

ISLAMIC DEVELOPMENT BANK
Cooperation & Capacity Development Department
Special Assistance Division
Communities Outreach Program

Guidelines for the Implementation of Communities Outreach Projects

First Phase – Project Financing Agreement

- 1.1 Once the project is approved, the Islamic Development Bank (IsDB) informs the beneficiary about the amount approved, the date on which approval was made and the project components covered for financing.
- 1.2 The IsDB prepares also a draft agreement with the beneficiary, which will include an explanation of the project being financed and the rules governing the approved financing. This draft agreement is then sent to the beneficiary to comment upon and express any remarks, noting that the agreement is prepared according to the form approved by IsDB and is not subject to any change unless extremely necessary.
- 1.3 After that the agreement is prepared in its final form in order to be signed by the beneficiary and the IsDB. The agreement shall not become effective until the beneficiary has supplied the IsDB with the following documents:
 - Copy of the registration certificate of the beneficiary.
 - Copy of the Articles of Association of the beneficiary.
 - Copy of the document certifying ownership of the land on which the project will be built in the name of the beneficiary (except in the case of those projects involving real estate purchase).

Second Phase – Selection of the Consultant

- 2.1 The beneficiary prepares a detailed list of the duties/tasks to be assigned to the consulting firm, which usually include design work, preparation of tender documents and supervision of the project from its start to its completion. Then the beneficiary invites, through advertising in the newspapers (or through direct invitation to a selected group of qualified consulting firms, subject to ISDB approval) consulting firms to compete by submitting their offers. In addition to the financial offer submitted by these consulting firms, they should also submit a technical offer, in which they explain past and current experience and the qualifications of personnel working in their respective offices.
- 2.2 The beneficiary analyses and evaluates the financial and technical offers received from the competing consulting firms. An analytic report of such

offers is then submitted to the IsDB, along with a recommendation of the best offer for selection and the draft contract with the consultant.

- 2.3 After approval of the consulting firm selected, the beneficiary sends the contract signed with the consultant taking into consideration any remarks/comments of the IsDB on the draft contract. In addition to the usual legal terms and conditions, **the contract with the consultant should include the following:**

- a. *Description of the project and its components.*
- b. *Fees of the consultant and payment method.* It should be noted that the fees of the consultant shall be in the form of a lump sum amount that would cover the phases of design and supervision until completion of the project. Disbursement of these fees shall be based on monthly payments but rather on the progress achieved in the project. Normally, the portion of the fees allocated to design and supervision of the tender is in the tune of 30% to 40% of the total fee amount. This portion is paid on selection of the contractor. No advance payment may be paid to the consultant.

- c. *Details of the responsibilities/duties of the consultant:*

First: Preparation of the design and tender documents, which includes the following:

- Detailed engineering designs (architectural, structural, electrical, water supply, drainage, ventilation and air conditioning works, if any).
- Bill of quantities that covers all works in detail.
- Engineering specifications that would maintain the high quality of work to be done.
- General and special terms and conditions of the contract.

Second: Supervision of the project implementation, which includes approval of payment vouchers submitted by the consultant and full technical responsibility for the quality of all works under the project as well as commitment to time schedule.

Third Phase: Selection of Contractor/Contracting Firm

- 3.1 After the IsDB approves the architectural designs, the beneficiary shall float a tender through advertising in one or more of the widely-circulated newspapers, giving the contractors at least 15 days to submit their offers. It

is preferable to limit the competitive bidding to qualified contractors who have the classification suitable to the project.

3.2 Bids opening shall be performed in the presence of the beneficiary, the consultant and the bidding contractors, and the value of each bid submitted shall be read. In coordination with the beneficiary, the consultant shall prepare a report containing a technical and financial analysis of all bids received and a recommendation to select the best among them, while observing all the technical and financial considerations. The report should also show details of the size of the buildings, the cost of construction per square meter according to the recommended price offer. The beneficiary then sends the tender analysis report to the IsDB, along with the tender form and the Bill of Quantity (BOQ) for the best three offers and the draft contract to be signed with the contractor.

3.3 After IsDB approval of the contractor selected, the beneficiary sends IsDB the agreement signed with the contractor after taking into consideration any comments/remarks from the IsDB on the draft contract. In addition to the legal terms and conditions, **the contract with the contractor should contain the following:**

- An accurate description of the project, the area of buildings, their components and the number of stories.
- Tender documents, which are considered part of the contract with the contractor.
- Value of the contract and payment method, which shall be linked to progress of the project.
- 5% of the invoices submitted by the contractor shall be withheld for repayment after expiry of the guarantee.
- The contractor shall provide an unconditional and irrevocable guarantee (performance bond) that should cover 10% of the value of the contract from a first-class bank or insurance company. Such guarantee should be valid for the entire implementation period. In case of difficulty in providing an acceptable guarantee, the beneficiary may request from ISDB replacement of such guarantee by an additional deduction of 5% from the contractor's submitted invoices on condition that these deductions are repaid to contractor on completion of works.
- The contract may include an advance payment to the contractor that will not exceed 20% of the value of the contract, provided that it is covered by an unconditional and irrevocable guarantee from a first-class bank or insurance company. Such guarantee should be valid for the entire contract implementation period.