



MANAGING CONTRACTORS' ENVIRONMENTAL AND SOCIAL PERFORMANCE

AN OVERVIEW OF IFC'S GOOD PRACTICE NOTE

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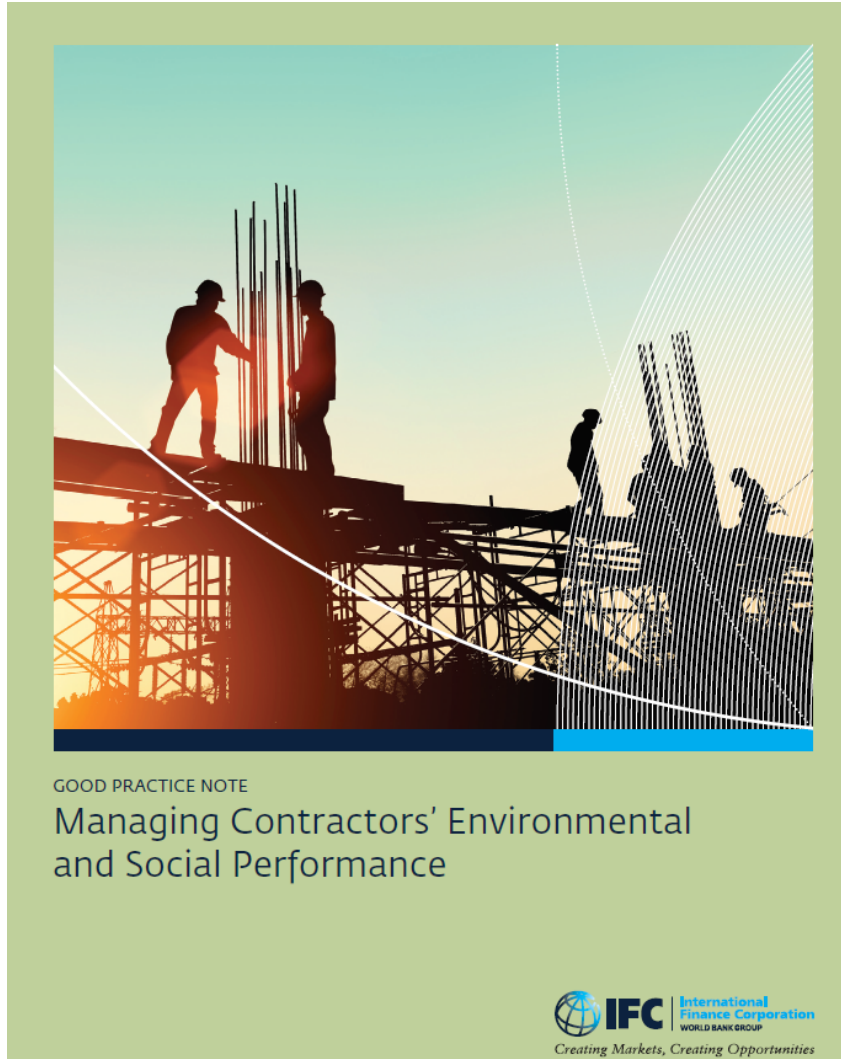
SOME KEY TERMS

- Contractor – Companies / individuals under direct control of client
- Mitigation hierarchy – Avoid, minimize, manage, offset
- E&S – Environmental, social and health and safety
- PSs – IFC's Performance Standards
- GIIP – Good International Industry Practice
- ESMS – Environmental and Social Management System
- CMP – Contractor Management Plan
- CR – Commitment Register
- RFP – Request for Proposal

CURRENT CHALLENGES

- Projects are continuously challenged by lack of proper contractor management
- Project staff are many times unaware of how E&S requirements should be integrated into the “life-cycle” of hiring contractors / subcontractors to do work
- Hiring contractors / subcontractors needs a systematic approach at various phases of the selection process for effective control, management and enforcement of E&S issues
- Contractor management, if any, is currently focused on mitigating risk with little thought at creating opportunities to improve specific E&S conditions

THE NEED FOR THIS GPN

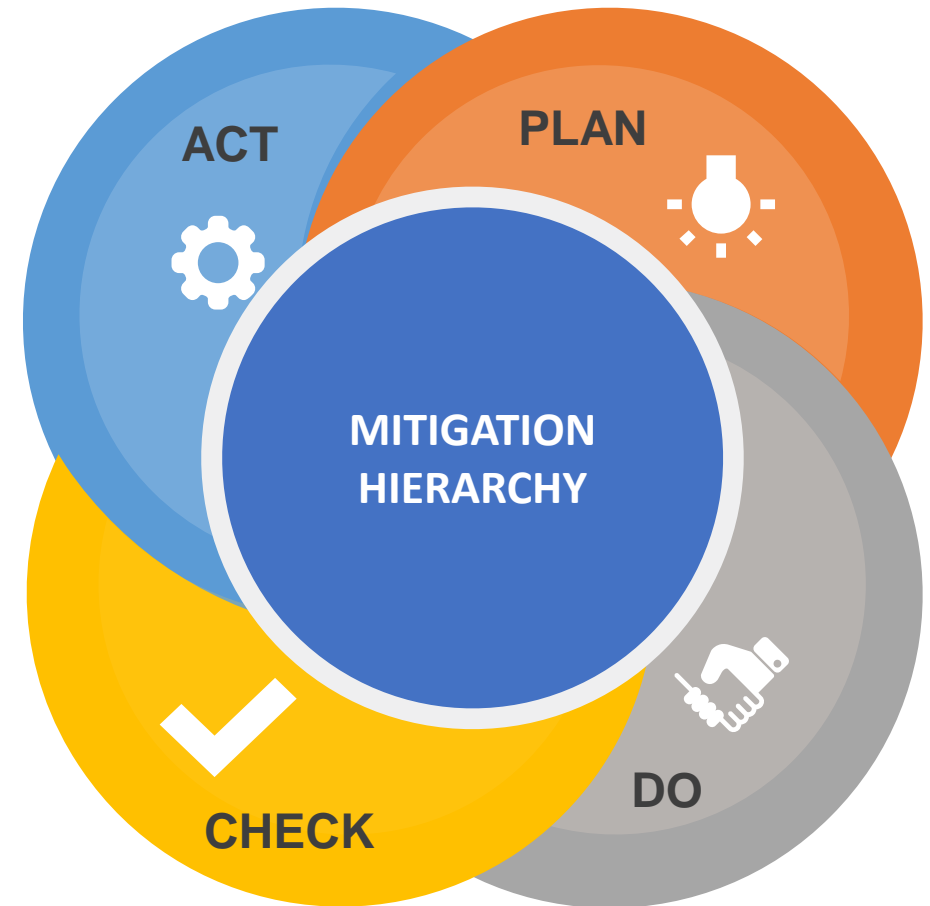


- Similar practical guidance was lacking
- Development of the GPN included internal (IFC) and external input and reviews
- Builds on extensive experience of working with private sector clients in challenging settings and environments
- Has been developed under a “practical” approach
- Applicable to all sectors and varying risks of projects

Short URL for the GPN: www.ifc.org/ESContractorManagement

OVERVIEW OF CONTRACTOR E&S MANAGEMENT

- It starts with an E&S risk assessment (ESIA or similar) and application of the mitigation hierarchy
- Integration of risk assessment process (ESIA) into project design, feasibility studies and implementation plans
- Development and effective implementation of an ESMS during construction, operation and demobilization / closure
- Contractor management is a key element of the ESMS for effective management of project-specific E&S risks

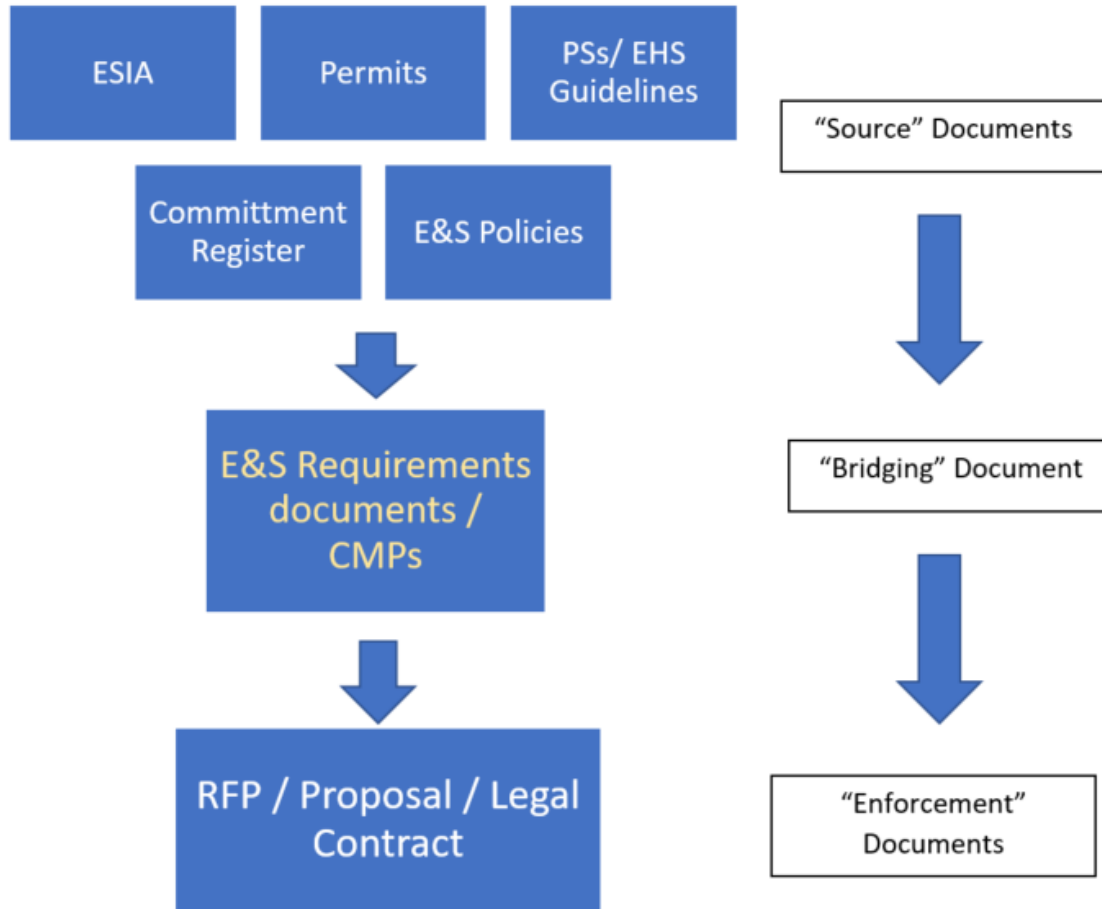


CONTRACTOR SELECTION BASICS (1)

- E&S professionals need to be part of the Contractor Selection Team
 - Allows for early consideration and proper integration of E&S issues
 - Allows for alignment / agreement on the process
 - Qualifications, experience and interpersonal skills
- GIIP dictates that an “E&S Requirements” Document (sometimes called CMP) be prepared which consolidates the various E&S requirements from the various “source” documents such as:
 - Commitment Register
 - Performance Standards and EHS Guidelines
 - ESIA, ESIA amendments, additional requirements from government
 - Defined project E&S standards (most stringent of local vs international)
 - Legal obligations and applicable codes & standards
 - Commitments from approved legal permits
 - Company E&S policies
 - ESAP requirements

CONTRACTOR SELECTION BASICS (2)

The Process



The Benefits

The development of CMPs and their incorporation into the RFP allow for :

- Consolidation of what is included in several separate documents into concise and specific E&S commitments / requirements
- A more thorough understanding of E&S requirements by the bidding contractor
- Bids can more effectively integrate all needed ESHS requirements (financial/human resources/technical)
- Equal comparison of proposals by the client ("apples to apples")

PHASES AND ACTIVITIES

Contractor Selection Phases

- 1 - Pre-qualification
- 2 - Solicitation
- 3 - Proposal Evaluation
- 4 - Contracting

Project Phases / Activities

Mobilization
Construction
Demobilization
Client monitoring
Contractor monitoring &
reporting

GIIP

Good E&S performance

PRE-QUALIFICATION

- Initial phase in the contractor selection process
- It involves “filtering” of contractors that initially meet established criteria
- Allows to identify (and filter out) contractors with red flags that could become risks to the project, such as poor commitment on ESHS, high fatality rates, negative reputational issues (and risks) or poor historical E&S performance
- Can be established by several means including simple questionnaires (example in the Annex)
- Number of documents and level of information requested shall be commensurate to the SoW for which the contractors are being pre-qualified against
- Responses should serve as indicators of the contractors’ understanding of ESHS aspects and their capacity

SOLICITATION (1)

- Typically happens through the preparation and issuing of a RFP
- The RFP should include the specific requirements for the project including the E&S requirements (CMPs / E&S requirements document)
- Other information in the RFP should include corporate E&S policies, the client's ESIAs or other assessments / audits, permit requirements, draft legal agreements, etc
- The process should include site visits especially for high risk projects

SOLICITATION (2)

- RFPs and other solicitations should require prospective contractors' bids to include:
 - Information on their ESMS, certifications, etc.
 - Organizational capacity around E&S (including labor, safety, biodiversity)
 - Information on past E&S performance
 - Information on existing company policies
 - Information on past projects highlighting E&S performance / challenges
 - Initial assessment of the contractors' evaluation of the main E&S challenges for the project
 - Affirmative statements on their control over subcontractors (including local contractors)
 - Costs, timelines and organization

PROPOSAL EVALUATION

- Evaluation criteria should be established and included in the bid package
- Key evaluation criteria, weighing of ESHS versus technical and financial
- Evaluation can be on a pass-fail, quantitative and / or semi-quantitative basis
- Process might involve interviews with bidders and their E&S staff
- Grounds for disqualification could include: failure to provide information or unacceptable past E&S (OHS) performance, material labor issues, poor security management records, fines and sanctions imposed by regulators, material community grievances and high-profile adverse press reports on E&S matters, etc

CONTRACTING (1)

- Several types of contracts including FIDIC, NEC, NEC3
- Many international contracts and company's models have conditions relevant to E&S but most often general in nature
- Contracts should allow for the inclusion of project specific E&S requirements
- Clients E&S representative should review contract and confirm inclusion of relevant E&S requirements and language

CONTRACTING (2)

Contracts should include/reflect:

1

Project-specific E&S requirements

2

Allocation of E&S personnel

3

E&S management / implementation plans to be dev by contractor

4

E&S training requirements

5

E&S monitoring requirements

6

Reporting requirements

7

Explicit commitments for compliance with project requirement for subs

8

Bill of quantities with adequate costs and timelines for E&S

9

Penalties, incentives to motivate good E&S performance

9

Statements regarding failure of compliance with E&S

Clients E&S representative should review contract and confirm inclusion of relevant E&S requirements and language

MANAGING CONTRACTOR E&S PERFORMANCE

- Ultimately the Owner remains responsible for meeting project E&S requirements
- Understanding responsibilities (owner / contractor / subcontractor)
- Clients should ensure contractors employ qualified E&S personnel and that staffing is commensurate with scope and magnitude of work and E&S risks
- Client's role in approving training, ESMPs, audits, monitoring programs
- Reporting on agreed frequencies (identify challenges and opportunities)
- Regular E&S meetings (sharing E&S data between contractors)

MOBILIZATION, CONSTRUCTION, DEMOBILIZATION

- Mobilization can be the period of greatest E&S impact
- ESMS “readiness” for implementation is key for success
- Review and approval of contractor E&S Management Plans / E&S Procedures
- Clear definition of monitoring responsibilities
- Kick off meetings – clarify expectations, roles, trainings
- E&S training; general inductions versus specific trainings

CLIENT-OWNED MONITORING

- Monitoring by Owner should continue through mobilization, construction and demobilization
- Frequency of visits should be commensurate with risks and ongoing E&S performance of the contractor / subcontractors
- Scope of monitoring: site visits, review of documentation / records and follow up activities
- Alignment of monitoring aspects, parameters, methodologies,
- Skills of monitoring team should meet monitoring objectives (specific expertise needed or translation skills)
- Consideration of resident (on-site) Owner EHS representative for sensitive projects
- Raising of non-compliances and stop work notices

CONTRACTOR-OWNED MONITORING

- Contractors should monitor and keep records of E&S performance of their activities and those of their contractors in accordance with their ESMS
- Clear responsibilities and alignment between client and contractor monitoring for proper performance monitoring (locations, parameters, methodologies, reporting of results, etc.)
- Contractors reporting on E&S performance for their work and that of their subcontractors (at least monthly)

FINANCIAL MANAGEMENT

- Payment of invoices is a sensitive (and can be a contentious) matter
- Payment of invoices and actions toward non-compliances / incidents should be specified in the contract
- For challenging E&S projects, approval of invoices of contractors should be linked to adequate performance on E&S matters
- Actions can include total or partial withholding of payments, elevation to management, resolution of issues directly by Owner with back-charge to contractors, etc
- Close coordination between Project Managers and E&S representatives essential

TAKEAWAYS

Save \$, time

Selecting a good contractor on E&S grounds will save the project time and money and allow for it to be developed in line with GIIP



Set clear expectations

Consolidating E&S requirements in a concise document in the RFP supports improved understanding, commitment and evaluation of proposals

Continuous improvement

The GPN will be expanded and complemented as experience on its application increases

Manage risks

Integrating E&S aspects into the contractor selection process is the most effective way to address E&S and project risks

Link to financials

Contractor performance is directly linked to an understanding of E&S requirements and this in turn translates into the financials of the work.

Roadmap for success

This GPN provides roadmap and tools to develop a project in line with IFC's PSs

Thank You

Evaluate today's webinar:
<https://www.surveymonkey.com/r/WebinarEvalContractors>

