Procurement for works, goods and services, procured under Sub-projects Grants Component costing the equivalent of US$15,000-20,000 or less and procured by beneficiary User Groups would be accomplished through Direct Contracting and under agreement signed between each participant DA and respective User Group (see specimen).

**Direct Contracting** means that, User Group’s representatives will select a contractor (or a supplier) and agree on a price with him/her and award the contract (see specimen) for this negotiated price. This procurement method is appropriate because the Subprojects: (a) would be small and/or implemented in scattered or remote area and therefore it will be difficult to obtain competitive proposals; (b) can be managed directly by beneficiary communities which will contribute to the respective Sup-project in cash and/or in kind; (c) will be selected on the basis of willingness of the beneficiary communities to pay for the total operational and maintenance costs and to physically supervise their execution; and (d) will provide a vehicle for communities to play an active role in the local development process.

There may be cases, however, when the communities lack the capacity to make the necessary purchases of equipment and materials. For such Sub-projects, the respective DA would make purchases on behalf of the User Groups (under written consent), packaging the procurement for several Sub-projects whenever possible, which would follow the National Shopping procedure and under the agreement signed between CWSD and the respective DA.

**National Shopping** means that, the contract has to be awarded to the lowest evaluated bidder on the basis of criteria mentioned in the invitation sent to a minimum of three potential bidders.

Therefore, procurement by DAs, on behalf of the User Groups, would follow:

(a) **National Shopping** procedures for goods and for procurement of small works under lump sum, fixed price contracts awarded on the basis of price quotations under US$100,000 per contract and up to an aggregate amount of US$…

(b) **National Competitive bidding - NCB**, over US$100,000 per contract.
As stated above, the beneficiary User Group is primarily responsible for the procurement under a Sub-project. However, CWSD remains with responsibility to provide the necessary training and standardized documentation to both communities and DAs.

In order to reduce potential risk of mis-procurement by communities and by DAs, the following measures, inter allia, would be implemented:

a) The approval of the Sub-projects by the DAs should be noticed by any means: radio, TV, local newspaper etc.

b) As soon as the first set of subprojects in a District is coming for approval (by RWST), the respective DA should post a notice (or an advertisement) in local newspaper and localities or places where potential contractors or suppliers are likely to visit;

c) In the case of procurement made by DAs, advertisement should be made through national newspaper of national circulation in view to encourage potential candidates to express their interest either to the communities or to DAs.

d) CWSD should establish and up-to-date a record of potential contractors and disseminate it among all DAs and interested communities, NGOs etc, in order to help beneficiaries to identify qualified interested bidders;

e) Advertisement at Sub-project site should be placed indicating, inter allia, name of the benefited community, value of contract or Sub-project cost, name of contractor and implementation period;

f) The release of fund to the User Group account should widely advertised.

Prior Review. Prior review of procurement documentation by the Bank would be made for all NCB . Although the level of Bank prior review of procurement would be low, it would compensate in several ways. An audit of the contracts procured under direct contracting would be conducted during the second year of the Project, under terms of reference agreed to determine the cost efficiency of this procurement method. Using project MIS data cost comparisons f similar subprojects would detect any possible procurement method. During regular Bank supervision, contracts signed under subprojects would be reviewed at random through field visits and subproject documentation.