

Procurement Risk Assessment

Project Number: 52025-001
September 2020

**Proposed Loan
People's Republic of China: Yunnan Sayu River
Basin Rural Water Pollution Management and
Eco-Compensation Demonstration Project**

CURRENCY EQUIVALENTS

(as of 5 August 2020)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1434
\$1.00	=	CNY6.9736

ABBREVIATIONS

ADB	–	Asian Development Bank
GPL	–	Government Procurement Law
LCG	–	Ludian County Government
OCB	–	open competitive bidding
PMO	–	project management office
PRC	–	People’s Republic of China
TBL	–	Tendering and Bidding Law
YWPCO	–	Yudong Reservoir Water Resources Protection Committee Office
ZCG	–	Zhaotong City Government
ZDG	–	Zhaoyang District Government

NOTE

In this report, “\$” refers to United States dollars.

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EXECUTIVE SUMMARY

1. The project procurement risk before considering mitigation measures is rated as *medium*. Although one chief of the three procurement divisions under the three implementing agencies—the Yudong Reservoir Water Resources Protection Committee Office (YWPCO) that will conduct a procurement of goods and consultant recruitments, and the Ludian County Government (LCG) and the Zhaoyang District Government (ZDG) that will conduct procurements of works and goods—has experience in one foreign donor-funded project, the main weakness identified is that the procurement divisions still lack experience in procurements and consultant recruitments for the Asian Development Bank (ADB)-funded projects. This risk will be mitigated through recruitments of qualified consultants. An initial project management support consultant for procurement and project management will not only assist the project management office (PMO) established in the YWPCO in recruiting other consultants, but also assist the local PMOs established in the LCG and the ZDG in conducting procurements for early packages. A procurement specialist in a project management support consultant team will engage in procurements of civil works and goods and in consultant recruitments for the PMO and the local PMOs until the completion of the project.

2. Based on a market risk assessment, the following procurement methods are recommended: (i) 30 packages, comprising 23 works packages and 7 goods packages, through the open competitive bidding (OCB) for national advertisement; (ii) 2 consulting services packages (T4 package for project management support and T7 package for rural water pollution management and eco-compensation) through the quality- and cost-based selection (QCBS) with quality and cost ratio of 90:10 to recruit international consulting firms, each of which will provide a team of both international and national consultants; (iii) 2 consulting services packages (T5 package for external resettlement and social development monitoring and evaluation [M&E] and T6 package for external environmental monitoring) through consultants' qualifications selection (CQS) to recruit national consulting firms; and (iv) 3 initial project management support consultants for procurement and project management, environment, and social safeguards and social development through individual consultant selection (ICS).

3. Five works and goods packages (the first works package and the first goods package for the LCG, the first works package and the first goods packages for the ZDG, and the first and only goods package for the YWPCO) and all seven consulting services packages are for ADB's prior review; and the other 25 works and goods packages are for ADB's post-review (sampling), considering the limited experience of the implementing agencies in procurements of works and goods and in consultant recruitments for foreign donor-funded projects.

4. With the procurement risk assessment and management plan, recommended measures for market risks, and the prior and post-review (sampling) arrangements, the mitigated project procurement risk is rated as low.

I. INTRODUCTION

5. This project procurement risk assessment was prepared for the Yunnan Sayu River Basin Rural Water Pollution Management and Eco-Compensation Demonstration Project in accordance with ADB's Guidance Note on Procurement–Procurement Risk Framework,¹ Guidance Note on Procurement–Strategic Procurement Planning,² and Guide on Assessing Procurement Risks and Determining Project Procurement Classification.³

¹ ADB. 2018. *Guidance Note on Procurement–Procurement Risk Framework*. Manila.

² ADB. 2018. *Guidance Note on Procurement–Strategic Procurement Planning*. Manila.

³ ADB. 2014. *Guide on Assessing Procurement Risks and Determining Project Procurement Classification*. Manila.

6. The project will demonstrate and disseminate innovative water pollution management, including (i) reduction of water pollution sources with innovative technologies and arrangements; (ii) protection of water resources from pollution with innovative information technologies; (iii) establishment of eco-compensation mechanism; and (iv) strengthening of education, capacity, and public awareness for water pollution management.

7. The project procurement risk assessment was undertaken from July to October 2019. Preparation activities included reviewing documents, ADB's ongoing procurement experience, interviews with counterpart staff, and discussions with stakeholders.

II. COUNTRY PROCUREMENT RISK ASSESSMENT

A. Overview

8. Public procurement in the People's Republic of China (PRC) is currently governed by two laws: the Tendering and Bidding Law (TBL), and the Government Procurement Law (GPL). The TBL was passed and promulgated on 30 August 1999 and became effective on 1 January 2000. The GPL was promulgated on 29 June 2002 and became effective on 1 January 2003. Both the TBL and the GPL, which have been amended several times over the past years, apply to all procurement of goods, works, and services financed by governments, with exemptions of (i) procurements involving national defense or security; (ii) procurements for urgent projects caused by seriously natural disasters or other force majeure; and (iii) military procurements. Unless stated otherwise, both the TBL and the GPL also apply to international donor-funded projects. Both the TBL and the GPL contain a specific provision which says that the TBL and the GPL shall apply to procurements financed by foreign grants or loans, unless a treaty or an agreement with the donor expressly specifies alternative procedures applicable to the foreign grant or loan; and that if there are any conflicts on the procurement procedures between the domestic procurement agency and the funding agency, the funding agency's procedures shall prevail, except for procedures violating the State, public, and social interests.

9. On 12 December 2011, the State Council promulgated the Regulation on Implementation of the Law of the PRC on Tendering and Bidding that became effective on 1 February 2012. In addition, an amendment to the GPL made in 2014 gave a wide selection of procurement agencies and adjustment of punishment measures. In addition to procurement agencies identified by the central and provincial governments, other procurement agencies, including private ones, can be hired to engage in procurement processes. Similarly, an amendment to the TBL was promulgated in 2017; and three changes by the amendment are related to procurement agencies: (i) procurement agencies are not allowed to set up expert database that shall be set up and managed by relevant government agencies to ensure fairness of bid evaluations, (ii) procurement agencies can be selected through marketing and competitive method with bidding discipline constraints, and (iii) punishment to illegal actions have been strengthened.

10. The Yunnan Provincial Government also issued the Yunnan Provincial Regulation on Tendering and Bidding (No. 57 Notice of Standing Committee of Yunnan Provincial People's Congress) that became effective on 1 May 2012. The Standing Committee of Yunnan Provincial People's Congress issued the Yunnan Provincial Government Procurement Regulation (No. 49 Notice of Standing Committee of Yunnan Provincial People's Congress) that became effective on 1 January 2001, and the Management Rules on Tendering and Bidding for Yunnan Provincial Engineering Construction Projects (No. 61 Notice of Standing Committee of Yunnan Provincial People's Congress) that became effective on 1 January 1997 and was revised in 2004.

11. Bidding procedures adopted in the PRC are the (i) single stage-one envelope procedure, (ii) single stage-two envelope procedure, and (iii) two-stage bidding procedures. For this project, the single stage-one envelope procedure will be used for both civil works and goods packages. Standard national competitive bidding documents for works and goods issued by the Ministry of Finance in 2015 will be used for bidding for the OCB for national advertisement. Bids are opened on the last date for bid submission in the place and at the time specified in the bidding document. All bids are opened publicly in the presence of the bidders or their representatives who may choose to be present. The procurement agency reads aloud unit prices and bid amounts and prepares records of the bid opening. All bidders in attendance sign an attendance sheet. All bids submitted after the time prescribed are rejected and returned without being opened.

12. Country and sector procurement risk assessment required by ADB's Guidance Note on Procurement–Procurement Risk Framework (footnote 1) has not been conducted for the PRC yet. For the PRC, the country and sector procurement risk preliminary rated by ADB is medium.

B. Strength

13. Both the TBL and the GPL are available, and the guidelines and regulations related to procurement activities are updated according to the changes made to both the TBL and the GPL. A provision in both the TBL and the GPL says that if there are any conflicts on procurement procedures between the domestic procurement agency and the funding agency, the funding agency's procedures shall prevail as per the financing agreement, except for the procedures violating the State, public, and social interests.

14. Standard national competitive bidding documents for works and goods issued by the Ministry of Finance in 2015 are in place and can be applied for the procurement activities of the project.

C. Weakness

15. The following issues of general procurement environment in the PRC tend to increase procurement risk for this project: (i) consulting services are not clearly addressed in the TBL nor the GPL; (ii) the TBL and the GPL are not clear for participation of state-owned enterprises; (iii) the TBL, the GPL, and relevant regulations do not require collection of nationwide statistics on procurement; and consolidated historical procurement data are not readily available to the public; and (iv) there is no comprehensive training program available by executing and implementing agencies of projects for procurement accreditation or professionalization in the PRC.

III. AGENCY PROCUREMENT ASSESSMENT

A. Overview

1. Organization and Staff Capacity

16. The Zhaotong City Government (ZCG) is the executing agency of the project. There are three implementation agencies of the project: (i) the YWPCO of the ZCG, (ii) the LCG, and (iii) the ZDG. Guidance and sector coordination will be through the project leading group of the ZCG and the local project leading groups of the ZDG and the LCG.

17. The PMO has been established in the YWPCO, including the Comprehensive Information Division, Finance Division, Engineering Technical Division, and Quality Inspection Division (21

out of the 31 PMO staff are full-time members). A local PMO has been established in the Investment Service Center of the LCG, including the Project Division, Technical Quality Inspection Division, Finance Division, and Comprehensive Information Division (3 out of the 32 local PMO staff are full-time members). Another local PMO has been established in the Water Resources Bureau of the ZDG, including the Engineering Technology Division, Finance Division, and Comprehensive Division (3 out of the 36 local PMO staff are full-time members).

18. Six staff of the Engineering Technical Division of the PMO will be responsible for all consultant recruitments and procurement for the goods package for information management and water monitoring systems. Six staff of the Technical Quality Inspection Division of the local PMO of the LCG and eight staff of the Engineering Technology Division of the local PMO of the ZDG will be responsible for the procurements for all the other works and goods packages. All three chiefs of these divisions have experience in procurement for at least 6 years (two for more than 15 years and one for World Bank-financed project for 2 years). An initial project management support consultant for procurement and project management will not only assist the PMO in recruiting other consultants, but also assist the local PMOs in conducting procurements for early packages. A procurement specialist in a project management support consultant team will engage in procurements of civil works and goods and consultant recruitments for the PMO and local PMOs until the completion of the project.

2. Information Management

19. The YWPCO, the LCG, and the ZDG will allocate to the PMO; and the local PMOs allocate adequate space, equipment, and personnel to administer procurement records and contracts for the project. A referencing system for procurement files will be set up with the assistance of the initial project management support consultant for procurement and project management. Documents will be retained following the TBL and/or the GPL for at least 15 years, depending on the document type. Each contract will be retained in a single file with necessary documents. Computer software will be used for record keeping.

3. Effectiveness

20. Procurement effectiveness will be enhanced with the involvement of (i) procurement professionals in procurement planning and coordination; (ii) engineering expertise for technical specifications; and (iii) a procurement agency and consultants, together with capacity building and training provided by the consultants. The main risk to effective procurement is delay of consultant recruitments and procurements due to lack of familiarity with ADB's procedures.

B. Strength

21. The Engineering Technical Division of the PMO, the Technical Quality Inspection Division of the local PMO of the LCG, and the Engineering Technology Division of the local PMO of the ZDG will conduct procurements of works and goods and consultant recruitments for the project. The full-time and part-time staff of these divisions have extensive experience in domestic procurements and consultant recruitments. All three chiefs of these division have experience in procurement for at least 6 years (two for more than 15 years and one for a World Bank-financed project for 2 years).

22. ADB will provide relevant procurement staff with guidance and instructions on ADB's procurement and consultant recruitment procedures. The procurement specialist of the transaction technical assistance consultant team provided relevant staff of the PMO and the local

PMOs with on-the-job training on ADB's procurement and consultant recruitment procedures during project preparation. At project start-up and during project implementation, the initial project management support consultant for procurement and project management and the procurement specialist in the project management support consultant team will continue such training.

23. A procurement agency will provide the above-mentioned three divisions of the PMO and the local PMOs with professional services and technical assistance and ensure that procurements for the project meet ADB's requirements.

C. Weakness

24. Although staff from the above-mentioned three divisions have extensive experience in domestic procurements and/or consultant recruitments, they still lack experience in procurements and/or consultant recruitments for foreign-funded projects.

25. Each local PMO has only three full-time staff; and in general, the local PMO staff has limited skills or proficiency in the English language. This may limit the effectiveness of the staff of the PMO and the local PMOs in communicating with ADB.

D. Procurement Risk Assessment and Management Plan

26. The project procurement risk assessment and management plan in Table III-1 was prepared based on Appendixes 1 and 9 of ADB's Guidance Note on Procurement–Procurement Risk Framework (footnote 1).

Table III-1: Procurement Risk Assessment and Management Plan

Risk Description	Risk Assessment			Mitigation Measures or Risk Management Plan
	Likelihood Score	Consequence Score	Risk Rating	
The PMO and the local PMOs have insufficient qualified staff to efficiently undertake the procurements required to implement the project.	2 - Full-time and part-time staff of divisions of the PMO and the local PMOs have extensive experience in domestic procurements and consultant recruitments. - All three chiefs of these division have experience in procurement for at least 6 years (two for more than 15 years and one for a World Bank-financed project for 2 years). - The procurement specialist of the TRTA consultant team provided relevant staff of the PMO and the local PMOs with on-the-job training on ADB's procurement and consultant recruitment procedures during project preparation.	5	High	- ADB will provide relevant procurement staff with guidance and instructions on ADB's procurement and consultant recruitment procedures. - The PMO will recruit an initial project management support consultant for procurement and project management and another procurement specialist as a member of a project management support consultant team. - The individual project management and procurement consultant will provide training on procurement and consultant recruitment for ADB projects at project start-up. - The procurement consultant of the project management support consultant team will continue such training. - The above-mentioned consultants and a procurement agency will help the PMO and the local PMOs conduct procurements. - ADB will closely monitor procurement and consultant recruitment activities of the PMO and the local PMOs to ensure non-discriminatory participation and transparent bidding processes.
The PMO and the local PMOs	1 - Both the TBL and GPL are	5	Medium	- ADB will provide relevant procurement staff with guidance and instructions on

Risk Description	Risk Assessment			Mitigation Measures or Risk Management Plan
	Likelihood Score	Consequence Score	Risk Rating	
use practices inconsistent with national procurement law or bidding documents unsuitable for the ADB-funded procurement.	available and related guidelines and regulations are updated according to changes to both the TBL and GPL. - A provision in both the TBL and GPL says that if there are any conflicts between domestic and funding agency's procurement procedures, the funding agency's procedures shall prevail as per the financing agreement, except for the procedures which violate the State, public, and social interests. - Standard national competitive bidding documents for works and goods issued by the Ministry of Finance are in place and can be applied for the procurement activities of the project.			ADB's procurement and consultant recruitment procedures. - The consultants and procurement agency will help the PMO and the local PMOs conduct procurements. - ADB will closely monitor procurement and consultant recruitment activities of the PMO and the local PMOs to ensure non-discriminatory participation and transparent bidding processes.
Record-keeping is inadequate to enable internal or external audit of procurement processes.	2 - Full-time and part-time staff of the divisions of the PMO and the local PMOs have extensive experience in domestic procurements and consultant recruitments and are conducting record keeping. - The procurement specialist of the TRTA consultant team provided relevant staff of the PMO and the local PMO with on-the-job training on ADB's procurement and consultant recruitment procedures during project preparation.	4	Medium	- The YWPCO, LCG, and ZDG will allocate to the PMO and the local PMOs allocate adequate space, equipment, and personnel to administer procurement records and contracts for the project. - A referencing system for procurement files will be set up with the assistance of the initial project management support consultant for procurement and project management. Documents will be retained following the TBL and/or GPL for at least 15 years depending on the document type. Each contract will be retained in a single file with necessary documents. Computer software will be used for record keeping. - ADB will provide relevant procurement staff with guidance and instructions on ADB's procurement and consultant recruitment procedures. - The consultants and procurement agency will help the PMO and the local PMOs conduct procurements. - ADB will closely monitor procurement and consultant recruitment activities of the PMO and the local PMOs to ensure non-discriminatory participation and transparent bidding processes.
The PMO and the local PMOs do not promote non-discriminatory participation and transparent	2 - The PMO and the local PMOs committed to conduct procurements and consultant recruitments for the project using non-discriminatory transparent	4	Medium	- ADB will provide relevant procurement staff with guidance and instructions on ADB's procurement and consultant recruitment procedures. - The consultants will provide training on procurement and consultant recruitment for ADB projects to fulfill ADB's requirements

Risk Description	Risk Assessment			Mitigation Measures or Risk Management Plan
	Likelihood Score	Consequence Score	Risk Rating	
tender processes.	process fulfilling ADB's requirements.			for non-discriminatory participation and transparent bidding processes at project start-up and during project implementation. - The consultants and a procurement agency will help the PMO and the local PMOs conduct procurements, fulfilling ADB's requirements for non-discriminatory participation and transparent bidding processes. - ADB will closely monitor procurement and consultant recruitment activities of the PMO and the local PMOs to ensure non-discriminatory participation and transparent bidding processes.
The PMO and the local PMOs have inadequate ethics and anticorruption measures in place.	1 - The PMO and local PMOs committed to conduct all procurements and consultant recruitments fulfilling ADB's requirements. - Evaluation of bids for works and goods and technical proposals for consulting services will be evaluated by evaluation committee consisting members selected from expert database. - ADB's anticorruption policy was explained to the PMO and the local PMOs and requirements for compliance with the policy are mentioned in the project administration manual and project agreement.	4	Medium	- Those involved in procurements will be required to declare any potential conflict of interest and remove themselves from the procurement process by written statements. - All procurement decisions in a year will be audited in the next year and archived. - ADB continues to remind all relevant parties of requirements for compliance with ADB's Anticorruption Policy. - The consultants and a procurement agency will help the PMO and the local PMOs conduct procurements, reminding them of requirements for compliance with ADB's Anticorruption Policy. - ADB will monitor compliance of procurement and consultant recruitment activities with ADB's Anticorruption Policy, through periodical missions and close review of procurement and consultant recruitment documents.

ADB = Asian Development Bank, GPL = Government Procurement Law, LCG = Ludian County Government, PMO = project management office, TBL = Tendering and Bidding Law, TRTA = transaction technical assistance, YWPCO = Yudong Reservoir Water Resources Protection Committee Office, ZDG = Zhaoyang District Government.
Source: ADB.

IV. MARKET RISK ASSESSMENT

A. Overview

27. All contract packages for the ADB financing for the project are in Table IV-1 below. The procurement plan is included in the project administration manual.

Table IV-1: Contract Packages

Type	No.	General Description	Est. Value ^a (\$ million)
Works	C1	Wastewater management systems and manure collection tanks in Xinjie Town in Ludian County	6.236
	C2	Wastewater management systems and manure collection tanks in Shuimo Town in Ludian County	6.309
	C3	Wastewater management systems and manure collection tanks in Longshu Town in Ludian County (area 1)	13.543
	C4	Wastewater management systems and manure collection tanks in Longshu Town in Ludian County (area 2)	4.734
	C5	Solid waste transfer stations and garbage pyrolysis facility in Ludian County	1.342
	C6	Basic infrastructure for eco-village in Xinjie Town in Ludian County	3.809
	C7	Basic infrastructure for eco-village in Longshu Town in Ludian County	3.011
	C8	Basic infrastructure for eco-village in Shuimo Town in Ludian County	3.073
	C9	New wetlands in Zhongheba and Dazhaizi Wetlands in Longshu Town in Ludian County	4.983
	C10	New wetlands in Xiaohedian Wetland in Shuimo Town and Longxiang and Longshu Wetlands in Longshu Town in Ludian County	3.243
	C11	Afforestation, perennial herb planting, and irrigation facilities in Ludian County	7.123
	C12	Basic infrastructure for low-emission agriculture promotion in Longshu Town in Ludian County	4.745
	C13	Basic infrastructure for low-emission agriculture promotion in Shuimo Town in Ludian County	1.838
	C14	Wastewater management systems and manure collection tanks in Zhaoyang District	7.576
	C15	Solid waste transfer station and garbage pyrolysis facility in Zhaoyang District	0.827
	C16	New wetland construction in Xinhe Wetland in Leju Township in Zhaoyang District	0.560
	C17	Basic infrastructure for low-emission agriculture promotion in Zhaoyang District	2.765
	C18	Ecological embankment in Longshu River tributaries in Longshu Town in Ludian County (area 1)	5.541
	C19	Ecological embankment in Longshu River tributaries in Longshu Town in Ludian County (area 2)	6.786
	C20	Ecological embankment in small rivers in Sujia Township in Zhaoyang District (area 1)	4.987
	C21	Ecological embankment construction in small rivers in Sujia Township in Zhaoyang District (area 2)	4.173
	C22	Ecological embankment construction in small rivers in Sayu Town and Leju Township in Zhaoyang District	5.059
	C23	Ecological embankment construction in a Longshu River tributary in Dazhaizi Township in Zhaoyang District	4.737
Goods	G1	Equipment for wastewater management system in Ludian County	0.481
	G2	Equipment for garbage pyrolysis facility in Ludian County	2.008
	G3	Equipment for garbage collection, compression, and transfer in Ludian County	0.957
	G4	Equipment for information management and water monitoring systems	1.249
	G5	Equipment for wastewater management systems in Zhaoyang District	0.301
	G6	Equipment for garbage pyrolysis facility in Zhaoyang District	0.717
	G7	Equipment for garbage collection, compression, and transfer in Zhaoyang District	0.360
Consulting Services	T1	Initial project management support by individual consultant (procurement and project management)	0.028
	T2	Initial project management support by individual consultant (environment)	0.028
	T3	Initial project management support by individual consultant (social)	0.028
	T4	Project management support consultant team	0.802
	T5	External resettlement and social development M&E agency	0.217
	T6	External environmental monitoring agency	0.097
	T7	Consultant team for rural water pollution management and eco-compensation	1.000

Est. = estimated, M&E = monitoring and evaluation, No. = package number.

^a With an exchange rate as of 5 August 2020: \$1.00 = Chinese yuan 6.9736.

Source: Asian Development Bank estimates.

28. A market assessment was conducted to ensure adequate number of bidders will participate in bidding for each works or goods contract package, based on data on similar procurements in the past. The detailed information on the market assessment is in Appendix 3.

29. For the project, the following national consultants and agencies will be engaged: a procurement and project management specialist; a procurement and contract management specialist; two environment specialists; a resettlement specialist; a social development specialist; a social development specialist, and a gender specialist; an economist; a financial specialist; a waste management specialist; a wetland specialist; three afforestation specialists; a low-emission agriculture specialist; a composting specialist; an agribusiness specialist; a river management specialist; an eco-compensation specialist; an education, capacity development, and community participation specialist; an external resettlement and social development monitoring and evaluation agency which will provide a resettlement specialist, a social development specialist, and two field surveyors; and an external environmental monitoring agency which will provide an environmental specialist and two field surveyors. These consultants and agencies will be available in the PRC, since such consulting services have been provided by national consultants and agencies to ADB's loan projects, grant projects, and/or technical assistances for the PRC.

B. Strength

30. Based on data on similar civil works and goods over the past years, it is expected that adequate number of bidders in the PRC will participate in each bidding for all works or goods, as shown in Appendix 3.

31. Considering the consulting services provided by national consultants and agencies to ADB's loan projects, grant projects, and/or technical assistances for the PRC, it is also expected that all the national consultants for the project can be recruited in the PRC.

C. Recommendations to Mitigate Risks

32. Based on the market risk assessment, (i) it is recommended that the bidding method for all works and goods packages to be financed by ADB will be OCB for national advertisement; and (ii) it has been confirmed that all the national consultants for the project can be recruited in the PRC (international consultants to be recruited for the project are a project management specialist and team leader for T4: project management support consultant team, and a waste management specialist and team leader and an eco-compensation specialist for T7: rural water pollution management and eco-compensation). Procurement and consultant recruitment methods for the project are shown in Table IV-2 below.

Table IV-2: Procurement and Consultant Recruitment Methods

Type	Package Number	Procurement Method
Works	C1, C2, C3, C4, C5, C6, C7, C8, C9, C10, C11, C12, C13, C14, C15, C16, C17, C18, C19, C20, C21, C22, C23	Open competitive bidding for national advertisement
Goods	G1, G2, G3, G4, G5, G6, G7	Open competitive bidding for national advertisement
Consulting Services	T1, T2, T3	Individual consultant selection
	T4, T7	Consultants' qualifications selection
	T5, T6	Quality- and cost-based selection

Source: Asian Development Bank.

V. AGENCY PRIOR AND POST REVIEW (SAMPLING) APPROACH

33. Based on ADB's Guidance Note on Procurement Review,⁴ packages for prior or post-review (sampling) are based on assessment of the procurement risk, scope, and cost of each package, rather than by applying quantitative thresholds under ADB's pre-2017 procurement framework. Under the project, contract packages for prior review are (i) the first works and first goods packages to be procured by the LCG (C11 and G1); (ii) the first works and goods packages to be procured by the ZDG (C14 and G5); (iii) the first and only goods package to be procured by the YWPCO (G4); and (iv) all consulting service packages (T1, 2, 3, 4, 5, 6, and 7), considering the limited experience of the PMO and the local PMOs in procurements and consultant recruitments for foreign donor-funded projects; and the importance of applying a precautionary approach. All the remaining packages are for post-review (sampling).

VI. CONCLUSION

34. Overall project procurement risk before considering mitigation measures is rated as medium. With the procurement risk assessment and management plan, recommended measures to mitigate the risks, and the prior and post review (sampling) arrangements, the mitigated project procurement risk is rated as low.

⁴ ADB. 2018. *Guidance Note on Procurement–Procurement Risk Framework*. Manila.

AGENCY PROCUREMENT ASSESSMENT TOOL

Indicators	Sector and/or Agency Questions	Score	Narrative and/or Verification or Clarification Required
1. Legislative and Regulatory Framework			
1.1 Does the national public procurement law (including supporting regulations, standard bidding documents and operational manuals and/or guides) apply to the sector?	<ul style="list-style-type: none"> - Is the sector exempted by legislation from being subject to the national public procurement law? - Even if subject to national public procurement law, does the sector tend to follow it? - Do agencies in the sector use government-issued public procurement manuals or guidance? - Have government-issued documents tailored to meet sector requirements? - In absence of government-issued documents, does the sector have its own standard bidding documents? 	3	Both the TBL and GPL are available, and guidelines and regulations related to procurement activities are updated according to changes to both the TBL and GPL. A provision in both the TBL and GPL says that if there are any conflicts between domestic and funding agency's procurement procedures, the funding agency's procedures shall prevail as per the financing agreement, except for the procedures which violate the State, public, and social interests. Standard national competitive bidding documents for works and goods issued by the Ministry of Finance are in place and can be applied for the procurement activities of the project.
1.2 Is the supply market for the sector sufficiently competitive to give full effect to the national procurement law and/or open competitive tendering?	<ul style="list-style-type: none"> - Is competitive bidding a common feature under the sector? - Is there a core of suppliers in the sector who regularly submit responsive bids? - What proportion, by percentage, of the sector's procurement is undertaken through open competitive bidding? - What is the average number of bidders for publicly bid contracts? - Do executing agencies tend to make sufficient efforts to attract bids (e.g., adequate advertising, bidding periods)? - Is there availability and quality of suppliers, labor force, and/or related goods and services in the domestic market? 	3	Competitive bidding is prevalent. Goods contracts estimated at more than CNY1.0 million, works contracts estimated at more than CNY2.0 million, and consulting services contracts estimated at more than CNY0.5 million are for open competitive bidding. Cores of suppliers in the sector regularly submit responsive bids. Always more than three bidders apply for each contract. The PMO and the local PMOs will make sufficient efforts to attract bids.
1.3 If there is a sector-specific legal framework, does it support nondiscriminatory participation, transparent tender processes (including advertisement, tender documentation, tender evaluation, complaints mechanism)?	<ul style="list-style-type: none"> - Has the sector adopted nondiscriminatory and transparent tender processes? - What is the average number of bidders for publicly bid contracts? 	2	The sector adopted nondiscriminatory and transparent tender processes. Always more than three bidders apply for each contract.
1.4 Is the sector subjected to excessive regulation or government control such that competition is limited or non-existent?	<ul style="list-style-type: none"> - Does the sector apply a domestic preference scheme? - Does the sector require preregistration of bidders? - Are there acceptable provisions in the sector for participation of state-owned enterprises? 	2	The sector applies some domestic preference scheme. The sector does not require any preregistration of bidders. There are acceptable provisions in the sector for participation of state-owned enterprises.
1.5 Does the legal and regulatory framework enable the sector and/or agency to use an e-procurement system?	<ul style="list-style-type: none"> - Does the sector and/or agency abide by the rules, regulations, and guidelines for the use of e-procurement incorporated in the national procurement laws? - Are electronic and paper documents considered as equally valid by the sector and/or agency? 	3	The sector and/or agency implements follows e-procurement rules, regulations, and guidelines consistent with the national procurement laws.

Indicators	Sector and/or Agency Questions	Score	Narrative and/or Verification or Clarification Required
	<ul style="list-style-type: none"> - Are there sector and/or agency specific tender or bidding procedures, contract management processes, and approval ceilings in the e-procurement implementation? 		
2. Institutional Framework and Management Capacity			
2.1 Is the procurement cycle in the sector required to be tied to an annual budgeting cycle (i.e., can a procurement activity commence only when budget has been duly appropriated for it)?	<ul style="list-style-type: none"> - Are procurement plans in the sector prepared as part of the budget planning and formulation process? - Do systems and processes in the sector, or key agencies in the sector, require certification of availability of funds before solicitation of tenders? 	3	Procurement plans are prepared as part of the annual budget process, and budget availability is confirmed prior to solicitation of tenders.
2.2 Does the system foster efficiency through the use of adequate planning?	<ul style="list-style-type: none"> - Does the sector, or key agencies in the sector, have a formalized procurement planning process(es)? 	3	There is a regular planning exercise that starts with the preparation of 5-year operating plans followed by annual procurement plans with associated expenditures that form part of the annual budget formulation process.
2.3 Does the procurement system in the sector or agency feature an oversight or regulatory body?	<ul style="list-style-type: none"> - Does the sector fall under the remit of the national oversight or regulatory body? - If a national body does not exist, is there a sector specific body that oversees and/or regulates procurement? 	3	There is a national procurement oversight body that covers agency procurement.
2.4 Is there a public procurement capacity development or professionalization program?	<ul style="list-style-type: none"> - What proportions of procurement-related officers and staff in the sector have been trained under the national or sector capacity development program or participated in any formal procurement training program? 	3	At least 75% of the procurement-related officers.
2.5 Is there a dedicated group institutionalized for e-procurement in the sector's and/or agency's procurement unit?	<ul style="list-style-type: none"> - Does the sector and/or agency use the national e-procurement system or does it use its own e-procurement system? - Is e-procurement strategically positioned in the sector's and/or agency's governance map or long-term development plan? - How is e-procurement positioned within the overall sector and/or agency structure? - Does the sector and/or agency have sufficient IT infrastructure to support e-procurement? 	3	On 4 February 2013, Order no. 20 of the NDRC, the PRC promulgated measures on electronic bidding, which became effective on 1 May 2013.
2.6 If an e-procurement system is used, is there a structured approach to capacity building and analyzing its effective use?	<ul style="list-style-type: none"> - What is the sector's and/or agency's e-procurement capacity to implement the system? - Does the agency or e-procurement unit recognize the need for knowledge and skill building for the new way of working under e-procurement? 	3	All full-time and part-time procurement related staff of the PMO and the local PMOs have experience in procurements of works and goods and consultant recruitments. The PMO and/or the local PMOs will apply e-procurement, if necessary.
3. Procurement Operations/ Market Practices			
3.1 Is private sector competitive, well organized, and able to access the sector market?	<ul style="list-style-type: none"> - Is the private sector well organized and able to access the sector market? - Do civil society organizations regard public procurement in the sector to be open and accessible to the market? 	3	The private sector is competitive, well organized, and able to participate in competition for sector procurement contracts. There are no major constraints inhibiting private access to sector procurement.
3.2 Do measures exist in the sector or agency to	<ul style="list-style-type: none"> - What percentage of contracts are awarded for values less than the original cost 	2	60%–80% of contract awards sampled. Less than 10% of contracts sampled.

Indicators	Sector and/or Agency Questions	Score	Narrative and/or Verification or Clarification Required
ensure the adequacy and accuracy of cost estimates before bidding, and to manage contract price variations?	estimates? - What percentage of contract variations amount to a cumulative impact of more than 10% of the original contract price?		
3.3 Is the private sector able to access and fully participate in the agency e-procurement activities?	- What functions exist and are being used in the sector and/or agency e-procurement system? - Are all forms available and accessible online? - Do bidders pay any fees for the use of the system? - What other government information technology (IT) systems does the e-procurement system link to? - Are foreigners able to participate in the sector's and/or agency's e-procurement system? - What percentage of sector's and/or agency's total bids are transacted through the e-procurement system?	3	Private sector is generally able to access and participate competitively through e-procurement, the e-procurement system is an end-to-end solution, and there are no constraints prohibiting any firm to access or use the sector's and/or agency's e-procurement system.
3.4 Do commercial bank practices support the private sector industry and procurement operations adequately?	- Have banks delegated powers to branches to issue bid security, advance payment security, and performance security expeditiously? - Do banks generally play a supporting role in assisting contractors, especially small ones for obtaining such securities? - Do banks generally provide necessary credit facilities to the construction industry (especially small- and medium sized firms)?	3	Bank branches have adequate powers to issue bid securities, advance payment securities, and performance securities without major delays and reference to headquarters. Private sector is generally able to access bank credit facilities without much hindrance.
3.5 Is there a mechanism in the sector or agency to receive and handle observations, complaints, and protests?	- Are there sector- or agency-specific procedures to receive and handle observations, complaints, and protests? - Are complaints and protests in the sector or agency processed within the maximum time limit provided for in the law? - Have the bidders used the complaint and protest mechanisms?	2	Complaint review system has precise and reasonable conditions and time frames for decision with clear enforcement authority and mechanisms.
4. Integrity and Transparency of the Public Procurement System			
4.1 Is there a formal internal control and audit framework in the sector?	- Do key agencies in the sector have an independent internal audit function? - Do key agencies in the sector have adequate internal control mechanisms to oversee the procurement function? - Are key agencies in the sector subjected to regular performance or value for money audits? - Are key agencies are subjected to annual financial audits? - Are internal and/or external audits findings and/or recommendations acted on in a timely manner?	3	The sector has an effective internal control framework, including an independent internal audit function; annual financial audits are conducted; and audit recommendations are implemented within 6 months.
4.2 Is information pertaining to public procurement in the sector easy to find, comprehensive, and relevant?	- What percentage of bids are published in the medium that is easily and freely accessible? - Can bidders easily and freely access bid information?	2	As seen in the links below, bids and contract awards are appropriately published; and bidders can easily and freely access bid and contract award information. http://www.ccg.gov.cn

Indicators	Sector and/or Agency Questions	Score	Narrative and/or Verification or Clarification Required
	<ul style="list-style-type: none"> - What is the percentage of contract awards announced in the media that are easily and freely accessible? - Are third-party observers invited to attend public bidding? 		http://www.chinazbcg.com https://www.bibenet.com/ http://bulletin.cebpubservice.com/ http://www.gc-zb.com/
4.3 Can bidders and other stakeholders easily access sector's and/or agency's procurement information through the e-procurement system?	<ul style="list-style-type: none"> - What is the civil society's involvement in the e-procurement system? - What kind of dynamics exist between or among private sector and other stakeholder groups? - Are bidders and other stakeholders able to monitor all the sector's and/or agency's e-procurement transactions? 	3	<p>As seen in the link below, bids and awards information are published, and are readily accessible at all times from an e-procurement site; and third-party observers from civil society organizations and other partner groups are able to access and download the e-procurement information. Generally, there is a very cooperative relationship from all stakeholder groups, with civil society organizations and other partner groups being able to use e-procurement system for monitoring.</p> http://www.ccg.gov.cn http://www.chinazbcg.com https://www.bibenet.com/ http://bulletin.cebpubservice.com/ http://www.gc-zb.com/
4.4 Does the sector <u>or</u> <u>agency</u> have ethics and anticorruption measures in place?	<ul style="list-style-type: none"> - Are there sector- or agency-specific procedures to verify a bidder's legitimate existence, track records, financial capacity, and capacity to complete the job? - Are there sector- or agency-specific procedures to rate performance and/or debar bidders and/or suppliers, contractors, and consultants for ethical and integrity violations? - Does the sector, or key agencies in the sector, maintain a registry of debarred suppliers, contractors, and consultants? - Are there sector-specific integrity principles and guidelines? 	3	<p>As seen in the links below, the sector has an active anticorruption or integrity programs in place; the sector has mechanisms to debar firms for failure to perform and/or integrity violations; the sector has sufficient supplier due diligence processes; and the sector has clear policy, procedures, and/or frameworks governing conflict of interest.</p> http://www.ccg.gov.cn http://www.chinazbcg.com https://www.bibenet.com/ http://bulletin.cebpubservice.com/ http://www.gc-zb.com/
Overall Score		2.75	

e-procurement = electronic procurement, GPL = Government Procurement Law, NDRC = National Development and Reform Commission, PMO = project management office, PRC = People's Republic of China, TBL = Tendering and Bidding Law.
Source: Asian Development Bank.

PROJECT PROCUREMENT RISK ASSESSMENT QUESTIONNAIRE
(From Appendix 11, Guide on Assessing Procurement Risks and Determining Project Procurement Classification)¹

QUESTION	RESPONSE	RISK ^a
A. ORGANIZATIONAL AND STAFF CAPACITY		
PROCUREMENT DEPARTMENT AND/OR UNIT		
A.1 Does the agency or Government have a Procurement Committee that is independent from the head of the agency?	An expert database is used for selection of evaluation committee members for procurement of works, goods, and consulting services.	
A.2 Does the agency have a procurement department and/or unit, including a permanent office, that performs the function of a Secretariat of the Procurement Committee?	Each of the PMO and the local PMOs have a procurement division.	
A.3 If yes, what type of procurement does it undertake?	The procurement division of the PMO will conduct procurement of goods and consultant recruitments. The procurement divisions of the local PMOs will conduct procurement of works and goods.	
A.4 How many years of experience does the head of the procurement department and/or unit have in a direct procurement role?	All three chiefs of the procurement divisions of the PMO and the local PMOs have experience in procurement for at least 6 years (two for more than 15 years and one for a World Bank-financed project for 2 years).	
A.5 How many staff in the procurement department and/or unit are a) full-time? b) part-time? c) seconded?	PMO: 21 full-time and 10 part-time staff, including 6 staff of the procurement division. Local PMO of the LCG: 3 full-time and 29 part-time staff, including 6 staff of the procurement division. Local PMO of the ZDG: 3 full-time and 33 part-time staff, including 8 staff of the procurement division.	
A.6 Do the procurement staff have a high level of English language proficiency (verbal and written)?	No. However, there is an interpreter and/or translator in the PMO; and consultants with a high level of English language will support the staff of the procurement divisions.	*
A.7 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Yes. 20 staff of the three procurement divisions have extensive experience in domestic procurement.	*
A.8 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers, etc. to undertake the planned procurement?	Yes.	
A.9 Does the agency have, or have ready access to, a procurement training program?	Yes. - The procurement specialist of the TRTA consultant team provided relevant staff of the PMO and the local PMOs with on-the-job training on ADB's procurement and consultant recruitment procedures during project preparation. ADB will provide relevant procurement staff with guidance and instructions on ADB's procurement and consultant recruitment procedures. An individual project management and procurement consultant will provide training on procurement and consultant recruitment for ADB projects at project start-up. A procurement consultant of a project management support consultant team will continue such training.	*

¹ ADB. 2015. *Guide on Assessing Procurement Risks and Determining Project Procurement Classification*. Manila.

QUESTION	RESPONSE	RISK ^a
A.10 At what level does the department and/or unit report (to the head of agency, deputy etc.)?	The director of the PMO.	
A.11 Do the procurement positions in the agency have job descriptions, which outline specific roles, minimum technical requirements, and career routes?	No, but the procurement divisions agreed to develop the job descriptions for further recruitment of full-time staff.	
A.12 Is there a procurement process manual for goods and works?	No, but the manual will be finalized with assistance from procurement agencies and procurement consultants to be engaged for project start-up and implementation support.	
A.13 If there is a manual, is it up to date; and does it cover foreign-assisted projects?	The manual will cover procedures and requirements for procurement for ADB projects.	
A.14 Is there a procurement process manual for consulting services?	No, but the manual will be finalized with assistance from procurement consultants to be engaged for project start-up and implementation support.	
A.15 If there is a manual, is it up to date; and does it cover foreign-assisted projects?	The manual will cover procedures and requirements for consultant recruitment for ADB projects.	
PROJECT MANAGEMENT UNIT		
A.16 Is there a fully (or almost fully) staffed PMU for this project currently in place?	Yes.	*
A.17 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Yes. 20 staff of the three procurement divisions have extensive experience in domestic procurement.	*
A.18 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers, etc. to undertake the planned procurement?	Yes.	
A.19 Are there standard documents in use, such as the Standard Procurement Documents and/or Forms, and have they been approved for use on the ADB-funded projects?	The Ministry of Finance of the PRC issued standard bidding documents for works and goods. Using these standard bidding documents, the model OCB document for works and the model OCB document for goods will be prepared and approved by ADB.	*
A.20 Does the agency follow the national procurement law, procurement processes, and guidelines?	Yes; but if there are inconsistencies with ADB's requirements, ADB's requirements will be followed.	*
A.21 Do TORs for consulting services follow a standard format such as background, tasks, inputs, objectives, and outputs?	The PAM includes summary TORs for consulting service packages, including objective, scope, inputs, and costs. These summary TORs will be detailed, with assistance from procurement consultants, to include all requirements for consultant recruitment.	
A.22 Who drafts the procurement specifications?	Based on requirements for works or goods, a design institute prepares the procurement specification. A procurement agency under instructions will include the procurement specification in Section 6 of the bidding document.	
A.23 Who approves the procurement specifications?	The director of the PMO or the director of the local PMO.	
A.24 Who in the PMO has experience in drafting bidding documents?	The procurement divisions of the PMO and the local PMOs have experience in drafting bidding documents.	*
A.25 Are records of the sale of bidding documents immediately available?	Yes. The procurement agency keeps the records.	*
A.26 Who identifies the need for consulting services requirements?	Needs for consulting services were identified during project preparation and all consulting services packages with summary TOR are included in the PAM. Additional needs for consulting services, if any, might be identified by the PMO and/or ADB.	

QUESTION	RESPONSE	RISK ^a
A.27 Who drafts the TOR?	The PAM includes summary TORs for consulting service packages, including objective, scope, inputs, and costs. These summary TORs will be detailed by the PMO with assistance from procurement consultants and will be used for actual consultant recruitment.	
A.28 Who prepares the RFPs?	The PMO staff under instructions from ADB.	
B. INFORMATION MANAGEMENT		
B.1 Is there a referencing system for procurement files?	The system will be set up with help of procurement consultants.	
B.2 Are there adequate resources allocated to record keeping infrastructure, which includes the record keeping system, space, equipment and personnel to administer the procurement records management functions within the agency?	Yes.	*
B.3 Does the agency adhere to a document retention policy (i.e., for what period are records kept)?	Yes. Documents are retained for at least 15 years, following the national laws.	*
B.4 Are copies of bids or proposals retained with the evaluation?	Yes.	
B.5 Are copies of the original advertisements retained with the pre-contract papers?	Yes.	
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	Yes. Each contract will be retained in a single file with necessary documents.	
B.7 Are copies of invoices included with the contract papers?	Yes.	
B.8 Is the agency's record keeping function supported by IT?	Yes. Computer software will be used for record keeping.	
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 12 months or last 36 months)? If yes, indicate the names of the development partner/s and the Project/s.	One chief of the three procurement divisions worked for procurements for a World Bank-financed project for 2 years.	*
C.2 If the answer is yes, what were the major challenges faced by the agency?	N/A	*
C.3 Is there a systematic process to identify procurement requirements (for a period of one year or more)?	Procurement requirements were identified during project preparation and included in the procurement plan. Additional procurement requirements, if any, will be identified by the procurement divisions; reviewed and endorsed by the PMO and the local PMOs; processed following domestic requirements; and finally approved by ADB.	
C.4 Is there a minimum period for the preparation of bids; and if yes, how long?	Yes. At least 20 days based on the TBL and GPL. For all procurement under the project, ADB's requirements will be fulfilled.	*
C.5 Are all queries from bidders replied to in writing?	Yes.	*
C.6 Does the bidding document state the date and time of bid opening?	Yes.	*
C.7 Are bids opened in public?	Yes.	*
C.8 Can late bids be accepted?	No.	*
C.9 Can bids (except late bids) be rejected at bid opening?	The TBL and GPL of the PRC allow rejection of bids at bid opening. However, procurement for this project will fulfill ADB's requirements.	*
C.10 Are minutes of the bid opening taken?	Yes.	*

QUESTION	RESPONSE	RISK ^a
C.11 Are bidders provided a copy of the minutes?	Usually not. If requested, bidders' names, each bidding price, etc. are sent to all bidders who submitted bids in time.	*
C.12 Are the minutes provided free of charge?	Yes.	*
C.13 Who undertakes the evaluation of bids (individual(s), permanent committee, ad-hoc committee)?	Bid evaluation committee consisting of members randomly selected from the Yunnan Provincial Comprehensive Bid Evaluation Expert Database managed by the Yunnan Development and Reform Committee.	
C.14 What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	Evaluators are selected from the expert database which includes qualified experts for procurement of works and goods and consultant recruitment.	*
C.15 Is the decision of the evaluators final or is the evaluation subject to additional approvals?	The decision of the evaluation committee is the final.	*
C.16 Using the three 'worst-case' examples in the last year, how long from the issuance of the invitation for bids can the contract be awarded?	110 days in the worst case. For the domestic procurement examples: (i) Zhaolu Large-Scale Irrigation Area Subsequent Construction and Water Conservation Project, Lot 7: Advertisement date: May 19, 2016; Contract Signing Date: August 15, 2016. (ii) Zhaolu Large-Scale Irrigation Area Subsequent Construction and Water Conservation Project, Lot 16 Advertisement date: July 20, 2017; Contract Signing Date: November 8, 2017. (iii) Zhaotong Large-Scale Irrigation Area Subsequent Construction and Water Conservation Project, Lot 1-3 Advertisement date: April 20, 2018; Contract Signing Date: June 4, 2018.	
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	No.	
C.18 Are there established goods receiving procedures?	No, but the LCG and ZDG agreed to set up goods-receiving procedures with assistance of consultants.	
C.19 Are all goods that are received recorded as assets or inventory in a register?	Yes.	
C.20 Is the agency and/or procurement department familiar with letters of credit?	No.	
C.21 Does the procurement department register and track warranty and latent defects liability periods?	Yes.	
Consulting Services		
C.22 Has the agency undertaken foreign-assisted procurement of consulting services recently (last 12 months, or last 36 months)? (If yes, please indicate the names of the development partner/s and the Project/s.)	One chief of the three procurement divisions worked for procurements for a World Bank-financed project for 2 years.	*
C.23 If the above answer is yes, what were the major challenges?	N/A.	*
C.24 Are assignments and invitations for the EOIs advertised?	Yes.	*
C.25 Is a consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?	Yes. Committee members are selected from the ZCG including the project leading group and the PMO, etc.	
C.26 What criteria is used to evaluate the EOIs?	Consulting firms' project and country/regional experience.	
C.27 Historically, what is the most common method used (QCBS, QBS, etc.) to select consultants?	QCBS.	*

QUESTION	RESPONSE	RISK ^a
C.28 Do firms have to pay for the RFP document?	No.	*
C.29 Does the proposal evaluation criteria follow a pre-determined structure and is it detailed in the RFP?	Yes.	*
C.30 Are pre-proposal visits and meetings arranged?	Yes, if needed.	
C.31 Are minutes prepared and circulated after pre-proposal meetings?	Yes.	*
C.32 To whom are the minutes distributed?	All bidders.	*
C.33 Are all queries from consultants answered and/or addressed in writing?	Yes.	*
C.34 Are the technical and financial proposals required to be in separate envelopes and remain sealed until the technical evaluation is completed?	Following domestic requirements, technical and financial proposals are in one envelope and evaluated at the same time; but consultant recruitment for the project will follow ADB's requirements.	* The procurement divisions do not promote non-discriminatory participation and transparent tender processes
C.35 Are proposal securities required?	Yes, following domestic requirements; but for consultant recruitment for the project, proposal securities will not be required, following ADB's requirements.	* The procurement divisions do not promote non-discriminatory participation and transparent tender processes
C.36 Are technical proposals opened in public?	Yes, since technical and financial proposals are in one envelope, following domestic requirements; but for consultant recruitment for the project, technical and financial proposals will be in separate two envelopes; and technical proposal opening will not be in public.	* The procurement divisions do not promote non-discriminatory participation and transparent tender processes
C.37 Are minutes of the technical opening distributed?	No.	*
C.39 Who determines the final technical ranking and how?	Bid evaluation committee.	*
C.40 Are the technical scores sent to all firms?	Not for domestic projects because the Quoted Price Commitment Bid Evaluation Method is used. The results will be published; but consultant recruitment for the project will follow ADB's requirements.	* The procurement divisions do not promote non-discriminatory participation and transparent tender processes
C.41 Are the financial proposal opened in public?	Yes.	*
C.42 Are minutes of the financial opening distributed?	Yes.	*
C.43 How is the financial evaluation completed?	According to evaluation criteria set in the bidding documents and ADB's requirements.	*
C.44 Are face to face contract negotiations held?	Yes, following domestic requirements. For consultant recruitment for the project, negotiations will be conducted face-to-face or through phone and/or emails, following ADB's requirements.	*
C.45 How long after financial evaluation is negotiation held with the selected firm?	Within 7 days after publishing the bid winning announcement, following domestic requirements.	
C.46 What is the usual basis for negotiation?	Submitted technical and financial proposals.	

QUESTION	RESPONSE	RISK ^a
C.47 Are minutes of negotiation taken and signed?	Yes.	*
C.48 How long after negotiation is the contract signed on average?	Within 2 weeks for internal procedures	
C.49 Is there an evaluation system for measuring the outputs of consultants?	No.	
Payments		
C.50 Are advance payments made?	Yes, 15%–20% for civil works and goods for domestic contracts. All procurement under the project will follow ADB's requirements.	
C.51 What is the standard period for payment included in contracts?	Standard period for payment will be monthly based or based on actual quantities completed. All procurement for the project will follow ADB's requirements.	
C.52 On average, how long is it between receiving a firm's invoice and making payment?	4 weeks on average.	
C.53 When late payment is made, are the beneficiaries paid interest?	No.	
D. EFFECTIVENESS		
D.1 Is contractual performance systematically monitored and reported?	Yes, by the project managers of the LCG and ZDG and site supervising engineers.	
D.2 Does the agency monitor and track its contractual payment obligations?	Yes.	
D.3 Is a complaints resolution mechanism described in national procurement documents?	Yes.	
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	Yes.	
D.5 Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, and/or notices of default and/or withheld payment?	Yes.	*
E. ACCOUNTABILITY MEASURES		
E.1 Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	No, but all procurements for the project will follow ADB's Anticorruption Policy.	*
E.2 Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	Yes, following domestic requirements.	*
E.3 Is the commencement of procurement dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	No.	
E.4 Who approves procurement transactions, and do they have procurement experience and qualifications?	All procurement processes are endorsed by the chief of each procurement division and director of the local PMO or director of the PMO.	*
E.5 Which of the following actions require approvals outside the procurement unit or the evaluation committee, as the case may be; and who grants the approval?		
a) Bidding document, invitation to pre-qualify, or the RFP	Director of the local PMO or director of the PMO.	
b) Advertisement of an invitation for bids, pre-qualification or call for the EOIs	Director of the local PMO or director of the PMO.	
c) Evaluation reports	Evaluation committee.	*

QUESTION	RESPONSE	RISK ^a
d) Notice of award	Director of the local PMO or director of the PMO.	*
e) Invitation to consultants to negotiate	Director of the local PMO or director of the PMO.	
f) Contracts	Director of the local PMO or director of the PMO.	*
E.6 Is the same official responsible for (i) authorizing procurement transactions, procurement invitations, documents, evaluations and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	No.	*
E.7 Is there a written auditable trail of procurement decisions attributable to individuals and committees?	Yes.	*

ADB = Asian Development Bank, EOI = expression of interest, GPL = Government Procurement Law, IT = information technology, LCG = Ludian County Government, N/A = not applicable, OCB = open competitive bidding, PAM = project administration manual, PMO = project management office, PMU = project management unit, QBS = quality-based selection, QCBS = quality- and cost-based selection, PC = personal computer, PRC = People's Republic of China, RFP = request for proposal, TBL = Tendering and Bidding Law, TOR = term of reference, TRTA = transaction technical assistance, ZCG = Zhaotong City Government, ZDG = Zhaoyang District Government.

^a Questions indicated with (*) are associated with potentially 'High' or 'Substantial' risks due to the impact being 'High'; therefore, the strategy for managing those risks should be addressed in the Project Procurement Risk Analysis (Appendix 3).

Source: ADB.

MARKET ASSESSMENT

Package for the Project				Similar Procurement Conducted								
Type	Package No.	General Description	Estimated Value ^a (\$ million)	Donor	Project Name	Package No.	Procurement Year	General Description	Contract Price (\$ million)	Procurement Method	No. of Bidders	No. of Qualified Bidders
Works	C1, C2, C3, C4, C14	Wastewater management systems and manure collection tanks	4.682 - 13.394	WB	Yunnan Urban Environment Project (Loan No.: 7692-CN)	LJ2.3.3	2013	Wastewater Pipeline (8.46 km of mains, 17.8 km of distribution pipelines)	4.47	NCB	4	2
				ADB	Guangdong Chaonan Water Resources Development and Protection Demonstration Project (Loan No.: 3114-PRC)	C12	2018	Distribution pipelines	5.35	NCB	3	1
						C11	2018	Distribution pipelines	7.00	NCB	2	1
						C14	2018	Water transmission pipeline (25 km)	6.76	NCB	3	3
						C6	2017	Water distribution pipelines (290 km)	9.14	NCB	4	4
						C7	2018	Water distribution pipelines (100 km)	9.48	NCB	3	3
						C13	2018	Distribution pipelines	9.81	NCB	2	2
						C3	2015	Water transmission pipelines	8.82	NCB	7	2
Works Goods	C5, C15 G2, G6	Solid waste transfer stations and garbage pyrolysis facilities Equipment for garbage pyrolysis facilities	0.835 - 1.327	WB	Yunnan Urban Environment Project (Loan No.: 7692-CN)	LJ1.1.3.2	2014	Collection and transferring stations and administration centers	1.78	NCB	5	3
				Local government funds	EPC of 2018 Poverty Alleviation Pyrolysis Project of Domestic Waste in Zhaoyang District, Yunnan Province	LJ1.1.3.1	2013	Collection and transferring stations	1.59	NCB	4	2
						GC530602201800078001001	2018	Construction of several domestic waste pyrolysis plants	2.99	Domestic procedures	4	3
						GC533103201700029001001	2017	Improvement of rural environment	2.50	Domestic procedures	4	3
						GC532528201700005001001	2017	Construction of 10 waste pyrolysis plants	3.42	Domestic procedures	5	3
						GC530925201800004001001	2018	Construction of facilities for pyrolysis and purification of domestic waste	0.47	Domestic procedures	3	3
						Investigation, design and construction of 10 waste pyrolysis projects (EPC) in yuanyang county, yunnan province						

Package for the Project				Similar Procurement Conducted								
Type	Package No.	General Description	Estimated Value ^a (\$ million)	Donor	Project Name	Package No.	Procurement Year	General Description	Contract Price (\$ million)	Procurement Method	No. of Bidders	No. of Qualified Bidders
Works	C6, C7, C8	Basic infrastructure for eco-villages	2.978 - 3.767	WB	Yunnan Urban Environment Project (Loan No.: 7693-CN)	LJ3.1.1	2015	Township/village Integrated environmental renovation	5.11	NCB	3	3
						LJ3.1.2	2015	Township/village Integrated environmental renovation	6.75	NCB	5	3
						LJ3.1.3	2015	Township/village Integrated environmental renovation	3.00	NCB	4	3
						WS3.1.2.8	2014	Village integrated environmental management	0.39	NCB	5	2
Works	C9, C10, C16	New wetlands	0.566 - 4.927	WB	Yunnan Urban Environment Project (Loan No.: 7692-CN)	WS3.1.1	2013	Wetland construction	0.62	NCB	3	3
				ADB	Hunan Dongjiang Lake Integrated Environmental Protection and Management Project	W4-ER4	2016	Xingning River wetland construction	2.17	NCB	15	8
						W4-ER5	2015	Hangxi river wetland construction	1.80	NCB	6	5
WB	Bayannaer Water Reclamation and Environment Protection Project (Loan No.: 8047-CN)	C3-AW/1.1	2013	Wetland construction	7.32	NCB	6	4				
Works	C11	Afforestation, perennial herb planting, and irrigation facilities	7.044	Self-raised funds	Yunnan Province Kunming Economic and Technology Development Zone Dianchi Mianshan Afforestation and Perennial Herb Planting Project	KMJK2016 010004	2016	Seedlings, planting, and nursing care and other services	6.96	Domestic procedures	22	4
				Self-raised funds	Yunnan Province Yunlong Reservoir Water Resource Zone Water Conservation Afforestation Project	KMLQ201 8020031	2018	Seedlings, planting, and nursing care and other services	6.36	Domestic procedures	4	1
				Self-raised funds	Yunnan Province Guangnan County Farmland Conversion Demonstration Base Construction Project	GC532627 201800026 001001	2018	Conversion of 10,000 mu of farmland to forest, oil tea planting, and supporting infrastructure construction	3.66	Domestic procedures	4	1
				Local government funds	Qionglai 2018 High Standard Farmland Construction Project in Sichuan Province	HG201906 04003	2018	12,000 mu of high-standard farmland, including high-efficiency water-saving irrigation, canal network, field network, and road network.	4.39	Domestic procedures	5	3

Package for the Project				Similar Procurement Conducted								
Type	Package No.	General Description	Estimated Value ^a (\$ million)	Donor	Project Name	Package No.	Procurement Year	General Description	Contract Price (\$ million)	Procurement Method	No. of Bidders	No. of Qualified Bidders
Works	C12, C13, C17	Basic infrastructure for low emission agriculture promotion	1.817 - 4.692	Local government funds	2018 High-Standard Farmland Construction Project in Xinmin Area, Shanggaoqiao Township, Dagan County, Yunnan Province	GC530600201800208001	2018	23 reservoirs (10 - 500 cubic meters) and 8 farm-to-farm roads (3.69km)	3.20	Domestic procedures	4	4
				Local government funds	High standard farmland construction project of Erxi village, Taiping town, Shuifu county, yunnan province	GC530630201800032001001	2018	1 new dam, 1 filter tank, 1,950 m buried pipelines, and 10,470 m field roads	2.37	Domestic procedures	4	4
				Local government funds	Land improvement (high standard farmland construction) project of jinping village, cuihua town, dagan county, zhaotong city, yunnan province	GC530624201800028001001	2018	Irrigation and drainage engineering, field road engineering, and land leveling	3.96	Domestic procedures	4	4
				Local government funds	High Standard Farmland Construction Project of Erxi Village, Taiping Town, Shuifu County, Yunnan Province	YN000006048022121001001	2017	1,850 m lining channels, 8 new small water storages, 24,747 m pipelines, 8,857 m field roads, and 800 mu soil improvement.	1.64	Domestic procedures	3	3
				Local government funds	Water and Fertilizer Integration for High-Standard Farmland Construction in the Administrative Area of Dayuan in Hubei Province	JLGGZY2018-74	2018	2,991 mu biogas slurry utilization area in the project area, sprinkling irrigation system, and drip irrigation system	4.85	Domestic procedures	4	4
				State government funds, provincial government funds and self-raised funds	Pilot Project of 2018 Drip Irrigation and Automation in Weigan River Irrigation District, Shaya County, Southern Xinjiang		2018	Drip irrigation system, drip irrigation systems, grit chamber, etc.	5.99	Domestic procedures	5	4
				Local government funds	2018 High-Efficiency Water-Saving Irrigation Project of Keerqin District, Tongliao City, Inner Mongolia, Phase III	KG2018A018	2018		4.95	Domestic procedures	7	6

Package for the Project				Similar Procurement Conducted								
Type	Package No.	General Description	Estimated Value ^a (\$ million)	Donor	Project Name	Package No.	Procurement Year	General Description	Contract Price (\$ million)	Procurement Method	No. of Bidders	No. of Qualified Bidders
				Local government funds	Water, Fertilizer and Biogas Slurry Construction Project of Modern Agricultural Exhibition Base in Datong County, Qinghai Province	Qinghai Guoxin 2017-093	2017	Water and fertilizer integration system for greenhouses	1.45	Domestic procedures	4	4
Works	C18, C19, C20, C21, C22, C23	Ecological embankment construction	4.127 - 6.711	WB	Yunnan Urban Environment Project (II)- Additional financing (Loan No.: 7937-CN)	ZT3.1.2	2014	River bank rehabilitation (18 km)	7.20	NCB	7	4
						ZT3.2.2	2014	River bank rehabilitation (20.1 km)	7.66	NCB	5	4
						ZT3.3.2	2014	River bank rehabilitation (9.4 km)	3.95	NCB	6	3
				ADB	Liaoning Small Cities and Towns Development Demonstration Sector Project (Loan No.: 2550-PRC)	A-DG10	2015	River ecological restoration and landscaping (4.2 km embankment dikes and 1.1 million m ² landscaped area)	8.76	NCB	3	3
Goods	G1, G5	Equipment for wastewater management systems	0.298 - 0.476	Local government funds	Hebei Province Xingtai County Government Procurement		2018	Equipment for wastewater treatment facilities for rural domestic wastewater treatment	0.52	Domestic procedures	7	5
				Local government funds	Hebei Province Xingtai County Government Procurement		2018	Equipment for wastewater treatment facilities for rural domestic wastewater treatment	1.35	Domestic procedures	9	7
				Local government funds	Tianjin City Government Procurement		2018	Equipment for wastewater treatment facilities	0.79	Domestic procedures	6	4
				Local government funds	Sichuan Province Neijiang City Government Procurement		2019	Equipment for wastewater treatment facilities	1.36	Domestic procedures	8	7
Goods	G3, G7	Equipment for garbage collection, compression, and transfer	0.356 - 0.946	ADB	Hunan Dongjiang Lake Integrated Environmental Protection and Management Project (Loan No.: 3336-PRC)	G1-SW4	2017	Environmental sanitation promotion facilities	0.24	NCB	4	4
						G1-SW2	2016	Solid waste collection facilities	1.72	NCB	3	3
						G1-SW1	2016	Solid waste compressing equipment	0.50	NCB	3	3
						G1-SW3	2016	Solid waste transport vehicle	2.86	NCB	3	3

Package for the Project				Similar Procurement Conducted								
Type	Package No.	General Description	Estimated Value ^a (\$ million)	Donor	Project Name	Package No.	Procurement Year	General Description	Contract Price (\$ million)	Procurement Method	No. of Bidders	No. of Qualified Bidders
Goods	G4	Equipment for information management and water monitoring systems	1.235	State government funds	Hydrological Information Management System Construction Project of Small and Medium-Sized Rivers in Yunnan Province - Hydrological (bit) Station Video Monitoring System	GC530000 201700447 001001	2017	Video for monitoring of water level	1.11	Domestic procedures	5	3
				State government funds	Procurement of Water Quality Monitoring System for River Channel Entering the Lake in Xishan District, Kunming City, Yunnan Province	G4-ER6	2018	Video for monitoring of water level and equipment for water quality monitoring	1.17	Domestic procedures	9	3
				State government funds	Water Quality Monitoring System Equipment for Online Water Quality Monitoring System of Sheep River and Cold Water River Tributaries in Panlong District, Kunming City, Yunnan Province	JKMPL201 8060101	2018	Equipment for water quality monitoring, data acquisition and transmission, water acquisition and distribution, pretreatment, etc.	1.23	Domestic procedures	7	3
				Jichang City self raised funds	Informatization Construction Contract of Key Water Conservancy Project in Changji, Xinjiang	CJS- SLGGGC- XXH-2016- SG	2017	Construction and/or upgrading of information management centers, irrigation management systems, reservoir management systems, water condition monitoring system, rain monitoring system, information software platform, etc.	4.66	Domestic procedures	5	3

ADB = Asian Development Bank, km - kilometer, m = meter, m² = square meter, NCB = national competitive bidding, No. = number, WB = World Bank, \$ = United States dollar.

^a With an exchange rate as of 14 April 2020: \$1.00 = Chinese yuan 7.0516.