



PROJECT PROCUREMENT STRATEGY FOR DEVELOPMENT

PPSD Long Form Detailed User Guidance



THE WORLD BANK
IBRD • IDA

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Common Terms and Acronyms

The following table sets out common terms (those starting with capital letters) and acronyms that are used in this Procurement Guidance.

Term or Acronym	Definition
Abnormally Low Bid (ALB) or Abnormally Low Proposal (ALP)	A Bid or Proposal in which the price, in combination with other elements, appears so low that it raises material concerns with the Borrower as to the capability of the Bidder or Proposer to perform the contract for the offered price.
Alternative Procurement Arrangement (APA)	A Bank-approved procurement arrangement that can be used instead of applying the Bank's <i>Procurement Regulations</i> .
Annex	An Annex to this Procurement Guidance.
Applicant	A firm or joint venture that submits an Application in response to an invitation for Prequalification or Initial Selection.
Application	A document submitted by an Applicant in response to an invitation for Prequalification or Initial Selection.
BAFO	Best and Final Offer.
Bank	The World Bank, comprising the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), whether acting in its own capacity or as administrator of trust funds funded by other donors.
Bid	An offer, by a firm or joint venture, in response to a Request for Bids, to provide the required Goods, Works, or Non-consulting Services.
Bidder	A firm or joint venture that submits a Bid for Goods, Works, or Non-consulting Services in response to a Request for Bids.
BOO	Build, Own, Operate. A project delivery method, usually applied to large-scale infrastructure projects.
BOOT	Build, Own, Operate, and Transfer. A project delivery method, usually applied to large-scale infrastructure projects.
Borrower	A Borrower or recipient of Investment Project Financing (IPF) and any other entity involved in the implementation of a Project financed by IPF.
BOT	Build, Operate, and Transfer. A project delivery method, usually applied to large-scale infrastructure projects.

Term or Acronym	Definition
CDD	Community-Driven Development.
CIP	An Incoterm meaning Carriage and Insurance Paid to a named place of destination.
Competitive Dialogue	A selection method for Goods, Works or Non-consulting Services which can be interactive and multistage allowing for dynamic engagement with Bidders or Proposers Reference the Bank's <i>Procurement Regulations</i> , paragraphs 6.39 to 6.41 and Annex XIII.
Complaint	A procurement-related complaint which may arise when the Bank's Standard Procurement Documents (SPDs) are required to be used. Reference the Bank's <i>Procurement Regulations</i> , paragraphs 3.27 to 3.32 and Annex III.
Consultant	Private or public entities, joint ventures, or individuals that provide services of an advisory or professional nature. Where the Consultant is an individual, they are not engaged by the Borrower as an employee.
Consulting Services	Arrange of services that are of an advisory or professional nature and are provided by Consultants. These services typically involve providing expert or strategic advice, such as management Consultants, policy Consultants, or communications Consultants. Advisory and Project-related Consulting Services include, for example, feasibility studies, Project management, engineering services, finance and accounting services, training, and development.
Core Procurement Principles	The Bank's seven Core Procurement Principles comprising, Value for Money (VfM), economy, integrity, fit for purpose, efficiency, transparency, and fairness, as described in the Bank's Policy, <i>Procurement in IPF and Other Operational Procurement Matters</i> , Section III C.
CQS	Consultants Qualifications-based Selection.
Emergency Situations	Situations when the Borrower, beneficiary, or member country is deemed by the Bank to be in urgent need of assistance because of a natural or man-made disaster or conflict.
Eoi	Expression of Interest.
EPC	Engineering, Procurement, and Construction. A form of contract used to undertake construction works on large-scale and complex infrastructure projects.
EPCM	Engineering, Procurement, and Construction Management. A form of contract used to undertake construction works on large-scale and complex infrastructure projects.
Evaluation Criteria	Price and non-price criteria, including Rated Criteria when used, that define how the Borrower assesses which Bidder or Proposer provides the Most Advantageous Bid or Proposal.
Framework Agreement (FA)	An agreement with one or more firms that establishes the terms and conditions that will govern any contract awarded during the term of the FA.
FBS	Fixed-budget Based Selection. A method of evaluating the selection of Consultants where Proposals are based on a fixed budget.

Term or Acronym	Definition
Fraud and Corruption	Practices that are sanctionable by the Bank, which include, corruption, fraud, collusion, coercion and obstruction. Reference the Bank's Directive, <i>Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants</i> and the Bank's <i>Procurement Regulations</i> , Annex IV.
Goods	A category of procurement that includes commodities, raw material, machinery, equipment; vehicles, Plant, and related services, such as transportation, insurance, installation, commissioning, training, and initial maintenance.
General Procurement Notice (GPN)	An advance notice of an international competitive procurement opportunity in relation to a Procurement Plan. A GPN provides summary details such as, the Borrower, the scope of the procurement, and an indication of when Specific Procurement Notice(s) (SPNs) will be posted. GPNs are published on UNDB and the Bank's external website.
IBRD	International Bank for Reconstruction and Development. A World Bank institution.
IDA	International Development Association. A World Bank institution.
Incoterms	The international commercial terms for Goods published by the International Chamber of Commerce.
Initial Selection (IS)	The Shortlisting process used prior to inviting Proposals when applying a Request for Proposals selection method.
Investment Project Financing (IPF)	The Bank's financing of investment Projects through loans, credits, grants, or guarantees from the Bank's resources or from trust funds financed by other donors and administered by the Bank, or a combination of these. IPF supports Projects with defined development objectives, activities, and results and aims to promote poverty reduction and sustainable development. IPF is more fully described in the Bank's Policy, <i>Investment Project Finance</i> , Section III, paragraph 1.
KPI	Key Performance Indicator. A quantifiable measure of performance over time related to specific deliverables, objectives or outcomes.
LCS	Least Cost-based Selection. A method of evaluating the selection of Consultants based on the lowest price.
Legal Agreement	The Legal Agreement that governs the relationship between the Borrower and the Bank in relation to IPF operations. It incorporates the Bank's <i>Procurement Regulations</i> , and other documents incorporated by reference, such as the Procurement Plan and PPSD. The provisions of the Legal Agreement and documents incorporated by reference are legally binding on the Borrower.
Most Advantageous Bid or Proposal (MABP)	The successful Bid or Proposal in accordance with the applicable selection method. Reference the Bank's <i>Procurement Regulations</i> , paragraphs 5.68 to 5.71 and Annex X, Evaluation Criteria.
NGO	Non-Governmental Organization.

Term or Acronym	Definition
Non-consulting Services	Services that are not Consulting Services. Non-consulting Services are normally bid and contracted on the basis of performance of measurable outputs, and for which performance standards can be clearly identified and consistently applied. Examples include drilling, aerial photography, satellite imagery, mapping, and similar operations.
PAD	Project Appraisal Document. A document produced as part of the Bank's Project cycle which summarizes the expected Project outcomes and other matters.
PESTLE	Political, Economic, Social, Technological, Legal, and Environmental. An analysis tool which supported the assessment of each of these factors.
PIU	Project Implementation Unit. The team in the Borrower's implementation agency responsible for the Project.
Plant	The provision of equipped facilities, such as those executed on the basis of design, supply, installation, and commissioning.
PPP	Public-Private Partnership. A long-term contract between a private party and a Borrower for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance. Reference the Bank's <i>Procurement Regulations</i> paragraphs 6.42 to 6.45 and Annex XIV.
Prequalification (PQ)	The shortlisting process that can be used prior to inviting Request for Bids in the procurement of Goods, Works, or Non-Consulting Services.
Procurement Documents	A generic term used in the Bank's Procurement Regulations to cover all Procurement Documents issued by the Borrower to potential Applicants, Bidders, or Proposers. Examples include General Procurement Notice (GPN), Specific Procurement Notice (SPN), Request for Expressions of Interest (REoI), Prequalification document, Initial Selection document, Request for Bids (RFB), Request for Proposals (RFP), forms of contracts, and any addenda. When the procurement relates to an IPF financed Project the procurement document is based on a Bank's Standard Procurement Document (SPD.)
Procurement Plan (PP)	The Borrower's Procurement Plan for IPF Projects which is incorporated by reference into the Legal Agreement(s). Reference the <i>Procurement Regulations</i> paragraphs 4.4 and 4.5.
Procurement Process	The process that starts with the identification of a need and continues through planning, preparation of specifications, or requirements, budget considerations, selection, contract award, contract management, and full contract delivery. When applicable, it ends on the last day of the warranty period.
Procurement Regulations	<i>The World Bank Procurement Regulations for IPF Borrowers</i> which apply to procurement in Investment Project Financing (IPF) of Goods, Works, Non-consulting and Consulting Services.
Project	A project supported by Bank IPF.

Term or Acronym	Definition
Project Concept Note	A document prepared by the Borrower and the Bank which identifies the Project's proposed objectives, risks to these objectives' achievement, alternative scenarios, and a likely timetable for the Project preparation process.
Project Development Objective (PDO)	The specific development objectives that a Project intends to achieve.
Project Procurement Strategy for Development (PPSD)	A Project-level strategy document, prepared by the Borrower, that describes how procurement in IPF operations supports the development objectives of the Project and delivers Value for Money (VfM).
Proposal	An offer, in response to a Request for Proposals, which may or may not include price, by one party to provide Goods, Works, Non-consulting Services, or Consulting Services to another party.
Proposer	An individual entity or joint venture that submits a Proposal for Goods, Works, and Non-consulting Services in response to a Request for Proposals.
QBS	Quality-Based Selection. A method that may be used for Consultants
QCBS	Quality and Cost-Based Selection. A method that may be used for Consultants
Rated Criteria	Non-price factors that are taken into account to measure quality aspects when evaluating Bids or Proposals. Examples include, quality, sustainability, value for money opportunities, innovation, other technical aspects, and risk mitigation strategies. Reference the Bank's Procurement Regulations, Paragraph 5.50.
REoI	Request for Expressions of Interest.
RFB	Request for Bids.
RFP	Request for Proposals.
RFQ	Request for Quotations.
Shortlist	The process used prior to issuing a Request for Proposals (RFP) in the procurement of Consulting Services.
Specific Procurement Notice (SPN)	A notice that advertises a business opportunity. Examples include, Request for Bids, Request for Proposals. For international competitive procurements SPNs are published on UNDB Online and the Bank's external website.
Standard Procurement Documents (SPDs)	Procurement documents issued by the Bank to be used by Borrowers for IPF Projects. These include the General Procurement Notice (GPN), Standard Procurement Notice (SPN), Request for Expressions of Interest (REoI), Prequalification document, Initial Selection document, Request for Bids (RFB), Request for Proposals (RFP), and forms of contract.
State-Owned Enterprise (SOE)	A legal entity that is created by a government in order to participate in commercial activities on the government's behalf. It can be either wholly or partially owned by a government.
Subcriteria	A subsection of the Evaluation Criteria, including a subcriteria to a Rated Criteria, to which a Bidder is required to respond.

Term or Acronym	Definition
Supply Positioning	The Supply Positioning model is a strategic procurement tool that helps classify and prioritize an organization's procurement activities based on the strategic importance and risk associated with each item.
SWOT	Strengths, Weaknesses, Opportunities, and Threats. An analysis tool that supports capability assessment, market analysis and procurement risk assessment.
UN Agency/Agencies	Broadly refers to the United Nations departments and specialized agencies, as well as their regional offices, funds, and programs.
Value for Money (VfM)	One of the Bank's Core Procurement Principles meaning the effective, efficient, and economic use of resources, which requires the evaluation of relevant costs and benefits, along with an assessment of risks, and of non-price attributes and, or lifecycle costs, as appropriate. The lowest priced Bid or Proposal alone may not necessarily represent Value for Money.
Works	A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, and maintenance of civil work structures, as well as related services, such as transportation, insurance, installation, commissioning, and training. It also includes water and sanitation, transportation and energy-related infrastructure.

Where there is an inconsistency between a common term or acronym and a Defined Term in the Bank's *Procurement Policy, Directive, Procedure or Procurement Regulations* forming the mandatory Procurement Framework, the Defined Term shall take precedence. For more information on the Bank's Procurement Framework visit the Bank's webpage [Procurement Framework for IPF Projects](#).

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Introduction

Project Procurement Strategy for Development

A Project Procurement Strategy for Development (PPSD) is the Bank's Project-level procurement strategy document. The preparation of the PPCSD by Borrowers, with the support of Bank staff, is the primary procurement planning instrument for Projects.

Developing the PPCSD is part of the preparation process for an Investment Project Financing (IPF) plan. The PPCSD describes how procurement in the IPF operations will support the Project's development objectives and deliver Value for Money (VfM). Based on the PPCSD, Borrowers are able to develop the Procurement Plan (PP). The PP documents the agreed-upon Procurement Arrangements for the Project.

There are two PPCSD templates, namely:

1. Short-Form PPCSD
2. Long-Form PPCSD

This Guidance

This Guidance details a structured approach to preparing a PPCSD Long Form. It describes various tools and methodologies that support the development of a comprehensive procurement strategy.

Each PPCSD should be fit for purpose. This means that the level of detail should be proportionate to the Project-specific risks, contract value, context, nature, and complexity. The application of the tools and methodologies described in this Guidance and the level of detailed analysis should therefore be commensurate with these factors. There is no expectation that all the tools and methodologies will be used—only those that are most appropriate, and to a level of detail that is consistent with the nature of the Project.

To assist the user, this Guidance is structured in the same sequence as the information required in the PPCSD template. However, as the Borrower completes the PPCSD sequentially, there may be a need to revisit earlier sections as a result of subsequent information obtained or research and analysis undertaken.

Additional Resources

For more information to assist in the preparation of PPSDs, refer to the following documents:

[Procurement Regulations for IPF Borrowers](#)

[Procurement Guidance: Evaluating Bids and Proposals](#)

[Procurement Guidance: Value for Money](#)

An e-Learning course on PPSD is available through [e-Learning Programs](#)

PPSD Process Overview

Strategy and Planning

The Project Procurement for Development Strategy (PPSD) and the Procurement Plan (PP) are documents that the Borrower is required to produce as part of the preparation process for Investment Project Financing (IPF) plans. PPSDs should conform to the appropriate PSD template (Long Form or Short Form).

Project Cycle

The preparation of the PSD should begin as early as possible in the Project Cycle. This is normally during the Project Concept stage, once the major contracts in the Project have been identified. Where circumstances allow, the Borrower should begin the preparation of the PSD after the project feasibility stage, in which decisions on the technical solution and associated contract types start to be made.

Process Overview

The World Bank's Procurement Regulations describe the requirements in paragraphs 4.1 to 4.3. In summary they are:

Preparation

The Borrower prepares the PSD and PP during the Project preparation stage for each IPF Project. The level of detail in the PSD should be proportionate to the risk, value, context, nature, and complexity of the Project. The information available to support the development of the PSD will be different for each Project, and there may be information gaps that need to be addressed through additional research or market engagement.

PPSD

1. One single, Long-Form PSD is prepared for all contracts that are required for a Project. The PSD addresses how procurement activities will support the development objectives of the Project and deliver the best Value for Money (VfM) under a risk-based approach. It also outlines the Borrower's procurement objectives, proposed evaluation approach and methodology, and the various stages of evaluation. Where Rated Criteria are to be used,

the Borrower should identify the specific non-price, qualitative criteria, and the proposed prioritization and weightings—for example: methodology, sustainability, and innovation.

2. The PPSD should describe the procurement approach in sufficient detail for all the procurements to be undertaken during, at least the first 18 months of the Project. The PPSD should be updated for the remaining procurements, as important information becomes known.
3. The PPSD should provide adequate justification for the selection methods adopted in the PP, which should cover the first 18 months of the Project prior to completion of loan negotiations. The PP should be updated every 12 months or earlier.

Procurement Plan

The PPSD informs the PP, which includes the following information:

- A brief description of the activities/contracts
- The selection methods to be applied
- Evaluation approach and methodology that includes the description of all Evaluation Criteria and the evaluation methodology to be applied. The Evaluation Criteria and methodology shall be appropriate to the type, nature, market conditions, and complexity of what is being procured. There are special considerations that apply to the use of Rated Criteria.¹

Rated Criteria

For any Procurement Process subject to international competition and for which a Bank Document, such as a Standard Procurement Document, is used, Rated Criteria are required. In this case, the process should be conducted using a two-envelope process.²

For international competitive procurement, the Bank's requirements for the submission of Bid/Proposal prices—format, structure, and details—as well as the method of comparison and evaluation of Bid/Proposal prices, including treatment of taxes levied in the Borrower's country for procurement of Goods, Works, Non-consulting Services, and Consulting Services, are detailed in the appropriate Standard Procurement Documents (SPDs).³

The evaluation approach will also need to detail how the Borrower intends to assess financial cost, as well as their proposed final weightings for both technical and financial cost to determine the final award recommendation.

¹ New international procurements advertised on or after September 1, 2023, using a Bank SPD, must use Rated Criteria. Reference the Procurement Regulations, paragraph 5.50. However, the use of Rated Criteria is not required for procurement of pharmaceuticals, vaccines, off-the-shelf Goods, off-the-shelf educational materials, or commodities.

² Reference the Procurement Regulations, paragraphs 6.29 and 6.31.

³ Additional details are provided in the Procurement Regulations, annex X, Evaluation Criteria.

- Cost estimates
- Time schedules
- The Bank's review requirements
- The applicable Procurement Documents
- Any other relevant procurement information.

Bank Oversight

PPSDs are subjected to Bank oversight at various stages of the Bank's Project cycle.

1. No formal clearance of the PSD is required. The Bank reviews the PSD and agrees to the PP before the completion of loan negotiations.
2. A summary of the PSD forms part of the Bank's Project Appraisal Document (PAD). The Bank will consider the PSD summary as part of the overall PAD package and determine whether the whole package can be cleared.
3. The Bank reviews the PSD and PP as part of the Project appraisal and reaches agreement with the Borrower on the PP by no later than completion of loan negotiations. The PP, approved by the Bank during loan negotiations, is incorporated by reference in the Legal Agreement, making it legally binding on the Borrower.
4. Once it has provided its no-objection, the Bank arranges for the publication of the PP and all of its updates on its external website.

Project Procurement Strategy for Development Structure and Content

The PSD template is based on a series of sequential stages that help shape the design of the procurement approach. The outcome should be a comprehensive strategic overview and a fit-for-purpose procurement approach relevant to all procurement activities.

This Guidance provides information on how to address each of the eight PSD sections:

1. Project Overview
2. Strategic Assessment of Operating Context and Borrower Capability
3. Procurement Risk Analysis
4. Stakeholder Analysis
5. Procurement Objectives
6. Procurement Approach Options and Recommendations

7. Preferred Arrangement for Low-Value, Low-Risk Activities
8. Summary of PPSD to Support the Preparation of the PAD by the Bank.

Selecting the Appropriate PPSD Template

Most Projects will use the Short-Form PPSD Template and the associated Short-Form PPSD Guidance.

Long-Form PPSD Template

For those Projects that have significant procurement contracts, by value and risk, the Long-Form PPSD Template should be used. The Borrower and the Bank will agree upon when a Long-Form PPSD is required.

Table I details the criteria that determine when a Long-Form template is appropriate. The criteria are a combination of:

- The type of procurement or contract
- The estimated contract cost, or value threshold
- The level of procurement risk.

The procurement risk rating—low, moderate, substantial, high—should be agreed upon between the Borrower and the Bank.

TABLE I Thresholds for Use of the Long-Form PPSD Template as a Function of Procurement Risk

Type of Procurement/Contract	Thresholds for Use of the Long Form PPSD Template as a Function of Procurement Risk			
	Estimated Contract Cost (US\$ millions)			
Works	≥ 200	≥ 115	≥ 75	≥ 50
Goods IT and non-consulting services	≥ 125	≥ 75	≥ 50	≥ 30
Consultant services	≥ 40	≥ 30	≥ 20	≥ 15
Procurement Risk	Low	Moderate	Substantial	High

Other Considerations

A single Long-Form PPSD should be prepared for all Projects that have one or more contracts over the thresholds stated in table I.

A Procurement Activity Schedule is not required. The justification for all procurement approaches must be included in the PPSD and the PP, including any revisions. The PPSD may involve research and analysis of multiple marketplaces, with a number of procurement approaches designed for each market.

Situations of Urgent Need of Assistance

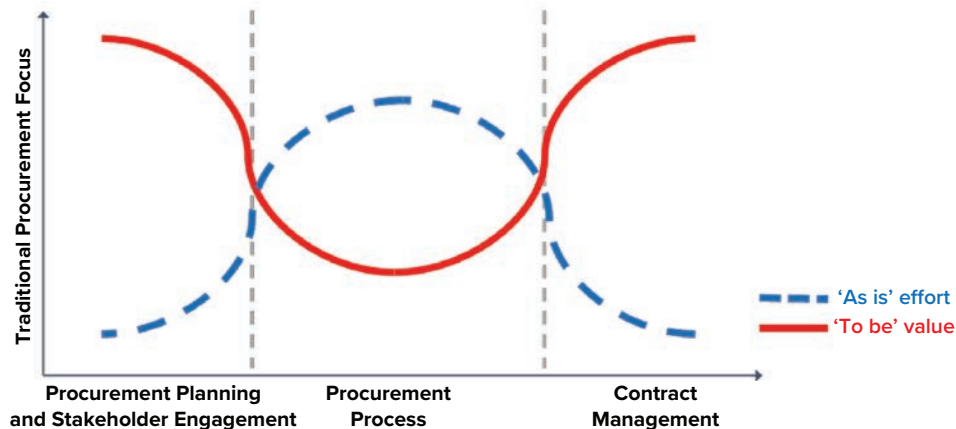
The Borrower may prepare a high-level, simplified PPSP in situations of urgent need of assistance because of a natural or man-made disaster or conflicts recognized by the Bank. However, the simplified Procurement Arrangements in the PPSP should be consistent with the Bank's Core Procurement Principles. In these situations, the PPSP can be reviewed with the Bank later during implementation.

Adding Value through Early Planning

The PPSP is the cornerstone for ensuring that the procurement approach is properly planned and designed. This will enable the selection of the most appropriate suppliers by providing the suppliers with the best opportunity to demonstrate the value they can offer through the selection process.

The best opportunity for achieving VfM in contracts is at the planning stage of the Procurement Process. The PPSP is structured to ensure that consideration is given to all the appropriate procurement tools, techniques, and methods at this planning stage. It is also structured to provide the earliest opportunity for VfM to be designed into the procurement approach before the formal Procurement Process commences. Figure I demonstrates the importance of early procurement planning.

FIGURE I Opportunity and Influence in Delivering VfM during the Procurement Process



Additionally, the active management of the contracts within a Project post-award helps to ensure that suppliers meet their contractual obligations and are incentivized and enabled to deliver VfM.

More Information

For more information on VfM, see the following World Bank resources:

[*Procurement Guidance: Evaluating Bids and Proposals*](#)

[*Procurement Guidance: Value for Money*](#)

The Three “Ds” of Procurement Planning Approach

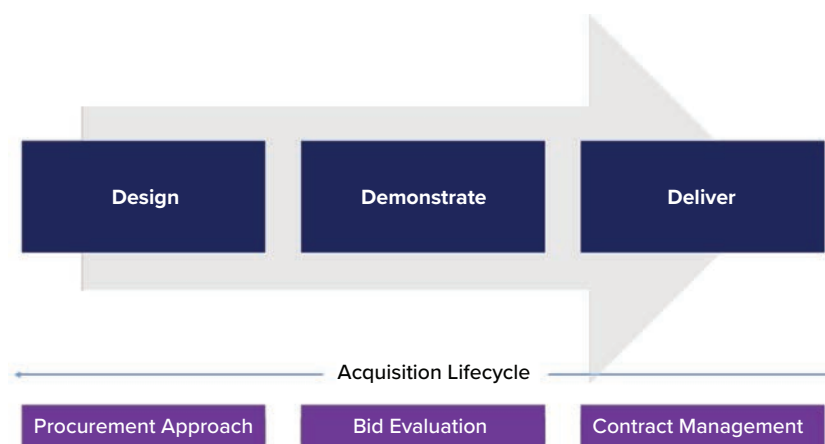
The Bank’s strategic approach to VfM procurement is based on three stages, as shown in figure II:

Design

Demonstrate

Deliver

FIGURE II The Three “Ds” of Procurement Planning Approach



1. Design

The Design stage is documented in the PPSP and will result in a set of proposed fit-for-purpose procurement approaches for the contracts within the Project. These approaches will be justified by appropriate and proportionate levels of research and analysis. A fit-for-purpose procurement approach is the optimum tailored procurement approach for delivering the Project Development Objectives (PDOs), taking into consideration the individual circumstances and business and operating environments of the particular procurements.

2. Demonstrate

The Demonstrate stage addresses the evaluation of Bids and Proposals. It is a critical procurement stage and must be planned carefully to ensure that the evaluation method considers a range of criteria that add value, reduce risk, and evaluate costs over the whole of life, as appropriate. Getting the evaluation method right ensures that suppliers are given the best opportunity to demonstrate their value proposition throughout the selection process.

At this stage, the Borrower determines the most appropriate type of Evaluation Criteria to be applied. This includes consideration of the use of Rated Criteria to assess non-price, technical, or

quality attributes. For international procurements advertised on or after September 1, 2023, using a Bank SPD, Rated Criteria must be used.⁴ Rated Criteria and any subcriteria need to be described, prioritized, and weighted by the Borrower. The Borrower then determines the final weightings to be applied to the overall technical evaluation versus the financial cost evaluation to determine the optimum balance of quality and price. The overall technical versus financial cost weighting—for example a technical evaluation of 80 percent compared to a financial cost of 20 percent—denotes the determined optimum balance of quality factors and cost in a procurement and drives the assessment of best VfM. The percentage split in the overall weighting is determined on a case-by-case basis, taking into account the specific risks, opportunities, issues, and quality factors present in the procurement and outlined in the PSD.

For more information, refer to:

[*Procurement Guidance: Evaluating Bids and Proposals*](#)

3. Deliver

The Deliver stage focuses on actively managing contracts to ensure that the VfM that has been designed into the procurement approach is operationalized through effective contract management.

For more information, refer to:

[*Procurement Guidance: Contract Management, General Principles*](#)

[*Procurement Guidance: Contract Management, Practice*](#)

⁴ The use of Rated Criteria is not required for procurement of pharmaceuticals, vaccines, off-the-shelf Goods, off-the-shelf educational materials, or commodities. Additional details are provided in the Procurement Regulations, annex X, Evaluation Criteria.

PPSD Sections and Instructions

PPSD Section 1: Project Overview

This section of the Project Procurement Strategy for Development (PPSD) template captures key information and is mainly descriptive. Its purpose is to summarize the Project in terms of scale and requirements. Much of the information required here should be drawn from the Project Concept Note.

In addition to the data elements in table II, there are five elements that should be included in the Project Overview, as described below.

TABLE II. Project Overview

Country:	
Full Project Name:	
Total Finance (\$):	
Project Number:	

Project Description

For each contract and subcontract, include a short description of what is required from suppliers, including the cost estimate.

Project Development Objectives

Provide a description of the Project Development Objectives (PDOs). These should be consistent with those identified in the Project Concept Note.

Result Indicators

Include appropriate Result Indicators that are SMART (Specific, Measurable, Attributable, Relevant, and Time-Bound). Link the Result Indicators to Project outcomes. Each PDO should be measured by one or more outcome indicator.

Proposed Procurement Contract Summary

Provide a summary of the proposed contracts within the Project, including a Supply Positioning model for each identified contract.

Legal or Policy Requirements

Provide a statement of any legal or policy requirements that apply, such as the application of Alternative Procurement Arrangements (APAs); use of Stated Owned Enterprises, such as for restricted contracts such as aerial mapping; or any policy and sustainability requirements.

PPSD Section 2: Strategic Assessment of Operating Context and Borrower Capacity

Assessing Three Key Dimensions

This section of the PPSD assesses three different but interrelated dimensions:

1. Operational Context
2. Borrower Capability, Including the Project Implementation Unit (PIU)
3. Market Research and Analysis

When completing this section, appropriate and proportionate levels of research and analysis need to be provided. There needs to be sufficient detail to inform the decisions required to determine the fit-for-purpose procurement approach and to justify the Procurement Plan (PP).

Each of the three dimensions should be addressed individually. At the end of each assessment, it is important to capture, in the Conclusions, the key factors that will be considered and their impact when determining the procurement approach.

The outputs of the Strategic Assessment include:

- **Resourcing Plan:** Details the Borrower's view of any capability-building requirements needed to augment their own resources to undertake the Project.
- **Market Engagement Plan:** Outlines the approach the Borrower will take to engage with suppliers to provide feedback and ideas on their specified requirements and to create marketplace interest in bidding for contracts.
- **High-Level Procurement Approach Option:** Provides an overview of the options available for the procurement approach for each contract.

Operational Context

This section comprises four aspects: Governance, Economic, Sustainability, and Technological. The assessment should provide analysis of each aspect and describe the considerations that impact the operational context and that may influence the procurement approach, the motivation of Bidders to participate, as well as the success of any subsequent contracts. Most of this information is available through research and analysis undertaken by the Bank and presented in the Project preparation documents for the Project and in other similar Projects.

Information to be included in each of the four aspects includes the following:

1. **Governance Aspects:** Fragile or conflict-affected situations that may raise security concerns; state involvement in the specific economic sector, such as state-owned enterprises receiving government subsidies; legislative processes that may regulate the market or Bidders; the overall legal framework; and disaster or Emergency Situations.
2. **Economic Aspects:** A small economy that may result in a lack of competition or difficulty attracting an international Bidder, high inflation that may require the use of another currency or inflation protection terms that protect a Bidder so they are motivated to participate, any domestic preference that may motivate local businesses but endanger international competition, track record of on-time payment, and exchange rate volatility.
3. **Sustainability Aspects:** Procurement can contribute to the Bank's sustainability goals by delivering societal, economic, and environmental benefits. Sustainability aspects should be taken into account when considering challenges faced by Borrowers to integrate sustainable practices into procurement, such as the use of national and institutional settings that need to be in place for sustainable procurement to be successful, including the legal and regulatory framework, data monitoring and capacity building. These also include social impacts associated with working in sensitive environments, and importing of labor and labor standards.

For more information, see:

[*Procurement Guidance: Sustainable Procurement*](#)

[“Implementing Sustainable Procurement:”](#) A New Suite of Guidance Documents on Sustainable Procurement

[*Guidance: The World Bank Environmental and Social Framework*](#)

[*Paper: Green, Resilient, and Inclusive Development*](#)

4. **Technological Aspects:** The speed of technological change and associated risks impact how procurement processes may be undertaken, or how a new solution may be implemented. New technologies, including opportunities and risks, should be explored, but with some degree of caution due to possible conflicting expectations in relation to the speed and accuracy of information transfer and increased cyber security risks.

Tool: PESTLE Analysis

A Political, Economic, Social, Technology, Legal, and Environment (PESTLE) analysis is a useful tool for this assessment. A full explanation of a PESTLE analysis is detailed in Annex A. Figure III summarizes some of the points to be considered when undertaking the operational context assessment using a PESTLE analysis.

FIGURE III PESTLE Analysis

Political	• Government type, stability • Fragility and conflict • Regulation, rule of law	• Bureaucracy, corruption • State involvement in the economy • Small states
Economic	• Growth • Inflation • Exchange Rates	• Commodity prices • Unemployment • Labor supply
Social	• Demographics • WB social standards • Education, health	• Affected communities • Conflict, civil unrest • Attitudes
Technological	• Emerging technologies • Information availability • Pace of change	• R&D expense • Everyday technology access
Legal	• State of involvement • Employment law	• Contract / Commercial law • Health and safety
Environmental	• Climate change • Local legislation • WB environmental standards	• Waste disposal • Impact and remediation

The PESTLE analysis will provide a lot of information; therefore, it is essential to consider what the findings actually mean for the procurement approach. The priority is to identify factors that could impact the procurement approach both positively and negatively, while drawing conclusions from these findings to inform the procurement approach that is being designed and detailed in the PPSD.

The PESTLE analysis is particularly helpful at identifying risks, which should be considered as part of Procurement Risk Management Plan.

Borrower Capability and Project Implementation Unit

The objective of this assessment is to identify any known factors, both enablers and constraints, which may have an impact on the delivery of the project and the procurement approach being developed. This assessment is independent of the assessment that the Bank undertakes on the Borrower's capability in the Project Appraisal Document (PAD). It should also help to identify any targeted early interventions, such as training or enhanced support that the Borrower may benefit from, whether from the Bank or other sources.

The following factors should be considered when assessing Borrower capability and resource needs to plan and design the procurement approach and the subsequent implementation.

- Previous experience or track record—both good and bad—in implementing similar projects or procurements, as well as implementing World Bank projects
- Contract management capacity and capability to follow through on commitments made during the Procurement Process and contained in the contract award

- Track record and market reputation for making contractual payments on time
- Complaint management and dispute resolution systems that are credible, independent, and engender trust in all parties, through prompt and fair handling of Complaints
- Procurement capacity, including previous experience, technical capability in designing and preparing specifications and bidding documents, experience in supervision of construction contracts (if applicable), testing of procured items, availability of resources, and track record to undertake successful fit-for-purpose procurement planning; Procurement Process; Bid/Proposal evaluation; supplier selection; and contract award
- Reliance on, criticality of, and use of professional advisors, such as Consultants, to augment Borrower capability
- Project implementation arrangements
- Administrative arrangements, including delegated authority levels to facilitate timely decision-making
- Inspection arrangements
- Contract packaging
- Lessons learned from the implementation of other similar projects
- Experience using APAs
- The need to request Bank hands-on expanded implementation support (HEIS)

Consider previous Borrower and Bank experience of similar projects, when preparing this section.

Tool: SWOT Analysis

The use of a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis can support the Borrower Capability assessment. Annex A provides an overview of a SWOT analysis. Table III details some of the considerations and questions that Borrowers may wish to consider in preparing this section of the PSD.

The Borrower's assessment of their previous experience, capability, strengths, and weaknesses should be supported, demonstrated, and corroborated by reference to credible third-party audit reports or similar documentation. When developing the procurement approach, the Borrower should demonstrate experience in undertaking similar types of procurement and Procurement Arrangements, as well as successful implementation. If the proposed procurement approach has not previously been used or was not previously successfully implemented, the Borrower should explain how they would obtain the capability and capacity to implement the procurement approach. Any associated risks should be considered as part of the Procurement Risk Analysis section of this Guidance.

TABLE III. SWOT Analysis

Strengths	Weaknesses
■ What implementation advantages does your organization have? ■ What does your organization do better than anyone else? ■ What resources does your organization have access to? ■ What do stakeholders see as your organization's strengths?	■ What could your organization improve? ■ What should your organization avoid? ■ What are stakeholders likely to see as your organization's weaknesses? ■ What factors negatively impact your organization's results?
Opportunities	Threats
■ Where can you find good opportunities? ■ Useful opportunities can come from: ■ Changes in technology and markets on both a broad and narrow scale ■ Changes in government policy that relate to the requirements ■ Changes in social patterns, population profiles, or lifestyle changes ■ Local events ■ What are the trends?	■ What would happen if delivery of the Goods, Services, or Works failed? ■ What are the obstacles to delivery? ■ What do suppliers do that causes concern? ■ Are stakeholders' needs changing? ■ Is changing technology threatening your organization's position? ■ Are there any budget restrictions? ■ Could any of your organization's weaknesses seriously threaten delivery? ■ What systems and procedures are in place to identify failure early? ■ What is the reputational risk? ■ Are there any political, policy, or legal changes that could threaten the procurement? ■ What challenges are there relating to the geography or geographic location of the project?

Resourcing Plan

At the end of this section, a Resourcing Plan should be created. This is the Borrower's view on any capability-building requirements needed to augment their own resource levels.

Market Research and Analysis

The objective of market research and analysis is to develop an appropriate understanding of the market sectors that have been identified as having the potential to Bid for the Goods, services, or Works required for a contract within a Project. This is to ensure that the eventual procurement approach maximizes the likelihood of the right Bidders participating, and the right supplier being selected, thereby minimizing failed Procurement Processes due to a lack of Bids or the wrong type of Bid.

This section will explain how a market works and how this impacts the Borrower's approach to the market. It will look at the market from both the perspective of the Borrower and suppliers operating in that space, to determine what will motivate the right suppliers to participate in the procurement.

This information should then be analyzed to design the procurement approach to ensure that the right markets and suppliers are targeted, so that the procurement approach maximizes market

interest—noting that high-value and profile procurement is not always sufficient motivation for the right Bidders to participate.

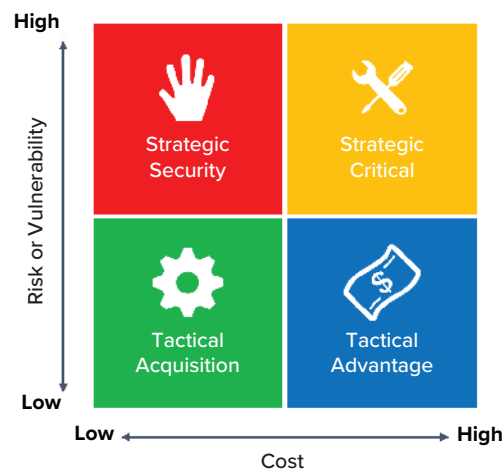
Most Projects will have multiple individual procurement contracts, many of which will be low value and low risk. A Supply Positioning model should be used to assess how much analysis each of the contracts in a Project will require, ensuring that a proportionate approach is taken on the overall analysis of all contracts.

Tool: Supply Positioning Model

Supply Positioning is a procurement technique that can be used to determine where research and analysis should be focused when preparing the PSD and any subsequent updates. It simply categorizes specific procurements based on their relative supply risk and value.

Each contract or category of contracts, if there are many contracts that are the same, should have an assessment of the supply risk and relative value in order to position the contract on the Supply Positioning model, as shown in figure IV and table IV.

FIGURE IV Supply Positioning Model



The Supply Positioning model is a tool to help

- Determine the appropriate level of analysis and focus for each contract within the Project
- Estimate how much time, effort, and due diligence is required
- Identify where the Borrower should focus their efforts, and in what manner

Supply Positioning should be carried out at a Project level. Each contract within the Project is then assessed in terms of the following supply risk factors:

- Borrower skills and previous experience in procuring and managing this type of contract
- Difficulty of specifying, or the uniqueness of the Project or contract requirements

TABLE IV. Supply Positioning Model–Detailed Description

Buyer's Priority	Description
Strategic Security <i>Security of supply</i>	■ Low-cost goods/services/works ■ Strategically important ■ Shortage of reliable suppliers
Strategic Critical <i>Security of supply at a good price</i>	■ High costs specialist goods/services/works ■ Limited number of suppliers
Tactical Acquisition <i>Purchasing efficiency</i>	■ Routine purchases ■ Low-value/low-risk goods/services/works ■ Many potential suppliers
Tactical Advantage <i>Improving value through leverage tactics</i>	■ High-cost/low-risk goods/services ■ Many potential suppliers

- Competitiveness of the market and the number of potential suppliers in the market
- Contract implementation risks
- Criticality of the contract to Project delivery and PDOs

The combined assessment of these supply risk factors should be categorized, rated, and ranked. Each contract should be plotted on the Supply Positioning model.

Mapping Contracts on the Supply Positioning Quadrants

- The relative cost estimate of each contract should be plotted on the x-axis.
 - Relative cost in Supply Positioning is a relative value and is calculated on the basis of the relative cost of the contract when compared to the estimated total Project procurement cost.
 - The determination of high cost is typically any contract that is 1 percent or more of the estimated total Project procurement costs.
- Mapping contracts in the Supply Positioning model will place the contract in one of the four named quadrants.
 - Contracts should not be artificially broken down into smaller lots at this stage, although this could be appropriate once the PPSD analysis is complete and determines that this is required as part of the procurement approach. The opportunity to package similar contracts together should also be considered in the preparation of the PPSD.
- If any contract in a Project is categorized as Tactical Acquisition, this indicates a relatively low level of supply risk and therefore requires proportionately less research and analysis.
- If any of the contracts are categorized as Strategic Security or Strategic Critical, this indicates a relatively high level of supply risk and therefore requires a greater level of analysis, due diligence, and effort to be applied.

Supply Positioning should be used as a guide to determine the level of effort required.

Under normal circumstances, contracts that are Tactical Acquisition or Tactical Advantage can have the procurement approach summarized in section 7 of the PSD Template—Preferred Arrangement for Lower-Value, Lower-Risk Activities. The main exception to this is in cases where the preferred procurement approach is either not fully competitive or is inherently risky, such as Competitive Dialogue or negotiations. In these circumstances, a more robust analysis and justification is required.

Outcome

On completion of the Supply Positioning assessment, the Borrower should use their judgment to make sure that the contract placement on the model is realistic. The use of Supply Positioning at this stage of the PSD preparation is designed to help Borrowers identify where effort needs to be focused.

Where data or information is not available, the Borrower should state their “assumptions” and use their best judgment. These assumptions and judgments should be reviewed as the PSD is being prepared, and if necessary, the Borrower should revisit the Supply Positioning assessment, if there are any material changes to the assumptions or judgments made.

Markets

The definition of a market is broad. It can be where:

1. Buyers and sellers come together
2. Providers of Goods, Works, and Services operate

Markets can be complex, and they are often segmented based upon factors such as scale, specializations, or geography; for example, transport subsegments can include heavy engineering, rural road infrastructure, highways, and bridges.

Some suppliers can be generalists, covering a whole segment, while others may be specialists, operating in a single subsegment.

Therefore, a market analysis needs to consider the supply chain and identify the markets and suppliers that exist at different points in the supply chain. For example, in a construction market, this could be quarries, converters, manufacturers, installers, Consultants, and prime contractors.

For more information, see:

[*Procurement Guidance: Supply Chain Management*](#)

Why Perform Market Analysis?

The benefits of market analysis include the following:

1. It will ensure that contract lots are designed to align with the target market.
2. Supplier awareness, engagement, and opinion will lead to increased confidence in the procurement approach being followed and encourage a competitive Bid.

3. Insight into market possibilities and potential innovative solutions will be gained.
4. A better understanding of risk at an earlier stage of the Project Cycle will ensure that the selected procurement approach is designed to manage or mitigate identified risks.
5. There will be a better understanding of where a Project's requirements fit into the marketplace, the marketplace's capability of meeting those requirements, and how the requirements could either be shaped to fit the marketplace, or how the latter must be shaped to meet the requirements of the former.

Market Analysis Scope

Market analysis is undertaken to gain a common understanding of the current supply market in order to be able to clearly:

1. Identify the type of market
2. Describe the nature of competition and how it really works
3. Establish supply market capability
4. Estimate the total and available supply market capacity
5. Know the factors influencing the market, and how they may affect Bidder participation
6. Understand how factors influencing the market may drive change and the impact of this change
7. Know who the key suppliers are and their plans for the future
8. Identify costs associated with the supply of Goods, Works, and Consulting or Non-consulting Services
9. Identify pricing methods used by the suppliers in this market
10. Establish pricing trends in terms of actual prices and pricing methods
11. Understand current best-practice pricing methods and the availability of cost and price benchmarks
12. Identify risk associated with a market and describe how the risk should be managed
13. Assess the Borrower's previous experience achieving VfM when operating in similar markets
14. Describe how other customers in the market achieve VfM, and get the right result

15. Determine whether the Borrower's contract is likely to have any positive or negative impact on the market. Will the right suppliers bid? Will those suppliers bid in the right way to get the right result?

Table V illustrates many of the influences that need to be considered when undertaking market research and analysis.

Tool: Supply Market Influences

TABLE V. Supply Market Influences

Dynamics	Capacity and capability	Shape and extent of competition	Power balance	External influences and factors
Geography and Segmentation	By geography, product, industry	Specialist, generalist, niche	Differentiation	Local, national global
Restructuring Trends and Developments	Mergers and acquisitions	Strategic alliances	New entrants	New products and services
Pricing	Mechanisms	Strategies	Trends	Sources of cost and value
Customers	Who are they? What are the relevant sectors?	What are they procuring and from whom?	What is our/their impact on the market?	How do they procure?

Market Analysis Outputs

The output from market research and analysis should be an understanding of:

1. The target market and any potential changes, particularly the impacts of changes in supply and demand
2. How best to interact with the supply market to attract the right suppliers to bid
3. How the Borrower can maximize their influence with suppliers in the market
4. How suppliers will be motivated to bid and innovate
5. The expected levels of performance suppliers will provide
6. How the Borrower will incentivize suppliers to perform
7. A set of ideas for how VfM will be achieved
8. How opportunities, threats, and risks will be managed at different procurement stages, from prequalification through contract management.

Typically, the market analysis should be structured into headings, as shown in the following section. This section will cover the information obtained through the research, but more importantly, what this information means for the Borrower when applied to their requirements.

Research

- Supply Positioning model: Identify the risk and value thresholds of the Project
- Segmentation of the market by geography—local, national, international—and specialization or differentiation
- Market sector dynamics: Consider the nature and extent of competition, levels of experience, capability, and innovation, as well as external influences and factors
- Market trends: Technology, new services, ownership structures and alliances, market growth, and new entrants
- Financial: Sources of cost and value, cost stability, pricing strategies and mechanisms, as well as cost and financial benchmarks
- Procurement trends: procurement approaches of other entities procuring similar contracts, typical contract terms, common issues that inhibit or contribute to achieving VfM, typical responses, and lessons learned.

Analysis and Action

- Market capability to meet the Borrower's needs, including typical experience levels, package sizes, and financial performance
- Previous experience in the market of the Borrower and other customers, including World Bank Projects and non-World Bank projects
- The market's view of the Borrower as an attractive customer. Suppliers may take into account the Borrower's perceived capacity or capability to undertake the procurement process, its propensity to impose onerous conditions on suppliers, its ability to make timely decisions during contract implementation, its ability to pay suppliers on time, or its reputation when handling complaints. Such factors impact whether the best-qualified suppliers will be attracted to work with a particular Borrower. Depending on a Borrower's reputation, it may not be an attractive customer.
- Modification to the requirements, if needed, to align them to the market's capability, or actions to influence the marketplace so that it is willing and able to meet the requirements unchanged
- The nature of competition and what is needed to ensure appropriate levels of participation
- Current good practice for procuring from the market, including pricing methods, risk allocation, and benchmarks of performance and cost
- Risks identified and a management plan based on allocating risk to the party best placed to manage the risk

- **Market risk tolerance:** There is usually a cost to transfer a risk to another party, and if the Borrower attempts to transfer too much risk to suppliers, it may result in few or no supplier Bids, or a Bid that is too expensive to select

At the end of the market research stage, Borrowers should:

- **Develop a Market Engagement Plan:** This is the approach the Borrower takes to directly engage with suppliers to provide feedback and ideas on their specified requirements and to create marketplace interest in bidding for contracts.
- **Identify High-Level Procurement Approach Options:** An overview of the options available for the procurement approach for each Project contract is outlined in section 8 of this Guidance.

Sources of Information

Information for market analysis can come from a variety of sources. As a starting point, where possible, the Borrower should seek to use previous research, examine previous experience, and consider the track record for comparable projects or contracts in similar circumstances.

The next step is to augment this information with other sources. The World Bank has numerous sources of market research that Borrowers may access to inform their procurement decisions. This includes World Bank sector analysis and experience of counterparts in other jurisdictions.

Sometimes the best approach is to talk to a number of suppliers to gather market intelligence through market engagement, without being overly influenced or directed to one supplier's approach, to ensure fairness. Borrowers are encouraged to engage early with suppliers to build improved knowledge and understand the target market. This process must be completed before advertising the opportunity to bid.

There is also a large amount of information available in the public domain to supplement Bank and Borrower-specific sources, including:

- Project feasibility reports
- Market analysis reports
- Industry representative groups, trade associations, and industry governing bodies
- Specialist industry research groups
- Government-sponsored industry consolidations
- Trade journals
- Supplier annual report and accounts
- Contacts in other organizations

- Internet searches
- Own knowledge from previous projects/contracts
- Other buyers' and Borrowers' experiences
- Commodity indices
- Government statistics
- Government agencies and tax authorities
- Stakeholder knowledge, such as World Bank sector specialists
- Suppliers

Analysis of the market will often require more than just desk research. The Borrower should engage with suppliers and industry representatives to review the market, as appropriate. Figure V outlines several sources of market information to consider.

FIGURE V Sources of Market Information



Market Engagement

Market engagement is a way of discussing the Borrower's requirements with a marketplace and the suppliers it contains. It is particularly useful if there is a need to create a market or increase supplier

participation due to a lack of market interest, especially where there is an incumbent supplier, or the requirement is novel.

In undertaking market engagement, Borrowers should ensure the core principles of fairness and transparency are upheld by treating all potential suppliers equally. It is particularly important that the Borrower manages the market engagement in a manner to avoid perceived or actual conflict of interest situations in the Procurement Process, including but not restricted to, the market engagement itself, the final requirements or specifications, and the selected Procurement Arrangements.

Effective market engagement can help establish the marketplace's ability to meet the Borrower's requirements, provide ideas on alternative approaches for meeting these specifications, highlight potential risks early in the Project Cycle, and provide an insight into likely marketplace interest. Simply, it can also motivate the right suppliers to bid. This information should then be used to develop a procurement approach that manages risk in the right way for everyone, is more attractive overall to the marketplace, generates greater competition, and ultimately maximizes the opportunities to meet the Borrower's PDOs.

There are many different ways in which market engagement can be undertaken. These include concept viability exercises, supplier questionnaires, market sounding exercises, supplier conferences, trade events, paid-for market research, and publication of outline procurement strategies for consultation.

Borrowers should consider the following when undertaking any market engagement:

- Engage early and widely with the marketplace and suppliers to give them an opportunity to shape the requirement.
- Work with all suppliers on an equal basis to ensure openness of access to staff and information.
- Establish good communication channels and keep potential Bidders informed.
- Maintain genuine competition throughout the process; do not leave Bidders in the competition if you do not believe they are capable of winning.
- Be transparent about the procedures and top-level criteria for evaluation of Bids.
- Maintain the commercial confidentiality of information received from suppliers.
- Be willing to consider commissioning pilots, paid studies, and Proof of Concept exercises, as well as Design and Build exercises.
- Be open to novel approaches.
- Focus on the desired outcomes.
- Be willing to reconsider the requirement and scope, and the packaging of the requirement for procurement.

- Consider a range of commercial or contractual options, such as multiple suppliers or a geographical split.
- Determine what the position will be in the event of future rebidding; frame the requirement in a way that will help avoid lock-in of the supplier.
- Ensure the commitment and support of senior management in dealing with the marketplace.
- Have a good understanding of the risks involved for both suppliers and the Borrower.
- Apply rigorous project management procedures to any procurement exercise and make these visible to the marketplace and suppliers.
- Ensure that all of the necessary skills are available to the procurement project team.

Previous Borrower and Bank Experience of Similar Projects

Borrowers should work with the Bank to understand how Projects of a similar nature have been delivered in the past. This analysis should focus not only on what did not go well and could have been improved, but also on what went well and why.

Areas to be considered include:

- What was the marketplace?
- Which suppliers bid? Which suppliers declined to bid? Why?
- Was the Project delivered to time, cost, and quality? Why or why not?
- Were there any disputes? If so, what were the causes?
- Overall, were there good marketplace and supplier participation levels? Why?
- What type of specification was used? Did it deliver the right result? Are there any elements of that specification that may be relevant to this Project or contract?
- What type of procurement approach was used? Did it deliver the right result? Are there any elements of the specification that may be relevant to this contract?
- What was the approach to contract management? How effective was this at keeping the Project and supplier under the right level of control?
- What resourcing did the Borrower use? For example, looking back upon completion of the Project, could there have been areas where the Borrower may have benefited from additional capacity?

Project and Contract Cost

As part of the market analysis, Borrowers should pay particular attention to the likely costs of each contract and assess whether the current contract estimate appears contemporary and realistic.

Data to benchmark costs can come from a wide variety of sources, including previous experience in similar Projects, consultancy firms or technical advisors, cost benchmark reports, government data sources, and cost benchmarking firms.

Borrowers should use information gathered from market analysis to highlight any risks to contract estimates caused by influences such as inflation; resource shortages; a lack of market capacity driving up prices; or specific risks, such as logistic difficulties, within the Project that may lead to suppliers loading their Bids or Proposals with high contingency sums.

Borrowers should also include any risks associated with contract cost estimates in the Procurement Risk Management Plan.

Key Market Analysis Tools

There are a number of procurement tools and techniques available to support market analysis that help not only in structuring the research but also in analyzing the information to draw conclusions and develop the procurement approach.

The key tools and techniques to support market analysis are as follows:

- **SWOT** – Strengths, Weaknesses, Opportunities, and Threats
- **Porter’s Five Forces** Analysis
- **PESTLE** – Political, Economic, Social, Technological, Legal, and Environmental
- **Supplier Preferencing**
- **Supply Positioning**
- **Combined results** of Supplier Preferencing and Supply Positioning
- **Supply Chain and Value Chain** analysis

Level of Proportionate Analysis

As with the overall preparation of the PSD, the level of analysis undertaken should be proportionate to the context of the procurement. When deciding what is appropriate, consider the following factors:

- The use and application of these tools needs to be proportionate to the level of market research and information required to develop a fit-for-purpose procurement approach.
- It is not expected that all of the tools will be used, rather, only those most appropriate to the individual circumstances.

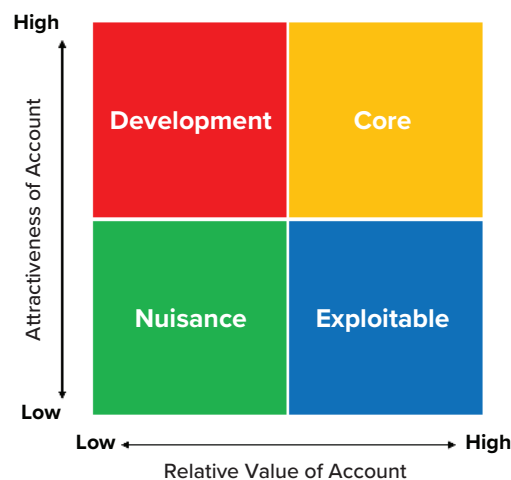
For a detailed description of each tool and technique, see Annex A.

Tool: Supplier Preferencing

One of the most useful tools in supporting market analysis is Supplier Preferencing. Through its application, Borrowers can identify and describe the typical approach suppliers will take to working with Borrowers based on their segmentation in the model. To determine the accuracy of the assessment, the Borrower should consider real experience in how suppliers respond to Bids, the level of success, and how suppliers react when there are implementation problems. This serves as a general proxy to assess how important the Borrower is to that supplier as a customer.

Supplier Preferencing is a tool that identifies how a supplier views a Borrower as a customer and, depending on this view, how the supplier is likely to behave. Supplier preferencing categorizes these views into four segments, as detailed in figure VI. For a detailed description of Supplier Preferencing and its application, see Annex A.

FIGURE VI Sources of Market Information



In high-level terms, this will determine how attractive the Borrower is as a customer to the supplier. This will in turn determine the level of willingness the supplier will exhibit to bid for work and the corresponding level of effort the supplier will make to meet the Borrower's requirements. This tool helps determine the extent to which the Borrower can influence a market, through its procurement approach, to achieve the PDOs and procurement objectives (see section 7 of this Guidance).

As previously noted, the value of a contract alone does not make a procurement or a Borrower attractive to a potential supplier. Rather, the whole package of value, combined with Borrower behavior, informs how the supplier is likely to react. The ideal classification is that potential suppliers will see Borrowers as good customers that they already treat as core clients, or with whom they would like to grow the relative value of the account through development. Unfortunately, some suppliers may see the Borrower as a nuisance to be avoided due to high costs of doing business, or as an entity that is exploitable over the short term. Truthfully understanding this dynamic and how it can be changed to get the right, motivated supplier is critical to ensure a successful procurement result.

The outcome of this analysis should allow a Borrower to establish the factors listed below and design a procurement approach to maximize market interest and actual participation in the procurement.

- What changes does the Borrower need to make to be more attractive to the market?
- What does the Borrower need to do to motivate the market to bid and provide a good solution to meet the Borrower's requirements?
- What options are available to the Borrower to engage with the market to optimize the level of supplier participation in a bidding process?

PPSD Section 3: Procurement Risk Analysis

The Importance of Risk Assessment

Procurement risk analysis is the process of identifying and minimizing the likelihood of a risk occurring, as well as minimizing the impact to the Borrower's PDOs, business, and stakeholders if the risk does occur. It also looks at identifying and maximizing the likelihood of an opportunity occurring, and thereby maximizing the impact or benefit to the Borrower's PDOs, business, and stakeholders if the opportunity materializes. The procurement risk analysis sets out the plan for tackling risks and opportunities.

All of the risks identified from section 4 of this Guidance are summarized and evaluated in a Procurement Risk Management Plan, as seen in table VI. This plan defines the risks, assesses the impact, describes the mitigation action, and allocates the risk to an owner.

TABLE VI. Risk Management Analysis

Risk Description	A	B	Overall	Description of Proposed Mitigation Through the procurement Process	Risk Owner	Procurement Process Stage
	Likelihood Rating	Impact Rating	Risk Score (A * B)			

Risk management supports the recognition, evaluation, and prioritization of potential failures and their effects. It enables project delivery by identifying and tracking actions, which eliminates or mitigates the chance of the potential failure occurring. Its intent is to maximize positive impact and minimize adverse impact to the procurement approach and procurement objectives.

Risk Management Plan

Table VI should be used to create the Risk Management Plan by summarizing and recording the overall risk management analysis.

Procurement risk management is primarily concerned with managing impacts on the contract schedule, cost, and performance, including the delivery of the stated requirements. Through a structured approach to risk management, Borrowers should identify how opportunities and risks will be managed at different stages of the Procurement Process. The following Procurement Process stages should be used as a starting point to complete table VI.

1. **Market engagement** — Make certain that the Borrower understands how the market functions and demonstrate to suppliers the benefits of working with the Borrower.
2. **Prequalification** — Ensure that only suppliers capable of delivering the requirements are invited to bid.
3. **Specification** — Verify that the Borrower clearly states the detailed specification or performance requirements and provides the supplier with freedom to use its expertise to be innovative in its delivery.
4. **Procurement Arrangements** — Ascertain that Bids are competitive and ultimately deliver demonstrable VfM. Examples include the contract type, conditions of contract, and pricing mechanisms.
5. **Evaluation** — Establish that the most appropriate supplier is selected, and all risks are managed and understood.
6. **Contract Management** — Check to ensure that suppliers fulfill their contractual obligations and that any issues are dealt with efficiently and effectively in a fair and transparent manner.

Procurement Risk Analysis

There are numerous approaches to performing a risk analysis. The PPSD uses a technique that looks at identifying the risk (the problem), the likelihood of the risk (event) occurring, the criticality of the risk if it occurs, and the impact of the problem (risk). The combination of these factors allows a determination of the risk rating.

To make the identification and analysis of procurement risk manageable, the Borrower should structure the assessment around the following eight key areas:

1. Market complexity and competitiveness
2. Delivery and supply security
3. Suppliers and supplier relationships
4. Borrower experience, capacity, and capability

5. Cost trends
6. Technical innovation—the degree and rate of change
7. Sustainability—environmental, economic, social
8. Business and operating environment

Quantifying risk and allocating a rating is subjective, but the use of the following criteria, in conjunction with information from the Strategic Analysis in section 4 of this Guidance, should help the Borrower make the analysis more objective. Factors include:

- Previous experience and judgment of the Borrower
- Understanding key decision drivers of both suppliers and the Borrower
- Identification of key delivery dependencies
- Analysis of any assumptions made
- Root cause analysis

Once the risks have been identified, they need to be assessed, rated, and ranked by priority. Each risk, considering likelihood and impact, can then be rated in terms of criticality using the following ratings. This will provide a classification of the criticality of the risk in terms of overall risk to the procurement objectives.

1 = Very Low (VL)

2 = Low (L)

3 = Medium (M)

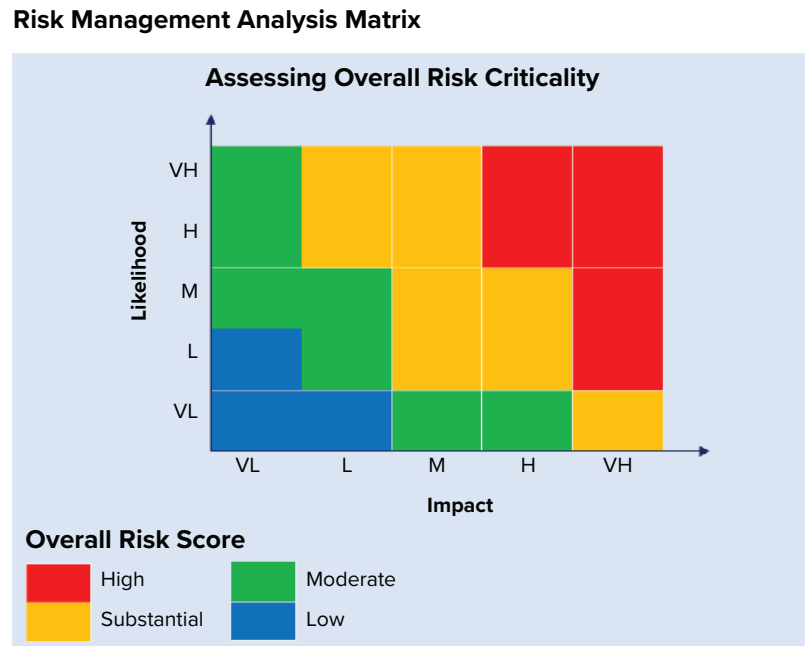
4 = High (H)

5 = Very High (VH)

The Borrower should plot each risk on a risk criticality matrix based upon its rating (figure VII). The matrix provides the Borrower with an indication of what the priority is for each risk, by segmenting the risk classification into four main groupings.

It may not be possible to address all risks through the procurement approach and the risk management plan, for reasons such as resource shortages or lack of practical mitigation measures. The risk matrix will indicate if the residual risk is too high, which would be indicated by a number of red and yellow ratings remaining unresolved.

Once this analysis is complete, the Borrower should consider how to manage the risks, developing appropriate mitigation plans or allocating risks to specific owners to address; however,

FIGURE VII Assessing Risk Criticality

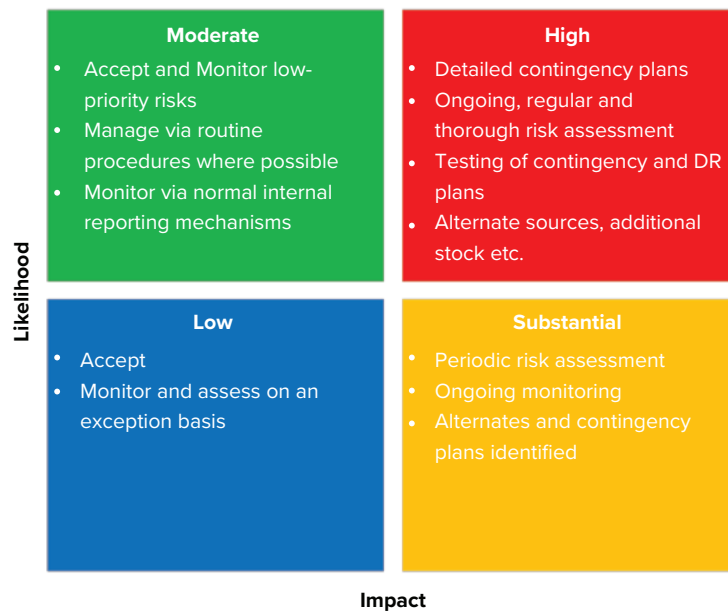
inappropriately transferring risks to the supplier may reduce competition, or result in an absence of Bids or a suboptimal Bid following the Procurement Process. Risk mitigation actions fall into four main types:

1. **Avoid:** Choosing not to accept the risk; for example, an activity is avoided, as the risk is considered too great
2. **Minimize:** Reducing or controlling the real or perceived risk through improved monitoring, changing the process, or defining a new procedure
3. **Spread or Transfer:** Sharing or transferring the risk by diversifying, subcontracting, outsourcing, establishing a joint venture, hedging, or acquiring insurance
4. **Accept:** Deciding that the risk is within agreed risk tolerances.

Tool: Risk Management Quadrant

The Borrower needs to consider each risk using these four types of action to develop individual management and mitigation actions. Figure VIII outlines typical actions and responses to risk depending upon the classification.

The final step of risk management is for the Borrower to allocate a risk owner who will be responsible for ensuring implementation of mitigation measures and monitoring the risk throughout the Procurement Process to ensure that the mitigation remains effective in managing the allocated risk.

FIGURE VIII Risk Actions and Responses

Note: DR = disaster recovery.

This same process should be repeated to identify and address opportunities that may affect the Project. The focus should be how to maximize the likelihood of an opportunity occurring and maximize the impact or benefit to the Borrower's PDOs, business, and stakeholders if the opportunity materializes. This could help pull schedules forward, reduce cost, or provide additional benefit to the Project that otherwise would not have occurred if the opportunity had not been managed.

PPSD Section 4: Stakeholder Analysis

Importance of Stakeholder Identification and Management

In this section of the PSD, the key stakeholders are identified with an interest in or impact on the Project so that their respective view can be appropriately taken into account in the design of the procurement approach. The output of this section is a Stakeholder Management Plan (table VII) that outlines how each stakeholder will be engaged throughout the Procurement Process to ensure that their expectations and objectives are appropriately met and managed.

TABLE VII Stakeholder Management Plan

Stakeholder (Name and Role)	Interest (Responsible, Accountable, Consulted, Informed)	Stakeholder Objectives from the Procurement	Stakeholder Management Approach

A stakeholder analysis should be performed early in development of the PPSD. Identifying and managing stakeholder relationships is a critical part of managing a Project. Stakeholders are a good source of information, can influence the ease with which a Project is delivered, and some stakeholders will be the recipient of the requirements delivered. Involving these individuals in the design of the procurement approach and management of the contract(s) will increase ownership.

Stakeholder analysis is focused on each individual stakeholder's needs from a Project perspective, as well as what their ongoing involvement should be after the contract award. This analysis can be undertaken in the following three stages:

1. Identify the stakeholders through stakeholder mapping.
2. Establish their interest or requirements from the Project, defined as Stakeholder Objectives.
3. Specify their ongoing involvement through stakeholder categorization by completing a Responsible, Accountable, Consulted, Informed (RACI) analysis.

Stakeholder Identification

A stakeholder is someone who is affected by or can affect the outcome of an activity within the Project. This includes:

- People who can influence the Project
- People who want a say in which procurement approach is selected
- People who can make a Project fail or succeed through participation or opposition
- Those who can contribute financial and technical resources
- Those whose attitude has to change for the Project to succeed

Typically, stakeholders are:

- Governments: Federal and State
- Beneficiaries
- Individuals who are impacted by the Project
- Non-Governmental Organizations (NGOs), Civil Society, and special interest groups
- Other Borrowers in cross-jurisdictional procurements
- Bank functions and Task Team members

Stakeholder mapping is undertaken by brainstorming who has an interest in the Project, from conception all the way through to Project delivery.

Identifying Each Stakeholder's Objectives

After the stakeholders have been identified, the next step is to define their objectives. In order to keep stakeholders' objectives focused on the procurement approach, stakeholder engagement needs to be framed around the following aspects:

1. Identifying the issues and challenges that the Borrower has with the procurement or with the supply market
2. Identifying the needs and requirements by establishing what the drivers are by considering:
 - a. What do the beneficiaries/users need from this Project?
 - b. What does the Borrower require of this supply market and suppliers?
3. Identifying what the Bank expects from the Project

This approach is aimed at capturing both current and future objectives and considering them as must-haves or wants, which are essential requirements, a stakeholder would not accept a procurement approach without the possibility of them being delivered. These needs therefore must be specific and easy to understand so that they can be defined and summarized into a Stakeholder's Objective for the Procurement.

Borrowers should confirm this information by talking directly with stakeholders whenever possible. However, this is not always possible, so for those stakeholders who cannot be contacted directly, the best approach is for the project team to theorize what that stakeholder's views may be.

Tool: RACI Analysis

Responsible, Accountable, Consulted, Informed (RACI) is a management tool used to categorize a stakeholder's interest and influence over the Stakeholder's Objectives. For each objective, a stakeholder's interest can be categorized as:

R = Responsible	A person who performs an activity or a task successfully
A = Accountable	A person who is ultimately accountable for the quality and overall success of delivery of the project
C = Consulted	A person who provides feedback and contributes to an activity or task, where the input adds value and is essential for successful implementation
I = Informed	A person who needs to be notified of decisions, results, or action taken but does not need to be involved in the decision-making or delivery

Asking the following questions should help Borrowers define stakeholder interest and influence and allow a stakeholder to be categorized under a RACI.

1. What are their needs, influencing factors, and likes?
2. Why might they object to or oppose something?
3. How will they be affected personally by the outcome of the Project?

4. What is their responsibility?
5. What is their power and level of influence?
 - a. What is their interest?
 - b. How do they expect to be involved and why?
6. How predictable are they?

The list of stakeholders and their objectives may be long and, in some cases, may conflict with each other. Further stakeholder engagement may be required to clarify conflicting objectives, as well as to prioritize the key objectives that the procurement approach must deliver.

Stakeholder Management Approach

Stakeholder engagement is an ongoing activity that needs to be continued throughout the life of a Project. Therefore, a high-level stakeholder management approach needs to be created.

Borrowers can use the information gathered for the Stakeholder Management Plan to determine the best approach, type, and nature of an ongoing engagement. Figure IX and table VIII are simple matrices that map each stakeholder by their power and influence against their interest and objectives. They also provide an indication of the possible management approaches for different types of stakeholders.

Tools: Stakeholder Management Approaches

Once the Borrower has collected all of this information, it should be summarized within table VIII as previously shown.

FIGURE IX Approach Based on Power, Interest and Aspiration



TABLE VIII Approach Based on Interest, Influence and Strategy

Interest	Influence	Strategy
Low	Weak	Minimal Effort
Low	Strong	Keep Satisfied
High	Weak	Keep Informed
High	Strong	Keep Close

PPSD Section 5: Procurement Objectives

The Importance of Defining Procurement Objectives

This section of the PSD looks at how to develop procurement objectives that align with the PDOs. The procurement objectives will be used to test alternative procurement approaches to ensure that they deliver the Project requirements.

Defining the right procurement objectives is critical. The Borrower should use these objectives as the basis for:

1. Refining the specification of requirements and supplier incentives
2. Establishing the allocation of risk between the Borrower and the supplier
3. Developing the Evaluation Criteria used to select the supplier who will deliver the contract
4. Documenting the Key Performance Indicators (KPIs) that will be used to monitor contract delivery to ensure that the contract continues to meet the Project requirements.

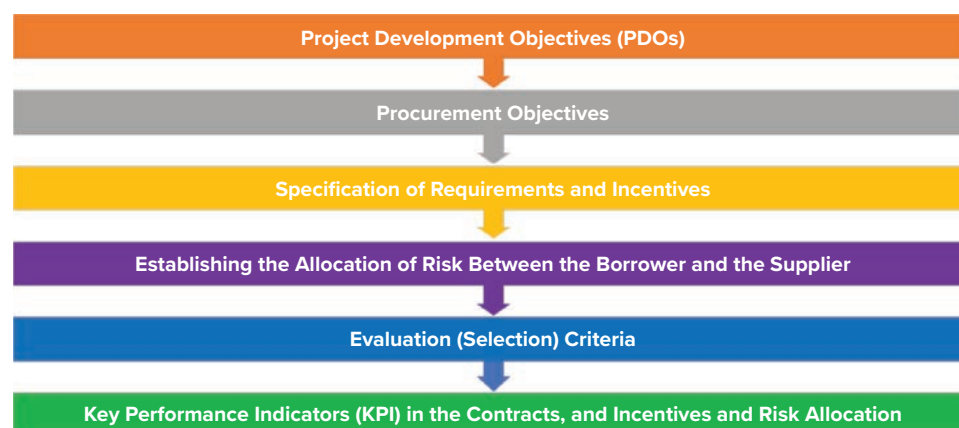
Figure X illustrates the relationship between each of these factors.

Drafting Procurement Objectives

The Borrower should develop key procurement objectives using information already gathered in sections III and VI of this Guidance, respectively, on the PDOs and Stakeholder Analysis (figure IX). The key procurement objectives should be detailed enough that, if achieved, will support the delivery of the Project's Development Objectives and achieve VfM (table IX).

Tool: RAQSCI Model

RAQSCI stands for Regulation, Assurance of Supply, Quality, Service, Cost, and Innovation. The RAQSCI model is a tool that the Borrower should use to structure and organize the procurement objectives. It is also an effective way to ensure that the procurement objectives are comprehensive. Failure to identify all of the procurement objectives at this stage could result in an ineffective procurement approach being designed and selected. Figure XI describes the various components of a RAQSCI Model.

FIGURE X Strategic Alignment of Objectives**TABLE IX** Procurement Objectives Information Sources

Project Development Objectives (Section III)	■ As set out in the approved Project Concept Note ■ Considered mandatory unless, exceptionally, analysis demonstrates a need for adjustment
Stakeholder Analysis (Section VI)	■ Specific objectives of key stakeholders that do not conflict with the Project Development Objectives ■ Distinguish between needs and wants and prioritize the objectives to be addressed through procurement
Procurement Objectives (Section VII)	■ Objectives derived from analysis of the current approach and the supply market ■ Prioritize to identify those objectives to be addressed through the procurement strategy

FIGURE XI RAQSI Model

The procurement objectives need to be Specific, Measurable, Achievable, Relevant, and Time-Bound (SMART). It is also important that procurement objectives are prioritized. As part of due diligence, the Borrower should have the procurement objectives quality assured by the key stakeholders—at a minimum those in the Borrower and the Bank—and identified in both the RACI and stakeholder management plan.

PPSD Section 6: Procurement Approach Options and Recommendation

Summarizing Options

This section of the PSD summarizes the options for the procurement approach for each of the contracts in the Project. The supporting evidence or justification for each procurement approach should be drawn from the previous sections of the PSD.

Each option should be assessed against the procurement objectives to determine the recommended procurement approach.

The output of this section will be as follows:

1. **Procurement approach** stating how the Borrower is going to approach the market, select the supplier, and finalize the contract
2. **Set of selection methods and market approaches** built up from the individual procurement methods that combine to produce a bidding document
3. **Procurement Plan** that summarizes how each contract within the Project will be procured.

All of the analysis and research undertaken as part of the Long-Form PSD needs to be brought together to design the different procurement approaches that are available to deliver the procurement objectives. It is likely that there will be a number of different procurement approaches available. This section is concerned with generating alternative procurement approaches that could deliver the procurement objectives and then determine which one is most likely to succeed.

The selection of the recommended procurement approach should only take place once all realistic options have been identified, described, and appraised. At a minimum, the options analysis should describe each procurement approach option in sufficient detail to enable evaluation of the options in terms of their ability to satisfy the procurement objectives.

The template in table X details all of the various procurement approaches and methods that need to be considered in developing the right procurement approach options.

A template should be completed for each option generated, with the justification column completed once the option analysis has been finalized.

Table X summarizes the procurement approach options.

TABLE X Procurement Approach

Attribute	Selected Approach	Justification
1. Requirements		
a. Specifications	Conformance/Performance	<i>[insert short statement justifying the choice]</i>
b. Additional Sustainability Requirements	Yes/No	<i>[insert short statement justifying the choice]</i>
2. Contract Strategy		
a. Contract Type	A. Traditional B. Design and Build C. Design, Build, Operate, Maintain D. Design and Build–Turnkey or Prime Contractor E. Engineering, Procurement, and Construction (EPC) and Engineering, Procurement, and Construction Management (EPCM) F. Other (Please Describe)	<i>[insert short statement justifying the choice]</i>
b. Pricing and Costing Mechanism	A. Lump Sum B. Performance-Based Contracts C. Schedule of Rates/Admeasurement D. Time and Materials E. Cost Plus	
c. Selection of Cost and Price Mechanism	Required Allocation of Risk	<i>[insert short statement justifying the choice]</i>
d. Supplier Relationship	Adversarial/Collaborative	<i>[insert short statement justifying the choice]</i>
e. Price Adjustments	A. None, Fixed Price B. Negotiated C. Percentage	<i>[insert short statement justifying the choice]</i>
f. Form of Contract (Terms and Conditions)	State Any Special Conditions of Contract	<i>[insert short statement justifying the choice]</i>
3. Selection Method		
a. Selection Method	A. Request for Proposals (RFP) B. Request for Bids (RFB) C. Request for Quotations (RFQ) D. Direct Selection	<i>[insert short statement justifying the choice]</i>

TABLE X Procurement Approach (*continued*)

Attribute	Selected Approach	Justification
b. Selection Arrangement	A. Competitive Dialogue B. Public-Private Partnerships (PPP) C. Commercial Practices D. United Nations (UN) Agencies E. e-Reverse Auctions F. Imports G. Commodities H. Community Driven Development I. Force Accounts J. Framework Agreements K. Cross-Project Opportunities	<i>[insert short statement justifying the choice]</i>
c. Market Approach	A. <u>Types of Competition</u> 1. Open 2. Limited 3. International 4. National 5. No Competition—Direct Selection B. <u>Number of Envelopes/Stages</u> 1. Single Envelope 2. Two Envelopes 3. Single Stage 4. Multistage C. Best and Final Offer (BAFO) (Yes/No) D. Negotiations (Yes/No)	<i>[insert short statement justifying the choice]</i>
d. Qualification	A. Prequalification B. Initial Selection C. Post-Qualification	<i>[insert short statement justifying the choice]</i>
4. Evaluation Methodology		
a. Evaluation Selection Method	A. Quality and Cost-Based Selection (QCBS) B. Fixed-Budget Based Selection (FBS) C. Least Cost-Based Selection (LCS) D. Quality-Based Selection (QBS) E. Consultant's Qualifications-Based Selection (CQS) F. Direct Selection	<i>[insert short statement justifying the choice]</i>
b. Evaluation of Costs	A. Adjusted Bid Price B. Lifecycle Costs	<i>[insert short statement justifying the choice]</i>
c. Domestic Preference	National/International	<i>[insert short statement justifying the choice]</i>

(continues)

TABLE X Procurement Approach (*Continued*)

Attribute	Selected Approach	Justification
d. Rated Criteria REFERENCE: <u>Procurement Regulations</u> , Paragraph 5.50. Any procurement subject to international competition and for which a Bank Document is used, Rated Criteria shall apply.	List the Type of Criteria to be Used (Mandatory/Desired)	<i>[insert short statement justifying the choice]</i>
5. Contract Management		
a. Contract Management Approach	Outline the Approach to be Used	<i>[insert short statement justifying the choice]</i>
b. Key Performance Indicator (KPI) Measures	List the Key Measures of Success for Contract Management	<i>[insert short statement justifying the choice]</i>

General Considerations in Designing a Procurement Approach

The following describes some general considerations to take into account when designing a procurement approach.

Supply Positioning and Supplier Preferencing

Aligning the needs of the Borrower and the likely behaviors of suppliers who may Bid for World Bank–financed Projects is one of the more fundamental parts of the procurement approach design.

As described in section 5 of this Guidance, Supply Positioning is a procurement tool that is used to assess the criticality of the Goods, services, and Works to the Borrower by evaluating contract risk and value. Table XI demonstrates that it can also provide an overview of the procurement approaches and mitigation measures, segmented by the Supply Positioning categorization that a Borrower should consider when developing its procurement approach.

Equally, Supplier Preferencing can identify the typical approaches that Borrowers can expect from suppliers, based on their segmentation of Borrowers. Table XII provides an overview of a supplier's likely approach to a Borrower—as a customer—in each category.

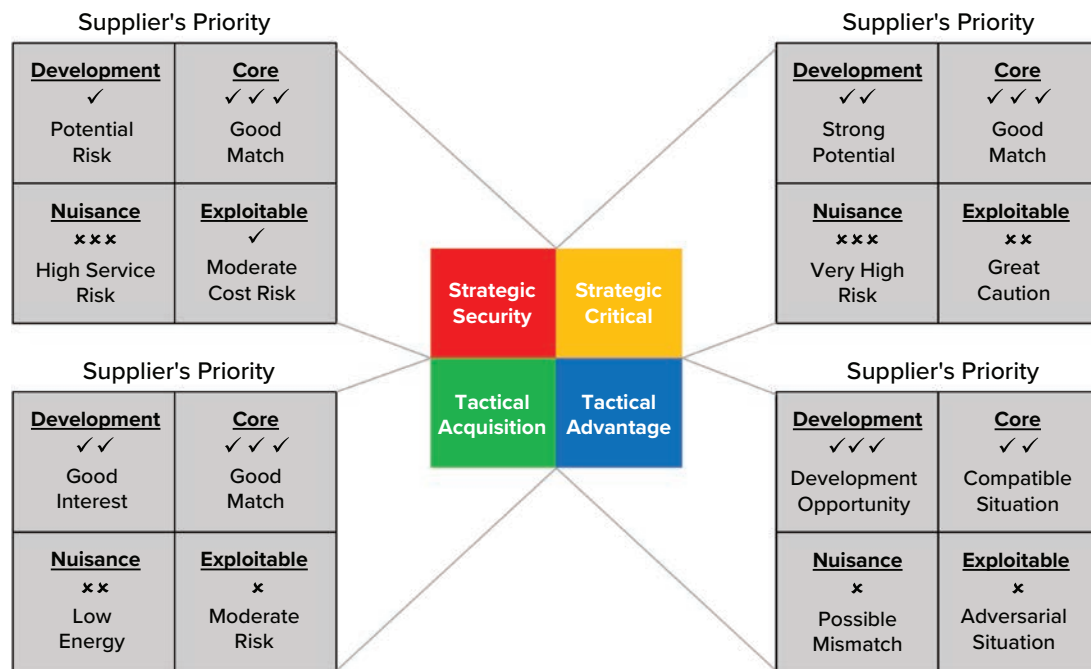
Supply Positioning and Supplier Preferencing are most insightful when used together. Comparing the findings of both Supplier Preferencing and Supply Positioning allows the Borrower to identify and assess whether the typical procurement approach of a Borrower, based on the Supply Positioning segmentation, is aligned with the typical approach of individual suppliers as determined by Supplier Preferencing (figure XII).

TABLE XI Supply Positioning Categorization

Buyer's Priority	Description	Approach	Arrangement
Strategic Security <i>Security of supply</i>	- Low-cost Goods/Services/ Works - Strategically important - Shortage of reliable suppliers	Ensure supply	- Long-term contracts - Build reserve of stock - Consider alternative products
Strategic Critical <i>Security of supply at a good price</i>	- High-cost specialist Goods/ Services/Works - Limited number of suppliers	Manage suppliers	- Medium/long-term contracts - Contingency planning
Tactical Acquisition <i>Purchasing efficiency</i>	- Routine purchases - Low-value/low-risk Goods/ Services/Works - Many potential suppliers	Minimal attention	- One-off contracts/purchase orders - E-purchasing - Procurement cards
Tactical Advantage <i>Improving value through leverage tactics</i>	- High-cost/low-risk Goods/ Services - Many potential suppliers	Drive tactical advantage	- Short-term contracts - Ongoing active sourcing for competitive price

TABLE XII Supplier Preferencing

Supplier's Priority	Description	Approach	Arrangement
Development <i>Supplier nurtures relationship, performs well and provides incentives</i>	- Customer has potential - Customer highly sought after - Work hard to exceed Customer's expectations - Exceptional service levels	High attention	- Nurture the Customer - Secure further business - Price using 'special deals' and marginal costing
Core <i>Supplier seeks to 'lock-in' customer</i>	- Supplier core business - Give high level of service and response - Increase profitability in low key manner - Ensure ongoing profitability	Proactive customer management	- Look after the Customer through excellent service and delivery - Retain and expand business - Receptive to 'strategic alliances' - Seek to 'lock in' Customer through long term contracts
Nuisance <i>Supplier gives minimum attention and seeks to withdraw</i>	- Little profit made - Customer difficult and/or expensive to service - Poor at paying bills - Provide poor service - Supplier's overall objectives:	No attention	- Give it low attention - Short term contracts - Withdraw from business
Exploitable <i>Supplier seeks short term advantage</i>	- In unique position of strength - Increase prices – reduce service costs - Seek short-term advantage - Prepared to risk losing Customer	Minimal attention	- Drive for best price - Maximise profit in the short-term

FIGURE XII Supply Positioning and Supplier Preferencing

Where alignment between the Borrower and the Supplier on the procurement approach is high, this is a good indication that the indicative procurement approach is likely to deliver the expected benefits. However, where there is little alignment, this is an equally good indication that the indicative procurement approach may not effectively deliver the expected benefits.

The comparison of these two models is particularly helpful at identifying:

- Potential risks that need to be considered in developing a fit-for-purpose procurement approach
- Where Borrowers may need to change supplier perceptions of them by making changes—for example, asking the Bank to make direct payments to suppliers if the supplier is concerned about the Borrower's track record of payment timeliness
- Elements that need to be addressed in the Market Engagement approach to positively position the market as to why a supplier would want to do business with the Borrower
- Actions that need to be included within the risk register, and contingency planning to address highlighted risks
- Potential areas that could be covered under Prequalification to ensure that suppliers with the best match to the Borrower are qualified to bid
- Prospective Evaluation Criteria to ensure that questions are included in the Request for Bids or Proposals, which ensure that suppliers provide information that allows the most-aligned suppliers to be identified.

Misalignment of Borrower and supplier approaches can be managed, as long as the reasons for the misalignment are known and understood. Some of this information will come from the results of the Supply Positioning and Supplier Preferencing comparison, but also from the SWOT and PESTLE evaluations. As previously noted, a procurement may be high in value, yet this does not necessarily make the procurement or the Borrower attractive to the market.

Types of Competition

Knowledge of the type of competition that exists is a prerequisite to being able to develop the right procurement approach. For example, in a monopolistic or oligopolistic market, in which one or few supplier(s) hold all the power, designing a procurement approach that is characterized by competitive bidding, with significant risk transfer to the supplier and with supplier selection based on lowest-evaluated cost, is not likely to be successful. In these circumstances, a negotiated approach based on open-book pricing, potentially linked to a longer-term contract, is more likely to be effective. Therefore, the type of market will have a direct influence on the procurement and will help the Borrower determine:

- The type of competitive bidding, as determined by the level of completion and the availability of substitutes or alternatives
- The most effective pricing, or costing mechanism, as determined by the market pricing approach
- The level of risk transfer the market will realistically bear, as determined by the relative strength and power of the buyer and the supplier's motivation to participate.

Table XIII lists five different types of competition that broadly exist in markets and describes the individual characteristics of each type.

The management technique, Porter's Five Forces Analysis (as described in Annex A), may be used for a more detailed assessment of competition and the factors that determine the type and level of competition, if further evaluation of the marketplace is required to support the design of the procurement approach

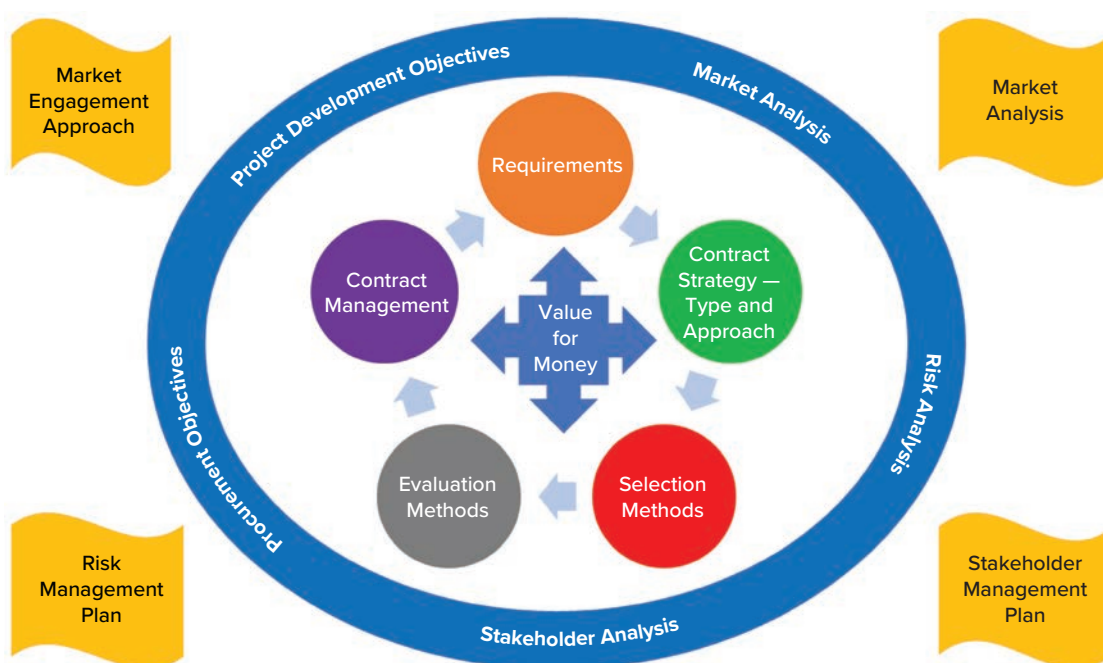
Design of the Procurement Approach

Application of the right procurement approach should be considered in each of the following five stages (figure XIII).

1. Requirements: Specification type and sustainable procurement requirements
2. Contract Strategy: Contract type, pricing/costing mechanism, supplier relationship, and conditions of contract
3. Selection Methods: Selection methods, selection arrangements, and market approach options
4. Evaluation Methods: Rated Criteria or Lowest-Evaluated Cost
5. Contract Management Approach

TABLE XIII Different Types of Competition

	Perfect Competition	Imperfect Competition	Oligopoly	Monopoly	Monopsony
Number of Suppliers	Many suppliers	Fewer larger suppliers	Few large suppliers	One supplier	One buyer (usually one or two suppliers)
Market Power	No market power	Little market	High market	Absolute market	Dependency
Substitutes	Homogeneous goods, works and services that are interchangeable	Differentiated supply with close substitutes	Differentiated supply: degree of substitution limited	No substitutes	No substitutes. Buyer may need to make or construct.
Price	One market price: suppliers are 'price takers'	Price competition	Seeking of price stability by price leadership or collusion	Price set by one 'price maker': potential for price discrimination	Price set by need to achieve return on investment
Profit	Normal profits	Small abnormal profits, short term	Abnormal profits, depending on competition	Abnormal profits	Questionable Return on Investment and Strategic Focus
Barriers to Entry	Minimal barriers to entry	Limited barriers entry	Barriers to entry	Significant barriers to entry	Investment case hard to justify

FIGURE XIII Developing a Procurement Approach

Requirements

While the PSD is not directly concerned with the drafting of Project and contract requirements, the selection of the appropriate type of specification has a critical impact on the procurement approach, and subsequent level of market interest. For example, it impacts:

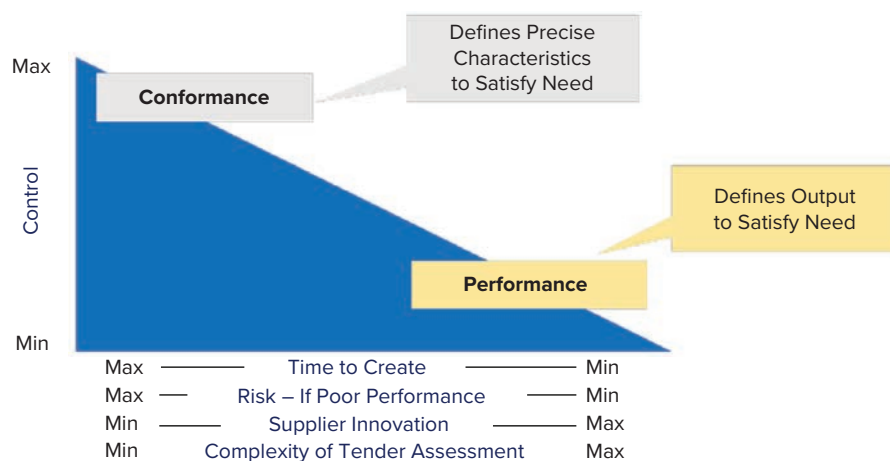
- The lead-time before going to market
- The selection of procurement methods, such as bidding approach and appropriate Standard Procurement Document (SPD)
- The transfer of risk between the Borrower and the supplier
- The level of supplier innovation
- The Bid or Proposal evaluation method and complexity
- The likelihood of delivering the PDOs
- The level of supplier flexibility in design and delivery
- The level of Borrower control over design and delivery

Specifications

Figure XIV illustrates that there are two main approaches to specifying the requirements and how these can influence the factors described above. The two primary types of specification are:

- **Conformance specifications**, sometimes known as technical, detailed, input, or design specifications
- **Performance specifications**, sometimes known as outcome-based specifications.

FIGURE XIV Specification Types



Conformance Specification

Conformance specifications are used when a thorough understanding of the requirements already exists, and there is little to no desire for the supplier to innovate. In these circumstances the Borrower normally has a comprehensive understanding of the requirements and is able to describe them in detail. This includes its technical, design, and functional requirements, as well as being able to describe exactly how the supplier must perform and deliver the requirements.

Conformance specifications work best for simple purchases of Goods, services, and Works, in which there is a focus on defining specific quantities and specifications for the requirements and unit price costing, and specifics around the time, place, and manner for delivery and acceptance.

The main risk of a conformance specification is if the specification is incorrect, such as if the design does not function. Then, all the risk lies with the Borrower because they have specified exactly what they want.

Performance Specification

Performance specifications are used when the understanding of what is required in terms of outcomes can be described, the Borrower is uncertain of the best process or method to deliver the requirements, or suppliers are known to have the capability to design fit-for-purpose solutions.

Performance-based specifications focus on outcomes or results rather than detailing the process of production, construction, and delivery. They are particularly effective at allowing suppliers to bring their own expertise, creativity, innovation, and resources to the bidding process without restricting them to predetermined methods or detailed processes. This allows suppliers to reduce cost and passes the risk of both cost and performance, in terms of delivering a solution that meets the Borrower's requirements, to the supplier.

As a general rule, performance-based specifications focus on achieving results, whereas conformance specifications focus on meeting specified design and resource requirements.

Performance-based specifications should be drafted in such a way that suppliers are allowed maximum flexibility when meeting the requirements, whereas conformance specifications exclude flexibility, unless alternative Bids are permitted.

Additional context on specification types and writing specifications can be found in Annex C.

Additional Sustainable Procurement Requirements (Non-mandatory)

Sustainable procurement derives from the concept of sustainable development, which has been defined as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Sustainable development includes three pillars for consideration: environmental, social, and economic.

The inclusion of additional sustainable procurement requirements in a procurement approach, beyond those required by the Bank, is discretionary, so the Borrower can determine the extent

to which they implement further sustainable procurement practice—provided these practices are applied in ways that are consistent with the Bank’s Core Procurement Principles. A proportionate approach should be followed when setting requirements for the additional sustainable procurement management measures.

Generic sustainable procurement requirements can be applied in any contract. However, consideration of additional specific, sustainable procurement requirements is most effective when the unique risks, identified in the procurement risk analysis and associated with each Project, are individually addressed.

The intention to adopt additional sustainable procurement requirements in the Procurement Process should be identified at the planning stage of the PSD.

Early consideration of additional sustainable procurement requirements ensures that they are included in the overall procurement approach, which can be designed to consider the following sustainable procurement requirements at a number of stages.

- Qualification of suppliers
- Performance and/or detailed technical specifications
- Evaluation Criteria
- Contract terms and conditions
- KPIs used to assess ongoing performance.

To obtain further information on writing sustainable procurement requirements into specifications, see Annex B, or consult guidance on available tools and techniques to support sustainable procurement requirements analysis at www.worldbank.org/procurement.

Contract Strategy

A Contract Strategy determines the contract type, the price and cost model, and the desired ongoing supplier relationship to achieve the right result over the term of the contract.

Contract Type

The contract type is the selection of the appropriate contract form, in addition to the terms and conditions. The type of specification, the procurement risk assessment, and the market analysis should inform the selection of contract type. It should also consider the market’s capability, the Borrower’s capacity, and the operational environment in which delivery will be taking place.

The selection of contract type is Project-specific, so consideration also needs to be given to the procurement objectives. The contract type for Goods and Services is normally on the basis of supply or supply and ongoing support, while infrastructure Projects have a larger range of options, including

- Traditional: Design and Build separated
- Design and Build

- Design, Build, Operate, Maintain
- Design and Build: Turnkey or Prime Contractor
- EPC and EPCM
- Design, Build, and Operate
- Build, Own, and Operate
- Build, Operate, and Transfer

Pricing and Costing Mechanism

The choice of the price and costing mechanism should be made at the time the contract type and SPD/bidding document are selected. Each pricing and costing mechanism will determine the risk allocation between the Borrower and supplier. Therefore, the cost and price selection should be informed by the contract strategy, type of specification, the procurement risk assessment, and strategic analysis from section 4 of this Guidance.

There are five main pricing and costing models, and their use is determined by the SPD/bidding document selected:

1. Lump Sum
2. Performance-Based Contracts
3. Schedule of Rates/Admeasurement: Contract based on unit prices
4. Time and Materials: Time-based contracts
5. Cost Plus: Reimbursable cost contracts

The following is a more detailed description of each of the five costing models.

Lump Sum Contracts

In a lump sum contract, the supplier agrees to perform the scope of services for a fixed contract amount. Payment percentages or amounts may be linked to the completion of contractual milestones or determined as a percentage of the value of the work to be performed.

Lump sum contracts may be appropriate when:

- The scope of the contract can be clearly and accurately specified and can be linked to apparent milestones and payments at the time of selection—for example, simple civil Works or Consulting Services with clearly identifiable deliverables—and/or
- The supplier is responsible for delivering the completed Works—for example, an industrial Plant or prebuilt information technology solutions, such as in turnkey contracts—and paid on a lump sum basis per contractual milestones.

Performance-Based Contracts

Performance Based Contracts are contractual relationships in which payments are made for measured outputs, or performance targets, instead of inputs. The outputs aim at satisfying functional needs in terms of quality, quantity, and reliability.

Performance-based contracts may be appropriate for:

- The rehabilitation of roads and operation and maintenance of the roads by a contractor for specified periods
- The provision of Non-consulting Services to be paid on the basis of outputs
- The operation of a facility to be paid based on functional performance

Schedule of Rates /Admeasurement

Admeasurement contracts are based on estimated quantities of items and contractually agreed unit prices for each of these items. Payment is calculated based on the actual quantities of items used or delivered and applying the agreed-upon contractual unit rate to determine the price to be paid.

This type of contract is appropriate for Works, when the nature of the work is well defined but the quantities cannot be determined with reasonable accuracy in advance of construction, such as roads or dams.

For Goods and Non-consulting Services, it is appropriate when the required quantities are known, and unit prices are sought from Bidders.

Time and Materials

Time-based contracts are where the payment is made based on agreed rates and time spent, plus reasonable incurred reimbursable expenses.

These types of contractual arrangements may be used for:

- Emergency Situations, repairs, and maintenance Works
- Consulting Services, when it is difficult to define or fix the scope and duration of the services, such as complex studies, supervision of construction, and advisory services.

This type of contract is not appropriate for Goods and industrial Plants.

Cost Plus

Cost Plus contracts are contracts that require reimbursable payments for all actual costs plus an agreed fee to cover overhead and profit.

These types of contracts may be appropriate for exceptional fit-for-purpose circumstances, such as emergency repairs and maintenance work. To minimize risk to the Borrower, suppliers under these

contracts must make all their records and accounts available for inspection by the Borrower or by some agreed-upon neutral third party. The contract should also include appropriate incentives to limit costs.

Table XIV summarizes the various benefits and risks of each different contract type, and under which circumstances they are best used.

TABLE XIV Pricing and Costing Approaches

Type	Requirements	Advantages	Disadvantages
Lump Sum/Firm Price	■ Work can be accurately specified ■ Access date & programme duration are known ■ Risk can be reasonably identified	■ Full extent of cost & liability known before work commences ■ Cost control responsibility of the contractor ■ Supervision minimal	■ Contractor may include excessive contingency to cover risks ■ Contract basis may be undermined by significant variations ■ Contractor may seek to “cut corners”
Schedule Rates/Admeasurement (Bill of Quantities & Schedule of Rates)	■ Work can be accurately foreseen but not accurately measured at outset ■ There is an indication of the extent of the work at tender stage	■ Permits appointment of contractor before full extent of work is known ■ Offers opportunity of assessing the cost of work during the contract	■ Contractor may price the bill to his commercial advantage by increasing/decreasing the rate for work judged to be under/over estimated ■ Work supervision & QS Services required
Time & Materials	■ Minimum specification ■ High confidence & trust in the contractor ■ Used where the work cannot be foreseen accurately enough to estimate cost	■ Allows early appointment of contractor ■ Minimal specification required at outset	■ Cost control difficult ■ High supervision ■ No incentive to improve productivity ■ No incentive for completion
Cost Plus Fixed Fee	■ Minimal specification ■ Sufficient detail of work to enable contractor to estimate managerial resources and profit ■ High confidence & trust in the contractor	■ Incentive to complete early & economically as fee is fixed ■ Allows early appointment of contractor ■ Tendering time reduced	■ If varied or delayed contractor will try to revise fee ■ No incentive to productivity ■ High supervision ■ Difficult to accurately assess costs to set fee
Cost Plus Percentage	■ Minimal specification ■ High confidence & trust in the contractor	■ Allows early appointment of contractor ■ Tendering time reduced	■ Cost control difficult – the higher the cost the higher the % return ■ No incentive to productivity ■ High supervision

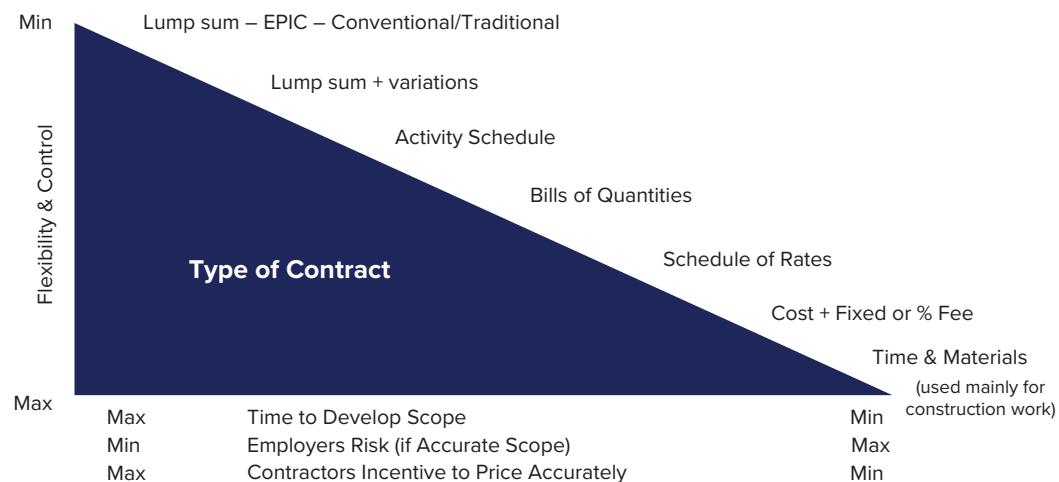
Selection of the Cost and Price Mechanism

When selecting the appropriate pricing and costing mechanism, the Borrower should consider:

- **Specification Type:** The method of specifying the requirements can be conformance-based or performance-based. The specification may take into account how well the requirements can be scoped at the contract outset and how quickly the work needs to start.
- **Contract Type:** Certain types of contracts look to pass risk to the supplier—such as Design, Build, Operate, and Maintain—therefore, the price mechanism needs to be one that is consistent with that approach.
- **Required Allocation of Risk:** Risk is allocated to the party best able to manage the risk.
- **Operational Environment:** Includes events that are difficult to predict and known issues, such as high inflation, delivery, and insurance—covered by the use of Incoterms, known as international commercial terms
- **Capacity of the Borrower:** Familiarity with the pricing mechanism and availability of resources to manage the contract
- **Type of Market:** What will motivate suppliers to bid and deliver

Figure XV maps a number of factors expressed in terms of flexibility and control, time to develop scope, risk, and supplier motivation, which should be used to support this assessment.

FIGURE XV Contract Type and Payment Mechanism Analysis

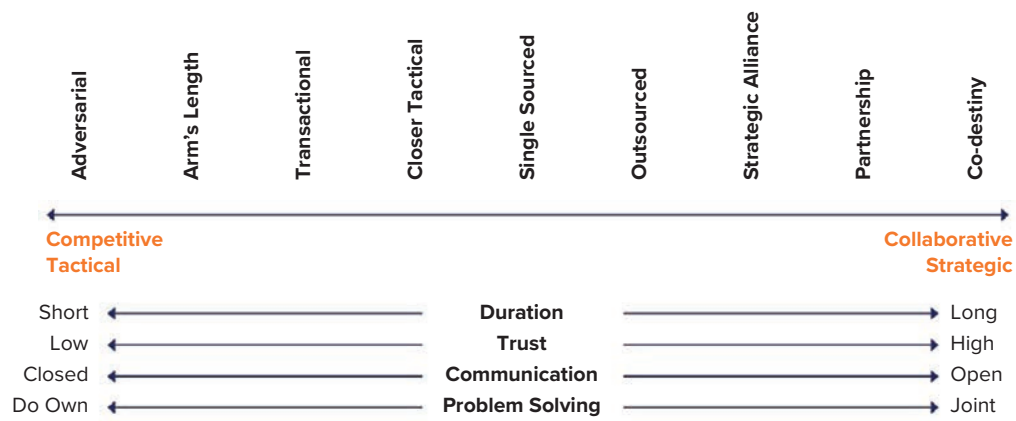


Note: EPIC = Engineering, Procurement, Installation, and Construction.

Supplier Relationship

The selection of the contract type and pricing and costing mechanism can determine the likely relationship with the supplier during the contract and project delivery. The relationship spectrum can range from adversarial to collaborative. Figure XVI illustrates the full spectrum of typical Borrower/supplier relationships that can exist and how the relationship can influence behaviors with regard to trust, communications, and decision-making.

FIGURE XVI Supplier/Borrower Relationship Spectrum



For example, an adversarial relationship can be seen as “win-lose,” where both the Borrower and supplier work independently of each other and often to each other’s detriment, as this is where one party normally gains at the expense of the other. A collaborative relationship can be seen as “win-win,” where both the Borrower and supplier work together for mutual contractual and project delivery benefit.

Both types of relationships have merit, depending on the individual project or contract circumstances. However, it is essential that the Borrower understands the implications of the decisions on contract type, which often determines risk transfer, and the implications that pricing and costing mechanisms can have on supplier relationships.

Adversarial Approach

An adversarial approach to the relationship may be appropriate where some or all of the following are present:

- Strong competition in the market
- Many suppliers and a large supply market
- Suppliers have little power
- Off the shelf for standard Goods, services, and Works
- No need or benefit for high degree of trust between the Borrower and supplier

- The cost of switching to a new supplier is low to none
- One-off purchases
- Short-term relationship with no long-term commitment

Collaborative Approach

A collaborative approach to the relationship may be appropriate where some or all of the following are present:

- Long-term commitment in which there is mutual trust, openness, and transparency
- Agreed shared interests and objectives
- Shared risk and reward
- A “win-win” approach is possible
- Relationship is one of equal partners
- Agreement that there should be a joint effort to eliminate waste and increase efficiencies and cost savings, where both the Borrower and supplier can benefit from seeking ways to reduce cost and add value.

Price Adjustments

World Bank Standard Procurement Documents (SPDs) offer the option for either fixed prices or adjustable price contracts, in which adjustments are made to reflect any changes in major cost activities of the contract, such as labor and materials. For procurements, where the Bank has agreed that the Borrower’s national Procurement Arrangements may be applied, the Borrower should consider how price adjustment mechanisms will be addressed in the most appropriate manner.

Price adjustment provisions are usually not necessary in simple contracts involving delivery of Goods or completion of Works, Non-consulting Services and Consulting Services within 18 months, but they must be included in contracts that extend beyond 18 months. Contracts of shorter duration can also include similar provisions for price adjustments when future local or foreign inflation is expected to be high.

The market research analysis report should provide all the information needed to establish cost trends and drivers in the market, as well as an assessment of the business environment of the Borrower. The Borrower should use this information to justify the selection of price adjustments.

Form of Contract: Terms and Conditions

The final part of the PSD Strategy is selecting the terms and conditions of the contract. In many instances, the decisions made regarding the approved selection methods and SPD—or as agreed with the Bank or the Borrower’s own national Procurement Arrangements—will determine the conditions of the contract. However, as a check and balance, the Borrower should establish a determination that is consistent with the overall procurement approach.

The value and complexity of the contract, procurement risk, uncertainties in contract performance, allocation of risks between the Borrower and supplier, and the desired relationship type drive decisions on the most appropriate form of contract.

The form of contract used should have the following attributes:

- Be comprehensive enough to meet all of the objectives of the procurement
- Reflect the full specification of the Goods, Consulting Services, Non-consulting Services and Works
- Be consistent with the conditions specified for the Procurement Process
- Manage risk appropriately
- Define and protect the rights and obligations of the Bank, Borrower, and supplier
- Be fair to both the Borrower and supplier, particularly where clauses cover risk transfer, limitations or exclusions of liability, indemnities, warranties, and intellectual property
- Comply with relevant local laws.

Table XV details a comparison of using the Bank's Standard Contract Terms and Conditions and the risks of using Bespoke Terms and Conditions. This should be used to validate the choice of Terms and Conditions being proposed in the procurement approach.

TABLE XV Comparison of Contract Terms and Conditions

Bespoke	Standard
Drafting may be inconsistent and of poor quality	Carefully considered and subject to continuous improvement
Document tailored precisely to match need	Document may not match need well but can be tailored
Can be expensive and time consuming to produce	Cost effective and readily available
Supplier staff may misinterpret document	Well known to long term suppliers
Client staff may misinterpret document	Well known to client staff
Suppliers' may load tenders to take account of uncertainty or onerous terms	Should secure competitive bids if terms reasonable

Bank maintains a variety of standard conditions of contract for use in specific circumstances. Use is mandatory unless the Bank agrees otherwise.

The Borrower may include economic, social, and environmental considerations in contract performance clauses, provided they have been agreed upon with the Bank and were included in the SPDs.

Approved Selection Methods

Having determined the contract type and pricing mechanism, the next stage of the procurement approach is to choose the selection method and market approach. There are three decisions to be made:

- Selection Method
- Selection Arrangement
- Market Approach

There are numerous combinations of these three options, however, some are mutually exclusive. Tables XVI and XVII document the options available.

Please note, when applied, further details on the content of each of the documents are contained in the SPDs and the associated guidance note.

Selection Methods

There are four ways of inviting suppliers to submit Bids or Proposals for World Bank–financed Projects.

- **Request for Proposals (RFP)**
 - RFP Model 1
 - BAFO: Process variations to RFP Model 1
 - Negotiations: Process variation to RFP Model 1
 - RFP Model 2: Without BAFO or negotiations
- **Request for Bids (RFB)**
 - RFB One-Envelope, without Prequalification
 - RFB Two-Envelope, without Prequalification
- **Request for Quotations (RFQ)**
- **Direct Selection**

The process flow charts below illustrate the different RFP and RFB options. Further information on these process flow charts can be found in the Procurement Regulations.

Request for Proposals

A Request for Proposals (RFP) is a competitive method for the solicitation of Proposals. It should be used when, because of the nature and complexity of the Goods, Works, or Services to be procured, the Borrower's business needs are better met by allowing Proposers to offer customized solutions or Proposals that may vary in the manner in which they meet or exceed the requirements of the RFP.

An RFP is normally conducted in a multistage process. To allow an evaluation of the degree to which Proposals meet the requirements of the RFP document, the evaluation normally includes Rated Criteria and their evaluation methodology.

TABLE XVI Approved Selection Methods: Goods, Works, and Non-Consulting Services

Goods, Works, and Non-Consulting Services	Open	Limited	Direct	International	National	PQ	IS	Single Stage	Multi-Stage	BAFO	Negotiation	Rated Criteria
Selection Methods												
Request for Proposals	✓	✓	X	✓	✓	X	normally	✓	✓	✓	✓*	normally
Request for Bids	✓	✓	X	✓	✓	optional	X	✓	X	✓	✓*	not normally
Request for Quotations	✓	✓	X	✓	✓	X	X	✓	X	X	X	X
Direct Selection	X	X	✓	X	X	X	X	✓	X	X	✓	X
Selection Arrangements												
Competitive Dialogue	✓	✓	X	✓	✓	X	required	X	X	X	X	✓
Public-Private Partnerships	✓	✓	✓	✓	✓	✓	X	✓	X	✓	✓	✓
Commercial Practices												
As per acceptable commercial procurement practices												
UN Agencies												
As per Paragraphs 6.47 and 6.48												
E-Auctions	✓	✓	X	✓	✓	✓	x	✓	X	X	X	X
Imports	✓	✓	X	✓	X	X	X	✓	X	✓	X	X
Commodities	✓	✓	X	✓	✓	✓	X	✓	X	X	X	X
Community Driven Development	✓	✓	✓	X	✓	X	X	✓	X	X	X	X
Force Accounts	X	X	✓	X	✓	✓	X	X	X	X	X	X

✓ This market approach option is available

X This market approach option is not available

PQ = Prequalification

IS = Initial Selection

BAFO = Best and final offer

*This refers to negotiations after a competitive process as per Paragraphs 6.34 to 6.36 for the Procurement Regulations for IPF Borrowers

Source: World Bank Procurement Regulations, Sections VI for Goods, Works, and Non-Consulting Services and VII for Consulting Services

TABLE XVII Selection Methods for Consulting Services

Consulting Services		Market Approach Options				
Approved Selection Methods and Arrangements	Open	Limited	Direct	International	National	Shortlist
Selection Methods						
Quality and Cost-Based Selection	✓	X	X	✓	✓	✓
Fixed-Budget Based Selection	✓	X	X	✓	✓	✓
Least Cost-Based Selection	✓	X	X	✓	✓	✓
Quality Based Selection	✓	X	X	✓	✓	✓
Consultant's Qualifications-Based Selection	✓	✓	X	✓	✓	X
Direct Selection	X	X	✓	X	X	X
Selection Arrangements						
Commercial Practices	As per acceptable commercial Procurement practices					
UN Agencies	As per Paragraphs 7.27 and 7.28					
Non-profit Organizations (such as NGOs)	✓	✓	✓	✓	✓	✓
Banks	✓	✓	✓	✓	✓	✓
Procurement Agents	✓	✓	✓	✓	✓	✓
Selection Methods for Individual Consultants						
Selection of Individual Consultants	✓	✓	✓	X	X	X

✓ This market approach option is available

X This market approach option is not available

Source: World Bank Procurement Regulations, Sections VI for Goods, Works, and Non-Consulting Services and VII for Consulting Services

Request for Bids

A Request for Bids (RFB) is a competitive method for the solicitation of Bids. It should be used when, because of the nature of the Goods, Works, or Services to be provided, the Borrower is able to specify detailed requirements to which Bidders respond in offering Bids.

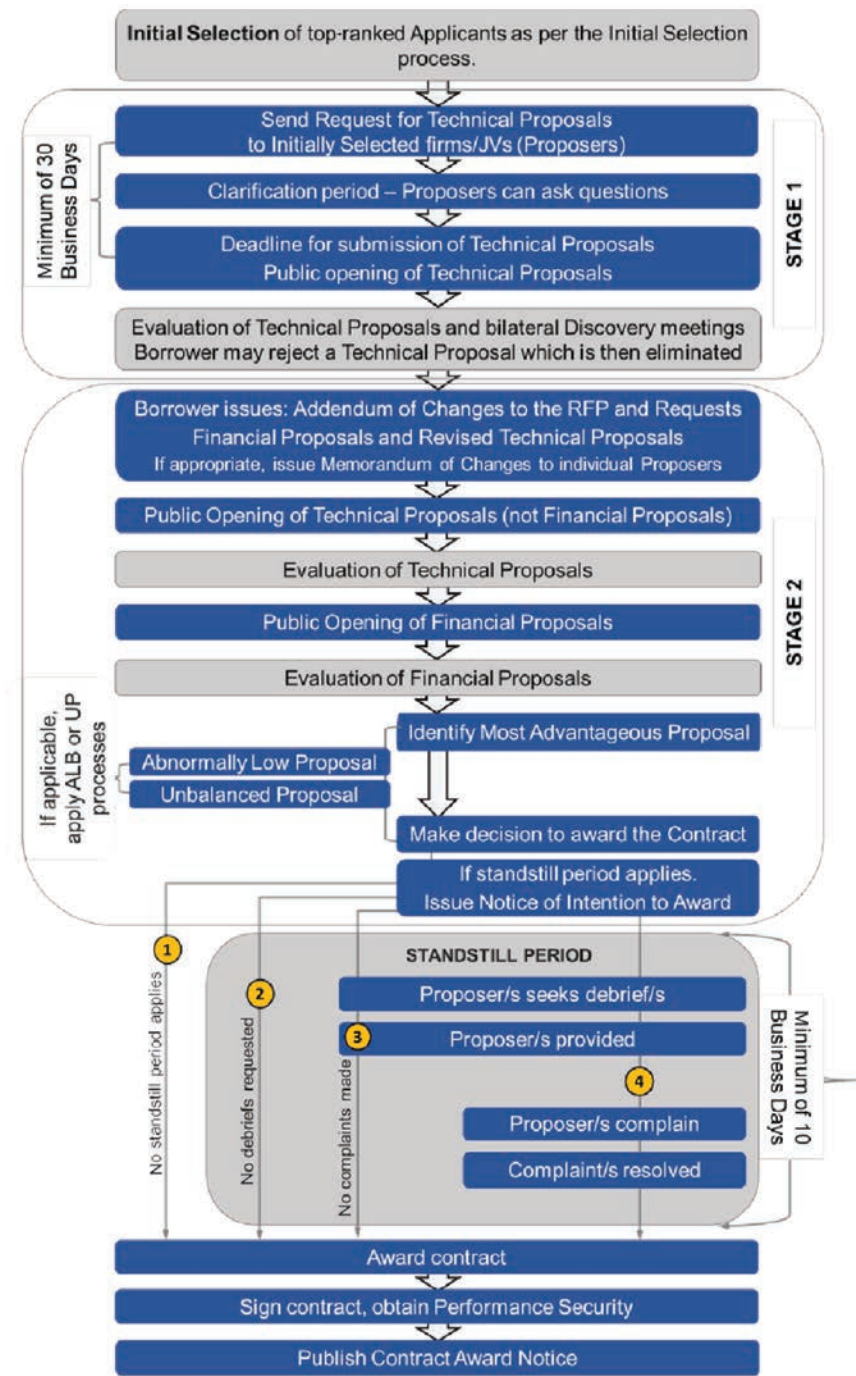
Procurement under this method is conducted in a single-stage process. Qualifying criteria, minimum requirements normally evaluated on a pass/fail basis, are used with RFB. Rated-type Evaluation Criteria are normally not used with this method.

Request for Quotations

A Request for Quotations (RFQ) is a competitive method based on comparing price quotations obtained from suppliers. This method may be appropriate for procuring limited quantities of readily available off-the-shelf Goods or Non-consulting Services, standard specification commodities, or simple civil Works of small value, when it is more efficient than more competitive methods.

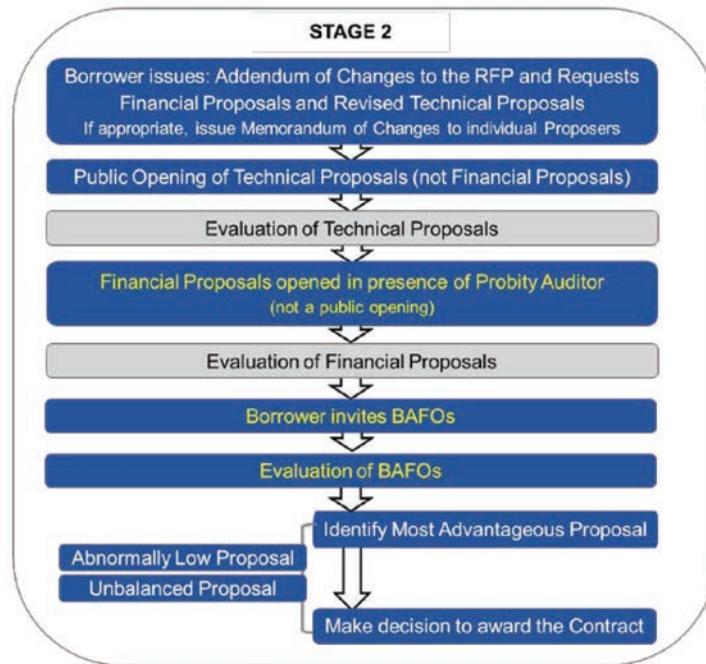
Direct Selection

Proportional, fit-for-purpose, and VfM considerations may require a direct selection approach: that is, approaching and negotiating with only one firm. This selection method may be appropriate when there is only one suitable firm or there is justification to use a preferred firm.

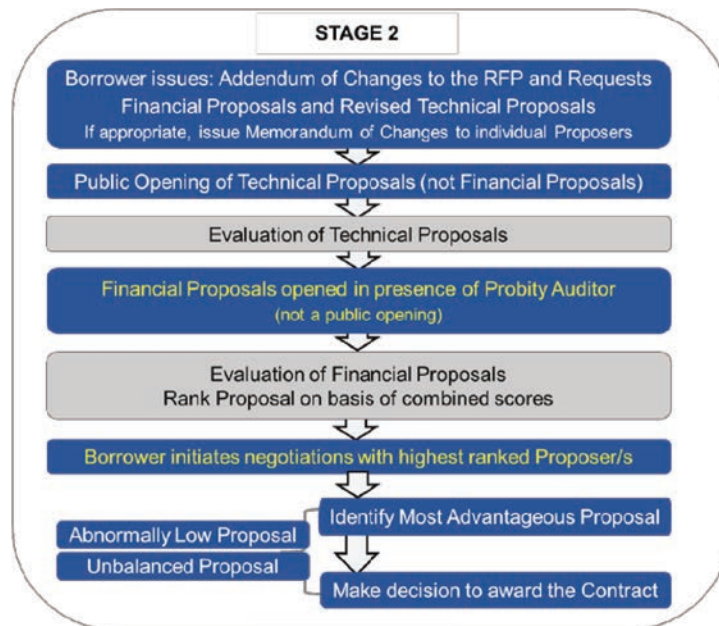
FIGURE XVII Process Flow Chart: RFP Model 1

Source: Procurement Regulations Annex XII

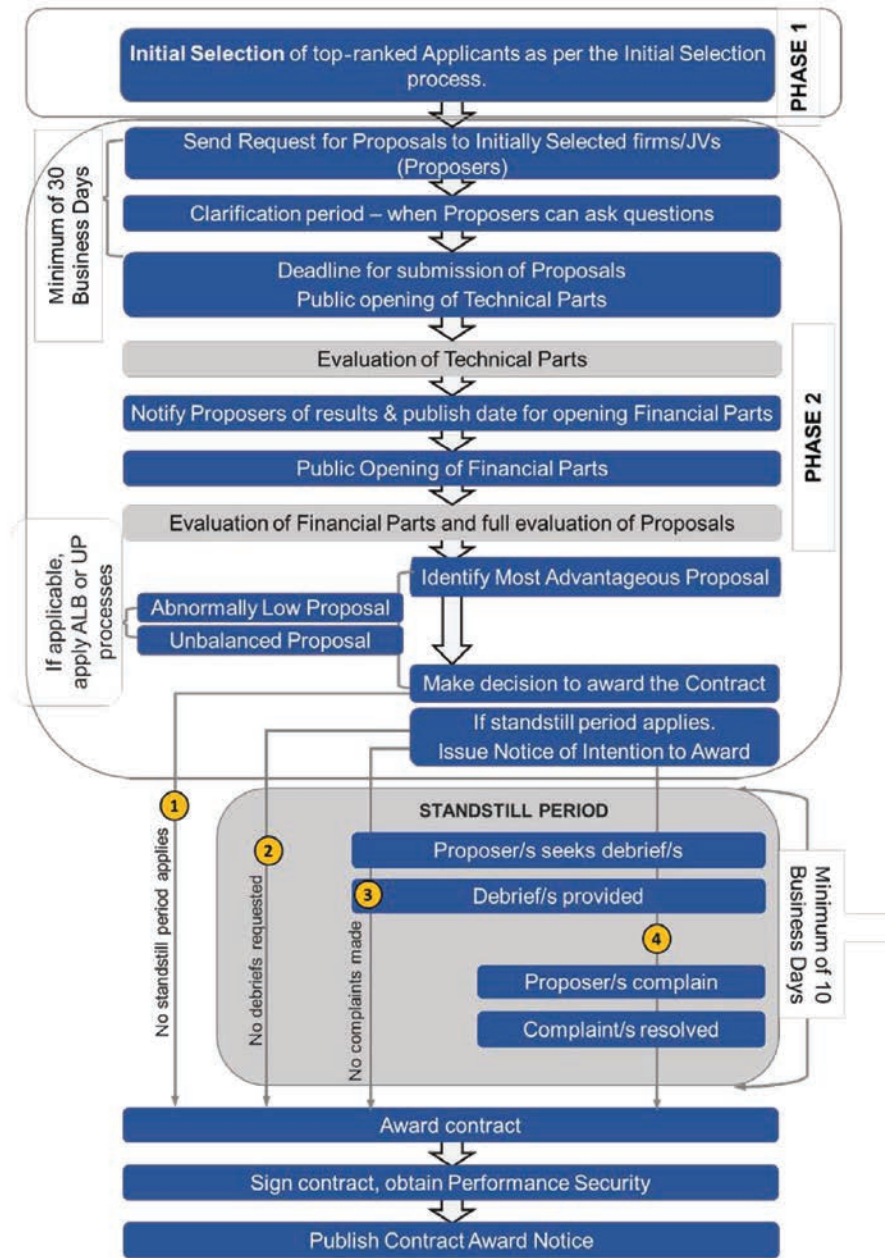
Note: UP = Unbalanced Proposal

FIGURE XVIII Process Flow Chart: BAFO Process Variations to RFP Model 1

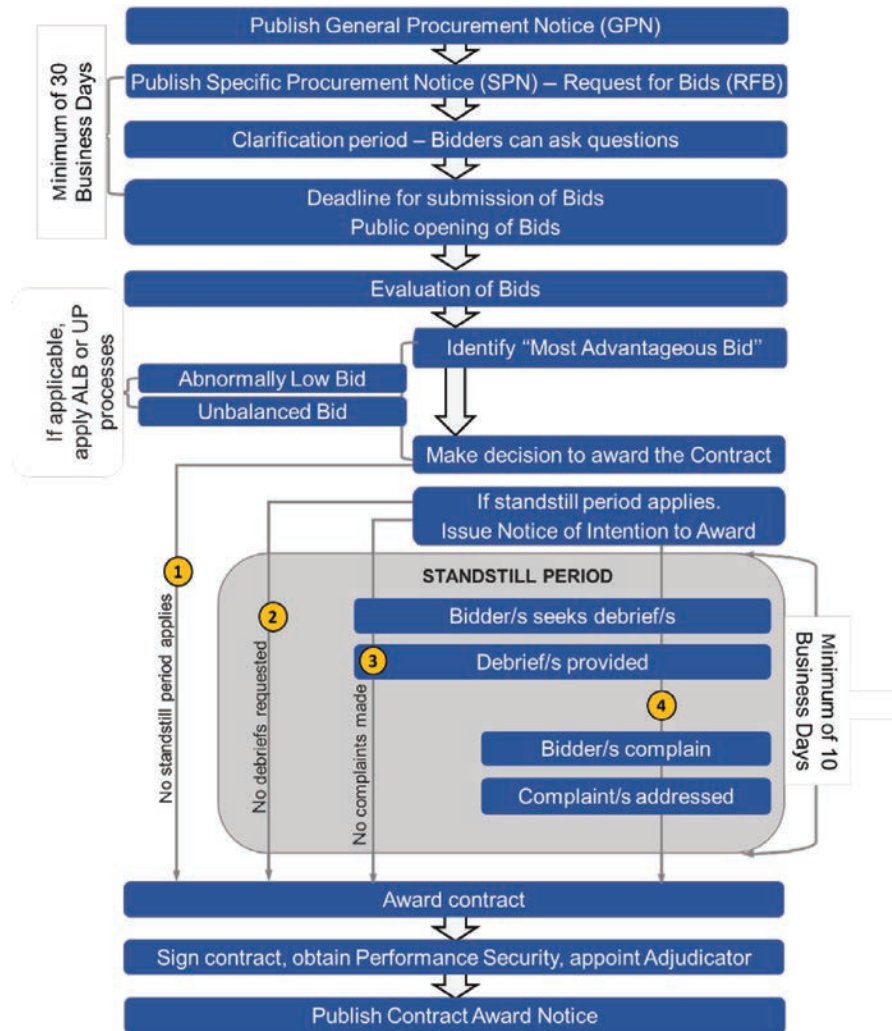
Source: Procurement Regulations Annex XII
 Note: Key variations in process are in yellow.

FIGURE XIX Process Flow Chart: Negotiations Process Variation to RFP Model 1

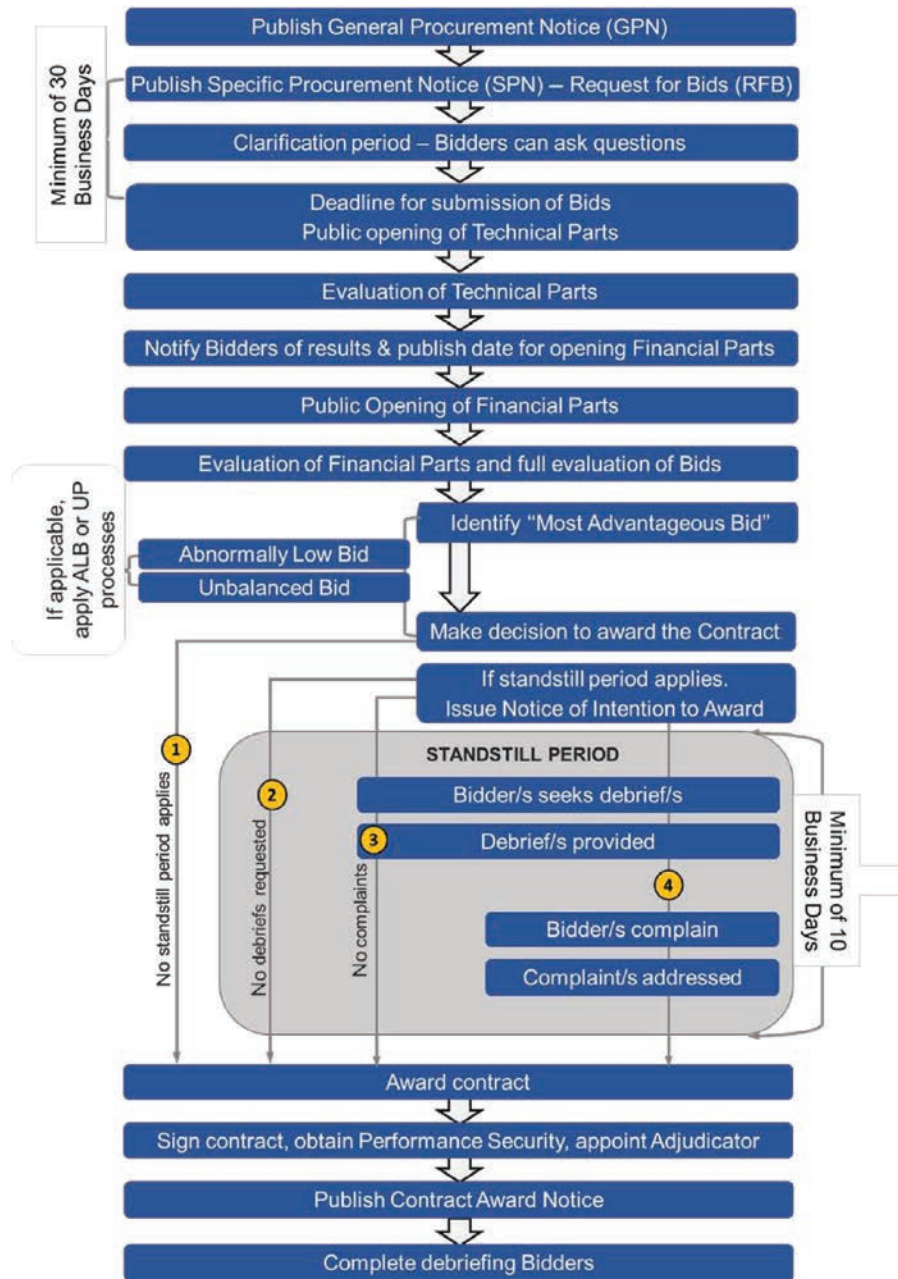
Source: Procurement Regulations Annex XII
 Note: Key variations in process are in yellow.

FIGURE XX Process Flow Chart: RFP Model 2, without BAFO or Negotiations

Source: Procurement Regulations Annex XII

FIGURE XXI Process Flow Chart: RFB One-Envelope Process, without Prequalification

Source: Procurement Regulations Annex XII

FIGURE XXII Process Flow Chart: RFB Two-Envelope Process, without Prequalification

Selection Arrangements

The selection arrangements are:

- Competitive Dialogue
- Public-Private Partnerships (PPP)
- Commercial Practices
- United Nation (UN) Agencies
- e-Reverse Auctions
- Imports
- Commodities
- Community-Driven Development
- Force Accounts
- Framework Agreements
- Cross-Project Opportunities

Competitive Dialogue

Competitive Dialogue is an interactive multistage selection arrangement that allows for dynamic engagement with Proposers. It may be used only for complex or innovative procurement.

Public-Private Partnerships

A Public-Private Partnership (PPP) is a long-term contract between a private party and a government entity, to provide a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.

Commercial Practices

Commercial Practices refers to the use of the well-established Procurement Arrangements used by the private sector—normally entities that are not subject to the Borrower’s public procurement law—for the procurement of Goods, Works, or Non-consulting Services. Commercial practices may also be used for a program of imports undertaken by private sector entities. The Bank’s Core Procurement Principles are the standard for determining the acceptability of Commercial Practices.

United Nation (UN) Agencies

UN Agencies can be directly selected in situations where their expertise or rapid mobilization on the ground is critical, in particular, in circumstances of urgent need of assistance or capacity constraints.

e-Reverse Auctions

An electronic reverse auction, or e-auction, is a scheduled online event in which prequalified or registered suppliers bid against each other on their price.

Imports

When the Investment Project Financing (IPF) provides financing for a program of imports, such as a program for importing eligible essential Goods by private or public sector entities, based on a list agreed upon between the Borrower and the Bank.

Commodities

Procurement of commodities refers to procuring items such as grain, animal feed, cooking oil, fertilizer, and metals. The procurement of commodities 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.

Community-Driven Development

Procurement Arrangements, specifications, and contract packaging may be suitably adapted, in a way that is acceptable to the Bank, when, in the interest of Project sustainability, or to achieve certain specific social objectives of the Project, it is desirable (in selected Project components) to:

- Call for the participation of local communities and/or non-governmental organizations (NGOs) in civil Works and the delivery of Non-consulting Services
- Increase the use of local know-how, Goods, or materials
- Employ labor-intensive and other appropriate technologies

Force Accounts

Force Account—which refers to Works such as construction and installation of equipment, as well as Non-consulting Services carried out by a government department of the Borrower’s country using its own personnel and equipment—may be the only practical method of procurement under specific circumstances. A government-owned construction unit that is not managerially, legally, or financially autonomous is considered a Force Account unit. The use of Force Account requires that the Borrower apply the same rigorous quality checks and inspection as for contracts awarded to third parties.

Framework Agreements

A Framework Agreement (FA) is an agreement with one or more firms that establishes the terms and conditions that will govern any contract awarded during the term of the FA, a call-off contract. The terms and conditions will usually include the fee rate, charge rate, or pricing mechanism. FAs may be established for the anticipated procurement of Goods, Works, or Services, when required over a specified period of time. An FA does not commit either party to procure or supply. Once established, a FA provides a fast and efficient way to procure Goods, Works, or

Non-consulting Services. A multi-supplier FA allows a Borrower to select from a number of firms, helping to ensure that each procurement represents the best VfM.

Cross-Project Opportunities

This stage involves undertaking a review of opportunities for using contracts that currently exist and how requirements across Projects may be combined to increase leverage through economies of scale and optimized resource planning and scheduling. In addition, these opportunities serve to reduce the time spent by the Borrower putting contracts in place for a Project. These opportunities include:

- Buying Goods and services from existing FAs if already established
- Making use of other agreements, for example, leveraging UN Office for Project Services (UNOPS) contracts to buy vehicles
- Leverage buying power across projects, for example, if more than one Project is being undertaken in a country and there is common expenditure, then buying can be done on a combined basis.

Market Approaches

In addition to choosing the approved selection method and arrangement, a market approach must also be identified.

The World Bank's Procurement Principles determine that an open, competitive approach to procurement is preferred, as it is the optimum solution to achieving the Core Procurement Principles. The PSD can be used to justify an alternative approach if merited and justified by the Project's/contract's circumstances.

Types of Competition

The various types of competition include:

- Open
- Limited
- International
- National
- No Competition—Direct Selection

These competition types are described below, along with a description of when they may be appropriate to be used. The main source of information to make the decision on the type of competition will be the market analysis report.

Open Competition

An open competitive approach to market is the Bank's preferred approach, as it provides all eligible prospective Bidders or Proposers with timely and adequate advertisement of a Borrower's

requirements and an equal opportunity to bid or propose for the required Goods, Works, or Services. Any approach, other than open competition, shall be justified by the Borrower.

Limited Competition

A limited competitive approach to market is by invitation only, without advertisement. It may be an appropriate method of selection where there are only a limited number of firms, or there are other exceptional reasons that justify departure from open competitive procurement approaches.

International Competition

Approaching the international market through international competitive procurement is appropriate when the participation of foreign firms will increase competition and may assure the achievement of best VfM and fit-for-purpose results.

Open international competitive procurement, for which international advertisement is required in accordance with the Procurement Regulations, is the preferred approach for complex, high-risk, and/or high-value contracts.

National Competition

Approaching the national market may be appropriate when the procurement is unlikely to attract foreign competition because of:

- The size and conditions of the market
- The value of the contract
- Activities that are scattered geographically, spread over time, or are labor intensive
- The Goods, Works, or Non-consulting Services are available locally at prices below the international market

Approaching the national market may also be appropriate when the advantages of approaching the international market are clearly outweighed by the administrative or financial burden involved. If foreign firms wish to participate in open national competitive procurement, they are allowed to do so on the terms and conditions that apply to national firms. When approaching the national market, the country's own procurement procedures may be used.

No Competition—Direct Selection

Direct selection may be appropriate under the following circumstances:

1. Single-Source Selection (preferred supplier from several sources):
 - a. An existing contract that was not originally financed by the Bank, for Goods, Works, or services—awarded in accordance with procedures acceptable to the Bank—may be extended for additional Goods, Works, and Non-consulting Services of a similar nature, if it is properly justified, if no advantage may be obtained by competition, and if the prices are reasonable;

- b. There is a justifiable requirement to reengage a supplier that has previously completed a contract with the Borrower to perform a similar type of contract. The justification shall show satisfactory performance of the supplier in the previous contract, that no advantage may be obtained by competition, and that the prices are reasonable;
 - c. The procurement is both very low value and low risk, as agreed in the Procurement Plan (PP); and/or
 - d. The case is exceptional, for example, in response to natural disasters and Emergency Situations.
2. Sole-Source Selection (only one source possible):
- a. 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 advantages and disadvantages of another brand or source of equipment should have been considered on grounds acceptable to the Bank;
 - b. The required equipment is proprietary and obtainable from only one source;
 - c. The procurement of certain Goods from a particular supplier is essential to achieve the required performance or functional guarantee of an equipment, industrial Plant, or facility; or
 - d. When the Goods, Works, or Non-consulting Services provided in the Borrower's country by a State-Owned Enterprise (SOE), University, or research center are of a unique and exceptional nature because of the absence of suitable private sector alternatives; as a consequence of the regulatory framework; or because its participation is critical to Project implementation.

Number of Envelopes/Stages

Single Stage: One Envelope

Single-stage procurement is most appropriate when the specifications and requirements are sufficient to enable submissions of complete Bids or Proposals. Single-stage, one-envelope procurement requires submission of both technical and financial Bids or Proposals in one envelope.

Single Stage: Two Envelopes

If appropriate, a two-envelope process may be used in single-stage procurement. The first envelope contains the qualifications and technical part, and the second envelope contains the financial, or price, component; the two envelopes are opened and evaluated sequentially.

Multistage

It may often be impractical to prepare complete technical specifications in advance for the procurement of

- Large, complex facilities for which a turnkey contract will be awarded for the design and build of a Plant

- Works of a complex and special nature
- Complex information and communication technology subject to rapid technological advances

In the first stage, Proposals are invited on the basis of a conceptual design, performance, or functional specification, subject to the Borrower conducting confidential discovery and clarification meetings to learn about possible solutions. In the second stage, the RFB or RFP document may be amended to reflect the discoveries made in the confidential meetings, and issued to the qualified Bidders or Proposers, requesting them to submit final Proposals. As required in the RFB or RFP document, the second stage may be submitted in one envelope or two envelopes for the technical and financial parts, respectively, where the two envelopes are opened and evaluated sequentially.

Best and Final Offer

Best and final offer (BAFO) is an option under which the Borrower invites Bidders or Proposers that have submitted substantially responsive Bids or Proposals to submit their best and final offer. Such a process may be appropriate when the Procurement Process would benefit from Bidders or Proposers having a final opportunity to improve their Bids or Proposals, including by reducing prices, clarifying or modifying their Bid or Proposal, or providing additional information.

Negotiations

Negotiations can take place following Bid or Proposal evaluations and before the final contract award. Any negotiation shall be in accordance with the requirements of the RFB/RFP document. Negotiations may involve terms and conditions, price, and/or social, environmental, and innovative aspects, as long as they do not change the minimum requirements of the Bid or Proposal.

Pre and Post-Qualification and Initial Selection

Prequalification and post-qualification are methods used to ensure that suppliers with appropriate skills, experience, track record capacity, and capability are invited to bid or are awarded contracts. It is a critical activity to ensure successful selection of suppliers and ultimately getting Projects delivered.

This can take three forms:

1. Prequalification
2. Initial Selection
3. Post-qualification

Prequalification and Initial Selection are processes used to Shortlist Applicants in the procurement of Goods, Works, and Non-consulting Services. These processes ensure that only those with appropriate and adequate capacity, capability, and resources are invited to submit Bids or Proposals. In undertaking a Prequalification or Initial Selection, the Borrower shall use the Bank's Standard Prequalification document or Initial Selection document, respectively.

Prequalification or Initial Selection is appropriate for large or complex contracts, or in other circumstances, such as the need for custom-designed equipment; Plant; specialized services; some complex information and technology; procurement under turnkey, design, and build; or management contracting, in which the high costs of preparing detailed Bids or Proposals could discourage competition.

The assessment of an Applicant's qualifications shall not take into consideration the qualifications of other firms, such as its subsidiaries, parent entities, affiliates, subcontractors—other than specialized subcontractors if permitted in the Prequalification or Initial Selection document—or any other firm different from the firm that submitted the Prequalification or Initial Selection Application.

When the time elapsed between the Borrower's decision on the list of prequalified or initially selected Applicants and the issuance of RFB or RFP documents is longer than 12 months, the Bank may require that a new Prequalification or Initial Selection process is conducted through readvertisement.

Prequalification

Prequalification is normally used with RFBs and is optional, depending on the nature and complexity of the Goods, Works, or Non-consulting Services. In Prequalification, minimum requirements are normally assessed on a pass or fail basis against criteria such as eligibility, experience, technical capability, and financial resources. These consider objective and measurable factors such as experience, satisfactory past performance, successful completion of similar contracts over a given period, capability of construction and/or manufacturing facilities, financial situation, and eligibility. All Applicants who substantially meet the minimum qualification requirements are invited to submit a Bid.

Initial Selection

Initial Selection is normally used with RFPs and should be used for all Competitive Dialogue processes. It enables the Borrower to invite only the highest-ranked Applicants to submit Proposals. Initial Selection involves a two-step process. The first step is similar to the Prequalification process. This establishes the long list of Applicants. Long-listed Applicants are then evaluated against Rated Criteria. After ranking the combined Rated Criteria scores, the Borrower selects the highest-ranked Applicants to submit Proposals.

Post-Qualification

If Bidders or Proposers have not been prequalified or initially selected, the Borrower should specify appropriate qualification requirements in the RFB or RFP document to verify that a Bidder or Proposer that would be recommended for contract award has the capability and resources to effectively carry out the contract. The assessment of a firm's qualifications shall not take into consideration the qualifications of other firms, such as its subsidiaries, parent entities, affiliates, subcontractors (other than specialized subcontractors if permitted in the RFB/RFP document), or any other firm different from the firm that submitted the Bid or Proposal.

Selecting the Right Combination

When determining the right combination of the activities to design the approach to market, the decision on the type of selection method is primarily driven by the level of competition in the market, the number of capable suppliers available, the specificity of the requirements, and the inherent risks involved in delivery. This information should come from the:

- Market Analysis, including the value and complexity of the contract as determined by the supply position model
- Market Engagement Strategy
- Procurement Risk Analysis

Applying this information to each contract and then to the chosen combination of selection methods and market approaches should help keep all of the contracts that make up the Project consistent.

Evaluation Methods

The PPSD informs the evaluation method and Evaluation Criteria to be applied. For more information, see [Procurement Guidance: Evaluating Bids and Proposals](#). Evaluation Criteria need to be appropriate to the type, nature, market conditions, and complexity of what is being procured and must be clearly specified in detail in the RFB or RFP document.

When Rated Criteria are to be used, both the Rated Criteria and any subcriteria, are to be prioritized, scored, and weighted according to their relative importance. The number of Rated Criteria should be kept to the minimum.

The following requirements govern the use of Bid or Proposal Evaluation Criteria:

- The Evaluation Criteria shall be proportionate and appropriate to the type, nature, market conditions, complexity, risk, value, and objective of what is being procured.
- The RFB or RFP document shall detail the complete Evaluation Criteria, including Rated Criteria and any subcriteria as applicable, and the specific way they shall be applied, including their prioritization and weighting.
- Only the Evaluation Criteria, and all the Evaluation Criteria, indicated in the RFB or RFP document shall be applied in the assessment of Bids or Proposals.
- Once the RFB or RFP documents have been issued, any change to the Evaluation Criteria shall be made only through addenda.
- The Evaluation Criteria shall be applied consistently to all Bids or Proposals submitted.

Value for Money

The Evaluation Criteria must be designed to enable the Borrower to achieve the best Value for Money (VfM).

The principle of VfM means the effective, efficient, and economic use of resources, which requires the evaluation of relevant costs and benefits, along with an assessment of risks, and non-price attributes and/or life-cycle costs, as appropriate. Price alone may not necessarily represent VfM.

To achieve VfM, the Evaluation Criteria, including Rated Criteria where applicable, may include the following factors:

- **Cost:** Evaluation of cost using a methodology that is appropriate to the nature of the procurement, including
 - Adjusted Bid price
 - Adjusted Bid price plus the running/recurrent cost over the useful lifetime of the asset on net present cost basis (life-cycle costs)
- **Quality:** Evaluation of quality using a methodology to determine the degree to which the Goods, Works, Non-consulting Services, or Consulting Services meet or exceed the requirements
- **Risk:** Adequacy of the Bidder's/Proposer's methodology to identify and mitigate relevant risks, such as those related to environment, social, economic, cybersecurity, or implementation
- **Sustainability:** The Bidder or Proposer's approach and/or methodology that manages, protects, or enhances the overall sustainability risks and issues. These include the environmental and social aspects of the Project during planning and implementation. These may also include longer-term, qualitative and non-financial benefits.
- **Innovation:** Innovative aspects of design, methodology, technology, and/or delivery of the Goods, Works, Non-consulting Services, or Consulting Services, among others.

Most Advantageous Bid or Proposal

The evaluation approach and methods are tailored to enable the Borrower to assess Bids or Proposals and identify the Most Advantageous Bid or Proposal.⁵ Determining the Most Advantageous Bid or Proposal depends on the selection method.

Goods, Works, and Non-consulting Services

When *Rated Criteria are used*, the Most Advantageous Bid or Proposal is the Bid or Proposal of the Bidder or Proposer that meets the qualification criteria and whose Bid or Proposal has been determined to be

- Substantially responsive to the RFB/RFP document; and
- The highest ranked Bid or Proposal.

⁵ Procurement Regulations, Paragraphs 5.68 to 5.71.

When *Rated Criteria are not used*, the Most Advantageous Bid or Proposal is the Bid or Proposal of the Bidder or Proposer that meets the qualification criteria and whose Bid or Proposal has been determined to be

- Substantially responsive to the RFB/RFP document and
- The lowest evaluated cost.

Consulting Services

The Most Advantageous Proposal is the best evaluated Proposal.

Evaluation Selection Methods

The decision on the type of evaluation method that should be used will determine which of the following selection methods will be used in the SPD/bidding documents for evaluation of suppliers.

- Quality and Cost-Based Selection (QCBS)
- Fixed-Budget Based Selection (FBS)
- Least Cost-Based Selection (LCS)
- Quality-Based Selection (QBS)
- Consultant's Qualifications-Based Selection (CQS)
- Direct Selection

With the exception of Direct Selection, these methods can only be used for Consulting Services.

The Evaluation Criteria shall be appropriate to the nature and complexity of the procurement. The descriptions of each approved selection method listed here explain the circumstances for which they are most suitable.

The following are approved selection methods for Consultants:

- Quality and Cost-Based Selection (QCBS)
- Fixed Budget-Based Selection (FBS)
- Least Cost-Based Selection (LCS)
- Quality-Based Selection (QBS)
- Consultants Qualifications-Based Selection (CQS)
- Direct Selection
- Commercial Practices

Quality and Cost-based Selection

QCBS is a competitive process among Shortlisted consulting firms, under which the selection of the successful firm takes into account the quality of the Proposal and the cost of the services. The RFP document shall specify the minimum score for the technical Proposals. The relative weight to be given to the quality and cost depends on the nature of the assignment. Among the Proposals that are responsive to the requirements of the RFP document and are technically qualified, the Proposal with the highest combined quality and cost score is considered the Most Advantageous Proposal.

Fixed Budget-based Selection

Like QCBS, FBS is a competitive process among Shortlisted consulting firms, under which the selection of the successful firm considers the quality of the Proposal and the cost of the services. In the RFP document, the cost of services is specified as a fixed budget that shall not be exceeded. FBS is appropriate when

- The type of Consulting Service required is simple and can be precisely defined;
- The budget is reasonably estimated and set; and
- The budget is sufficient for the firm to perform the assignment.

The RFP document specifies the budget and the minimum score for the technical Proposals. The Proposal with the highest technical score that meets the fixed budget requirement is considered the Most Advantageous Proposal.

Least Cost-based Selection

Similar to QCBS, LCS is a competitive process among Shortlisted consulting firms, under which the selection of the successful firm considers the quality of the Proposal and the cost of the services. LCS is generally appropriate for assignments of a standard or routine nature, such as engineering designs of non-complex Works, for which well-established practices and standards exist.

The RFP document specifies the minimum score for the technical Proposals. Among the Proposals that score higher than the minimum technical score, the Proposal with the lowest-evaluated cost is considered the Most Advantageous Proposal.

Quality-based Selection

Under QBS, the Proposal quality is evaluated without using cost as an Evaluation Criteria. If the RFP requests both technical and financial Proposals, the financial Proposal of only the highest technically qualified firm is opened and evaluated to determine the Most Advantageous Proposal. However, if the RFP document requests only technical Proposals, the firm with the highest-ranked technical Proposal is invited to submit its financial Proposals for negotiations.

QBS is appropriate for the following types of assignments:

- Complex or highly specialized assignments for which it is difficult to define precise Terms of Reference (TOR) and the input required from the firm, and for which the Borrower expects the firm to demonstrate innovation in its Proposals
- Assignments that have a high downstream impact
- Assignments that can be carried out in substantially different ways, so that Proposals will not be comparable.

Consultants Qualifications-based Selection

The Borrower shall submit a Request for Expressions of Interest (REoI) by attaching the TOR to the REoI. At least three qualified firms shall be requested to provide information about their relevant experience and qualifications. From the firms that have submitted an Expression of Interest (EOI), the Borrower selects the firm with the best qualifications and relevant experience and invites it to submit its technical and financial Proposals for negotiations. Advertisement of REoIs is not mandatory.

CQS is appropriate for small assignments or Emergency Situations, in which preparing and evaluating competitive Proposals is not justified.

Direct Selection

Proportional, fit-for-purpose, and VfM considerations may require a direct selection via a single-source or sole-source selection approach—that is, approaching and negotiating with only one firm. This selection method may be appropriate when only one firm is qualified, a firm has experience of exceptional worth for the assignment, or there is justification to use a preferred firm.

Commercial Practices

Commercial practices refers to the use of well-established procurement arrangements used by the private sector (normally entities not subject to the Borrower's public procurement law), for the procurement of Consulting Services. The Bank's Core Procurement Principles are the standard for determining if the proposed commercial practice is acceptable.

Evaluation of Costs

Evaluation of costs can be on the basis of the adjusted Bid price, and or the life cycle costs.

Adjusted Bid Price

Adjustments of Bid price include arithmetic correction, any discounts, and other adjustments specified in the RFB or RFP for evaluation purposes, including adjustments for deviation in the delivery and implementation schedule and/or payment terms, as well as corrections for minor deviations or omissions.

Lifecycle Costs

Lifecycle costing should be used when the costs of operation and/or maintenance over the specified life of the Goods or Works are estimated to be considerable in comparison with the initial cost and may vary among different Bids and Proposals. It is evaluated on a net present cost basis.

Domestic Preference

When open international competitive procurement is used to procure Goods or Works, a margin of domestic preference may be provided in the evaluation of Bids or Proposals for the following:

- Goods manufactured in the Borrower's country, compared with Goods manufactured abroad. The preference is 15 percent added to the Carriage and Insurance Paid (CIP) price of the Goods manufactured abroad.
- Works in member countries below a specified threshold of per capita gross national income, as defined annually by the Bank, when comparing Bids or Proposals from eligible domestic firms with those from foreign firms. The preference is 7.5 percent added to the price offered by the foreign firms.

However, domestic preference shall not be applied to Plant.

Rated Criteria for the Assessment of Quality

Rated Criteria are non-price factors that are considered when evaluating Bids or Proposals. They support determining which Bid or Proposal offers the optimal VfM—not just the lowest price. For more information on Rated Criteria, refer to Annex C: Rated Criteria.

These factors measure quality aspects. Examples of non-price factors include:

- Quality of methodology and work plan
- Performance, capacity, functionality
- Key personnel
- Environmental and social risks and impacts
- Sustainability
- Resilience-building
- Social value
- Supply chain assurance
- Cybersecurity

Contract Management

Contract management is a formal process that focuses on ensuring both the supplier and the Borrower meet their contractual commitments to time, cost, and quality. It requires systematic and efficient planning, execution, monitoring, and evaluation to optimize performance while managing risks to ensure that both parties fulfill their obligations with the ultimate goal of achieving VfM and contractual results. It involves

- Tracking and monitoring of delivery and costs
- Contract administration
- Being clear on roles and responsibilities of both Borrower and Supplier
- Managing relationships with both the supplier and key stakeholders
- Being proactive throughout the contract to anticipate problems and issues before they arise
- Managing problems and issues as they arise—quickly, effectively, fairly, and in a transparent manner.

From the Borrower's perspective, contract management

- Ensures that the supplier delivers upon their commitments
- Obtains best VfM during the life of the contract
- Manages supply risks for the duration of the contract
- Continually challenges to drive best value in its contracts
- Ensures effective contracts that continue to deliver the PDOs
- Demonstrates best procurement practice in the management of contracts
- Provides evidence to support any audits.

Contract Management Approach

The approach to defining the contract management requirements should consider

- An understanding of the level of influence the Borrower may have over the supplier, which is informed by the supply preferencing model analysis;
- An understanding of how much influence the Borrower needs over the supplier, which is informed by the supply position model and procurement risk analysis;

- How the supplier will be managed through review meetings, progress reports, risk logs, and action plans;
- The key milestones and when they should be reviewed;
- The level of resources required to manage the contract effectively; and
- How performance will be assessed against pre-agreed measures, including KPIs.

The approach to contract management should be proportionate to the value, risk, length, type, and complexity of the contract and the type of market or suppliers who will be fulfilling the contract.

Depending on the nature of the relationship with the supplier, the level of effort may change for the Borrower.

For simple and low-value contracts, the Contract Management Plan should include, as a minimum, the following.

1. Key roles and responsibilities
2. Key contractual dates and delivery milestones
3. Budget and payment milestones
4. Record-keeping requirements

For high-value, high-risk, or complex contracts identified in the Procurement Plan (PP), the Contract Management Plans shall typically contain a summary of contract details, such as

- Identified potential risks—such as delays in the contractor’s right of access to site, payment delays, and other defaults in the Borrower’s contractual obligations that could potentially lead to contractual disputes—and their mitigation.
- Key contacts, roles, and responsibilities of the parties
 - The names and details of the key contacts for each party shall be clearly identified in the contract.
 - Each party should establish the necessary authorizations and delegations for its personnel at the beginning of the contract to ensure that all contracting decisions are valid and enforceable.
- Communication and reporting procedures
- Key contractual terms and conditions that relate to delivery
- Contractual milestones, including critical path—identified to ensure early detection and mitigation of issues—and payment procedures consistent with contractual provisions

- Key contract deliverables
 - Contract deliverables shall be identified and properly described so they can be easily monitored.
 - Key contract deliverables shall be updated to account for change orders during the execution of the contract.
- KPIs and measurement process
- Contract variation or change control mechanisms
- Record-keeping requirements
- Issues management and escalation plan.

The approach to managing each contract needs to be determined in advance and described in the bidding documents to ensure the supplier allocates adequate resources to supporting effective contract management. The supplier's Bid response and the Borrower's contract management requirements need to be combined into a Contract Management Plan. This plan should be developed during contract creation and ideally completed at the time the contract is signed. The plan should be developed in consultation with the successful supplier.

Key Performance Indicators

Key Performance Indicators (KPIs) are measures of contract performance that are aligned to the key outcomes that the procurement approach has been designed to deliver. The KPIs should be Specific, Measurable, Attributable, Relevant, and Time-Bound (SMART) indicators. They should also be directly linked to the PDOs and the procurement objectives, which will help ensure that contract delivery is fully aligned with the desired outcome.

The KPIs should be included in the contract management plan, and if they link to incentive mechanisms and payment decisions, they will need to be agreed upon and included as part of the contract before it is signed.

Options Analysis

Before an options analysis can begin, each of the procurement options reviewed in individual activity templates should be summarized as a short narrative.

Options analysis is the last analytical stage of the PPSD. To select the preferred procurement approach, a comparative analysis needs to be undertaken. This involves three main activities:

- An evaluation of the likely success of each potential procurement approach against the procurement objectives
- A review of the Procurement Risks to establish which procurement approach best addresses the known risks
- A SWOT Analysis of each procurement approach.

Evaluation of Procurement Approach Against Procurement Objectives

The model in figure XXIII is a simple tool to undertake this evaluation. The different procurement options, as summarized above, need to be listed in the first column, with the procurement objectives listed in the first row.

FIGURE XXIII Option Analysis

	Procurement Objectives										
	Project 'Must Have' Objectives										Total
	1	2	3	4	5	6	7	8	9	10	
Strategy Option											
1											
2											
3											
4											
5											

-1 Does not meet the objective
 0 Meets the objective
 1 Exceeds the objective

A simple rating is then applied to assess whether each individual procurement approach meets each of the Procurement Objectives. The ratings are:

-1 = Does not meet the objective

0 = Meets the objective

1 = Exceeds the objective

Once all of the procurement approaches and procurement objectives have been assessed, the points for each option need to be summed. Finally, each option should be ranked from highest to lowest score, noting that any option that fails to meet an objective should be eliminated.

Reviewing the Procurement Risks

The second stage is to look at the procurement risk analysis undertaken earlier and evaluate how each procurement option addresses the risks identified. This analysis needs to be completed on any of the remaining procurement options after undertaking the above evaluation. This stage is based on assessing the legacy risk that may exist for each procurement approach, and determining whether the overall rating of the probability and impact have reduced because of the application of that particular approach. The final output should be an updated procurement risk plan for the preferred procurement approach.

After this assessment, it should be possible to now identify the final preferred procurement approach.

SWOT Analysis of Each Procurement Approach

The final stage of the process is to undertake a SWOT analysis of preferred procurement approach. The SWOT analysis (table XVIII) should be carried out on the basis of the strengths and weaknesses of the procurement approach, and the opportunities and threats that may arise during its implementation.

TABLE XVIII Procurement Approach SWOT

Strategy Attributes	
Strengths	Weaknesses
Consequences if Implemented	
Opportunities	Threats

This final analysis is only concerned with

- Fine-tuning the preferred approach
- Ensuring that there is a thorough understanding of the procurement option
- Making sure nothing has been missed
- Attempting to future-proof the option by considering what could go wrong in implementation
- Identifying any final refinement that could be made to improve its effectiveness.

Once this analysis has been completed, the only remaining step is to fully document the preferred procurement approach and implement any refinements identified via the SWOT analysis.

PPSD Section 7: Preferred Arrangement for Low-Value, Low-Risk Activities

Approach for Activities Identified as Low Value or Low Risk

This part of the PSD is used to record the procurement approaches for activities that were identified as part of the Supply Positioning analysis as not requiring a detailed assessment and justification for the selected procurement approach.

PPSD Section 8: Summary of PSD to Support the Preparation of the Project Appraisal Document by the Bank

Summarizing Findings

The final stage of the PSD is to provide a short summary of the recommended procurement approach, which the Bank will use as part of preparing its Project Appraisal Document (PAD). The summary should be a description of the recommended procurement approach and a synopsis of the justification for that approach.

The following points should be considered in completing this section.

- How the Procurement Arrangements enable the delivery of VfM in achieving the PDOs, particularly if the recommended approach is not open competition, uses procurement techniques that are new to the Borrower, or presents a high or substantial risk. This should include supporting justification in the PSD as appropriate.
- The key procurement risks identified, and the mitigating measures proposed—for example, those relating to the Country, Market Sector, Agency's capacity assessment, and the complexity of the procurement and the proposed Procurement Arrangements.
- The oversight and monitoring arrangements for procurement, including applicability and need for the Bank to provide hands-on expanded implementation support; whether APAs are proposed; any proposed departure from Policy thresholds or additional oversight, such as probity assurance, required due the risk and value of contracts (Operational Procurement Review Committee), or due to risk in the proposed Procurement Arrangements—for example, negotiations, Competitive Dialogue—and confirmation that an acceptable Procurement Plan covering the first 18 months of project implementation is available.
- The Procurement Arrangements for the high- or substantial-risk activities within the project in table XIX.

TABLE XIX High-Risk Procurement Arrangements

Contract Title, Description and Category	Estimated Cost US\$ and Risk Rating	Bank Oversight	Procurement Approach/ Competition:	Selection Methods:	Evaluation Method:
			■ National ■ International ■ Open ■ Limited ■ Direct ■ Sole Source	■ Pre/post Qualification ■ SPD (RFP/RFB) ■ Competitive Dialogue ■ Framework Agreement ■ E-Reverse Auction ■ QCBS/QBS etc. ■ Negotiation ■ BAFO	■ Rated Criteria (VfM) ■ Lowest Evaluated Cost

Market Analysis Tools and Techniques

Tools and Techniques

There are a number of procurement tools and techniques available to support market analysis that help to not only structure the research, but also to analyze the information to draw conclusions and develop the procurement approach.

The key tools and techniques to support market analysis are

- Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis;
- Porter's Five Forces Analysis;
- Political, Economic, Social, Technological, Legal, and Environmental (PESTLE) Analysis;
- Supplier Preferencing;
- Supply Positioning and Supply Preferencing; and
- Supply Chain Analysis.

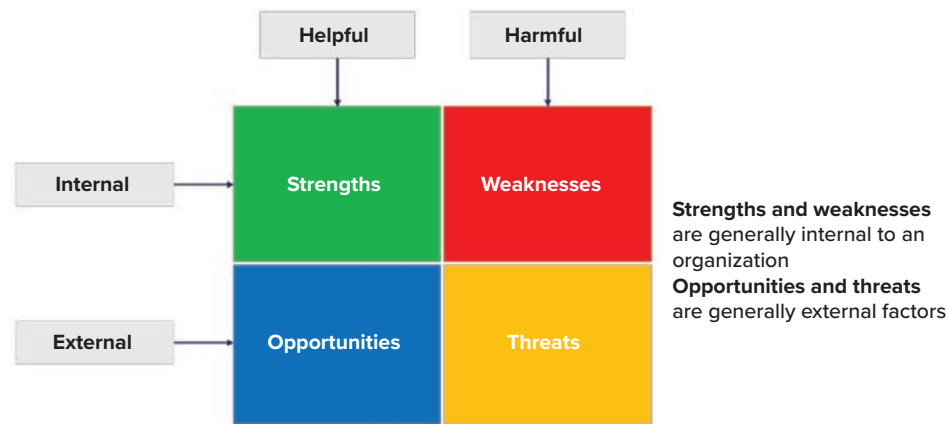
As with the overall preparation of the Project Procurement Strategy for Development (PPSD), the application of these tools needs to be proportionate to the level of market research and information required to develop a fit-for-purpose procurement approach. In most instances, each of the tools will need to be utilized.

SWOT Analysis

SWOT is an analysis of the internal influences on a Borrower's organization, over which the Borrower has an element of control. Opportunities and Threats are an analysis of external influences on a Borrower's organization, over which the Borrower tends to have far less control.

When using a SWOT analysis (figure XXIV), the objective is to help Borrowers develop a full awareness of all the factors, positive and negative, that may affect the delivery of the procurement and project. This analysis will assist with the identification of the procurement approach that will best deliver the fit-for-purpose procurement approach and the project requirements.

Strengths are the qualities that enable the Borrower to deliver a successful project. Strengths can be either tangible or intangible. These are seen as core expertise, including staff capability, experience, financial resources, effective processes, and reputation.

FIGURE XXIV SWOT Analysis Model

Weaknesses are what may prevent a Borrower delivering a successful project and can be seen to limit the achievement of optimum Value for Money (VfM). Weaknesses in a Borrower may be insufficient capacity or poor governance and decision-making. These factors are controllable and need to be identified and either minimized or eliminated, wherever possible.

Opportunities are factors that exist in the external business environment within which a Borrower operates. These allow a Borrower to take advantage of conditions in their business environment to better plan and improve the execution and implementation of procurement approaches that enable them to deliver a project successfully.

A fundamental element of developing a fit-for-purpose procurement approach is to identify and leverage opportunities whenever they arise, to achieve their benefits. Opportunities may arise from a variety of sources, such as strong competition in a marketplace, attractiveness of the contract, utilizing new technology, and a supplier's ability to offer innovation.

Threats arise when conditions in the external environment jeopardize the delivery of a project. Examples of threats are unrest among stakeholders; quickly changing technology; and increasing competition leading to excess capacity, price wars, and reduction of industry profits.

Table XX outlines a summary of the typical issues that a Borrower should consider when completing a SWOT analysis. Table XXI is an example of how these considerations can be summarized into key questions.

Porter's Five Forces Analysis

Porter's Five Forces Analysis (figure XXV) is a tool used to evaluate a market to determine the level of competition and where the balance of power resides, between suppliers and buyers, within that market. Its purpose is to help identify the type of competition that exists and how the procurement approach can take advantage of a Borrower's strength in a competitive marketplace or defend itself against anti-competitive supplier tactics when competition is more limited.

TABLE XX SWOT Analysis Considerations

Internal to Organisation			
Strengths		Weaknesses	
- Advantages of proposition - Capabilities - Competitive advantages - Unique Selling Points (USP) - Resources, Assets, People - Experience, knowledge, data - Financial reserves, likely returns - Marketing - reach, distribution, awareness	- Innovative aspects - Location and geographical - Price, value, quality - Accreditations, qualifications, certifications - Processes, systems, IT, communications - Cultural, attitudinal, behavioural - Management cover, succession	- Disadvantages of proposition - Gaps in capabilities - Lack of competitive strength - Reputation, presence and reach - Financials - Own known vulnerabilities - Timescales, deadlines and pressures - Continuity, supply chain robustness	- Cash flow, start-up cash-drain - Effects on core activities, distraction - Data reliability, plan predictability - Morale, commitment, leadership - Accreditations, etc. - Processes and systems, etc. - Management cover, succession
External to Organisation			
Opportunities		Threats	
- Market developments - Competitors' vulnerabilities - Industry or lifestyle trends - Technology development and innovation - Global influences - New markets - vertical, horizontal - Niche target markets - Geographical - export, import - Market need for new USPs	- Market response to tactics e.g., surprise - Major contracts, tenders - Business and product development - Information and research - Partnerships, agencies, distribution - Market volume demand trends - Seasonal, weather, fashion influences	- Political effects - Legislative effects - Environmental effects - IT developments - Competitor intentions - Market demand - New technologies, services, ideas - Vital contracts and partners - Obstacles faced	- Insurmountable weaknesses - Employment market - Financial and credit pressures - Economy-home, abroad - Seasonality, weather effects

TABLE XXI Converting SWOT Considerations into Questions

Strengths	Weaknesses
■ What implementation advantages does your organization have? ■ What does your organization do better than anyone else? ■ What resources does your organization have access to? ■ What do stakeholders see as your organization's strengths?	■ What could your organization improve? ■ What should your organization avoid? ■ What are stakeholders likely to see as your organization's weaknesses? ■ What factors negatively impact on results?
Opportunities	Threats
■ Where can you find good opportunities? ■ Useful opportunities can come from such things as: ■ Changes in technology and markets on both a broad and narrow scale ■ Changes in government policy related to the requirements ■ Changes in social patterns, population profiles, lifestyle changes ■ Local events. ■ What are the trends?	■ What would happen if delivery of the goods/services/works failed? ■ What are the obstacles to delivery? ■ What do suppliers do that cause concern? ■ Are stakeholders' needs changing? ■ Is changing technology threatening your organization's position? ■ Are there any budget restrictions? ■ Could any of your organization's weaknesses seriously threaten delivery? ■ What systems and procedures are in place to identify failure early? ■ What is the reputational risk? ■ Are there any political, policy or legal changes that could threaten the procurement? ■ What challenges are there relating to the geography/geographic location of the Project?

FIGURE XXV Porter's Five Forces Analysis⁶

⁶ See Michael E. Porter's five forces of competitive position model, *Harvard Business Review*, 1979.

Porter's Five Forces Dimensions

According to Porter, the nature of competition in any industry can be considered on the basis of the following five forces:

1. Bargaining power of suppliers (supplier power)
2. Bargaining power of buyers (buyer power)
3. Rivalry among current competitors (competitive rivalry)
4. Threat of substitute products/services (product and technology development)
5. Threat of new potential entrants (new market entrants)

Bargaining Power of Suppliers

Bargaining Power of Suppliers refers to the potential for suppliers to increase their prices. When suppliers are in a position of strength, they can improve their profits by increasing their prices. A supplier's strength can be determined by assessing:

- The availability of substitutes. A strong supplier's Goods, services, and Works tend to be unique.
- The cost of switching to another supplier's product. A strong supplier exists where the buyer (Borrower) has to pay high costs to switch to an alternative supplier's product.
- The importance of Goods, service, and Works to the buyer (Borrower). A strong supplier exists where the buyer has a strong dependency or need for the supplier's product.

Bargaining Power of Buyers

Bargaining power of buyers refers to a buyer's ability to drive down the prices charged by the suppliers in the market, or to increase supplier costs in the market by demanding better quality and service. The buyer's strength can be determined by assessing:

- The size of their requirement. A buyer is in a strong position when the requirement is large, either to the market in general or especially in relation to an individual supplier's size within that market.
- The ease with which the buyer can procure from other suppliers. A buyer is in a strong position when there are many other suppliers providing the same or similar services, Goods, and Works in the market, at a lower or similar cost, and the buyer is not subject to any switching costs.
- The number of other buyers in the market. A buyer is in a strong position when there are few other buyers in the market for an individual supplier's Goods, services, and Works.

Rivalry Among Current Competitors

Rivalry among current competitors refers to the competitive struggle for market share between suppliers in a market. Extreme rivalry among established suppliers poses a strong threat to profitability. The strength of rivalry in a marketplace can be determined by assessing the

- Extent of barriers to exit and entry
- Amount of fixed costs a supplier has to bear
- Competitive structure of industry
- Presence of global customers
- Absence of switching costs
- Growth rate of the market
- Demand conditions.

Threat of Substitute Products

Threat of substitute products refers to the availability of other Goods, services, or Works that have the ability to satisfy customer needs as effectively. Substitutes create an upper limit on the price that suppliers can charge in a market. The smaller the number of close substitutes, the greater the opportunity for a supplier to increase their prices.

The combined impact and interrelationship of Porter's Five Forces differs from market to market. Jointly, they determine the competition, profitability, and behaviors of suppliers within a market because they shape the prices that can be charged, the costs that can be borne, and the investment required to compete in the industry.

From a Borrower's perspective, this tool will help determine where the balance of power lies in the market and what level of influence and impact the Borrower's requirements will have on the market. The tool is used to determine the type of market and ultimately the type of competition that exists within that market.

Risk of Entry by Potential Competitors

Risk of entry by potential competitors refers to suppliers who are not currently competing in the marketplace but have the potential to do so if given a choice. Entry of new suppliers increases the market capacity, increases competition for market share, and lowers the current prices. The threat of entry by potential competitors can be determined by assessing the extent of barriers to entry, such as

- Economies of scale available to suppliers currently in the market
- Customer brand loyalty to existing supplier Goods, services, and Works
- Government regulation

- Customer switching costs
- Cost advantage enjoyed by existing suppliers in the market
- Ease of distribution
- The value of set-up costs and capital investment.

Types of Competition

Table XXII lists five different types of competition that broadly exist in markets and describes the individual characteristics of each type.

TABLE XXII Types of Competition

	Perfect Competition	Imperfect Competition	Oligopoly	Monopoly	Monopsony
Number of Suppliers	Many suppliers	Fewer larger suppliers	Few large suppliers	One supplier	One buyer (usually one or two suppliers)
Market Power	No market power	Little market power	High market power	Absolute market power	Dependency
Substitutes	Homogeneous goods, works and services that are interchangeable	Differentiated supply with close substitutes	Differentiated supply: degree of substitution limited	No substitutes	No substitutes-make?
Price	One market price: suppliers are 'price takers'	Price competition	Seeking of price stability by price leadership or collusion	Price set by one 'price maker': potential for price discrimination	Price set by need to achieve return on investment
Profit	Normal profits	Small abnormal profits, short term	Abnormal profits, depending on competition	Abnormal profits	Questionable Return on Investment and Strategic Focus
Barriers to Entry	Minimal barriers to entry	Limited barriers to entry	Barriers to entry	Significant barriers to entry	Investment case hard to justify

Knowing the types of competition that exist is a prerequisite to being able to develop the right procurement approach. For example, in a monopolistic or oligopolistic market, in which one or few supplier(s) hold all the power, designing a procurement approach that is characterized by competitive bidding—with significant risk transfer to the supplier and with supplier selection being based on lowest-evaluated cost—is not likely to be successful. In these circumstances, a negotiated approach based on open-book pricing, potentially linked to a longer-term contract,

is more likely to be effective. Therefore, the type of market will have a direct influence on the procurement and will help the Borrower determine

- The type of competitive bidding, as determined by the level of completion and the availability of substitutes or alternatives;
- The most effective pricing or costing mechanism, as determined by the market pricing approach; and
- The level of risk transfer the market will realistically bear, as determined by the relative strength and power of the buyer and the supplier's motivation to participate.

PESTLE Analysis

The Political, Economic, Social, Technological, Legal, and Environmental (PESTLE) Analysis is a tool for understanding what external forces (Table XXIII) influence and shape a marketplace and the suppliers that work within it.

TABLE XXIII Overview of Factors to Consider in Undertaking a PESTLE Analysis

Political	■ Government type, stability ■ Fragility, conflict ■ Regulation, rule of law	■ Bureaucracy, corruption ■ State involvement in the economy ■ Small states
Economic	■ Growth ■ Inflation ■ Exchange Rates	■ Commodity prices ■ Unemployment ■ Labor supply
Social	■ Demographics ■ WB social standards ■ Education, health	■ Affected communities ■ Conflict, civil unrest ■ Attitudes
Technological	■ Emerging technologies ■ Information availability ■ Pace of change	■ R&D expense ■ Everyday technology access
Legal	■ State of involvement ■ Employment law	■ Contract/Commercial law ■ Health and safety
Environmental	■ Climate change ■ Local legislation ■ WB environmental standards	■ Waste disposal ■ Impact, remediation

A PESTLE analysis is an assessment of a Borrower's operating and business environmental influences and how they directly or indirectly affect the Borrower via their suppliers.

The purpose of a PESTLE analysis is to provide information and "intelligence" to guide the overall design of the procurement approach. Similar to the SWOT analysis, the procurement approach needs to maximize identified opportunities and minimize any identified threats.

This will help Borrowers make decisions on the tailored procurement approach that will best align the procurement approach to deliver the project requirements.

In particular, it provides a big-picture understanding of the operating and business environment in which the Borrower exists. It is a very effective tool to support risk management, as it identifies a broad spectrum of risks that may affect the procurement approach.

Table XXII provides an overview of the various factors that need to be considered when completing a PESTLE analysis. Each of the factors should be considered in the form of a question, such as “What is?” or “Is there?” For example, “What is the political background?” “Is there new technology that could improve delivery or outcomes?” The responses to these questions need to be descriptive. The PESTLE analysis should be completed on the basis of the factors that are relevant and specific to the project needs, how the factors will affect the project’s delivery, and how the procurement approach influences the project’s delivery.

Political

The following are key considerations under political factors:

- What is the degree of government intervention in the economy? Is it a free market, state-run, or a mixture with a bias toward state-run?
- How stable is the government? Is there an election coming up? Has the government recently changed?
- How is the country governed? Is it provincial, federal, or national?
- Have there been any recent issues of fraud?
- Does the World Bank consider the country to be a Small State, in a situation of fragility, or in conflict or emergency? (For more information, visit www.worldbank.org/procurement.)
- Does the rule of law apply throughout the country?
- What impacts do government attitudes have on international trade? Do they encourage international trade? Is there protectionism for domestic industry?
- Does the government want to provide itself with Goods, services, or Works through state-owned enterprises?
- To what industries does the government provide business support?
- What political decisions impact vital areas for business, such as
 - The education of the workforce?
 - The health of the nation?
 - The quality of the infrastructure, such as the road and rail system?

- Are there any trends in government decisions?
- What are the other factors in the current political climate?

Economic

The key considerations under economic factors are as follows.

- What are the effects of interest rates, taxation changes, economic growth, inflation, and exchange rates on the behavior of organizations? For example:
 - Higher interest rates may deter investment because it costs more to borrow money.
 - A strong currency may make exporting more difficult, as the exchange rate may raise the prices.
 - Inflation may provoke higher wage demands from employees and raise costs.
 - Higher national income growth may boost demand for a supplier's products.
 - Unemployment results in less spending.
- What are the forecasted future trends for these factors?
- Is there a balanced and skilled workforce available?
- Are commodity prices stable, especially those linked to the project requirements?
- Are there any currency restrictions in place?
- What are the other factors in the current economic climate?

Social

The following are key considerations under social factors:

- Are there any changes in social trends that can impact the demand for a supplier's products as well as the availability and willingness of individuals to work? For example:
 - What are the effects of a growing population?
 - What are the impacts of an increase in costs for suppliers who are committed to paying a fair wage to their employees?
 - Are there any impacts of recruiting employees from outside the host country?
 - What is the approach to the provision of education and health services, and what impact does this have?
- Is there any conflict in the country? On what basis, and what impact does this have?
 - Are there any issues that will impact the community?
 - What are the effects of changing attitudes toward work?

- What are the key recommendations of the Environmental and Social Impact Assessment (ESIA)?
- What are the factors within the current social and cultural climate?

Technological

The key considerations under technological factors are as follows:

- What new technologies have created new products and processes (e.g., computer-aided design)?
- Do these technologies
 - Reduce costs;
 - Improve quality;
 - Encourage innovation; and
 - Improve risk management?
- How have these emerging technologies benefited consumers and the organizations providing the products?
- What is the rate of technological change and what are the effects?
- How available is everyday technology, such as computers, mobile phones, intranet, cloud computing, voice over internet protocol (VoIP) and software as a service (SaaS)?
- What are the other factors within the current technological climate?

Legal

The following are key considerations under legal factors.

- How do legal requirements or any legal changes impact the way Borrowers or suppliers operate? For example:
 - Health and safety laws
 - Disability discrimination legislation
 - The minimum wage
 - Employment law
 - Laws related to business competition
 - Environmental regulations, such as sustainability and carbon emissions
- How might legal changes affect Borrower costs or supplier costs?
- What local laws may impact suppliers and contracts?
- Will changes in law(s) require new systems and procedures to be developed?

- Will changes in law(s) affect demand for Goods, services, and Works?
- What are the other factors within the current legal climate?

Environmental

The key considerations under environmental factors are as follows.

- How is the growing desire to protect the environment impacting projects?
- How is the general move toward more environmentally friendly products and processes affecting demand patterns and business opportunities?
- Are there any local or international regulations, standards, or requirements of the Borrower?
- What is the country's attitude toward Health and Safety?
- How might these impact the procurement approach?
- What other factors are there within the current environmental climate?

It is important to consider what the findings of the PESTLE Analysis actually mean for the procurement approach, such as identifying factors that could impact it both positively and negatively, while drawing conclusions from this information to inform the procurement approach being developed.

The PESTLE analysis is particularly helpful at identifying risks, which should be considered as part of the Procurement Risk Management in section 5 of this Guidance, and find ways to reduce or work around them.

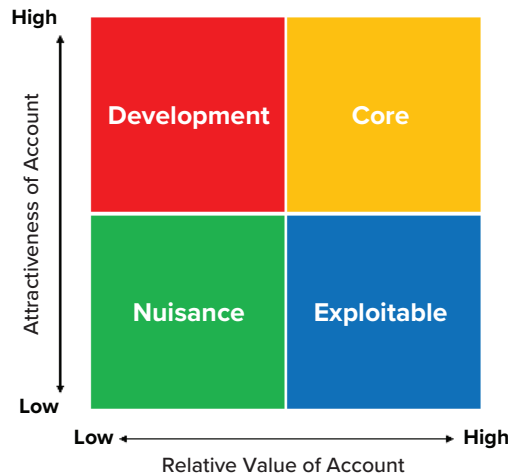
Supplier Preferencing

Supplier Preferencing is a tool that identifies how a supplier views a Borrower as a customer and, depending on this view, how the supplier is likely to behave. Supplier preferencing categorizes these views into four segments, as detailed in figure XXVI.

In high-level terms, this tool will determine how attractive the Borrower is as a customer to the supplier. This in turn will determine the level of willingness or reluctance the supplier will exhibit in wanting to bid for work and the corresponding level of effort the supplier will make in meeting the Borrower's requirements. This tool helps determine the extent that the Borrower can influence a market, through its procurement approach, to achieve the Project Development Objectives (PDOs) and procurement objectives (see section 7 of this Guidance).

The outcome of this analysis should allow a Borrower to establish the following factors and to design a procurement approach to maximize market interest and actual participation in the procurement.

- What changes does the Borrower need to make to be more attractive to the market?
- How does the Borrower motivate the market to bid and provide a good solution that meets the Borrower's requirements?

FIGURE XXVI Supplier Preferencing Matrix

- What can the Borrower do to engage with the market to optimize the level of supplier participation in a bidding process?

Supplier preferencing considers two dimensions in assessing the attractiveness of a Borrower and the business (contracts) it has to offer:

- The value of the business to the supplier
- The overall attractiveness of the business to the supplier.

The first dimension is the value of the Borrower's business, in terms of potential contracts, to the supplier as a proportion of the supplier's turnover. Turnover information can be obtained from a supplier's annual accounts or from other sources, such as market analysis reports. Normally, the higher the proportion, the more motivated the supplier will be to bid for the contracts.

The second dimension is how attractive the Borrower's business is to a supplier. Normally, the higher the attractiveness, the more motivated the supplier will be to bid for the contract.

Using these two dimensions, the analysis can be placed into a Supplier Preferencing matrix by simply classifying attractiveness and relative business value as low or high, as shown in figure XXIII.

Again, the value of a contract does not in itself make a procurement or a Borrower attractive to a potential supplier. Rather, the whole package of value in addition to Borrower behavior informs how the supplier is likely to react. The ideal classification is that potential suppliers will see Borrowers as good customers they already treat as "core" or that they would like to grow the relative value of the account through "development." Unfortunately, some suppliers may see the Borrower as a "nuisance" to be avoided due to high costs of doing business, or as an entity that can be "exploited" over the short term. Truthfully understanding this dynamic, and how it can be changed to get the right, motivated supplier is critical in ensuring a successful procurement result.

Borrower Business Attractiveness

Attractiveness is determined using a number of criteria. These include payment record, ease of doing business with the Borrower, compatibility with the supplier's business strategy, any cultural affinities that may exist between the supplier and the Borrower, levels of trust, the Borrower's business development potential, and the perceived image to the supplier of being associated with the Borrower or a specific Project.

It is equally important to consider what makes a Borrower both attractive and unattractive, and this gives a clear indication of how the Borrower can increase overall attractiveness. The following are criteria to be considered in determining attractiveness:

Attractive Characteristics

- Profitability
- In-country security
- Stable/predictable government
- Good future business planning
- Manageable risks
- Opportunities for additional business
- Effective communication and information sharing
- Cultural fit and understanding
- A good "reference" project
- Stable and reliable payment
- Low levels of bureaucracy
- Easy to service from an account or contract management perspective
- Support from the World Bank
- A transparent mechanism for handling Complaints.

Unattractive Characteristics

- High levels of bureaucracy
- Reputation for onerous, lengthy, or expensive Procurement Processes
- Poor planning
- Slow, erratic, or uncertain payment
- Uncertain or unmanageable risks

- Security concerns
- Low profitability—demanding contracts with low margins
- Onerous terms and conditions
- Turnover of personnel, leading to dysfunctional behavior
- Does not do what they say they will do
- Poor supply market capability
- Immature supply chains
- Logistically difficult to service
- Suppliers unable to deliver effectively —through lack of information sharing and/or
- Low levels of support from the World Bank.

It is not only a supplier's capability and capacity to deliver the Borrower's requirements that delivers successful Projects, but also the supplier's motivation and willingness to deliver what is needed to meet the requirements. This is often harder to determine, but through the use of market engagement and carefully worded questions in qualification and/or Bid and Proposal documents, it is possible to validate or challenge the findings of supplier preferencing. Equally important is that supplier preferencing should help the Borrower implement a plan of action to improve its general attractiveness to market and operationalize this plan throughout the procurement approach through careful design and preparation.

By applying the Supplier Preferencing model and determining which quadrant is applicable to a Borrower, it is possible to identify the typical behaviors a supplier may exhibit when doing business with that Borrower.

This classification is particularly helpful in identifying risk, as well as which suppliers within a market should and should not be targeted. As mentioned, these conclusions need to be covered in the market engagement plan, qualification exercise, supplier selection, Bid evaluation strategy, and risk management plan.

Table XXIV summarizes the typical actions suppliers will take depending upon their classification of a Borrower. Beneath the table is a description of actions by classification type.

Supplier Classification

Development

Borrowers that have potential to develop their capacity and capability may be ranked highly on a supplier's list of priorities. Suppliers may see such Borrowers as worth their time and effort to build the Borrower's potential. Such a Borrower could be seen as attractive, and while the value of the

TABLE XXIV Supplier Behaviors by Supplier Preferencing Quadrant

Quadrant	Description	Action
Development	■ Low value ■ But still attractive	■ Get further business
Core	■ High value ■ Highly attractive ■ Supplier's core business	■ Retain and expand
Nuisance	■ Low value ■ Little profit	■ Withdraw
Exploitable	■ High value ■ But not attractive	■ Maximise profits

business may be relatively low, suppliers could be keen to win such new contracts. The Borrower will be characterized as

- Having potential,
- Being highly sought after, or
- Worth working hard for to exceed Borrower expectations.

For such Borrowers, a supplier may offer outstanding service and show considerable interest in skills transfer and building capacity and capability. Correspondingly, Borrowers should actively encourage receiving Bids from such suppliers. In these circumstances, Bids and any subsequent contracts are likely to be competitively priced, with high to exceptional service levels, as the supplier will be seeking to nurture the Borrower to secure future opportunities.

Core

Borrowers that are considered Core are highly valued by suppliers both in terms of existing contracts and future opportunities. This is based upon the current level of business that the Borrower provides, as well as the Borrower's long-term potential for future business. Suppliers will invest significant effort to retain the current business, and as such, the Borrower can expect

- To be treated as an important customer;
- To have a beneficial relationship that drives value for both the Borrower and supplier;
- To receive a high level of service and response, as the supplier will want to retain and expand the business;
- The supplier to attempt to increase profitability slowly, while sharing the benefits with the Borrower; or
- Suppliers to be receptive to partnerships.

Identifying the value to the Borrower of working with suppliers who behave in this manner is critical in successful contracts and Projects. Therefore, these factors should be considered at both the supplier qualification and Bid evaluation stages.

Bid evaluation using Rated Criteria offers the best opportunity for Borrowers to specify and assess these attributes, values, and benefits across all Bids and Proposals. It will, of course, be important to undertake the necessary due diligence to ensure that the supplier will actually operate in this manner, because suppliers often bid exhibiting the Core qualities, but later revert to behaviors considered Nuisance or Exploitable during delivery.

Nuisance

Borrowers that are considered Nuisance will be given minimum attention, and the supplier is likely to seek to withdraw from any current contracts and to not pursue any new bidding opportunities. Suppliers will rank a Borrower as very low on the list of priorities, as the view of the Borrower will be typically characterized as

- Little profit to be made;
- Difficult and/or expensive to service; and/or
- Poor at paying bills.

As a result of a Borrower being considered Nuisance, the supplier is likely to offer poor service and show very little interest in resolving any delivery, quality, or contractual issues. Correspondingly, Borrowers should be very cautious about receiving Bids from such a supplier and should also consider whether they should try to exit any existing contracts.

Exploitable

Borrowers that are considered Exploitable will be ranked highly by suppliers due to the value of business, but the supplier will seek short-term advantage from what the supplier will perceive to be a position of strength.

As a result of the Borrower being viewed as unattractive, suppliers will seek to maintain the business as long as it does not involve any particular effort for them. The opposite may also occur, in which effort is applied by the supplier; the supplier seeks to exploit the Borrower by raising prices on existing contracts or submitting Bids with higher prices, which, if they win, will continue the pattern of increasing prices.

Suppliers may also seek to reduce their own costs through minimizing the costs of serving the Borrower. Price increases can occur beyond straightforward price increases. Borrowers can anticipate requests for contract variations for volume increases, time extensions, and unforeseen circumstances.

Working with these suppliers will be a challenge for the Borrower. As a result, the Borrower's contract management may need to be strengthened to ensure on time-delivery, quality, and the required specifications within budget. However, the situation can be recovered if the Borrower is

able to identify why the supplier sees them as unattractive and then seeks to address these issues. Issues can often be traced to low profitability and late payment.

Suppliers will be prepared to risk losing the Borrower's business. Suppliers and contracts will need to be carefully managed, and contingency plans may be needed to deal with the risk of a supplier withdrawing from contracts.

Supply Positioning and Supply Preferencing

Aligning the needs of the Borrower and the likely behaviors of suppliers who may Bid for World Bank-financed projects is one of the more fundamental parts of the procurement approach design.

As described in section 4 of this Guidance, Supply Positioning is a procurement tool that is used to assess the criticality of the Goods, services, and Works to the Borrower by evaluating Project risk and value.

Supply Positioning also provides an overview of the Procurement Arrangements and mitigation measures, segmented by the Supply Positioning categorization that a Borrower should consider when developing its procurement approach. Table XXV outlines the typical procurement approaches applicable to each Supply Positioning segment.

TABLE XXV Supply Positioning Indicative Procurement Approach

Buyer's Priority	Description	Approach	Arrangement
Strategic Security <i>Security of supply</i>	- Low-cost Goods/Services/Works - Strategically important - Shortage of reliable suppliers	Ensure supply	- Long-term contracts - Build reserve of stock - Consider alternative products
Strategic Critical <i>Security of supply at a good price</i>	- High-cost specialist Goods/Services/Works - Limited number of suppliers	Manage suppliers	- Medium/long-term contracts - Contingency planning
Tactical Acquisition <i>Purchasing efficiency</i>	- Routine purchases - Low-value/low-risk Goods/Services/Works - Many potential suppliers	Minimal attention	- One-off contracts/purchase orders - E-purchasing - Procurement cards
Tactical Advantage <i>Improving value through leverage tactics</i>	- High-cost/low-risk Goods/Services - Many potential suppliers	Drive tactical advantage	- Short-term contracts - Ongoing active sourcing for competitive price

Equally, through the use of Supplier Preferencing, it is possible to identify and describe the typical approach suppliers will take to working with Borrowers based on the segmentation. Table XXVI provides an overview of a supplier's likely approach to the Borrower as a Customer in each category.

Comparing the findings of both Supplier Preferencing and Supply Positioning allows the Borrower to identify and assess whether the typical procurement approach of a Borrower, based on the

TABLE XXVI Supplier Preferencing Indicative Supplier Approaches

Supplier's Priority	Description	Approach	Arrangement
Development <i>Supplier nurtures relationship, performs well and provides incentives</i>	- Customer has potential - Customer highly sought after - Work hard to exceed Customer's expectations - Exceptional service levels	High attention	- Nurture the Customer - Secure further business - Price using 'special deals' and marginal costing
Core <i>Supplier seeks to 'lock-in' customer</i>	- Supplier core business - Give high level of service and response - Increase profitability in low key manner - Ensure ongoing profitability	Proactive customer management	- Look after the Customer through excellent service and delivery - Retain and expand business - Receptive to 'strategic alliances' - Seek to 'lock in' Customer through long term contracts
Nuisance <i>Supplier gives minimum attention and seeks to withdraw</i>	- Little profit made - Customer difficult and/or expensive to service - Poor at paying bills - Provide poor service - Supplier's overall objectives:	No attention	- Give it low attention - Short term contracts - Withdraw from business
Exploitable <i>Supplier seeks short term advantage</i>	- In unique position of strength - Increase prices – reduce service costs - Seek short-term advantage - Prepared to risk losing Customer	Minimal attention	- Drive for best price - Maximise profit in the short-term

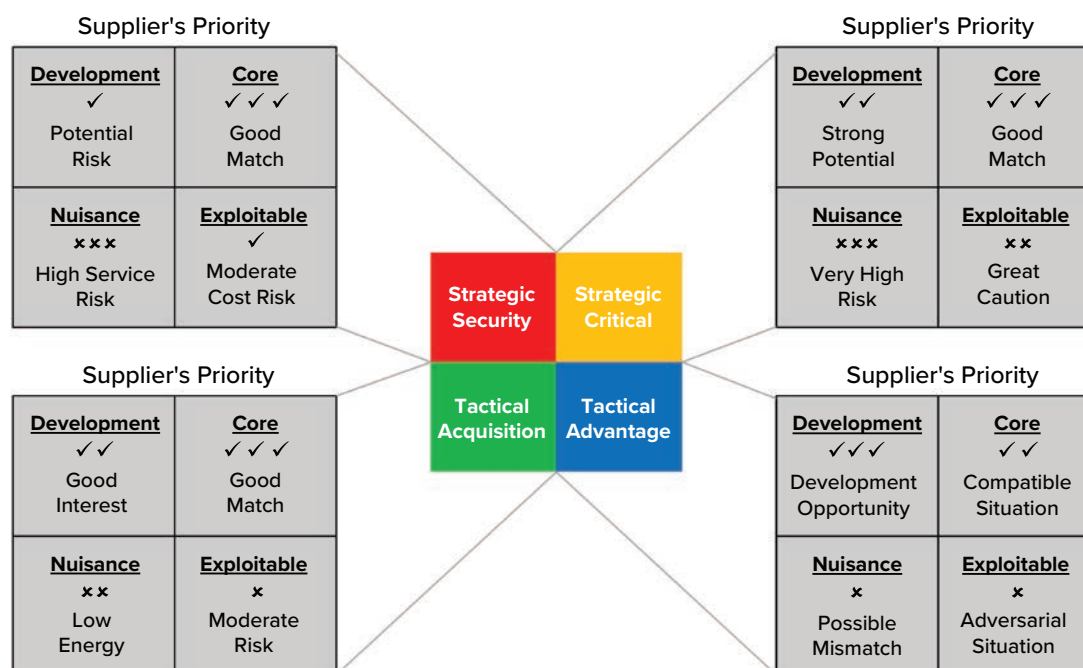
Supply Positioning segmentation, is aligned with the typical approach of individual suppliers, as determined by Supplier Preferencing.

Where alignment between the Borrower and Supplier on the procurement is high, this is a good indication that the indicative procurement approach is likely to deliver the expected benefits; however, where there is no alignment, this is an equally good indication that the indicative procurement approach may not effectively deliver the expected benefits.

Figure XXVII outlines the different connotations of alignment with an indication of the likely effectiveness of the indicative procurement approach.

The comparison of these two models is particularly helpful at identifying:

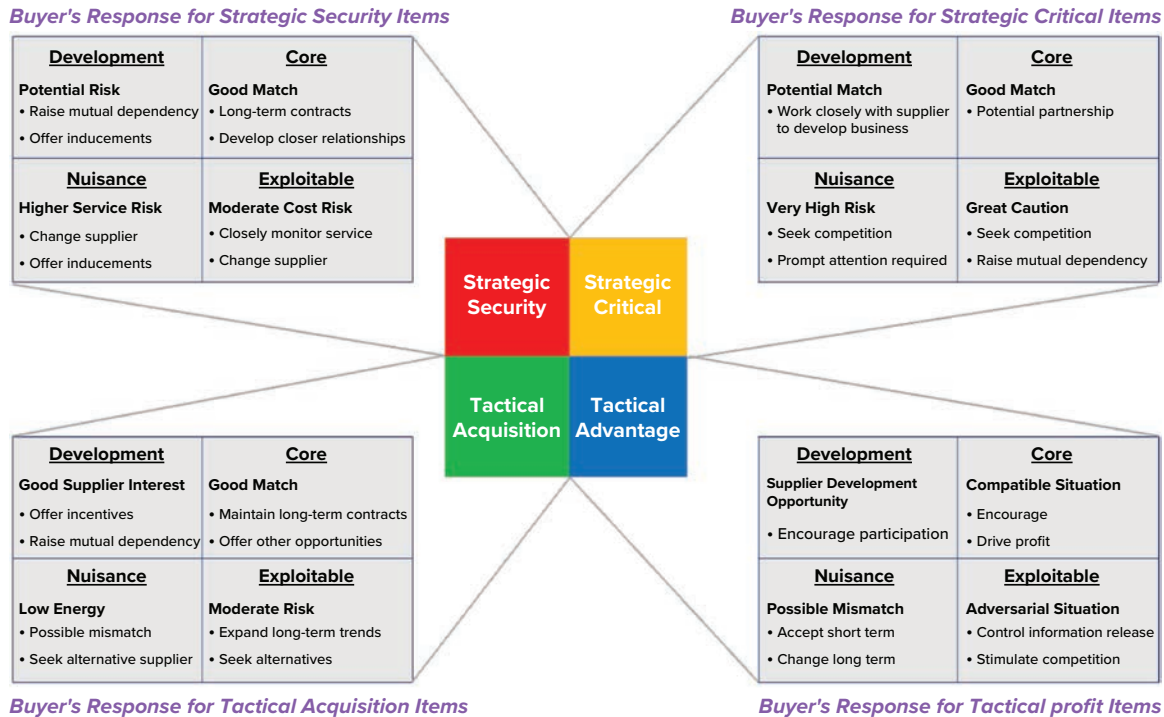
- Potential risks that need to be considered in developing a fit-for-purpose procurement approach

FIGURE XXVII Alignment of Supply Positioning and Supplier Preferencing

- Where Borrowers may need to alter supplier perceptions of them by making changes—for example, asking the Bank to make direct payments to suppliers if the supplier is concerned about the Borrower's track record in payment timeliness
- Elements that need to be addressed in the Market Engagement Strategy to incentivize a supplier to do business with the Borrower
- Actions that need to be included within the risk register and contingency planning to address highlighted risks
- Prospective areas that could be covered under prequalification to ensure that suppliers with the best match to the Borrower are qualified to bid
- Potential Evaluation Criteria to ensure that questions are included in the Request for Bids or Proposals, which ensure that suppliers provide information that allows the most aligned suppliers to be identified.

Misalignment of Borrower and supplier approaches can be managed, as long as the reasons for the misalignment are known and understood. Some of this information will come from the results of the Supply Positioning and Supplier Preferencing comparison, but also from the SWOT and PESTLE evaluations. Again, just because a contract is high in value does not make the contract or indeed the Borrower necessarily attractive to the market. Figure XXVIII outlines some of the typical responses that Borrowers can design into their procurement approach to manage these risks of misalignment.

FIGURE XXVIII Typical Procurement Approaches Based on the Alignment of Supply Positioning and Supplier Preferencing



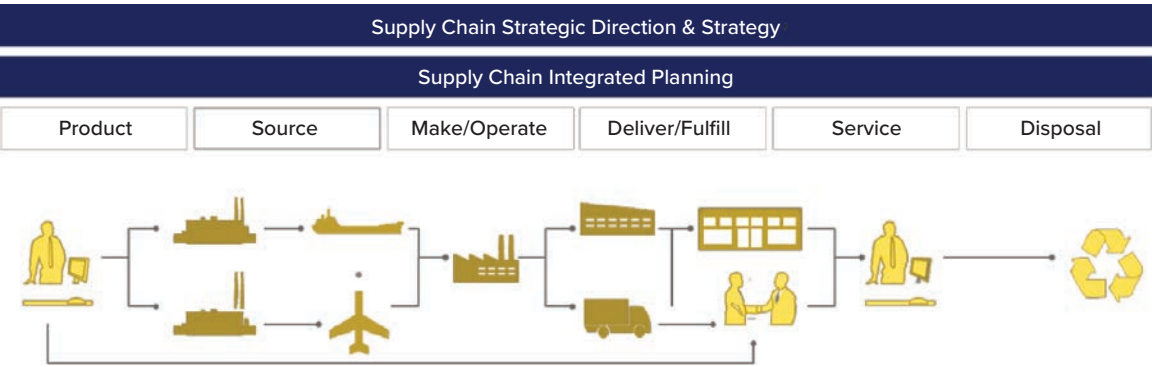
Supply Chain and Value Chain Analysis

A supply chain comprises the tiered network of suppliers involved in producing, handling, or distributing Goods, services, and Works from raw materials through final delivery and usage and disposal. It maps the flow and movement of Goods and services from their source to final destination. A Borrower will buy Goods and services from many suppliers, each of which comprises a supply chain in its own right. The upstream supply chains extend from the Borrower to the suppliers and their supply chains back to the raw material, while the downstream supply chain extends from the Borrower to the final destination, usage, and disposal of the Goods, services, and Works. Figure XXIX illustrates a simple supply chain map.

Mapping the supply chain is a useful tool for identifying potential risks to the Borrower that may occur upstream or downstream from the supplier. Typically, the longer the supply chain, the greater the risk to delivery, as the supplier will have less control in managing each stage or supplier within the overall supply chain. In other words, each step in the supply chain creates a dependency that is not in the direct control of either the Borrower or the contracted supplier.

Many sources of information can help the Borrower map supply chains. The starting point is desk-based research through the use of market analysis reports, searches on the internet, and specialist industry magazines. Other sources include previous supplier Bid or Proposal submissions.

FIGURE XXIX Supply Chain Map



Borrowers and the Bank also have technical specialists who have a thorough understanding of both markets and suppliers within them.

Finally, the most effective way of mapping supply chains is to go out and undertake market engagement by asking suppliers or industry representatives questions about how supply chains operate in a market or a region. Using this information, the Borrower should be able to identify each step and dependency in a supply chain and understand whether there are any inherent risks in how the supply chain operates.

Undertaking this type of risk assessment at each stage of a supply chain will allow Borrowers to identify individual mitigation measures that need to be considered when designing the procurement approach. For example, these measures can range from not allowing subcontractors to be used by the supplier or allocating multiple contracts to several different suppliers to manage risks associated with shortages of supply.

The second purpose of supply chain mapping is termed value chain analysis, which assesses whether each step in the supply chain adds value or could be considered unnecessary by not adding value, or worse, by creating greater risk. In both of these instances, this leads to unnecessary cost, thereby creating inefficiency. The procurement approach should be designed to consider how these inefficient activities could be reduced or eliminated.

For example, typical procurement approaches focus primarily on contracting with the supplier at the end of the supply chain. Supply chain analysis encourages consideration of whether there is a more appropriate procurement approach that may involve contracting with multiple suppliers in the supply chain, especially if the analysis identifies stages that add no value and/or create increased risk. This type of procurement approach may allow complete stages in the supply chain to be removed.

This combined supply chain and value chain analysis is another tool that focuses the procurement approach on reducing threats in terms of risks and taking advantages of opportunities through reduction or elimination of activities that do not add value.

Writing Specifications

Specification Writing

When drafting and assuring the quality of specifications, the Borrower should:

- Address the risks identified in the procurement risk assessment
- Identify key deliverables based on the Project Development Objectives (PDOs)
- Clearly state the requirements based on the PDOs
- Consider future needs, especially if the contract, Project delivery, or asset operation is spread over a number of years
- Use plain language
- Be technically accurate
- Be easy to read
- Contain clear timescales
- Set Specific, Measurable, Attributable, Relevant, and Time-Bound (SMART) performance criteria
- Use appropriate standards where they exist
- Reflect whole-life costs, if appropriate
- Include health and safety considerations
- Provide flexibility for subsequent requirements.

Equally, when drafting specifications, the Borrower should avoid:

- Breaching copyright or propriety rights
- Excluding areas of risk that are best addressed in the specification
- Using trade names
- Using brand names

- Excluding site information where it is critical that the supplier is aware of health and safety implications, access arrangements, or security arrangements
- Using needless acronyms or technical language
- Discriminating on the basis of nation, state, or region
- Using ambiguous language
- Being biased toward any particular supplier, brand, or country.

It should be noted that the type of specification used will determine the ultimate selection of the Standard Procurement Documents (SPDs) for Goods, Works, and services, with the exception of Consulting Services.

Conformance specifications are used with a Request for Bids (RFB), while performance specifications are appropriate for a Request for Proposals (RFP), which includes both Competitive Dialogue and Public-Private Partnerships (PPPs).

Conformance specifications are normally evaluated on the basis of lowest conforming price, while performance specifications are normally evaluated using Rated Criteria.

Additional Sustainable Procurement Requirements

Additional Sustainability requirements beyond those required by the Bank may arise from one or more of the following sources:

- Borrowers' policies on economic, social, and environmental sustainability, such as equality requirements, health and safety requirements, vehicle emission standards, or packaging
- Risks and opportunities identified through analysis of the market or the business and operating environment. Sustainability risks and opportunities that are to be managed through the Procurement Process may also be identified through the Environmental and Social Impact Assessment (ESIA). The Bank requirements for ESIA are outlined in Environmental and Social Standards 1 (ESS1).

Where possible, the additional sustainable procurement requirements should be based on evidence in the form of supporting data, existing social-label criteria, eco-label criteria, or on information collected from stakeholders in industry, civil society, and international development agencies.

The Borrower may adopt international sustainability standards covering a wide range of product and service groups, provided they are consistent with the Bank's Core Procurement Principles.

Specifications should address additional specific sustainability requirements through either precise conformance (technical) or performance specifications. These requirements should set a sustainability standard that is to be met by suppliers or that allows suppliers to propose their ideas, innovations, and approaches to managing the sustainability risk.

Additional sustainable procurement requirements may specify materials to be used in production and/or the method of production, packaging, or service delivery. However, all conformance specifications should bear a link to the subject matter of the contract and can only include requirements related to the production of the Goods, Works, and general or Consulting Services being procured. The Borrower should not require production processes that are proprietary or otherwise only available to one supplier, or to supplies in one country or region, unless such a requirement is justified to the satisfaction of the Bank.

Rated Criteria for the Assessment of Quality

Rated Criteria are non-price factors that are considered when evaluating Bids and Proposals, which enable the evaluation of quality aspects of each Bid or Proposal. Examples include:

- Quality of methodology and work plan
- Performance, capacity, functionality
- Key personnel
- Environmental and social risks and impacts
- Sustainability
- Resilience-building
- Social value
- Supply chain assurance
- Cybersecurity.

For more information on Rated Criteria, refer to Annex C.

Evaluating Sustainable Procurement

Evaluation Criteria may require additional sustainable procurement technical competence to be demonstrated beyond the Bank's requirements. In practical terms, this may mean that the Bidder:

- Has previous experience in successfully executing contracts with similar requirements;
- Employs, or has access to, personnel with the required educational and professional qualifications, practices, and experience to deal with the sustainable procurement elements of the contract;
- Owns, or has access to, the necessary technical equipment for environmental protection; and/or
- Has the means to deliver on the sustainable procurement aspects of the contract.

For service and Works contracts only, the Bank procurement procedures allow requirements, specifically at the selection stage, for the environmental management measures that the supplier will be able to apply in performing the contract. This is restricted to relevant circumstances, so if sustainable procurement management measures are not relevant to the contract in question, the Borrower may not require the supplier to demonstrate its ability to apply them.

Sustainable procurement measures can demonstrate the technical capacity for contracts where the nature of the Works justifies applying sustainable procurement management measures or schemes during the performance of a contract. Those measures must be directly linked to the performance of the contract.

Internationally recognized certification or accreditation schemes may be used to illustrate a supplier's ability to apply environmental management measures. Such schemes may include the International Standards Organization (ISO) standards that specify the standards that an organization can use to enhance its environmental performance (ISO 14 001 EMS) EN/ or other systems, which conform to the relevant international standards on certification and environmental management. Suppliers may also be able to demonstrate that they apply equivalent sustainable management measures even without certification. For more information, see:

Procurement Guidance, *Evaluating Bids and Proposals including Rated Criteria*

Procurement Guidance, [webpage Implementing Sustainable Procurement](#)

Rated Criteria

Rated Criteria

Rated Criteria are non-price factors that are considered when evaluating Bids and Proposals. These factors measure quality aspects. Examples of non-price factors include:

- Quality of methodology and work plan
- Performance, capacity, functionality
- Key personnel
- Environmental and social risks and impacts
- Sustainability
- Resilience-building
- Social value
- Supply chain assurance
- Cybersecurity.

The Value of Rated Criteria

Rated Criteria are designed to address the specific risks, opportunities, issues, and quality factors in each procurement. This flexibility supports a fit-for-purpose approach to the evaluation of Proposals. Contracts are awarded based on the optimal balance of quality and cost, which is not necessarily the lowest price. This represents the best Value for Money (VfM).

As part of the evaluation approach, when identifying Rated Criteria, Borrowers should ensure such criteria focus on the most essential qualitative technical aspects of the procurement so that they achieve the appropriate impact in the final award decision. To be transparent, the relevant details of the evaluation approach and the detailed explanation of the Evaluation Criteria and Rated Criteria, which cover technical aspects, including any Subcriteria, as well as the method to evaluate financial cost, in addition to all of the weightings that will be applied, must be specified in detail in the Procurement Documents.

Prioritization

Rated Criteria are prioritized and weighted according to their relative importance to the Borrower in meeting its requirements. It may be useful at this stage to refer to the procurement-related risks identified in the Project Procurement Strategy for Development (PPSD) and/or the Procurement Plan.

One way of managing or mitigating procurement-related risks is to ask Bidders or Proposers in the Request for Bids (RFB) or Request for Proposals (RFP) how they will mitigate those risks and whether they anticipate other applicable risks and mitigations not yet identified by the Borrower. Rated Criteria can then be included in the RFB or RFP to allocate points to the Bid or Proposal, depending on how well the Bidder or Proposer has proposed to mitigate the risk, with additional points for identifying other anticipated relevant risks and effective mitigations.

Generally, the overall number of Rated Criteria should be kept to the essential minimum. Having too many Rated Criteria often serves to dilute the important characteristics of Bids and Proposals and makes identification of the optimal Bidder or Proposer more difficult.

To enable evaluation of overall technical factors—for example, quality, sustainability, environmental and social, among others—specific technical Subcriteria with corresponding weights may also be included if appropriate. It is important to ensure that the level of technical weighting is appropriate, both for the general technical aspects and Subcriteria as applicable, and then for the final evaluation, in which total technical scores are combined with financial cost scores by applying an overall weighting to financial cost versus technical aspects.

Using Rated Criteria more widely will increase Borrowers' flexibility to procure Goods, Works, and Non-consulting Services best suited to their specific situation and adopt a more fit-for-purpose approach. Rated Criteria will also increase the willingness of the best Bidders and Proposers to Bid and participate in Bank-financed Procurements, with the knowledge that their added value will be duly considered as part of the evaluation process, thereby increasing different supply options, global competition, and effective market solutions to solve the Borrower's procurement challenges. Increasing the use of Rated Criteria further contributes to successful contract outcomes and effective risk management, including managing issues such as sustainability; environmental, social, and supply chain disruption; cybersecurity; global health emergencies; and others. Rated Criteria also contribute to combating Bid rigging and reducing the risk of collusion in the Procurement Processes. Combined with financial cost and, where appropriate, life cycle cost formulas, Rated Criteria provide a truer assessment of value that focuses on quality, sustainability, and other key criteria.

Expanding the Use of Rated Criteria

Since 2016, the World Bank's Procurement Framework has enabled Borrowers to use Rated Criteria to evaluate non-price factors—such as technical matters, quality, sustainability, environmental, social, and innovative aspects of Bids—when determining an award decision.

A key objective of the Procurement Framework is to enable Borrowers to adopt a more strategic approach to procurement, including the use of Rated Criteria that prioritizes fit-for-purpose solutions rather than only the lowest-evaluated price.

New international procurements advertised on or after September 1, 2023, using a Bank Standard Procurement Document (SPD), must use Rated Criteria.

However, application of Rated Criteria will not be mandatory for the Procurement of:

- Pharmaceuticals
- Vaccines
- Off-the-shelf Goods and educational materials
- Commodities
- Other exceptions cleared by the World Bank's Chief Procurement Officer on a fit-for-purpose basis.

Additional Rated Criteria Resources

Procurement Guidance, [*Evaluating Bids and Proposals including Rated Criteria*](#)

Rated Criteria webpage, [*Promoting Value in World Bank Procurement*](#)

Procurement Guidance, [*Value for Money*](#)

[Procurement Regulations for IPF Borrowers](#)



For additional information, such as Standard Procurement Documents (SPDs), Guidance, briefing, training and e-learning materials see www.worldbank.org/procurement