



Strengthening development linkages from the mineral resources sector in  
Central Africa

1415P Project – Funded by the United Nations Development Account– 2015-2017

Framework for evaluating SMEs  
in pre-qualification schemes by  
the oil, gas and mining sector

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# FRAMEWORK FOR EVALUATING SMEs IN PRE-QUALIFICATION SCHEMES BY THE OIL, GAS AND MINING SECTOR

*by*

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While due care was taken in compiling this report, any errors and omissions remain the author's responsibility.

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## 1. Introduction

Many resource rich countries in Africa have either adopted or are adopting local content (LC) policies to facilitate the participation of local companies, particularly the Small and Medium Scale Enterprises (SMEs), in the oil, gas and mineral resources value chain.<sup>1</sup> Such LC policies and targets have encouraged extractive companies into searching for competent local companies that can supply goods and services to the industry at international standards. They have also contributed to increasing the interest of local based businesses in opportunities that arise in the sector because they encourage and empower them to bid for contracts. However, before these businesses are eligible to bid on opportunities in the industry, they have to respond to an announcement/invitation to prequalify which often results in considerable interest from a wide set of applicants that needs sifting through to a smaller set of potential applicants to be considered for inclusion in a master tender list.

This paper presents a framework for the prequalification process. It can be used to shortlist applicants to be placed on a master lists to bid for contracts in the home industry or gain access to other similar markets of the operator. It may also be used to identify training needs of SMEs/local businesses from which a government capacity building plan can be developed. The criteria highlighted in this paper are not exhaustive as it varies from country to country and company to company. Nonetheless, the essential common elements in a pre-qualification criterion are captured in this framework.

## 2. Pre-qualification Criteria

Prequalification is a shortlisting process to identify suitable bidders to invite in the procurement of goods and services. Prequalification certification programs are designed to establish well-qualified and experienced pool of contractors and subcontractors who will perform in contracts. It involves evaluating key capacities of applicants and supporting them to achieve additional capacities in order to become potentially eligible for consideration for contracts. Becoming pre-qualified does not guarantee inclusion in a master tender list but it is an essential step in the overall process of securing a contract to deliver goods or services to the home industry as well as an opportunity for the applicants to access other similar markets.

### 2.1 Methodology for evaluating applicants in a prequalification program

The criteria used in evaluating applicants is usually established early in the prequalification process in order to promote transparency and integrity of the process. Based on this criteria, a prequalification questionnaire is designed and a call to bid for prequalification is announced. Interested applicants are evaluated based on the legal, technical, human resources and management questions asked in the questionnaire related to the company as well as the procurement of goods and services advertised. In most cases these require Yes/No answers. However, a scoring system may be used in evaluating the applicant's bid to be prequalified. All supporting documents submitted by applicants must be verified to complete the process.

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<sup>1</sup> For example Angola, The Republic of Congo, Mozambique, Nigeria have local sourcing requirements for the hydrocarbons sector; South Africa and Chad (recent drafted mining code) have local sourcing requirements for the mining sector.

## 2.2 Eligibility to apply for prequalification

An applicant may be considered eligible for prequalification process if the criteria highlighted in a certification program are satisfied. The contents of the program might include the following:

- 1 Proof of company incorporation
- 2 Quality, Health, Safety, Environment and Community (QHSEC);
- 3 Background information of supplier/SME and experience in other similar sectors and references
- 4 Adequate insurance cover and financial security
- 5 Technical ability, experience, human resources and reference
- 6 Organizational structure and management policies

### 2.2.1 Proof of company incorporation

An applicant seeking pre-qualification to bid for contracts from oil, gas and mining companies would be required to submit a certificate of incorporation to confirm the existence of the company and that the entity belongs to a particular jurisdiction. The certificate of incorporation should reflect the company's name, date of incorporation, registration number, as well as in some jurisdictions the corporate law under which the company is registered.<sup>2</sup>

### 2.2.2 Quality, Health, Safety, Environment and Community (QHSEC)

An applicant would be eligible for the pre-qualification process if the applicant is able to submit evidence of proper operational procedures related to issues surrounding Quality, Health, Safety, Environment and Community development. The applicant must demonstrate, to the reasonable satisfaction of the regulatory authorities and the oil, gas and mining companies, its ability to observe all applicable international standards in such areas. Specifically, the applicant might be required to submit documents that include:

- a) Quality, Health, Safety and Environment (QHSEC) policy statements
- b) Evidence of established and implemented QHSEC Management Systems
- c) Evidence of established community relations and development policy, and programmes.
- d) QHSEC certifications according to best international industry practice (e.g. ISO certification 9001, ISO 14001 and/or OHSAS 18001), with copies of certificates approved by the awarding official authorities.
- e) A copy of the Quality, Health, Safety and Environment Management Systems or its equivalent.
- f) A copy of Corporate Social Responsibility reports or initiatives for the past three (3) years.
- g) Experience as operator in environmentally sensitive areas.
- h) QHSEC record of material events for the previous three (3) years including oil spills, site fatalities and injuries, major fires and explosions, mechanical/structural failures, emissions and waste, and main remedial efforts and prevention strategies.

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<sup>2</sup> [http://ioserv.com/en/theor/company\\_documents/](http://ioserv.com/en/theor/company_documents/)

- i) Experience in managing community relations issues with stakeholders in the communities where projects are implemented,

### 2.2.3 Adequate insurance cover and financial security

An applicant seeking pre-qualification as a service provider would be required to submit financial information that will enable the authorities and the oil, gas and mining companies evaluate its financial capacity to execute the contracts. All financial statements must be prepared under International Financial Reporting Standards or other internationally recognized generally accepted accounting principles. Companies may furnish their published annual reports filed with a regulatory authority and supplement those reports with any information below that is not contained therein.

- a) The audited consolidated financial statements for the Applicant for the last three (3) years, including the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement, notes to the accounts and, where required under local law or applicable accounting principles, the Directors' report.
- b) The auditor's or auditors' report(s) referencing the abovementioned financial statements of the service provider, signed by an independent public accountant and prepared in accordance with applicable auditing standards. Alternatively, in the case of a state-owned companies organized in a jurisdiction that does not provide for an external audit of such companies' accounts, and no such external audit has been performed, the financial statements described in (a) above must be prepared by a certified public accountant, and should be submitted together with a statement signed by a lawyer affirming the absence of an audit requirement for such state-owned company under the law of such jurisdiction.
- c) References from two reputable banks for financial institutions doing business with the Applicant.
- d) Present and historical (prior three (3) years) credit rating or debt profile of the service provider's (or its parent company's) by a credit bureau where it exists.
- e) A description of the service Provider's material lines of credit, credit agreements, publicly traded debt securities, off balance sheet liabilities and guarantees of third party obligations.
- f) Details of any medium-term plans and/or material contingent liabilities, if these could reasonably be expected materially and adversely to impact the financial status of the service Provider.
- g) A statement describing any material changes in any of the information set forth above, since the date as of which such information was prepared.
- h) Any additional information supporting the financial capacity of the service provider that will allow for a fair decision by the authorities and oil, gas and mining companies about the capability to execute the contract.

### 2.2.4 Technical ability, experience, human resources and reference

An applicant seeking pre-qualification as a service provider would be required to submit technical information that demonstrate to the reasonable satisfaction of the regulatory authorities and the oil, gas and mining companies that they have the technical capability to successfully undertake projects in the categories sought. Specifically, the applicant might be required to submit documents that include



- a) licenses appropriate to the type of work with any restrictions as appropriate to the type of work and category
- b) details on experience with respect to the relevant contracts undertaken in the categories sought over the last three (3) years.
- c) List of technical experts with relevant qualifications and experience to execute the contract in the categories sought.
- d) List of equipment and materials necessary for the execution of the contract in the relevant categories of the project.
- e) References to attest
- f) Any other technical information that can enable the regulatory authorities and oil, gas and mining companies make informed decision about the technical ability of the Applicant to carry out the contract.

A checklist of documents required for pre-qualification of SMEs that are eligible for contracts in the oil and gas, and mining industry is presented in appendix 1.

### 2.2.5 Organizational structure and management policies

Organizational structure and management policies are very important to corporate performance, hence the need for their assessment and evaluation to ensure that they will support the execution of the project or contract. The pre-qualification criteria for organizational structure and management policies usually covers the followings:

- a) Governance structure such as shareholding structure, board of directors, management, decision-making processes, methods for setting direction, external relations, etc.;
- b) Operational policies in terms of roles and responsibilities key management staff, coordination of personnel, systems management, etc.;
- c) Human resources management policies including the skills of management and staff, recruiting, selecting, staffing, performance management, career development, training, health/safety issues, gender issues, quality of working environment, etc.;
- d) Financial management such as financial policies, procurement procedures, internal financial regulations and approvals.

To assess the company, a checklist of the various items and documents is prepared to ensure that the bidder meets all the prequalification requirements. Thereafter, the bids will be opened for evaluation before the selection for contract/proposal award. Annexes 1 and 2 respectively, present the checklist of documents submitted and the methodology for evaluating the bids.

## 3. The Evaluation Criteria

Evaluation criteria are standard procedures in the assessment of bids/proposals to select the most advantageous bid/proposal which best meets the requirements and offers the best value for money. The following requirements govern the bids/proposals evaluation criteria:

- a) the evaluation criteria shall be appropriate to the type, nature, market conditions, complexity, risk, value and objective of the project that the bid is being submitted;
- b) to the extent practicable, evaluation criteria should be quantifiable (such as convertible to monetary terms);

- c) the bid document shall include the complete evaluation criteria and the specific manner in which they shall be applied;
- d) only the evaluation criteria, and all the evaluation criteria, indicated in the bid document shall be applied;
- e) once the bid document has been issued, any change to the evaluation criteria shall be made only through addenda; and
- f) the evaluation criteria shall be applied consistently to all bids/proposals submitted. Evaluation criteria must be established in the early stages of the process in order to support transparency, value for money and integrity of the bidding.

After the contract prequalification requirements have been defined and the selection method decided, the evaluation criteria are set so that the company can appropriately evaluate which bidder/proposer is best able to deliver the requirements and maximize value for money. The key performance indicators to be used in the management of the contract may also inform the evaluation criteria, which completes the strategic alignment from the identification of needs through to contract delivery.

## 4. Conclusion

The final scores of the different bidders are compiled and the bid that has the highest score is deemed to be the one that offers the best value for more and would therefore be selected for the implementation of the project. The selected bidder will, thereafter, be informed about the result of the bidding process.

## References:

- Ana Maria et al (2010): Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sector.
- World Bank (2012): Increased Local Procurement by the Mining Industry in West Africa.
- International Finance Corporation (2011): A Guide for Getting Started in Local Procurement for Companies Seeking the Benefits of Linkages with Local SMEs.
- Republic of Lebanon Ministry of Energy and Water – Petroleum Administration (2013): Pre-qualification Process. [www.lpa.gov.lb](http://www.lpa.gov.lb)
- Nigerian Content Development and Monitoring Board (2014): Pre-qualification Format.
- European Bank for Reconstruction and Development (2012): Procurement Department, Standard Prequalification of Tenders.

## Annex 1. Checklist of documents submitted

No.	Documents	Submission Format	Formalized	Submitted	
				Yes	No
<b>1.0</b>	<b>Annex 1</b>				
1.1	Pre-Qualification Application Form	E&H	No	<input type="checkbox"/>	<input type="checkbox"/>
1.2	Power of Attorney of Authorized Representative	E&H	Yes	<input type="checkbox"/>	<input type="checkbox"/>
<b>2.0</b>	<b>Annex 2 – Legal Criteria &amp; Required Documents</b>				
2.1	Certificate of incorporation and form of business (Sole proprietorship, Partnerships, limited Liability or quoted company)		Yes	<input type="checkbox"/>	<input type="checkbox"/>
2.2	Details of Partner(s) or Shareholder(s) more than a specified percentage of capital (usually 20%). If not ultimate parent, organization chart showing chain of ownership.		Yes	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.0</b>	<b>Annex 3 – Organization and Management structure</b>				
3.1	Organogram				
3.2	Board and Management policies				
3.3	Human resources policy and procedures				
<b>4.0</b>	<b>Annex 3 – Financial Criteria and Required Documents and</b>				
4.1	Proof of meeting eligibility criteria	E&H		<input type="checkbox"/>	<input type="checkbox"/>
4.2	Audited consolidated financial statements			<input type="checkbox"/>	<input type="checkbox"/>
4.3	Auditor's or auditors' report(s) referencing the financial statements			<input type="checkbox"/>	<input type="checkbox"/>
4.4	References from two reputable banks or financial institutions			<input type="checkbox"/>	<input type="checkbox"/>
4.5	Present and historical (previous three (3) years' credit rating			<input type="checkbox"/>	<input type="checkbox"/>
4.6	Description of the material lines of credit, credit agreements, publicly traded debt securities, off-balance sheet liabilities and guarantees of third party obligations			<input type="checkbox"/>	<input type="checkbox"/>
4.7	Details of any medium-term plans and/or material contingent liabilities			<input type="checkbox"/>	<input type="checkbox"/>
4.8	A statement describing any material changes in any of the information set forth above, since the date as of which such information was prepared.			<input type="checkbox"/>	<input type="checkbox"/>
4.9	Any additional information regarding financial capability				<input type="checkbox"/>
<b>5.0</b>	<b>Annex 4 - Technical Criteria and Required Documents and Disclosures</b>				
5.1	Proof of meeting eligibility criteria	E&H		<input type="checkbox"/>	<input type="checkbox"/>
5.2	Technical information required in points (a) to (e)			<input type="checkbox"/>	<input type="checkbox"/>
5.3	Demonstration of access to specialist software that may be needed for the project No of years' experience and expertise				
<b>6.0</b>	<b>Annex 5 – QHSEC Criteria and Required Documents &amp; Disclosures</b>				
6.1	QHSEC Policy Statement	E		<input type="checkbox"/>	<input type="checkbox"/>
6.2	Evidence of established and implemented QHSEC Management System(s)			<input type="checkbox"/>	<input type="checkbox"/>
6.3	Copy of QHSEC certificates			<input type="checkbox"/>	<input type="checkbox"/>
6.4	Copy of QHSEC Management System(s)			<input type="checkbox"/>	<input type="checkbox"/>
6.5	Copy of Corporate Social Responsibility (CSR) reports or initiatives for the past three (3) years			<input type="checkbox"/>	<input type="checkbox"/>
6.6	Experience as operator in environmentally sensitive areas			<input type="checkbox"/>	<input type="checkbox"/>
6.7	QHSEC records for the last three (3) years			<input type="checkbox"/>	<input type="checkbox"/>
6.8	Proof of Community relations policy and management document				<input type="checkbox"/>

Notes:

a) E: Electronic Copy

H: Hard Copy

b) For documents issued outside the country, it must be notarized and seal by external affairs ministry. For documents issued in the country, they shall only be notarized.

## Annex 2. Evaluation of bids

A. EVALUATION OF THE TECHNICAL BID	MAXI SCORE	SCORE OBTAINED	COMMENTS
<b>1. Methodological approach</b>	<b>30</b>	<b>30</b>	
<b>1.1. Administrative structure of the company</b>	<b>10</b>	<b>X</b>	
▪ Very good	10	X	
▪ Good	7	X	
▪ Good enough	5	X	
▪ Other	3	X	
<b>1.2. Composition and experience of the management team</b>	<b>5</b>	<b>X</b>	
▪ Very good	5	X	
▪ Good	3	X	
▪ Good enough	1	X	
▪ Other	0	X	
<b>1.3. Proposals for timely execution of the project</b>	<b>15</b>	<b>X</b>	
▪ Very good	15	X	
▪ Good	10	X	
▪ Good enough	5	X	
▪ Other	2	X	
<b>2. Professional references of similar previous projects</b>	<b>20</b>	<b>X</b>	
<b>2.1. Number of years of experience operating in the sector</b>	<b>10</b>	<b>X</b>	
▪ ≥ 20 years	10	X	
▪ 15-19 years	8	X	
▪ 10-14 years	5	X	
▪ ≤ 9 years	0	X	
<b>2.2. Number of similar projects carried out in the oil, gas and mining industry</b>	<b>10</b>	<b>X</b>	
<b>3. QHSEC Policy and Management systems experience</b>	<b>20</b>	<b>X</b>	
<b>3.1. QHSEC Policy and procedures</b>	<b>10</b>	<b>X</b>	
▪ Very good	10	X	
▪ Good	8	X	
▪ Good enough	5	X	
▪ Other	0	X	
<b>3.2. Evidence of QHSEC Policy implementation and certifications</b>	<b>10</b>	<b>X</b>	
▪ Very good	10	X	
▪ Good	8	X	
▪ Good enough	5	X	
▪ Other	0	X	
<b>4. Corporate responsibility and environment Policies</b>	<b>20</b>	<b>x</b>	
<b>4.1. Corporate responsibility policy document</b>	<b>10</b>	<b>X</b>	
▪ Very good	10	X	
▪ Good	8	X	
▪ Good enough	5	X	
▪ Other	0	x	
<b>4.2. Environment Management policy document</b>	<b>10</b>	<b>X</b>	
▪ Very good	10	X	
▪ Good	8	X	
▪ Good enough	5	X	
▪ Other	0	x	
<b>5. Schedule of the project implementation</b>	<b>7</b>	<b>X</b>	
<b>5.1. Presentation of the schedule of project implementation</b>	<b>5</b>	<b>x</b>	
<b>5.2 Overall coherence of the project schedule</b>	<b>2</b>	<b>X</b>	
<b>6. Proposals of a draft contract</b>	<b>3</b>	<b>x</b>	
▪ Good:	3	x	
▪ Acceptable	1	x	
▪ None	0	x	
<b>TOTAL SCORE OF THE TECHNICAL BID (Ti)</b>	<b>100</b>	<b>X</b>	
<b>Conclusion:</b> Opening the financial bid if the technical score is greater than 70/100			

<b>B. EVALUATION OF THE FINANCIAL BID</b>			
<b>Tender's financial bid (Si):</b> \$xxxx	<b>The lowest bid (Sm):</b> \$xxxx		
<b>TOTAL SCORE OF THE FINANCIAL BID (Fi)</b>	<b>MAXI SCORE</b>	<b>SCORE OBTAINED</b>	<b>COMMENTS</b>
$F_i = \frac{100 \times S_m}{S_i}$	<b>100</b>	<b>x</b>	

<b>FINAL SCORE (Ni)</b>	<b>Ni = 0,6 x Ti + 0,4 x Fi</b>	<b>MAXI SCORE</b>	<b>SCORE OBTAINED</b>	<b>COMMENTS</b>
		<b>100</b>	<b>xx</b>	