

### PROJECT PROCUREMENT RISK CLASSIFICATION

Ref	Component	Response
1.	How many implementing agencies are proposed to be involved in the project?	1 Ministry of Education (MOE) will be the executing agency for the project. The State Agency on Vocational Education under MOE will be the implementing agency for the project.
2.	Do the proposed implementing agencies have procurement experience under prior projects financed by ADB, MDBs, and/or other development partners?	<input type="checkbox"/> ADB <input type="checkbox"/> Other MDB <input checked="" type="checkbox"/> No In 2014–2019, MOE and SAVE have implemented a project financed by a \$22 million loan of the Korean Economic Development Cooperation Fund for the rehabilitation and upgrading of the Baku State Vocational Training Centre on Industry and Innovation.
3.	Have the proposed implementing agencies experienced significant procurement and/or contractual issues, including long procurement lead times (bid invitation to contract signing) on past ADB or other externally financed projects?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not applicable
4.	Did the proposed implementing agencies require external support on past ADB-financed projects to process procurement transactions?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not applicable
5.	Is advance contracting and/or retroactive financing expected?	Advance Contracting: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Retroactive Financing: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6.	Are complex contracts expected?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7.	Are high value contracts (>\$50 million) expected?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
8.	Is the distribution of contracts under the project geographically dispersed, which could add complexity in packaging, implementation, and contract management?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
9.	Are there any supply market restrictions expected in the provision of the required goods, works, and non-consulting and consulting services?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
10.	Does the implementing agency have formal procedures in place for contract management?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Capital investment department of MOE manages the construction contracts for the education facilities under MOE's authority.
11.	Will an e-procurement system be used on the project?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Narrative details and regional department's overall comments</b> (Aziz Haydarov, CWSS)		
<p>The February 2019 country and sector/agency procurement risk assessment on Azerbaijan assessed MOE procurement risk as substantial to moderate risks, and the education sector received the highest score among the sectors covered by the assessment (transport, energy, and water).</p> <p>Lack of capacity in conducting procurement per ADB policy and regulations and likely lengthy decision-making during the procurement process (e.g., approval of bidding documents and bid evaluation reports) are major risks that may affect project implementation. These will be mitigated by (i) the use of international and national procurement</p>		

consultants during TRTA to help MOE and SAVE with advance actions and conduct capacity building for the program management unit staff, and (ii) agreement and reflecting in PAM of the government process and timelines for the decision-making during procurement (e.g., establishment of a workable procurement committee, adoption of its business processes, and timelines for decision making, including on no-objection basis). During implementation facilitation of the procurement process will be led by the procurement specialist of the program management unit to be established by MOE at SAVE and to be financed from the project loan.

**PPFD comments and concept stage procurement risk rating (Luke Fochtman, PFP1)**

The project procurement risk, pre-mitigation, is assessed to be **moderate**. The lack of procurement experience under ADB-financed (or other MDB-financed) projects is a clear area of risk which, given the circumstances and options available, will be well mitigated through recruitment of procurement consultants to support MOE and SAVE throughout the procurement process. An emphasis on clear specifications of goods, with consideration to potential for superseding technologies, should be part of the determination of what is being procured to ensure continued relevance and long-lasting impact for this 4IR VET project. Consideration of warranty obligations and availability of service centers/agents in Azerbaijan is also important.

ADB = Asian Development Bank; MDB = multilateral development bank; PFPD = Procurement, Portfolio and Financial Management Department.

Source: Asian Development Bank.