



Strategic Procurement Planning Report

Project Number: 50387-001
August 2019

Kazakhstan: Irrigation Rehabilitation Project

Section 1: Project Concept

Project Title	Irrigation Rehabilitation Project
Country	Kazakhstan
Executing agency (EA)	Republican State Enterprise KazVodKhoz (KVK)
Implementing agency	Project Management Office (PMO) to be established within KVK
Project development objectives	The proposed project will assist in the further development of water resources in Kazakhstan by financing part of the 600,000 ha irrigation subsector investment planned by the government. Rehabilitating the country's irrigation and drainage infrastructure is of paramount importance to ensure increased water accessibility, agricultural production, and economic growth. The project will rehabilitate and expand efficient water delivery infrastructure. Capacity building interventions will strengthen water management and water operations and maintenance (O&M) at the institutional level and improve farm water productivity. The primary beneficiary will be irrigation farmers.
Project description	The proposed project ¹ will finance the rehabilitation of ageing irrigation systems that service 171,100 hectares of gravity fed and pumped irrigation lands in four of the country's 14 provinces (East Kazakhstan, Karaghandy, Kyzylorda and Zhambyl). The project impact is aligned with "Agriculture production contribution to gross domestic product increased", as outlined in Strategy Kazakhstan 2050. ² The project outcome will be increased farm productivity with well managed irrigation systems. The proposed project outputs will be (i) irrigation infrastructure rehabilitated and/or improved; (ii) water management improved and beneficiaries' capacity enhanced; and (iii) KVK management capacity strengthened. The project will also support project administration and implementation. The team of international and national individual consultants for project preparation were fielded from August 2017. The national design firm was recruited in January 2018 to prepare the national feasibility study report and design documents.
Description of indicative contract packages	The tentative procurement classification in the project concept was A due to KVK's limited experience with undertaking competitive procurement processes consistent with ADB Procurement Policy and Regulations. The project will include procurement of: <ul style="list-style-type: none"> (i) Civil works for: (a) excavation works to clean 2,008 km of irrigation and 358 km of drainage canals; (b) lining of 1,069 km of irrigation canals, flumes, and pipelines; (c) 3,974 hydraulic structures; (d) 19 irrigation and 27 vertical drainage wells; (e) reconstruction of 19 pump stations and supply of 34 mobile pumping units; and (f) reconstruction of workshops and

¹ The project is included in ADB's Country Operations Business Plan (COBP) for Kazakhstan, 2017–2019, tentative, 2018, in the amount of \$80 million. After the COBP approval, KVK has requested to increase the loan to \$250 million, and seek approval in 2017.

² "Kazakhstan-2050" Strategy: new political course of the established state" announced by President of Kazakhstan in his annual Address to the People of Kazakhstan on 14 December 2012, endorsed by Presidential Decree No. 449 dated 18 December 2012.

	<p>construction of KVK office.</p> <p>(ii) Supply of goods comprising: (a) operation and maintenance, and workshop equipment for KVK; and (b) vehicles, office equipment and furniture for PMO and Project Implementation Units (PIU).</p> <p>(iii) Consulting services comprising: (a) project management, design, procurement, and construction supervision; (b) capacity building of KVK in O&M of irrigation facilities and beneficiaries in water resources management; (c) annual audit of project financial statements; and (c) socio-economic survey.</p>
Summary of the financing agreement	<p>The project concept paper and technical assistance (TRTA 9317-KAZ) for \$1.1 million to prepare the Irrigation Rehabilitation Project were approved on 12 May 2017. The estimated cost of the project is \$320.88 million, including ADB loan for \$249.80 million from ordinary capital resources. The borrower is expected to be KVK, backed by a government guarantee issued by the Ministry of Finance (MOF) on behalf of the government, with a request that the loan be issued in local currency.³ MOF will require that KVK generate revenues from irrigation tariffs to service the ADB loan.</p>

Section 2: Operating Environment

A. Capacity and Capability Assessment of the Borrower

Strengths	Weaknesses
<ul style="list-style-type: none"> • KVK has experience in corporate procurement management and e-procurement based on national procurement law. • KVK has good institutional capacity: (a) strong team of permanent design and construction supervision engineers in the head quarter and regional branches; (b) finance and accounting department involved in disbursement and financial management of the contracts; (c) legal department to overview legal aspects of the contracts and represent KVK in disputes and litigations. • KVK is responsible for construction, reconstruction and O&M of irrigation facilities. This will avoid issues during operational acceptance of facilities since KVK is Employer and Operator for these facilities. • Competent contractors with capacity up 	<ul style="list-style-type: none"> • Lack of capacity in implementation, management, and procurement of Multilateral Development Banks (MDB) financed projects. • Lack of capacity in implementation, management, and procurement of large construction and consulting contracts • Lack of qualified national contractors familiar with MDB's procurement requirements. • Inadequate ethics and anticorruption measures. • There is a low awareness of best practices in procurement. • Limited funding has been provided for irrigation rehabilitation during past years

³ In open competitive bidding with foreign advertisement, the bidders will have a chance to quote the bid price in up to three currencies on their choice.

<p>to US\$10.5 million are locally available.</p> <ul style="list-style-type: none"> • KVK is the dominant buyer of relevant works and services in the sector • The KVK has sufficient influence and power to shape the market 	
Opportunities	Threats
<ul style="list-style-type: none"> • PMO to be established and staffed under project will strengthen KVK's procurement capacity • Focused procurement training and clinics will improve KVK's performance • Business opportunities seminar for potential bidders will improve capacity of national contractors and suppliers • Integrity and anticorruption seminar workshop will ensure transparency and competitiveness 	<ul style="list-style-type: none"> • The market does not have a history of offering alternative technical solutions at bidding stage. • The market believes the procurement process seeks to achieve the lowest delivery price not the lowest project life cycle cost • Some potential bidders can be concerned about the national currency risks

B. Support Requirements

Procurement capability and capacity	KVK has 6 years of experience in the public procurement conducted via e-procurement web portal. It has corporate procurement department with 5 staff, certified in public procurement, and e-procurement. However, the number and qualification of KVK staff are insufficient to undertake additional procurement under the project in line with ADB procedures. To enhance KVK's capacity, the PMO should be established and staffed with experienced project management, procurement, finance, monitoring and evaluation, construction supervision, and safeguards specialists. The PMO capacity should be enhanced by international consulting company. ADB will need to conduct project implementation and procurement workshop for KVK and PMO staff.
Experience in implementing similar projects	The KVK doesn't have experience in procurement under MDB financed projects since three ongoing projects financed by WB, IsDB, and EBRD are at early stage of implementation while initial two projects were completed more than 10 years ago. As indicted above, KVK will need PMO, support by international consulting firm, and capacity building.
Contract management capability and experience	KVK doesn't have experience in contract management based on the international well-known practice and standards such as FIDIC. So, it will need capacity building and support from international consultants.
Level of reliance on external consultants	Extensive consultant support is required

<p>Existence and description of complaints management system</p>	<p>The information about the bidding results is posted on the national procurement web portal and available to bidders as well as any third party. As per clause 47 of public procurement law (PPL) all suppliers, contractors, and consultants have a right to submit the complaint. In KVK practice, usually about 30% of bidders submit complaints which are reviewed in line with PPL. Generally, 60% of complaints upheld. There is no sector related records. KVK doesn't make monitoring of complaints. The Ministry of Finance is a responsible body to review the complaints. There is no non-judicial mechanism to review complaints. All procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment. The international project implementation consultant will assist EA with complaints management.</p>
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C. Key Procurement Conclusions

The overall project procurement risk is *high*. The project has the following major weaknesses in procurement: (i) lack of staff capacity in implementation, management and procurement practices under projects financed by Multilateral Development Banks (MDB); (ii) lack of qualified national contractors familiar with MDB's procurement requirements; and (iii) inadequate ethics and anticorruption measures.

The mitigation actions to address the weaknesses are:

- (i) To enhance KVK's capacity, the Project Management Office (PMO) should be established and staffed with experienced project management, procurement, finance, monitoring and evaluation, construction supervision, and safeguards specialists. The PMO capacity should be enhanced by international consulting company. ADB will need to conduct project implementation and procurement workshop for KVK and PMO staff.
- (ii) ADB will need to conduct business opportunities seminar for potential bidders to disclose the list of procurement contracts and ADB's requirements for participation, qualification, contract management, and performance.
- (iii) The KVK is not familiar with ADB's integrity and anticorruption principles. ADB's integrity and anticorruption requirements should be provided in Project Administration manual (PAM). ADB will need to conduct integrity and anticorruption seminar workshop for EA. All procurement should follow prior review procedure.
- (iv) Open competitive bidding (OCB) is the default procedure. All OCBs with international advertising for works, goods, and services shall be subject for ADB's prior review procedure. First OCBs with national advertising for works, goods, and services shall be subject for ADB's prior review while subsequent contracts can follow post review procedures upon ADB's consent at project implementation stage.

ADB and the government will jointly undertake reviews of the project at least once a year. The reviews will assess progress in the project activities, including implementation of the mitigation measures, procurement transactions, performance of contractors, consultants, and suppliers, monitoring and reporting of project assets, identify issues and constraints, and determine necessary remedial actions and adjustments.

D. External Influences Analysis

<p>Governance</p>	<p>The legislative process is well established. The Public Procurement Law and its associated standard procedures, standard operating procedures, procurement and financial management manuals provide clear guidelines on procurement approval procedures reporting, auditing and contract management.</p> <p>The KVK is not familiar with ADB's integrity and anticorruption principles.</p>
<p>Economic</p>	<p>Kazakhstan surged to upper middle-income status in 2006 and has since become a major economic power in Central Asia. Gross domestic product (GDP) is expected to grow by 3.9%, country inflation rates forecasted at 6.5%, and per capita GDP growth is expected at 2.2% in 2019.</p> <p>Kazakhstan's long-term development strategy focuses on improving the quality of life of its population and on becoming one of the world's 30 most developed countries by 2050. To sustain economic growth, in 2017 the President introduced the 3rd Modernization of Kazakhstan, a strategic document outlining the country's development priorities, focusing on: (i) accelerated technological upgrading; (ii) improved business environment and expanded private sector activities; (iii) macroeconomic stability; (iv) enhanced quality of human capital; and (v) institutional change, national security, and the fight against corruption. The government has also launched state programs to develop the agriculture sector, entrepreneurship, and small and medium-sized enterprises (SMEs).</p> <p>Despite some early privatization efforts, state-owned enterprises still dominate the economy in a variety of sectors. They tend to be large and lack incentives to continue to improve the quality and efficiency of their services and products—while often keeping tariffs and prices below cost recovery levels. These factors act as deterrents to promoting innovation and increasing private sector participation in the economy, especially of SMEs.</p>
<p>Sustainability</p>	<p>Kazakhstan has achieved most of the original and additional targets of the Millennium Development Goals, such as poverty reduction, access to primary education, promotion of gender equality and women empowerment, and improvement in children's and maternal welfare, even before 2015. However, environmental sustainability (goal 7) has only been partially achieved. The high rates of economic growth before the 2014 oil price drop created negative externalities such as environmental pollution through industrial and household waste, a coal-based energy mix with virtual absence of renewable energy sources, and a generally high energy intensity caused by inefficiencies and subsidies. The rural poor suffer the most from these effects</p>

	<p>as their income does not allow for costly substitutes or relocation. Environmental pollution is also increasingly affecting the quality of life, especially in the cities, with rising levels of air pollution from stationary and mobile sources, and growing concerns regarding solid waste. While Kazakhstan has low vulnerability to climate change, the frequency and magnitude of extreme climatic events such as heat waves, heavy snow and sleet, and floods are expected to rise, also affecting cities such as Astana, Almaty, and their surroundings. In addition, the overall municipal, water, and transport facilities are vulnerable to risks associated with uncertain changes in precipitation, rising aridity, and extreme weather.</p> <p>The cultivable area, including pastures for grazing, notably the steppes, is estimated at 222 million hectare (ha) (81% of the total area). From 1950 onwards, there was a dramatic increase in cultivated area, mainly because of the political decision taken that year to develop agriculture on semi-arid land, called 'virgin land', notably in the northern and central provinces of the Republic. The cultivated area increased from 7.8 million ha in 1950 to 28.5 million ha in 1960. By 1992, the cultivated area had increased to 35.2 million ha. This area has decreased over the last two decades. In 2009, the cultivated area was estimated at 23.480 million ha (11% of the cultivable area), of which 23.400 million ha (99.7%) were for seasonal crops and 80,000 ha (0.3%) for permanent crops. In 2014, total area of cultivated land reduced to 21.2 million ha while 63.1 million ha area were used as range lands. High fluctuations in cultivated area are caused not only by weather conditions but also exacerbated by the lack of technological improvements in the whole chain of agricultural production and value adding.</p> <p>Potential of irrigation lands is estimated at 3.768 million ha. In 1993, the area equipped for irrigation was 2.24 million ha. During the following decade there was a sharp decrease, to less than 1 million ha in 2002, caused by the collapse of many state farms during the transition period, because they were unable to compete in the new market economy. In 2010, the area with full irrigation facilities increased to about 1.199 million ha, of which 96.6% was served with surface irrigation, 2.5% with sprinkler irrigation, and 0.9% by localized irrigation. In the northern provinces, sprinkler irrigation was the dominant technique on about 667,000 ha in 1990, This fell, however, to about 549,600 ha in 1993 and to 30,000 ha in 2010. In 2010, the actually irrigated area was 1.182 million ha, or 98.5% of the area with full irrigation facilities. The area covered by spate irrigation was 866,300 ha, but in 2008 only 82,870 ha were actually irrigated. This brings the total area equipped for irrigation to 2,065,900 ha, of which 1,264,970 ha, or 61% was actually irrigated.</p>
Technology	Technological advances are fast. Internet access is strong. Telecommunication facility is available and growing. Electronic

	<p>procurement is in place since more than 6 years. Hi-technology equipment shall be imported while basic construction materials like steel and cement are locally available.</p> <p>Geogrids are proposed to replace steel reinforcement for concrete lining of the irrigation canals in the revised feasibility studies. Geo-grids are geo-synthetic material made from polymers such as polypropylene, polyethylene or polyester. KVK quoted two examples of using geogrid reinforced concrete in the irrigation canal lining in the South Kazakhstan province with canals much larger than those in this project. According to KVK, there are about five companies in Kazakhstan who can manufacture geogrids according to the design needs. Several examples in using geogrids for irrigation canal lining in Kazakhstan by one of the companies were also provided to the mission. KVK convinced about the technical feasibility of the proposed geogrids. Based on the discussions, ADB in principle has no objection to the use of geogrids and recommends that robust technical specifications be considered during the detailed designs and sufficient costs be included in the feasibility study in case stronger or better material will be required during project implementation. The project team also highlighted the importance of getting good quality geogrids in sufficient quantities and at a reasonable price and ensuring contractors able to handle well during construction.</p>
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E. Key Procurement Conclusions

<p>There are some external influence or threats which may affect the project. The national policy, economic trends, and environment will provide favourable condition for project implementation.</p> <p>ADB's integrity and anticorruption requirements should be provided in Project Administration manual (PAM). ADB will need to conduct integrity and anticorruption seminar workshop for EA.</p> <p>All procurement should follow prior review procedure.</p> <p>The detailed design, which will be undertaken by the international consulting firm during project implementation, shall specify good quality geogrids in sufficient quantities and at a reasonable price and ensuring contractors able to handle well during construction.</p>

F. Stakeholder Analysis and Communication Plan



G. Stakeholder Communication Plan

Stakeholder name and role	Ministry of Finance (MOF)
Interest in the project?	Borrower's Representative
Support and influence level	Project sponsor with significant influence in decision making
Objections, drivers, needs, and levers	MOF requires well designed and economically viable project. Timely procurement and implementation
Action	The project is supported by MOF as the Borrower's representative and loan negotiator. Will review all major procurement and project implementation regularly.
Responsible, accountable, consulted, or informed?	Substantially responsible
Communicate what, when, and how?	All communication in hard copy via letters, progress reports, and formal meetings during review missions

Stakeholder name and role	Committee for Water Resources (CWR)
Interest in the project?	Sector Agency
Support and influence level	Project champion with significant influence in sector policy making
Objections, drivers, needs, and levers	CWR requires improved irrigation area. Timely project implementation.

Action	Involved in key sector strategic decisions
Responsible, accountable, consulted, or informed?	<i>Responsible</i>
Communicate what, when, and how?	All communication in hard copy via letters, progress reports, and formal meetings during review missions

Stakeholder name and role	KVK
Interest in the project?	Executing and Implementing Agency
Support and influence level	Project Champions, decision makers
Objections, drivers, needs, and levers	Support the project and will strive to complete the project to meet the designed and desired outcomes
Action	Fully involved in the design and implementation of the project
Responsible, accountable, consulted, or informed?	Fully responsible and accountable
Communicate what, when, and how?	All decisions, and implementation status on regular basis through formal meetings, video conference, and emails.

Stakeholder name and role	ADB
Interest in the project?	Financing Agency
Support and influence level	Supporter with significant influence
Objections, drivers, needs, and levers	Requires advanced level of project preparedness, establishment of the PMO and PIUs, efficient procurement processing and project implementation
Action	Concerned about the capacity to implement the project
Responsible, accountable, consulted, or informed?	Responsible and accountable and to be consulted at all stages of implementation
Communicate what, when, and how?	Reporting regularly through emails, letters, and meetings

Stakeholder name and role	Farmers and Agricultural Enterprises
Interest in the project?	Beneficiary
Support and influence level	Supporter and final user
Objections, drivers, needs, and levers	Reliable supply of irrigation water and capacity building
Action	Shall be actively consulted during design and implementation and trained through capacity building. The project doesn't envisage contribution of farmers and rural cooperatives to construction or O&M of canals during project implementation.
Responsible, accountable, consulted, or informed?	Consulted and informed
Communicate what, when, and how?	Regular consultations through the meetings and other public awareness tools by EA, consultants and contractors

Stakeholder name and role	Rural Cooperatives and Rural Communities
Interest in the project?	Representatives of beneficiaries
Support and influence level	Supporter and follower

Objections, drivers, needs, and levers	Reliable supply of irrigation water and capacity building on farming and gender
Action	Shall be actively consulted during design and implementation, and trained through capacity building
Responsible, accountable, consulted, or informed?	Consulted and informed
Communicate what, when, and how?	Regular consultations through the meetings and other public awareness tools by EA, consultants and contractors

Stakeholder name and role	Consultants, contractors, and suppliers
Interest in the project?	Bidders and contractors
Support and influence level	Supporter and followers
Objections, drivers, needs, and levers	Adequate advance knowledge, transparency and timely release of payments
Action	Fully support as this project will provide additional source of income
Responsible, accountable, consulted, or informed?	Informed as potential bidder and accountable when contracted
Communicate what, when, and how?	Business opportunity seminar, procurement plan, IFB advertisement

H. Key Procurement Conclusions

Project procurement will require significant interaction between ADB, MOF, CWR, KVK, and PMO as well as prospective bidders, suppliers and consultants. Wide publication of business opportunities, procurement plans and contract award details on appropriate websites, newspapers and bulletins to industry associations is essential.

ADB = Asian Development Bank, CWR = Committee for Water Resources, KVK = Republican State Enterprise KazVodKhoz, MOF = Ministry of Finance, PMO = project management office.

Section 3: Market Analysis

A. Porter's Five Forces

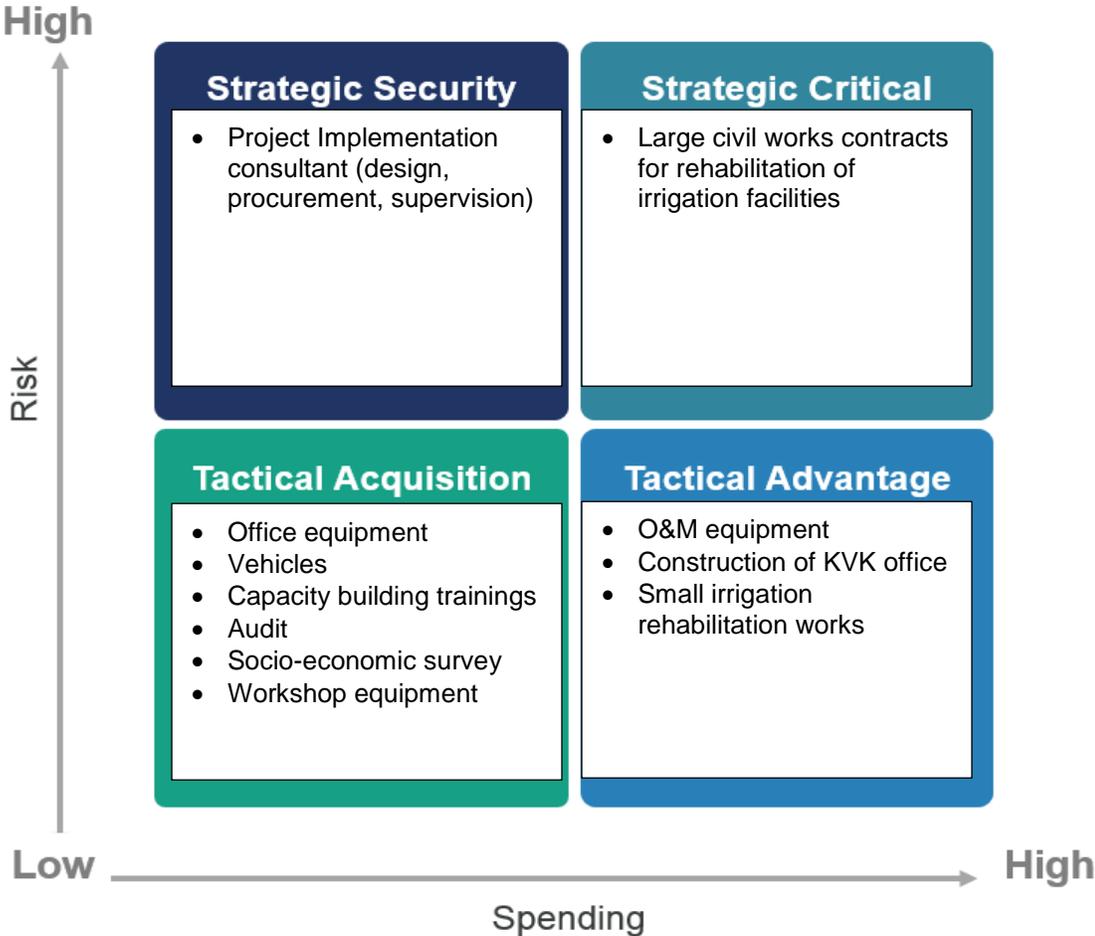
Competitive rivalry	The project is large but relatively simple in structure and doesn't include procurement of complex works or sophisticated equipment. Substantial competition is expected for the civil works, supply of O&M equipment, and consulting services contracts. O&M equipment is not locally manufactured, hence international OCB shall be adopted.
Bargaining power of buyers	Bargaining power of KVK is high as it has a dominant position in this market.
Bargaining power of suppliers	Supplier's bargaining power is limited as large competition is likely for both international and national OCB.
Likelihood of new entrants	Interest of new entrants is welcome to bring in more competition and technology. The KVK shall widely advertise IFBs in local mass media and on ADB website to attract the maximum number of potential bidders.

Likelihood of substitutes	The structures identified under the project are standard and no major technical innovativeness is required.
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B. Key Procurement Conclusions

The project is simple involving rehabilitation of irrigation facilities, few buildings, O&M and workshop equipment, office equipment, vehicles, and a few consulting contracts. No major complex market analysis is required. The large civil works contracts costing over \$10.5 million shall be implemented by international contractors while small works can be locally contracted (please refer to para. 19–23 of PPRA). O&M equipment is not locally manufactured, hence international OCB shall be adopted. There are sufficient number of consultants operating in the country and the province who can meet the project needs.

C. Supply Positioning



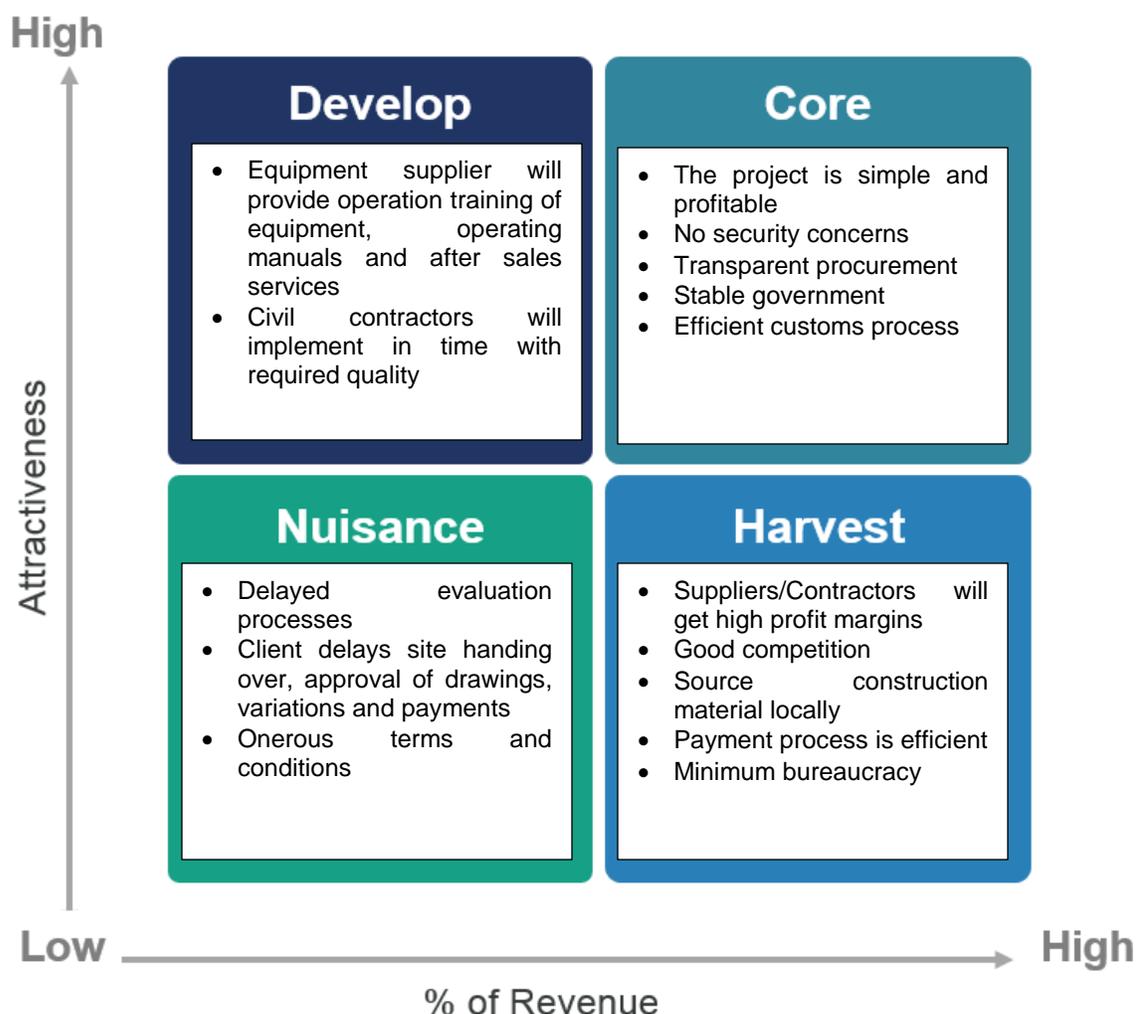
D. Key Procurement Conclusions

Recruitment of international consulting firm is a strategic security to help KVK with design, procurement, and supervisions of strategically critical large civil works packages on rehabilitation of irrigation facilities. These packages will be procured through OCB with international advertising.

Procurement of office and workshop equipment, vehicles, training, audit and socio-economic survey will be tactical acquisition to satisfy routine requirements for project implementation, accountability, monitoring. These packages are locally available and shall be procured through RFQ for goods, and CQS for services.

Procurement of O&M equipment, as well as small works for construction of KVK office and rehabilitation of irrigation system will be tactical advantage as they are readily available from alternative sources and offer an opportunity to reduce overall project costs. These packages will be procured through OCB with international advertising for equipment and national advertising for works.

E. Supplier Preferencing



F. Key Procurement Conclusions

The project is not complex, and no major issues are expected. The EA should ensure adequate transparency in the bidding process. Site availability and construction drawings should be provided on a timely manner. Measurements and payments should be timely. Direct payment procedure by ADB may be adopted.

Section 4: Risk Management

A. Project Procurement Risk Assessment Risk Register

Risk Description	Likelihood ("L") (1-5)	Impact ("I") 1-5)	Risk Score (L x I)	Proposed Mitigation	Risk Owner
Market complexity and lack of competitiveness for works and equipment	4	5	20	Conduct business opportunities workshop for contractors and consultants. Advertise bid invitations on ADB website and local media and public procurement web portal.	EA/IA
Inefficient procurement planning	4	3	12	Support from TRTA and loan consultants	EA/IA/ADB
Lack of procurement capacity and expertise	4	4	20	Provide targeted trainings to procurement staff and assign procurement experts of consulting firm to the Procurement Unit	ADB/EA/IA
Inadequate transparency in procurement	2	2	4	Advertise procurement plans and procurement notices, use 1S1E bidding documents	EA/IA/ADB
Quality of cost estimates	2	3	6	Scope of works and cost estimates to be verified by loan consultants	EA/IA
Inadequate complaints handling mechanism	2	5	10	Set up log book for complaints and assign a special group to handle complaints	EA/IA
Inadequate formal internal control and audit mechanism	1	2	2	Internal control and audit to be maintained in accordance with PAM	EA/IA/Audit Firm
Any discrepancies between local procurement regulations and ADB procurement regulations	1	2	2	ADB procurement policy shall prevail as indicated in Loan Agreement	EA/IA
Inadequate ethics measures and anticorruption measures	3	3	9	Conduct anticorruption workshop and provide specific provisions in the bidding documents	EA/IA/ADB
Evaluation takes too long	5	5	25	Provide capacity building training and	EA/IA/ADB

				support from TRTA and loan consultants	
Inadequate contract management capacity	5	5	25	Provide capacity building training and support from TRTA and loan consultants	EA/IA/ADB
Abnormally low bids	3	3	9	Use procedures indicated in the standard bidding documents	BEC/PU
Variation in scope or costs after contract award	4	3	12	Variation orders to be reviewed, verified and approved by loan consultants	EA/IA

1S1E = single-stage one-envelope, ADB = Asian Development Bank, EA = executing agency, IA = implementing agency, PAM = project administration manual, TRTA = transaction technical assistance.

Section 5: Options Analysis

Strategic Options Description	Feasibility (1–10)	Suitability (1–10)	Acceptability (1–10)	Overall (3–30)
Advance contracting is recommended for recruitment of international project implementation consultant (design, procurement, supervision, and project management) following QCBS (90:10). The REOI should be posted in Q2 2019 and consultants fielded by Dec 2019. ADB will mobilize TRTA consultants to assist EA/IA	8	8	9	25
Advance contracting is recommended for (a) office equipment, vehicle, and refurbishment works via RFQ; (b) construction of KVK office and small irrigation rehabilitation works each up to \$10.5 million through OCB with national advertising; and (c) operations and maintenance (O&M) equipment through OCB with international advertising ADB will mobilize TRTA consultants to assist EA/IA	9	9	9	27
Local contractors don't have capacity and experience to undertake large works costing more than \$10.5 million on rehabilitation of irrigation facilities. Therefore, international advertising is warranted for wider competition and quality.	8	8	9	25
National consultants are available to undertake socio-economic survey and capacity building trainings.	8	9	9	26
Qualified audit firms are locally available to undertake audit of project financial statements.	8	9	9	26
National advertising for OCB costing more \$10.5 million	2	2	1	3

Section 6: Procurement Strategy Summary

A. Procurement Packaging and Scheduling

1. The project includes (i) 8 civil works packages for \$166,749,814; (ii) 6 packages of goods for \$9,137,290; and (iii) 5 consulting services packages for \$20,934,160. The number of lots and their estimated costs will be finalized after detailed design. Domestic preference will not be used.

Nr.	Procurement Package	Mode	Amount (\$)	Remarks
I	Works: 9 packages		166,749,814	
1	Reconstruction of Workshops	OCB	595,000	National advertising Q1/2020
2	Construction of KVK office in Astana	OCB	6,548,000	National advertising Q4/2019
3	Rehabilitation of Irrigation System in East Kazakhstan and Karaghandy provinces:	OCB	23,533,691	National advertising Q3/2019
<i>Lot 1</i>	East Kazakhstan <i>Urzhar district</i> (7,227 ha)		7,374,447	
<i>Lot 2</i>	East Kazakhstan <i>Tarbagatai district</i> (5,010 ha)		4,576,716	
<i>Lot 3</i>	East Kazakhstan <i>Zharmasay district</i> (6,564 ha)		1,242,653	
<i>Lot 4</i>	East Kazakhstan, <i>Kurchum district</i> (17,246 ha)		10,339,876	
<i>Lot 5</i>	Karaghandy Province, Abai, Bukhar-Zhyrau, Zhanaarka, Zhezkazgan districts (11,390 ha):		8,822,681	
4	Construction of KVK office in East Kazakhstan	RFQ	40,000	
5	Rehabilitation of Irrigation System in East Kazakhstan Province (46,203 ha): Kokpekti and Zaisan districts	OCB	22,929,524	International advertising Q4/2020
6	Rehabilitation of Irrigation System in Karaghandy Province (16,510 ha): Nura and Osakarov districts	OCB	19,401,372	International advertising Q4/2020
7	Rehabilitation of Irrigation System in Kyzylorda Province (28,974 ha)	OCB	26,949,186	International advertising Q4/2020
8	Rehabilitation of Irrigation System in Zhambyl Province (37,977 ha)	OCB	57,930,360	International advertising Q4/2020
II	Goods (6 packages)		9,137,290	
1	O&M machinery and equipment for KVK	OCB	8,535,000	International advertising Q3/2019
2	PMO and PIUs office equipment	RFQ	56,480	National

Nr.	Procurement Package	Mode	Amount (\$)	Remarks
3	PMO and PIUs office furniture	RFQ	25,140	Q3/2019
4	PMO and PIUs vehicles	RFQ	166,670	
5	Agri-cooperatives equipment	RFQ	112,000	National Q1/2020
6	Workshop equipment	RFQ	242,000	
III	Consulting Services (5 contracts)		20,934,160	
1	Project management, detailed design, procurement, construction supervision, and capacity development	QCBS	20,430,160	International advertising Q2/2019
2	Project Audit (5 years)	LCS	112,000	National Q4/2019
3	Socio-economic survey (Project mid-term and completion)	CQS	112,000	National Q4/2021
4	Training and Study tour	CQS	168,000	
5	Irrigation System Performance Monitoring (Remote Sensing)	CQS	112,000	
TOTAL			196,821,264	

CQS = consultants qualifications selection, KVK = Republican State Enterprise KazVodKhoz, LCS = least cost selection, OCB = open competitive bidding, O&M = operations and maintenance, PIU = project implementation unit, PMO = project management office, Q = quarter, QCBS = quality-and cost-based selection, RFQ = request for quotation,

B. Procurement Method

2. The indicative procurement packages for goods, works and consulting services and their procurement/selection methods are indicated in the draft procurement plan. Open competitive bidding (OCB) is the default procurement method.

3. Recruitment of international consulting firm is a strategic security to help KVK with design, procurement, and supervisions of strategically critical large civil works packages on rehabilitation of irrigation facilities. These packages will be procured through OCB with international advertising.

4. Procurement of office and workshop equipment, vehicles, training, audit and socio-economic survey will be tactical acquisition to satisfy routine requirements for project implementation, accountability, monitoring. These packages are locally available and shall be procured through request for quotations (RFQ) for goods, and Consultant Qualification Selection (CQS) for consulting services.

5. Procurement of O&M equipment, as well as small works for construction of KVK office and rehabilitation of irrigation system will be tactical advantage as they are readily available from alternative sources and offer an opportunity to reduce overall project costs. These packages will be procured through OCB with international advertising for equipment and national advertising for works.

C. Prequalification

6. Prequalification is not recommended as all contracts are relatively simple.

D. Bidding Procedures

7. All packages are simple in design, hence Single-Stage: Two-Envelopes bidding procedure shall be applied for procurement of works and goods.

E. Specifications

8. The EA may use standard specifications for irrigation works, which can be adopted from ongoing or completed irrigation projects in Central Asia countries with similar conditions and nature. The project implementation consultant will help to prepare particular specifications for each contract. The O&M equipment is a standard construction equipment with standard specifications.

F. Review Requirements

9. All OCBs with international advertising for works, goods, and services shall be subject for ADB's prior review procedure. First OCBs and RFQs with national advertising for works, goods, and services shall be subject for ADB's prior review while subsequent contracts can follow post review procedures upon ADB's consent at project implementation stage.

G. Standstill Period

10. Suitable provisions shall be indicated in the Bid Data Sheet if applicable. EA shall decide in consultation with ADB.

H. Standard Bidding Documents and Contract Forms

11. EA shall use ADB's standard bidding documents and RFQ for all procurement packages (works, goods and consulting services).

I. Pricing and Costing Method

12. The civil works will be based on admeasurement, whereas the equipment and goods will be unit price based.

J. Key Performance Indicators

13. As part of the contract management strategy, the EA will identify key performance indicators (KPIs) for each contract to monitor the contractor's performance during contract implementation. This will include accomplishment in hectares, number of wells installed, km of canals rehabilitated.

K. Evaluation Method

14. All procurement packages will be evaluated based on the lowest evaluated price and contracts will be awarded to the lowest evaluated substantially responsive bidder. The evaluation of bids for supply of O&M equipment will include lifecycle cost.

L. Contract Management Approach

15. Contract management will be on collaborative basis. Contract management plans shall be prepared for each contract. This should include risks and risk management plan, identifying

resources, communication management, contract administration procedures, quality management, managing payments, records management, managing changes, claims and disputes and finally contract closure procedures and requirements. EA will seek ADB's approval of the contract management plan and provide timely reports to ADB.