

P-4

**PROCUREMENT OF GOODS AND CIVIL
WORKS UNDER
SHOPPING PROCEDURES IN PROJECTS
FINANCED FROM LOAN/CREDIT OF
WORLD BANK**

Guidance for Shopping: Both International/National

1. General:

Shopping is a Procurement method based on comparing price quotations obtained from several national or international suppliers, usually at least three to ensure competitive prices. Shopping is intended to be a simple and rapid procurement method and is one of the least competitive procurement methods and may be abused unless it is carried out in compliance with legal agreements and observing a minimum formality in the process and with appropriate record keeping for verification and audit. Shopping shall be restricted to cases when the justification for it is beyond contention. Shopping should not be used as an expedient to bypass more competitive methods or fraction large procurement into smaller ones solely to allow the use of Shopping. When the nature of the specifications is complex or the type of procurement requires an elaborate, detailed evaluation system (i.e., efficiencies, delivery times, etc.) that needs substantial documentation, a formal bidding process instead of shopping is to be used. Shopping is not appropriate in these cases, because it is a method that should not require complex documentation or all the formalities of a bidding process.

2. To be used:

- * To procure small amounts of off-the-Shelf goods or Standard Specification Commodities or simple civil works for which more competitive methods are not justified on the basis of cost or efficiency;
- * In emergency project or for urgent relief-type operations including re-establishment of vital services like utilities, communication, shelter and vital supplies which stem from disaster or conflict. These emergency contracts may involve one or several activities in supply of goods, installation and commissioning and very urgent minor civil works. In the case of civil works or supply involving substantial installation , the term shopping is not used but referred commonly as “price comparison”.

3. Requirement:

- * Request for quotation shall be by letter, fax, telex, electronic messaging etc. (with proof of receipt and record keeping);

- * The request shall include the description and quantity of the goods as well as the required delivery time and place for the goods or services, including any installation requirements as appropriate;
- * The request shall indicate the date by which the quotations are needed. In extremely urgent cases (restoration of vital services), quotations for civil works may be requested in the form of unit rate prices (if work quantities are available with a reasonable degree of reliability), “cost plus fee” arrangements (when quantities cannot be reasonably determined in advance) or in the form of a lumpsum based on cost estimates carried out by the borrower, or if not possible, by the contractor.
- * Prices for goods supplied from within the country (including previously imported items) are requested to be quoted EXW (ex-works, ex-factory, ex-warehouse, ex-showroom or off-the-shelf, as applicable) including all custom and excise duties and sale and other taxes already paid or payable on the raw materials and components; for goods offered from abroad (i.e., not previously imported) prices are requested CIF or CIP or DDU basis (in case of large purchases).
- * In case of civil works prices shall be requested inclusive of all taxes and duties payable by the contractor.
- * Prices can be quoted in any currency of the Bank member countries (under international shopping only).
- * Requests should be addressed to more than three firms that are reputable, well established and are suppliers of the goods or services being purchased, as part of their normal business (after verifying whether those being invited will make an offer or not) to ensure at least three quotations are received; In case unsolicited quotations are received, they may be accepted after carrying out a similar due diligence exercise to verify the nature and reputation of firm.
- * When there is more than one source for the goods at competitive prices in India, the purchaser may use national shopping (within the limits specified in legal agreement); but must obtain at least three quotations. If this is not the case, then international shopping shall be used.
- * Under International Shopping, request for quotation shall be from suppliers from at least two different countries including India. Quotations for foreign goods located in India and offered by a firm located in India, are considered as quoted from abroad for purposes of satisfying the “two different countries” rule. (This is applicable for example, to items such as computers, vehicles etc. that are normally imported by dealers of the foreign manufacturers who are able to provide after sales services).
- * Quotation should be submitted in writing i.e., by fax, telex, letter or electronic messaging (copies to be kept for records).

- * No bid or performance securities is required.
- * There is no requirement for strict time and date of submission and for public opening; but normally requests for quotes should indicate the expected date of submission of quotes within one or two weeks of the initial request.
- * If the Purchaser has not received at least three quotations within the time set, it should verify with the suppliers who have not submitted quotation, whether they intend to do so and how soon. Unless there is extreme urgency or there are already three or more quotations available, reasonable amount of additional time, say three more days, could be given to submit quotation.
- * Quotation should be compared after adding to the quoted price for goods, the estimated cost of inland transportation and insurance, if any, to the final destination. For purposes of comparison, prices are converted into Indian Rupees at the exchange rate on the date of opening of quotes. The lowest priced offer is selected.
- * Purchaser may exercise discretion in selecting a quotation that is not the lowest priced as far as there is good justification. For example a slightly higher price may be justified for faster delivery or immediate availability in case of extreme urgency, when late delivery may result in heavy consequences for the purchaser. In such cases, the intention should be indicated in the request for quote.
- * Award decision and its rationale should be documented/ and kept for review by audit by the Bank (or by the Bank's auditors) as needed. The record should contain the list of firms invited, and the list and value of quotations received, comparative statements etc. The documents should clearly show that the award is based on sound economic criteria.
- * Purchase order shall incorporate the terms of accepted offer and should specify the currency of payment (which is the currency of the quote). Bank accepts payments in any currency of the member countries.

4. Steps:

- * Request for quotation
- * Opening of quotations
- * Preparing comparative statement and making award decision
- * Placing purchase order (Goods) or issuing work order (civil works)

5. Note:

- (1) *Goods that otherwise qualify for shopping could be procured directly from UN agencies.*
- (2) *Rate contract of Directorate General of Supplies and Disposal (DGS&D) are acceptable under National Shopping (Rate contract of State Government are not acceptable, but they can be considered as one quotation and compared with those obtained from other suppliers).*

6. Formats:

Models Document (E-11/E-5 and W-5) for Request for Quotations for International/ National Shopping for Goods and National Shopping for Civil Works are available and could be obtained as and when required.