PROCUREMENT IN WORLD BANK INVESTMENT PROJECT FINANCE

BORROWER’S PROCUREMENT PROCEDURES

(DRAFT)

JULY 8, 2014
Draft Borrower’s Procurement Procedures

ACRONYMS

BAFO  Best and Final Offer
BOO   Build, Own, Operate
BOOT  Build, Own, Operate, Transfer
BOT   Build, Operate, Transfer
CD    Competitive Dialogue
CDD   Community Driven Development
CPs   Commercial Practices
CQS   Selection Based on Consultant’s Qualifications
DC    Direct Contracting
EOI   Expression of Interest
FA    Framework Agreements
IBRD  International Bank for Reconstruction and Development
ICB   International Competitive Bidding
IDA   International Development Association
IFC   International Finance Corporation
INT   Institutional Integrity
ITC   Instructions to Consultants
LIB   Limited International Bidding
LN B  Limited National Bidding
LCS   Least-Cost Selection
LOI   Letter of Invitation
MIGA  Multilateral Investment Guarantee Agency
NCB   National Competitive Bidding
NGO   Nongovernmental organization
PPP   Public Private Partnership
QBS   Quality-Based Selection
QCBS  Quality and Cost-Based Selection
REOI  Request for Expressions of Interest
RFP   Request for Proposal
RFQ   Request for Quotations
SSS   Single-Source Selection
SWAp  Sector Wide Approach
TOR   Terms of Reference
UNDB  United Nations Development Business
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GENERAL CONSIDERATIONS

A. VISION

1.1 Procurement in Bank Operations supports borrowers “to achieve value for money with integrity in delivering sustainable development.”

B. PURPOSE

1.2 The World Bank Procurement Framework governs the procurement of goods, works, consulting and non-consulting services required for an investment project¹ that is financed by the World Bank and executed by the borrower.

C. PROCUREMENT FRAMEWORK

1.3 The Procurement Framework encompasses a Policy and its associated Directives and Procedures. The Policy sets out the substantive principles on which World Bank procurement is based, and the Directives and Procedures provide detailed statements on how World Bank staff should implement the Policy. As part of the Directives, Borrower’s Procurement Procedures contain mandatory procedures that apply to borrowers and those carrying out a World Bank-financed project; they are incorporated by reference in the financing agreement. In addition, guidance notes provide advice and non-mandatory courses of action.

1.4 All procurement under the Borrower’s Procurement Procedures is guided by the Core Principles set out in the Policy. Nothing in these Borrower’s Procedures or any procurement documents may be used to evade or diminish the procurement principles established in the Policy.

D. APPLICABILITY

1.5 The Procurement Framework covers the full procurement cycle of operational activities financed by the World Bank.

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¹ *Investment project* includes loans, credits, and grants, and other lending or non-lending instruments through which the World Bank provides financing for a wide range of activities aimed at creating the physical and social infrastructure necessary to reduce poverty and create sustainable development. It also includes trust funds, to the extent that the agreement providing for such trust funds to be administered by the World Bank does not conflict with these provisions as exceptions, including under the United Nations Fiduciary Principles Accord (FFA) or a Multi Donor Trust Fund (MDTF) in emergency situations. The Procurement Framework does not cover loans made by another lender that are guaranteed by the World Bank, nor operations financed under Program-for-Results financing, nor does it cover policy lending operations, unless the World Bank agrees with the borrower on specific purposes for which loan proceeds may be used.
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1.6 In recognition of the need to apply the most effective procurement approach to a given operation, alternative procurement arrangements such as those of GPA member countries may also be used in full or in part, if their methods and procedures reflect the World Bank’s Core Procurement Principles, with an effective governance framework in place, effective performance, and rights for the World Bank to review any activity or documentation for activities supported by World Bank financial resources. The Bank will review a sample of procurement actions and take action as necessary (e.g. increased review, use of audits, and ultimately withdrawing acceptance of the alternative procurement arrangement if warranted). A standing list of approved alternative procurement arrangements is detailed in the Directives.

1.7 For the procurement of goods, works, consulting and non-consulting services that are not financed by the World Bank but included in the project scope of the financing agreement, the borrower may adopt other rules and procedures if the World Bank is satisfied that those procedures will fulfill the borrower’s obligations to carry out the project diligently and efficiently, and that the goods, works, consulting and non-consulting services to be procured.

(a) Are of satisfactory quality and are compatible with the balance of the project;
(b) Will be delivered or completed in timely fashion; and
(c) Are priced so as not to have an adverse effect on the economic and financial viability of the project.

( Specific instructions to World Bank staff on how to apply this section will be developed in the Directives and Bank’s Procedures.)

E. ROLES AND RESPONSIBILITIES

E.1. Borrower

1.8 The successful delivery of the project is of paramount importance to the borrower; thus it is the borrower’s responsibility to maximize development effectiveness through procurement activities in accordance with of the World Bank’s procurement vision and Core Principles established in the Policy.

1.9 The borrower is responsible for implementing the project; and is therefore legally responsible for the procurement. It invites, receives, and evaluates bids or proposals, and awards and administers the contract. Borrowers keep and safeguard all procurement documentation and records associated with all the procurement they carry out that is financed by the World Bank.
E.2. World Bank

1.10 The World Bank reserves the right to review at any time any activity or documentation for activities supported by World Bank financial resources, including without limitation the right of the World Bank to inspect all accounts, records, and other documents relating to procurement and execution of World Bank-financed contracts, and to have them audited by an auditor appointed by the World Bank. The World Bank exercises oversight of the procurement process under a risk-based approach and through prior and post review, independent procurement review, and procurement audits. As appropriate, it may also provide hands-on support to borrowers in achieving an effective project execution.

E.2.1. Prior and post review

1.11 Prior review is an ex ante exercise by the World Bank to determine whether the procurement process planned by the borrower complies with the World Bank’s Policy and these Borrower’s Procurement Procedures. Post review, which may be carried out by the World Bank or by approved third parties, consists of reviews of procurement process after they have been completed. The determination of whether a procurement process should be subject to prior review or post review (and the degree of sampling necessary) is based on the project- and activity-specific risks, which are assessed during project preparation, and reassessed and updated during project. The Procurement Plan indicates for each activity whether prior or post review requirements apply, and at which stages of the procurement cycle. During project implementation the World Bank monitors and reassesses the risk and risk mitigation measures; as necessary, it may require the borrower to modify the procurement plan and revise the prior and post review requirements.

E.2.2. Independent procurement reviews

1.12 Independent procurement reviews are carried out when an assessment of risk indicates that they are warranted. They are performed by third parties appointed by the World Bank to ascertain the borrower’s and Bank’s compliance with the World Bank’s Procurement Framework.

E.2.3. Third-party assurance

1.13 As needed, the World Bank conducts directly or through third parties procurement audits of projects its finances. As agreed with the borrower, the World Bank may also augment its own oversight of a procurement process with the use of independent third-party assurance providers. Third-party assurance services can provide simultaneous probity assurance during a procurement, for example, by having probity auditors present during providers’ engagements/discussions, bid opening, bid evaluation, negotiations (if agreed by the World Bank), and final award decisions. More detailed independent assurance about the procurement process, beyond that which the World Bank may be able to provide itself, may be an important factor in determining the acceptability of more innovative,
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active engagement-related procurement methods such as competitive dialogue, negotiation etc.

E.2.4. Hands-on support

1.14 When appropriate, the World Bank provides hands-on support to the borrower in executing the procurement arrangements (such as bid document development, bid evaluation etc.); however, in all cases the procurement is led by and remains the responsibility of the borrower. In exceptional circumstances, the procurement activity may be undertaken by the World Bank and provided to the borrower for final award decision and contract execution; but even then, the World Bank’s hands-on support does not alter the borrower’s responsibility to lead the procurement. In very exceptional circumstances (such as disaster response) the World Bank may agree with the borrower that it should lead and execute the procurement on the borrower’s behalf; in doing so, it follows the internal World Bank procedures, used in any other internal World Bank procurement activity.

(Specific instructions to World Bank staff on how to apply this section will be developed in the Directives and Bank’s Procedures.)

E.3. Providers

1.15 The effective participation and performance of providers is critical to the World Bank and its borrowers. To deliver the best development results in each procurement activity, the World Bank and its borrowers actively seek to motivate and encourage the best providers to participate in World Bank procurements.

1.16 Providers participating in World Bank-financed operations are responsible for conducting their business in a manner consistent with the World Bank’s procurement vision and Core Principles. Providers awarded contracts must meet their contractual commitments, supporting the World Bank and its borrowers in maximizing development outcomes.

1.17 Providers may ask procurement related questions at any stage of the process. Borrowers must promptly appropriately address all questions and requests for information from providers. Providers are responsible for raising any issues of ambiguity, contradiction, omission, and lack of clarity, to ensure that they will be able to submit of a fully responsive and compliant response to the borrower’s requirements.

F. Accountability

1.18 The World Bank’s concept of accountability combines the requirements of transparency and responsibility; it holds those involved in procurement are to be held to account for their actions (or inactions).
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1.19 The World Bank must be satisfied that accountability in an operation is consistent with good practices. Accountability requires that there be effective supervision and control tools, effective evaluation and audit processes, and clearly defined roles and responsibilities. In addition, accountability promotes emphasis on greater transparency, open data, and contract disclosure. Full documentation of all procurement deliberations and decisions is a core requirement of accountability; documentation must be able to demonstrate the considerations and processes used to achieve best value for money, integrity, and risk management. The lines of accountability should be defined during appraisal and reflected in the operational manual, and reassessed and updated during the life of the project.

Specific instructions to World Bank staff on how to apply this section will be developed in the Directives.

G. ELIGIBILITY

1.20 The World Bank does not permit a borrower to deny participation in a procurement process or award to an individual or a legal entity from any country for reasons unrelated to (a) its capability and resources to successfully perform the contract; (b) conflict of interest situations; (c) fraud and corruption issues; and (d) other conditions established in the Procurement Framework. However, legal entities or individuals may be ineligible to be awarded a contract in World Bank-financed procurement in the following circumstances:

(a) As a matter of law or official regulations, the borrower’s country prohibits commercial relations with the individuals’ or legal entities’ country, if the World Bank is satisfied that such exclusion does not preclude effective competition for the procurement; or if by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the borrower’s country prohibits any payments to any country, individual, or legal entity. When the borrower’s country prohibits payments to a particular individual or legal entity for particular goods, works, or consulting or non-consulting services by such an act of compliance and that individual or legal entity is excluded, when the procurement is implemented across jurisdictional boundaries (more than one country is involved in the procurement), then an exclusion in one country may be applied to the whole project if the World Bank and all borrowers participating in the project agree.

(b) To establish a level playing field with legal entities in the private sector, government-owned legal entities may be eligible to compete and to be awarded contracts in their country only if they can establish that they (i) are legally and
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financially autonomous; (ii) operate under commercial law; and (iii) are not dependent agencies of the employer or contracting agency. However, when the services of government-owned legal entities (including universities or research centers) are of a unique and exceptional nature because of the absence of suitable private sector alternatives, or as a consequence of the regulatory framework, or because their participation is critical to project implementation, the World Bank may agree to the direct contracting/single sourcing of these institutions on a case-by-case basis.

(c) Government officials and civil servants of the borrower’s country may only be hired under consulting contracts in their country, either as individuals or as members of the team of experts proposed by a consulting legal entity, if such hiring does not conflict with any employment or other laws, regulations, or policies of the borrower’s country, and if their hiring would not create a conflict of interest.

(d) A legal entity or individual sanctioned by the World Bank in accordance with Annex 1, Fraud and Corruption, of these Borrower’s Procurement Procedures and the World Bank Group’s anticorruption policies and sanctions procedures, is ineligible to participate in a procurement process for a World-Bank-financed contract, or to be awarded or otherwise benefit from a World Bank-financed contract; and to be a sub-contractor, sub-consultant, service provider, or supplier of an otherwise eligible legal entity being or having been awarded a World Bank-financed contract, during such period of time as the World Bank determines.

H. CONFLICT OF INTEREST

1.21 The World Bank requires that those involved directly or indirectly in a procurement process under World Bank-financed projects not have an actual or perceived conflict of interest. Providers are expected to provide professional, objective, and impartial service, advice, and solutions and at all times hold the borrower’s interests paramount, without any consideration for future work; and in providing services, advice, or solutions they must avoid conflicts with other assignments and their own corporate interests. Conflicts of interest must be evaluated to determine whether any negative impact could be mitigated for a specific procurement situation. The following provisions explain conflict of interest:

2 The relevant World Bank Group anticorruption policies are set forth in the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, the Anti-Corruption Guidelines for World Bank Guarantee and Carbon Finance Transactions, Sanctionable Practices-IFC’s Definitions and Interpretive Guidelines, and in the Anti-Corruption MIGA’s Anti-Corruption Guidelines for IFC, MIGA, and World Bank Guarantee Transactions. The World Bank Group’s sanctions procedures are publicly disclosed on the World Bank Group’s external website.
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H.1. CONFLICT BETWEEN CONSULTING ACTIVITIES AND PROCUREMENT OF GOODS, WORKS, 
CONSULTING OR NON-CONSULTING SERVICES

1.22 A legal entity engaged by the borrower to provide goods, works, or consulting or non-
consulting services for a project, or any legal entity or individual that directly or indirectly 
controls, is controlled by, or is under common control with that legal entity or individual, 
may not provide consulting services resulting from or directly related to those goods, 
works, and consulting or non-consulting services. Conversely, a legal entity hired to 
provide consulting services for the preparation (before financing effectiveness) or 
implementation of a project, or any legal entity or individual that directly or indirectly 
controls, is controlled by, or is under common control with that legal entity or individual, 
may not subsequently provide goods, works, or consulting or non-consulting services 
resulting from or directly related to the consulting services provided during preparation or 
implementation. However, this provision does not apply to the various legal entities or 
individuals (providers or contractors) that together perform the contractor’s obligations 
under a turnkey or single responsibility contract.

H.2. CONFLICT AMONG CONSULTING ASSIGNMENTS

1.23 Neither legal entities or individuals (including their personnel, sub-consultants, or sub-
contractors), nor any legal entity or individual that directly or indirectly controls, is 
controlled by, or is under common control with those legal entities or individuals, may be 
awarded a contract for any assignment that, by its nature, may be in conflict with another 
assignment of the consultants. As an example, consultants assisting a borrower in 
privatizing public assets may not purchase, or advise purchasers of, such assets. Similarly, 
consultants hired to prepare procurement documents for an assignment may not be hired 
for the assignment in question.

H.3. SUBMISSION OF MULTIPLE BIDS

1.24 A consultant or bidder may submit only one proposal/bid, either individually or as a joint 
venture partner in another bid or proposal, except for alternative bids or proposals when 
permitted. If a consultant or bidder, including a joint venture partner, submits or 
participates in more than one bid or proposal, all such proposals/bids are disqualified. This 
does not, however, prevent legal entities or individuals from participating as sub-
consultants or sub-contractors in more than one bid or proposal or as bidder or consultant 
and sub-contractor simultaneously.

H.4. RELATIONSHIP WITH BORROWER’S STAFF

1.25 Legal entities or individuals (including their experts and other personnel, sub-consultants, 
and sub-contractors) that have a close business or family relationship with a professional
staff member of the borrower (or of the project implementing agency, or of a recipient of a part of the financing) who is directly or indirectly involved in any part of:

(a) The preparation of procurement documents for the assignment;
(b) The selection process for the contract; or
(c) The supervision of such contract may not be awarded a contract, unless the conflict stemming from this actual or perceived relationship has been resolved in a manner acceptable to the World Bank throughout the selection process and the execution of the contract.

H.5. COMPLIANCE WITH OTHER PROVISIONS

1.26 A legal entity or individual may not be awarded a contract if it does not comply with any other conflict of interest situation specified in the procurement documents relevant to the specific procurement process.

H.6. UNFAIR COMPETITIVE ADVANTAGE

1.27 Fairness and transparency in the selection process require that consultants competing for a specific assignment not derive a competitive advantage from having provided consulting services related to the assignment in question. The borrower makes available to all the short-listed consultants, along with the Request for Proposals, all information that would in that respect give any consultant a competitive advantage.

I. CONFIDENTIALITY

1.28 Without prejudice to the principle of transparency, borrowers may not disclose confidential information provided by bidders and consultants, particularly technical or trade secrets and the confidential aspects of proposals and bids. In addition, after the public opening of bids or proposals, information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to individuals or legal entities not officially concerned with the procurement process until the publication of the award of contract. However, in the selection of consulting services, the disclosure to the participating legal entities about the result of the technical evaluation and a written communication to the highest-ranked legal entity or individual about the failure of the negotiation process are permitted.

J. PROCUREMENT-RELATED POLICIES

1.29 Other World Bank policies need to be taken into account in the procurement of goods, works, consulting and non-consulting services: policies on access to information, fraud
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and corruption practices, investment project financing, environmental and social areas, and, for some projects, on Projects in Situations of Urgent Need of Assistance or Capacity Constraints.

See Annex 1 for definitions of the fraud and corruption practices, including collusive and obstructive practices, and for further instructions to borrowers on how the World Bank’s anticorruption policy is incorporated in the procurement documents.
II. PROCUREMENT STRATEGY AND PLANNING

A. PROCUREMENT STRATEGY FOR DEVELOPMENT

A.1. Introduction

2.1 The World Bank requires the borrower to develop a procurement strategy that contributes to achieving the project development objectives. This strategy should address how procurement activities will be carried out in a manner that supports the identified needs and delivers the best value for money under a fit for purpose approach based on the context in which the project is operating. The strategy forms the basis for the Procurement Plan, which specifies the procurement methods to be used for a particular operation according to the financing agreement.

2.2 The strategy is identified at two levels: first, strategic thinking and planning to meet the broad development objectives for the borrower defined at the project level; and second, at the operational level when dealing with individual acquisitions.

2.3 For key individual procurement activities (complex, highest-risk and highest-value, innovative) listed in the project Procurement Plan, a strategic approach to procurement should be taken before approaching the market (Figure 2.1 illustrates this process). The methodology and approach to strategic procurement for each procurement activity involves appropriate research, analysis, and planning that are proportional to the relative complexity, risk, and value of each activity and hence are fit for purpose. A strategic approach means that each individual procurement activity will not necessarily require a comprehensive procurement strategy, but that the decision-making process should have an appropriate level of rigor that supports the preferred strategy.

Figure 2.1 - Structure of key documents

For example: An infrastructure project may comprise a power plant, rail (to supply plant), road construction as well as innovative renewable energy power generation (functional vs. technical requirement). This type of project would require an overall project procurement strategy, as well as a strategy for each of the key individual activities to address their particular market conditions as the supplier market and associated risks will be very different from each of the activities. Equally there will be many sub activities for which a strategy will not be required.
A.2. **Operational Context**

2.4 World Bank-financed projects are undertaken in a wide variety of operating environments that can present challenges to meeting development objectives. The strategic approach must take into account the operational context of the project in which procurement will be carried out (e.g., fragile and conflict-affected situations, disaster/emergency, small economies) and the specific objectives of the operation (e.g., development of domestic contracting, manufacturing, and consulting industries). It must consider a variety of factors that may affect the achievement of the development objectives, for example, governance, market conditions, sector strategies and policies, technical design, institutional capacity for implementation, sustainability factors, stakeholders, borrower procurement arrangements and applications, and legal and regulatory framework.

2.5 To accommodate these diverse contexts, a variety of procurement options and techniques are available, among them, the provision of hands-on technical assistance (including from World Bank procurement staff); cross-jurisdictional access to some contracting instruments such as framework agreements for pharmaceuticals and disaster supplies; and partnership with other development partners, such as United Nations agencies and the World Food Organization. If a borrower has robust procurement arrangements with good compliance and governance, or if the World Bank is not the major co-financier, the World Bank may authorize the use of alternative procurement arrangements to better deliver the development objectives of the particular activity. Such alternative arrangements are subject to review by the World Bank to ensure that value is delivered for World Bank-financed projects. A standing list of approved alternative procurement arrangements is detailed in the Directives.

A.3. **Developing a Project Procurement Strategy**

2.6 Identifying the most appropriate procurement strategy to achieve best value for money requires the following (illustrated in Figure 2.2):

(a) Identification of the project development objectives and specific project needs;
(b) Assessment of the borrower context and implementation capacities, to identify physical, institutional, and skills constraints and risks;
(c) Risk analysis at the country and project level, and risk management actions to address the identified risks;
(d) Analysis of the market to determine its national and international dynamics and capacities; and
(e) The Project Procurement Plan that outlines the proposed individual procurement activity and any requirements on that activity such as World Bank Prior review.
2.7 All of these considerations result in a structured and strategic approach for each project that is customized to the objectives and to the borrower country setting. The effort, detail and documentation supporting each of these steps should be proportionate to the scale, scope, risk, and complexity of the proposed procurement and its strategic importance. The Project Procurement Strategy, as a key document, is subject to review by the World Bank.

Figure 2.2 - Project Procurement Strategy

A.4. Value for money

2.8 To be effective and efficient in procuring goods or services, entities need to be clear about the overall objective of the procurement and select a procurement method that will give them best value for money. To do this effectively, there must be a detailed understanding of what is being procured, what the value and risk of the procurement are, and how important the procurement is to achieving the overall objectives. Value for money is the central consideration through the strategy development and procurement planning process to ensure that the best provider is selected for the right reasons and at a cost that represents value for money over the life of the contract. The principle of value for money when procuring goods or services requires finding the best possible outcome for the total cost of ownership (lowest evaluated bidder or life cycle costs); this can include all factors to which a monetary value can be ascribed, as well as non-price factors such as the following:

(a) Purchase price and up-front costs;
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(b) Installation and commissioning costs;
(c) Training;
(d) Servicing and maintenance;
(e) Improved quality in delivery;
(f) Improved efficiency in delivery;
(g) Warranty periods and guarantees;
(h) Sustainability savings, e.g., lower fuel consumption; and
(i) Decommissioning and disposal costs.

2.9 Thus value for money represents the optimum combination of total cost of ownership and quality (or fit for purpose) to meet the buyer’s requirements.

A.5. **Fit for purpose**

2.10 A well-planned procurement strategy has clearly defined objectives and needs that are specific, measurable, achievable, relevant, and time-bound and that contribute to achieving the project development objectives. When the objective or purpose of a specific procurement activity is documented and taken to the market in the form of a specification, the ability of the proposed solution to meet the stated purpose will be its fitness for purpose.

2.11 The quality of the chosen strategic approach or the quality of the procured solution in delivering on the stated purpose can be combined with an assessment of its life cycle cost to ensure that the procurement is fit for purpose and achieves value for money.

A.6. **Sustainable Procurement (Non-Mandatory Requirement)**

2.12 As requested by the Borrower, the economic, environmental and social sustainability aspects of World Bank-financed activities should initially be identified during project appraisal, prioritized, and addressed as appropriate in the project design, in agreement with the borrower. Sustainable procurement is not a mandatory requirement for borrowers as it may have cost implications. Any sustainability issues that are best addressed during the procurement process are included in the procurement strategy for the procurement and may be used as specific criteria in project design, prequalification, specification/terms of reference, bid evaluation, or post-award performance indicators. Sustainable procurement criteria agreed with the Borrower during project preparation may also be augmented with specific sustainable procurement criteria from any sustainable procurement policy the borrower may have that is in accordance with the World Bank’s Procurement Policy and Core Principles.
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B. APPLICATION OF TECHNOLOGY (E-PROCUREMENT)

2.13 E-procurement is a tool for undertaking the procurement of works, goods, consulting and non-consulting services in a more transparent and efficient way. It promotes the principles of the World Bank Procurement Framework and can significantly strengthen transparency, efficiency, and governance.

2.14 Borrowers are encouraged to use e-procurement in World Bank-funded operations and more generally within their own country framework. Any e-procurement systems proposed for use with World Bank-supported operations must be fully consistent with the World Bank’s Procurement Policy and Core Principles. In particular, they must be secure, nondiscriminatory, and equally accessible, and they must not limit competition by lack of connectivity, application of proprietary technologies, or other constraints.

C. PROCUREMENT PLAN

2.15 The specific activities to be financed under the project, and their method of procurement, consistent with the financing agreement, are specified in the Procurement Plan.

2.16 The procurement strategy must give consideration to, and adequate justification for, the procurement methods that are adopted in the Procurement Plan. The methods chosen in any particular context must be justified in terms of delivering value for money and adhering to the Core Principles. In deciding on procurement methods, the borrower takes into account both the means by which the market is approached and the procurement arrangements. The approach to market depends on whether the procurement is for goods, works, and non-consulting services or for consulting services; it must be focused on eliciting the best engagement from providers in support of project deliverables and development effectiveness.

2.17 The Procurement Plan, including its updates, shall set forth at a minimum (i) a brief description of goods, works, consulting and non-consulting services required for the project; (ii) the proposed methods of procurement; (iii) the World Bank review requirement and thresholds; and (iv) the time schedule for key procurement activities, and any other information that the Bank may reasonably require.

(Specific instructions to World Bank staff on how to apply this section will be developed in the Directives.)

(Further instructions to borrowers on how to implement this section are included in annexes.)
III. APPROACH TO MARKET AND APPROVED PROCUREMENT METHODS

A. VALUE FOR MONEY

3.1 The procurement strategy must lead to an approach to market that achieves value for money, with integrity in delivering sustainable development. Borrowers will need to determine a fit for purpose approach, selecting the optimum procurement method to be included in the Procurement Plan. To that end, the borrower should take into account the most advantageous combination of cost, quality and sustainability to meet development requirements. In this context, cost means consideration of the whole-life or life cycle cost, as appropriate; quality means meeting a specification that is fit for purpose and sufficient to meet the customer’s requirements; and sustainability means economic, social and environmental benefits, considered in the procurement strategy, in support of the project objectives.

3.2 The approach to market also depends on whether the procurement is for goods, works, non-consulting services, or consulting services.

B. GOODS, WORKS AND NON-CONSULTING SERVICES

B.1. Determining the Approach to Market

3.3 On the basis of the analysis in the procurement strategy, the borrower decides on an appropriate approach to the market and selects procurement methods. There are three basic approaches to market and a choice of procurement methods:

(a) Competitive approaches
   i. Open or limited
   ii. International or national; single-stage or multi-stage
   iii. Request for quotations
   iv. Specialized Competitive Procurement

(b) Noncompetitive approaches
   v. Direct contracting
   vi. Specialized direct contracting

(c) Other approaches
   vii. Community-driven development
   viii. Public-private partnership
   ix. Commercial Practices
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B.1.1. Competitive Approach to Market

B.1.1.1. Open

3.4 A competitive open approach to market provides all eligible prospective bidders with timely and adequate advertisement of a borrower’s requirements and an equal opportunity to bid for the required goods, works, and non-consulting services. In principle, openly advertising an opportunity is the preferred approach for World Bank procurement.

B.1.1.2. Limited

3.5 Limited procurement is essentially competitive, but by invitation only, without advertisement. It may be an appropriate method of procurement where there are only a limited number of providers or other exceptional reasons justify departure from open procurement procedures. Borrowers seek bids from a list of potential providers broad enough to assure competitive prices; the list includes all providers when there are only a limited number. In all aspects other than advertisement, this method is similar to International Competitive Bidding (ICB).

B.1.1.3. International

3.6 International procurement is an approach to market that requires open international advertisement of the procurement opportunities. It is intended for situations where the participation of foreign legal entities assures the achievement of value for money and fit for purpose. This procurement method is called International Competitive Bidding (ICB) and is explained in more detail later in these Borrower’s Procurement Procedures.

B.1.1.4. National

3.7 National Competitive Bidding (NCB), provides national advertising only and is used when, because of the nature or scope of the procurement; it is unlikely to attract foreign competition.

B.1.1.5. Single stage

3.8 Open or limited procurement, whether international or national, may be accomplished with a one-stage process in which bidders submit complete bids for evaluation and contract award.

B.1.1.6. Multi stage

3.9 Open or limited procurement, whether international or national may require a process that involves more than one stage. This approach may be appropriate for procurement of, for example:
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(a) Typically large complex infrastructure facilities such as plant and installation services; or
(b) Goods, works or non-consulting services where to achieve value for money will benefit from a multi stage procurement process; or
(c) Complex information and communication technology that is subject to rapid technology advances, for which it may be undesirable or impractical to prepare complete technical specifications in advance.

B.1.1.7. Specialized Open Procurement

3.10 For certain procurement situations, the following market approaches may be best fit for purpose.

(a) Competitive dialogue
(b) Framework agreements
(c) Modified ICB
(d) E-auctions

B.1.2. Non-competitive Approach to Market

B.1.2.1. Direct Contracting

3.11 When there is a clear justification, fit for purpose procurement may require a direct contracting (single-source or sole-source) approach that is, approaching and dealing with only one provider.

B.1.2.2. Specialized Direct Contracting

3.12 For certain procurement situations, the following noncompetitive specialized market approaches may be best fit for purpose.

(a) Force account
(b) United Nations agencies
(c) Other multilateral or bilateral organizations

B.1.3. Other Approaches to Procurement

3.13 There are special circumstances where the approach to market could be a combination of competitive and / or noncompetitive methods adapted to fit the purpose.

B.1.3.1. Community Driven Development (CDD)

3.14 Procurement procedures, specifications, and contract packaging may be suitably adapted, if they are acceptable to the World Bank, for projects for which, in the interest of project
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sustainability, or to achieve certain specific social objectives, it is desirable in selected project components to:

(a) Call for the participation of local communities and/or nongovernmental organizations (NGOs) in civil works and the delivery of non-consulting services;
(b) Increase the utilization of local know-how, goods, and materials; or
(c) Employ labor-intensive and other appropriate technologies.

3.15 Procurement methods applicable to CDD may include requests for quotation; local competitive bidding inviting prospective bidders for goods and works located in and around the local community; direct contracting for small-value goods, works, and non-consulting services; and the use of community labor and resources.

B.1.3.2. Public Private Partnerships (PPP)

3.16 The World Bank may participate in financing the cost of a project or a contract procured under PPP arrangements such as Build Own and Operate (BOO) / Build Operate and Transfer (BOT) / Build Own Operate and Transfer (BOOT) concessions or similar types of private sector arrangements.

3.17 The borrower selects the concessionaire or entrepreneur under a BOO/BOT/BOOT or similar type of contract using the most appropriate approach acceptable to the World Bank to meet the project development objectives and outcomes. The approach may include several stages to arrive at the optimal combination of evaluation criteria, such as the cost and magnitude of the financing offered, the performance specifications of the facility offered, the cost charged to the end-user, other income generated for the concessionaire or entrepreneur by the facility, and the period of the facility’s depreciation. The concessionaire or entrepreneur selected in this manner then procures the goods, works, consulting and non-consulting services required for the facility from eligible sources, using its own procedures. The Project Appraisal Document (PAD) and the financing agreement specify the types of expenditures to be incurred by the concessionaire or entrepreneur to which World Bank financing will apply.

Further instructions to borrowers on how to implement PPP are included in annexes.

B.1.3.3. Commercial Practices (CPs)

3.18 For non-repayable financing to private sector legal entities, the procurement for goods, works, and non-consulting and consulting services is undertaken in accordance with well-established procurement methods or commercial practices that are acceptable to the World Bank, and are described in the operational manual.
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3.19 For activities related to repayable financing to beneficiaries such as individuals, private sector enterprises, small and medium enterprises, or autonomous commercial enterprises of the public sector for the partial financing of subprojects the World Bank Procurement Framework does not apply. The World Bank expects that borrowers will cause the project to be carried out diligently, economically, and efficiently according to the technical criteria agreed in the financing agreement.

B.2. Approved Procurement Methods

3.20 The following are the approved methods for World Bank-financed projects. In determining the appropriate procurement methods, the borrower considers such factors as national capacity levels, assessment of risk for the specific sector, the type and complexity of what is being procured, and market conditions. The agreed procurement methods are to be stated in the Procurement Plan.

B.2.1. Competitive Methods

B.2.1.1. International Competitive Bidding (ICB)

3.21 ICB is a competitive and open procurement method, single- or multi-stage, in which the borrower advertises procurement opportunities in the international marketplace. The method provides the marketplace with timely and adequate notification of a borrower’s requirements and an equal opportunity to bid for the required goods, works, or non-consulting services.

3.22 The World Bank generally considers ICB the preferred method for complex, high-risk and high-value activities (that is, activities above agreed thresholds based on market conditions). The key requirements for using this method include:

(a) Advertisement – Open advertisement in the United Nations Development Business online, the borrower’s free access website for procurement, the World Bank’s webpage and if appropriate, an international newspaper of wide circulation;

(b) Contract types – The bidding documents shall clearly state the type of contract to be entered into and contain the proposed contract provisions appropriate therefor;

(c) Prequalification – It may be advisable to use prequalification on the basis of market conditions, complexity or risk, in accordance with the procurement strategy;

(d) Domestic preference – At the request of the borrower and indicated in the procurement strategy, domestic preference may apply (Appendix 5);

(e) Standard Procurement Documents – The use of the appropriate World Bank’s standard procurement documents for both prequalification and bidding is required;

(f) Clarification of bidding documents – Providers may request clarification of bidding documents in writing. The borrower shall respond, also in writing, copying
all providers who obtained the bidding documents from the borrower without identifying the source of the request. Clarifications issued by the borrower shall not be part of the procurement documents;

(g) Amendments – If amendments are necessary, they shall be shared with all providers that obtained the bidding documents;

(h) Eligibility – Universal eligibility;

(i) Language – To best serve the international market the borrower shall select one of the official languages of the World Bank (English, French or Spanish) for use in the procurement documents;

(j) Currency – To minimize foreign exchange risk for bidders, a maximum of three (3) fully convertible foreign currencies and the currency of the borrower’s country may be used;

(k) Bid Security or Bid Securing Declaration – Bid securities are not mandatory. Whether a bid security or a bid securing declaration will be required shall be specified by the borrower and its choice included in the procurement documents;

(l) Evaluation and contract award criteria – Clear and fit for purpose evaluation and contract award criteria shall be used;

(m) Negotiations or BAFO – A clear indication in the procurement documents as to whether negotiations or best and final offer (BAFO) will be applied;

(n) Bid preparation period – Sufficient time shall be given to providers to prepare and submit their bids;

(o) Bid validity period – The bid validity period shall be sufficient for the borrower to complete its evaluation process and issue the notification of contract award;

(p) Bid opening – Bids shall be opened in public. Bidder’s representatives and members of the public shall be permitted to attend the bid opening ceremony;

(q) Records – Borrower’s shall keep records of all proceeding of the procurement process. Minutes of the bid opening ceremony shall be sent to all bidders that submitted bids;

(r) Publication of results – The borrower shall publish the intention to award and the final contract award information in its website of free access, if available, inform the bidders directly and on UNDB online;

(s) Performance security – A performance security for works is mandatory. It may be advisable for goods depending on the market and commercial practices for the particular kind of goods to be procured; and

(t) Fraud and Corruption – Adherence to the World Bank’s Anticorruption guidelines, including the World Bank’s right to review and application of the World Banks debarment list.
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B.2.1.2. Modified ICB

B.2.1.2.1. Modified ICB - Program of Imports

3.23 When the financing agreement provides for a program of imports, ICB with simplified advertising and currency provisions may be used for large-value contracts, as defined in the financing agreement. In this case, a General Procurement Notice is not required.

B.2.1.2.2. Modified ICB - Procurement of Commodities

3.24 Market prices of commodities, such as grain, animal feed, cooking oil, fuel, fertilizer, and metals, fluctuate depending upon the demand and supply at any particular time. Procuring them may require accessing the established international marketplace. Procurement often involves multiple awards for partial quantities to assure security of supply, and multiple purchases over a period of time to take advantage of favorable market conditions and to keep inventories low. A framework agreement may be established and a list of bidders drawn up to whom periodic invitations to bid are issued. Bidders may be invited to quote prices linked to the market price at the time of, or prior to, the shipments. Bid validities shall be as short as possible. A single currency in which the commodity is usually priced in the market may be used for bidding and payment. Standard contract conditions and forms consistent with market practices shall be used.

B.2.1.3. National Competitive Bidding (NCB)

3.25 NCB is the competitive bidding procedure that a borrower normally uses for public procurement in its country, using the country’s own procurement arrangements, if they are acceptable to the World Bank. NCB may be the most appropriate method, when the procurement, because of its nature or scope, is unlikely to attract foreign competition because the goods, works, and non-consulting services are available locally at prices below the international market or because of:

(a) The size and conditions of the market;
(b) The value of the contract;
(c) Project activities that are scattered geographically or spread over time; and/or
(d) Activities that are labor intensive.

3.26 NCB procedures may also be used when the advantages of ICB are clearly outweighed by the administrative or financial burden involved.

3.27 If foreign legal entities wish to participate in NCB they are allowed to do so on the terms and conditions that apply to national bidders. The World Bank monitors the participation
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of foreign bidders in NCB to determine the appropriate calibration in the use of ICB and NCB.

3.28 Requirements for NCB include the following:

(a) Open advertising of the procurement opportunity;
(b) Universal eligibility, and application of the Bank’s debarment list;
(c) Publication of contract award information; and
(d) Rights for the Bank to review procurement documentation and activities (fraud and corruption provisions will be maintained through the financing agreement and operationalized by requiring that bidders present a signed acceptance of provisions).

3.29 To achieve these goals, the World Bank expects Borrowers to maintain records of the procurement process; have an effective and independent complaints mechanism that ensures due process and that the bidding documents, as agreed with the World Bank permit transparency of the process such as requiring public bid opening.

B.2.1.4. Limited Bidding (International or National)

3.30 Limited bidding is a competitive bidding process without open advertisement, in which a limited number of known bidders are asked to participate. It may be an appropriate method of procurement where there is only a limited number of providers or other exceptional reasons may justify departure from full ICB procedures.

3.31 Under limited bidding, borrowers seek bids from a list of potential providers broad enough to assure competitive prices; the list includes all providers when there are only a limited number. In all respects other than advertisement, this method is similar to ICB. Domestic preference may apply in international limited bidding.

B.2.1.5. Request for Quotations (RFQs)

3.32 Request for quotations involves comparing price quotations obtained from an appropriate number of providers. This method may be appropriate for procuring limited quantities of readily available off-the-shelf goods, standard specification commodities of small value, or simple civil works of small value when it is less costly and more efficient than more competitive methods.

3.33 Quotations could be obtained through an open advertisement of the procurement opportunities, or through a limited request through direct invitations to known providers. Open request for quotations is the preferred method. Limited requests for quotation may be justifiable reasons on the basis of market conditions and the operational context of the project; as many quotations as reasonably possible should be obtained. The request should include the description and quantity of the goods, as well as the required delivery time and
place for the goods or services, including any installation requirements, as appropriate. The request shall also indicate the date by which the quotations are needed. The borrower shall keep records of all proceeding regarding RfQs.

B.2.1.6. Specialized Competitive Procurement

B.2.1.6.1. Competitive Dialogue

3.34 Competitive Dialogue is a technical term for an interactive multistage procurement process that allows for dynamic engagement with bidders in cases of complex, innovative, or unusual procurement for example, when a borrower knows what its needs are, but not how those needs can be met. Competitive Dialogue requires borrowers to thoroughly discuss each aspect of the procurement with bidders before specifying the requirements and before inviting bidders to submit their full and final bids.

3.35 The objective of Competitive Dialogue is to work with the market to develop solutions for a complex procurement to:

(a) Deliver better-quality fit for purpose bids;
(b) Discover solutions that were not foreseen by the borrower;
(c) Generate a range of innovative ideas;
(d) Develop a solution that is fully customized to a complex problem;
(e) Reduce the time to award the contract; and
(f) Add value by building strong relationships with prequalified bidders.

3.36 The Competitive Dialogue procedure should be used only for more complex contracts for which the procurement is complex or unusual, there is not an identified solution or an established market for the goods or services, and at the outset the borrower:

(a) Is not objectively able to define the technical means capable of satisfying its needs and objectives;
(b) Is not able to describe its requirements without discussing possible solutions with potential providers;
(c) Is uncertain about how the procurement will work from a financial or legal standpoint; and
(d) Is not objectively able to specify the legal and/or financial make-up of the project.

Further instructions to borrowers on how to implement Competitive Dialogue are included in annex 5.
B.2.1.6.2. Framework Agreements (FA)

3.37 A Framework Agreement (FA) is a long-term agreement with providers that sets out terms and conditions under which specific procurements (call-offs) can be made throughout the term of the agreement. FAs are generally based on prices that are either pre-agreed, or determined at the call-off stage through competition or a process allowing their revision without further competition. FAs do not restrict foreign competition, and they follow all the principles and procedures of competitive procurement. They use the borrower’s FA procedures, if those procedures are acceptable to the World Bank. FAs are applicable for recurring procurement of:

(a) Goods that can be procured off the shelf, or that are of common use with standard specifications;
(b) Simple non-consulting services that may be required from time to time by the same agency (or multiple agencies) of the borrower; or
(c) Small-value contracts for works such as those required under emergency operations.

3.38 The World Bank has the following requirements for the use of FAs that:

(a) They are established using a competitive process;
(b) The method the borrower will use to divide the work between the FA members must be stated in the procurement documents and it should be followed;
(c) Members of an FA shall be ranked based on pre-established criteria that shall be indicated in the procurement documents or through a second stage process called “call off”; and
(d) A Borrower should ensure that the FA has a provision that enables the Borrower to review membership and remove members if required. The contract should specify grounds for terminating a provider’s membership of the FA.

3.39 The type of methods that may be used are:

(a) Hierarchical – One FA member receives most of the work unless they are unable to supply the Borrower’s needs or have a conflict of interest. In this case, the work is allocated to the next available member;
(b) Equal division of work – This can be handled by an upper limit arrangement, where the next provider is chosen once a specified dollar limit is reached by one provider;
(c) Rotational basis – Work is distributed to each FA member in turn regardless of value or time; and
(d) Reliability and expertise – Work is allocated to the FA member who is most suitable and available.
B.2.1.6.3. E-auction

3.40 An e-auction is a scheduled online event at which providers bid against each other on price. It may be appropriate when the requirements of what is to be procured can be clearly and unambiguously specified and there is strong competition among providers. A borrower may run an e-auction after it has properly registered providers for the e-auction. Registration must not put an undue burden on providers and shall be proportional to the risk and value of the procurement.

3.41 The e-auction must start within a reasonable timeframe after providers receive information on:

(a) The automated evaluation method that will be used to rank bidders during the e-auction; and
(b) Any other relevant matter about how the e-auction is to be conducted including clear instructions of how to access and participate in the e-auction.

B.2.2. Non-competitive Methods

3.42 To achieve value for money in fit for purpose procurement may require the use of noncompetitive methods that is, providers are selected directly after it has been determined that there are no other suitable candidates. The most common methods used are Direct Contracting and Specialized Direct Contracting.

B.2.2.1. Direct Contracting

3.43 Direct contracting is contracting without competition (single-source or sole-source). It may be an appropriate method under circumstances that are acceptable to the World Bank, such as the following:

a) Single-source (many providers possible)

i. An existing contract not originally financed by the World Bank, for goods, works, or non-consulting services, awarded in accordance with procedures acceptable to the World Bank, may be extended for additional goods, works, and non-consulting services of a similar nature, if it is properly justified, no advantage may be obtained by competition, and the prices are reasonable;

ii. There is a justifiable requirement to reengage a provider that has previously completed a contract with the borrower to perform a similar type of work. The justification must show that a new competitive process does not add value for money, the provider has performed acceptably in the previous contract, and the prices are comparable to the ones in the recently completed contract;
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iii. The procurement is for low-value, low-risk items as agreed in the procurement plan;
iv. The case is exceptional, for example, in response to natural disasters and emergency situations declared by the borrower and recognized by the World Bank;

b) Sole-source (only one provider possible)
   
i. Standardization of goods that need to be compatible with existing goods may justify additional purchases from the original supplier. For such purchases to be justified, the price must be reasonable, and the advantages of another make or source of equipment must have been considered on grounds acceptable to the World Bank;
   
ii. The required equipment is proprietary and obtainable from only one source;
   
iii. The procurement of certain goods from a particular supplier is essential to achieve the required performance or functional guarantee of an equipment, plant, or facility;
   
iv. The non-consulting services provided by government-owned entities are of a unique and exceptional nature (i) because of the absence of a suitable private sector alternative, (ii) as a consequence of regulatory framework, and/or (iii) because their participation is critical to project implementation; and

\[\text{The project circumstances are in accordance with the provisions of procurement from UN Agencies or other multilateral or bilateral organizations.}\]

3.44
In all instances of direct contracting the borrower must ensure fairness and equity and must have in place procedures to ensure that:

(a) The prices are reasonable and consistent with the market rates for items of a similar nature; the borrower carries out regular reviews to ensure the reasonableness of prices, including randomly inviting quotations at appropriate time intervals; and
(b) The required goods or services are not split into components or a succession of orders to enable orders to be placed without seeking competitive prices.

3.45
In all such cases, except for contracts below a threshold defined on the basis of risks and the scope of the project, and set forth in the Procurement Plan, the borrower records a sufficiently detailed justification, including the rationale for direct contracting instead of a competitive procurement process and the basis for recommending a particular legal entity.

B.2.2.2. Specialized Direct Contracting

B.2.2.2.1. Force account

3.46
Force account may be used when works such as construction and installation of equipment or non-consulting services are carried out by a government department of the borrower’s
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country using its own personnel and equipment. Force Account may be used only under any of the following circumstances:

(a) The quantities of construction and installation works that are involved cannot be defined in advance;
(b) The construction and installation works are small and scattered or in remote locations, so that qualified construction firms are unlikely to bid at reasonable prices;
(c) The construction and installation works are required to be carried out without disrupting ongoing operations;
(d) The risks of unavoidable work interruption are better borne by the borrower than by a contractor;
(e) Specialized non-consulting services such as aerial surveys and mapping, as a matter of the borrower’s law or official regulations in such areas as national security, can only be carried out by specialized branches of the government; or
(f) The project involves urgent repairs to prevent further damages, requiring prompt attention, or requiring works to be carried out in conflict-affected areas where private legal entities may not be interested.

B.2.2.2. United Nations Agencies

3.47 Procurement directly from agencies of the UN, following their own procurement procedures, may be the most appropriate method of procurement in such situations as the following:

(a) For off-the-shelf goods / simple services;
(b) For standardized items such as health-related goods for the treatment of humans and animals, including vaccines, drugs and pharmaceuticals, preventive health and contraceptive devices, and biomedical equipment, provided that:
   i. The number of providers is limited;
   ii. The UN agency is uniquely or exceptionally qualified to procure such goods and any related incidental non-consulting services; and
   iii. The borrower uses the standard form of Agreement between a borrower and a UN agency for the procurement of the goods and services agreed by the World Bank.
(c) The borrower may purchase from a framework agreement set up between the World Bank and a UN agency for the procurement of certain goods and services agreed by the World Bank;
(d) For contracts for works of a low-value, low-risk nature when the UN agencies act as contractors, or directly hire small contractors and skilled or unskilled labor; and
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(e) In such cases as in response to natural disasters, fragile and conflict situations, and emergency situations.

B.2.2.2.3. Other Multilateral and Bilateral Organizations

3.48 Arrangements similar to those for UN agencies may also apply, as appropriate.

C. Consulting Services

C.1. Introduction

3.49 Consulting services are services of a professional nature provided by consultants using their skills to study, design, organize, and manage projects; advise borrowers; and, when required, build borrowers’ capacity. Consultants offer borrowers the possibility of a more effective and efficient allocation of their resources by providing specialized services for limited amounts of time without any obligation of permanent employment.

3.50 On the basis of the analysis in the procurement strategy, the borrower decides on an appropriate approach to the market and on the selection methods. There are two basic approaches to market and a choice of selection methods.

3.51 Legal entities
   (a) Competitive approaches
      i. Open or limited
      ii. International or national
      iii. Specialized Competitive Selection
   (b) Noncompetitive:
      iv. Direct Contracting
      v. Specialized Direct Contracting

3.52 Individuals
   (a) Competitive
   (b) Noncompetitive

C.2. The Market for Legal Entities

C.2.1. Competitive Approaches

C.2.1.1. Open

3.53 A competitive open approach to market provides all eligible prospective legal entities with timely and adequate advertisement of a borrower’s requirements and an equal opportunity
to provide the required consulting services. In principle, open advertisement for expression of interest is the preferred approach for World Bank-financed selection of consultants.

C.2.1.2. Limited

Competitive limited is essentially competition but by invitation only, without advertisement. It may be appropriate where (a) there are only a limited number of consultants, or (b) other exceptional reasons may justify departure from open procurement procedures. Borrowers seek expressions of interest from a list of potential consultants broad enough to assure competition.

C.2.1.3. International

International selection requires open international advertisement of the consulting services opportunities, and is used when the participation of foreign legal entities assures the achievement of fit for purpose and value for money.

C.2.1.4. National

National selection requires national advertisement only and is used when, because of the nature or scope of the selection, it is unlikely to attract foreign competition.

C.2.1.5. Specialized Selection

Selection of not-for-profit legal entities such as NGOs, universities, and research agencies requires that they be selected under methods that do not use price as an evaluation criterion. If price is an evaluation criterion, the shortlist should comprise only not-for-profit legal entities.

C.2.2. Noncompetitive Approaches

C.2.2.1. Direct Contracting (Single Source and Sole-Source Selection)

Single-source and sole-source selection may be appropriate if it presents a clear advantage over competition and is properly justified.

C.2.3. Specialized Direct Contracting

The most common type of direct contracting applies to UN agencies when they are uniquely and exceptionally qualified to provide the consulting services.

C.3. Determining the Market for Individual Consultants

Individual consultants are selected through competitive or noncompetitive processes.
C.4. **APPROVED PROCUREMENT METHODS FOR LEGAL ENTITIES**

3.61 The competitive approved methods discussed below require the preparation of a shortlist of legal entities that will be invited to submit proposals.

### C.4.1. SHORTLIST OF LEGAL ENTITIES

3.62 The borrower is responsible for preparing the shortlist of consultants. The key elements of shortlisting are:

(a) **Language** - To best serve the international market the borrower shall select one of the official languages of the World Bank (English, French or Spanish).

(b) **Cost Estimate** - The cost estimate shall be based on the Borrower’s assessment of the resources needed to carry out the assignment: experts’ time, logistical support, and physical inputs.

(c) **Terms of Reference (TOR)** - The Borrower shall be responsible for preparing the TOR for the assignment. The TOR shall define clearly the objectives, goals, and scope of the assignment, provide background information and be compatible with the budget.

(d) **Request for Expressions of Interests (REOI)** - REOI shall include the complete terms of reference (TOR).

(e) **Advertisement** –
   
i. **International** – When international legal entities are expected to respond to Requests for Expressions of Interest (REOI), the advertisement shall be openly advertised in the United Nations Development Business online, the World Bank’s webpage and the borrower’s free access website for procurement or an international newspaper of wide circulation.
   
   ii. **National** – When the consulting services are only expected to attract predominantly national consultants as agreed in the procurement plan, advertisement may be limited to the borrower’s country newspaper or the borrower’s free access website for procurement.

(f) **Submission of expressions of interests** – Borrower’s should give legal entities sufficient time to respond to the REOI.

(g) **Shortlists** - The shortlist shall include a sufficient number of legal entities but shall not exceed eight (8) eligible legal entities.

(h) **Shortlisting criteria** – Shall ensure the selection of legal entities that expressed interest and that have the best relevant experience and managerial and organizational capabilities. Key personnel shall not be evaluated at this stage.

(i) **Letter of Invitation (LOI)** – The borrower’s shall issue the LOI along with the RFP to all the shortlisted legal entities.
C.4.2. Selection Methods of Legal Entities

3.63 Approved methods for the selection of consultants under the Procurement Framework include the following:

(a) Quality and Cost-Based Selection (QCBS);
(b) Quality-Based Selection (QBS);
(c) Selection under a Fixed Budget (FBS);
(d) Least Cost Selection (LCS);
(e) Selection Based on Consultant’s Qualifications (CQS);
(f) Direct Contracting;
(g) Panel of Consultants (with and without call off);
(h) Framework Agreements; and
(i) Selection of Particular Types of Consultants.

3.64 The provisions of the competitive methods indicated above are similar to QCBS unless different ones are specified.

C.4.2.1. Quality and Cost-Based Selection (QCBS)

3.65 QCBS is a competitive process among short-listed legal entities that takes into account the quality of the proposal and the cost of the services in the selection of the successful legal entity. Cost as a factor of selection is used appropriately; the relative weight to be given to the quality and cost is determined for each case, depending on the nature of the assignment. This method is appropriate when:

(a) The type of service required is common and not too complex;
(b) The scope of work of the assignment can be precisely defined and the TOR are clear and well specified; and
(c) The borrower and the consultants can estimate with reasonable precision the staff time, the assignment duration, and the other inputs and costs required of the consultants.

3.66 The selection process shall include the following key elements:

(a) Request for Proposal (RFP) – use of the appropriate World Bank’s standard procurement documents RFP is required.
(b) Proposal preparation period – The Borrower shall allow sufficient time for the consultants to prepare their proposals depending on the nature and complexity of the assignment.
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(c) **Currency** – To minimize foreign exchange risk for bidders, a maximum of three (3) fully convertible foreign currencies and the currency of the borrower’s country may be used.

(d) **Clarification of RFPs** – Legal entities may request clarification of RFPs in writing. The borrower shall respond, also in writing, copying all legal entities in the shortlist without identifying the source of the request. If amendments are necessary, they shall be communicated to all shortlisted legal entities.

(e) **Submission of proposals** – The technical and financial proposals shall be submitted at the same time in two (2) separate and sealed envelopes.
   i. No amendments to the technical or financial proposal shall be accepted after the deadline for submissions.

(f) **Opening of proposals:**
   i. The Borrower shall conduct the opening of only the technical proposals received by the deadline for the submission of proposals, in the presence of the legal entities who submitted proposals wishing to attend.
   ii. The borrower shall read aloud the names of the legal entities that submitted proposals, the presence or absence of duly sealed financial envelopes, and any other information deemed appropriate.
   iii. The financial proposals shall not be opened at this stage and shall be kept in a safe place.
   iv. The Borrower shall neither reject nor discuss the merits of any proposal.
   v. The Borrower shall prepare the minutes of the opening and a copy of this record shall be promptly sent to all legal entities who submitted proposals.

(g) **Evaluation of Proposals:** Consideration of Quality and Cost:
   i. The evaluation of the proposals shall be carried out in two stages: first the quality, and then the cost.

(h) **Evaluation of Technical Proposals:**
   i. The evaluation of technical proposal shall be done applying the criteria and corresponding weighting indicated in the RFP.
   ii. Technical criteria normally include: legal entities specific experience, work plan and methodology, key experts and, if applicable, transfer of knowledge and participation of national experts. The relative weight shall be based on the nature of the assignment; however, greater weight shall be given to methodology and key experts.
   iii. Once the evaluation of Technical Proposals is complete the Borrower shall inform all legal entities who submitted proposal of their score and whether they met the minimum qualifying technical score specified in the RFP and TOR.
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iv. The Borrower shall simultaneously notify the legal entities that have met the technical proposal requirements of when the financial proposal shall be opened.

(i) Opening of financial proposals and evaluation of cost

i. The Borrower shall conduct the opening of only the financial proposals that have met the technical proposal requirements in the presence of the legal entities who submitted proposals wishing to attend.

ii. Evaluation of price shall be based on a proportional system that awards the highest score to the lowest cost.

iii. The Borrower shall prepare the minutes of the opening and a copy of this record shall be promptly sent to all consultants who submitted proposals.

(j) Combined Quality and Cost Evaluation

i. The final ranking of the technically qualified legal entities shall be based on a combined weighting of the technical and cost scores.

ii. The relative weights of technical and cost depend on the nature and complexity of the assignment.

iii. Once the Borrower has determined the proposal with the highest score, it shall invite the consultant for negotiations.

(k) Negotiations – Negotiations shall include discussions of the TOR, the methodology, borrower’s inputs, and special conditions of the contract. These discussions shall not substantially alter the original scope of services under the TOR or the terms of the contract.

(a) Records – Borrowers shall keep records of all proceeding of the procurement process.

(b) Publication of results – The borrower shall publish the intention to award and the final contract award information in its website of free access, if available, inform the bidders directly and on UNDB online.

C.4.2.2. QUALITY BASED SELECTION (QBS)

3.67 Under QBS, the proposal quality is evaluated without using cost as an evaluation criterion. The consultant that submitted the highest-ranked technical proposal is then invited to negotiate its financial proposal and the contract. QBS may be appropriate for:

(a) Complex or highly specialized assignments for which it is difficult to define precise TOR and the input required from the consultants, and for which the borrower expects the consultants to demonstrate innovation in their proposals;
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(b) Assignments that have a high downstream impact and in which the objective is to have the best experts; and
(c) Assignments that can be carried out in substantially different ways, such that proposals will not be comparable.

3.68 The following specific provisions differ from those under QCBS:

(a) Cost is not an evaluation factor; therefore the price proposal may be submitted after completion of the technical evaluation and only of the highest ranked legal entity.

C.4.2.3. FIXED BUDGET SELECTION (FBS)

3.69 FBS is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. The Request for Proposals (RFP) indicates the available budget and requests the consultants to provide their best technical and financial proposals in separate envelopes, within the budget. The TOR need to be particularly well prepared to ensure that the budget is sufficient for the consultants to perform the expected tasks.

3.70 The following specific provisions differ from those under QCBS:

(a) Proposals that exceed the indicated budget shall be rejected.
(b) The legal entity who has submitted the highest ranked technical proposal among the rest shall be selected and invited to negotiate a contract.

C.4.2.4. LEAST-COST SELECTION (LCS)

3.71 LCS is generally appropriate for selecting consultants for assignments of a standard or routine nature (audits, engineering design of non-complex works, etc.) for which well-established practices and standards exist. Under this method, a minimum qualifying mark for the quality is established.

3.72 The following specific provisions differ from those under QCBS:

(a) Among the technically qualified legal entities, the one that submitted the lowest evaluated price shall then be selected.

C.4.2.5. CONSULTANTS’ QUALIFICATIONS (CQS)

3.73 This method may be used for small assignments, as agreed in the procurement plan, or emergency situations for which the need for issuing an RFP, and preparing and evaluating competitive proposals is not justified. The borrower prepares the TOR and requests
expressions of interest from as many legal entities as possible. Advertisement for expression of interest is not mandatory.

3.74 The following specific provisions differ from those under QCBS:

(a) Legal entities having the required experience and competence relevant to the assignment as indicated in the REOI, shall be assessed and compared, and the best qualified and experienced firm shall be selected.

(b) Only the selected firm shall be asked to submit a combined technical and financial proposal and, if such proposal is responsive and acceptable, be invited to negotiate a contract.

(c) Advertisement for expression of interest is not mandatory.

C.4.2.6. DIRECT CONTRACTING

3.75 Direct contracting may be based on single-source or sole-source selection of consultants. This method does not provide the benefits of competition in regard to quality and cost, lacks transparency in selection, and could encourage unacceptable practices; therefore, it is used only in exceptional cases. The justification for single-source or sole-source selection is examined in the context of the overall interests of the borrower and the project, and of the World Bank’s responsibility to ensure that the procurement Core Principles apply, including promoting equal opportunity to all qualified consultants.

3.76 Direct contracting may be appropriate in the following cases, if it presents a clear advantage over competition:

(a) Single-source
   i. An existing contract for consultant services, not originally financed by the World Bank but awarded in accordance with procedures acceptable to the World Bank, may be extended for additional consulting services of a similar nature, if no advantage may be obtained by competition and the prices are reasonable;
   ii. There is a justifiable requirement to reengage a consultant that has previously completed a contract with the borrower to perform a similar type of consulting services. The justification must show that a new competitive process does not add value for money, the consultant has performed acceptably in the previous contract, and the prices are comparable to the ones in the recently completed contract;
   iii. In exceptional cases, for example, in response to natural disasters and emergency situations declared by the borrower and recognized by the World Bank;
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iv. For low value assignments, as agreed in the Procurement Plan;
(b) Sole-source
  i. When only one firm is qualified or has experience of exceptional worth for the assignment; and
  ii. In circumstances that are in accordance with the provisions for procurement from UN agencies.

3.77 The borrower provides to the proposed legal entity the initial TOR to form the basis for negotiation.

C.4.2.7. PANEL OF CONSULTANTS

3.78 A Panel of Consultants is a list of consultant legal entities or individuals (but not both in the same panel) that has been pre-approved by a borrower and has agreed on the terms and conditions for providing consulting services. Use of a Panel of Consultants is appropriate when a borrower wishes to be ready to secure consulting services in one or more disciplines, without having to carry out a selection process each time services are required. To create the Panel, the borrower must verify which consultants are capable of delivering specific consulting services, and agree in advance with each consultant on the terms and conditions of providing consulting services. The borrower does not need to openly advertise specific consulting services opportunities if it has established a Panel; it may contract directly with members of the Panel.

3.79 When selecting consultants from the Panel, the borrower must use the agreed selection methodology.

C.4.2.8. FRAMEWORK AGREEMENT (FA)

3.80 A Framework Agreement (FA) is a long-term agreement with consulting individuals or legal entities providing consulting services, which sets out terms and conditions under which specific selection (call-offs) can be made throughout the term of the agreement. FAs are applicable for recurring procurement of small-value or simple contracts for consulting services. The procedures are the same as those outlined for goods, works and non-consulting services above.

C.4.2.9. SELECTION OF PARTICULAR TYPES OF CONSULTANTS

C.4.2.9.1. SELECTION OF UNITED NATIONS AGENCIES

3.81 Borrowers may sole-source agencies of the UN that are uniquely or exceptionally qualified to provide technical assistance and advice in their area of expertise. The World Bank may agree that UN agencies follow their own procedures:
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(a) For the selection of their sub-consultants and individual experts, and the supply of the minimum necessary goods to perform the contract;
(b) For small assignments; and
(c) Under certain circumstances, in response to natural disasters and for emergency situations.

C.4.2.9.2. OTHER MULTILATERAL OR BILATERAL ORGANIZATIONS

3.82 Considerations related to the selection of UN agencies may apply, as appropriate, to arrangements with other multilateral or bilateral organizations.

C.4.2.9.3. NOT-FOR-PROFIT ORGANIZATIONS SUCH AS NGOs

3.83 NGOs are not-for-profit organizations that may be uniquely qualified to assist in the preparation, management, and implementation of projects, because of their involvement in and knowledge of local issues, community needs, and/or participatory approaches. NGOs may be included in the shortlist if they express interest and if the borrower and the World Bank are satisfied with their qualifications. For assignments that emphasize participation and considerable local knowledge, the shortlist may comprise NGOs entirely. In such cases, the borrower uses a selection method (QCBS, FBS, LCS, or CQS) that is appropriate to the nature, complexity, and size of the assignment, and the evaluation criteria reflect the unique qualifications of NGOs, such as local knowledge, scale of operation, and prior relevant experience.

C.4.2.9.4. BANKS

3.84 Borrowers use QCBS to select investment and commercial banks, financial legal entities, and fund managers hired for the sale of assets, issuance of financial instruments, and other corporate financial transactions, notably in the context of privatization operations. The RFP specifies selection criteria relevant to the activity, for example, experience in similar assignments or network of potential purchasers and the cost of the services. In addition to the conventional remuneration (called a “retainer fee”), the compensation includes a “success fee”; this fee can be fixed, but is usually expressed as a percentage of the value of the assets or other financial instruments to be sold.

C.5. APPROVED PROCUREMENT METHODS FOR INDIVIDUAL CONSULTANTS

3.85 Individual consultants are selected for assignments for which a team of experts is not required; no additional outside professional support is required; and the experience and qualifications of the individual are the paramount requirement. When coordination, administration, or collective responsibility may become difficult because of the number of
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individuals, it would be advisable to employ a legal entity. When qualified individual consultants are unavailable or cannot sign a contract directly with a borrower because of a prior agreement with a legal entity, the borrower may invite legal entities to provide qualified individual consultants for the assignment.

C.5.1. COMPETITIVE SELECTION

3.86 Advertisement for seeking expressions of interest (EOI) is encouraged, particularly when the borrower does not have knowledge of experienced and qualified individuals or of their availability, the services are complex, there is potential benefit from wider advertising, or if advertising is mandatory under national law. However, advertising may not be required in all cases and should not take place for low-value contracts.

C.5.2. DIRECT CONTRACTING OF INDIVIDUAL CONSULTANTS

3.87 Individual consultants may be selected on a single-source or sole-source basis with due justification in exceptional cases such as:

(a) Single-source
   i. Tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively;
   ii. Assignments with a total expected duration of less than six months;
   iii. Urgent situations;
(b) Sole-source
   i. When the individual is the only consultant qualified for the assignment.

D. PROJECT IMPLEMENTATION SUPPORT PERSONNEL AND SERVICE DELIVERY CONTRACTORS

D.1. PROJECT IMPLEMENTATION SUPPORT PERSONNEL

3.88 Individuals contracted by the borrower to support project implementation are selected by the borrower according to the hiring procedures for this type of activity, as reviewed and found acceptable by the World Bank. They are not considered individual consultants for purposes of these procedures.

D.2. SERVICE DELIVERY CONTRACTORS

3.89 Projects may involve hiring large numbers of individuals who deliver services on a contract basis. Their selection is carried out according to the borrower’s hiring procedures, as reviewed and found acceptable by the World Bank.
E. Specific Procurement Provisions

3.90 This section applies to all approved procurement methods for goods, works, and non-consulting and consulting services.

E.1. Advance Contracting and Retroactive Financing

3.91 If the borrower wishes to proceed with the initial steps of procurement before signing the related financing agreement, the procurement procedures, including advertising, must reflect the World Bank’s Procurement Core Principles. A borrower undertakes such advance contracting at its own risk, and any concurrence by the World Bank with the procedures, documentation, or proposal for award does not commit the World Bank to finance the project in question. If the contract is signed, the World Bank’s reimbursement of any payments made by the borrower under the contract before signing the financing agreement is referred to as retroactive financing and is permitted only within the limits specified in the financing agreement.

E.2. Requests for Expressions of Interest

3.92 Advertisement for requests for expressions of interest (REOI) is encouraged, particularly when the borrower does not have knowledge of experienced and qualified individuals or legal entities or of their availability; the goods, works, and consulting services are complex; there is potential benefit from wider advertising; or if advertising is mandatory under national law. However, advertising may not be required in all cases and should not take place for low-value contracts.

E.3. Prequalification

3.93 Prequalification is a stage that may be used in a competitive procurement process. It may be appropriate for large or complex projects, or in any other circumstances in which the high costs of preparing detailed bids could discourage competition, such as custom-designed equipment, industrial plant, specialized services, some complex information and technology, contracts to be let under single responsibility (including turnkey), design and build, or management contracting. Prequalification also ensures that invitations to bid are extended only to those who have adequate capabilities and resources.

E.4. Joint Ventures and Associations

3.94 Legal entities are permitted to form joint ventures with domestic and/or foreign legal entities for the purpose of participating in a bid or proposal. A joint venture may be for the long term (independent of any particular procurement) or for a specific procurement. All the partners in a joint venture are jointly and severally liable for the entire contract. The
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World Bank does not accept conditions of participation in a procurement process that require mandatory joint ventures or other forms of mandatory association between legal entities.

E.5. PROCUREMENT DOCUMENTS

3.95 The types of procurement documents used depend on the procurement or selection method to be applied. The World Bank has created standard procurement documents whose use is mandatory for contracting consulting services (RFP) and for ICB for works, goods (SDBs), and other specialty items such as books, medicines, plants, and information technology.

3.96 For NCB, the country’s own standard bidding documents are used (amended as needed to comply with the World Bank’s conditions for use of NCB).

3.97 All procurement/selection documents must be:

(a) Written in accordance with the World Bank’s procurement vision, Core Principles, and Procurement Framework;
(b) Designed in such a manner as to elicit the best response from the market to deliver the procurement strategy and project development outcomes;
(c) Proportional to the risk and value of the procurement; and
(d) Written in plain language;

3.98 In procurement/selection documents,

(a) Standards should be international as far as possible;
(b) Specifications are based on relevant characteristics and/or performance requirements. References to brand names, catalog numbers, or similar classifications are avoided. If it is necessary to quote a brand name or catalog number of a particular manufacturer to clarify an otherwise incomplete specification, the words “or equivalent” are added after the reference; and
(c) If foreign imports may be required, the currency provisions should permit the use of no more than three foreign currencies and the local currency as appropriate. The currency of payment is the currency of the bid or proposal.

E.5.1. USE OF ELECTRONIC PROCUREMENT SYSTEMS

3.99 Borrowers may use electronic systems for communicating with bidders, submitting bids or proposals, distributing procurement documents, notices, and amendments, and other procurement processes, if the World Bank is satisfied with the adequacy of the system.
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E.6. **Bid/Proposal Preparation Period**

3.100 The time allowed for the preparation and submission of bids or proposals is determined with due consideration of the particular circumstances of the project and the magnitude and complexity of the contract identified in the procurement strategy.

E.7. **Communications**

3.101 Communications between providers and the borrower can take place in different stages of the procurement process. Once the procurement documentation (such as specific procurement notices, bidding or proposal documents, bids or proposals, and bid or proposal clarification requests by the borrower and the corresponding responses) have been issued or submitted, communications are undertaken in writing with proof of receipt. Other communications between providers and the borrower, such as early provider engagement and exploratory meetings, encouraged but not required to be in writing; however, in all cases borrowers keep written records.

3.102 Communications received from providers involving allegations of fraud and corruption\(^4\) may warrant a different treatment for reasons of confidentiality. The World Bank uses due care and discretion in sharing appropriate information with the borrower.

E.8. **Bid/Proposal Opening Procedures**

3.103 Bids are opened on the same day as the deadline for receipt of bids, or promptly thereafter. For consulting services or if two envelope tendering is used, the financial proposal is opened in public at the time indicated in the invitation for that purpose. Bids are opened in public, and a record of the proceeding is prepared and sent to all who submitted bids or financial proposals, and to the World Bank. At the public opening of bids or financial proposals, the borrower neither discusses the merits of, nor rejects, any bid or financial proposal.

\[^4\] Reporting on suspected fraud and corruption can be done directly to the Bank Institutional Integrity Vice Presidency (INT) by e-mail: investigations_hotline@worldbank.org; through the World Bank website; through the 24-hour hotline operated by a third party: toll free +1-800-831-0463, collect calls +1-704-556-7046 (interpreters are available, anonymous calls accepted); or by contacting INT at the Bank’s office in Washington, DC: +1-202-458-7677.

(Further instructions to borrowers on how to implement this section are included in annexes.)
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IV. DEVELOPMENT OF EVALUATION AND CONTRACT AWARD CRITERIA

A. Evaluation Criteria

Once the appropriate procurement method and the corresponding procurement documents are identified, the evaluation criteria to be used should be identified and incorporated in the procurement strategy. Value for money considerations should include, as appropriate, criteria regarding cost, quality, and sustainability to meet customer requirements.

4.1 The pillars of evaluation criteria necessary to achieve the best value for money include the following:

(a) Once the procurement documents have been issued, any change to the evaluation criteria are made only through addenda;
(b) The procurement documents include the complete evaluation criteria and the manner in which they will be applied;
(c) Only the evaluation criteria, and all the evaluation criteria, indicated in the procurement documents will be applied;
(d) The evaluation criteria will be applied consistently to all individuals or legal entities participating in the procurement process;
(e) The evaluation criteria are appropriate to the type, nature, market conditions, and complexity of what is being procured; and
(f) To the extent practicable, evaluation criteria should be convertible to monetary terms or at least quantifiable.

4.2 To achieve best value for money and fit for purpose, the evaluation method may include mandatory types of criteria (pass/fail); rated types of criteria (merit points); and cost types (criteria that are in or can be converted to monetary terms). The scores of the rated and the cost-type criteria may be combined and weighted appropriately to determine the best value for money bid or proposal.

4.3 In evaluating bids/proposals, initial price may not always be the best indicator of value for money; therefore, as appropriate, life cycle costing should be considered.

4.4 As appropriate, and if the procurement strategy and the procurement documents so provide, domestic preference may be applied.
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4.5 The evaluation should cover at least the following categories: experience, eligibility, financial situation, technical, contractual terms and conditions, cost, and if agreed sustainability, (economic, environmental and social).

4.6 The criteria that should be specified in relation to value for money include at least the following:

(a) **Cost** means life cycle costing, where appropriate, and for procurement whose initial price alone is not indicative of the total cost over the life cycle of what is being procured. Life cycle costing may not be appropriate for low-value and simple procurement;

(b) **Quality** means having sufficient well-developed and clearly stated specifications to ensure that the outcome of the procurement meets the borrower’s requirements; and

(c) **Sustainability** means establishing criteria in such a way that permits measuring stated economic, social, and environmental benefits in support of the project objectives.

B. NEGOTIATION

4.7 As appropriate, the World Bank may agree to the borrower’s use of negotiation following bid opening. Any negotiation must be in accord with the World Bank’s procurement Core Principles and must seek to maximize development effectiveness in the project. If negotiation is undertaken, it must be held in the presence of an independent third party, agreed with the World Bank. If the borrower undertakes any negotiations without the World Bank’s prior agreement or its agreed third party assurance provider, the World Bank may take remedial measures.

C. BEST AND FINAL OFFER

4.8 Best and final offer/proposal refers to a procurement process in which, after the procuring entity receives written offers or proposals from bidders or consultants, it then invites the bidders or consultants to submit their best and final offer, which will not be subject to subsequent negotiation. Such a process may be appropriate when the scope of work is not well defined, the bidders’ offers or consultants’ proposals are substantially different, and/or the procurement process represents an opportunity for buyer and bidders or consultants to develop their understanding of potential solutions.

D. REJECTION OF ALL BIDS

4.9 The bidding and proposal documents provide that borrowers may reject all bids. Rejection of all bids is justified when effective competition is lacking, all bids or proposals are not substantially responsive to the requirements of the procurement documents, or the final
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contract price is substantially higher than the available budget. Lack of competition is not determined solely on the basis of the number of bidders. If all bids or proposals are rejected, the borrower reviews the causes for the rejection and then takes an appropriate course of action.

E. CONTRACT AWARD CRITERIA

4.10 Unless there is a legitimate reason to cancel the procurement (which must be agreed with the World Bank), borrowers award the contract to the bidder or consultant that:

(a) Is substantially compliant with the requirements of the procurement documents;
(b) Has an acceptable track record of previous performance as defined in the procurement documents and
(c) Offers the best value for money (including, if stated as evaluation criteria the lowest evaluated responsive bid/ proposal).

F. PUBLICATION OF THE AWARD OF CONTRACT

4.11 The borrower shall ensure that the award of contract is published as specified in Annex 5.

G. DEBRIEFING UNSUCCESSFUL BIDDERS AND CONSULTANTS

4.12 Following a procurement activity, the borrower must offer each unsuccessful bidder or consultant a debrief, if requested. When a bidder or consultant asks a borrower for a debriefing, the borrower must debrief within 30 business days from the date the contract was signed by all parties, or from the date of the request, whichever is later.

4.13 At the debrief, the borrower must not disclose another bidder or consultant’s confidential or commercially sensitive information. The borrower should provide information at that helps the bidder or consultant to improve future bids or proposals. As a guide, the debrief should:

(a) Explain the reason(s) the bid or proposal was not successful;
(b) Explain how the provider’s bid or consultant’s proposal performed against the bid or proposal evaluation criteria and its relative strengths and weaknesses; and
(c) Address the bidders or consultant’s concerns and questions.

(Specific instructions to World Bank staff on how to apply this section will be developed in the Directives.)

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V. CONTRACT TYPES, CONDITIONS, MANAGEMENT, AND ADMINISTRATION

A. CONTRACT TYPES

5.1 Contract types are usually defined in terms of payment terms and other contractual arrangements. They should be selected on fit for purpose considerations. They include but are not limited to the following: lump sum, turnkey, performance based, unit prices, time based or target costs. The contractual arrangements could be, but are not limited to: build, operate and transfer (BOT); design, finance, build, operate, maintain and transfer (DFBOMT); build, own and operate (BOO).

B. CONDITIONS OF CONTRACT CONSIDERATIONS

5.2 The contract documents shall clearly define the scope of work to be performed, the goods to be supplied, the non-consulting and consulting services to be provided, and the rights and obligations of the borrower and of the provider. In addition to the general conditions of contract, any particular conditions for the specific goods, works, and non-consulting or consulting services to be procured or provided are included. The conditions of contract shall provide a balanced allocation of risks and liabilities.

C. MANAGEMENT AND ADMINISTRATION OF CONTRACTS

5.3 The successful management of a contract is substantially dependent on the contract preparation stages, including considerations of fit for purpose and the alignment of contractor capabilities and capacities with the requirements of the objectives.

5.4 The borrower develops a contract management plan that addresses the following broad areas:

(a) Contract management
   i. Service delivery management, relationship management, contract administration;
   ii. Establishment and implementation of the relationship management structure and communications plan;
   iii. Control changes (scope and cost);
   iv. Management of risks and issues resolution;
   v. Asset management; and
   vi. End-of-contract handover.

(b) Performance management
   i. Receive and review contractor’s reports;
   ii. Regularly review contractor’s performance and delivery against contract;
iii. Aim for continual improvement;
iv. Track and monitor to ensure that delivery meets requirements, including quality, standards and service levels; and
v. Proactively manage underperformance.

(c) Financial management
i. Check invoices and authorize payments; and
ii. Track and monitor budget/costs.

(d) Record keeping and reporting
i. Keep an accurate auditable paper trail of contract administration; and
ii. Provide fair and transparent feedback to the World Bank on the contractor’s performance.

5.5 All these areas must be managed successfully if the contract is to be a success. The contract manager’s understanding of the expectations, capacities, and responsibilities of both the stakeholder and contractor must be satisfactory, and must be monitored as part of the risk management plan. The contract should require that contract managers be identified on both sides of the contract such that information exchange is through prearranged channels.

5.6 The borrower formulates performance metrics against a baseline to allow performance to be accessed and managed and communicated to stakeholders.

5.7 Contract management can also involve significant interaction with target stakeholders. This may often involve some of the greatest risks to the contract, even though stakeholder issues may not be in the contract, for example, in many technology contracts, which can involve substantial changes to work practices in numerous entities.

5.8 Risk management planning, also an essential part of contract management, must include risk assessment, risk prioritization, monitoring, and appropriate risk management that addresses both sides of the contract, and aims to identify and address problems at an early stage. As appropriate, the manager also must plan for transitioning out arrangements so that activity continues without disruption. The borrower manages the contract management plan itself to ensure that it is kept up-to-date and effective for both sides of the contract.

(Specific instructions to World Bank and Borrowers staff on how to apply this section will be developed in the Directives.)
VI. REMEDIES, COMPLAINTS, AND COMMENDATIONS

A. REMEDIES

6.1 The World Bank does not finance expenditures under a contract for goods, works, or consulting or non-consulting services if it concludes that:

(a) A contract has not been awarded in accordance with the agreed provisions of the financing agreement and as further elaborated in the Project Procurement Strategy and Procurement Plan to which the World Bank provided no objection;
(b) A contract could not be awarded to the bidder or consultant otherwise determined successful because of willful dilatory conduct or other actions of the borrower that result in unjustifiable delays, the successful bid or proposal being no longer available, or the wrongful rejection of any bid or proposal;
(c) Involves the engagement of a representative of the borrower, or a recipient of any part of the financing proceeds, in fraud and corruption practices; or
(d) A compliant has not been appropriately and/or timely addressed.

6.2 Misprocurement applies to all categories and methods of procurement (including the use of alternative procurement arrangements) described in these Procedures. Misprocurement may be declared at any point during the procurement process or after conclusion or termination of a contract, regardless of whether the financing agreement has closed or not, including in cases when the World Bank issued a “no objection” on the basis of the information provided by the borrower.

B. COMPLAINTS

6.3 Complaints on procurement activity financed by the World Bank may be brought to attention of the World Bank or the borrower at any stage of the procurement process. The bidder’s rights to raise complaints on the procurement process and/or integrity matters directly with the Bank are fully maintained, including in cases of alternative procurement arrangements.

6.4 Providers who believe that noncompliance has occurred in the procurement process may submit complaints to the borrower and/or the World Bank. Borrowers shall address these complaints objectively and in a timely manner to promote an open, fair, and transparent procurement process that:

(a) Promotes trust, accountability, and integrity among all parties;
(b) Provides oversight of the procurement process;
(c) Ensures full and fair opportunity for all participants in the procurement process;
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(d) Monitors compliance; and

(e) Provides deterrence and corrective action.

6.5 The handling of the complaint depends in part on the nature of the complaint and the stage of the procurement lifecycle when it is raised. Annex 2 for further instructions to borrowers for complaints.

C. COMMENDATIONS

6.6 Commendations on procurement activities financed by the World Bank may be brought to the attention of the World Bank or the borrower at any stage of the procurement process. It is of utmost interest to the Bank to recognize and promote good practice in procurement in support of maximizing development effectiveness and building procurement capacity. If the World Bank receives a commendation about a provider’s or borrower’s good practice, as appropriate, it issues a Procurement Commendation letter acknowledging good practice to the relevant party/parties. As appropriate, the World Bank may also issue awards in recognition of an excellent practice in procurement to the borrower or provider, or both.

*(Specific instructions to World Bank staff on how to apply this section will be developed in the Directives.)*

*(Further instructions to borrowers on how to implement this section are included in annexes.)*

*(Further instruction on Commendations will be included in Guidance)*
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GLOSSARY

**Anticorruption Guidelines**
The relevant World Bank Group anticorruption policies are set forth in the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, the Anti-Corruption Guidelines for World Bank Guarantee and Carbon Finance Transactions, Sanctionable Practices-IFC’s Definitions and Interpretive Guidelines, and in the Anti-Corruption MIGA’s Anti-Corruption Guidelines for IFC, MIGA, and World Bank Guarantee Transactions.

**Borrower**
In the Procurement Framework, *borrower* means a borrower or recipient of Bank financing for an investment project, and any other entity involved in the implementation of the project.

**Bidder**
For the purpose of the Procurement Framework, *bidder* refers to a legal entity (acting either in its individual capacity or as part of a joint venture) that participates in a bidding process.

**Consultant**
A *consultant* may be an individual or a legal entity (acting either in its individual capacity or as part of a joint venture) that provides specialized services for limited amounts of time without any obligation of permanent employment.

**Consulting services**
*Consulting services* refers to services of a professional nature provided by consultants using their skills to study, design, organize, and manage projects; advise borrowers; and, when required, build borrowers’ capacity.

**Financing agreement**
A *financing agreement* includes a loan, credit, or grant made by the World Bank from its resources or from funds by other donors and administered by the World Bank, or a combination of these.

**Fit for purpose**
The principle of fitness for purpose applies both to the intended outcomes and the procurement arrangements in determining the most appropriate procurement approach and method (within those envisaged in the Bank’s Borrower Procurement Procedures) to meet the development objectives and project outcomes. The proposed procurement approach should take into account the context and the risk, value, and complexity of the procurement.

**Goods, works, and non-consulting services**
In the Procurement Framework, *goods* include commodities, raw material, machinery, equipment, vehicles, articles and industrial plant, and *works* include related services such as transportation, insurance, installation, commissioning, training, and initial maintenance. *Non-
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consulting services are activities for which the physical aspects predominate, which are bid and contracted on the basis of performance of a measurable physical output, and for which performance standards can be clearly identified and consistently applied, such as drilling, aerial photography, satellite imagery, mapping, and similar operations.

Investment project
Investment project includes loans, credits, and grants, and other lending or non-lending instruments through which the World Bank provides financing for a wide range of activities aimed at creating the physical and social infrastructure necessary to reduce poverty and create sustainable development.

Life cycle cost
Life cycle costing is applicable at activity level as evaluation criteria for the procurement of an asset once the best specifications to achieve value for money and fit for purpose have been determined. It includes the cost of an asset throughout its useful life such as initial purchase price, installation, operation and maintenance costs over the life of the asset, and residual value at the end of its useful life. It is calculated on a net present value basis and it is only used for comparison of bids.

Procurement
Procurement is the act of obtaining or buying goods, works, and consulting and non-consulting services.

Procurement process
The procurement process or procurement cycle starts with the identification of a need and continues through planning and market research, functional or specification requirements writing, budget considerations, selection of providers, contract award, and contract management. It ends on the last day of the last warranty.

Procurement documents
For the purposes of the Procurement Framework, procurement documents are documents used for the procurement of goods, works, and consulting and non-consulting services. They include, but are not limited to, general and specific procurement notices; invitations for expressions of interest, for proposals, or for bids; prequalification; bidding documents; and requests for proposals (including the corresponding contracts).

Provider
For the purposes of the Procurement Framework, provider means any individual or legal entity that provides goods, works, and non-consulting and consulting services.

Review
For the purpose of the Procurement Framework, review is a formal examination that includes audits, inspections or other forms of assessment of the procurement cycle.
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Single-source procurement
Single-source procurement is a method that may be used when there is more than one provider in the market but, for justifiable reasons, only one provider is selected among many (i.e. in response to natural disasters and emergency situations).

Sole-source procurement
Sole-source procurement is a method that may be used when there is only one provider than can be selected (i.e. the required equipment is proprietary and obtainable from only one source).

Sustainable procurement
To deliver sustainable results, the strategic procurement approach should be on a whole life basis – which generates benefits to the procuring entity and the economy, but also to society whilst minimizing damage to the environment (reflecting the confines of the borrowers own procurement policy). Sustainability is especially relevant in such areas as construction, maintenance, and power generation, and applies to the use of scarce resources and to environmental and socioeconomic factors. As necessary, these sustainability factors are turned into procurement-related criteria to be applied at appropriate stages of the procurement cycle.

Value for money
Value for money means the effective, efficient, and economic use of resources, which requires an evaluation of relevant costs and benefits, along with an assessment of risks, on a whole-of-life basis or life-cycle-costs basis, as appropriate.
Value for money is a central consideration through the strategy development and procurement planning process to ensure the most appropriate supplier(s) is selected for the right reasons and at a cost that represents the optimum combination of life cycle cost (costs of ownership over the anticipated life) and quality to meet the borrower’s requirements. 
If Value for money criteria and measures for success are to be used they must be developed and identified through the Activity Level Procurement Strategy and finally agreed by the Bank.

Whole life costs
*Whole life costing* is applicable at project level at the start of a project to determine the best functional and detailed specifications for an asset in terms of value for money, fit for purpose, sustainability, value engineering and other factors. It considers all costs arising, and benefits accrued from purchasing, installing, owning, operating, maintaining, and ultimately disposing of a project, that are considered to be potentially important to that decision. It includes life cycle costs plus benefits accrued from income generated by the project, non-construction or non-manufacturing costs and other factors that impact the feasibility of the project.
ANNEX I

FRAUD AND CORRUPTION

A1.1 It is the World Bank’s policy to require that borrowers, sub-borrowers (and other beneficiaries of World Bank financing), bidders, contractors, consultants service providers, suppliers, sub-contractors, sub-consultants, any agents (whether declared or not), and any personnel thereof, observe the highest standard of ethics during the procurement and execution of World Bank-financed contracts. In pursuance of this policy, the World Bank:

(a) Defines, for the purposes of this provision, the terms set forth below as follows:

(i) “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;

(ii) “fraudulent practice” is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation;

(iii) “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;

(iv) “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;

(v) “obstructive practice” deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a World Bank

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5 In this context, any action to influence the procurement process or contract execution for undue advantage is improper.

6 For the purpose of this sub-paragraph, another party refers to a public official acting in relation to the procurement process or contract execution. In this context “public official” includes World Bank staff and employees of other organizations taking or reviewing decisions in relation to the procurement process, including contract execution.

7 For the purpose of this sub-paragraph, party refers to a public official; the terms benefit and obligation relate to the procurement process including contract execution; and the act or omission is intended to influence the procurement process, including contract execution.

8 For the purpose of this sub-paragraph, parties refers to participants in the procurement process (including public officials) who attempt either themselves, or through another person or entity not participating in the procurement process, to simulate competition or to establish contract prices at artificial, noncompetitive levels, or who are privy to each other’s bid prices or other conditions.

9 For the purpose of this sub-paragraph, party refers to a participant in the procurement process, including contract execution.
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investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or

(vi) acts intended to materially impede the exercise of the World Bank’s inspection and audit rights provided for under paragraph 1(e) below.

(b) Rejects a proposal for award if it determines that the bidder or consultant recommended for award, or any of its personnel, agents, sub-consultants, sub-contractors, service providers, suppliers, and/or any of their personnel, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question;

(c) Declares misprocurement and cancels the portion of the financing agreement allocated to a contract if it determines at any time that representatives of the borrower or of a recipient of any part of the proceeds of the financing agreement were engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices during the procurement process or the implementation of the contract in question, and the borrower did not take timely and appropriate action satisfactory to the World Bank to address such practices when they occurred, including informing the World Bank in a timely manner at the time it knew of the practices;

(d) Sanctions a legal entity or an individual, at any time, in accordance with prevailing World Bank’s sanctions procedures,\(^\text{10}\) including by publicly declaring such legal entity or individual ineligible, either indefinitely or for a stated period of time: (i) to participate in a procurement process for a World-Bank-financed contract, or to be awarded or otherwise benefit from a World Bank-financed contract; and (ii) to be a sub-contractor, sub-consultant, service provider, or supplier of an otherwise eligible legal entity being or having been awarded a World Bank-financed contract;

(e) Requires that a clause be included in the procurement documents and in contracts financed by the World Bank requiring bidders, contractors and consultants, and their sub-contractors, sub-consultants, service providers, suppliers, agents, and personnel to permit the World Bank to inspect all accounts, records, and other

\(^{10}\) A legal entity or individual may be declared ineligible to be awarded a World Bank-financed contract upon (i) completion of World Bank Group sanctions proceedings as per its sanctions procedures, including, inter alia, cross-debarment as agreed with other international financial institutions, including multilateral development banks, and through the application the World Bank Group corporate administrative procurement sanctions procedures for fraud and corruption; and (ii) as a result of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding.
documents relating to the procurement and execution of World Bank-financed contracts, and to have them audited by auditors appointed by the World Bank;

(f) Requires that, when a borrower selects a United Nation (UN) agency or a multilateral or bilateral organization to provide goods, works, non-consulting services or technical assistance services under an agreement signed between the borrower and the UN agency or other multilateral or bilateral organization, the provisions herein stated regarding sanctions on fraud or corruption apply in their entirety to all contractors, consultants, sub-contractors, sub-consultants, service providers, suppliers, and their employees, that signed contracts with the UN agency or multilateral or bilateral organization.

(g) As an exception to the foregoing, paragraphs (d) and (e) do not apply to the UN agency and its employees, and paragraph (e) does not apply to the contracts between the UN agency and its service providers and suppliers. The UN agencies apply their own rules and regulations for investigating allegations of fraud or corruption, subject to such terms and conditions as the World Bank and the UN agency may agree, including an obligation to periodically inform the World Bank of the decisions and actions taken. The World Bank retains the right to require the borrower to invoke remedies such as suspension or termination. UN agencies shall consult the World Bank Group’s list of legal entities and individuals suspended or debarred. If a UN agency signs a contract or purchase order with a legal entity or an individual suspended or debarred by the World Bank Group, the World Bank does not finance the related expenditures and applies other remedies as appropriate.

A1.2 With the specific agreement of the World Bank, a borrower may introduce into the procurement documents for contracts financed by the World Bank a requirement that the bidder or consultant include in the bid or proposal an undertaking of the bidder or consultant to observe, in competing for and executing a contract, the country’s laws against fraud and corruption (including bribery), if so indicated in the procurement documents. The World Bank will accept the introduction of such a requirement at the request of the borrowing country, provided the arrangements governing the undertaking are satisfactory to the World Bank.

A1.3 When evaluating submissions in response to procurement documents, the borrower checks the eligibility of providers from the lists of legal entities and individuals debarred and

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11 As an example, such an undertaking might read as follows: “We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will observe the laws against fraud and corruption in force in the country of the [borrower], as such laws have been indicated by the [borrower] in the corresponding procurement documents for this contract.”
suspended, pursuant to paragraph A1.1d of this annex, by the World Bank that are posted on the World Bank’s external website. The borrower applies additional due diligence by closely supervising and monitoring any ongoing contract (whether under prior or post review) executed by a legal entity or individual that has been sanctioned by the World Bank after the contract was signed. The borrower neither signs any new contracts nor signs an amendment, including any extension of time for completion, to an ongoing contract with a suspended or debarred legal entity or individual after the effective date of the suspension or debarment without the World Bank’s prior review and no-objection. The World Bank finances additional expenditures under such ongoing contracts only if they were incurred before the completion date of the original contract or the completion date as revised: (i) for prior review contracts, in an amendment to which the World Bank has given its no objection; and (ii) for post review contracts, in an amendment signed before the effective date of suspension or debarment. The World Bank does not finance any new contract, or any amendment or addendum introducing a material modification, as determined by the World Bank, to any existing contract that was signed with a suspended or debarred firm or individual on or after the effective date of suspension or debarment.
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ANNEX 2

COMPLAINTS, PROTESTS OR CONTRACTUAL DISPUTES

OVERVIEW

A2.1 Complaints - Complaints may be brought at any time to the borrower and/or the World Bank about any part of the procurement process, from the earliest stages of project identification to the last day of the last warranty related to the specific procurement activity. To promote an open, fair, and transparent procurement process, complaints should be resolved objectively and in a timely manner.

A2.2 Protest - Depending on the stage of the procurement process a complaint may be considered a protest if it is submitted by a provider participating or with the intent to participate in a procurement process financed by the World Bank and presented to the Borrower or the World Bank between the date of publication of the Specific Procurement Notice or Request for Expression of Interest and the date of notification of contract award.

A2.3 Contractual Dispute - Once a contract has been awarded, complaints are considered contractual disputes if submitted by a party to the contract after the notification of contract award and before the end of the warranty period specified in the contract.

A2.4 All complaints, protests or contractual disputes submitted to the World Bank or the Borrower should be in writing.

A2.5 Unless the complaint is determined to warrant confidential treatment, the complaint correspondence is forwarded immediately to the borrower with a letter requesting the borrower to follow up with the complainant. This applies to procurement subject to prior and post review.

A2.6 Communications received involving allegations of fraud and corruption may warrant a different treatment due to reasons of confidentiality. In such cases, the Bank shall apply due care and discretion in sharing with the Borrower information deemed appropriate.

A2.7 If upon examination by the World Bank, it is determined that the complaint relates to fraud and corruption, it shall be submitted directly to the World Bank Institutional Integrity Vice Presidency (INT) for further processing.

A2.8 Borrowers receiving complaints, protests or contractual disputes directly or when forwarded by the World Bank must address the substance of the complaint, protest or
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contractual dispute and inform the World Bank regarding the action taken, except in the case of prior review contracts where the Bank’s no objection is required.

A2.9 Complaints, protests and contractual disputes will be considered, acknowledgment of receipt sent promptly, analyzed and resolved objectively and in a timely manner promoting an open, fair and transparent procurement process that:

(a) Promotes trust, accountability and integrity between all parties;
(b) Provides oversight of the procurement process;
(c) Ensures full and fair opportunity for all providers;
(d) Monitors compliance with World Bank Procurement Framework; and
(e) Provides deterrence and corrective action.

A2.10 Below are the four elements of an effective complaints, protest and contractual dispute monitoring system:

(a) **Efficiency** - The system forces the complaint, protest or contractual dispute to be raised and promptly decided. The Decision Timetable outlined in this document seeks to provide for prompt and efficient decision making;
(b) **Meaningful review** - Requires those conducting the review of the complaint, protest and contractual disputes to have the right expertise and sufficient records to review;
(c) **Independence** - Members of the Public and those directly involved in the procurement process trust the integrity of the system because those making the decisions do not have a stake in the outcome; and
(d) **Meaningful relief** - There is an opportunity to raise a formal complaint, protest or contractual dispute at the appropriate stage of the procurement process and obtain an appropriate response; and the range of remedies is meaningful. The manner a complaint, protest or contractual dispute shall be handled depends on the nature of the complaint, protest or contractual dispute and the stage of the procurement life cycle in which the complaint, protest or contractual dispute is raised and the role of the World Bank.

**THE COMPLAINT, PROTEST AND CONTRACTUAL DISPUTE MONITORING PROCESS**

A2.11 It is required that the Borrower try to mitigate potential complaints, protests or contractual disputes before they arise. Mitigation may be achieved by preventing issues escalating to a complaint, protest or contractual dispute, by the use of clear and open communication with the parties about the process and the reasons for decisions.
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A2.12 The complaints process begins with the filing of a written complaint, protest or contractual dispute to the World Bank or Borrower or both. Up until this point every effort should be made by the parties to resolve issues amicably before they escalate to a complaint, protest or contractual dispute.

A2.13 The Decision Timeline in this document outlines the steps available for monitoring complaints, protests and contractual disputes and the timeframes the World Bank expects Borrowers to adhere to.

Figure A2 – Key Stages

KEY STAGES OF THE PROCUREMENT CYCLE FOR COMPLAINTS, PROTESTS AND CONTRACTUAL DISPUTES:

Table A2 – Key Stages

| Stage 1: Covers all initial planning and strategy development, communication with the market for a specific procurement activity from finance approval up to when the SPN, REOI or invitations are issued | Stage 2: Covers from the SPN, REOI or invitation to the deadline for submissions | Stage 3: Covers from the deadline for submissions to completion of evaluation (back to stage 2 in case of shortlisting or pre-qualification) or notification of intention to award the contract | Stage 4: Covers from notification of contract award until the end of the warranty period |
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Stage 1 – From loan approval to publication of the SPN, REOI or invitation

Table A2.1 - From loan approval to publication of the SPN, REOI or invitation

<table>
<thead>
<tr>
<th>Borrower</th>
<th>World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Prompt acknowledgment of receipt of complaint and notification to the World Bank</td>
<td>1 Acknowledge receipt and inform complainant whether it is shared with the Borrower</td>
</tr>
<tr>
<td>2 Analyze and address the substance of the complaint and respond to the complainant</td>
<td>2 Take the appropriate action, including prompt referral to the Borrower, tracking and monitoring the complaint</td>
</tr>
<tr>
<td>3 Inform the World Bank on the actions taken regarding the complaint</td>
<td>3 Follow up with Borrower on how the substance of the complaint has been addressed</td>
</tr>
</tbody>
</table>

Stage 2 – From SPN, REOI or invitation to deadline for submission

Table A2.2 - From SPN, REOI or invitation to deadline for submission

<table>
<thead>
<tr>
<th>Borrower</th>
<th>World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Prompt acknowledgment of receipt of complaint and notification to the World Bank</td>
<td>1 Determine whether it is a complaint, a clarification request or a protest.</td>
</tr>
<tr>
<td>2 Determine whether the communication is a clarification request or a protest. Analyze and address the substance of the complaint and respond to the complainant</td>
<td>2 Acknowledge receipt and inform complainant whether it is shared with the Borrower</td>
</tr>
<tr>
<td>3 In case of a request for clarification of the procurement documents, copy the response without identifying its source to all providers who obtained the procurement documents from the Borrower</td>
<td>3 Take the appropriate action, including prompt referral to the Borrower, tracking and monitoring the complaint</td>
</tr>
<tr>
<td>4 If the communication is considered a protest, the Borrower shall respond to the protester and inform the World Bank of the action taken.</td>
<td>4 Request the Borrower to address the complaint, clarification request or protest and inform the World Bank on the actions taken</td>
</tr>
<tr>
<td>5 If necessary, amend the procurement documents, publish and issue the amendments to all providers who obtained the procurement documents from the Borrower</td>
<td>5 Supervise how the substance of the complaint has been addressed.</td>
</tr>
<tr>
<td>6 If the procurement documents are subject to prior review, then the World Bank’s no objection is required for amendments. If the Borrower does not act promptly and appropriately the World Bank may increase its oversight or regard misprocurement as an option in exceptional circumstances</td>
<td>6 If the Borrower does not act promptly and appropriately the World Bank may increase its oversight or regard misprocurement as an option in exceptional circumstances</td>
</tr>
</tbody>
</table>
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#### Stage 3 – Evaluation Period

**Table A2.3 – Evaluation Period**

<table>
<thead>
<tr>
<th>Borrower</th>
<th>World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Determine whether a provider participating in the procurement process has submitted a complaint which then shall be considered a protest</td>
<td>1 Acknowledge receipt and inform complainant whether it is shared with the Borrower</td>
</tr>
<tr>
<td>2 Promptly acknowledge receipt of complaint or protest without providing a response to its substance and notification to the World Bank</td>
<td>2 Take the appropriate action, including prompt referral to the Borrower, tracking and monitoring the complaint</td>
</tr>
<tr>
<td>3 If it is not a provider participating in the procurement process, then it is considered a complaint and the Borrower shall wait until the evaluation process is completed and the contract award notified before responding to the complaint.</td>
<td>3 Request the Borrower to address the complaint and/or protest and keep a record on the actions taken</td>
</tr>
<tr>
<td>4 Determine if it is a protest and evaluate the complaint to determine if any action is required but without communicating with the protester</td>
<td>4 In the case of prior review contracts, the World Bank shall not issue a no objection unless it is satisfied that the substance of the complaint has been addressed properly</td>
</tr>
<tr>
<td>5 Keep a record of how the protest was addressed without communicating with the protester</td>
<td>5 Follow up with Borrower that it has responded to the complainant or protest</td>
</tr>
<tr>
<td>6 For prior review, the Evaluation Report shall indicate how the substance of the protest has been addressed</td>
<td>6 If the Borrower does not act promptly and appropriately the World Bank may increase its oversight or regard misprocurement as an option in exceptional circumstances</td>
</tr>
<tr>
<td>7 The World Bank shall not issue a no objection unless it is satisfied that the substance of the protest has been addressed properly</td>
<td>7 After the contract has been awarded, if the complainant or protester is not satisfied with the Borrower response it may request the World Bank for a debriefing on the subject of the complaint or protest. Information on other providers, whether confidential or not, shall not be given to the complainant</td>
</tr>
<tr>
<td>8 Following publication and notification of intention to shortlist, prequalify or award the contract, the Borrower shall respond to the protester with copy to the World Bank</td>
<td></td>
</tr>
<tr>
<td>9 If the Borrower does not act promptly and appropriately the World Bank may apply corrective remedies</td>
<td></td>
</tr>
</tbody>
</table>
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10 If the protester is not satisfied with the Borrower response it may request a debriefing from the Borrower on the subject of the protest. Information on other providers, whether confidential or not, shall not be given to the protester.

Stage 4 – Contract Management stage

A2.14 Disputes resolutions during the execution of the contract are governed by the terms and conditions of the contract under the laws indicated in the contract.

Table A2.4 – Contract Management stage

<table>
<thead>
<tr>
<th>Borrower</th>
<th>World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The Borrower shall inform the World Bank of any contractual disputes that arise during the execution of the contract</td>
<td>1 Monitor the execution of the contract to verify that its terms and conditions under the applicable laws are being adhered to by both parties</td>
</tr>
<tr>
<td>2 The Borrower shall inform the World Bank of the action plan it has taken or plans to take to resolve any contractual disputes in a timely manner</td>
<td>2 Track and monitor if the action plan proposed by the Borrower is being implemented in a timely manner</td>
</tr>
<tr>
<td>3 The Borrower shall respond to the World Bank within the specified time frame on how the substance of the contractual dispute has been handled based on the applicable contractual terms and conditions</td>
<td>3 Promptly acknowledge receipt of any communication received during contract execution and share it with the borrower</td>
</tr>
<tr>
<td>4 If the Borrower does not act promptly and appropriately the World Bank may take appropriate actions, including increasing its oversight. In addition, the Bank can regard misprocurement as an option in exceptional circumstances</td>
<td>4 If the Borrower does not act promptly and appropriately the World Bank may increase its oversight or regard misprocurement as an option in exceptional circumstances</td>
</tr>
</tbody>
</table>
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Roles and responsibilities for complaints

Borrower’s Responsibilities:

A2.15 The Borrower’s responsibilities are:

(a) Be available and responsive to complaints raised by members of the public throughout a procurement lifecycle;
(b) Be available and responsive to protests raised by providers participating in or with the intent to participate in a procurement process financed by the World Bank;
(c) Be available and responsive to contractual disputes in contracts financed by the World Bank;
(d) Treat complaints, protests and/or contractual disputes fairly providing timely information to prevent and resolve issues;
(e) Keep commercially sensitive information confidential;
(f) Not allow the complaint, protests or contractual disputes to affect any other current or future opportunities with the Borrower;
(g) Ensure that complaints, protests and contractual disputes are handled in an independent and impartial manner;
(h) Report any suspicions and / or requests to engage in corrupt or fraudulent practices; and
(i) Maintain complete records of all complaints, protests or contractual disputes and their resolution.

Provider’s Responsibilities:

A2.16 The Provider’s responsibilities are:

(a) Invest time and effort in understanding the World Bank Procurement Framework governing the procurement processes, in particular those related to the complaint process;
(b) Act with integrity when participating in World Bank financed projects; and
(c) Report any suspicions and / or requests to engage in corrupt or fraudulent practices.

World Bank’s Responsibilities:

A2.17 The World Bank shall provide complaints, protests and contractual disputes monitoring at all phases of the procurement process including contract management. In examining the approach to complaints, protests and contractual disputes monitoring, the Bank shall:

(a) Allocate dedicated senior Bank staff to centrally monitor complaints, track progress, and provide reporting/statistics that may assist the Bank in determining
future loans to borrowers and will also inform appropriate contract management methods for particular suppliers;

(b) Provide more support to TTLs/sectors, including setting business standards and developing measures for complaints tracking;

(c) Increase access to independent Dispute Review Boards in Bank financed contracts;

(d) Include, as part of Bank project supervision, reviews to ensure that agreements made in the contract e.g., to establish a Dispute Review Board are carried out and are functioning appropriately; and

(e) Continue to provide access to independent arbitration in ICB contracts.

Complaints, protests and contractual disputes involving fraud or corruption

A2.18 Complaints relating to fraud or corruption must be sent to the World Bank Integrity Vice Presidency.

REQUIREMENTS OF A COMPLAINT, PROTEST OR CONTRACTUAL DISPUTE

Contents of a complaint, protest or contractual dispute

A2.19 To be properly considered all complaints, protest or contractual dispute should:

(a) Be in writing. Verbal complaints, protest or contractual disputes are considered when subsequently put in writing.

(b) Include the following details:
   i. Contact details of the complainant, protester—name, address, email address and phone numbers. Anonymous complaints will be considered and handled on their own merit. However, due to the anonymity, acknowledgements or responses will not be possible.
   ii. Background information identifying the procurement, the process and the relevant dates.
   iii. Brief summary of the problem.
   iv. Outline of previous dealings with the Borrower.
   v. Details of any phone calls, emails or letters sent and the names of the people being dealt with.
   vi. Summary of the information given at the debrief given by the Borrower, if one took place, and why this did not resolve the problem.
   vii. Explanation of what the complainant, protester or contractual dispute issuer wants the Borrower or the World Bank to do – for example, a request for more information or investigation of specific facts.
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Address complaints, protests or contractual disputes to:

A2.20 Complaints, protests or contractual disputes should be sent to the project implementing agency of the Borrower in the first instance.

(a) Complaints addressed to the World Bank should be sent to:
   i. Governance Global Practice
      The World Bank
      1818 H Street, NW
      Washington DC 204433, USA
      Or
   ii. The World Bank - (Input Respective Country Office Address)

(b) Complaints relating to fraud and corruption should be sent to:
   iii. Bank Integrity Vice Presidency
      investigations_hotline@worldbank.org;
      through the World Bank website;
      through the 24-hour hotline operated by a third party: toll free +1-800-831-0463, collect calls +1-704-556-7046 (interpreters are available, anonymous calls accepted);
      OR
### Decision timetable

**Table A2.5 – Decision timetable**

<table>
<thead>
<tr>
<th>Process step</th>
<th>Description</th>
<th>Stage 1 Prior to SPN/REOI/Invitation</th>
<th>Stage 2 SPN/REOI/Invitation to Deadline for Submission</th>
<th>Stage 3 Evaluation</th>
<th>Stage 4 Contract Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower or World Bank Acknowledgment of Complaint, Protest or Contractual Dispute</td>
<td>Acknowledge all complaints, protest or contractual dispute in writing</td>
<td>within five (5) calendar days</td>
<td>within five (5) calendar days</td>
<td>within five (5) calendar days</td>
<td>within five (5) calendar days</td>
</tr>
<tr>
<td>World Bank forward complaint, protest or contractual dispute to the Borrower as appropriate</td>
<td>within five (5) calendar days</td>
<td>within five (5) calendar days</td>
<td>within five (5) calendar days</td>
<td>within five (5) calendar days</td>
<td>within five (5) calendar days</td>
</tr>
<tr>
<td>Borrower responds to complainant, protest or contractual disputes and copy the World Bank</td>
<td>Straight forward issues</td>
<td>Within ten (10) calendar days</td>
<td>Within five (5) calendar days from the deadline for submissions</td>
<td>After notification of intention to shortlist, prequalify or award the contract</td>
<td>As per the contract</td>
</tr>
<tr>
<td>Complex issues</td>
<td>Complex issues</td>
<td>Within five (5) calendar days</td>
<td>After notification of intention to shortlist, prequalify or award the contract</td>
<td>As per the contract</td>
<td>As per the contract</td>
</tr>
</tbody>
</table>

- **Stage 1 Prior to SPN/REOI/Invitation:**
  - Within five (5) calendar days

- **Stage 2 SPN/REOI/Invitation to Deadline for Submission:**
  - Within five (5) calendar days

- **Stage 3 Evaluation:**
  - Within five (5) calendar days

- **Stage 4 Contract Management:**
  - Within five (5) calendar days

- **Borrower or World Bank Acknowledgment of Complaint, Protest or Contractual Dispute:**
  - Acknowledge all complaints, protest or contractual dispute in writing within five (5) calendar days

- **World Bank forward complaint, protest or contractual dispute to the Borrower as appropriate:**
  - Forward complaint, protest or contractual dispute within five (5) calendar days

- **Borrower responds to complainant, protest or contractual disputes and copy the World Bank:**
  - Respond to complaints, protests, and contractual disputes within ten (10) calendar days

- **Complex issues:**
  - As promptly as possible but no more than thirty (30) calendar days

- **Stage 3 Evaluation:**
  - After notification of intention to shortlist, prequalify or award the contract within five (5) calendar days

- **Stage 4 Contract Management:**
  - As per the contract within five (5) calendar days
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ANNEX 3

PROCUREMENT STRATEGY FOR DEVELOPMENT

A.3.1 Strategic planning for World Bank financed projects is undertaken at two levels - the project and the specific procurement activity. Depending on the level of risk and value associated with the project or the specific procurement activity, different levels of effort, analysis and justification will be expected.

Level 1 – Project Procurement Strategy:

A.3.2 A Project Procurement Strategy includes strategic analysis and planning needed to meet the development objectives at the project level and is an intrinsic part of the project preparation documents. The level of detail and rigor in the Project Procurement Strategy will depend on the value of the project and risk (including fiduciary and project implementation risk factors). The elements detailed in Figure A3.1 must be addressed in the Project Procurement Strategy.

Level 2 – Activity Level Procurement Strategy

A.3.3 An Activity Level Procurement Strategy will only be required for specific procurement activities identified as high risk and/or high value or otherwise as agreed between the Bank and the borrower depending on the need to tailor the applied procurement processes. High value is defined as procurement activities valued above the Bank defined specific country ICB threshold.

A.3.4 For each individual procurement activity (identified in the Project Procurement Strategy), the Borrower will produce specific Activity Level Procurement Strategies as required, describing the most fit for purpose approach to the market to deliver optimum value for money, with integrity for individual acquisitions to ensure sustainable development.

A.3.5 If the use of alternative procurement arrangements has been approved then Activity Level Procurement Strategies will be at the discretion of the Borrower.
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Box A3.1

Low value / low risk example: A project may include a low value and low risk procurement activity relating to the construction of a road in a competitive, stable national market, additionally some consultancy services are also required to support the construction. Such procurement activities would not necessarily require an activity strategy to be documented (assuming that the procurement is following open competitive procurement). Following agreement with the World Bank, the Procurement Plan would indicate NCB as the method to be used for this activity.

High value / high risk example: If a project includes more complex individual procurement activity such as a solar power plant then an Activity Level Procurement Strategy would be required that detailed the elements outlined in the Activity Level Procurement Strategy section below, including the approach to market and method (such as competitive dialogue), and the evaluation criteria on a life cycle cost basis including sustainability considerations, as appropriate.

A.3.6 Templates, tools and guidance for each of the Project and Activity Level strategy documents will be included in the Guidance material to assist Borrowers (to be developed).

Developing a Project Procurement Strategy (Level 1)

A.3.7 The purpose of the Project Procurement Strategy is to outline at the broad project level the operating context, market and capacity of the Borrower agency (e.g. the country, region, local level context, implementing agency capacity and capability) for the project, the development objectives, risks, opportunities, any technical assistance required and the specific procurement activities that will be undertaken to achieve the development objectives.

A.3.8 Borrowers should engage early with the World Bank on developing this strategy and it must be completed for review by the World Bank before it is included as a key component of the project preparation documents. The Borrower must complete the Project Level Strategy with the support of the World Bank – ideally a cross-functional stakeholder group should be used to develop the Project Level Strategy.

A.3.9 The key elements that should be taken into consideration when developing the Project Level Strategy are outlined in Figure A3.1.
All of these considerations will inform a strategic procurement approach for the overall project that is customized to the objectives, to the Borrower country context and the overall market environment.

Note: The effort, detail and documentation supporting each of these steps must be proportionate to the scale, scope, risk, and complexity of the proposed project, its associated procurements and the strategic importance to the Borrower and the Bank.
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**Value for money**

A.3.10 Value for money means the effective, efficient, and economic use of resources, which requires an evaluation of relevant costs and benefits, along with an assessment of risks, on a whole-of-life basis or life-cycle-costs basis, as appropriate.

A.3.11 Value for money is a central consideration through the strategy development and procurement planning process to ensure the most appropriate supplier(s) is selected for the right reasons and at a cost that represents the optimum combination of life cycle cost (costs of ownership over the anticipated life) and quality to meet the borrower’s requirements.

A.3.12 If value for money criteria and measures for success are to be used they must be developed and identified through the Activity Level Procurement Strategy and finally agreed by the Bank.

**Fit for purpose**

A.3.13 The principle of fitness for purpose applies both to the intended outcomes and the procurement arrangements in determining the most appropriate procurement approach and method (within those envisaged in the Bank’s Borrower Procurement Procedures) to meet the development objectives and project outcomes. The proposed procurement approach should take into account the context and the risk, value, and complexity of the procurement.

A.3.14 The Project Procurement Strategy must identify those procurement activities that are high risk and/or high value, or at other levels of risk and value as agreed with the Bank depending on the need to tailor the applied procurement processes. High value procurement activities are those valued above the Bank defined country ICB threshold.

**Sustainable Procurement**

A.3.15 As agreed with the borrower, sustainability aspects of World Bank-financed activities will initially be identified during project appraisal. See separate procedure for this approach.

**Developing an Activity Level Procurement Strategy (Level 2)**

A.3.16 The purpose of the Activity Level Procurement Strategy is to present the specific research, analysis and planning for each individual procurement activity that informs the optimum procurement approach to positively influence and shape the market’s response to meet the needs of the borrower. For example, the ability of the market to respond competitively and with innovation; opportunities for risk and cost sharing etc. The Activity Level
Procurement Strategy should be developed after the Project team has been established between the World Bank and the Borrower.

A.3.17 An Activity Level Procurement Strategy may not be required for all activities, this will depend on the relative risk and value of each procurement planned, innovations expected and the degree of tailoring anticipated in the procurement process. If due to the routine nature of the specific procurements, (and assuming that the procurement is following open competitive procedures), then following agreement with the Bank the Borrower would not complete an Activity Procurement Strategy and use the procurement method specified in the Procurement Plan.

A.3.18 The Borrower is accountable for the development of each Activity Procurement Strategy with the assistance of the World Bank as needed in order to justify and inform the specific, fit for purpose procurement approach to market.

A.3.19 Key components of a comprehensive Activity Level Procurement Strategy should include:

(a) Project initiation and governance
   i. Goals and objectives of the activity;
   ii. Scope of the procurement activity;
   iii. Stakeholder analysis; and
   iv. Timelines for delivery.

(b) Operation’s needs analysis

(c) Market development objectives

(d) Market analysis
   i. Current and forecast spend for the activity;
   ii. Market segmentation;
   iii. Supplier analysis and market trends;
   iv. Supply chain analysis;
   v. Cost analysis;
   vi. Supply positioning and customer preferencing with opportunities for improvement; and
   vii. Supplier strategy.

(e) Strategic sourcing options (an options appraisal of the different fit for purpose approaches to engage the market with a final recommendation on the most appropriate procurement approach to take)

(f) Implementation planning
   i. Approach to market methodology
   ii. Evaluation methodology to determine best value for money
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iii. Specification of Requirements
iv. Contract Type
v. Quality & performance measures
vi. Project management

Note: More detailed guidance on how to develop the strategy will be detailed in Guidance.

Operation’s Needs analysis

A.3.20 Each individual procurement should have a clear statement of operation’s needs that is informed through consultation with key stakeholders.

A.3.21 This analysis should consider the following:

(a) What is the purpose of the procurement?
(b) Who will be impacted by the procurement?
(c) Who are the key stakeholders and what are their expectations?
(d) Who are the major internal clients and what are their highest needs?
(e) Who are major external users or recipients of the goods/services and what are their highest needs?
(f) What similarities and differences become apparent between the needs of the two groups?

A.3.22 The statement of needs will later inform:

(a) Type and extent of market research and analysis;
(b) Sustainability opportunities, issues, risks – linking economic, social and environmental goals together as agreed with the Borrower and Bank;
(c) Identification of a range of potential solutions;
(d) Solutions options appraisal;
(e) Development of specification of requirements detailing the nature and scope of the goods/services that will be required to satisfy the needs; and
(f) Development of evaluation criteria and weightings.

Market Research and Analysis

A.3.23 The objective of market research and analysis is to develop an appropriate understanding of the nature of the market, how it works and impacts upon the approach to the market and overall procurement strategy. It allows informed decisions to be made in order to meet the project’s objectives for the Borrower.
Market research is critical and must be undertaken to identify the opportunities, strengths and weaknesses in the supply market to deliver the objectives of the project. Market research will also seek to identify under what conditions firms will and will not compete for the project this is essential to inform the selection of the approach procurement approach and method. Additional elements of market research can provide information on the following:

(a) The nature of the supply market (Competitive, monopolistic, level of technical capability, volume capability, spare capacity, segmentation etc.);
(b) The maturity and sophistication of suppliers to deliver complex packages;
(c) The scope for risk sharing and innovation;
(d) The nature of the supply chain, and where cost, risk and resource use impact on supply;
(e) What kind of market approach and selection processes should be used;
(f) The significance of the project in the market;
(g) Type of contract, for example leasing, sub contracting or outright purchase, a PPP (and which type), a consortium, or a framework agreement, etc., and associated risks;
(h) The ease with which a contractual arrangement can be monitored, evaluated and managed;
(i) What performance incentives might be included in the contract;
(j) What procedures should be adopted to create a contract, for example through an RFP followed by negotiation; and
(k) Performance criteria that are contracted.

The market research must identify the potential providers that should be targeted in any communications on solicitations or pre-qualification process. Some of these issues and the proposed specifications themselves will not always be able to be reliably defined without pre-contractual supplier dialogue and negotiation. At all times Borrowers must adhere to the Banks Core Procurement Principles in relation to integrity, fairness and transparency. Any early market engagement should therefore be conducted to the highest ethical standards, be properly documented and ensure equal opportunity is provided to all interested bidders.

The minimum results required of a market analysis must include the identification, interest and availability of suppliers, contractor or services providers, the level of competition, their technical capability and capacity, and financial capacity, key areas of risk (and likelihood), and cost trends. For high risk and high value procurements in complex or specialized markets, an industry specialist may need to be engaged to advise on the market.
Specifying Requirements

A.3.27 Functional and technical specifications should link back to the intended objectives, risks identified (including those of the project determined for action in the procurement process) and business needs.

A.3.28 Specifications should, where possible, be in terms of technical performance or recognized international standards, rather than a prescribed design, and should not presume technical, logistical, proprietary or management solutions, which can reduce the scope for innovation, limit competition, and also transfer substantial risk from the provider to the purchaser (unless Direct sourcing has been agreed with the Bank). These considerations must be adequately justified and documented.

A.3.29 The specifications must address the targeted outcomes and development objectives and meet the agreed stakeholder needs on a life cycle costing basis, if appropriate. Specifications must also ensure that their design is not structured or divided to avoid the application of the World Bank Procurement Policy Framework or any other procurement policy requirements.

A.3.30 Good matching of specifications with risks and objectives can be expected to minimize contract amendments or renegotiations and performance, and improve procurement efficiency.

Risk Management

A.3.31 The World Bank has specific risk management requirements at a Project level that will be undertaken by World Bank staff to input into the Project Appraisal Document for fiduciary risk management.

A.3.32 For high risk or complex procurement activities, the procurement strategy must include a documented risk management plan that supports effective and efficient project delivery and integrity in project outcomes and processes.

A.3.33 Procurement risks increase with the complexity of the supply chain and market structure; the experience of the agency in either the nature of the procurement being undertaken or the market; or the degree to which the project itself is inherently complex (technically, legally or financially).
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A.3.34 The risk management plan must take a proportional approach to risk management depending on the risk rating and should outline the management responsibilities including reporting and documentation requirements; and risk ownership and escalation.

A.3.35 All risk management plans for procurement activities must undertake:

(a) A comprehensive risk identification process. This should include internal risks such as capability and capacity to implement as well as external risks such as supply market ability to deliver, seasonal impacts on weather and markets, and not be limited to fiduciary risk;
(b) A rating of the potential risk by assessing the likelihood and impact of each potential risk, and the duration of the impact; and
(c) A prioritization of the risks in terms of their combined risk rating and the approach to active risk monitoring and mitigation procedures should be tailored to suit the relative risk ratings.

Note: Further instructions to borrowers on how to undertake risk management will be included in Guidance.

Determining the best approach to the market

A.3.36 Options for approaching the market must be analyzed in the Activity Procurement Strategy and the detailed process. An evaluation methodology to achieve optimum value for money must also be set out in the Activity Procurement Strategy.

A.3.37 For the types of high value / high risk procurement activities that will require an Activity Level Procurement Strategy, the approach to market could be a combination of competitive and / or noncompetitive methods adapted to fit the purpose. For example the Borrower may use a competitive dialogue process to develop the specification for a complex procurement; or negotiate a cost and risk sharing PPP arrangement such as Build Operate and Transfer (BOT) or Build Own Operate and Transfer (BOOT) concessions or similar types of private sector arrangements.

A.3.38 In all cases however, the Borrower must take a strategic approach to the analysis and planning of such a fit-for purpose approach, and must adhere to the World Bank’s Core Procurement Principles

Note: More detailed guidance and templates on how to develop the strategy documents will be detailed in Guidance.
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ANNEX 4

SUSTAINABLE PROCUREMENT
NON-MANDATORY REQUIREMENT

Key Points:

A4.1 Procurement in World Bank financed projects supports clients to achieve value for money with integrity in delivering sustainable development.

A4.2 Where agreed with the borrower, World Bank and borrower staff will identify specific sustainability risks and opportunities for procurements during the research and planning stages of project preparation. However, Sustainable procurement is not a mandatory requirement for borrowers.

A4.3 Issues identified in project preparation will be categorized into actions for:

(a) Project design;
(b) Pre-qualification criteria;
(c) Specification criteria;
(d) Bid evaluation criteria; and
(e) On-going contract management criteria.

A4.4 Actions identified will be agreed with the borrower as part of project approval processes and integrated into the project/procurement process as appropriate.

A4.5 The World Bank would support borrowers to include other sustainable procurement criteria in World Bank financed procurements where there is full consistency with the borrowers own national policy providing it does not contravene the World Bank’s Procurement Framework.

Note: This annex should be read in conjunction with the annex titled Procurement Strategy for Development.

A4.6 As agreed with the borrower, sustainability risks and opportunities would then be addressed at the appropriate stage of the procurement process, a combination of any of:
A4.7 Strategic planning for World Bank financed projects are undertaken at two levels for all projects and/or specific procurement activities identified as high risk and high value (risk informed by the Environmental and Social Framework Policy and value informed by the Bank defined country ICB threshold), or at other levels of risk and value as agreed with the Bank depending on the need to tailor the applied procurement processes:

**Level 1 – Project Procurement Strategy:**

A4.8 As outlined above, the proposed approach provides opportunities to advance and accommodate borrower sustainable procurement policies and approaches, quality evaluation, corporate and social responsibility provisions, etc. as long as they don’t conflict with the World Bank’s Policies. In addition, the World Bank will discuss the benefits of sustainable procurement to the borrowers at both a systemic policy level, utilizing its diagnostic tools to support institutional strengthening and at a project level identifying key projects with sustainability impacts.

**Sustainability Risk:**

A4.9 Sustainability aspects of World Bank-financed activities will initially be identified during project appraisal. These requirements will be prioritized and addressed as appropriate within the project design and will be agreed with the borrower. The World Bank takes a risk-based approach to its support to sustainable procurement using review of projects to determine risk in accordance with the World Bank’s Environmental and Social
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Framework Policy. The Bank, through the Environmental and Social Standards unit, undertakes environmental and social screening of each proposed project to determine the appropriate extent and type of environmental assessment.

A4.10 During the assessment, issues are identified that can be addressed as part of the procurement process. These issues are discussed with the borrower and will be included in the activity level procurement strategy.

Level 2 – Activity Level Procurement Strategy:

A4.11 The following procedures are not an exhaustive list of the ways to implement sustainable procurement, but rather focus attention on those key areas that could be addressed. The specifics of the various countries and markets must be considered when applying sustainable procurement, including the laws governing contracting, World Bank policies and procedures, as well as the technical requirements and market conditions.

Note: Additional detailed guidance will be available in Guidance Notes.

A4.12 Any sustainability issues that are best addressed during the procurement process will be included within the activity level procurement strategy for the procurement and will form specific criteria for qualification, specifications / Terms of Reference, bid evaluation criteria or post award performance indicators. Sustainable procurement criteria agreed during project preparation will also be augmented as needed with any specific sustainable procurement criteria from the borrower’s own sustainable procurement policy (if present) that is in accordance with the World Bank’s Procurement Framework.

Planning and applicability:

A4.13 Contract specific market research is critical and must be undertaken during development of the activity level procurement strategy (see Annex Procurement Strategy for Development). The purpose is to identify the opportunities, strengths and weaknesses in the supply market to deliver the objectives of the procurement. Part of the market analysis should also address the maturity of the sustainable products and services that may be required to support the procurement depending on the risks to be managed. The objective for this aspect of the market analysis is to determine the availability of sustainable solutions to address the risks identified in the sustainability risk assessment. The analysis should address such question as:

(a) The maturity and sophistication of suppliers available to provide solutions;
(b) The type of solutions available to the procurement;
(c) The ease with which these solutions can be monitored evaluated and managed;
(d) What performance incentives might be included in the contract; and
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(e) Performance criteria.

Specifying Requirements:

A4.14 As specifications and scopes of work are being prepared for the procurement documents, sustainable procurement factors should be incorporated. It is important that these requirements are undertaken using the information from the risk assessment and the market analysis. National and international specification standards can play a role in influencing the design of products and processes. Many standards include sustainable characteristics such as energy use or waste management procedures. References to international technical standards can be included directly in the requirements definition. Technical standards can take a number of forms. These include common technical specifications, international standards, national standards and national technical specifications. Standards are useful as they are clear and usually developed using a process which includes a wide range of stakeholders. This gives a broad acceptability to the technical solutions provided by standards which are adopted in this way.

A4.15 When selecting technical specifications it is important to keep in mind the entire procurement process, and in particular the required award criteria and contractual provisions. As a general rule, sustainability criteria are minimum requirements which should match the market availability of products, works and services. Knowing the availability of these products or services to meet these criteria will help maintain a strong competitive process. The terms of reference, with the technical specifications, is the core of all procurement procedures. In the technical specifications the contracting authority defines its requirements within a technical description and/or requirements for functionality and performance. For procurements using performance specifications the desired outcomes needs to be defined while allowing flexibility to the bidder on how to meet the performance specifications. In either case, the performance to be provided must be described clearly and understandable so that the bidding company is able to compile an offer. Furthermore, in the technical specifications the contracting authority defines which other services may be required as part of the procurement procedure, for example, initial and advanced training and operational support. Only offers that match the requirements and the specifications should be considered according to the award criteria.

Life cycle costing:

A4.16 Achieving value for money is a key principle of the World Bank’s procurement approach, with integrity and sustainable development. In the context of sustainable procurement, the use of life cycle costing is essential to demonstrate that the procurement process has moved beyond just considering the base purchase price of a good, service or works. The purchase price alone does not always reflect the financial and non-financial gains that are offered by more sustainable offerings as they those benefits can accrue during the operation and use phases of the asset’s useful life.
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A4.17 Typical life cycle costing analyses are based on:

(a) Purchasing costs and all associated costs such as delivery and installation,
(b) Operating costs, including utility costs such as energy and water use and maintenance costs;
(c) End-of-life costs such as removal, recycling or refurbishment, decommissioning and any disposal costs; and
(d) Longevity and warranty time frames of the asset.

A4.18 The selection of offers which present the optimum combination of factors such as appropriate quality, life cycle costs and other parameters is in the best interest of the borrower. Environmental and social considerations can be included among these parameters.

Prequalification of bidders:

A4.19 The objective of the pre-qualification of bidders is to identify suitable market players for a contract. This is generally achieved using criteria in order to determine the economic and technical suitability of a potential bidder. When assessing the capability of bidders, consideration should be given to specific experience and competencies concerning environmental, social and economic issues as it relates to the performance of the contract that do not conflict with World Bank policies. Additional information can be found in the Procurement Provisions Annex.

A4.20 For example, if the purpose of the project was to clean up a hazardous chemical site there are a number of ways to includes sustainable procurement criteria into the prequalification process. These could include:

(a) Appropriate experience in chemical/waste identification and treatment; and
(b) Experience in safety management of sites of a similar nature.

A4.21 Technical capability involving the sustainable execution of the contract can be demonstrated through references, past performance or other means. It is important to state exactly which types of information are considered relevant, and what written verification should be submitted.

Contract Management:

A4.22 Contractual clauses dealing with sustainability help strengthen the ability to verify and enforce these requirements. Adherence to the contractual terms and conditions must be monitored during the execution of the contract. Contractual terms and conditions can
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contain specific obligations that are entered into within the contractual terms and conditions. Contractual terms and conditions must be stated in advance and clearly in the procurement documents in order to ensure that companies are aware of all contractual provisions, and are in a position to include them in their bids. Furthermore they should demonstrate a connection to the execution of the contract, i.e. they must refer to tasks that are necessary for the manufacture and provision of the products, services or construction work. The conditions to be agreed contractually can be distinguished roughly as follows:

A4.23 Guaranteed performance parameters are values guaranteed. They normally lie between acceptable agreed deviations (i.e. energy consumption). If during performance the parameters are outside the acceptable deviations, instructions for remedy and resolution are issued within specific deadlines and possibly with contractual penalties. When formulating a contract, particular attention should be paid to long-term guarantees on the provision of performance and function. Sustainability aspects of implementation especially for supply contracts may include for example:

(a) For suppliers: product take-back (and recycling or re-utilization) of product packaging as a condition
(b) Details on eco-friendly packaging (PVC-free, recyclable materials such as cardboard, paper, protective foil)

A4.24 For construction and service contracts these can be supplemented with the following aspects:

(a) Minimization of waste generated during the execution of the contract, e.g. through the inclusion of specific targets or by defining maximum amounts and corresponding penalty or bonus clauses
(b) Good health and safety procedures and practices.

Capacity building:

A4.25 The World Bank’s tool kit includes more training material and guidance on sustainable procurement to improve the borrower’s ability to address sustainability issues. Procedures, templates and samples are provided as part of the new tool kit. The goal in providing support to borrowers is to develop sustainability procurement capacity to make sustainability an integral part of the procurement process.
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Box A4.1 – Example of Sustainable Procurement

*Project Example is to clean up/remediate hazardous chemical contamination of land and water, safely dispose of treated hazardous wastes over a 10 year period so that the site can be utilized for future economic development/construction activities:*

Environmental and social risk assessment identifies the key sustainability issues for action, following discussion between the Bank and the borrower it is agreed that these issues should be addressed through the procurement process through a combination of pre-qualification criteria, specification criteria, seeking innovative proposals and giving extra “Value for Money” credit for proposals during bid evaluation, factoring costs over the 10 year anticipated design life and seeking alternative treatment proposals. Key aspects to consider in the procurement process agreed with the borrower are:

1. Identification and appropriate treatment plan for pollutants, set pre-qualification criteria for selection of contractor with appropriate experience in chemical/waste identification and treatment – both of land and water.

2. Minimization of air-borne pollutants during land remediation i.e. churning of dust/debris during site clearance potentially causing hazardous chemicals to become air-borne and causing wider safety and environmental risk, as part of the tender seek contractors’ proposals for a method of work to minimize dust and airborne pollutants and give credit for innovative approaches as part of bid evaluation.

3. Optimizing efficiency of polluted water treatment, minimizing pumping and processing costs (dispersants, flocculants, energy etc) as part of tender seek contractor proposals for water treatment design and give credit for innovative design in bid evaluation. To further incentivize efficiency to maximize sustainability and optimize life cycle costs, the cost evaluation of the bid would also calculate the cost of energy and any chemicals used in treatment based on cost per litre of water treated over the anticipated 10 year project and establish a total cost of energy use in bid evaluation. This would also incentive bidders to examine alternative proposals looking at passive, natural biological treatment systems if feasible.

4. Maximizing efficiency of the waste treatment process, given the hazardous materials recovered from the site will likely have to be disposed in a registered landfill that is not adjacent to the site, to make transport and disposal costs as efficient as possible, seek contractor designs to dry and compact waste to ensure maximum efficiency in transportation and disposal. Set pre-qualification criteria to only select companies who have successfully undertaken this type of waste optimization work before, seek proposals for total waste management and give credit for best design in bid evaluation and factor in total costs over 10 years of operation in financial evaluation. Seek proposals from
contractors to further optimize performance on an incentive basis, i.e. bonus payments if they reduce waste costs due to efficiency over the 10 year life.

5. Manage safety issues effectively on site, given hazardous nature of chemicals, waste and treatment facilities, in particular for staff working in and around water. Set prequalification criteria of experience in safety management of sites of a similar nature (water, hazardous chemicals and treatment), seek effective safety management plan as part of tender, establish minimum quality threshold for safety management, give extra credit for innovative safety management plans and to recognize best practice, set performance monitoring and incentive mechanisms to manage safety on site over the anticipated 10 year project life.

6. Develop local market for hazardous waste treatment, seek proposals from bidders to build local capacity and transfer knowledge, give extra credit in bid evaluation for local partnerships, training, knowledge transfer and joint operations.

7. Examine options for whether this project should be a PPP, competitive dialogue, design and build or design build and operate – examine costs on a life cycle basis over the anticipated 10 year project.
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ANNEX 5

PROCUREMENT PROVISIONS

Notification and Advertising

General Procurement Notice (GPN)

A5.1 Timely notification of procurement opportunities is essential in competitive procurement. GPNs are required for all procurement financed by the World Bank expected to involve international competition (except in case of operations involving a program of imports). The Borrower is required to prepare and submit to the Bank a GPN. The Bank will arrange for its publication in UN Development Business online (UNDB online) and on the Bank’s external website. The GPN shall contain information concerning the Borrower (or prospective Borrower), amount and purpose of the loan, scope of procurement reflecting the Procurement Plan, and the name, telephone number (or e-mail address), and address of the Borrower responsible for procurement, and the address of a widely used electronic portal with free national and international access or website where the subsequent Specific Procurement Notices (SPN) will be posted. If known, the scheduled date for availability of prequalification or bidding documents should be indicated. The related prequalification or bidding documents, as the case may be, shall not be released to the public earlier than the date of publication of the General Procurement Notice.

Specific Procurement Notice (SPN) / Requests for Expressions of Interests (REOI)

A5.2 Invitations to prequalify, to bid or to request expressions of interests, as the case may be, shall be advertised as SPN or REOI, as appropriate, in at least one newspaper of national circulation in the Borrower’s country, or in the official gazette, or on the Borrower’s widely used website or electronic portal with free national and international access, in English, French, or Spanish, or at the option of the Borrower, in a national language. In the case of procurement involving international providers, such invitations shall also be published in UNDB online. Notification shall be given in sufficient time to enable prospective bidders or consultants to prepare and submit their responses. The Bank will arrange the simultaneous publication of all SPN or REOI prepared and submitted by the Borrowers on the Bank’s external website.

Publication of the Intention to Award and Award of Contract

A5.3 In keeping with the principle of Open Data, the Borrower shall publish information about the Intention to Award within two weeks of receiving the Bank’s no objection to the award recommendation for contracts subject to the Bank’s prior review, and within two weeks of the Borrower’s award decision for contracts subject to the Bank’s post review in the Borrower’s widely used website or electronic portal with free national and international access and in the case of procurement involving international providers, shall
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also be published in UNDB online. Following a standstill period of ten (10) calendar days, the Borrower shall review its decision of intention to award, make any changes if required and follow the same procedure to publish the award of contract as indicated for intention to award.

In the case of goods, works and non-consulting services

A5.4 Publications shall include the following, as relevant and applicable for each method: (a) the name of each bidder that submitted a bid; (b) bid prices as read out at bid opening; (c) evaluated prices of each bid that was evaluated; (d) the names of bidders whose bids were either rejected as nonresponsive or not meeting qualification criteria, or not evaluated, with the reasons thereof; and (e) the name of the winning bidder, the final total contract price, as well as the duration and summary scope of the contract. The Bank will arrange the publication of the awards of contracts under prior review on its external website upon receipt from the Borrower of a conformed copy of the signed contract and the performance security if applicable.

In the case of consulting services

A5.5 Publications shall include the following information as relevant and applicable for each method: (a) the names of all consultants in the short list, specifying those that submitted proposals; (b) the overall technical scores and scores assigned for each criterion and sub-criterion to each consultant; (c) the prices offered by each consultant as read out and as they have been evaluated; (d) the final combined scores and the final ranking of the consultants; and (e) the name of the successful consultant and the total price, duration, and summary scope of the contract. The same information shall be sent to all consultants who have submitted proposals. The Bank will arrange the publication of the award of contracts under prior review on its external website upon receipt from the Borrower of a conformed copy of the signed contract.

Contract Types

A5.6 Contract types should be selected on the basis of fit for purpose considerations.

Lump Sum Contracts

(a) The contractor agrees to perform the scope of services for a fixed contract amount.

(b) Payment Percentages or amounts are linked to the completion of contractual milestones.

(c) Lump sum contracts may be appropriate when:

i. The scope of work can be accurately and completely described at the time of bidding;

ii. Limited variation is needed; and

iii. The level of risks is low and quantifiable.
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A5.7 For civil works using lump sum contracts, the contractor is responsible for preparing the bill of quantities required to execute the contract and takes responsibility for the accuracy of the estimated quantities.

**Pros**

(a) More deterministic contract price

(b) The contractor has greater incentive to reduce its costs and delays, minimizes the risks of cost and time over-run for the Borrower

**Cons**

a) Upfront costs by the contractor, which will be reflected in the bid price

b) Limited flexibility for design changes

c) Higher risk premium which could make the lump sum bid price higher or even bidders deciding not to participate.

A5.8 Examples of lump sum contracts include simple civil works or consulting services when the deliverables are clearly identifiable and can be linked to milestone payments.

**Turnkey contracts**

A5.9 A single responsibility contract based on a lump sum price under which payments are made as per contractual milestones when they are met. For such contracts, usually only the basic design is provided by the Borrower.

**Pros**

a) Less level of effort by the Borrower

b) Lower risk of contractual variations and cost over-run

**Cons**

a) Higher risk premium which may be reflected in increased contract price

A5.10 Examples of turnkey contracts include relatively large industrial and power plant facilities where the detailed design is not ready.

**Performance based contracts**

A5.11 Contractual relationships where payments are made for measured outputs instead of inputs. The outputs aim at satisfying functional needs in terms of quality, quantity and reliability. Examples include rehabilitation of roads and operation and maintenance of the roads by the contractor for specified periods.
Contract based on Unit Prices (Bill of Quantities), and normally with schedule of rates (labor, material, equipment)

A5.12 These types of contracts are common when the nature of the work is well defined, but the quantities of work cannot be determined by the Borrower with reasonable accuracy in advance of construction such as in roads, dams etc.

a) Items of work of the contract are specified with estimated quantities in the Bills of Quantities.
b) Contractors enter unit prices against the estimated quantities of work.
c) The contract is based on estimated quantities of work items and unit price for each of these work items.
d) Payment is made on the basis of units of work actually done and contractual unit prices.

Pros

a) Saves the cost of preparing bill of quantities by the contractors.
b) Lower risk for contractor (compared to lump sum) which could be reflected in lower bid prices.
c) Contractual unit rates facilitate the valuation of variations and change orders.

Cons

a) Cost and/or time over-run risk.

Time based Contracts (reimbursement-based contracts)

A5.13 These types of contracts are used for:

a) Works, the contractor gets reimbursed for all actual costs plus an agreed fee to cover its services (overhead and profit); and
b) Consulting services, payments are based on time spent by consultant’s staff (at agreed contractual rates) and reasonably incurred reimbursable for the assignment.

A5.14 These types of contractual arrangements may be used for:

a) Emergency situations, repairs and maintenance works; and
b) Consulting services, when it is difficult to define or fix the scope and duration of the services (e.g. complex studies, supervision of construction, advisory services).

Pros

a) Solves the uncertainty in the extent of the magnitude of the scope of services

Cons

a) Increased administrative costs on the Borrower to monitor
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b) If not monitored adequately, these types of contracts can result in costs not commensurate with the level of services provided

Target Cost Contracts

A5.15 Target Cost Contracts are based on a cost reimbursable formula in which the contractor is paid its rates up to the target cost. If the contract comes in under the target, the contractor and the employer split the savings at a prior agreed ratio. If the contract goes over the target, the contactor and the employer split the extra costs at a prior agreed ratio. The target cost is adjusted by the parties when changes of scope are agreed. In the end, both parties have a financial incentive to meet the target.

A5.16 This type of contractual arrangement may be used when:

a) Target costs can be properly and fully determined
b) Agreed changes in the target cost require its increase or a reduction in scope
c) Both parties have a thorough understanding of the model by both parties
d) Both parties have good accounting and project monitoring practices

Pros

a) Incentive to both parties to carry out the work as efficiently and timely as possible
b) Both parties benefit from working together to achieve efficiency

Cons

a) Difficulties may arise if the parties do not agree on revised target costs if changes occur during contract execution
b) Tight cost control is required which may be difficult and/or expensive

Contract conditions

A5.17 The conditions of contract shall provide an appropriate allocation of risks and liabilities informed by an analysis of which party is best placed to manage the risks, cognizant of the costs and incentives of risk allocation. These conditions apply irrespective of the type of contract used. Some of the key provisions include:

Goods and Works

Performance Security and Retention Money

A5.18 Contracts for works and turnkey contracts shall require security in an amount sufficient to protect the Borrower in case of breach of contract by the Contractor. This security shall be provided in an appropriate form and amount, as specified by the Borrower in the bidding documents. The amount of the security may vary, depending on the type of security furnished and on the nature and magnitude of the works or facilities. A portion of this
security shall extend sufficiently beyond the date of completion of the works or facilities to cover the defects liability or maintenance period up to final acceptance by the Borrower. Contracts for works may provide for a percentage of each periodic payment to be held as retention money until final acceptance. The percentage of retention of the periodic payment should normally be around five percent (5%) but not exceed ten percent (10%). Contractors may be allowed to replace retention money with an equivalent security in the form of a Bank security or guarantee after provisional acceptance.

A5.19 In contracts for goods, the need for performance security depends on the market conditions and commercial practice for the particular kind of goods. Bidders may be required to provide a security in an appropriate and reasonable amount to protect against nonperformance of the contract. The security shall, if required, also cover warranty obligations and any installation or commissioning requirements in accordance with the applicable procurement documents.

Liquidated Damages and Bonus Clauses

A5.20 Provisions for liquidated damages or similar provisions in an appropriate amount shall be included in the conditions of contract when delays in the delivery of goods, completion of works, or failure of the goods, works, and non-consulting services to meet performance requirements would result in extra cost, or loss of revenue, or loss of other benefits to the Borrower. Provision may also be made for a bonus to be paid to contractors for completion of works or delivery of goods ahead of the times specified in the contract when such earlier completion or delivery would be of benefit to the Borrower.

Price adjustments

A5.21 Bidding documents shall state either that (a) bid prices will be fixed or (b) that price adjustments will be made to reflect any changes in major cost components of the contract, such as labor and materials. Price adjustment provisions are usually not necessary in simple contracts involving delivery of goods or completion of works within 18 (eighteen) months, but shall be included in contracts which extend beyond 18 (eighteen) months. The procurement documents for contracts of shorter duration (less than 18 months) may also include similar provisions for price adjustments when future local or foreign inflation is expected to be high. Prices shall be adjusted by the use of a prescribed formula which breaks down the total price into components that are adjusted by price indices specified for each component. The formula and the base date for application shall be clearly defined in the procurement documents.
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For Goods, Works, non-consulting services and consulting services

Force Majeure

A5.22 The conditions of contract shall stipulate that failure on the part of the parties to perform their obligations under the contract will not be considered a default if such failure is the result of an event of force majeure as defined in the conditions of contract.

Applicable Law and Settlement of Disputes

A5.23 The conditions of contract shall include provisions dealing with the applicable law and the forum for the settlement of disputes. All ICB contracts are required to include, as appropriate, mechanisms for dispute resolution such as Dispute Review Boards or Dispute Review Experts. International commercial arbitration in a neutral venue is required unless the national regulations and arbitration procedures are acceptable to the World Bank, or the contract has been awarded to a bidder from the Borrower’s country. The World Bank shall not be named arbitrator or be asked to name an arbitrator.

Delayed Payments

A5.24 Contracts shall include provisions for delayed of uncontested payments to contractors. Contractors shall be entitled to receive financing charges as agreed in the procurement documents on the amount unpaid during the period of delay defined in the procurement documents.

Value Engineering

A5.25 Value Engineering is a systematic and organized approach to provide the necessary functions in a project at the optimal cost. Value engineering promotes the substitution of materials and methods, or reduction of time, with less expensive alternatives, without sacrificing functionality. It is focused solely on the functions of various components and materials, rather than their physical attributes. Contracts should allow for proposals of value engineering and include the mechanism for their consideration. Value engineering should be applied to high value contracts, as agreed in the procurement strategy, prior to contract signing or prior to finalizing the contract price (For example, this is particularly important when a target fee arrangement is to be used).

Price Adjustments

A5.26 To adjust the remuneration rates in a time-based contract for foreign and/or local inflation, price adjustment provisions shall be included in the contract if its duration is expected to exceed 18 (eighteen) months. Time-based contracts of a shorter duration (less than 18 months) may include a provision for price adjustment when local or foreign inflation is expected to be high and unpredictable. Lump-sum contracts shall not generally be subject to automatic price adjustment when their duration is expected to be less than 18 (eighteen) months, except for small-value multi-year contracts (for example, with auditors). The
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price of a lump-sum contract may be exceptionally amended when the scope of the services is extended beyond what was contemplated in the original contract.

Incoterms
A5.27 Incoterms are trade terms for goods published by the International Chamber of Commerce (ICC) that are required to be used in international procurement financed by the World Bank. The version that should be used is Incoterms 2010, or as revised from time to time, published by the International Chamber of Commerce (ICC), 38 Cours Albert 1er, 75008, Paris, France.

Evaluation Criteria

Goods, works and non-consulting services

Substantial Responsiveness
A5.28 A substantially responsive bid is one that meets the requirements of the procurement documents without material deviations, reservations, or omissions. Deviations, reservations, or omissions are defined as:

a) “Deviation” is a departure from the requirements specified in the procurement documents;
b) “Reservation” is the setting of limiting conditions or withholding from complete acceptance of the requirements specified in the procurement documents; and
c) “Omission” is the failure to submit part or all of the information or documentation required in the procurement documents.

A5.29 The Borrower’s determination of a bid’s responsiveness is to be based on the contents of the bid itself. A substantially non responsive bid is one that:

a) If accepted, would:
i. affect in any substantial way the scope or performance of the goods or works, non-consulting specified in the contract; or
ii. limit in any substantial way, inconsistent with the procurement documents, the Borrower’s rights or the bidder’s obligations under the proposed Contract; or

b) If rectified, would unfairly affect the competitive position of other bidders presenting substantially responsive bids.

Value for Money
A5.30 To achieve best value for money and fit for purpose for complex or high value procurement, the evaluation method may include mandatory types of criteria (pass/fail); rated types of criteria (merit points); and cost types (criteria that are in or can be converted
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to monetary terms). The scores of the rated and the cost-type criteria may be combined and weighted appropriately to determine the best value for money bid or proposal.

Mandatory type criteria

A5.31 These criteria are evaluated on a pass / fail system and shall reflect the minimum or maximum requirements specified in the procurement documents. Examples of these criteria are:

- a) Technical specifications
- b) Key contractual terms and conditions
- c) Previous confirmed non performance
- d) Key financial performance indicators
- e) Relevant experience
- f) Safety requirements

Cost type criteria

A5.32 These criteria includes those that are or can be converted to monetary terms and can be added or subtracted, as the case may be, from the bid price for the purpose of evaluation. Examples of these criteria are:

- a) Bid price
- b) Payment terms
- c) Bonuses or penalties for delivery schedule
- d) Life cycle costing
- e) Bonuses or penalties for functional guarantees

Rated type criteria

A5.33 Rated type criteria are those that are evaluated on a pass / fail basis and cannot be expressed in monetary terms. Examples of these criteria are:

- a) Work methods
- b) Innovations
- c) Environmental management plan
- d) Social management plan
- e) Supply chain strengths and weaknesses

A5.34 The scores of the rated and the cost-type criteria may be combined and weighted appropriately to determine the best value for money bid or proposal. Further guidance will be provided in Guidance Notes.
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Procurement of Secondhand Goods

A5.35 Under some circumstances, procurement of secondhand goods (e.g., equipment, vessels, and certain kinds of materials) may be more economical and efficient than procurement of new goods.

a) Secondhand goods are allowed only in exceptional cases and not for cost saving reasons only. Therefore, procurement packages seeking offers for secondhand goods shall not include requests for offering new goods, as secondhand goods shall not compete with new goods.

b) The Technical Requirements/Specifications should describe the minimum characteristics of the items which could be offered secondhand, i.e., age and condition (e.g., refurbished, like new, or acceptable if showing normal wear and tear).

c) The contract condition typically contained in the standard clause on Warranty or Defect Liability, which requires all goods to be new and unused, would need to be modified appropriately.

Leased Assets

A5.36 Leasing is used as an alternative to purchasing when there are economic and/or operational benefits to the lessee (e.g., lower financing costs, tax benefits, assets used for a temporary period, reducing risks of obsolescence). As with any other procurement, the most appropriate method under the circumstances would be used, justified and approved following the principles established in the Bank’s Procurement Framework.

Domestic Preference

A5.37 At the request of the Borrower, and as stipulated in the agreed in the Procurement Activity Strategy and the Procurement Plan and set forth in the procurement documents, and only for ICB, domestic preference may be provided in the evaluation of bids for:

a) Goods manufactured in the country of the Borrower when comparing bids offering such goods with those offering goods manufactured abroad, the preference shall be fifteen percent (15%) added to the price of the goods manufactured abroad; and

b) Works in member countries below a specified threshold of GNP per capita, when comparing bids from domestic contractors eligible for the preference with other contractors, the preference shall be seven and a half percent (7.5%) added to the price of offered by foreign contractors.

Best and Final Offer (BAFO)

A5.38 Best and Final Offer procedures in open competitive procurement shall be allowed if included in the Procurement Activity Strategy. Further guidance will be provided in the Guidance Notes.
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Negotiation

A5.39 Negotiations may be used in competitive procurement when so indicated in the Procurement Activity Strategy. Further guidance will be provided in the Guidance Notes.

Competitive Dialogue Procedure

A5.40 Competitive Dialogue is a technical term for an interactive procurement process intended to allow more flexibility when dealing with complex or unusual procurements.

A5.41 Competitive Dialogue is different from other procurement processes because it allows Borrower to thoroughly discuss each aspect of the procurement with providers before specifying the requirements and before inviting the providers to submit their full and final bids or proposals.

A5.42 The objective of Competitive Dialogue is to work with the market to develop solutions for complex procurements to deliver:

a) Better quality fit for purpose bids;
b) A range of innovative ideas;
c) A solution that is fully customized to a complex problem;
d) Reduced time to award the contract; and
e) Added value by building strong relationships with prequalified providers.

Undertaking a Competitive Dialogue Procurement

A5.43 The Competitive Dialogue procedure should only be used for complex contracts where at the outset the Contracting Authorities:

a) Are not objectively able to define the technical requirements capable of satisfying their needs and objectives;
b) Do not have an identified solution or an established market for the goods, works or consulting services;
c) Are not able to adequately describe the requirements without discussing possible solutions with potential providers; and
d) Are uncertain about and are not objectively able to specify the legal and/or financial make-up of the project.

A5.44 Competitive Dialogue works well for complex procurements such as:

a) Infrastructure projects;
b) Information technology projects; or
c) Public Private Partnership (PPP) projects.
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A5.45 The procurement process can be divided in three phases.

a) Phase 1: Planning Stage
   i. Stage 1: Planning and initial preparation;
   ii. Stage 2: Prequalification;
   iii. Stage 3: Selection of suitable bidders;

b) Phase 2: Dialogue Stage
   i. Stage 4: The dialogue;

c) Phase 3: Post-dialogue
   i. Stage 5: Submission of final bids and bid evaluation;
   ii. Stage 6: Bid clarification; and
   iii. Stage 7: Preferred bidder to Contract award

Phase 1: Planning

A5.46 Planning considerations:

a) The Procurement Framework provisions in relation to the use of open and competitive procurement procedures apply.

b) A Borrower must undertake the strategic planning phase as with any other complex procurement activity.

c) The Specific Procurement Notice must announce the intention to undertake a Competitive Dialogue process with prequalified bidders.

d) Contracting Authorities must clearly document their rationale for using the Competitive Dialogue procedure before starting the procurement and it must be included in the procurement plan.

e) The Borrower needs to ensure that all respondents’ potential concerns are addressed including the protection of intellectual property and commercially sensitive information.

f) The Borrower needs to decide if all respondents should concentrate on a common proposition which will be developed and refined during the dialogue stage, or to come up with different technical and commercial approaches reflected in different contract terms. It is essential that the Borrower ensures equal treatment, non-discrimination and the protection of respondents’ information.

g) Competitive Dialogue procurements must be advertised no differently to other procedures and must follow the same procedures for ICB. The contract notice must include:

h) The intention to undertake a competitive dialogue process;

i) Any intention to limit the number of respondents taken through to the dialogue stage;

j) Any intention to use stages of dialogue to reduce further the number of respondents.
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k) The Borrower may limit the number of respondents to participate in the dialogue stage through prequalification. The criteria or rules that apply to the prequalification process must be clearly indicated.

l) The number of respondents invited to participate in the dialogue stage needs to be sufficient to ensure genuine competition.

Phase 2: The Dialogue

A5.47 Dialogue considerations:

a) The aim of the dialogue stage is to enable the Borrower to identify and define the requirement best suited to satisfy their needs.

b) The Borrower must ensure equality of treatment amongst respondents and:

c) Shall not provide information in a discriminatory manner which may give some respondents an advantage over others; and

d) May not reveal to other respondents solutions proposed or any commercially confidential information communicated by a respondent in the dialogue without that respondents agreement.

e) The Borrower must not use one respondent’s commercially confidential information to enhance other respondents’ technical solutions or to merge two or more technical solutions into a single optimal solution. This provides respondents with a level of confidence that the procurement will be undertaken in a confidential manner that protects their intellectual property.

f) The Borrower must set out how it will conduct the dialogue stage of the process to give respondents confidence around intellectual property and commercially sensitive information. Respondents must identify and agree with the Borrower which part of their proposal are specific to them and must be treated confidentially.

g) The Borrower sends an invitation to the prequalified candidates which opens the dialogue stage. The invitation must restate the needs and requirements and set out how the dialogue will be conducted, the number of phases and the award sub criteria for the rest of the procurement process.

h) The invitation must set out the topics that will be subject to detailed dialogue. It is best practice to outline its preferred approach to handing the topics, telling respondents its reasoning and any constraints they should be aware of, or have to take into account in developing their response. This will allow each detailed dialogue session to be focused on the specific requirements and needs of the Borrower, minimizing the time bidders spend developing unacceptable propositions.

i) The Borrower may require respondents to either provide submissions during, or at the end of the dialogue stage or both. If it wants to reduce the number of solutions
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and respondents during the dialogue stage it can evaluate these submissions using the pre-stated award criteria.

j) The Borrower must agree substantially all aspects of the project (technical, commercial, financial and contractual) and respondents proposed solutions during the dialogue stage.

Phase 3: Post Dialogue

A5.48 Post Dialogue considerations:

a) Once the Borrower has declared that the dialogue has ended final bids should be submitted by respondents on the terms set out in the bidding documents.

b) A respondent can use the period after the closure of dialogue but before the submission of the final bids to clarify points of information with the Borrower to ensure that its final bid will be compliant. However, respondents can’t use this period to negotiate or seek to amend the Borrower’s requirements or contract terms.

c) These final stages must be based on the solutions that were presented during the dialogue stage ensuring that bids satisfy the needs and requirements of the Borrower.

d) There must be genuine competition at this stage.

e) The procedure for evaluation, negotiation and contract award is not different to other the procedures outlined in the General Provisions.
A6.1 Public-Private Partnerships (PPPs) are a way of delivering and funding public services using a capital asset where project risks are shared between the public and private sector. A PPP is a long term agreement between the government and a private partner for providing a public asset or service, in which the private party bears significant risk and management responsibility.

A6.2 The effectiveness of the partnership depends on a sufficient and appropriate transfer of risk to the private partners. In PPP, the public sector specifies the quality and quantity of the service it requires from the private partner. The private partner may be tasked with the design, construction, financing, operation and management of a capital asset and the delivery of a service to the government or to the public using that asset. A key element is the bundling of the construction and operation of the asset.

A6.3 The borrower selects the concessionaire or entrepreneur under a build, operate and transfer (BOT), design, finance, build, operate and transfer (DFBOT) or similar type of contract using the most appropriate approach to meet the project development objectives and outcomes. PPPs are typically complex given their lengthy contract periods involving long-term obligations and a sharing of risks and rewards between the private and public sectors.

A6.4 The key objectives of PPP procurement are:

a) **Best value for money**: Value for money outcomes should be the key consideration at all stages of a project. Value for money is a combination of the service outcome to be delivered by the private sector, together with the degree of risk transfer and financial implications for the parties. Quantitative factors are tested by comparing the outputs and costs of PPP proposals against a neutral benchmark, called the Public Sector Comparator, which is adjusted for risk (where these risks can be reliably quantified). Just as important are considerations around the qualitative factors such as the impact of design on service provision.

b) **Appropriate risk allocation**: Risk transfer and optimal risk allocation should seek to ensure risk is allocated to whoever is best able to manage it, taking into account public interest considerations.

c) **Output oriented**: Projects should focus on the specification of what services are to be delivered rather than how they should be delivered in order to maximize the opportunity for innovation. Performance measures should be established to ensure that the required services are delivered in accordance with the output specification.
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d) **Openness and Transparency**: Transparency and openness are important requirements of all good procurement. The use of PPPs should not diminish the availability of information on the use of government resources to stakeholders. There should be an emphasis on transparency and disclosure of the processes and outcomes, acknowledging the need to protect commercial confidentiality where appropriate.

e) **Fairness**: Ensuring equal treatment and opportunity for bidders, the equitable distribution of rights and obligations between contracting authorities and contractors, suppliers and consultants, and credible mechanisms for addressing complaints and providing recourse.

**Procedures for Developing and Implementing PPPs**

A6.5 The development and implementation of any public private partnerships is expected to follow a structured and strategic approach to procurement as outlined below.

**Figure A6.1**

- **Identify the service need**
  - Identify service needs
  - Focus on outcomes and outputs
  - Consider broad needs over time
  - Allow scope for innovation

- **Procurement options**
  - Consider public provision or contracting out
  - Are there specific public infrastructure assets
  - Consider conventional procurement or PPP
  - Allow scope for innovation

- **Business case**
  - Evaluate benefits, risks and costs of preferred options including status quo
  - Evaluate procurement options
  - Obtain funding and project approval
  - Begin development of public sector comparator

- **Project development**
  - Assemble the cross functional project team
  - Develop project plan and commercial principles
  - Consultation
  - Develop Procurement strategy

- **Procurement process**
  - Develop procurement plan for approach to market
  - Seek approval to issue documents to market
  - Evaluate, negotiate and award contract

- **Contract management**
  - Execute the contract
  - Formalise management responsibilities
  - Monitor contract performance and relationship
  - Review and report
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A6.6 The selection of the Private Sector partner could be a combination of competitive and/or noncompetitive methods adapted to fit the purpose. For example the Borrower may use a competitive dialogue process to develop the specification; or directly negotiate a cost and risk sharing arrangement. Competition is expected to deliver an optimal allocation of cost and risk when procuring, and competitive tension is preferred when conducting PPPs.

A6.7 In all cases however, the Borrower must take a strategic approach to the analysis and planning of such a fit-for purpose approach, and must adhere to the World Bank’s Core Procurement Principles.

A6.8 In all cases the selection of the private sector party shall be acceptable to the World Bank to meet the key objectives of PPP procurement and include:

a) Value for Money considerations
   i. Comparison with comparator is reasonable and favorable to the PPP
   ii. Bid evaluation criteria are transparent, well defined in the procurement documents
   iii. Negotiation of the final contract, if required, is undertaken only within the parameters defined in the procurement documents.

b) Appropriate risk allocation
   iv. Procurement documents are clear, non-discriminatory and allocate risk appropriately

c) Output oriented
   v. Performance targets are clear, achievable, objective and measurable

d) Openness and transparency in open competition
   vi. Wide advertisement is undertaken providing potential bidders detailed information and enough time for preparation of proposals
   vii. Prequalification of potential bidders is undertaken using well designed criteria.
   viii. Procedures for bid submission are clear and bid opening is public

e) Fairness
   ix. Appropriate complaints and contractual disputes handling mechanisms exist
   x. Universal eligibility

f) Compliance with World Bank anticorruption policy

Unsolicited proposals for PPP

A6.9 Unsolicited proposals arise when a private legal entity approaches a Government client with a new project proposal. The detailed proposal is reviewed and may be approved for a competitive process, negotiated with the proponent of the unsolicited proposal or rejected.
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A6.10 The World Bank considers a combination of one or more of the following competitive approaches to address the unsolicited proposal are considered acceptable.

a) **Best and final offer** - a two-stage bid process is used, in which the highest-ranked bidders from the first stage are invited to submit final proposals in a second stage. The proponent of the unsolicited bid can be automatically included in the second stage.

b) **Bid bonus** - the proponent receives a scoring advantage—typically defined as an additional percentage added to its evaluation score—in an open bidding process.
   i. Step 1: Once the project is formally approved, the original project proponent is officially awarded the bonus. The value of the bonus is determined by the agency or ministry within a maximum of 10 percent.
   ii. Step 2: The project is advertised as outlined in the World Bank procurement procedures. The announcement must include the value of the bonus awarded to the original proponent and the estimated reimbursable costs for proposal development. Competitors are allowed to submit competing proposals for a designated time.
   iii. Step 3: During the public bidding phase, the project proponent may bid on the project or concession using the bonus or choose not to bid.

Box A6.1

For example, a proponent of the unsolicited proposal is awarded a bonus of 10 percent after it proposed a new toll road to the appropriate agency or ministry and went through the required approval procedures. In exchange for this bonus, the government has the right to make adjustments to the toll road proposal and call for an open bidding process. In an open bidding process the participant who bids the lowest tariff per kilometer wins. Hypothetically, the original proponent would be awarded the toll road project if it bid $0.20 per kilometer and the lowest bidding opponent offered $0.19 per kilometer, because the original proponent is within 10 percent of the lowest bid.

c) **Swiss challenge** - following an unsolicited approach, an open bidding process is conducted. If unsuccessful, the proponent has the option to match the winning bid and win the contract.
   iv. Step 1: The project is announced as outlined in the World Bank procurement procedures and opened to Public bid under the normal bidding processes, which are outlined in the procurement documents.
   v. Step 2: When a lower price proposal is submitted and approved, the original project proponent will have 30 working days to match the price.
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vi. Step 3: If the original project proponent does not match the price, then the project is awarded to the lower price project proponent.

A6.11 The approach taken to dealing with intellectual property in an unsolicited proposal, will depend on the nature of the proposal so as to encourage innovation from the private sector.

b. Where possible, the government can competitively bid the project, by specifying required outputs, and not the required technology to deliver those outputs. This approach is consistent with good practice in defining output-based performance requirements for PPPs.

c. In cases where intellectual property is crucial to the project, such that it could not be implemented otherwise, direct negotiation may be warranted, along with procedures to benchmark project costs.

A6.12 In all instances of unsolicited proposals the process shall be clearly defined by the Borrower to assess, approve and determine the best fit for purpose and value for money approach to awarding a contract initiated by an unsolicited proposal.

Competitive Dialogue in PPP

A6.13 Used for complex projects, a post bid stage dialogue is allowed with bidders. This is done to identify solutions that meet the needs of the contracting authority and thereby achieve value for money. At the post-bid stage this aims at having parallel negotiations with more than one bidder and may lead to technical transfusion. The World Bank requirements for Competitive Dialogue are outlined in the Procurement Provisions Annex 3 of the Borrower’s Procurement Procedures.