WORLD BANK NEW PROCUREMENT FRAMEWORK

Tokyo, August 2016
Agenda

- 3 reasons why you may consider bidding for WB financed contracts
  - Portfolio
  - New procurement framework
  - Business model

- Key innovations to help businesses and country clients
- Standard Procurement Documents (SPDs)
- Finding business opportunities
- What makes a bid successful
- Procurement data worldwide and Japan. Any lessons?
3 reasons for bidding in WB financed contracts
1. Huge and diverse portfolio

- Bank funds over 1,800 investment projects in 172 countries
- Active project portfolio worth about US$80 Billion in total
- Annual procurement’s circa $20 Billion
- Finances government-led procurement in a variety of industries and sectors
Top industries/sectors in FY16

- Transport 47%
- Water 18%
- Energy & Extractives 17%

- Agriculture
- Education
- Energy & mining
- Finance
- Health & social serv
- Industry and trade
- Info & communication
- Public admin, Law
- Transportation
- Water/sanit/fld prot

Source: BI – Information as of August 24, 2016
2. New, modern and business friendly procurement framework

- Demand-driven: extensive consultations in almost 100 countries and 2000 stakeholders, including private sector;
- Greater focus on VfM, more ways bidders to differentiate bids, and more opportunities for dialogue and discussion;
- Focus on the end to end procurement cycle, including strategic planning, appropriate procurement approaches/selections, evaluation criteria and contract award (e.g. fit for purpose approach design, life-cycle costs, incentive mechanisms, safety requirements) and contract management (e.g. enforcement of standards, long-term performance and relationship management.
3. Business model

- 250 procurement staff based in 72 countries support projects;
- Enhances Bank’s support to borrowers (including hands-on expanded implementation support) throughout the procurement process;
- Promotes strategic engagement with industries
- Increases transparency and promotes governance
Key innovations to help businesses and country clients
Key innovations

- Project Procurement Strategy for Development (PPSD).
- Value for Money as a core procurement principle in all procurements. A shift in focus from the lowest evaluated compliant bid to bids that provide the best overall value for money, taking into account quality, cost, and other factors as needed.
- Provides more options for tailored procurement approaches, and hands-on expanded implementation support as an option for the highest risk operations;
- Promotes strategic engagements with providers (i.e. sectorial engagements, pre-meetings)
Key innovations (2)

- Enables the use of sustainable procurement criteria in procurement;
- Improves the approach to resolving procurement-related complaints. A standstill period has been introduced – a pause between identifying who should win the contract and actually awarding them the contract so that other bidders can voice any concerns before a contract is actually legally formed and awarded.
- The WB will be more involved in contract management of procurements with high value and high risk to ensure the best possible outcomes and that problems are resolved quickly.
Standard Bidding Documents - What's new?

**New Standard Procurement Documents Phase 1:**

- SPDs are based on the Standard Bidding Documents.
- SBDs have been modified to reflect new Regulatory concepts and requirements and operationalize the Regulations.
- SPDs to be used with:
  - international competitive procurements where the Project Concept Note is approved after 1 July 2016
  - other procurements, with the Bank's agreement.
SPDs – key features: Request for Proposals

- New model RFP process that applies to Goods, Works and Non-consulting Services.

- Introduces:
  - Initial Selection (see next slide)
  - Applies rated criteria
  - Promotes performance based specifications
  - Encourages innovation and alternative solutions
  - Customized SPD for Competitive Dialogue
**Key differences: RFB vis RFP**

<table>
<thead>
<tr>
<th>RFB</th>
<th>RFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>conformance based specifications/detailed technical requirements of the design, method of production, construction and/or delivery</strong></td>
<td>1. <strong>performance based employer’s required outcomes. Specifications do not prescribe a specific design or method of delivery.</strong></td>
</tr>
<tr>
<td>2. Prequalification is optional</td>
<td>2. <strong>design is the responsibility of the contractor</strong></td>
</tr>
<tr>
<td>3. evaluated using qualifying criteria only</td>
<td>3. <strong>Initial Selection</strong></td>
</tr>
<tr>
<td>4. the <strong>Most Advantageous Bid (MAB) is:</strong> the Bid of the Bidder that meets the qualification criteria and whose Bid has been determined to be:</td>
<td>4. <strong>Evaluated on a mix of qualifying criteria and rated criteria which are scored against technical, quality, price and other pertinent factors</strong></td>
</tr>
<tr>
<td>a. substantially responsive to the RFB, and</td>
<td>a. substantially responsive to the RFP, and</td>
</tr>
<tr>
<td>b. the lowest evaluated cost.</td>
<td>b. the highest ranked Proposal.</td>
</tr>
</tbody>
</table>
RFB prequalification vs RFP initial selection

Existing **Prequalification** process (RFBs)

1. **ALL APPs**
2. Applications that are substantially responsive to the qualifying criteria
3. All Applications regardless of comparative merit

- All suppliers that are substantially responsive to the qualifying criteria are invited to bid.

New **Initial Selection** process (RFPs)

1. **ALL APPs**
2. Applications that are substantially responsive to the qualifying criteria
3. RATED CRITERIA
4. Initially selected applications

- Additional step = rated criteria.
- Only the highest ranked suppliers invited to submit full proposals
- Fairer to market – only suppliers that have the best chance of succeeding are put to the full cost of proposing.
Example Initial Selection

**STEP 1:** 20 Applications are received and evaluated against Table 1: Qualification Criteria and Requirements.

**Note:** The Borrower states in the ISDS:
- \( x = 4 \) = minimum number
- \( y = 8 \) = maximum number

**Step 2:** 9 Applications are not substantially responsive to Table 1 and are eliminated.

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**RFP Evaluation of Technical Proposals**

1. **Preliminary examination of process requirements (Pass / fail)**
   - a. Verification e.g. (Documents signed, JV Agreement included, correct authorization)
   - b. Completeness of documents
   - c. Proposal Security included (consistent with SPD, correct amount / currency)
   - d. Qualification criteria from Initial Selection are still met

2. **Evaluation of Technical Proposals (Rated criteria)**
   - a. Method statement
   - b. Key personnel
   - c. Access to key equipment
   - d. Site organization
   - e. Safety
   - f. Quality assurance
   - g. Mobilization schedule
   - h. Implementation Schedule and
   - i. Any other activities as specified by the Employer and based on the proposers experience e.g. any sustainable procurement requirement if specified

<table>
<thead>
<tr>
<th>Rank</th>
<th>Firm</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>8th</td>
<td>H</td>
<td>30</td>
</tr>
<tr>
<td>9th</td>
<td>I</td>
<td>28</td>
</tr>
<tr>
<td>10th</td>
<td>J</td>
<td>26</td>
</tr>
<tr>
<td>11th</td>
<td>K</td>
<td>23</td>
</tr>
</tbody>
</table>

**STEP 6 - Initial Selection up to x=4:** The Borrower initially selects the top four ranked Applications.

**STEP 7 - Eliminate y+1 (y=8) Applications:** The Borrower eliminates the 9th, 10th and 11th ranked Applications.
RFP Evaluation of Technical Proposals

1. Preliminary examination of process requirements (Pass / fail)
   a. Verification e.g. (Documents signed, JV Agreement included, correct authorization)
   b. Completeness of documents
   c. Proposal Security included (consistent with SPD, correct amount / currency)
   d. Qualification criteria from Initial Selection are still met

2. Evaluation of Technical Proposals (Rated criteria)
   a. Method statement
   b. Key personnel
   c. Access to key equipment
   d. Site organization
   e. Safety
   f. Quality assurance
   g. Mobilization schedule
   h. Implementation Schedule
   i. Any other activities as specified by the Employer and based on the proposers experience e.g. any sustainable procurement requirement if specified
RFP Evaluation of Financial Proposals

- Each SPD will state the relevant factors, in addition to price, that are to be considered in Proposal cost evaluation.

- Examples of where monetarily quantifiable methodology can apply, include:
  
i. time schedule adjustment;
  
ii. life cycle costing;
  
iii. functional guarantees min/max adjustment; and
  
iv. discounts for multiple lots.
Combined Technical and Financial scores

After completion of the technical and financial evaluation, scores are combined. The Proposal with the best evaluated Proposal Score \((B)\) among responsive Proposals shall be the Most Advantageous Proposal provided the Proposer is qualified to perform the Contract.

\[
B = \frac{C_{\text{low}}}{C} X + \frac{T}{T_{\text{high}}} (1 - X)
\]

where

- \(C\) = Evaluated Proposal Price
- \(C_{\text{low}}\) = the lowest of all Evaluated Proposal Prices among responsive Proposals
- \(T\) = the total Technical Score awarded to the Proposal
- \(T_{\text{high}}\) = the Technical Score achieved by the Proposal that was scored best among all responsive Proposals
- \(X\) = weight for the Price as specified in the PDS

After completion of the combined technical and financial evaluation of proposals, and if specified in the SPD, the Employer may invite those Proposers to submit their BAFOs.
SPDs – key features: Abnormally Low Tenders

- ALT is where the price, in combination with other elements of the Bid/Proposal, appears so unreasonably low, that it raises material concerns as to the capability to perform the contract for that sum.

- Five stages in the treatment of an ALT:
  - Identify: the Borrower identifies a potential ALT
  - Clarify: the Borrower seeks clarification from the Bidder/Proposer
  - Justify: the Bidder/Proposer prepares a justification of their price
  - Verify: the Borrower fully analyzes the justification to verify if it provides a reasonable explanation
  - Decide: Borrower decides whether to accept or reject the Bid/Proposal.
SPDs – key features: BAFO

- An option in international competitive procurement that is subject to prior review.
- Opportunity to improve Bids/Proposals e.g. price reduction, clarification or modification of any aspect of the Bid/Proposal or the provision of additional information.
- Borrower must inform prospective Bidders/Proposers in the RFB/RFP - minimum information includes:
  - BAFO may be used
  - Bidders/Proposers are not obliged to submit a BAFO
  - No negotiations allowed following BAFO.
- BAFO can only be used once in a procurement. It cannot be used in conjunction with Negotiations. Each are mutually exclusive.
- BAFO does not apply to Consulting Services.
SPDs – key features: Negotiations

- An option in international competitive procurement that is subject to prior review.
- Negotiation may take place after the full evaluation of Bids/Proposals (i.e. both technical and financial parts) and before the Notice of Intention to Award the contract.
- Borrower must inform prospective Bidders/Proposers in the RFB/RFP and outline how the Negotiations will be conducted.
- Must be held in the presence of an independent third party agreed to by the Bank.
- Negotiations must not change the minimum requirements of the Bid/Proposal.
SPDs – key features: Most Advantageous Bid/proposal

The new test to determine the award of contract:

1. **When rated criteria are used:**
   This is the Proposal of the Proposer that meets the qualification criteria, and whose Proposal has been determined to be:
   a. substantially responsive to the RFP, and
   b. the best evaluated Proposal (i.e. the highest score).
   In this scenario the MAP may not be the lowest price.

2. **When rated criteria are not used:**
   This is the Bid of the Bidder that meets the qualification criteria and whose Bid has been determined to be:
   a. substantially responsive to the RFB, and
   b. the lowest evaluated cost.
Finding opportunities to bid
World Bank Procurement App

- Procurement data on major contract awards
- The App enables the public to look at:
  - Ratios
  - Trends
  - Supplier Rankings
- Easy to mix and match at many levels of aggregation
- Enables the public to easily explore large amounts of data
- Includes an email feature that imports charts, figures, and tables into email messages
- Free for iPad and is being developed for iPhone/Android
World Bank Group Finances App

Access the Bank portfolio of projects, finances, and procurement data:

- Nine different languages (Arabic, Bahasa Indonesia, Chinese, English, French, Hindi, Portuguese, Russian, and Spanish)
- Locate any project including the awarded contracts
- Receive Procurement/Tender Notices and follow business opportunities in more than 100 countries
- Get updates on pending projects in the pipeline, as well as latest approved projects
- Check the disbursements data, updated monthly, and the contributions to Trust Funds
- Engage with the Bank by sharing, following its projects and investments, or reporting back
World Bank Group Finances App

Financials

Donor
9.36 million contributed

Beneficiary
1,119.41 million disbursed
612.79 million undisbursed

Projects
Active Projects 32
Projects in Pipeline 3

Procurement
Contracts 1900
Procurement Notices 15

* In millions of US$ equivalent, rounded to 2 decimal places. Less than US$ equivalent 5,000 displayed as 0.00.
* Based on unaudited data
* The fiscal year begins on July 1st of the previous year and runs through June 30th of the designated year.
More data available in STEP

- **Life cycle tracking**
  - Records all contracts
  - Tracks all performance

- **Risk identification**
  - Identifies risks at activity level
  - Helps inform risk assessment

- **Integrity scanning**
  - Verifies supplier eligibility
  - Reduces risk of ineligible payments

- **Bidding information**
  - Captures competition data
  - Facilitates market analysis

- **Transparency**
  - Automates publication of data
  - Enables open contracting

- **Legacy integration**
  - Migrates existing data
  - Staging area for client systems

- **Monitoring & reporting**
  - Simplifies access to data
  - Enhances analytics
What makes a bid successful
General Considerations

- Procurement is led by the Borrower, NOT the Bank
- Four broad procurement systems:
  - International Competition
  - National Competition
  - Procurement arrangements of another MDB/bilateral
  - Borrowers arrangements, in full if assessed and acceptable
- Tailored procurement approaches to suit the project
- Contract is with the Borrower, not the Bank, under their legal framework (international arbitration if International)
- Fraud and Corruption (public debarment)
Good Advice

- Be informed about the country and project pipeline
  - Determine areas of focus, countries/procurement type etc.
- Consider how you will respond to project needs
- Identify local partners and others for any joint ventures
- Previous technical and country experience is usually critical
- Understand local customs, laws, markets
- Use the Implementing Agency, Trade missions/Executive Director team for concerns and questions
Preparing the Proposals

- Make a pre-proposal visit (if indicated in the RFP)
- Fully address the requirements
- Emphasize methodology for delivery – innovate if you can
- Propose a strong Project Manager and qualified experts
- Cite relevant technical and regional experience similar to the assignment – more significant and similar the better
- Involve national partners, consider joint ventures
- Don’t deviate from standard RFP forms/conditions
Preparing the Proposals

➢ Conditions or qualifications will lead to rejection

➢ Get official clarification: If any provisions of the bidding/proposal document are unclear or unacceptable, submit an official inquiry in writing to the Borrower cc the Bank before the bid closing date or such date as may be specified

➢ Submit a professional proposal signed by an authorized individual ensuring all supporting documents are included

➢ Carefully review qualification and evaluation criteria. Failure to satisfy qualification criteria results in high bid rejection rate
Final checks before submission

- Amount, validity and text of Bid Security
- Signatures and power of attorney
- Joint venture agreement enclosed
- References enclosed
- Discounts in covering letter or appropriate place as specified in the bidding/proposal document
- Marking of envelopes as appropriate
Common issues with bids

- No Bid Security
- Insufficient Amount of Bid Security
- Lack of Supporting Documents
- Incomplete Bids
- Expiration and Extension of Bid Validity
- Partial Quantities
- Absence of test reports if required
- Bids not signed
- JV partner as bidder in another bid
- Conflict of interest
At bid/proposal opening

➢ Be on time: Submit bid/proposal within the stipulated deadline. Late bids/proposals will not be accepted.

➢ During bid opening, ensure that:
  ➢ All relevant prices are read out
  ➢ All discounts are read out
  ➢ Presence and amount of bid security is read out
  ➢ No envelope remains unopened
  ➢ All the above is recorded correctly
  ➢ The record is signed by all bidders present and by the purchaser

➢ Be aware of possible extension: There may be a request to extend the bid validity and bid security periods by several months, as in certain cases the evaluation of bids requires more time than originally expected.
WB procurement data worldwide and Japan. Any lessons?
Top areas of spend in FY16

- Transport: 47%
- Water: 18%
- Energy & Extractives: 17%

Source AO: BI – Information as of August 24, 2016
### FY16 Top Ten Borrowers

<table>
<thead>
<tr>
<th>RANK</th>
<th>COUNTRY</th>
<th>AMOUNT (USD)</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India</td>
<td>2,048,801,594</td>
<td>15.0%</td>
</tr>
<tr>
<td>2</td>
<td>Ecuador</td>
<td>1,731,696,519</td>
<td>12.7%</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>1,241,911,943</td>
<td>9.1%</td>
</tr>
<tr>
<td>4</td>
<td>Serbia</td>
<td>668,914,132</td>
<td>4.9%</td>
</tr>
<tr>
<td>5</td>
<td>Africa</td>
<td>557,360,650</td>
<td>4.1%</td>
</tr>
<tr>
<td>6</td>
<td>Ethiopia</td>
<td>507,000,112</td>
<td>3.7%</td>
</tr>
<tr>
<td>7</td>
<td>Colombia</td>
<td>463,437,092</td>
<td>3.4%</td>
</tr>
<tr>
<td>8</td>
<td>Indonesia</td>
<td>456,362,012</td>
<td>3.4%</td>
</tr>
<tr>
<td>9</td>
<td>Bangladesh</td>
<td>410,031,102</td>
<td>3.0%</td>
</tr>
<tr>
<td>10</td>
<td>Argentina</td>
<td>406,321,682</td>
<td>3.0%</td>
</tr>
</tbody>
</table>
### FY16 Top Ten Supplier Countries

<table>
<thead>
<tr>
<th>RANK</th>
<th>SUPP CTRY</th>
<th>AMOUNT</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>2,119,561,201</td>
<td>15.7%</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>2,080,435,125</td>
<td>15.4%</td>
</tr>
<tr>
<td>3</td>
<td>Spain</td>
<td>1,492,204,350</td>
<td>11.1%</td>
</tr>
<tr>
<td>4</td>
<td>Brazil</td>
<td>1,278,421,512</td>
<td>9.5%</td>
</tr>
<tr>
<td>5</td>
<td>Serbia</td>
<td>650,091,436</td>
<td>4.8%</td>
</tr>
<tr>
<td>6</td>
<td>Vietnam</td>
<td>326,960,002</td>
<td>2.4%</td>
</tr>
<tr>
<td>7</td>
<td>Germany</td>
<td>291,109,632</td>
<td>2.2%</td>
</tr>
<tr>
<td>8</td>
<td>Greece</td>
<td>275,398,433</td>
<td>2.0%</td>
</tr>
<tr>
<td>9</td>
<td>Indonesia</td>
<td>273,301,447</td>
<td>2.0%</td>
</tr>
<tr>
<td>10</td>
<td>Bangladesh</td>
<td>266,864,364</td>
<td>2.0%</td>
</tr>
<tr>
<td>69</td>
<td>Japan</td>
<td>16,428,310</td>
<td>0.1%</td>
</tr>
</tbody>
</table>
Top Sectors for Japanese Suppliers FY16

- Agriculture
- Education
- Energy & mining
- Health & social serv
- Info & communication
- Transportation
- Water/sanit/fld prot

Info & Comm. 54%
Energy & Mining 15%
Contracts Awarded to Japanese companies by Procurement Category FY16
Any lessons?
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