Case Study No: 3  
Procurement of Goods  
Bid Evaluation  

The World Bank financed an Urban Environment Project in Hava Island. One of the project components was construction of a landfill for disposal of solid waste. When the civil works of the landfill was under way, the project implementation agency (PIA) started procurement of operation equipment. One of the contracts was for procurement of two compactors. The contract estimate was US $450,000, the procurement method was ICB and the contract was subject to prior review.

On April 26, 2004, the Bank task team issued a conditional no-objection to the bidding document which required the PIA to “delete the brand name and model of the compactors”, because the technical specifications specified the brand name and model of the compactor as BAA: TWS4210-TT341, in addition to detailed technical requirements.

After bidding advertisement was published, bidding documents were issued to bidders from May 5, 2004. Bids were opened on June 7, 2004 and the bid evaluation report was submitted to the Bank team for review on June 9, 2004.

The bid evaluation report showed the bidders and bid prices as:

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Nationality</th>
<th>Bid (US$)</th>
<th>Bid Security (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HQ Engineering Vehicles</td>
<td>Hava Island</td>
<td>330,000.00</td>
<td>6,600.00</td>
</tr>
<tr>
<td>YT Technical Trading Co.</td>
<td>Hava Island</td>
<td>439,892.00</td>
<td>6,158.48</td>
</tr>
<tr>
<td>JN Heavy Vehicle Co.</td>
<td>Hava Island</td>
<td>440,828.00</td>
<td>8,816.56</td>
</tr>
<tr>
<td>LY Technology</td>
<td>Hava Island</td>
<td>489,630.00</td>
<td>9,792.60</td>
</tr>
</tbody>
</table>

Because the lowest bidder HQ Engineering Vehicles proposed the compactors with less production capacity, the bid evaluation report recommended awarding the contract to the second lowest bidder, YT Technical Trading Co. with the contract price of US$439,892.00.

The Bank task team asked for a copy of the bid from HQ Engineering Vehicles and found that the compactors proposed by this bidder could not meet the technical requirements of the bidding document. On June 11, 2004, no objection was issued to the bid evaluation report.

On July 9, 2004, JN Heavy Vehicle Co. sent a letter to the Bank TTL, alleging that:

1. The bid price of YT Technical Trading Co. was US$307,924 at bid opening, and was not US$439,892.00 as indicated in the bid evaluation report;
2. JN Heavy Vehicle Co. was the sole distributor of BAA compactors in Hava Island. Authorization from BAA, the manufacturer, was provided; and

3. On June 11, 2004, an email from YT Technical Trading Co. was forwarded by Arctic Environ-Tech Co. to JN Heavy Vehicle Co.. Arctic Environ-Tech Co. is a regional distributor of BAA compactors, and Hava Island belonged to the region. In the email, YT Technical Trading Co. was urgently asking Arctic Environ-Tech Co. for quotation of two BAA: TWS4210-TT341 Compactors. Arctic Environ-Tech Co. responded to YT Technical Trading Co. by informing them that JN Heavy Vehicle Co. is the official distributor of BAA compactors in Hava Island, and they should contact JN Heavy Vehicle Co. directly for quotation.

Based on the above, JN Heavy Vehicle Co. believed that the bid price of YT Technical Trading Co. was changed after bid opening and the compactors in this bid could not meet the technical requirements of the bidding document.

Question:

1. Upon receiving the above complaint, how should the Bank respond?

Ten days later, the PIA submitted a copy of minutes of bid opening and a copy of the bid from YT Technical Trading Co. But the minutes of bid opening were not signed by the bidders’ representatives. By reviewing the documents, the Bank team found the following issues:

The bidding document specified that the amount of bid security should be 2% of bid price. As indicated in the bid evaluation report, YT Technical Trading Co. submitted a bank guarantee for bid security and the amount was US$6,158.48 which was 2% of US$307,924. The bank guarantee was not found in the bid provided to the Bank team. By clarification, the PIA told the Bank the bank guarantee had been returned to YT Technical Trading Co. upon submission of a performance security and no copy was kept in their file.

The manufacturer’s authorization in the bid of YT Technical Trading Co. was issued by STT, a manufacturer of trucks.

2. Under such situation, what should the Bank team do?

3. What are the lessons learned from this case?