



VALUE FOR MONEY

Achieving VfM in Investment Projects
Financed by the World Bank

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Abbreviations and Defined Terms

The following abbreviations and defined terms are used in this Guidance. Defined terms are capitalized.

Abbreviation or Term	Full Term or Definition
ALB	Abnormally low Bid or Proposal. The Bid or Proposal price, in combination with other elements of the Bid or Proposal, 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.
Applicant	A firm, joint venture, or Consultant that submits an Application in response to an invitation for Prequalification, Initial Selection, or Shortlisting.
Application	A document submitted by an Applicant in response to an invitation for Prequalification or Initial Selection
Bank	World Bank.
Bid	An offer, by a firm or joint venture, in response to a Request for Bids to provide the required Goods, Works, or Nonconsulting Services.
Bidder	A firm or joint venture that submits a Bid for Goods, Works, or Nonconsulting Services in response to a Request for Bids.
Borrower	A Borrower or recipient of World Bank Investment Project Financing (IPF) and any other entity involved in the implementation of a project financed by IPF.
Consultant	A variety of private entities, joint ventures, or individuals that provide services of an advisory or professional nature. Where the Consultant is an individual, they are not engaged as an employee.
Consulting Services	A range of services of an advisory or professional nature provided by Consultants, typically providing expert or strategic advice, such as management consultants, policy consultants, or communications consultants, advisory and project-related services include feasibility studies, project management, engineering services, finance, and accounting services, training, and development.
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.
Fraud and Corruption	Sanctionable practices of corruption, fraud, collusion, coercion, and obstruction defined in the Anti-Corruption Guidelines and reflected in paragraph 2.2a of Annex IV of the Procurement Regulations.

Abbreviation or Term	Full Term or Definition
Goods	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.
GPN	General Procurement Notice.
Initial Selection	Shortlisting process used before issuing a Request for Proposals in the procurement of Goods, Works, or Nonconsulting Services.
Investment Project Financing (IPF)	Bank's financing of investment projects that aims to promote poverty reduction and sustainable development. IPF supports projects with defined development objectives, activities, and results, and disburses the proceeds of Bank financing against specific eligible expenditures.
KPI	Key Performance Indicator.
Most Advantageous Bid/ Proposal	The Bid or Proposal that meets the qualification criteria and has been determined to be substantially responsive to the Request for Bids or Request for Proposals and has been evaluated as the highest-ranked Bid or Proposal, as defined in the Procurement Regulations paragraphs 5.68 to 5.71 and Procurement Regulations Annex X Evaluation Criteria.
Non-Consulting Services	Services that are not Consulting Services, 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
Prequalification	Shortlisting process that can be used before inviting Requests for Bids in the Procurement of Goods, Works, or Nonconsulting Services.
Probity Assurance Provider	An independent third party that provides specialist probity services for concurrent monitoring of the Procurement Process.
Procurement	Planning for and sourcing Goods, Works, Nonconsulting services, or Consulting Services to meet required objectives.
Procurement Approach	The overall design of fit-for-purpose procurement to award contracts that deliver the Project Development Objectives and Value for Money (VfM). This includes the Procurement Arrangements, procurement risk management, contract strategy, market engagement, requirements drafting, and contract management (where appropriate).
Procurement Arrangements	Procurement Arrangements are the combination of Selection Methods and Market Approaches.
Procurement Documents	Generic term to cover all Procurement Documents issued by the Borrower to potential Applicants, Bidders, and Proposers, include GPN, SPN, REoI, prequalification document, initial selection document, Request for Bids document, Request for Proposal documents, forms of contracts and any addenda. The term is derived from the Procurement Regulations.
Procurement Plan	Borrower's Procurement Plan for IPF projects, as referred in paragraphs 4.4 and 4.5 of the Procurement Regulations and incorporated by reference in the Legal Agreement.
Procurement Process	Full procurement life cycle that starts with the identification of a need and continues through planning, preparation of specifications or requirements, budget considerations, selection, contract award, and contract management. It ends on the last day of the warranty period, when applicable.

Abbreviation or Term	Full Term or Definition
Procurement Regulations	“The World Bank Procurement Regulations for IPF Borrowers” that govern the Procurement of Goods, Works, Non-Consulting and Consulting Services.
Project Development Objectives	The intended benefits to a specific community/group of people or organizations/institutional changes that are to be realized through one or more development interventions.
Project Procurement Strategy for Development (PPSD)	Project-level strategy document prepared by the Borrower that describes how Procurement in IPF operations will support the Project Development Objectives of the project and deliver VfM.
Proposal	Offer, in response to a RFP, which may or may not include price, by one party to provide Goods, Works, Nonconsulting Services, or Consulting Services to another party.
Proposer	Individual entity or joint venture that submits a Proposal for Goods, Works, and Nonconsulting Services in response to a Request for Proposals.
Rated Criteria	<p>Rated Criteria used to evaluate non-price attributes of Bids and Proposals, including quality, risks and risk mitigations, opportunities, sustainability, and other technical aspects.</p> <p>Specific references in the Procurement Regulations include:</p> <ul style="list-style-type: none"> ■ Paragraph 5.50. Evaluation Criteria—requirement to apply Rated Criteria for procurements subject to international competition, for which a Bank Document is used. ■ Paragraphs 5.60 and 5.70—MABP. ■ Section VI, Paragraph 6.1—Matrix of Approved Selection Methods for Goods, Works, and Non-Consulting Services. ■ Section VI, Paragraph 6.37—Use of Rated Criteria. ■ Annex X—Evaluation Criteria.
REoi	Request for Expressions of Interest.
RFB	Request for Bids as a selection method.
RFP	Request for Proposals as a selection method.
Sexual Exploitation and Abuse (SEA)	<p><u>Sexual exploitation</u>: actual or attempted abuse of a position of vulnerability, differential power or trust for sexual purposes, including, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another.</p> <p><u>Sexual abuse</u>: actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions.</p> <p>Procurement projects assessed as high-risk of SEA apply strict processes and contractor disqualification measures in relation to SEA.</p>
Sexual Harassment (SH)	<p>Any unwelcome sexual advances, request for sexual favors, and other verbal or physical conduct of a sexual nature.</p> <p>Procurement projects assessed as high-risk of SH apply strict processes and contractor disqualification measures in relation to SH.</p>

Abbreviation or Term	Full Term or Definition
Shortlist	Shortlisting process used before inviting Requests for Proposals in the procurement of Consulting Services.
SPN	Specific Procurement Notice.
Standard Procurement Documents (SPDs)	Procurement documents issued by the Bank to be used by Borrowers for IPF projects. Examples include GPN, SPN, EOI, REoI, Prequalification documents, Initial Selection documents, and RFB and RFP documents.
Subcriteria	Subsection of an Evaluation Criteria to which a Bidder or Proposer is required to respond.
VfM	Value for Money represents the optimum combination of total cost of ownership and quality (or fitness for purpose) to meet the Borrower's requirements specified in the Procurement Documents.
Works	Category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and so on, and related services such as transportation, insurance, installation, commissioning, training, operation, and maintenance.

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Introduction

The intent of this Procurement Guidance is to introduce the concept of achieving Value for Money (VfM) throughout the Procurement Process in projects funded by World Bank Investment Project Financing (IPF). Information on the Bank's Procurement Framework can be found on the [Procurement Framework website](#).

More detailed explanations of the concepts introduced in this Guidance are included in separate Procurement Guidance, specifically the following:

- [Project Procurement Strategy for Development \(PPSD\) \(Long Form\) \(Short Form\)](#)
- [Evaluating Bids and Proposals including the use of Rated Criteria](#)
- [Abnormally Low Bids](#)
- [Contract Management, General Principles](#)
- [Contract Management, Practice](#)
- [Standard Procurement Documents—An Overview](#)
- [Sustainable Procurement](#)

What Is Value for Money?

The [World Bank Procurement Regulations for IPF Borrowers](#) (and in particular Annex I, Value for Money) include requirements for implementing the concepts outlined in this Guidance. Annex I describes VfM as “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 life-cycle costs, as appropriate. Price alone may not necessarily represent VfM.”

VfM should be considered at all stages of the Procurement Process, which is defined as the whole Procurement life cycle and includes the following steps:

- Identify and specify the need
- Assess market and operating environment to determine the optimum Procurement Approach

- Prepare specifications or requirements with attention to country and project specific risks and issues
- Prepare detailed plan for the Procurement Process, including the evaluation methodology, and where appropriate the use of Rated Criteria
- Assess budget considerations
- Invite offers, evaluate, and award contract
- Prepare contract management plan and implement monitoring, evaluation, and payment processes, proactively manage the contract to ensure that both parties meet their respective obligations and emerging risks are addressed quickly.

The Procurement Process ends on successful delivery of the contracted deliverables in full. When a warranty applies, it ends on the last day of the warranty period.

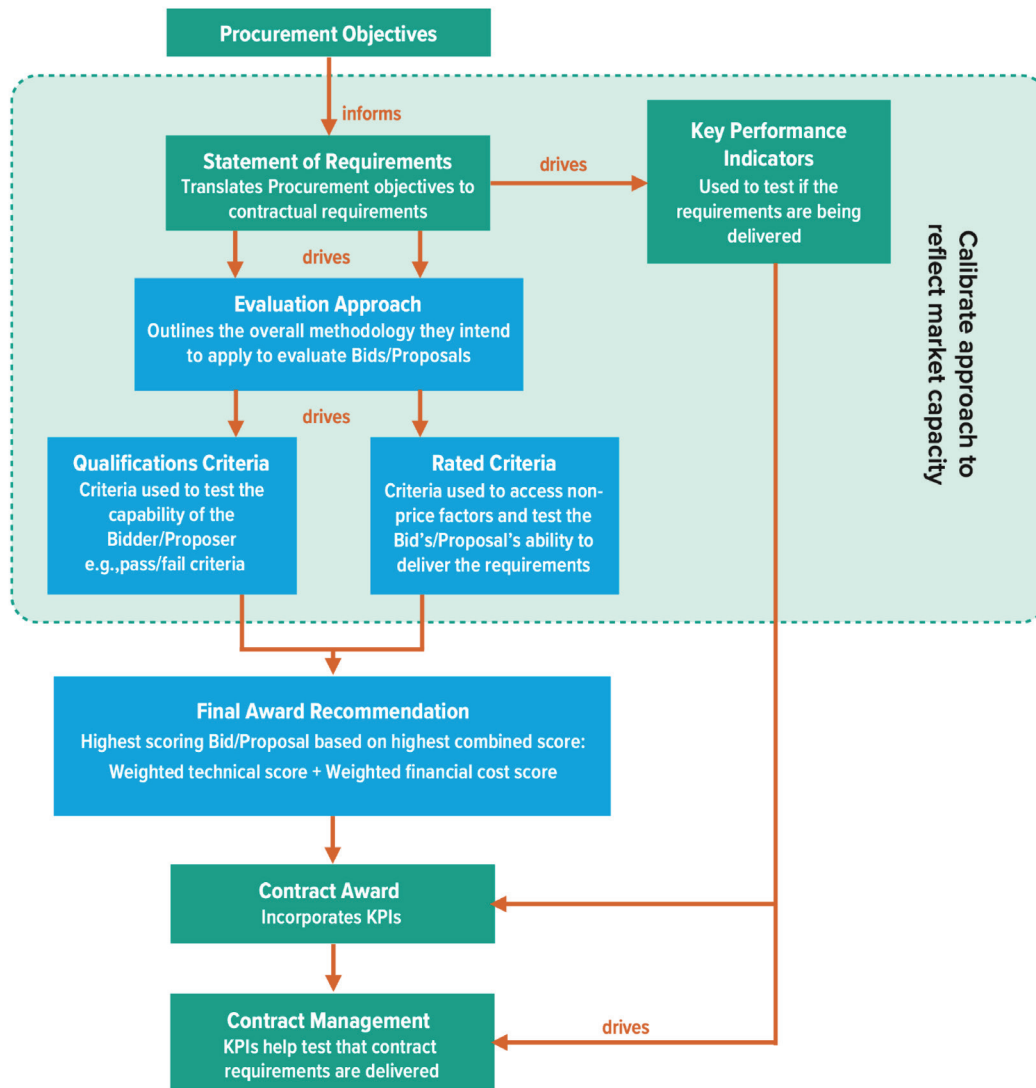
Optimizing VfM

The Procurement Process includes numerous opportunities to address VfM. This supports developing a fit-for-purpose Procurement Approach that is both country and project specific.

Figure I demonstrates that VfM elements can be individual and cumulative and exist throughout the Procurement Process to more effectively, efficiently, and economically use the resources available to a project, in other words, to optimize VfM. Examples include ensuring:

- Integrity throughout the Procurement Process
- That the needs of end users and other stakeholders are appropriately identified and factored into the Procurement Arrangements
- That risks to achieving the required objectives are appropriately identified and mitigated through design of the Procurement Arrangements
- That the Procurement Arrangements are fit for purpose relative to the risk, value, and complexity of the Procurement and to the operating context and nature of the supply market
- When appropriate, that providers are given the opportunity to offer cost-effective and innovative solutions to meet identified needs
- That contract award decisions are based on suitable Evaluation Criteria and when appropriate the use of Rated Criteria
- That contracts are managed effectively to ensure that VfM is achieved throughout delivery.

Procurement decisions made throughout the Procurement Process entail a trade-off between the benefit gained and the cost of the approach relative to the benefits and costs of alternative arrangements.

FIGURE I Maximizing VfM through a structured approach to developing the Procurement Approach

Examples:

a) *RFB versus RFP*

If RFB is chosen as the selection method with a conformance specification, the Procurement Process may be faster than with an RFP but more up-front effort will be needed in defining the conformance specification and the RFB will limit the ability of Bidders to offer innovative solutions.

b) *Early market engagement trade-off*

If a decision is made not to carry out early market engagement, time may be saved initially but a trade-off is also possible in terms of less information being made available to suppliers or less

market interest in the Procurement opportunity. Equally, if capability on the part of the Borrower to carry out the market engagement is low, or if the market is already competitive, well informed, and motivated to compete, market engagement may add too much cost early in the process without offering enough corresponding benefit.

Achieving VfM

Achieving VfM means that the Borrower both weighs the costs and benefits of the various options for selection methods and approaches and risk mitigation measures, and decides on the combination that meets the Procurement objectives and provides the greatest benefit relative to the cost.

In some circumstances, the difference in VfM between one approach and another will be small, in other cases the choice will be obvious given the circumstances of the Procurement opportunity. Whatever the decision, the Procurement Arrangements for a contract need to be appropriately justified in the PPSD.

The design of fit-for-purpose Procurement Arrangements, appropriate specification setting and use of appropriate Evaluation Criteria, and effective contract management are very much integrated and need to be considered as part of the overall Procurement approach in order to maximize VfM.

Boosting VfM Using Rated Criteria

Applying Rated Criteria is a method that can significantly promote VfM and achieve the optimum balance of whole of life cost and quality.

A key objective of the Bank's 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.

Using Rated Criteria more widely will increase Borrowers' flexibility to procure Goods, Works, and Nonconsulting Services best suited to their specific situation and provide a more fit-for-purpose Procurement 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 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 a range of quality-based issues such as, for example sustainability, environmental, social, supply chain disruption, cybersecurity, global health emergencies. Rated Criteria also contribute to combating bid rigging and reducing the risk of collusion in the Procurement Process.

Combined with financial cost (and, where appropriate, life-cycle cost formulas), applying Rated Criteria provide a truer assessment of value that focuses on quality, sustainability, and other key quality criteria.

Rated Criteria - Procurement Regulations Requirement

Revised international Procurements advertised on or after September 1, 2023, that use a Bank SPD must use Rated Criteria.

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

- Pharmaceuticals
- Vaccines
- Off-the-shelf Goods and educational materials
- Commodities

Other exceptions may be cleared by the World Bank's Chief Procurement Officer on a fit-for-purpose basis.

This Guidance

This Guidance introduces options to achieve VfM at five key stages of the Procurement Process, as detailed in the following sections:

Section II. Procurement Planning

Appropriate Procurement strategy and planning using the PPSD methodology to develop a fit-for-purpose Procurement Plan aligned to the Project Development Objectives

Section III. Procurement Arrangements

Designing an appropriate Procurement Arrangements that motivates quality Bidders to participate

Section IV. Specifications

Clear, comprehensive description specifying the requirements to be delivered, including quality elements

Section V. Evaluation Criteria

Use of appropriate Evaluation Criteria, including Rated Criteria, where appropriate

Section VI. Contract Management

Proactive management of the contract deliverables, including mitigations of risks and quality control

Procurement Strategy and Planning

The best opportunity for achieving VfM is at the strategy and planning stages of the Procurement Process (see figure II).

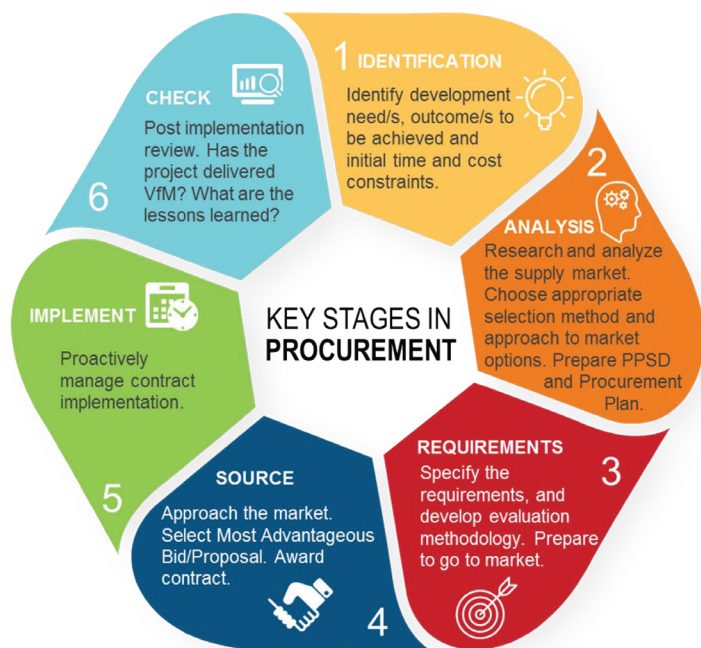
The PPSD is the cornerstone for ensuring that Procurement is properly planned, designed, and structured to ensure that consideration is given to the specific operating context, market conditions, client capability, and all of the appropriate Procurement tools, techniques, and methods at the planning stage.

Preparation of the PPSD should begin as early as possible in the project cycle, which normally will be at the project concept stage, after the main contracts in the project are identified.

Elements

The PPSD should cover all contract requirements for at least the first 18 months of the project and should be updated when additional important information becomes known. The PPSD prompts

FIGURE II Key stages in Procurement



the Borrower to consider, among other things, the market situation, the operational context, previous experience, and the risks present—and then, from these, to determine the right Procurement Approach.

Choosing the best combination of Procurement Arrangements entails appropriate levels of research and analysis to identify risks and opportunities in the specific market situation, the operational context, and previous experience. Significant Procurement risks and their associated mitigation measures can then be factored into the Procurement Arrangements. Examples follow.

- The Borrower’s past experience implementing similar contracts can be factored in to speed up implementation, such as resettlement or licensing requirements that may delay contractor mobilization
- Identified security concerns of Bidders may be addressed through early market engagement to encourage Bidders’ participation by highlighting measures put in place to mitigate those concerns
- Low capability to implement Procurement or manage contracts can be reinforced through additional support
- Complex Procurements that would benefit from innovative solutions proposed by Bidders may be better suited to an RFP, using a performance specification and the application of appropriate Rated Criteria, than to an RFB selection method.

A fit-for-purpose Procurement Approach should be outlined in the PPSD. For example, in the PPSD Long Form the eight sections of the template should be addressed:

1. **Project overview**, describing the scale and requirements of the project, including the project development objectives, with particular reference to those objectives that rely on Procurement and how Procurement financed under the project may contribute to achieving them.
2. **Strategic assessment of operating context, Borrower capability and experience**, including any potential need for Hands-on Expanded Implementation Support, and an assessment of the governance, economic, sustainability, and technological aspects of the project and how they may be addressed through the Procurement strategy. This assessment should also include an analysis of the market within which the project will be implemented (including the supply capability of domestic and international markets), identify any supply chain risks, and assess how competition between major suppliers functions. The Borrower should harness all of this analysis to inform its Procurement strategy and Procurement Arrangements for the project.
3. **Procurement risk analysis** should be undertaken to identify key potential risks that may affect the Borrower’s ability to achieve project development objectives through Procurement, all such risks, including those identified through the Bank’s Environmental and Social Framework, should be analyzed according to their likelihood of occurring and the severity of their impact, should they materialize. The PPSD should then propose appropriate mitigation measures to deal with such Procurement risks.
4. **Stakeholder analysis** should be undertaken to identify who the key stakeholders in the project are, what their objectives are, and how the Borrower may best involve them in the implementation of the project to ensure that it addresses their objectives.

5. **Procurement objectives** are developed in such a way that they align with the project development objectives and are used to test alternative Procurement Approaches. Defining the correct Procurement objectives is essential to many of the subsequent Procurement decisions the Borrower makes, including defining conformance or performance specifications, allocating Procurement risks between the Borrower and the supplier, defining appropriate Evaluation Criteria, including the use of Rated Criteria, and selecting Key Performance Indicators to be used in contract management to ensure that contracts achieve the project's requirements.
6. **Procurement Approach** options and recommendations flow logically from and are driven by the analyses undertaken in all stages of Procurement strategy development. At this stage, the Borrower defines how it intends to approach the market, how it will select suppliers, and how it will manage the resultant contracts to ensure that they successfully achieve the project's Procurement objectives. It is at this stage that the Borrower will typically design its overall Procurement Approach, whether it will use a conformance or performance specification for each contract, define the minimum required qualifications for each contract and state its requirements in respect of economic, environmental, or social sustainability. Also at this stage, the Borrower typically identifies the selection methods and market approach options to be employed and decides on the Evaluation Criteria to be applied in the evaluation of Bids for each major contract, including price and non-price criteria, incorporating the intended use of Rated Criteria to assess various aspects of quality, as well as the proposed weighting and scoring of such criteria.
7. **Preferred arrangements** for low-value, low-risk activities are defined to ensure that related Procurement requirements are delivered efficiently through simple, reliable Procurement Arrangements that free up the Borrower's more experienced Procurement staff to focus on high-value and high-risk contracts that are critical to the effective delivery of the Procurement objectives.
8. **A summary of PPSD** is prepared to support the preparation of the Project Appraisal Document by the Bank.

Procurement Approach

The Procurement Approach should be designed to ensure that the suppliers, including contractors and consultants, most capable of delivering VfM and the best qualified to contribute to the achievement of the project development objective are motivated to bid and given the opportunity, through the Procurement Process, to demonstrate the value they can offer.

For more detailed guidance on the PPSD, see www.worldbank.org/procurement.

Procurement Arrangements

By designing the most appropriate Procurement Arrangements, the Borrower creates a far greater likelihood that the most qualified Bidders and Proposers will be motivated to participate in the Procurement Process, that better Bids will be received, and that, thereby, Procurement conducted under the project will deliver optimal Value for Money (VfM).

Design

Options are numerous for combinations of Procurement Arrangements that Borrowers may choose from to determine the most fit-for-purpose approach to conduct a particular Procurement. They include, but are not limited to, the following:

- **Selection method**, such as Requests for Proposals (RFP) or Requests for Bids (RFB)
- **Market approach option**, such as Open, Limited, National, International, Prequalification or Initial Selection), and the number of stages, use of negotiations, or Best and Final Offers
- **Specification type**, such as conformance or performance) for each Procurement requirement
- **Evaluation Criteria type**, including the application of Rated Criteria to evaluate the nonprice, technical, and quality attributes of bids, as well as the proposed prioritization and weightings of such attributes and how quality and price will be combined to select the Most Advantageous Bid or Proposal for each contract.

The choice of selection method to be used for each contract is driven by a number of factors:

- Primarily by the capacity and level of competition in the market
- Number of qualified Bidders available
- Specificity, complexity, and nature of the Procurement requirement
- Inherent risks involved in the contract, as well as how the identified risks may best be mitigated through the Procurement Process and resulting contract.

Each combination of options will present a different trade-off between costs and benefits.

When choosing the selection method, for example, the Borrower should consider the benefits and costs trade-offs between options, that is, what is fit for purpose and will achieve best value for money. These include the following:

- Time and resources to carry out the Procurement Process
- Transaction costs for Bidders inherent in the Procurement Arrangements that may affect the willingness and ability of firms to participate
- Risk of not achieving the desired outcome due to inability to manage the risk of fraud and corruption or the weak capability of the client to manage the Procurement Process.

Procurement Arrangement Options

Table I presents some of the options for Procurement Arrangements and provides an indication of the circumstances to which each method is best suited.

TABLE I Example options for Procurement Arrangements

Procurement Arrangement	Characteristics	Usage
Open Competition	Openly advertised so any eligible firm may participate Bank's preferred approach	Widespread use
Limited Competition	Limited number of firms invited without advertisement Exceptional reasons	Limited pool of capable firms Justified departure from open competition
Direct Selection	Invitation to one firm only	Only one suitable firm Justified invitation to sole or single firm
Prequalification	Use of qualifying criteria to rule out firms not capable of delivering the requirement	Large and complex projects in which Bid costs are likely to limit market interest Optionally used for Requests for Bids
Initial Selection	Limiting the number of applicants to be invited to submit a proposal or participate in dialogue	Normally used with Requests for Proposals
Negotiations	First, with first placed Bidder and, if unsatisfactory, with second place Bidder Cannot change specified minimum requirements and subject to probity audit	Limited to international competition with prior agreement of the Bank
Competitive Dialogue	Initial conceptual design or performance proposal Commercial confidence must be maintained Participants must be treated fairly	When requirements cannot be specified with enough certainty to allow a competitive process without use of dialogue Used to shape subsequent Requests for Proposals

Depending on the nature and complexity of the Procurement or the need for customized solutions, the Borrower may want to use Procurement Arrangements that use the suppliers' expertise in their field, such as Requests for Proposals, value engineering, or competitive dialogue.

In addition, in a selection method that evaluates quality, such as a RFP selection method with Rated Criteria, the Borrower may use an evaluation methodology that determines the degree to which each Bid meets or exceeds its Procurement requirements, such as in respect of functionality, the Bidder's methodology, the environmental performance of the Goods offered or the Bidder's ability to mitigate risks identified by the Borrower in the Procurement Documents or to identify and mitigate additional risks not identified by the Borrower.

The choice of selection method may also influence the type of specification used. The following section addresses specifications.

For more detailed guidance on the appropriate use of Procurement Arrangements, see www.worldbank.org/procurement.

Specifications

In specifying the requirements, the Borrower sets the minimum or maximum characteristics of the Goods, Works, or Nonconsulting Services they require to achieve Value for Money (VfM), and in doing so clarify for Providers the Borrower's expectations, which assists Providers in determining what they should offer.

By defining the requirements clearly and through promoting the most competitive and innovative response from Providers, Borrowers will maximize the VfM achieved in this stage of the Procurement Process.

Two broad categories of specifications generally apply.

Types of Specifications

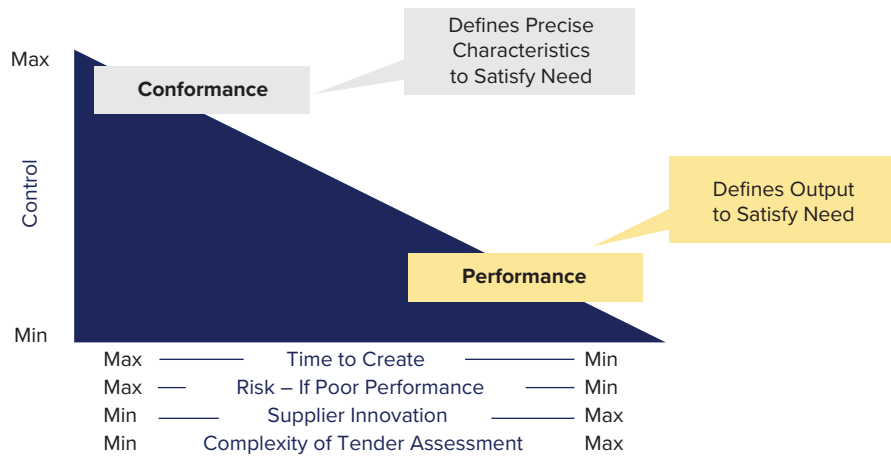
Conformance-based specifications describe in detail the technical requirements of the design, method of production, construction, and delivery.

Performance-based specifications describe the outcomes or results required in terms of business or functional performance requirements. The evaluation of performance specifications can use a mixture of qualifying and rated criteria.

When deciding between a conformance-based or a performance-based specification (see figure III), obtaining best VfM involves a trade-off between the cost and time to create the specification, who will bear the risk due to a poor specification, the ability of the suppliers to innovate in their response, and the complexity of the evaluation.

Conformance Specification

Conformance specifications are used when a thorough understanding of the requirements is in place and the supplier has little or no need to innovate. In these circumstances and when Borrower wants to retain greater control over design and delivery, the Borrower normally has a comprehensive understanding of the requirement—including the technical, design, and functional aspects—and is able to describe it in detail, how the supplier must both perform and deliver the requirements.

FIGURE III Conformance and performance specifications

Conformance specifications work best for simple purchases of Goods, Consulting or Nonconsulting Services, and Works when the focus is on defining specific quantities and specifications for the requirements, unit price costing, and specifics around the time, place, and manner for delivery and acceptance.

The main risk of a conformance specification is that it does not accurately meet the need or is technically incorrect, such as the design does not function as intended or is obsolete. In such circumstances, all the up-front cost of developing the specification and the risk and cost to rectify lies with the Borrower because they have specified precisely 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 approach allows suppliers to reduce cost and passes the risk of both cost and performance (supplying something that works) 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 such that suppliers are allowed appropriate flexibility when meeting the requirements, whereas conformance specifications exclude flexibility, unless alternative Bids or Value Engineering are explicitly permitted.

Sustainability Procurement Requirements

The Borrower may decide to include additional sustainable Procurement requirements beyond the economic, environmental, and social considerations the Bank requires for adherence to the its Environmental and Social Framework.

Although the application of additional sustainable Procurement requirements is not mandatory, the Borrower may identify opportunities to achieve additional economic, environmental, or social benefits through the Procurement activities financed under the project, such as the reduction of greenhouse gas emissions or the creation of job opportunities for disadvantaged communities. The intention to apply additional sustainable Procurement requirements and the manner in which they will be handled in evaluation, such as in the application of Rated Criteria, should be detailed in the PPSD.

Early Identification

Early consideration of additional sustainable Procurement requirements ensures that they are included in the overall Procurement Approach, which may be designed to consider such requirements at a number of stages of the Procurement Process, such as

- Prequalification or Initial Selection of Bidders
- Functional or detailed technical specifications
- Evaluation Criteria, including the use of Rated Criteria
- Contract terms and conditions
- Contract performance monitoring.

These requirements may arise from either the Borrower's sustainability laws or policies or from sustainability-related risks and opportunities identified in analysis of the market or from the business and operating environment of the project. Sustainability risks and opportunities that may be managed through the Procurement Process may also be identified in environmental or social impact assessments: for example, protection of local ecosystems near a Works site, health and safety requirements or minimizing potential impacts on people affected by the project.

Sustainable Procurement requirements should be based on evidence, with supporting data, and on existing social-label criteria, eco-label criteria, or information collected from stakeholders in industry, civil society, or international development agencies. In whatever format the requirements are described, they should promote the broadest possible competitive response from the market in order to achieve VfM. The Borrower shall not request sustainable Procurement requirements that are proprietary or otherwise restrictive, such as available from only one Bidder, unless such a requirement is justified to the satisfaction of the Bank.

Evaluation of Sustainability Requirements

If sustainable Procurement requirements are specified, relevant evaluation and qualification criteria shall be specified in the RFB or RFP to enable the evaluation of sustainable attributes of Bids or

Proposals, for example, the Bidder's or Proposer's Environmental and Social-Management Strategy and Implementation Plan, works methodology, key personnel, code of conduct, and so on. The Borrower may adopt international sustainability standards covering a wide range of product and service groups, provided they are consistent with Bank's Core Procurement Principles.

Internationally recognized certification or accreditation schemes may be used to demonstrate a Bidder's or Proposer's ability to apply environmental management measures. Such schemes may include ISO 14001 or other systems that conform to the relevant international standards on certification and environmental management. Bidders or Proposers may also be permitted to demonstrate that they apply equivalent sustainable management measures, even without such certification.

When the Borrower includes economic, environmental, or social sustainability requirements in a contract, the Key Performance Indicators applied to the management of the contract shall reflect those requirements both to facilitate effective monitoring of the requirements and to ensure that the required sustainability benefits are successfully achieved during contract implementation.

The World Bank Procurement Regulations for IPF Borrowers state the requirements for appropriately setting specifications. See <https://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework#templates>.

Evaluation Criteria

Evaluation Criteria constitute a standard or test used in the evaluation of Bids and Proposals to select the Most Advantageous Bid or Proposal that best meets the Borrower's requirements and offers the best Value for Money (VfM).

The Project Procurement Strategy for Development (PPSD) informs the Evaluation Criteria to be applied to each Procurement Process. The specific criteria used should be appropriate to the nature, complexity, and risks of the Procurement to enable the Borrower to achieve VfM. See [Procurement Guidance, Evaluating Bids and Proposals](#).

The following requirements govern the 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 the Borrower's requirement
- the Standard Procurement Document (SPD) shall include the complete Evaluation Criteria and Subcriteria, as well as the specific way they shall be applied
- only the Evaluation Criteria, and all the Evaluation Criteria, indicated in the bidding documents shall be applied in the evaluation of Bids and Proposals
- once the bidding documents have been issued, any change to the Evaluation Criteria shall be made only by an addendum to the bidding documents
- the Evaluation Criteria shall be applied consistently to all Bids and Proposals submitted
- the application of Rated Criteria is mandatory for all Procurement activities that are subject to international competition where a Bank SPD is used. However, application of Rated Criteria is not mandatory for Procurement of pharmaceuticals, vaccines, off-the-shelf goods, educational materials, textbooks and in the case of other exceptions cleared by the World Bank's Chief Procurement Officer on a case-by-case, fit-for-purpose basis.

To achieve VfM, the evaluation criteria may take into account various factors, including the following:

- **Cost:** a method to evaluate cost that is appropriate to the nature of the Procurement, such as
 - adjusted Bid or Proposal price, or
 - adjusted Bid or Proposal price plus the running or recurrent cost over the useful lifetime of the asset on a net present cost basis (life-cycle costs).

- **Quality:** evaluation of quality using a methodology to determine the degree to which the Goods, Works, Nonconsulting Services, or Consulting Services meet or exceed the Borrower's requirements.
- **Risk:** criteria that invite the Bidder to demonstrate how their methodology will mitigate the relevant assessed risks the Borrower has identified or to identify and mitigate additional risks that the Borrower has not already identified.
- **Sustainability:** criteria that take into account stated economic, environmental, or social risks, opportunities or benefits in support of the project objectives and may include the flexibility of the Proposal to adapt to possible changes over the life cycle.
- **Innovation:** criteria that allow the assessment of innovation in the design or delivery of the Goods, Works, Nonconsulting Services, or Consulting Services and that give Bidders and Proposers the opportunity to include, where appropriate, in their Bids and Proposals, solutions that exceed the requirements or alternative solutions that could deliver better VfM.

Application

Depending on the selection method chosen, such as RFB with or without Prequalification or RFP with Initial Selection, different approaches or processes may be used to initially select or qualify firms and to evaluate their Bids or Proposals to select the Most Advantageous Bid or Proposal.

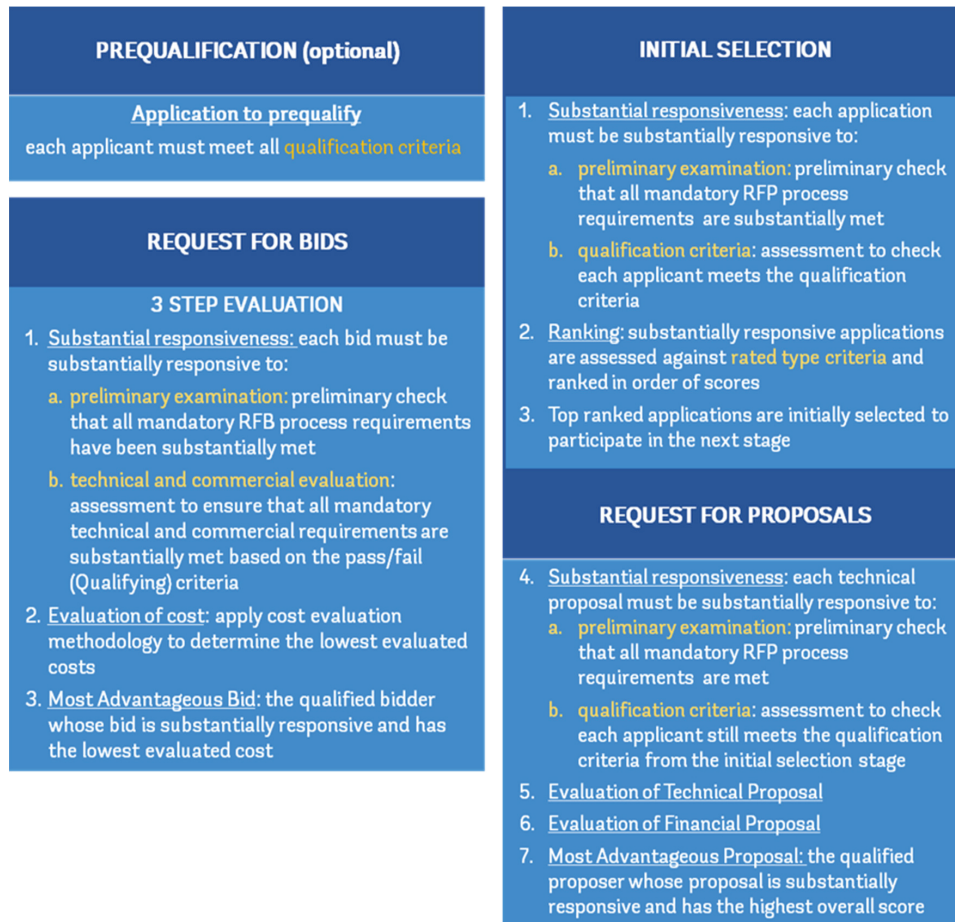
Rated Criteria Process

When Rated Criteria are applied, the evaluation shall be conducted on the basis of a two-envelope procedure, the technical bids being opened and evaluated first, and then the financial envelopes of only those Bidders whose technical Bids are evaluated as responsive being opened and evaluated. See figure IV for an explanation of the use of Prequalification and Initial Selection with different selection methods.

Prequalification and Initial Selection

Prequalification and Initial Selection are processes used to shortlist Applicants in the Procurement of Goods, Works, and Nonconsulting Services. These processes ensure that only those with appropriate and adequate capacity, capability, and resources, as assessed against the qualification criteria in the SPD, are invited to submit Bids or Proposals.

The assessment of an Applicant's qualifications only considers the firm that submitted the Prequalification or Initial Selection Application. It does 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 other than the one that submitted the Prequalification or Initial Selection Application.

FIGURE IV Prequalification and initial selection with different selection methods

Initial Selection is normally used with a RFPs and shall be used in all cases when the Competitive Dialogue selection method is applied.

Under Initial Selection, submissions of all Applicants are first assessed on a pass-fail basis against a set of minimum qualification requirements. Subsequently, only those Applicants that substantially meet the minimum qualification requirements are further assessed using Rated Criteria and ranked from highest to lowest, only the highest-ranked Applicants are invited to bid.

This approach allows the Borrower to ensure that the Bids submitted are from only the most highly qualified Applicants. This may in turn improve the quality of Bids received and thus contribute to the Borrower's achieving better VfM.

The use of qualification criteria for Initial Selection or with RFB with Prequalification or postqualification is summarized in figure IV and is covered in detail in each of the respective SPDs and, if applicable, user guides.

Using Rated Criteria

Rated criteria are assessed using a scoring system. Each criterion is prioritized and weighted according to its relative importance to the Borrower. Weightings are then applied to the scores assigned to each criterion. This approach to evaluation facilitates the evaluation of technical merit, quality, risk, sustainability and other relevant technical and quality factors, and objectively compares each Bid or Proposal against the others in regard to the quality of the technical solution to the Borrower's requirement offered by each Bid or Proposal. The application and benefits of rated type criteria are demonstrated in Figure V.

Once the total weighted scores are known, Bids or Proposals are ranked in order of merit from the highest to lowest scores. The higher the technical score, the better the Bid or Proposal meets the rated criteria and offers VfM.

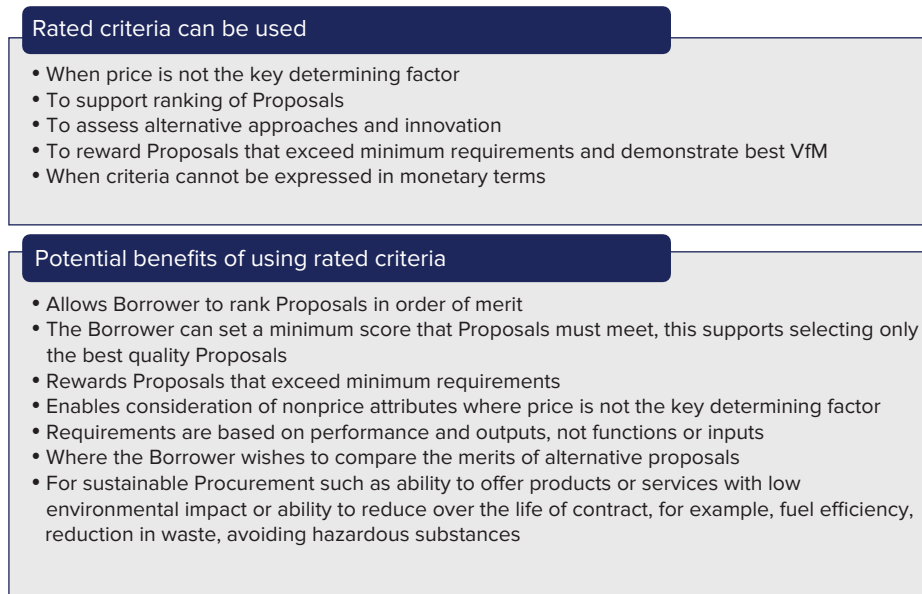
Rated criteria may be used

- in conjunction with pass-fail criteria in order to rank and initially select Applicants and
- in the evaluation of Bids or Proposals to identify the Most Advantageous Bid or Proposal.

Rated criteria may include, but are not limited to, the following attributes, as relevant:

- quality of methodology and work plan
- innovation, performance, capacity, or functionality
- sustainability
- identification and mitigation of risks.

FIGURE V Application and benefits of rated-type criteria



Evaluation of Cost

As specified in the SPD, quoted costs are evaluated against monetarily quantifiable criteria. This allows the Borrower to compare and evaluate costs of each Bidder or Proposer.

The Borrower's chosen method for the evaluation of cost shall be guided by the factors that will be considered for the purpose of evaluation besides the quoted costs. If factors selected can be quantified in monetary terms, an RFB approach that uses monetarily quantifiable criteria should be selected. If factors cannot be monetized, an RFP approach using Rated Criteria should be selected.

When setting monetarily quantifiable evaluation criteria, the SPD shall specify the relevant factors, in addition to price, that are to be considered in evaluation, and the manner in which they will be applied for the purpose of determining the evaluated cost of each Bid or Proposal.

Examples of when monetarily quantifiable methodology may apply include

- margin of domestic preference
- time schedule
- payment schedule
- life-cycle costing
- functional guarantees
- discounts for the award of multiple lots.

Due Diligence and Abnormally Low Bids

Achieving VfM requires that the contractor delivers what it is being paid to deliver under the contract. Due diligence involves independently verifying the ability of the contractor to fully deliver against the contract over the term of the contract. It is a matter of prudence and good business practice.

An Abnormally Low Bid (ALB) poses a potential risk to the Borrower, given that the contractor may not be able to meet its obligations under the contract. When a Bidder intentionally or inadvertently submits an ALB and when a Bid is identified as such, the Borrower shall undertake due diligence in accordance with the procedure outlined in the ALB Guidance note.

For more information on the identification and treatment of Abnormally Low Bids, see www.worldbank.org/procurement.

Contract Management

Contract management is critical to ensuring that both the supplier and the Borrower meet their contractual commitments to time, cost, and quality, and deliver the expected VfM. It requires systematic and efficient planning, execution, monitoring, and evaluation to ensure that both parties fulfill their contractual obligations with the ultimate goal of achieving VfM and contractual results. It involves:

- Tracking and monitoring of delivery and costs, time, and quality
- Supplier development to collaboratively improve performance and promote opportunities for ongoing innovation, for example, value engineering in appropriate contracts
- Being clear on roles and responsibilities of both Borrower and supplier
- Managing relationships with both the supplier and key stakeholders
- Managing payments
- Being proactive throughout the contract to anticipate problems and issues before they arise
- Managing problems and issues as they arise, quickly, effectively, fairly, and transparently.

From the Borrower's perspective, contract management:

- Ensures the supplier delivers upon its 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 requirements
- Demonstrates best Procurement practice in the management of contracts
- Provides evidence to support any audits.

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 SMART (Specific, Measurable, Attributable, Relevant, and Time-bound) indicators. They should also be directly linked to the Project Development Objectives and the Procurement objectives. This will help ensure that contract delivery is fully aligned with the desired outcome.

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

Contract Management Plan

To effectively manage a contract, it is best practice for the Borrower to develop a contract management plan with KPIs and milestone events. The Borrower should monitor the performance and progress of contracts, in accordance with the Contract Management Plan, and provide timely reports to the Bank.

Normally the contract management plan should at least include:

- Key roles and responsibilities,
- Key contractual dates and delivery milestones,
- KPIs,
- Budget and payment milestones, and
- Recordkeeping requirements.

For more detail on contract management, see guidance at www.worldbank.org/procurement.



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