify the result to Consultants with score. - financial proposal will be returned unopened to unsuccessful consultants. - opening schedule for financial proposal will be notified to consultants who met the minimum requirement for technical proposal and an their attendance is optional. - financial proposals shall be opened by the Client's evaluation committee in the presence of the representatives of hose Consultants whose proposals have passed the minimum technical score. 		<p>Opening of financial proposal</p> <ul style="list-style-type: none"> - the first-ranked consultant is invited to negotiate its financial terms. 		<p>Because WB opens the result of evaluation to all consultants, unsuccessful consultants could know their score and reason for failure. While in EDCF system, Employer does not have opening ceremony for transparency. They evaluates technical proposal and invites Consultants who got the highest score. Then Employer and the first-ranked Consultant will negotiate with financial term. With EDCF system, unsuccessful consultants could not know their score and reason for failure and there is no public opening of proposal. To secure transparency for selection of consultant, public opening and transparent announcing whether consultant met the minimum requirement or not are paramount.</p>
	WB score	51	EDCF score	25	
			Match rate with WB procurement system(%)	49	

4.2 Selection of contractor for goods, services, works

- Criteria : Minimum Conditions for Effective International Competitive Bidding in Good Procurement Practices for ODA by OECD
- Measurement : Scoring

Score	Criteria
5	WB or EDCF procurement system requires higher criteria than the OECD good procurement practices
4	WB or EDCF procurement system requires more criteria than the OECD good procurement practices
3	WB or EDCF procurement system requires same criteria with the OECD good procurement practices
2	WB or EDCF procurement system requires less criteria with the OECD good procurement practices
1	WB or EDCF procurement system do not have requirement, criteria in the OECD good procurement practices

Basement score : 132 (3 score * 44 criteria in OECD good procurement practices)

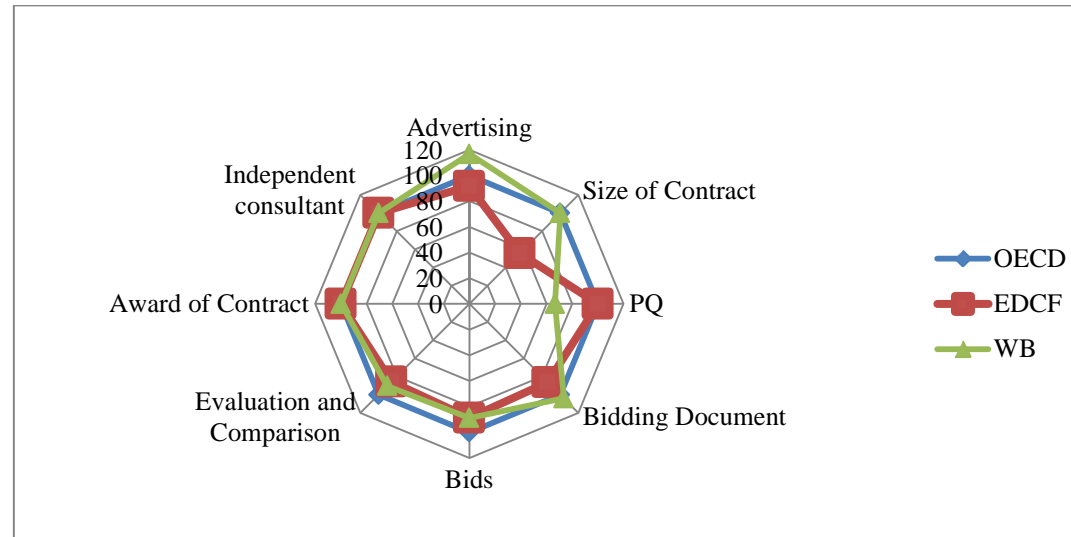
- Interpretation
 - WB procurement system and EDCF procurement system were evaluated with Minimum Conditions for Effective ICB as a criteria.
 - Scoring range is from 1 to 5 based on how much they have same (more/less) requirement based on criteria.
 - Because base score of criteria is 3 for each sub criteria, WB and EDCF could get more score than 100%, also less than 100%
 - Score more than 100% could be interpreted well-advanced system however score less than 100% could be interpreted either less advanced or just different requirements(system).

- Following is summary of analysis. Detail will be expounded one by one with detail criteria.

Table 5. Analysis of selection of contractor for goods, services, works

No	Category	OECD		WB		EDCF	
		Score	%	Score	%	Score	%
1	Advertising	12	100	14	116.7	11	91.7
2	Size of Contract	9	100	9	100.0	5	55.6
3	Pre-Qualification	12	100	10	83.3	12	100.0
4	Bidding Document	51	100	53	103.9	44	86.3
5	Bids	18	100	20	111.1	16	88.9
6	Evaluation and Comparison	21	100	19	90.5	18	85.7
7	Award of Contract	6	100	6	100.0	6	100.0
8	Independent Consultant	3	100	3	100.0	3	100.0
	Total	132	100	134	101.5	115	87.1

Figure 2. Analysis of selection of contractor for goods, services, works.



EDCF scored 115 out of 132 (87%). Only 3 categories got score similar with OECD minimum condition, while the others got score below than OECD minimum condition. Especially Size of contract of EDCF which could explain efficiency of procurement procedure scored only 56% of OECD minimum condition. Also Bidding document, Bids, Evaluation and comparison scored below than 90% of OECD minimum condition. Advertising which requires wide and timely advertisement for giving equal opportunity scored only 91.7%. Only PQ, Award of Contract, Independent consultant scored 100% which means to meet minimum requirement. As a result Korea procurement system is inefficient and ineffective because it does not meet even minimum condition for effective ICB. Meanwhile WB scored 134 out of 132 (101.5%). Even if WB scored less than minimum in 2 categories, total score of WB is higher than 100%. Moreover WB's categories which could not meet minimum

criteria are based on just difference of system. This is not caused by deficiency of criteria or less organized system. It could be explained as well advanced status of WB procurement system.

	Criteria	WB	EDCF	WB Principle for procurement
I	Advertising- Invitation to bid	14	11	
1	Shall be <u>advertised as timely and widely</u> as possible.	<Guideline 2.7/2.8>	3 < Guideline 2.03>	3 •Equal opportunity
2	Shall be provided in <u>one or more of the languages</u> customarily used in international trade	< Guideline 2.8> In English, French or Spanish or national language	4 < Guideline 2.03> English	2 •Equal opportunity
3	Shall be advertised in at least one <u>publication</u> of general circulation in the recipient country	< Guideline 2.8> -At least one newspaper of national circulation in the Borrower country, -or the official gazette, -or a widely used website or electronic portal with free national and international access	4 < Guideline 2.03> - At least one newspaper of general circulation	3 •Equal opportunity
4	Shall be given to eligible source countries with <u>description of proposed procurement, list of eligible source countries, information where the bidding documents can be obtained</u>	<User's Guide_p.272> -description of loan -description of works -venue where bidder could get bidding documents -submission deadline -bid opening schedule, venue -domestic preference	3 <SBD for works> - description of loan - description of works - venue where bidder could get bidding documents - submission deadline - opening schedule - bid security	3 •Encourage domestic market

II	Size of Contracts		9		5	
1	should be of a <u>size large enough to attract bids on an international basis</u>		3	NCB between Korean bidders only	1	•Efficiency
2	if it is possible to <u>divide a project</u> into contracts of a specialized character and such division is likely to be advantageous to the recipient and to allow broader international competitive bidding, the project should be so divided	< Guideline 2.5> Project requiring similar but separate items of equipment or works, bids may be invited a slice and package procedure that would attract the interest of both small and large firms, which could be allowed, at their option, to bid for individual contracts or for a group of similar contracts.	3	No requirement	1	•Efficiency •Equal opportunity
3	Single contracts for engineering, equipment and construction (“ <u>turnkey contracts</u> ”) may be desirable if they offer overall technical economic and administrative advantages to the recipient	< Guideline 2.4> Single responsibility contract may be a turnkey contract in which one entity assumes total responsibility to provide an industrial plant or facility fully-equipped and ready for operation.	3	< Guideline 2.01> where special processes or closely integrated manufacturing are involved, the Bank may allow turnkey contracts through a single contract.	3	
III	Pre-qualification of bidders		10		12	
1	Should be based entirely upon ability to perform satisfactorily, taking into account					•Transparency •Efficiency
1-1	<u>Experience and past performance</u> of the firm with similar work	< Guideline 2.9> Relevant general and specific experience, satisfactory past performance and successful completion of similar contracts	3	< Guideline 2.04> Experience and past performance on similar contracts over a given period	3	•Transparency

		over a given period				
1-2	Capabilities with respect to <u>personnel</u>	No requirement	1	< Guideline 2.04> Capabilities with respect to personnel	3	•Transparency
1-3	<u>Equipment and plant</u>	<Guideline 2.9> Capability of construction and/or manufacturing facilities.	3	< Guideline 2.04> Capabilities with respect to equipment and plant	3	•Transparency
1-4	<u>Financial</u> position and integrity	< Guideline 2.9> Financial position	3	< Guideline 2.04> Financial position	3	•Transparency
IV	Bidding Documents		53		44	
1	shall be prepared in one or more of the <u>languages</u> customarily used in international trade	< Guideline 2.15> -English or French or Spanish -National language of the Borrower or the language used nation-wide in the Borrower's country for commercial transaction	4	< Guideline 2.09> - English - if any other language is to be used, a full English text shall be incorporated and specified which is prevailing	2	•Equal opportunity
2	should <u>set forth clearly and precisely</u> the work to be accomplished, the good and services to be supplied, and the place of delivery or installation	< Guideline 2.16> -work to be carried out -location of the work -goods to be supplied -place of delivery of installation -schedule for delivery or completion -minimum performance requirements -warranty and maintenance requirements	4	< Guideline 2.10> - works to be done - goods to be supplied - place and period of delivery or installation - warranty and maintenance requirement - other pertinent terms	4	•Efficiency
3	Shall set out the proposed text of <u>contract</u>	< Guideline 2.38> O	3	< Guideline 2.08> O	3	•Transparency •efficiency

4	specify which <u>national or international standards governing manufactured equipment and materials</u> are acceptable and state that equipment and materials meeting other standards which ensure equivalent or higher quality than the standard specified will also be accepted	< Guideline 2.19> -internationally accepted standards issued by International Standards Organization with equipment, materials, workmanship -where international standards are unavailable or inappropriate, national standards may be specified.	3	< Guideline 2.11> - particular national or other standards with which equipment or materials must comply	1	<ul style="list-style-type: none"> •Transparency •Efficiency •Equal Opportunity
5	include a statement that the purchaser reserves the <u>right to reject</u> all bids when none of them is responsive to the specifications, when there is evidence of insufficient completion, or when the lowest bid received exceeds the estimated value by an amount sufficient to justify such action	< Guideline 2.61> When -lack of effective competition -bids are not substantially responsive -no bidder meets the qualification criteria -price of the lowest bidder is higher than available budget	3	< Guideline 2.25> < Guideline 2.29> If a bid is not substantially responsive to the bidding documents or contains inadmissible reservations or where there is evidence of lack of competition, it shall be rejected.	3	<ul style="list-style-type: none"> •Economy •Efficiency •Transparency
6	set out the factors to be taken into account in <u>evaluating and comparing bids</u> . In addition to the price, they may include such factors like followings.	< Guideline 2.52> -lowest evaluated bid	3	< Guideline 2.26> - lowest evaluated cost	3	<ul style="list-style-type: none"> •Transparency •Economy •Efficiency
7	Time of delivery or construction	< Guideline 2.52> O	3	No requirement	1	<ul style="list-style-type: none"> •Transparency •Efficiency
8	Efficiency of the equipment	< Guideline 2.52> O	3	< Guideline 2.26> O	3	<ul style="list-style-type: none"> •Transparency •Efficiency

9	Availability of service and spare parts	< Guideline 2.52> O	3	< Guideline 2.26> O	3	•Transparency •Efficiency
10	Experience and reliability of the bidder	<Guideline 2.9>	3	<Guideline 2.04>	3	•Transparency •Efficiency
11	Above facto should expressed in Monetary terms or relative weight for evaluation	< Guideline 2.52> O	3	< Guideline 2.26> O	3	•Efficiency
12	state the <u>currencies</u> in which bids may be expressed; they may include the donor's and recipient's currencies and others which are internationally traded;	< Guideline 2.28> O	3	< Guideline 2.13> - shall be stated in USD	2	•Equal opportunity •Economy
13	state the <u>procedures for conversion</u> to a common base for comparison	< Guideline 2.31> -the procedure for conversion of prices expressed in different currencies into a single currency for the purpose of comparing bids	3	< Guideline 2.13> - conversion by using exchange rate to the calculation under the provisions of the Loan Agreement	2	•Transparency •Efficiency
14	include <u>specifications</u> based on performance capability; brand names may be used as part of the technical specification only to illustrate performance or design characteristics; if so used, the notation "or equal" must be used	< Guideline 2.20> References to brand names, catalog numbers or similar classifications shall be voided. If it is necessary to quote a brand name or catalog number of a particular manufacturer, the words "or equivalent" shall be added after such reference	3	< Guideline 2.12> References to brand names, catalogue numbers, or similar classifications shall be avoided. In such a case, the reference shall be followed by the words "or equivalent".	3	•Transparency
15	indicate the <u>eligible source countries</u>	< Guideline 1.8-1.10>	3	< Guideline 1.04> In the Loan Agreement	3	•Transparency
16	state the <u>source of finance</u>	<User's guide>_standard form O	3	<SBD for works> O	3	•Transparency

17	state the date, hour and place for latest receipt of bids and for the <u>bid opening</u>	<User's guide>_standard form O	3	<SBD for works> - submission information - no opening information	2	Transparency
V	Bids		20		16	
1	The <u>time allowed for preparation</u> of bids should be governed by the magnitude and complexity of the contract involved so as to ensure sufficient time to all suppliers to prepare and submit their bids	< Guideline 2.44> - not less than 6 (six) weeks from the date of the ITB for ICB - not less than 12 (twelve) weeks for large works or complex items of equipment are involved.	3	< Guideline 2.21> - not less than 45 days from the date of the ITB for bidding - not less than 90 days for large works or complex items of equipment are involved.	3	Equal opportunity
2	All bids should be <u>opened</u> publicly at the time stipulated in the bidding documents	< Guideline 2.45> -Bids shall be opened in public; bidders or their representatives shall be allowed to be present	3	< Guideline 2.22> - All bids shall be opened publicly at the date, time and place stipulated in the ITB.	3	•Transparency
3	Bids received <u>after this time</u> should be <u>returned unopened</u>	< Guideline 2.45> O	3	< Guideline 2.22> O	3	•Transparency
4	The name of the bidder and total amount of each bid should be <u>read aloud and recorded</u>	< Guideline 2.45> -the name of bidder, total amount of each bid shall be aloud and recorded	3	< Guideline 2.22> O	3	•Transparency
5	<u>No</u> bidder shall be permitted to <u>alter</u> his bid after the bids have been opened	< Guideline 2.46> -Bidders shall not be requested or permitted to alter their bids after the deadline for receipt of bids	3	< Guideline 2.24> - No bidder shall be permitted to alter its bid after the first bid has been opened.	3	•Transparency

6	Only clarification <u>not changing the substance or price of the bid</u> may be requested or accepted by the recipient	< Guideline_Appendix3. 9> -Once bids are received and publicly opened, bidders will not be required or permitted to change the price or substance of a bid.	5	No requirement	1	•Transparency •Efficiency
VI	Evaluation and comparison		19		18	
1	The evaluation should include <u>technical analysis</u> to determine compliance with the <u>technical specifications and assign monetary values</u> in accordance with any evaluation factors set out in the bidding documents	<User's guide>_Sec.III Evaluation < Guideline 2.52>	3	<SBD_Sec.III> Evaluation < Guideline 2.26>	3	•Transparency
2	an <u>analysis to determine compliance</u> with the contractual terms set out in the bidding documents	< Guideline_Appendix3.6>	3	< Guideline_Annex 2>	3	•Transparency
3	Only bids from qualified bidders which are in compliance with technical and contractual term of the bidding documents shall be considered <u>responsive bids</u>	< Guideline 2.59> -the bidder whose bid has been determined (i) to be substantially responsive to the bidding documents and (ii) to offer the lowest evaluated cost	3	< Guideline 2.30> - the bidder whose bid has been determined (i) to be substantially responsive to the bidding documents and (ii) to offer the lowest evaluated cost	3	•Transparency •Efficiency
4	<u>Minor deviations</u> which affect neither substance nor price, such as arithmetical or clerical errors, shall <u>not make a bid unresponsive</u>	< Guideline_Appendix3. 9> -Once bids are received and publicly opened, bidders will not be required or permitted to change the price or substance of a bid.	1	< Guideline 2.26> - Bid shall be evaluated by operating cost. . .minor deviations, if any	3	•Efficiency

5	The prices quoted in the responsive bids shall be compared using the <u>formula for the comparison of different currencies set out in the bidding documents</u>	< Guideline 2.31> -the procedure for conversion of prices expressed in different currencies into a single currency for the purpose of comparing bids	3	< Guideline 2.13> - conversion by using exchange rate to the calculation under the provisions of the Loan Agreement	2	•Transparency
6	The comparison of bids to supply material and equipment shall be at prices <u>free of duties, taxes and other import charges</u> of like effect	< Guideline 2.51> The evaluation of bids shall not take into account: (a) customs duties and other taxes levied on imported goods quoted CIP (which are exclusive of custom duties); (b) sales and similar taxes levied in connection with the sale or delivery of the goods	3	No condition	1	•Transparency
7	A <u>report on the evaluation and comparison of bids</u> shall be prepared by the recipient or by its consultants and set forth the specific reasons on which the determination of the lowest evaluated bid is based and the reasons for disqualification of any bidder	< Guideline 2.54> The Borrower shall prepare a detailed report on the evaluation and comparison of bids setting forth the specific reasons on which the recommendation is based for the award of contract.	3	< Guideline 2.31> The Borrower shall promptly provide an explanation of why such bid was not selected, either in writing and/or in a debriefing meeting, at option of the Borrower.	3	•Transparency
VII	Award of Contract		6		6	
1	The award of a contract shall be made to the bidder whose bid has been determined to be the	< Guideline 2.49> The bid with the lowest evaluated cost, but not	3	< Guideline 2.30> - the bidder whose bid has been determined (i) to be substantially	3	•Economy •Efficiency

	<u>lowest evaluated bid</u> , taking into account the factors mentioned in the preceding paragraphs; this need not necessarily be the lowest priced bid received	necessarily the lowest submitted price, shall be selected for award.		responsive to the bidding documents and (ii) to offer the lowest evaluated cost		
2	The successful bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or to modify his bid.	< Guideline 2.59> A bidder shall neither be required nor permitted to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.	3	< Guideline 2.30> A bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.	3	•Efficiency
VIII	Engagement of independent consultant		3		3	
1	donors will generally request that the purchaser engage an <u>independent qualified consultant</u> whose tasks include the preparation of the bidding documents, the evaluation of the bids, assistance to the purchaser in the contract award as well as in the drafting of, and negotiation on, the contracts	O	3	O	3	•Transparency
		WB score	134	EDCF score	115	
		Match rate with OECD good procurement practice(%)	101.5	Match rate with OECD good procurement practice(%)	87.1	

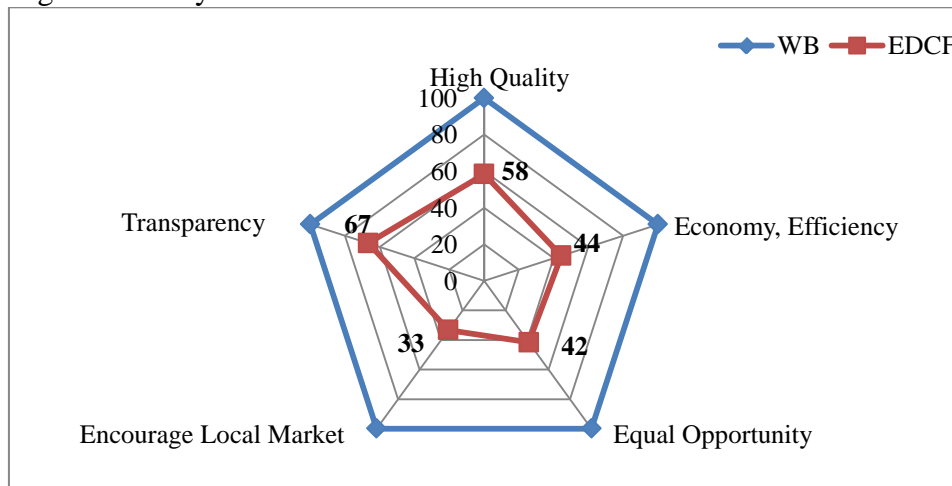
CHAPTER 5. CONCLUSION

Through assessment, the hypothesis for this study which is that Korea's ODA procurement system is compatible with the 2001 DAC Recommendation, and is as advanced as the MDB's procurement system is rejected. Synthetically EDCF does not have proper procurement system particularly for the untied aid system. Result shows that EDCF scored much less than WB with several criteria. This result is mainly based on the deficiency in the detail requirement and tight management. As already mentioned before, ultimate purpose of this study is to assess Korea's ODA procurement system's appropriateness for untied-aid and for encouraging development of local market. Conclusion is made based on these criteria and assessments.

1. Selection of Consultant

Selection of consultant part was analyzed based on WB procurement system. Analysis has been doing with 5 categories like followings.

Figure 1. Analysis of selection of consultant



Equal opportunity category scored only 5 out of 12 (42%). Level of equal opportunity is crucial point for untied-aid system because conversion to untied aid means that there will be no eligibility except proper qualification. Through untied aid system, every qualified

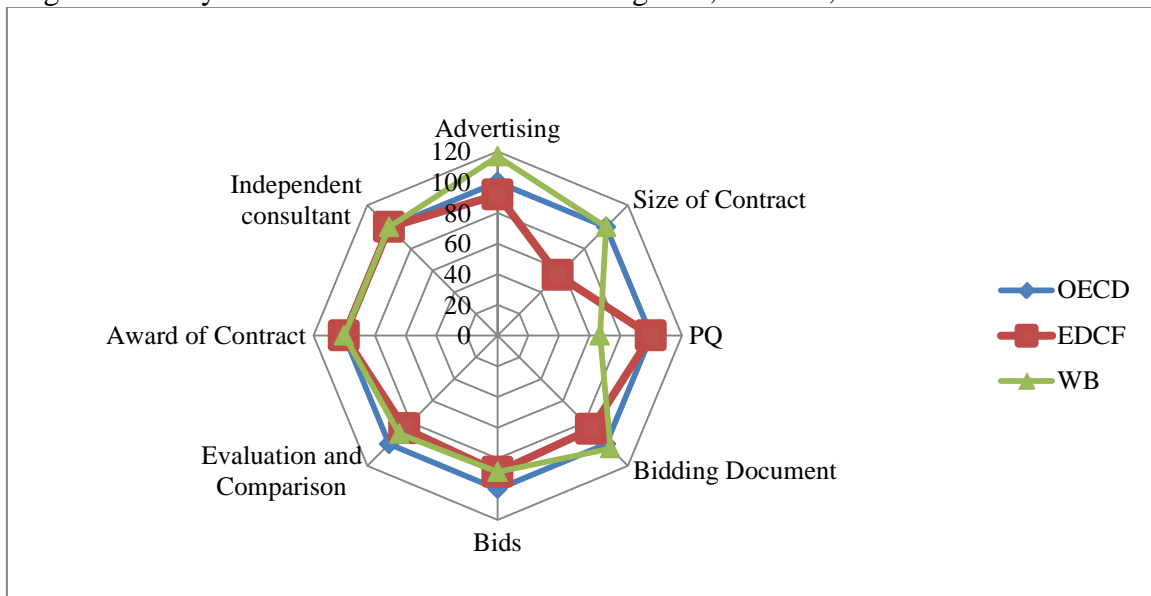
consultant from LDCs, MICs shall be available to have opportunity to participate in the bidding. However, in the bidding with EDCF's current procurement system seems to be unprepared to adopt untied aid system based on equal opportunity.

For encouraging local capacity, EDCF's procurement system got the lowest score (33% of total). Major reason for this low score is whether priority is given to local qualified consultants or not. In case of WB, they give a priority to local consultant over government-owned entity for bid participation on the assumption that local consultant is qualified sufficiently. To strengthen the local capacity of the developing countries where the private sector is often weak, EDCF shall adopt proper policy to encourage local consultant's participation such as WB's.

2. Selection of contractor for goods, services, works

Selection of contractor for goods, services, works was analyzed based on OECD good procurement practice and WB procurement guidelines. Analysis has been done with 8 categories like followings.

Figure 2. Analysis of selection of contractor for goods, services, works



Because criteria for this analysis are for effectiveness of ICB, indicators for equal opportunity are distributed into several categories. Indicators for equal opportunity are eligibility for every qualified bidder, various language options, wide advertising, division of project into reasonable amount to attract SMEs in LDCs or MICs, flexible currency options, giving sufficient time for preparation, etc. Based on these criteria, EDCF procurement system shows about 2/3 level of WB and OECD requirement. Currently EDCF allowed only Korean bidders to participate in procurement based on tied-aid. This is most crucial point which EDCF have to reform. Also other conditions such as various language options, wide advertising, reasonable size of contract, various currency options should be also reviewed and modified.

For encouraging local market, WB suggest domestic preference. WB allow qualified bidders of the country of the contracting agency a margin of preference in the evaluation of the CIF value of their bids under ICB(WB, 2012). In the case of locally manufactured goods, the margin is 15 percent. In the case of works, the margin is 7.5 percent. Allowing domestic preferenc under the ICB is reflecting WB's interest in encouraging the development of local contractors and manufacturing in borrowing countries. However EDCF has no condition about domestic preference to encourage development of local market. Therefore to meet the requirement of 2001 DAC Recommendation, EDCF shall adopt this kind of method to encourage development of local market.

Exceptionally, EDCF scored higher than WB in PQ category. In PQ stage, WB requires bidder's experience, financial statement, equipment while EDCF requires these contents and bidder's personnel. With WB procurement system, employer could evaluate bidder's personnel with most current information in bidding stage for more accurate evaluation. In EDCF procurement system, submission of personnel information is required for both PQ and bidding stages. Because information about personnel is relatively changeble as compared

with other contents, WB procurement system seems to be proper for efficiency to prevent wasting time and effort to evaluate twice. Even if WB scored less than OECD requirement, it does not mean their system is insufficient, but advanced efficiently more than minimum condition for effective ICB by OECD.

As a result, EDCF procurement system is not prepared for ICB based on untied-aid as much as WB procurement system and OECD Good Procurement Practices for ODA especially in language, currency, standard, eligibility part. While EDCF's evaluation criteria for selection is proper and enough as much as WB's evaluation criteria, condition for International applicants' participation is not yet settled. Even if EDCF modify eligibility condition and open procurement opportunity for international consultants and bidders, international consultants and bidders could not be able to compete with Korean firms fairly as long as those conditions are remaining such as currency, international standard, etc.

As we have seen, the main purpose of this study has been to explore the difference between a well-advanced ICB procurement system represented by WB and EDCF procurement system. Based on comparison process, it is demonstrated that not only eligibility for procurement but also other conditions such as language, standard, selection method, proper size, etc should be modified concomitantly for successful conversion of Korea's ODA procurement system based on untied aid. To achieve objectives from Roadmap of Korea Government, I would like to propose to consider findings from this study for EDCF. If above-mentioned subsidiary details are adopted, conversion of procurement system for untying aid system would be completed more successfully.

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REFERENCES

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