

Procurement Capacity Assessment Report and Recommendations

Proposed Project Name: Electricity Transmission Expansion and Supply Improvement Project	Proposed Amount: US\$ 100 million
Executing Agency: Nepal Electricity Authority (NEA)	Source of Funding: ADF Loan, ADF Grant, Norwegian Government Grant
Assessor: Zhang Lei, SAEN	Date: 30 September 2011
<p>Expected Procurement International Competitive Bidding (ICB) procedures will be used for all procurement packages (5 turnkey contracts), among them, Single-Stage: Two-Envelope procedures will be adopted for Package of 220/400 kV Tamakoshi-Kathmandu Transmission Line, other 4 turnkey packages will adopt Single-Stage: One-Envelope procedure. For consulting services, one firm will be engaged for implementation support for construction of 220/400 kV Tamakoshi-Kathmandu Transmission Line, one individual consultant will be recruited for implementation support of Rehabilitation of Sundarilal HPP (640KW) and Tinau HPP (1MW).</p> <p>General Procurement Environment Assessment</p> <p>Assessment of the National Environment Latest information will be provided by COSO in accordance with Para.10 of PAI 1.01 and Para.5 of "Guide To EA Procurement Capacity Assessment".</p> <p>General Agency Resource Assessment. All procurement activities are handled by each project manager under each concerned department, i.e. Generation, Transmission, and Distribution (East and West), which functions as a complete project implementation unit including design, procurement, and construction/installation. In particular, the project manager of transmission department has responsibilities for safeguard issues as well. Each department has qualified human resources to handle both local and foreign procurement, and NEA has many institutional experiences in procurement for the previous Loan No. 1732-NEP(SF): Rural Electrification, Distribution and Transmission Project, and Loan No. 2587-NEP (SF): Energy Access and Efficiency Improvement Project.</p> <p>Agency Procurement Processes: Goods and Works The procurement process for goods and works are undertaken by each department in accordance with the NEA's internal procurement procedures, which appears to well run and are considered to be conforming to the ADB's procurement policies. For evaluation of bids, Bid Evaluation Committee is formed, consisting high level members from Technical, Finance, and Administration Divisions, to evaluate the bids and prepare recommendation for final approval of the Board or Managing Director or General Manager depending on the size of procurement.</p> <p>Agency Procurement Processes: Consulting Services The procurement process for the consulting services is handled by each department after the NEA management identified the need for consulting services requirements. The consultant selection is conducted in accordance with the NEA's internal procedures, which appear to be acceptable to ADB in transparency and accountability. Consultant Evaluation Committee is convened to evaluate proposals from consultants and provide recommendation for final decision of the Board or Managing Director or General Manager depending on the size of services.</p> <p>Process Control and Oversight NEA has undertaken foreign assisted procurement under previous loans, including the latest Loan No. 2587-NEP (SF): Energy Access and Efficiency Improvement Project. Review of process control and oversight is satisfactory: for instance, bidding documents, request for proposal, advertisement of an invitation for bids, evaluation reports, notice of award, invitation to consultants to negotiate and award of contracts are decided by the Board or Managing Director or General Manager or Director in accordance with their internal transparent procedures.</p> <p>Records Keeping and Audit NEA keeps the project records and files for 10 years, including procurement documents, e.g. signed original contracts and evaluation reports, which are safe kept for reference and inspection, if necessary. It is considered that an established and well functioning system is in place for record keeping and audit.</p>	

Summary Assessment and Recommendations		
<p>EA's/IAs strength are as follows:</p> <ul style="list-style-type: none"> • Familiarity with the ADB's standard bidding procedures based on their procurement experiences in the latest loan • Sufficient experiences and knowledge in local procurement processes for Government of Nepal projects and foreign procurement under external assistance from international development partners <p>EA's/IAs weakness is:</p> <ul style="list-style-type: none"> • Tendency of slow progress in the bid evaluation process observed in the ongoing ADB loan • Insufficient project monitoring and weak project coordination in ADB's on going project. 		
Specific Recommendations, Project Implementation		
Capacity Constraint	Recommended Action	Responsibility and comment
Insufficient project monitoring and weak project coordination in ADB's on going project.	It is recommended to divide the project into manageable number of appropriate contract packages on turnkey basis.	During the fact-finding mission, the contract packaging has been fully discussed taking into consideration the size, nature, value, and the conditions of the potential market of supply, and agreed between the NEA and ADB. (The proposed loan includes 5 procurement and 2 consulting services contract packages with estimated value ranging from US\$ 4.4 million to US\$ 49 million for procurement, and US\$ 0.25 million and US\$ 1.5 million for each consulting service.).
General Recommendations		
Capacity Constraint	Recommended Action	Responsibility and comment
While the NEA has good experiences and knowledge in foreign and local procurement processes as well as the ADB's procurement guidelines and procedures, tendency of slow progress in the bid evaluation process has been observed in the ongoing ADB loan.	It is recommended to fully utilize advance contracting particularly for recruitment of implementation consultant, well prepare bidding documents, and closely monitor the project implementation.	NEA has been requested to submit EOI for consultant recruitment soon.