

An introduction to sustainable procurement in IPF projects for practitioners

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

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Office of the Publisher
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Common Abbreviations and Defined Terms

The below table sets out common abbreviations and defined terms (those starting with capital letters) that are used in this Guidance.

Glossary of Commonly Used Terms

Abbreviation/Term	Full Terminology/Definition
Alternative Procurement Arrangement (APA)	An approved procurement arrangement, typically based on rules, procedures, regulations, or policies of other development banks, agencies, and organizations, including client implementing agencies. APAs can be applied to procurement arrangements under the Bank's Investment Project Financing (IPF) if they meet the Bank's assessed standard.
Applicant	A firm, joint venture, or Consultant that submits an Application in response to an invitation for Prequalification, Initial Selection, or Shortlisting.
Associated Facilities	Facilities or activities that are not funded as part of the project and, in the judgment of the Bank, are: (a) directly and significantly related to the project; and (b) carried out, or planned to be carried out, contemporaneously with the project; and (c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist.
Bank	IBRD and/or IDA (whether acting on its own account or in its capacity as administrator of trust funds provided 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. In this Guidance, 'Bidder' is more broadly used to refer to a firm or joint venture responding to any competitive Bank-financed procurement activity, including a Request for Proposal.
Borrower	A borrower or recipient of Investment Project Financing (IPF) and any other entity involved in the implementation of a project financed by IPF.
Contractor	A business that undertakes a contract to deliver all or a proportion of a project. Can be referred to as a 'Main Contractor' where they are responsible for managing the deliverables of other Contractors. Defined by the International Federation of Consulting Engineers (FIDIC) as 'the person(s) named as contractor in the Letter of Tender accepted by the Employer . . .'
Consultant	A variety of private and 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.

Abbreviation/Term	Full Terminology/Definition
Core Procurement Principles	The Bank's Core Procurement Principles (value for money, economy, integrity, fit for purpose, efficiency, transparency, and fairness) are set out in detail in Section III. C of the Bank Policy: Procurement in IPF and Other Operational Procurement Matters.
ESA	The process of environmental and social assessment as defined in ESS1
ESCP	Environmental and Social Commitment Plan.
Environmental and Social Framework (ESF)	Environmental and Social Framework of the Bank, as may be amended from time to time, which consists of a Vision for Sustainable Development, the World Bank Environmental and Social Policy for Investment Project Financing and the ten Environmental and Social Standards.
Environmental and Social Standards (ESS)	The ten ESSs, contained in the ESF, set requirements to identify, avoid, minimize, reduce or mitigate the adverse environmental and social risks and impacts of investment projects.
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.
Green, Resilient and Inclusive Development (GRID)	The Bank's strategy for responding to global economic and climate impacts by promoting economic growth that goes hand in hand with environmental goals and social inclusion.
IBRD	International Bank for Reconstruction and Development.
IDA	International Development Association.
IISD	International Institute for Sustainable Development.
Initial Selection (IS)	The shortlisting process used prior to inviting Request for Proposals in the procurement of Goods, Works, or Non-consulting Services.
Investment Project Financing (IPF)	The 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	As defined in the Procurement Regulations, Annex X, Evaluation Criteria.
NGO	Non-governmental Organization.
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.
Prequalification	The shortlisting process which can be used prior to inviting Request for Bids in the procurement of Goods, Works, or Non-consulting Services.
Primary Suppliers	Defined in the ESF as 'those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project. Core functions of a project constitute those production and/or service processes essential for a specific project activity without which the project cannot continue.'

Abbreviation/Term	Full Terminology/Definition
Probity Assurance Provider	An independent third party that provides specialist probity services for concurrent monitoring of the procurement process.
Procurement Documents	A generic term used in the Procurement Regulations to cover all Procurement Documents issued by the Borrower. This includes GPN, SPN, EOI, REOI, Prequalification document, Initial Selection document, Request for Bids document, Request for Proposal documents, forms of contracts and any addenda.
Procurement Plan	The Borrower's Procurement Plan for IPF projects, as referred to in the Procurement Regulations, Paragraphs 4.4 and 4.5, and incorporated by reference in the Legal Agreement.
Procurement Process	The process that starts with the identification of a need and continues through planning, preparation of specifications/requirements, budget considerations, selection, and contract.
Project Development Objectives (PDOs)	The 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 will support the PDOs and deliver Value for Money.
RFB	Request for Bids as a selection method.
RFP	Request for Proposals as a selection method.
RFQ	Request for Quotations as a selection method.
Small and Medium-Sized Enterprises (SMEs)	Small and Medium-Sized Enterprises is a term used to classify businesses according to their size, which is typically determined according to staff headcount and/or annual turnover.
Subcontractor	Defined by FIDIC as 'any person (or business) named in the Contract as a subcontractor, or any person appointed by the Contractor as a subcontractor . . . for a part of the Works.'
Supervising Engineer	Defined in the industry standard form contract developed by the International Federation of Consulting Engineers (FIDIC) as the 'Engineer' who is 'appointed by the Employer to act as the Engineer for the purposes of the Contract'
Supplier	Businesses that are contracted to provide physical supplies such as goods, materials, plant, and so on, either directly to the Borrower/Employer or to the Contractor or Subcontractors.
Sustainability	For purposes of this guidance, "sustainability" is used interchangeably with "environmental and social" when referring to an approach that protects or enhances the environmental and social aspects of a project and considers longer-term, qualitative and non-financial benefits, often to wider society.
Sustainable Procurement	Sustainable Procurement refers to the use of procurement to achieve benefits that fall within three sustainable development categories: economic, environmental, and social.
Sustainable Public Procurement (SPP)	Sustainable Procurement activity carried out by public authorities or government agencies / bodies / institutions.

Abbreviation/Term	Full Terminology/Definition
Task Team	The team assembled within the World Bank made up of a collection of number of skillsets/professions and lead by the Task Team Leader with the objective of supporting the Borrower to deliver the project and achieve the Project Development Objectives.
Value for Money (VfM)	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 of non-price attributes and/or lifecycle costs, as appropriate.
Works	A category of procurement that includes new construction of structures of all kinds (buildings, highways, bridges, etc), renovations, extensions, and repairs. This category can also include water and sanitation, transportation and energy-related infrastructure.
World Bank Group	Represents IBRD, IDA, IFC, MIGA, and ICSID.

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Introduction

Defining Sustainable Public Procurement

Sustainable Public Procurement (SPP) is “a process whereby public organizations meet their needs for goods, services, works, and utilities in a way that achieves value for money on a whole lifecycle basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment”.¹

“Sustainable procurement” is often used interchangeably with terms such as “procurement for horizontal policy objectives,” and “green procurement.”² Green procurement is likely to place a more singular focus on environmental considerations, whereas sustainable procurement typically refers to the use of procurement to achieve benefits that fall within three sustainable development categories: economic, environmental and social. There is often significant overlap between these sustainability categories; for example, positive social outcomes may also deliver economic benefits and vice versa. For purposes of this guidance, “Sustainability” is used interchangeably with “Environmental and Social.”

Executive Summary

This non-mandatory Guidance sets out the procurement-related actions that should be taken throughout the World Bank (Bank) project cycle to achieve Environmental & Social (E&S) outcomes in accordance with the Bank’s Environmental and Social Framework (ESF), and support sustainable project implementation. The Guidance provides detailed advice on how to consider and implement SPP within the context of an Investment Project Financing (IPF) initiative. Given the prevalence of Works projects within the Bank’s IPF portfolio, much of the advice in this Guidance is targeted at construction-related contracts—while acknowledging that SPP should be tailored and fit for purpose to the context of the project and the Borrower’s country. In what can be a complex set of topics, the Guidance seeks to explain E&S procurement-related activities linked to the Bank’s project cycle, providing practical advice, tools, and real-world examples of SPP in action, including case studies from Bank-financed projects.

The role of public procurement continues to gain importance as governments increasingly recognized the economic and productivity benefits of using fair and transparent competition to engage the private sector in the delivery of public services.³ A new wave of procurement reforms is sweeping across the world, with a focus on leveraging SPP to deliver E&S benefits. Bank projects have already begun to deliver tangible benefits through SPP, including empowering small and minority-owned

businesses, achieving emissions reductions through the use of innovative technology, and supporting the growth of new green industries.

The Bank's twin goals—to end extreme poverty and promote shared prosperity by supporting Borrowers to achieve development priorities—present further opportunities for public procurement to make a significant contribution. Projects are selected based on their ability to support Borrowers' development objectives, including national development priorities, Green, Resilient and Inclusive Development (GRID), and the Bank's twin goals.

To support effective project implementation, the Bank's Environmental and Social Framework (ESF) establishes 10 standards relating to the assessment and management of environmental and social risks and impacts. This gives Borrowers a clear roadmap for delivering Investment Project Financing (IPF) in a manner consistent with international good practice in governance, transparency, accountability, and sustainability. As most projects involve large procurement components (such as Works and Goods) a great deal of a project's E&S opportunities and risks are managed by project delivery partners—that is, the Contractors, Consultants, and Suppliers that a Borrower country engages to design and/or implement a project. If project partners are not made aware of relevant E&S opportunities and risks or held accountable for managing them, projects may fall short of the expected ESF standards, which could cause harm and might reverse some of the project's development objectives.

In addition to its importance in achieving the standards set out in the ESF, SPP also gives Borrowers the opportunity to use procurement to proactively generate social, environmental, and economic benefits. Procurement practitioners play a critical role in bringing these various objectives to fruition in the implementation of Bank-financed projects.

Borrower and Bank procurement practitioners cannot meet these expectations on their own, particularly given the large number of E&S issues and priorities that need to be considered in any IPF project.⁴ Responsibility for identifying, quantifying, and assigning E&S risks sits across technical, E&S, and project leadership roles, which requires concerted effort throughout the project cycle. For procurement, there is typically a great deal of focus on the bidding process. However, some of the greatest opportunities for procurement to influence project outcomes come on either side of the bidding process, both at the concept stage and then much later, once contracts are signed and project partners are mobilizing to implement and deliver the project.

Outside of Bank-financed projects, many client countries look for opportunities to increase SPP within government-funded projects—for example, for job creation, development of new/renewable industries, and so on. The various mechanisms that countries use to govern their procurement systems, such as laws and policies, framework agreements, capacity building programs, and technology, all have an important role to play as enablers for SPP. To create an environment where SPP can be mainstreamed, some Borrowers may need to implement a broad and ambitious reform program.

At the inception of an IPF project, the Identification/Concept stage represents a significant opportunity to influence the scope, objectives, and approach of the project, as well as to consider alternatives to the proposed project, in order to deliver sustainable outcomes. To effectively contribute to the

development of a robust project concept, both the Procurement Specialist and E&S Specialist should collaborate to gain an understanding of each other's perspectives on key risks and issues.

The Project Preparation (Appraisal) stage represents a significant procurement milestone for the Borrower, which is the development of the Project Procurement Strategy for Development (PPSD) and the Procurement Plan. The PSD details the procurement planning and analysis carried out by the Borrower, culminating in a recommended procurement approach. Once again, strong collaboration between Procurement Specialists and E&S Specialists is required to ensure the analysis places adequate weight on the project's environmental and social risks and benefits when designing appropriate mitigations. Failing to do so may dramatically reduce the likelihood of achieving sustainable outcomes.

At the Implementation stage, the Procurement Plan is put into action by the Borrower, which means delivering each of the contracts required to implement the Project. The Bank has taken steps to embed many generic E&S procurement-related measures in Standard Procurement Documents (SPDs), such as child labor, pay, cultural heritage, and so on. However, these generic clauses may not always account for project-specific E&S risks and opportunities, which need to be integrated into the specification/works requirements in the SPD. It is also unlikely that sufficient E&S-related clauses or requirements are included in a Borrower's own national bidding documents, which will be the case for the significant number of procurements that fall below national thresholds for internationally competitive procurement. This will require Procurement Specialists and E&S Specialists to work together on specific elements of the bidding documents.

The evaluation methodology used to assess the submitted bids also requires careful consideration, since tools such as rated criteria (non-price factors) give Borrowers an opportunity to award to Contractors who offer the best sustainability, quality, and value overall. SPDs also present Borrowers with further tools for holding Contractors accountable for sustainability matters, including use of Key Performance Indicators (KPIs), a code of conduct for workers, and costing methodologies that allow E&S overheads to be kept separate from other contract deliverables. All of the Bank's procurement-related tools that support E&S opportunities and risk mitigation are explained in this Guidance, and links are provided as needed.

Purpose

This Guidance is written for Bank staff and Borrowers responsible for implementing Bank IPF initiatives. It provides a substantial update to the Bank's previous Guidance document on Sustainable Procurement. Since that document was originally developed in 2016, the Bank has launched the ESF, which is a set of mandatory standards designed, among other things, to support Borrowers' E&S risk management. The Bank has also launched a number of initiatives, such as GRID, and the commitment to align all Bank operations with the Paris Agreement⁵ starting from July 2023. The Guidance also considers a number of areas that go beyond Bank policy but represent good practice or align with international trends.

Procurement has a significant role to play in achieving all of these objectives, which will involve incorporating new considerations into the procurement process and adopting new methodologies.

This Guide is intended to illustrate how this can be achieved, and to give Task Teams and Borrowers the knowledge and tools to implement the required changes.

The Guidance also provides a general overview of SPP, with a particular focus on implementing SPP practices as part of IPF operations, while also referencing good practice internationally. This Guidance is applicable to IPF⁶ projects and does not extend to Program for Results financing or other alternate Bank finance instruments.

How to Use this Guidance

This Guidance provides an overview of how Bank staff can support Borrowers to undertake SPP and deliver environmental and social objectives through contracts under Bank IPF projects. The Bank does intend to provide targeted advice to Borrowers and Contractors at a later date.

The Guidance includes a number of features to help users to efficiently navigate the content, for example:

- Each chapter includes an Overview section, which summarizes key points for those who do not need to learn all of the detail.
- The ESF is used as the applicable environmental and social standard throughout this Guidance.⁷ Users who wish to identify further sustainability opportunities beyond the ESF will find examples of leading practice throughout the document.
- The Guidance seeks to explain the link between the ESF and the Bank's Procurement Framework in the context of IPF operations, and as a result the Guidance is structured chronologically to align with the Bank's project phases.
- Additional "deep dives" are included to provide specific information on how certain environmental or social topics (for example, climate mitigation or child labor) are addressed at each stage of the project, so that users can clearly see the "cascade" of requirements from the ESF to technical requirements in procurement documents.
- The Guidance summarizes related concepts and provides links to relevant documents for further reading (for example, links will be provided to Bank Guidance on "Contract Management: Practice" for additional detail on the management of environmental and social risks during the contract management phase).
- Case study summaries are provided throughout the document, so users may learn from SPP principles being put into practice.
- A Learning Checklist has been provided at the end of most sections, to allow users to carry out a brief self-assessment and ensure they have grasped the section's key topics.
- A number of tools and templates have been provided throughout, to save users time by allowing them to directly implement some of the Guidance's key concepts.

Additional information is presented in a number of boxes; for example:

A green box indicates a case study providing an example of sustainable procurement in practice.

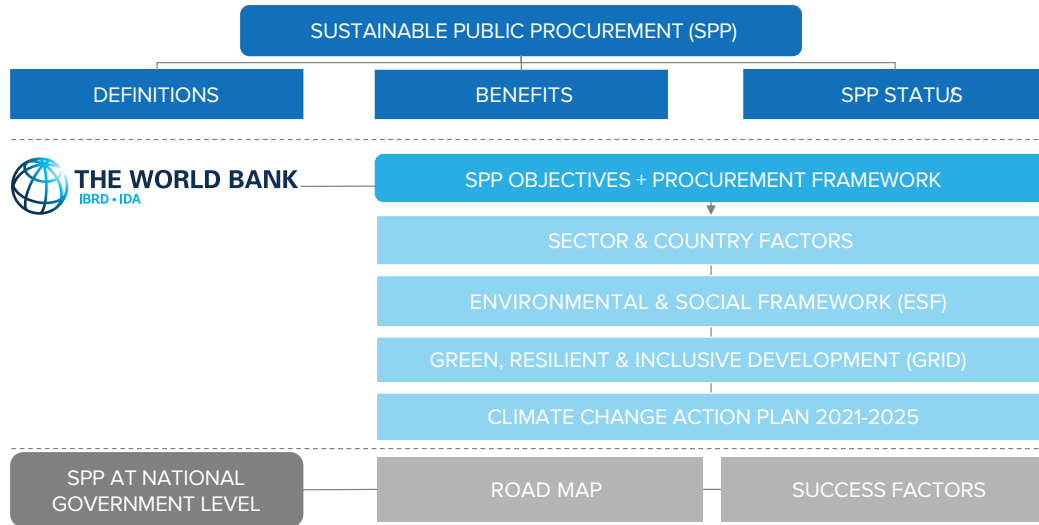
A gray box describes a scenario commonly found in World Bank projects and suggests an appropriate response.

Tip boxes containing additional resources or advice are set out in blue.

The terms “project,” “procurement,” and “contract” will be used throughout the Guidance to describe different Bank activities where SPP may take place. They can be distinguished as follows:

- **Project:** The provision of IPF by the Bank to help the Borrower achieve a set of development objectives from the delivery of a physical asset, a package of reforms, an improvement program, or other enablers. The delivery of the project may require the engagement of one or more Contractors, Consultants or Suppliers. The Bank’s project process follows a common cycle (set out below in The World Bank Project Cycle).
- **Procurement:** The process followed by Borrowers to engage a Contractor, Consultant or Supplier in accordance with the Procurement Regulations to support achievement of the project’s objectives. The procurement strategy for an entire project, detailing the different procurement processes that will need to be delivered, is set out in the Project Procurement Strategy for Development.
- **Contract:** A legal agreement between the Borrower and the Contractor/Consultant/Supplier that results from the procurement process and details the terms under which the goods, services, or works will be delivered.

The following diagram provides an overview of the structure of this Guidance, to help users to navigate the various sections



THE WORLD BANK **SPP IN THE PROJECT**



THE WORLD BANK **SPP & OPERATIONS**



ANNEX 1: ECO/ SOCIAL LABELS

ANNEX 3: SAMPLE ToR FOR PROJECT SUPERVISING ENGINEER

Overview of Sustainable Public Procurement

Background of SPP

Public procurement⁸ makes up a significant proportion of economic activity globally, at an average of 13% of GDP in low-income countries and 13.2% in middle-income countries.⁹ This proportion can be significantly higher in some countries (for example, 28% in Botswana and 26% in Kenya). The scale of this spending means public procurement is increasingly being recognized as a critical tool, not only for achieving its primary purpose of acquiring goods and services to support the delivery of public services, but also for delivering other important policy objectives.

Although in some environments procurement is still seen as a transactional and administrative activity, many policy makers have identified procurement as a powerful mechanism for achieving policy objectives because:

- Unlike business regulation and economic policy, public procurement provides more of a direct connection between government and the private sector, and the opportunity to win often large or long-term contracts can act as an incentive for businesses to adopt new practices.
- Government projects, particularly in “social infrastructure” (for example, schools, hospitals, and other community spaces), can multiply the benefits of investment by creating local jobs and supporting local businesses, as well as delivering social and environmental benefits.
- Private sector businesses deliver critical services to government, including, for example, managing the delivery and maintenance of critical infrastructure, which means the success of the procurement process will be a key factor in determining the success of the project.

The Evolution of SPP

The history of SPP shows significant recent developments and a growth in popularity. One of the first notable approaches to SPP, entitled “Procuring the Future,” was published in 2006 by the UK Government’s Sustainable Procurement Task Force. This document introduced a systematic approach to Sustainable Procurement. On the international stage, the United Nations Environment Programme (UNEP) established the Marrakech Task Force on Sustainable Public Procurement. Led by Switzerland from 2006 to May 2011, it developed an approach for the effective implementation of SPP that was piloted in a number of countries around the world.¹⁰

The first edition of UNEP’s “Sustainable Public Procurement Implementation Guidelines,”¹¹ published in 2012, emphasized the need for countries to assess the current status of SPP and begin training practitioners on basic principles to apply within individual procurements. In the 10 years that followed, the importance of SPP grew to a point where procurement is now routinely applied by governments as a tool for achieving economic, social, and environmental benefits, and in an increasingly targeted way.

A UN survey of 45 national governments showed that around half (47%) have made SPP policy commitments that cover both environmental and socioeconomic issues,¹² while the other half (47%) had instituted policies focused purely on the environmental dimension. All 27 respondents to an Organization for Economic Co-operation and Development (OECD) survey¹³ use procurement to achieve at least one sustainability objective at a national level. All respondents reported having a framework to support environmental objectives in public procurement, 70% have a framework for human rights, 41% have a framework for gender considerations, and 48% target some form of discrimination.¹⁴

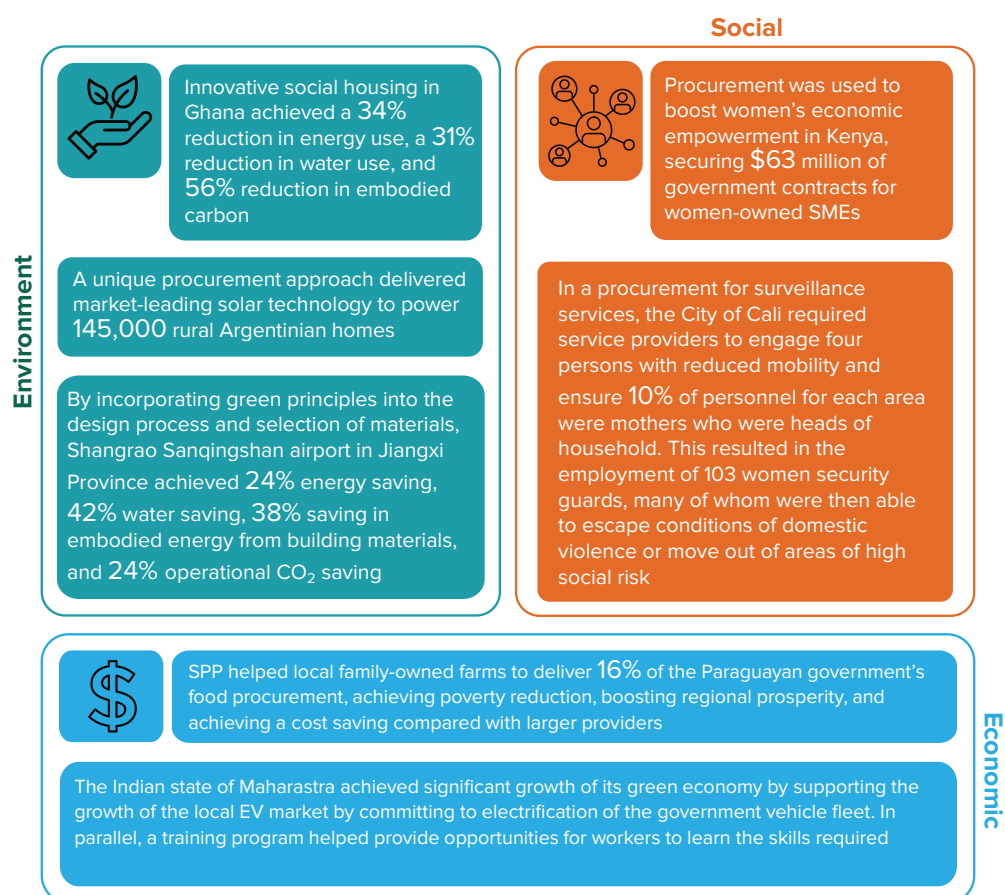
The COVID-19 pandemic highlighted the importance of public procurement in general and has since continued to present significant challenges related to supply chain management. The global supply disruptions that emerged in various sectors during the pandemic has increased pressure and public scrutiny, forcing governments to rethink global supply routes in search of more resilient and sustainable ways to deliver public services such as health care and infrastructure, while also maintaining access to essential supplies such as food and fuel.

Risks and Perceptions of SPP

Mitigation of corruption risk is the primary focus of procurement regulations and policies in many countries, in order to minimize the misallocation and waste of public funds.¹⁵ SPP is perceived as increasing corruption risk in procurement,¹⁶ as it often involves more subjective requirements, costing, and evaluation methodologies. Other criticisms of SPP include challenges in measuring and monitoring benefits, and a perception that it involves a cost premium. To combat these perceptions, national governments often use examples of the benefits and outcomes that procurement has helped to deliver in support of local economic, social, and environmental objectives.

Benefits of SPP

SPP can deliver a range of benefits, directly and indirectly, across the traditional categories of economic, social, and environmental, as identified by the Sustainable Purchasing Leadership Council.¹⁷ While a number of direct benefits may be measured effectively, the broader benefits of SPP can be more challenging to quantify. There is often overlap of benefits between categories; for example, some social and environmental approaches may also yield unexpected economic benefits. Figure 1 highlights achievements from the application of SPP in both World Bank and government-funded projects’ around the world.

FIGURE 1 Illustrative benefits of SPP

SPP at the World Bank

The Bank's goals are to end extreme poverty and promote shared prosperity through sustainable development.¹⁸ The Bank has established several policies and initiatives (such as ESF and GRID) that provide a framework to help align project decision-making to the Bank's goals. SPP can support these aims by ensuring that private sector organizations (Bidders) that participate in procurement processes for IPF projects are explicitly incentivized and directed to consider how development objectives can be achieved and E&S risks can be managed in the course of implementing a project.

In most jurisdictions, adopting SPP practices involves modifying the procurement process in order to incorporate additional economic, social, or environmental objectives. These additional objectives may be a combination of national priorities (for example, promotion of Small and Medium-Sized Enterprises (SMEs), or reduction of carbon and waste) and project objectives (for example, community engagement, creation of local job opportunities).

FIGURE 2 Connection between national-level and project-level development objectives, risks, and opportunities



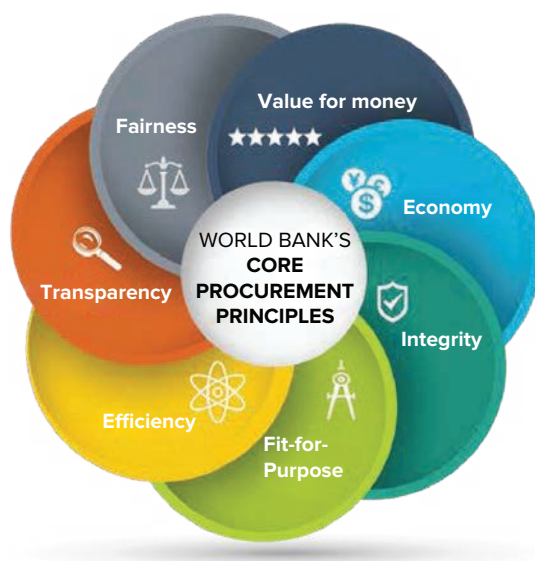
As illustrated in Figure 2, SPP at the Bank also requires procurement to consider how to incorporate different E&S considerations at different stages of a project to align with Bank priorities and lending policies:

- The Environmental and Social Framework (ESF) is the Bank's framework for management of environmental and social (E&S) risks and impacts of IPF projects;
- Green, Resilient, and Inclusive Development (GRID) departs from previous development strategies by promoting economic growth that goes hand in hand with environmental goals and social inclusion, ensuring that economic growth happens in parallel with the transition to a low-carbon, resilient economy; and
- The Bank and Borrowers agree upon national-level priorities in documents such as the Country Partnership Framework (CPF), which then serve to guide the investment pipeline and ensure projects help to achieve national development priorities.

SPP within the Bank's Procurement Framework

The Bank's Core Procurement Principles (illustrated in Figure 3) are set out in the Bank Policy on procurement.¹⁹ They are fundamental to good procurement practice and provide the foundation for SPP practice within the Bank's Procurement Framework.²⁰ For example, one of the Bank's core principles, Value for Money (VfM), has a broad definition that includes a strong theme of sustainability:

*"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 of non-price attributes and/or life cycle costs, as appropriate."*²¹

FIGURE 3 Core Procurement Principles

Operations procurement activity is governed by different mechanisms, including the Procurement Regulations, the Procurement Directive and Procurement Procedure, all of which make up the Procurement Framework. IPF Projects that were approved after July 1, 2016 are governed principally by the [Procurement Regulations](#). More information on the Framework can be found [here](#).

Tailoring SPP to the Project Operating Context and Sector

Understanding Risks and Opportunities within a Specific Industry Sector or Project Context

The Bank has a diverse portfolio of IPF projects, with the majority of Bank financing typically occurring in the following sectors:

- Agriculture
- Education
- Energy and extractives
- Health
- Information and communications
- Social protection
- Transportation

- Urban development
- Water, sanitation and waste

The extent to which projects across these sectors will prioritize sustainability is likely to vary, given the array of development objectives that IPF projects pursue. Projects in the agriculture, energy/extractives, social protection, transportation, and water sectors often have the mitigation of environmental or social risks as their core objectives. Many projects include sustainability-related Project Development Objectives (PDOs)—for example, an agricultural strengthening project may have sustainability of water irrigation resources as a key aim. There are also environmental remediation projects that support investments to clean up areas contaminated by resource-intensive industries.

Different sectors involve different sustainability risks and opportunities given the nature of competition in the market, the inherent scale and severity of environmental impact, supply chain complexity, local and national laws and controls, and availability of standards and evaluation techniques in the sector. Supply chains typically originate with the mining or harvesting of some form of raw material. The processes to refine or enhance those raw materials can present different social or environmental risks, depending on the nature of the physical labor involved, the natural environment, the energy or water required, the geographic location and a number of other factors.²² Additionally, some supply chains may be harder to determine and monitor due to the number of firms involved, and their maturity to transparently and accurately record or monitor activity, making it difficult to ascertain if environmental and social standards are being met.

Owing to the complexity and global nature of modern supply chains, even sectors that, on face value, do not appear resource intensive, in fact, after deeper investigation be found to present considerable environmental or social impacts. The information and communications technology (ICT) industry, for example, could use 20% of all electricity produced by 2025, and emit up to 5.5% of the world's carbon emissions.²³ Given that environmental and social risks present themselves in all significant industries and sectors, procurement can consider how to pursue sustainability benefits from all types of investment projects.

Environmental and social risks and impacts are most effectively avoided and minimized through sustainable project design and supply choices, where it is technically and financially feasible. Doing so requires early identification of the key environmental and social risks and impacts related to the proposed investment, so that key design and supply considerations can be incorporated into the procurement process where appropriate. While there are ways to add in additional sustainable considerations or manage unanticipated impacts once project implementation begins and contracts are signed, this typically leads to delays, increased costs, and occasionally legal complications.

Procurement practitioners will be more effective in identifying risks when they are equipped with some knowledge of the relevant sector, including what to look out for when procuring certain products or within certain sectors or regions. The chances of success in SPP are increased where the most significant risks can be anticipated and planned for. Where avoiding and minimizing risks is not feasible, procurement can leverage the knowledge and expertise of the market to identify and implement the most effective measures, from a technical and cost perspective, to mitigate environmental and social impacts. Alternatively, procurement can promote existing sustainability standards and best

practices, such as those used to certify energy efficiency in buildings or materials that are created using sustainable manufacturing processes.

Table 1 shows how four different environmental and social risks are more likely to arise in certain sectors. By conducting this type of sector-level analysis, Bank and Borrower procurement staff will be able to make more informed predictions about the risks that are likely to arise in each project.

TABLE 1 Alignment between sustainability risk factors and sectors or industries

Category	Environmental Risks		Social Risks	
	Risks in Transition to Net Zero	Most Significant Polluters	Forced Labor	Occupational Health & Safety (OHS)
<i>Description</i>	To reach a fully decarbonized economy, countries are planning actions to reduce emissions from the 'harder-to-abate' sectors such as heavy industry and transport, which currently account for 10Gt (30%) of total global CO2 emissions. That proportion is expected to increase as other sectors decarbonize.	There are five main types of pollution troubling our planet: air, water, soil, light, and noise. Although all of these are harmful, air pollution and water pollution pose the biggest threat, with air pollution contributing close to 8.7 million deaths globally and water pollution contributing to 1.5 million children's deaths and the poisoning of our waterways and sea life. Data has been used to understand which industries were the biggest contributors to these two types of pollution.	Of the 24.9 million global victims of forced labor, 16 million were in the private economy, 4.8 million were in forced sexual exploitation, and 4.1 million were in forced labor imposed by state authorities. The below data relates to forced labor exploitation imposed by private actors other than for commercial sexual exploitation.	The European Union collates data on fatal accidents at work across member countries by sector.
<i>Sectors</i>	<ul style="list-style-type: none"> ■ Cement ■ Steel ■ Plastics ■ Heavy Road Transport ■ Shipping ■ Aviation 	<ul style="list-style-type: none"> ■ Energy ■ Transport ■ Manufacturing and construction ■ Agriculture ■ Food retail ■ Fashion ■ Technology 	<ul style="list-style-type: none"> ■ Domestic work (24%) ■ Construction (18%) ■ Manufacturing (15%) ■ Agriculture, forestry, and fishing (11%) 	<ul style="list-style-type: none"> ■ Construction (22%) ■ Transportation and storage (15%) ■ Manufacturing (15%) ■ Agriculture, forestry, and fishing (12%)
<i>Source</i>	Mission Possible Report , the Energy Transitions Committee	Amalgamated from various data sources by The Eco Experts	Global Estimates of Modern Slavery , International Labour Office (2017)	Eurostat , European Union (2019)

SPP in States Experiencing Fragility, Conflict, and Violence (FCV) or Specific Vulnerabilities (Including Small States)

Key to delivering SPP is a fit-for-purpose procurement approach, which is particularly important in FCV situations. It is important to ensure that the amount of resource expended on assessment and analysis of risks and development of an SPP strategy²⁴ is proportionate to the size, nature, and complexity of the procurement, accounting for contextual factors such as the maturity and stability of a particular market. This can vary enormously by country and by sector, particularly for Borrowers that are operating under capacity constraints because of fragility or specific vulnerabilities (including small states).

SPP in FCV and/or small states can be particularly challenging. The context in which they operate, including fiscal constraints (in the case of small states) and ongoing threats to human life and infrastructure (in the case of FCV states), poses additional challenges for managing the environmental and social aspects of a project. This is exacerbated by limited supply market capacity to respond to these challenges, given the likely difficulties that Borrowers will face trying to attract Bidders to participate.

Despite these challenges, it is recognized that FCV and/or small state projects are often in great need of sustainable solutions. In 2012, the International Institute for Sustainable Development (IISD) claimed that even though public institutional processes and capacities might be weak, and the development of the private sector still in its infancy in such countries, adopting an SPP approach could increase awareness and appreciation for environmental stewardship and social cohesion. The most compelling rationale for fragile states to invest in SPP is that it provides a cost-effective way of building local industrial capacity to trigger the growth of domestic industries and entrepreneurs and to increase domestic investment.²⁵

FCV and small state countries can also seek additional support in delivering SPP. For example, a Borrower with limited procurement expertise and experience in relation to the risks and complexity of the project may ask the Bank to provide Hands-On Expanded Implementation Support (HEIS).²⁶ HEIS may include, among other activities:

- Drafting Procurement Documents,
- Identifying strengths and weaknesses of Bids/Proposals,
- Observing dialogues and negotiations with Bidders/Consultants, and
- Drafting procurement reports and contract award documentation.²⁷

The World Bank Environmental and Social Framework (ESF)

Introduction to the ESF

The ESF applies to all Investment Project Financing (IPF) projects with Concept Decision on or after October 1, 2018.²⁸ The ESF reflects the Bank's commitment to sustainable development through 10 Environmental and Social Standards (ESSs), which can also support Borrowers to progressively achieve their own sustainability goals.

The ESSs set the standard for managing IPF project risks and impacts²⁹ in areas such as labor, non-discrimination, climate change mitigation and adaptation, biodiversity, community health and safety, and stakeholder engagement. The ESF emphasizes a risk-based approach, which means that resources are allocated to activities such as impact assessments and project management in a manner that is proportionate to the level of risk.

The ESF also emphasizes the use of adaptive management practices, in which risk mitigation measures are responsive to unanticipated changes in project conditions and obstacles to the achievement of project objectives. This can be demonstrated through the mitigation hierarchy³⁰, which reflects good international practice by structuring mitigation measures as follows (in order of priority):

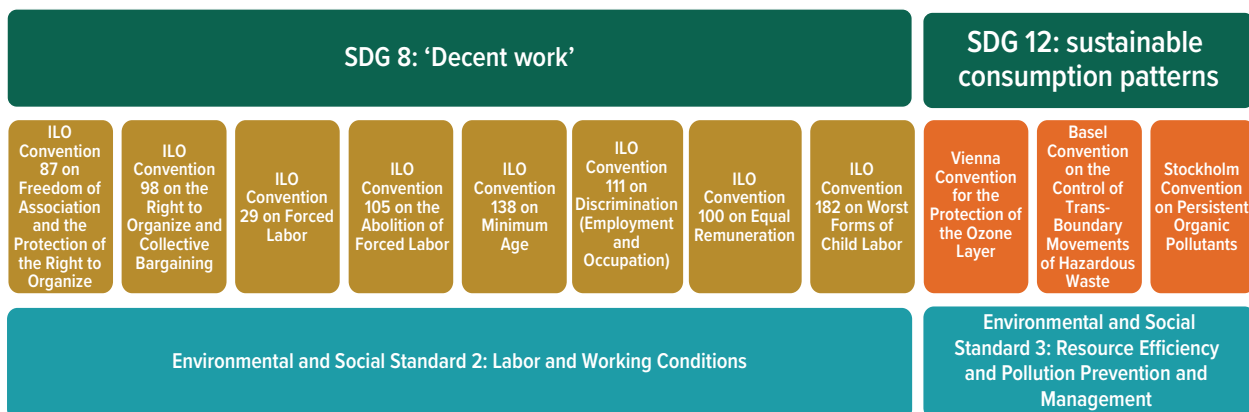
- Anticipate and avoid risks and impacts;
- Where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels;
- Once risks and impacts have been minimized or reduced, mitigate; and
- Where significant residual impacts remain, compensate or offset, where technically and financially feasible.

For some Borrower countries, elements of their legislative frameworks will be consistent with the ESF, covering issues such as pollution control, community health and safety, labor, and biodiversity. Many countries have also ratified international conventions on matters such as labor³¹ and the environment,³² meaning that their legal and policy frameworks may be largely aligned with the ESSs. This leads Task Teams to take the important step of identifying the measures that Borrower countries already have in place for managing the environmental and social aspects of a project. Mitigation measures are incorporated into project documents, particularly the project's Legal Agreement, the Environmental and Social Commitment Plan (ESCP) and documents to which they refer. This assures the Bank that standards are in place to adequately manage the project's risks.

The 10 ESSs of the ESF bring together the principles and objectives established in the United Nation's Sustainable Development Goals (SDGs)³³ with international conventions and other relevant good

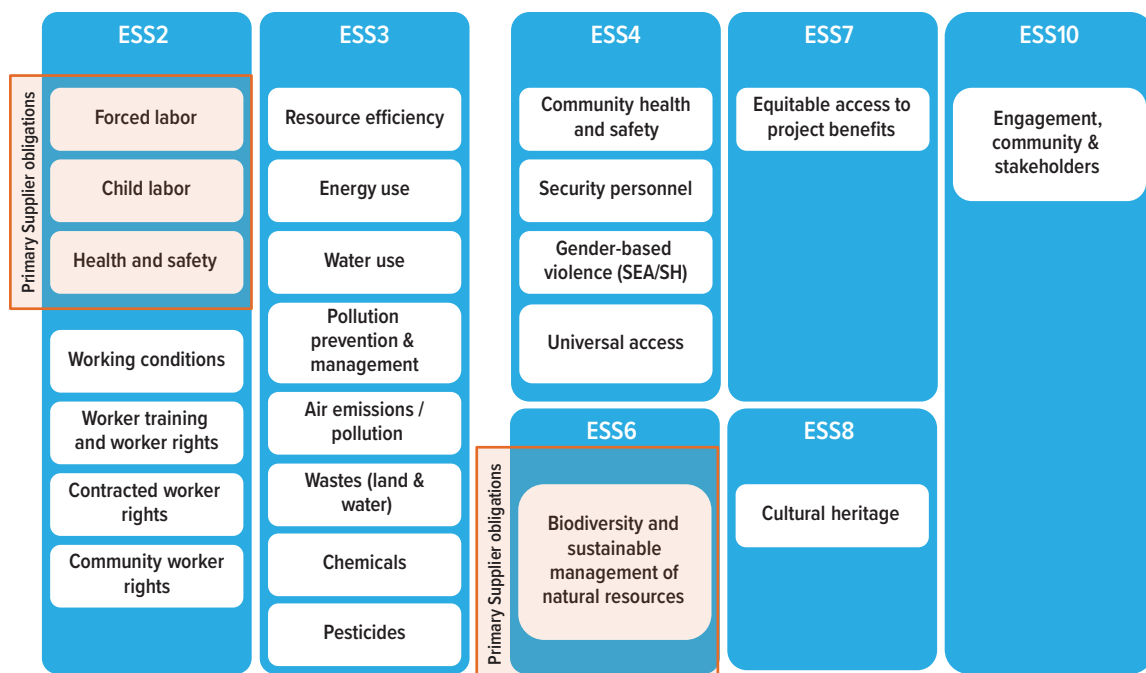
international practice. As illustrated in Figure 4, this means there is clear alignment between the SDGs, international conventions, and the ESSs.

FIGURE 4 Example of alignment between SDGs, international conventions and ESF standards



The impact and likelihood of different E&S issues will vary according to the sector, geography, or broader political and cultural context in which the project is delivered. Some of these issues will be more relevant for procurement than others, such as those that apply to the actions of Contractors/Consultants/Suppliers. Figure 5 provides an overview of the E&S issues that are relevant to procurement, and how they are grouped into the 10 ESSs.

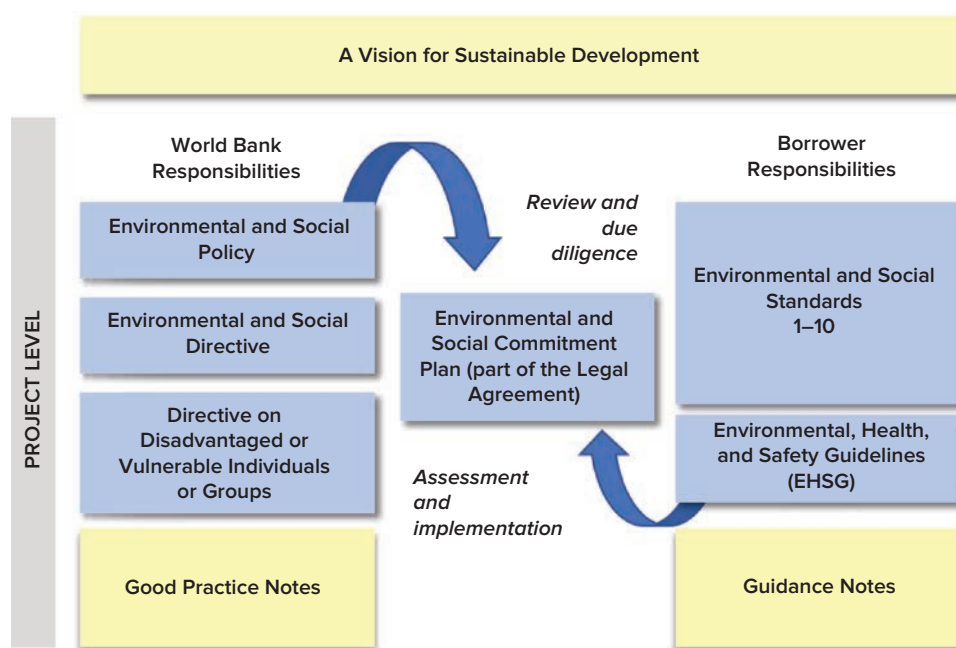
FIGURE 5 ESF issues that cascade to Contractors



*Note: ESS5 covers land acquisition and use and as a result, is not pertinent to procurement

Under the Legal Agreement for an IPF project, the Borrower has an obligation to adhere to the ESSs throughout the project. The Bank and the Borrower will also agree on an Environmental and Social Commitment Plan (ESCP), which sets out the material measures and actions that the Borrower is required to implement for the project to meet the ESSs over a specified timeframe. Figure 6 shows how the ESCP, which forms part of the Legal Agreement,³⁴ reflects the actions the Borrower is committed to perform in order to meet the ESSs.

FIGURE 6 Responsibilities in relation to implementation of the ESF at the project level



Scope of ESF Application

All IPF projects are required to comply with the Procurement Framework³⁵ and the ESSs. However, the ESF also applies to some IPF Bank-financed projects that are not required to adhere to the Procurement Framework; for example:

- Where loans are given to Financial Intermediaries (FIs), such as banks and other national financial institutions, to administer to private borrowers;
- Where the Bank provides a Bank Guarantee (instead of a loan) to underwrite another institution's funding; and
- In relation to Associated Facilities as they are not funded as part of the project.

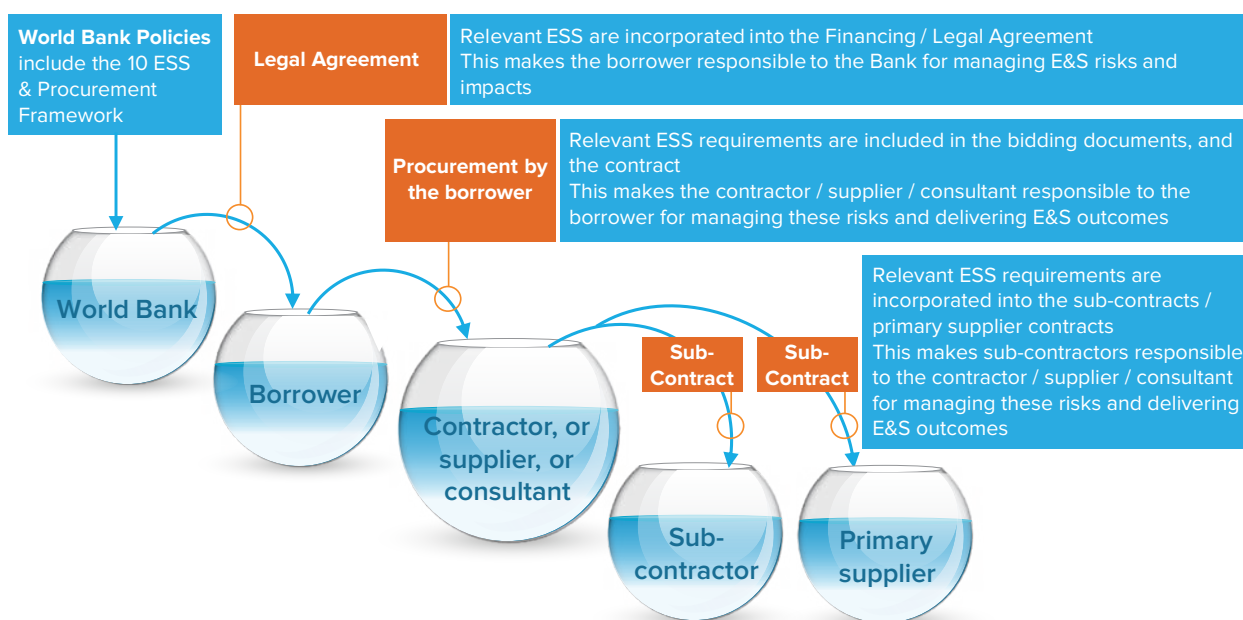
Cascade of the ESF to Contractors, Subcontractors and Primary Suppliers

The ESF recognizes that even though the Borrower is accountable to the Bank under the Legal Agreement for complying with the ESSs while implementing the project, it is likely that the Borrower's

Contractor(s) will undertake most of the activities required to implement the project. This is why procurement is so critical to the successful management of the project's E&S risks. Effective project implementation involves a great deal of coordination between the Borrower, Contractor(s), Consultants, and Suppliers, some of whom may be based outside of the country where the project is located. Obligations related to E&S issues in each party's contracts will need to be carefully designed so that they are clear and aligned with each other.

Under an SPD for works, the Borrower engages a single [main] Contractor or multiple lead Contractors, who then subcontracts activities to other Contractors, Consultants or Suppliers, who in turn may also subcontract to other parties, creating a supply chain. The [main] Contractor in a Works contract is singly responsible for all the actions of their Subcontractors and other parties within their supply chain. Figure 7 demonstrates how the actions needed to meet the ESSs cascade from the Borrower to the Borrower's Contractors, Subcontractors, and Suppliers so that each party has an appropriate level of accountability for managing the project's E&S risks and impacts.

FIGURE 7 Cascading the ESF



Successfully achieving this cascade of accountability requires the Borrower to establish arrangements to ensure that the Contractor and their supply chain partners comply with the ESSs when delivering the project. Contractors engaged by the Borrower are considered to be under the Borrower's direct control.³⁶ As such, the Borrower is accountable to the Bank for the environmental and social issues that arise in the project, even if the Contractor is responsible for the day-to-day management of many of these issues.

In some projects, there may be significant sustainability risks in the supply chains of the goods or materials procured by the project. These risks may exist deep in the supply chain, several contractual

steps away from the Borrower. The complexity and geographic dispersion of modern supply chains can make it difficult for a Borrower to identify and manage all sustainability risks in the supply chain.³⁷ Both ESS2 and ESS6 have provisions applicable to Primary Suppliers, who are defined as:

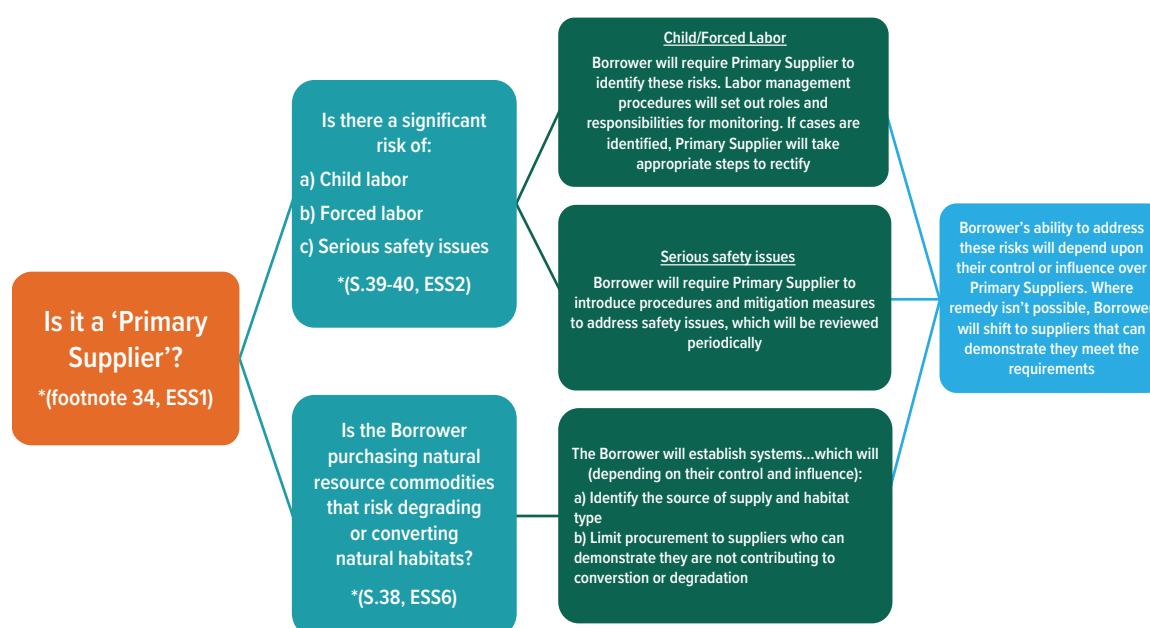
- “[T]hose suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core³⁸ functions of the project”.³⁹

In summary, ESS2 and ESS6 require the Borrower to manage four aspects related to Primary Suppliers, namely that Primary Suppliers to a project do not:

- Employ or engage child labor (ESS2, paragraphs 40, 42);
- Employ or engage forced labor (ESS2 paragraphs 40, 42);
- Cause significant conversion or significant degradation of natural or critical habitats when supplying goods or materials to the project (ESS6 paragraphs 38, 40);
- Operate in conditions that give rise to serious safety issues (ESS2 paragraphs 40, 41).

Borrowers should consider these issues in relation to Primary Suppliers during the environmental and social assessment and develop appropriate risk mitigation measures. The ESF prescribes a set of actions for identifying and remedying breaches of ESS2 and ESS6 by Primary Suppliers, as demonstrated in Figure 8; though ESS2 and ESS6 also recognizes that the Borrower’s ability to fully address these issues depends on their level of control or influence over its Primary Suppliers (see ESS2 paragraph 42; ESS6 paragraph 40).

FIGURE 8 ESF steps for identifying and remedying breaches of ESS2 and ESS6 by Primary Suppliers



The Bank's SPDs for **Works projects** do not use the term "Primary Suppliers," as they are based on a construction industry standard contract developed by the International Federation of Consulting Engineers (FIDIC), and therefore use the same terminology as the FIDIC standard contracts:

- **Employer:** the role played by the Project Implementation Unit (PIU) of the Borrower (also known as the purchaser, owner or client) who employs the "Contractor" to physically carry out the project Works;
- **Contractor:** the person(s) named as the Contractor in the letter of tender. Also often referred to as the "Main" or "Prime" Contractor, to signify that they are contractually responsible to the Borrower for implementing the project, depending on the procurement approach that is being used (more complex delivery models such as a PPP may place accountability on a collection of entities). The ESF states that "Contractors retained by or acting on behalf of the Borrower or an implementing agency are considered to be under the direct control of the Borrower," which means that the Borrower is held responsible to the Bank for any failure by the Contractor to meet the ESSs.
- **Subcontractor:** any person named in the contract as a Subcontractor, or any person appointed by the Contractor as Subcontractor. These organizations take a lead role in delivering the project, and under the FIDIC contract, are bound to comply with all of the Contractor's obligations in relation to the subcontracted works and are therefore required to meet the ESSs.
- **Suppliers (other than subcontractors):** this term is used in the Bank's SPDs to refer to organizations that are not named as Subcontractors, that may have a contractual relationship with either the Contractor or a Subcontractor, and that meet the above definition of "Primary Supplier." The organizations that source or manufacture goods and materials for the project may or may not operate on or near the site and may even be located in a different country from the one in which the project is located.

The Bank's SPDs have incorporated contract clauses that are applicable to "*Suppliers (other than subcontractors)*," reflecting the requirements on Primary Suppliers under ESS2 and ESS6. Table 2 summarizes the relevant clauses in the Works SPD⁴⁰:

TABLE 2 SPD contract clause wording to address Primary Supplier risks

Primary Supplier Issue	Extract of SPD Clause Wording
Child labor	<i>"The Contractor shall take measures to require its suppliers (other than Subcontractors) not to employ or engage child labour⁴¹. . . . If child labour cases are identified, the Contractor shall take measures to require the suppliers to take appropriate steps to remedy them. Where the Supplier does not remedy the situation, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to manage such risks."</i>
Forced labor	<i>"The Contractor shall take measures to require its suppliers (other than Subcontractors) not to employ or engage forced labour including trafficked persons. . . . If forced labour/trafficking cases are identified, the Contractor shall take measures to require the suppliers to take appropriate steps to remedy them. Where the Supplier does not remedy the situation, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to manage such risks."</i>

TABLE 2 SPD contract clause wording to address Primary Supplier risks (*continued*)

Primary Supplier Issue	Extract of SPD Clause Wording
Serious safety issues	<i>“The Contractor shall also take measures to require its suppliers (other than Subcontractors) to adopt procedures and mitigation measures adequate to address safety issues related to their personnel. If serious safety issues are identified, the Contractor shall take measures to require the suppliers to take appropriate steps to remedy them. Where the Supplier does not remedy the situation, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to manage such risks.”</i>
Degradation of natural resources and habitats	<p><i>“The Contractor shall obtain natural resource materials from suppliers that can demonstrate, through compliance with the applicable verification and/or certification requirements, that obtaining such materials is not contributing to the risk of significant conversion or significant degradation of natural or critical habitats such as unsustainably harvested wood products, gravel or sand extraction from river beds or beaches.”</i></p> <p><i>“If a Supplier cannot continue to demonstrate that obtaining such materials is not contributing to the risk of significant conversion or significant degradation of natural or critical habitats, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to demonstrate that they are not significantly adversely impacting the habitats.”</i></p>

Borrowers can consider whether the above clauses would need to be supplemented by additional provisions to include specific risk mitigation measures and monitoring arrangements related to Primary Suppliers, as identified through the environmental and social risk assessment. These additional provisions should be proportionate to the value, complexity, and risk level of the project,⁴² and cognizant of the degree of control or influence that the Borrower has over its Primary Suppliers. Where remedy is not possible, the Borrower should work with the Contractor to shift to suppliers that are able to demonstrate compliance with these requirements.⁴³

Associated Facilities

Projects may involve Associated Facilities, which are defined in the Environmental and Social Policy as facilities or activities:

that are not funded as part of the project and, in the judgement of the Bank, are

(a) directly and significantly related to the project; and

(b) carried out, or planned to be carried out, contemporaneously with the project; and

(c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist (ESS1 paragraph 11).

The Borrower is required to address the risks and impacts of Associated Facilities as required by the ESF “*in a manner proportionate to its control or influence over such Associated Facilities*” (ESS1 paragraphs 10, 32). Facilities that are associated with the project, such as a construction material processing site, or a manufacturing facility to produce goods and materials for the project, should be screened to see if they would be considered as “Associated Facilities.”

Since Associated Facilities are not funded as part of the project, they are not subject to the Procurement Regulations. Borrowers can still choose to use E&S clauses from Bank SPDs to manage relevant risks related to Associated Facilities. Task Teams can also help Borrowers to design procurement processes that identify reputable Contractors with the capacity to manage relevant E&S risks and include appropriate E&S provisions in bidding documents.

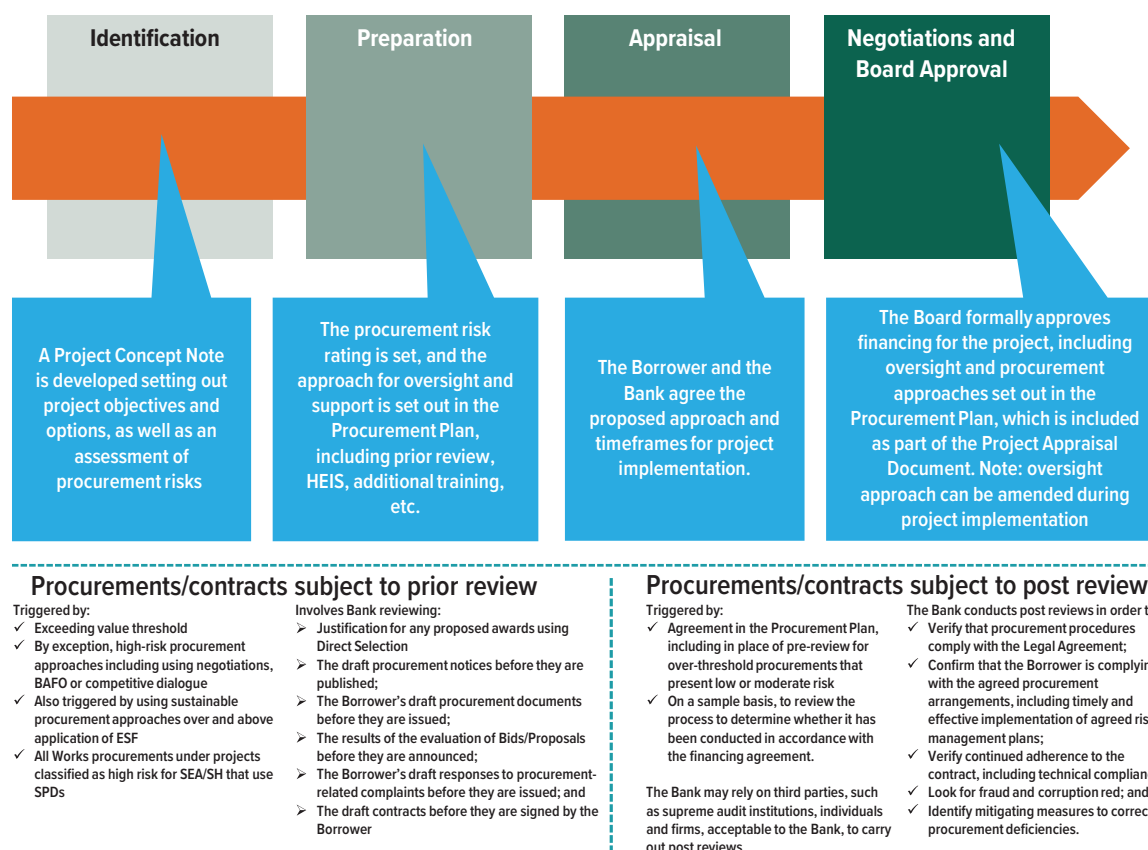
Procurement Assurance Activity to Support ESF Implementation

The Bank’s SPDs have been updated to reflect some of the requirements of the ESSs, incorporating new contract terms, specifications, and other elements such as sample performance metrics and a template code of conduct. These updates reflect the likely risk associated with each type of contract. For example, there are likely to be significant differences in the environmental and social risks and impacts encountered when procuring health equipment as opposed to construction of a water treatment facility. To get a comprehensive overview of E&S contract terms, Task Teams and Borrowers can use the SPD for Large Works as an example, as large civil Works typically present the widest range of environmental and social issues.

It is also important to understand that the SPDs incorporate common E&S requirements for contracts within a specific sector. Additional measures will need to be incorporated to reflect risks that are specific to the project or even to an individual contract. Project or contract-specific risks will need to be mitigated by incorporating additional requirements into the SPD as specifications (see *Implementation – The Use of SPDs in Different Project Types to Address E&S Issues* for further detail). The SPDs include instructions to the Employer (Borrower) on how to develop project-specific specifications.

From a procurement perspective, the Bank also provides different forms of support to help Borrowers take appropriate steps throughout the project lifecycle. For instance, the Bank may agree to provide HEIS at a given stage of procurement, “*if the Bank determines that this support is useful to help the Borrower achieve the development objectives and outcomes of an IPF operation*”.⁴⁴ HEIS can be provided to projects subject to either Procurement Regulations for Borrowers or the Procurement Guidelines. Alternatively, the Bank’s Procurement Specialists may conduct procurement oversight including prior and post reviews, which are determined by risk-based mandatory financial thresholds and a number of other criteria set out in the Procurement Procedure.

Figure 9 provides an overview of decision points and implications for providing fit-for-purpose implementation support to Borrowers.

FIGURE 9 Establishing procurement implementation support arrangements

Applying ESF to Advance Procurement

Borrowers often undertake procurement before signing the Legal Agreement with the Bank (referred to as Advance Procurement) for various reasons. Borrowers may want to expedite project implementation, or the Borrower is seeking retroactive finance support from the Bank because national-level financing has fallen through after the project has started.

Procurement activity for IPF projects is subject to the terms of the Legal Agreement and the Bank's Procurement Framework, even if the procurement activity has already been completed before the Bank approves the project. In such situations, however, it is unlikely that the Borrower has used a Bank SPD for contracts under Advance Procurement, meaning they are unlikely to include contract clauses that align with the ESF.

Task Teams are likely to undertake due diligence of Advance Procurement to understand the nature of the procurement processes that were undertaken, and the E&S provisions that have been included in contracts (probably reflecting key national law requirements). It is also important to understand the Contractor's obligations related to reporting, performance monitoring, and other contract management measures. The due diligence exercise helps Task Teams to identify key gaps with the ESSs and support a conversation with the Borrower on options for resolving these issues.

Projects Involving Alternative Procurement Arrangements

At the Borrower's request, the Bank may agree to Alternative Procurement Arrangements (APA), where the procurement rules and procedures of another United Nations (UN) agency, or an agency or entity of the Borrower are used for the project.⁴⁵ To understand the suitability of the agency, entity or organization's procurement framework, the Bank uses a standard assessment methodology based upon the Methodology for Assessing Procurement Systems (MAPS)⁴⁶ developed by the OECD. The Bank developed guidance that sets out how the MAPS methodology, slightly expanded to include an additional pillar on procurement operations and the use of minimum standards, is used to assess whether a Borrower's procurement framework can be applied under an APA.⁴⁷ The UN agency or Borrower's procurement rules and procedures must be consistent with the Bank's Core Procurement Principles in order for the Bank to agree for them to be used for Bank-financed contracts.

The Bank may also agree to APA where the procurement rules and procedures of another Multilateral Development Bank (MDB) are used for the project. This is common in cases of co-financing with another MDB. In these cases, the Bank also agrees to delegate procurement supervision to the other MDB.

Projects Involving UN Agencies

In countries experiencing capacity constraints because of fragility and conflict, Borrowers may engage UN agencies to help implement Bank-financed IPF projects (paragraph 12, Bank Policy - Investment Project Financing). UN agencies may be engaged through direct or indirect financing. Under direct financing, the Bank has a legal agreement with the UN agency, under which the UN agency will implement the project or specific activities of the project on behalf of the Borrower; while under Borrower contracting, the Borrower contracts the UN agency, using the [Standard Form of Agreement with UN Agencies for Use by World Bank Borrowers](#) (SFA). The agreements are typically for the provision of Outputs, Technical Assistance, or Supplies.

Direct Financing typically follows the APA including the procurement rules and systems of the UN Agency. As part of Project Preparation, the Procurement Specialist assesses and recommends the proposed APA including agreeing with the UN Agency on the arrangements for the Bank's oversight of procurement during implementation. Where there are significant risks that can be mitigated through procurement, the Bank may agree on additional measures to achieve this. Task Teams, in coordination with the OPCS UN program, will engage with UN agencies to understand the actors who will carry out relevant project activities as well as actions in the ESCP. This discussion should help identify any actions set out in the ESCP that need to be incorporated into relevant contracts, so that the Borrower's E&S obligations are properly cascaded down to entities involved in project implementation.

Under indirect financing, the contract between the Borrower and the UN Agency should include relevant E&S requirements. The starting point is for the Borrower to define the scope of E&S requirements as part of the scope of Outputs, Technical Assistance or Supplies. The scope of E&S requirements should be proportionate to the level of risk, as well as the scope and complexity of Outputs, Technical Assistance or Supplies. Contracts where the UN Agency is responsible for implementation of a significant scope of the IPF project will include an equally extensive scope of

E&S requirements, including, in some cases, preparation of relevant E&S documents such as risk or impact assessments.

The SFA includes a template of E&S requirements that the Borrower should use to customize and develop the applicable E&S requirements. As part of their methodology and proposed costs, the UN agency clarifies how they will perform these E&S obligations. The scope of their E&S activities and their proposed implementation approach is then included in the contract with the UN agency. As part of the Bank's review of the draft contract, the Procurement Specialist and the E&S Specialist review the scope of E&S obligations to check that they accurately reflect the Borrower's commitments to the Bank (including reporting requirements) and ensure they are complete and adequately defined.

FIGURE 10 Case Study: Harmonizing E&S requirements of development bodies with national law in an FCV context

Case Study: Harmonizing E&S requirements of development bodies with national law in an FCV context

Background

After five years of escalating conflict, Yemen continues to face an unprecedented humanitarian, social, and economic crisis. In May 2015, the United Nations (UN) placed the Republic of Yemen (RoY) at level 3 of humanitarian distress, the highest categorization of countries in conflict. Since then, Yemen has been described by the United Nations as the worst humanitarian crisis in the world, with about 80% of the population (24.1 million people) requiring humanitarian assistance.

Approach

The Bank and UNOPS are working together on a number of projects to repair critical infrastructure in Yemen. One example is the project to rehabilitate the sewer network throughout the capital city, Sana'a. Despite the urgent nature of the project and its extremely challenging context, Bidders were still asked how they would ensure environmental and social protections were in place during implementation. To set clear parameters for the project, UNOPS prepared an Environmental and Social Management Framework (ESMF) that met national environmental laws and regulations as well as the Bank's ESF. Using the ESMF as a reference point, UNOPS would then prepare an Environmental and Social Management Plan (ESMP) for each subproject, which assessed E&S risks and impacts, identifying necessary mitigation measures. The ESMP would also set out how each subproject would be monitored, in particular the E&S performance of project Contractors.

Additional requirements were included for managing SEA/SH, including a requirement for Bidders to agree to a set of SEA/SH principles, and to complete a template SEA/SH Action Plan, which would establish procedures and actions for protecting project beneficiaries (local communities) by providing adequate response mechanisms.

The local UNOPS/Bank team provided advice and support throughout implementation, including leading market engagement exercises, which were focused on:

- Capacity building of local contractors and implementing partners to build awareness of the project's implementation plan, in particular Health and Safety and E&S requirements; and
- Pre-bidding meetings to manage expectations and address any misunderstanding of the contracts' terms and clauses.

Outcome

The procurement approach achieved a number of benefits for the project, including:

- An increased understanding of SEA/SH safeguarding requirements among Contractors and implementing partners, including increased appreciation of its importance during project implementation;
- Increased accountability for allegations of SEA/SH through the project grievance mechanism, including the use of multiple channels to receive complaints (for example, complaint boxes, WhatsApp, toll-free hotline, email); and
- Increased participation among women during the project ESMP consultation, providing more diverse inputs and perspectives on potential environmental and social risks and mitigation strategies

Green, Resilient, and Inclusive Development (GRID)

Overview

COVID-19 has exacerbated existing structural economic and social issues globally, reversing the decline in poverty, and contributing to increased inequality. GRID was launched by the Bank in the wake of COVID-19 to provide a long term framework for supporting recovery from economic recession in a way that delivers the economic and social transformations needed for a green and resilient future. It departs from previous development strategies in that it promotes economic growth in alignment with (and without compromising) environmental goals and inclusion, in a way that is tailored to country development needs and objectives.

GRID aims to guide project selection and design, including development objectives and other factors, early in the project lifecycle to align to a green and inclusive development agenda. This can be distinguished from the ESF, which was designed to manage environmental and social implementation risks throughout the project lifecycle. Implementation of ESF can support GRID and promote the GRID agenda across the country's entire development program by, for example, helping client countries strengthen their own environmental and social management systems; and facilitating increased private sector investment in the management of environmental and social risks.

Procurement can play a role in shaping a project's GRID objectives and helping to achieve them, for example::

- **Green:** considering how the project can help to grow the environmental capacity of local businesses, reducing emissions from the project supply chain, or ensuring project selection takes into account environmental and social risks that suppliers would have to mitigate during implementation.
- **Resilient:** using more sophisticated cost assessment methodologies to ensure quality and asset longevity are prioritized over cost.
- **Inclusive:** providing lasting business opportunities to local, marginalized businesses, or ensuring the project provides training opportunities to marginalized groups that boosts employability in the local population.

FIGURE 11 Case Study: Procurement's contribution to GRID objectives in Maharashtra, India

Case Study: Procurement's contribution to economic objectives for electric vehicle manufacturing in Maharashtra, India

The Indian state of Maharashtra is leading vehicle electrification in India and taking steps to become the country's top producer of battery electric vehicles (BEVs). With the recent adoption of the Electric Vehicle (EV) Policy 2021, the government is aiming to position Maharashtra as one of the leading investment and manufacturing hubs for EVs globally.

Maharashtra's timeline for zero emission vehicle (ZEV) rollout includes:

- 100% of all new government vehicles will be electric by January 2022
- 25% of public transport and all fleet operators/aggregators in the six targeted urban agglomerations will be electric by 2025
- 10% of new vehicle registrations will be battery-operated vehicles by 2025

"The state is increasing the uptake of ZEVs by investing in charging infrastructure and offering buyer incentives. These include buyback agreements; road and registration tax exemptions; and provisions for a ZEV credit program. In addition, Maharashtra has developed new skills enhancement centers. These offer programs to train mechanics, and provide opportunities for workers to learn the skills required for a job in the ZEV industry."

Source: Taking action on zero emission vehicles: Maharashtra | Climate Group (theclimategroup.org)

The World Bank Group Climate Change Action Plan 2021–2025

Overview

Current weather extremes already affect millions of people, putting food and water security at risk, and threatening agricultural supply chains and many coastal cities. Without further action to reduce extreme poverty, provide access to basic services, and strengthen resilience, climate impacts could push an additional 100 million people into poverty by 2030.⁴⁸

There has already been significant effort to gain multilateral agreement for action on climate change. At the Conference of the Parties (COP21) meeting in Paris in 2015, countries from around the world adopted the Paris Agreement, which sets the goal of holding global average temperature increase to “well below 2°C above preindustrial levels and pursuing efforts to limit the temperature increase to 1.5°C above preindustrial levels”. Under this landmark agreement, countries who signed the Paris Agreement committed to develop and implement their own Nationally Determined Contribution (NDC), which is a national-level five-year climate action plan setting out how the country will cut emissions and adapt to climate impacts. Many major advanced and developing countries⁴⁹ have since committed to net-zero emissions targets⁵⁰ by 2050 and pathways for emissions to peak in 2030.

Through the World Bank Group (WBG) Climate Change Action Plan 2021-2025⁵¹ (“the Action Plan”), the Bank has committed to scaling up climate action and integrating climate considerations across its operations to support countries in achieving their commitments under the Paris Agreement, as well as aligning WBG financial flows with the goals of the Paris Agreement. The Bank is already the largest multilateral provider of climate finance for developing countries and intends to go further and faster to help countries integrate climate into their development agendas.

The Action Plan also aims to advance the climate change aspects of the GRID approach, focusing on three priority areas:

- a) integrating climate and development;
- b) identifying and prioritizing action on the largest mitigation and adaptation opportunities; and
- c) using those opportunities to drive climate finance and leverage private capital in ways that deliver the most results.

The Action Plan represents a shift from efforts to “green” projects, to greening entire economies. This typically means a focus on the types of projects that the Bank invests in. For example, the Bank will prioritize projects that replace fossil fuel energy generation with energy from renewable sources,

support public transport infrastructure, or invest in reducing emissions from carbon-intensive industries. The Action Plan states that the Bank's commitment to supporting the Paris Agreement means that all new operations are planned to be "Paris-aligned" after July 1, 2023. Details on how this will be achieved have been published [here](#) on the Bank's website.

Country Climate Development Reports

The Bank works with Borrowers to develop Country Climate and Development Reports (CCDRs), which integrate climate change and development considerations.⁵² The reports suggest priority actions, priority sectors, and the transition pathway to reduce GHG emissions and climate vulnerabilities in a given country. The CCDD provides strategic direction for development projects within the country, helping to identify development objectives, key risks, and indicators that will be used to monitor the country's progress.

Procurement's Role in Reducing Emissions and Enhancing Climate Adaptation

Every year, government procurement activity across the world, which involves delivering public services by buying waste management services, fuel, electricity, construction materials, and other goods and services, produces about 7.5 billion tons of direct and indirect greenhouse gas (GHG) emissions, roughly 15% of the world's total.⁵³ The size and scale of public procurement's carbon footprint makes its potential contribution to global decarbonization a significant lever in limiting climate impacts from development activities and supporting the growth of more sustainable, less carbon-intensive markets. Procurement processes present opportunities to incorporate climate friendly design features and climate adaptation solutions by providing a forum for government to work with the market to identify financially and technically feasible responses to various climate-related challenges.

Governments can prioritize their own mitigation efforts by using lifecycle assessment tools to assess emissions across procurement categories and identify the most significant sources of emissions, both domestically and based on imported goods and materials. This can take place at several levels, including:

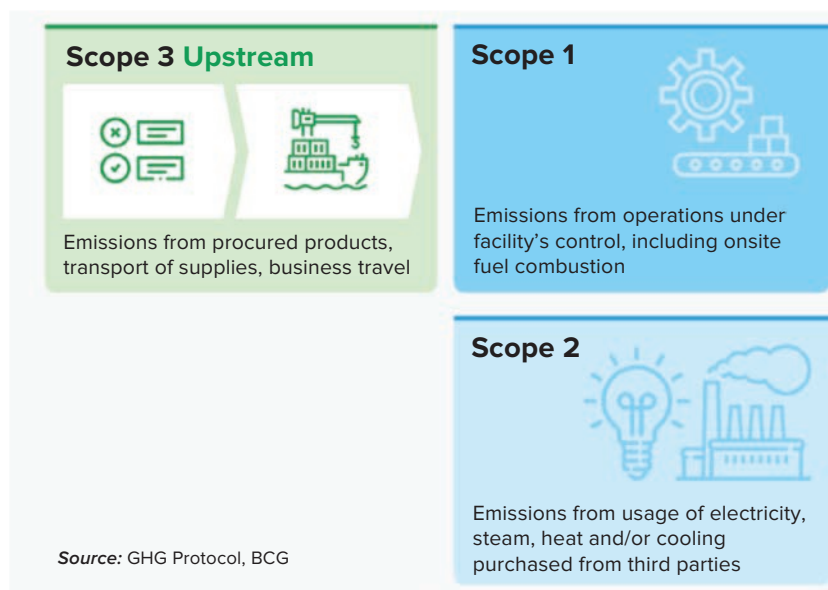
- At a national level, measuring a product or category's emissions based on total spend in that category;
- At an agency level, requiring government agencies to measure their emissions based on their own operations and the goods and services they procure; or
- At a project level, based on the goods and materials required to deliver the project.

Businesses also have a vital role to play in driving down GHG emissions. Several initiatives have been launched aimed at helping companies to begin their journey to net-zero. A number of organizations have developed free resources to help businesses to measure and reduce their emissions, such as:

- **The Science-Based Targets initiative (SBTi):** developed by the World Resources Institute (WRI), the SBTi shows companies how much and how quickly they need to reduce their GHG emissions to help to avoid the worst impacts of climate change.

- **The GHG Protocol:** a partnership between the WRI and the World Business Council for Sustainable Development (WBCSD), the GHG Protocol provides a framework for cities, national governments, and others to quantify the carbon impacts of their decisions. The Corporate Standard allows businesses to measure their carbon emissions across three scopes, as shown in Figure 12.

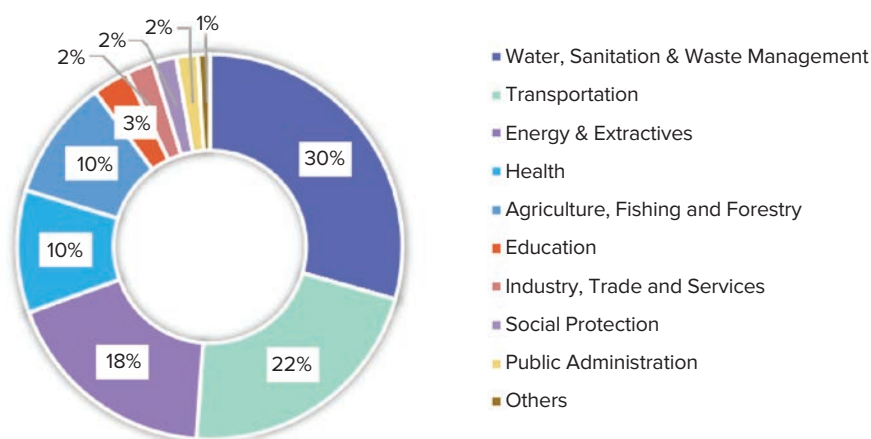
FIGURE 12 Three scopes of GHG Corporate Standard for reporting emissions



Research indicates that scope 3 emissions usually account for more than 70% of a business's carbon footprint, and the bulk of this relates to their supply chain. To meaningfully reduce the emissions generated through the implementation of IPF projects, Borrowers will need to look beyond the Contractor and consider the emissions that originate in the products and services they procure.

The Bank's current portfolio of IPF projects is predominantly (by value) made up of complex, high-value infrastructure projects, as shown in Figure 13.

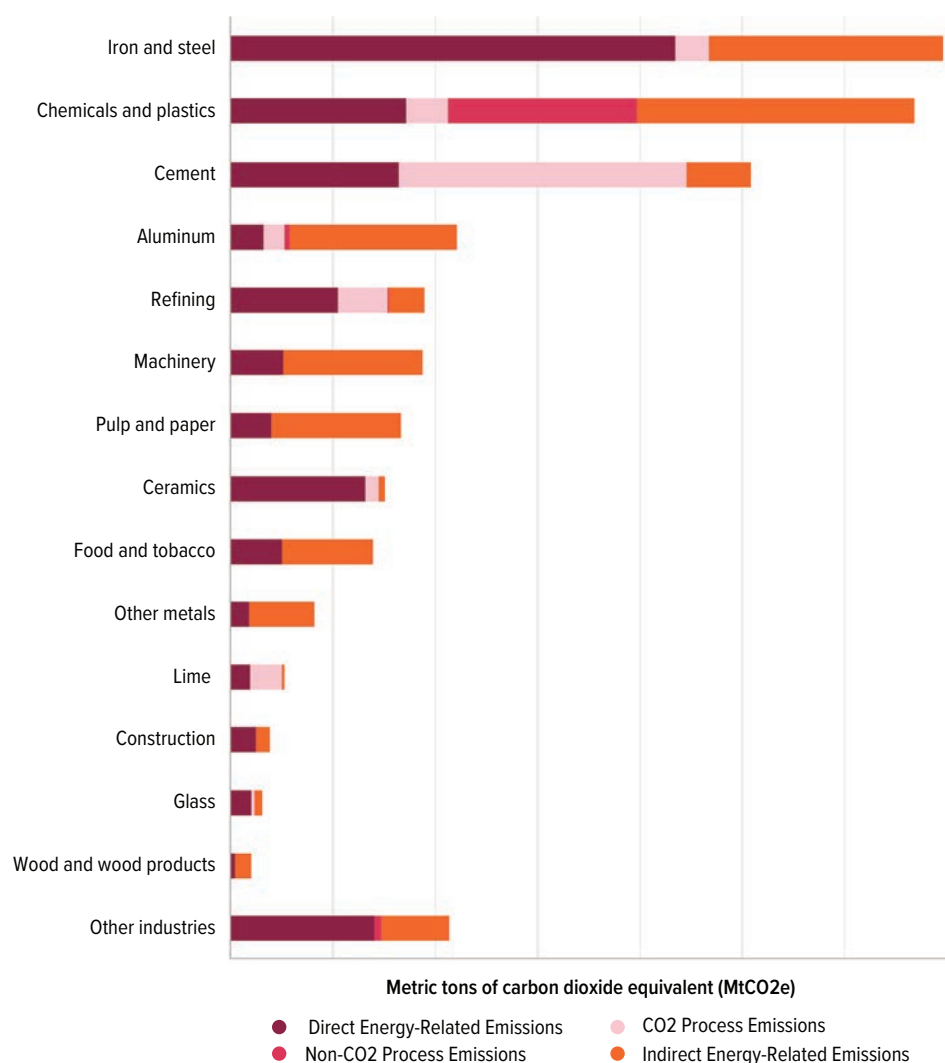
FIGURE 13 Bank project portfolio July 2017 to June 2021



The Bank's annual project expenditure of around \$70 billion (2022)⁵⁴ involves a significant amount of spending on products and materials from industries such as steel, concrete, and cement. The production processes needed to create many construction materials, such as steel and cement, are highly emission intensive. The need for continuous high-temperature heat to produce steel, cement, and concrete requires huge amounts of energy, much of which is still dependent on fossil fuels. The chemical processes involved in producing these materials are themselves a major source of emissions. By most estimates, steel and cement production account for just over 50% of all industrial emissions, as shown in Figure 14.⁵⁵

Reducing emissions from the construction sector calls for market development to increase availability of alternative construction materials, as well as research and development of new industrial processes that have less intensive GHG emissions. Governments and MDBs are supporting these efforts by investing in businesses that are seeking to deliver lower-carbon alternatives. The World

FIGURE 14 GHG emissions by industry



Economic Forum estimates that achieving emissions reductions targets does not necessarily mean a significant increase in prices for end customers. For example, a study by the World Economic Forum estimated that de-carbonizing upstream processes would only increase construction costs on a €150,000 (~\$162,000) home by less than 3%.⁵⁶

To reduce emissions from IPF projects, Borrowers will need to consider promoting the use of more low-carbon options through procurement, including considering the embodied carbon (that is, the CO₂ emitted while producing the materials required for a project) in the goods and materials used on a project, pursuing alternative project designs to avoid or minimize emissions, applying readily available industry standards, and working with Contractors to identify and, where feasible, implement methods to reduce emissions from their operations.

Figure 15 provides examples of existing industry standards that governments are already using to direct Bidders to implement projects using more sustainable materials and techniques. Borrowers can use these standards to require Contractors to account for the emissions created directly by project operations (for example through traffic movements and the use of plant and machinery), as well as those relating to project design and the selection of materials.

FIGURE 15 Climate-focused industry building standards

Climate-focused industry building standards

There are currently hundreds of green building certification schemes globally. Below is a summary of some of the most well-known and recognized schemes.

BREEAM: Developed by BRE Group, a profit-for-purpose organization, BREEAM provides a science-based suite of validation and certification systems for the sustainable built environment, supporting sustainability outcomes including net-zero carbon, whole-life performance, biodiversity, circularity/waste minimization, and health and social outcomes.

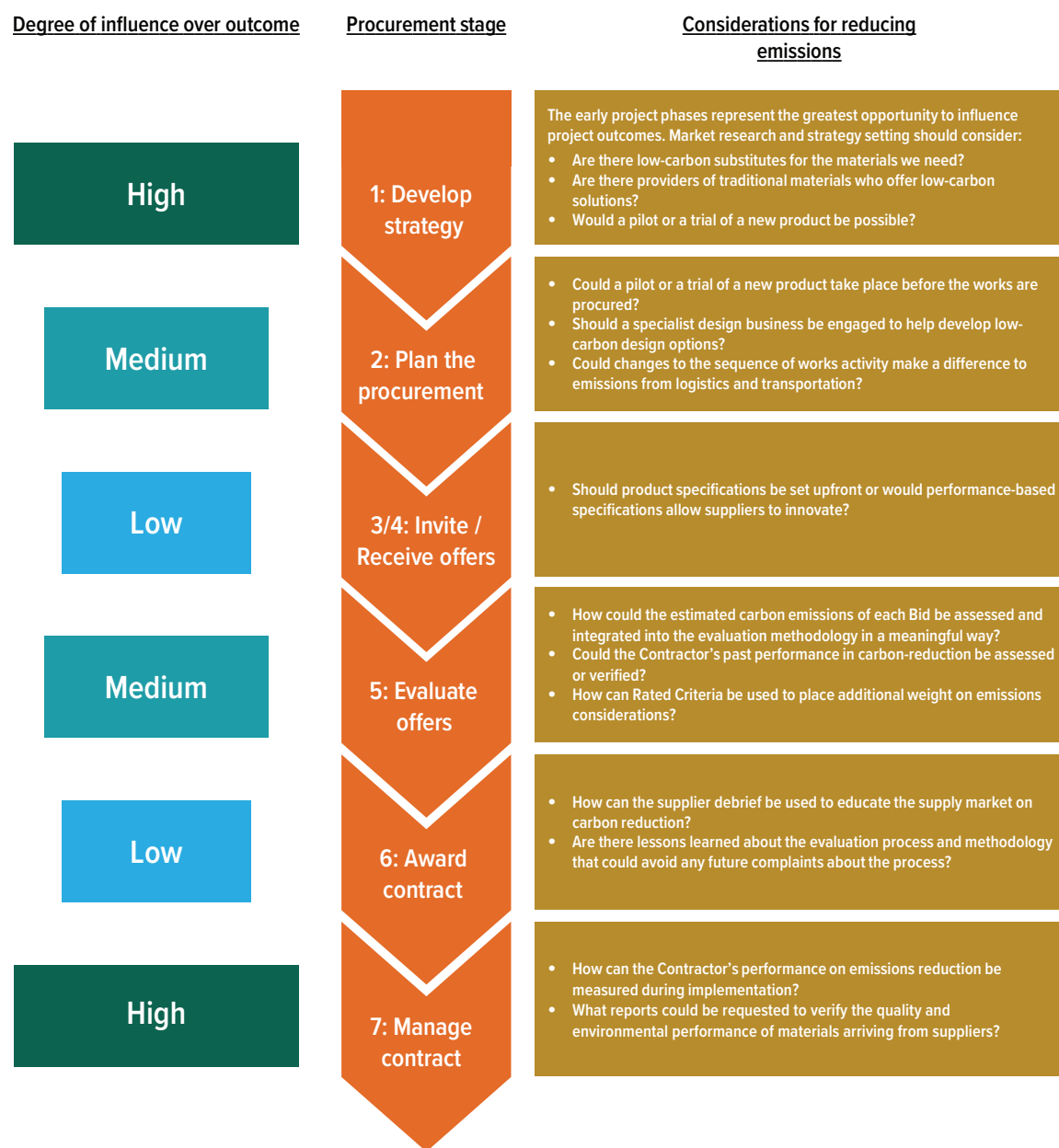
Passivhaus (Passive House): Developed by the Passive House Institute (PHI), an independent research institute, Passivhaus provides a number of approaches to achieve net-zero-ready new and existing buildings in a way that enables grid decarbonization by reducing energy reliance and improves occupant health and well-being. EnerPHit is available as a more relaxed standard for retrofit projects, where existing architecture and conservation issues make meeting the Passivhaus standard unworkable.

Leadership in Energy and Environmental Design (LEED): LEED is a green building certification system operated by the Green Building Certification Institute in the United States. It was developed by the United States Green Building Council, and it is now well established internationally.

DGNB: Developed by the German Sustainable Building Council, in partnership with the German Federal Ministry of Traffic, Construction, and Urban Development, DGNB covers the three paradigms of lifecycle assessment, holistic sustainability (environment, economy, and society), and a performance-based approach.

Eco-Certified Composite (ECC) sustainability standard: a voluntary industry certification for manufacturers of composite wood or agrifiber-based panels made with particle board, medium density fiberboard, hardboard, engineered wood siding, and engineered wood trim. The standard uses the Composite Panel Association's (CPA) Carbon Calculator to assess the lifecycle and carbon footprint of composite panels made at a particular manufacturing plant.

Producers of low-carbon alternatives may not be able to meet demand yet, both in high-income countries as well as emerging markets. Consideration of sustainable design principles and low-carbon construction materials in public procurement policies and initiatives would send a strong signal to the market and incentivize increased capacity and investment in new, green markets and products. Some steps of the procurement process can be more influential than others, and a range of potential interventions to reduce emissions throughout the procurement cycle and their potential impact are shown in Figure 16.

FIGURE 16 Opportunities to reduce emissions throughout the procurement cycle

SPP's Role in Integrating ESF, GRID, the Action Plan, and Development Objectives into Operations

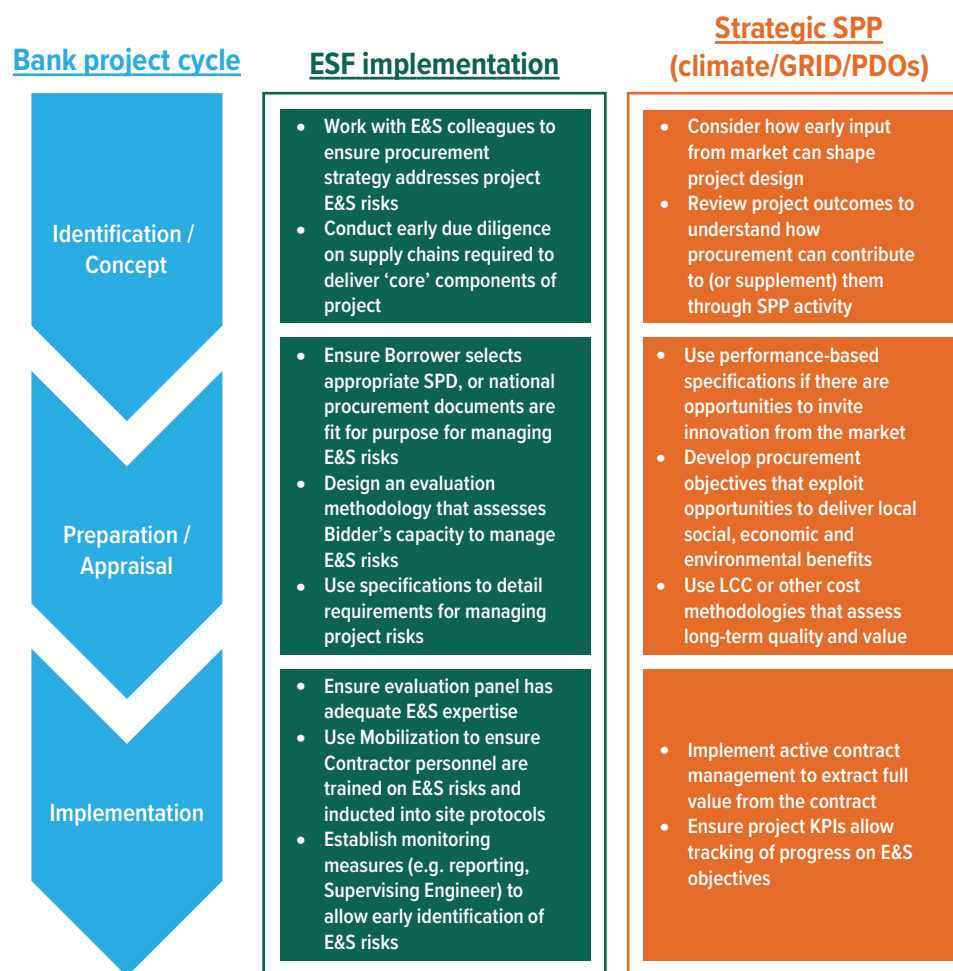
Overview

The ESF applies to IPF projects with Concept Decision on or after October 1, 2018. From the Bank's perspective, the ESF is a framework for assessing and addressing sustainability issues in investment projects. The achievement of other Bank goals and Borrower development priorities are also a critical part of a project's success. GRID builds on the ESF by encouraging Borrowers to use development projects to support economic transition.

Borrowers and Task Teams may find the process of integrating and prioritizing the various objectives at a Bank, national, and project level challenging. Prioritization is likely to take place during the Identification and Preparation stages of the project, and guidance on how this can be carried out is included at the relevant section of this document.

This Guidance outlines the processes and key practical considerations for including sustainability considerations in the procurement process. The key concept behind sustainable procurement is achieving a “cascade” of objectives, such as PDOs, national laws and priorities, into the procurement strategy. Implementing that strategy requires a “golden thread” that reinforces these objectives at each stage of the procurement lifecycle, such as in the assessment of risks, the development of bidding documents, the evaluation of bids, and contract management.

The considerations and approaches set out in this Guidance may be useful for showing Borrowers how procurement can be a tool for integrating these different objectives into project operations. These approaches can also be used to enhance sustainability practices in national procurement processes. Figure 17 demonstrates the key steps that procurement can take to integrate ESF and other strategic objectives (for example, GRID, climate, PDOs) into each stage of the project cycle.

FIGURE 17 Summary of key SPP steps across Bank project cycle

SPP at the National Government Level

Overview

A country's national public procurement framework typically includes laws, regulations, policies, strategies, collaborative purchasing agreements, e-procurement systems, accreditations, reporting and measurement frameworks, and related capacity-building programs. Traditionally, many national public procurement frameworks have focused on the prevention of fraud and corruption through increased emphasis on compliance and strict adherence to well-defined, open, transparent procurement procedures. As public procurement practices have matured over the past three decades, they are evolving from a compliance-focused function toward becoming a strategic enabler. This can be linked to the increasing realization by policy makers that procurement can support the achievement of national policy objectives.

In recent decades, many governments have initiated efforts to enhance their public procurement framework to mainstream sustainability considerations, which is reflective of a modern, balanced, inclusive approach to procurement. Other common procurement reform efforts, such as the creation of central purchasing bodies, or the implementation of e-procurement and monitoring systems, are often complementary to good practice in SPP and indeed necessary foundations for the successful implementation of SPP at a national level.⁵⁷ The transition towards mainstreaming SPP often requires governments to deliver programs focused on creating the right environment for SPP. This might include the types of initiatives described below.

Roadmap toward SPP

Borrower countries will be at various stages of SPP maturity. Some will be at the beginning, laying the foundations by establishing SPP policies and developing training material. For some countries, delivering SPP will require transformational and regulatory changes to their procurement framework. These changes are likely to take time, typically requiring a well-funded, multi-faceted change program.

Countries may take different paths towards mainstreaming SPP, and will adapt their SPP approach according to cultural considerations, national priorities, the system of government, fiscal management systems, and supply market dynamics. In general, there are a few key elements to a well-defined SPP framework:

- **Policy settings:** clear policy objectives aligned to national priorities, which may target priority groups (for example, women-owned businesses), specific environmental or social challenges

(for example, reducing construction waste, or increasing inclusion and diversity), and may be aimed at specific contract-types or sectors.

- **Legal framework:** should provide a clear legal basis for the use of SPP, such as the mandatory use of sustainable evaluation criteria, mandatory reporting requirements, incentives for adoption, and with no restrictions on the use of non-price criteria.
- **Procurement processes:** well-defined yet flexible processes, giving procurers clear options for incorporating sustainability at each stage of the procurement process.
- **e-Procurement:** enables tracking of sustainable outcomes through the national procurement system, so that Supplier credentials (e.g., company size, minority ownership) can be monitored from selection through to contract management.
- **Budgeting processes:** long-term or multi-year budgets allow funding decisions to incorporate lifecycle cost considerations, and not jeopardize sustainability to contain cost in the short-term, and/or a budgeting process that incorporates social, environmental, and economic benefits into decision-making.
- **Capacity building and tools:** skills required for more strategic SPP activity (such as lifecycle costing, implementing sustainable criteria, early market engagement) have been identified, and practitioners are supported with capacity building initiatives and tools such as training programs, standard procurement documents with appropriate and enforceable contract conditions (including remedies for non-compliance), and guidance that is continuously updated to respond to emerging trends.
- **Performance monitoring:** data is collected using procurement systems (as opposed to manual entry) and can demonstrate procurement's contribution to national policy objectives, with information collected on Supplier attributes to understand profile of organizations winning government business.

Success Factors for SPP

Lessons have been learned over the last 30 years or so on successes and challenges of implementing SPP. Below are the most commonly cited success factors for implementing SPP taken from practitioners around the world and incorporated into the context of Bank-financed IPF projects.

Fit-for-purpose Legal and Regulatory Framework

One of the preconditions for mainstreaming SPP practice is that there should be no legal or regulatory impediment to including sustainability considerations in national procurement. Ideally, countries should have policies that encourage SPP in the decision-making process, which will incentivize progress on SPP over time. The significance of an enabling legal regime is illustrated by an OECD report from 2015,⁵⁸ in which the first consideration was: "Setting a (Green Public Procurement—GPP) legal and

policy framework to assist buying entities in incorporating GPP in their procurement procedures.” Subsequent studies and reports have underlined the importance of legal and regulatory frameworks that permit and/or promote SPP.

FIGURE 18 Case Study: Fit-for-purpose legal framework for SPP in Georgia

Case Study: Revising the public procurement legal framework in Georgia

In 2021, Georgia, with support from UNEP and the EU-funded EU4Environment project, began a process of revising its public procurement legislation in line with relevant European Union regulations. A decree supporting the implementation of Sustainable Public Procurement (SPP) was drafted, which included the following elements:

- The principles, requirements and procedures for the application of SPP, the procurement contract performance regulations and control procedures;
- The categories of goods, services and works to which SPP requirements and criteria must be applied;
- Lifecycle costing methodology for energy-using products; and
- Sustainability clauses that need to be included in the standard terms and conditions of the contract.

Expected outcomes from the legislation project include increased awareness and knowledge of SPP among stakeholders, the implementation of a more sustainability-oriented procurement landscape, and increased female participation in public contracting.

Source: [Sustainable Public Procurement: How to Wake the Sleeping Giant](#), UNEP (2021).

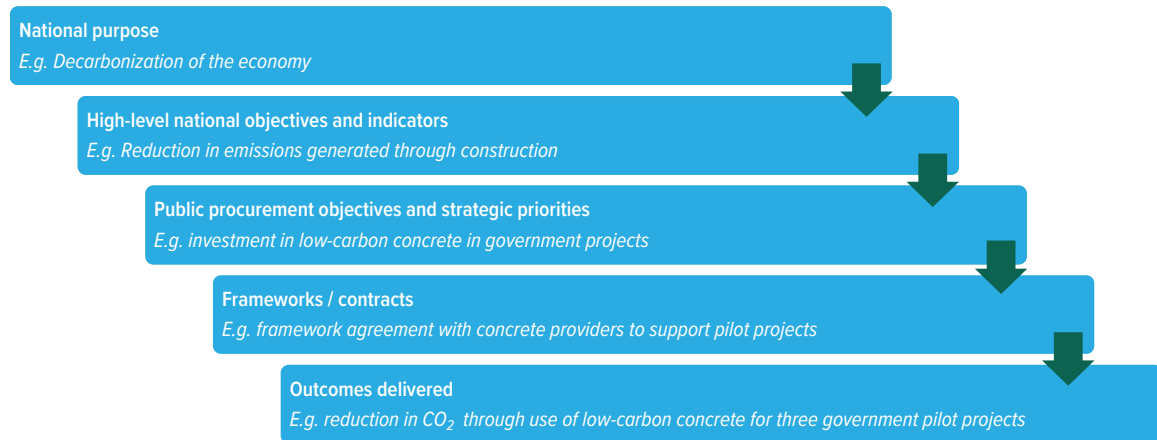
Support from Leaders and Key Policy Makers

Mainstreaming SPP in national systems requires strong leadership within government. Relevant national policies and strategies should give agencies a mandate to incorporate SPP as a priority, while also delivering the procurement needs of the organization. Effective governance mechanisms also need to be in place to provide clear lines of responsibility and accountability for the outcomes delivered. To incentivize procurement professionals to undertake SPP, countries may consider offering incentives, such as national SPP Awards or opportunities to participate in projects of national significance. These incentives could encourage procurement professionals to go beyond traditional boundaries and collaborate with other government agencies, work with industry to develop innovative approaches, or seek to influence senior policy makers.

Integrating SPP Throughout the Project Lifecycle

Critical to successful mainstreaming of SPP is clarity of the intended outcome of any procurement decision. This requires the procuring organization to have clear sustainability objectives which are reflected in their organizational policies and strategies, possibly as part of an SPP strategy. For example, the Bank’s GRID agenda encourages projects to deliver development outcomes that are Green, Resilient, and Inclusive, which can then guide the objectives that are set out in the PPSD.

Mapping these objectives to the organization’s policies and strategies helps to demonstrate the benefits that SPP can deliver to key policy goals of Borrower countries. For example, the flowchart in Figure 19 is an illustrative example of how individual contracts can be connected to national priorities.

FIGURE 19 Illustrative flowchart of national objectives connecting to procurement actions

Even if a national SPP policy or strategy is not in place, countries can still opt to integrate sustainability objectives into their policies and projects. When countries engage multilateral development banks, such as the World Bank, they could use these internationally funded projects as pilot opportunities to prove how SPP can go beyond typical national practice. To deliver the best results, sustainability requirements should be built in from the start of a project and maintained (and possibly refined) throughout the entire procurement decision-making process. The agency responsible for the project would then need to monitor the achievement of these sustainability requirements throughout contract delivery using robust contract management procedures.

There are also important steps that can be taken once the project has been implemented. For example, systematic post project evaluation may generate valuable insights on whether the benefits and objectives used to justify the project were actually achieved. Lessons learned from relevant contracts can be used to inform other public projects, as well as informing the wider agenda on SPP policies and strategies.

FIGURE 20 Case Study: Setting SPP policy in Grenada

Case Study: Setting clear policy direction in Grenada

Background

In 2018, a public procurement spend analysis led by the Bank's Procurement team in Grenada showed that government could play a major part in reducing water and land pollution because more sustainable goods last longer, consume fewer resources, and cause less harm to the environment.

Approach

This analysis helped spark the government's drafting of a new policy on sustainable public procurement, enacted in 2020. The policy identifies which categories of products are to be included under this new sustainable approach.

Outcome

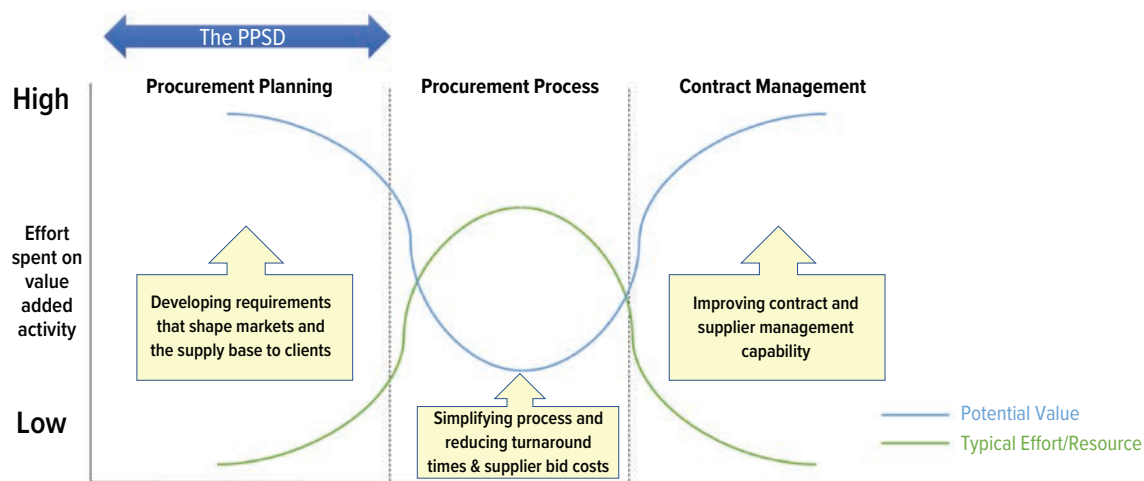
Grenada has continued developing a more robust public procurement process by introducing sustainability criteria for its purchases that include prioritizing purchases from local industry, nurturing sustainable development, and championing protection of the environment.

Source: World Bank case study repository

Early Engagement of Procurement

In countries or organizations where procurement is seen as a compliance-driven or transactional activity, procurement practitioners are unlikely to be involved in the early stages of a project. Procurement effort is traditionally expended in the bidding phase, which although an important and necessary part of the process, is not where the biggest project decisions are made. There may be missed opportunities resulting from such practices, as the early planning and contract management phases are when procurement can have the greatest impact, as shown in Figure 21.

FIGURE 21 Potential procurement value vs typical effort



Having procurement professionals involved earlier in the project decision-making process (meaning before bidding starts) can leverage their experience of working with the market and their knowledge of different industries. Procurement practitioners need to “sell” the value they can bring to decisions made early in the project—for example, by sharing insights on the market’s ability to manage the project’s key risks. Such knowledge helps inform decisions on lifecycle costing (LCC), feasibility, and design options, and reduces the risk of failed bidding processes, or selecting the wrong delivery approach or the wrong Supplier(s). These missteps lead to extended project timeframes, increased cost, and environmental, social or economic challenges that could be difficult to remediate at later stages of the project lifecycle.

Procurement professionals can also support discussions on optimizing the PDOs and provide insights on which procurement approaches might be most suitable, considering the key aspects that Borrowers should consider when planning procurement activity (such as what needs to be procured, any foreseeable supply chain challenges). In addition, at the early stages of a project, E&S and procurement colleagues can work together to identify innovative solutions for resolving issues at the intersection of ESF and procurement.

Engaging Early with the Market

Borrowers can use early market engagement to identify innovative, context-appropriate solutions that could deliver better and more sustainable objectives, such as improved Occupational Health

and Safety (OHS), reduced carbon, longer-lasting assets, reduced maintenance, less energy in use, and so on. Involving potential suppliers early in the process can also help to ensure that the project approach is feasible and is likely to attract prospective bidders to participate in the bidding process. Suppliers will also be a useful source of learning based on their successes and challenges when delivering similar projects in the past.

By engaging in early dialogue with the market, Borrowers can hold more open and informed discussions about alternative solutions and have a better chance of identifying the optimal solution based on the market's capacity. The opposite is also the case—if specifications are too tightly prescribed, too early in the process, innovation is locked out. Indeed, if procurement is involved too late in the project development process, there will be no opportunity to incorporate appropriate market-led solutions into the requirements/specifications.

The most appropriate materials and technologies to address a need are not always those imported from a different country or region. Solutions available in local markets are likely to be more cost-effective, and tailored to local conditions that foreign market solutions may not be familiar with. In addition, using local solutions also reduces emissions and costs from transportation, and can help grow local economies.

The need for early market engagement, and the suggested approach for engaging the market, should be identified during procurement planning and included in the PPSD. Common market engagement mechanisms include online portals and virtual and in-person events. Should market analysis indicate a lack of capacity to manage E&S risks and impacts that have been identified, Supplier engagement may also incorporate a training element (see section “*Market analysis and engagement*” under “*Preparing the PPSD*” for further details on how to conduct early market engagement).

FIGURE 22 Case Study: Early market engagement to identify innovative solutions in Argentina

Case Study: Early market engagement to identify innovative solutions in Argentina

Background

An estimated 145,000 Argentinian households lack access to electricity. To provide these rural communities with electric energy, the government was looking to procure easy-installation solar panels kits that could help bring a reliable and sustainable source of power to these communities.

Approach

The main implementation challenge was to find a Supplier who could meet the technical requirements at an affordable price. This would be challenging, given that the Argentinian government could not provide a reliable indication of the number of units required, and when and where they would need to be installed.

The procurement approach established a Framework Agreement (FA) that enabled providers to deliver market-led solutions. The FA sought to attract the best possible vendors while also addressing the needs of beneficiaries in remote rural areas. The terms of the FA provided certainty to vendors and beneficiaries by agreeing to umbrella conditions upfront. Over time, competition among panel members continued to bring in the latest technology developments from the market and achieve economies of scale in certain regions. The FA was also designed to limit the administrative work required to award contracts to vendors.

Outcome

The project was able to eliminate the inconvenience and cost associated with the previous widespread use of batteries, candles, and kerosene, as well as giving approximately 193,000 people in Argentina's remote rural areas increased resilience and security.

Understanding Market Capability

Successful SPP depends on the capability and capacity of the market to deliver suitable solutions. Where the market is not yet ready to deliver Goods and services to the highest environmental standards, for instance, procurers need to be prepared to develop procurement strategies that allow for more gradual improvement. Therefore, an understanding of key markets and their capacities is vital.

Market capacity is usually outlined by the Borrower in the PPSD and is a key determinant in the selection of procurement arrangements and the approach to market, such as whether a national or international procurement approach will be used. If the local market does not have the necessary capacity to address key risks, then at the earliest opportunity the Borrower should discuss with the Task Team how the procurement approach might be adapted to attract Bidders with the capacity to manage the project's risks.

Market capacity can be improved by helping Contractors to develop over the course of project implementation. Borrowers could incorporate a contractual commitment for Contractors to improve their performance by meeting milestones that become incrementally more challenging over time. This type of arrangement should apply to issues that are measurable, such as a reduction in OHS incidents, a reduction in water or energy use, increased use of low-carbon materials or improvements in stakeholder satisfaction. This may not be an appropriate approach for environmental and social aspects that are subject to clear prohibitions in applicable national law or under lender's policies (such as wastewater discharge standards or prohibition of forced or child labor).

FIGURE 23 Case Study: Market capability to respond to ESF requirements in Vanuatu

Case Study: Market capability to respond to ESF requirements in Vanuatu

Background

Local Contractors in Vanuatu historically win more than 50% of World Bank-financed contracts, with an average contract value of less than \$1 million. Capacity among these small domestic Contractors is low, and on a recent project with 55 works activities (average value \$660,000), a trend emerged where five to eight firms would attend the pre-bid meeting and only one or two firms would submit a bid. Upon investigation, firms disclosed that there were several factors contributing to the low participation rate including an inability to meet ESF requirements. For example, they disclosed that they felt incapable of developing a Contractor's Environmental and Social Management Plan, and thus would be unable to meet the financial burden of various performance securities. These issues highlighted the need to engage with Contractors to help them to understand contractual requirements and ultimately build their capability to respond to ESF requirements. It also demonstrated the need to tailor some E&S requirements to the context in order to retain healthy competition.

Approach

The approach taken by the Project Implementation Unit (PIU) was to hold workshops with Contractors and adjust requirements to better suit the SMEs in Vanuatu. The market engagement process helped to clarify ESF requirements for Contractors and led to a re-balancing of retention/performance security obligations as the contract progressed and as risk reduced. The PIU also actively followed up with firms that attended the pre-bid meeting to ensure they were clear on the documents that needed to be submitted for their bids to be considered responsive.

Outcome

There was a marked improvement in engagement with the project generally in Vanuatu and increased participation through the second half of the project. The outreach also resulted in a significant reduction in the financial burden on Contractors. The E&S Performance security was set at a more appropriate level and reduced over time as the risk reduced. The project completed on time with 100% disbursed, and 98% of the works contracts were successfully completed by local firms.

Source: World Bank

Another way to respond to market capacity constraints is to provide training to Contractors. Task Teams can help the Borrower to identify technical areas where Contractors may lack capacity and help identify experts who can provide technical support. For example, if a project wishes to promote the use of nature-based solutions to limit erosion alongside public infrastructure, but the available pool of Contractors only has experience in delivering structural solutions, the Task Team may consider engaging international or national experts in implementing nature-based solutions to deliver training to Contractors.

Technical training can be built into the training program delivered at contract mobilization, which presents Borrowers with an important opportunity to build Contractor capacity. The mobilization phase will also allow Contractor and Subcontractor personnel to be trained on the project's E&S risks. The more formal training program, which should target relevant E&S risk for the project, can be supplemented by regular toolbox talks on site and an induction program for workers or visitors arriving at site for the first time.

Building SPP Capacity for Practitioners

To effectively support SPP, procurement professionals will need to broaden their skillset so that they are able to apply techniques such as integrating sustainability into the procurement strategy, evaluating Bidders' responses in relation to sustainability performance and qualifications, developing E&S specifications and KPIs in collaboration with E&S professionals, and managing sustainability performance as part of contract management. Many countries and international organizations offer SPP training programs to enhance understanding of sustainability and build these skills among procurement professionals.

FIGURE 24 Case Study: Building SPP procurement capacity in Nigeria

Case Study: Building procurement and E&S capacity in Nigeria

Background and Approach

Growing the capacity of the public procurement system in Nigeria has been a key part of the function's evolution. Building on federal multi-stakeholder consensus, the Bank, jointly with core central government agencies, rolled out a capacity building program unique to Nigeria focused not only on procurement, but also sustainability standards. The program itself was delivered in an integrated and sustainable manner, partnering with six federal universities to offer various blended and hybrid learning options.

Outcome

By 2020, Nigeria had established interconnected centers of excellence at six universities, collectively delivering a comprehensive curriculum involving 10 advanced courses on procurement. In February 2021, a train-the-trainers course was launched, resulting in accreditation for 60 trainers who could deliver training in both academic and industry sectors. In May 2021, enrollment began for 12,000 places on a variety of short courses. The university courses have produced 9,000 qualified graduates, who can begin to fill the competency gaps in both public and private sectors, with Federal entities certifying 4,000 practitioners.

The linkage that the program has created between procurement and E&S standards has strengthened over time, which is anticipated to deliver more socially and environmentally responsive procurement and project execution.

Source: World Bank case study repository

Where timing and resources permit, Borrowers can also consider organizing a workshop or training session targeting Project Implementation Unit (PIU) or implementing agency (IA) staff who work on project design, E&S issues, as well as procurement. Starting with an overview of key project design milestones, training should cover E&S related tasks across the entire procurement cycle, including, developing specifications, evaluating bids, and managing contracts. The training should encourage PIU or IA staff to identify synergies across their workstreams and discuss ways of working together more closely.

If the project engages HEIS support, Borrowers will have access to procurement experts, who, while using their expertise to support key procurement steps, can also develop capacity by:

- Allowing less experienced team members to shadow them when in meetings, developing documents, visiting sites, and so on;
- Reviewing project documents and providing feedback on aspects that are missing or could be improved; and
- Delivering training on specific procurement aspects to Task Team or PIU/IA while they are engaged on the project.

A number of online training resources are freely available for practitioners to take, some of which have been collated in Figure 25.

FIGURE 25 Publicly available training material on SPP

A number of training programs are provided by international institutions aimed at building capacity in sustainable procurement or increasing awareness of E&S issues, including:

- [World Bank's ESF Fundamentals](#): This course delves into each of the ESF Environmental and Social Standards (ESS), sharing helpful approaches through videos, case studies and stakeholder interviews, setting out the mindsets and behaviors that are key to successful implementations of the ESF.
- [ITC online course on Sustainable Public Procurement](#): available in English and French, this course shows learners how to integrate sustainability into procurement policy and operations, covering important concepts such as Lifecycle Costing and ecolabels;
- [The EU GPP Training Toolkit](#): specifically focused on "Green Public Procurement," this training program consists of six independent modules and 10 operational modules made available through a selection of PowerPoint presentations with accompanying trainer notes and guidance. The operational modules set out buying criteria and environmental impacts for eleven common categories.

The Use of Technology to Facilitate Data Collection

SPP practices may also be enhanced through e-procurement systems to facilitate data capture and increase the effectiveness and efficiency of the procurement process. By integrating SPP monitoring into existing e-procurement systems, it can improve contract management of sustainability

performance by making it easier to identify and rank sustainable buyers, measure outcomes and benefits, and allow data to be used for continuous improvement.

The Bank's Systemic Tracking of Exchanges in Procurement (STEP) is an online system to help Bank staff and Borrowers plan, record, and track procurement activities under Bank-financed projects. The collection and publication of procurement data also helps to increase transparency and accountability. The Bank updated STEP in 2022 to include a Contract Management Module, which is intended to help Borrowers better manage contracts and thus improve overall contract and project implementation. The system will track key contract deliverables, including reporting incidents related to sexual exploitation and abuse and sexual harassment (SEA/SH), value engineering proposals and approvals, and progress against the Contractor's Environmental and Social Management Plan (C-ESMP). The system can also be used to track KPI performance, which will be particularly relevant where contracts include E&S KPIs. Overall, the system can improve the monitoring of compliance against E&S obligations in the contract.

Over time, additional tools and technologies will become available to help increase the effectiveness of E&S monitoring. For example, technologies including geo-spatial tools and drones are already being used to monitor site activity and track changes in biodiversity. Integrating this data into Contractor performance monitoring will help to build a fuller picture of the Contractor's performance and provide early warning of issues arising on a project.

Introduction: Learning Checklist

- ☐ I understand the purpose of this Guidance and who it is intended for
- ☐ I can clearly define SPP when speaking with stakeholders
- ☐ I know the three key categories of SPP, and the types of benefits that can be achieved within each
- ☐ I understand the role of sustainability in the Bank's Procurement Framework
- ☐ I understand how SPP approaches might change depending on the context or sector
- ☐ I understand the connection between SPP and ESF, as well as the Bank's other key sustainability initiatives such as GRID and the Action Plan
- ☐ I can articulate the enablers that national governments should put in place for successful SPP
- ☐ I can articulate the critical factors that need to be in place for SPP to be successful

The World Bank Project Cycle

Overview

The Bank's project cycle has five stages,⁵⁹ which are as follows:

1. Preparation Stage
 - a. Identification/Concept
 - b. Appraisal
2. Negotiation Stage
3. Approval Stage
4. Implementation and Support Stage
5. Completion/Validation and Evaluation Stage

The bulk of procurement activity (that is, the bidding process, which is often referred to as the seven stages of Operations Procurement) is typically carried out during the Implementation and Support Stage. However, to effectively identify and mitigate E&S risks and take advantage of opportunities, the Bank's procurement and E&S specialists may need to be involved at earlier stages throughout the cycle, for example:

- Initial assessment of E&S impacts and consideration of project alternatives takes place during Identification/Concept; and
- Key impact assessment and planning activity takes place throughout the Preparation Stage.

Preparation Stage: Identification/Concept

Stage Summary

- Key stage activities:**
- Borrower and Bank agree on project concept, as summarized in the Activity Initiation Summary
 - Task Team formed
 - Task Team starts preparing a Project Concept Note (PCN)
 - Bank prepares and discloses two documents:
 - Project Information Document: outlines the scope of the intended project
 - Concept stage Environmental and Social Review Summary (C-ESRS)

- In this section, you will learn:**
- Task Team's role in supporting the Borrower to identify and mitigate E&S risks at the start of the project
 - The use of national-level objectives, set out in Bank documents such as the Country Partnership Framework, as key reference points for the project
 - The role of Procurement and E&S in challenging and validating early project decisions, such as the consideration of project alternatives, so that E&S risks and opportunities are considered appropriately
 - The contents of a PCN, and how initial work on risk assessments and country assessments are incorporated

Key Things to Consider

Bank Procurement Specialist

- Ensure there is common understanding of roles and responsibilities in relation to procurement activities across the Task Team
- Review Country Partnership Framework to consider procurement's role in achieving economic, environmental, and social objectives (for example, job creation, developing new markets, supporting SME growth, increasing diversity in certain professions) and provide feedback to Borrower

Bank E&S Specialist

- Build common understanding of the key E&S activities and risks across the Task Team
- Conduct initial review of project E&S risks to inform PCN, which may include risks associated with key supply markets

Borrower Procurement Specialist

- Use development of PDOs to begin to formulate procurement objectives
- Engage with internal PIU/IA stakeholders to ensure procurement is involved in review of key early planning documents such as the PCN

Borrower E&S Specialist

- Carry out initial risk assessment of project
- Identify any serious E&S risks that may require special attention at key stages of the project

Stage Overview—Identification/Concept

During this stage, the Borrower and the Bank are involved in defining the concept and scope of the project. This activity is to ensure that the proposed PDOs effectively contribute to the Borrower's development objectives and are aligned with the **Country Partnership Framework (CPF)**. The Bank Task Team is formed, bringing together a diverse skillset to consider the best way to deliver the project, follow through on the project's intent, and achieve the development objectives. This may require the Task Team to ask some fundamental questions about the project approach.

The Borrower and the Bank agree on an initial project concept and beneficiaries, which is outlined in a **Project Concept Note**. This document identifies proposed objectives, risks to the achievement of these objectives, alternative scenarios, and a likely timetable for project preparation. It includes a summary of the project's E&S risks, the capacity of the Borrower, and potential measures required to manage project impacts and risks. Two other documents that the Bank prepares and discloses at this stage include:

- **Concept Stage Project Information Document (PID)**, which outlines the context and purpose for the project, the intended scope, development objectives and identifies key roles for the project such as senior leaders within the Borrower's PIU/IA and the Bank's Task Team Leader; and
- **Concept Stage Environmental and Social Review Summary (ESRS)**, which is a record of the due diligence carried out by the Bank at the Concept Stage and includes information on the type and scope of the proposed Project, its potential risks and impacts, the Environmental and Social Risk Classification, the type of environmental and social assessment to be conducted and information on the provisional timeframe for conducting the assessment. This includes any preliminary information on the identity of stakeholders, and the nature of stakeholder engagement.

This stage represents a significant opportunity to influence the scope, objectives, and approach of the project in order to deliver sustainable outcomes. To effectively contribute to the development of a robust project concept, both the Procurement Specialist and E&S Specialist should collaborate in order to gain an understanding of each other's perspectives on key risks and issues. This can lead to a common understanding of how the project's most significant E&S risks could be addressed through the procurement process. This discussion can also help identify stages of the project cycle where closer collaboration between the Procurement Specialist and E&S Specialist will be required, such as reviewing specific parts of the Borrower's PPSD.

Setting Project Objectives

Country Partnership Framework

The Country Partnership Framework (CPF) guides the development support that the Bank gives to a country. It identifies overarching national objectives, set against the country's economic and social context and historical performance, and charts a course toward the Bank's goals of poverty reduction, shared prosperity, and Green, Resilient and Inclusive Development. Beneath these overarching goals, the Bank and the Borrower agree on a set of Higher-Level Outcomes and Objectives (HLOs), which may be economic (improved public spending efficiency), social (improved educational outcomes for young women), or environmental (enhanced management of water resources).

The CPF also identifies priority sectors or areas of public services (for example, water, education, health, transport) that are most in need of investment or development. In addition, it may identify social issues (for example, gender-based violence (GBV)) that are particularly prevalent within the country. These challenges are typically addressed through a program of activities as opposed to a single project. The CPF will also provide useful context on public administration and fiscal management activities within the country, including public procurement, providing a brief analysis of challenges and opportunities for improvement, particularly in relation to transparency and corruption.

The CPF provides line of sight between HLOs and the projects that will help to achieve them. Table 3 represents an extract from a CPF for the Dominican Republic (DR), which shows how progress against national-level objectives (LH column) are monitored through progress indicators (center column). Progress toward these goals is then achieved through the delivery of IPF projects (RH column), which gives line-of-sight of the direct contribution that projects make to the achievement of HLOs.

TABLE 3 Partial extract from Dominican Republic CPF, 2022–2026⁶⁰

CPF Objective Indicators	Supplementary Progress Indicators	WB Project
Objective Indicator 21: Total and female farmers adopting improved agricultural technology.	Progress indicator 1.12: Land area under sustainable landscape management practices (CRI)	DR Resilient Agriculture and Integrated Water Resources Management Project (P163260) ⁶¹
Baseline (2017): 0	Hectare (Ha) Baseline (2021): 1,866	
Target (2026): at least 25% (1,300) of the total	Target (2023): 3,375	
Objective Indicator 22: Area of landscapes under approved management plans to benefit biodiversity.	Progress Indicator 1.13: Farmers adopting climate-smart and sustainable rice production practices	Integrated Landscape Management in Dominican Republic Watersheds (P170848)
Hectare (Ha) Baseline (2021): 0	Baseline (2021): 0	
Target (2026): 306,900	Target (2026): 1,200	

The CPF typically includes a broad range of development priorities. They might include improvements needed in health, education, sanitation, social cohesion, or transport. At this early stage of the project, the Task Team should use the CPF to consider all objectives that the project could achieve that align with the objectives of the CPF. Procurement can influence how a Borrower selects its objectives and approach, including by using expertise and innovation from the supply market so that the project approach considers recent developments and historical challenges. Table 4 demonstrates how issues identified in the CPF can be expanded on to consider how procurement activity might help achieve the objectives.

Procurement may need to engage with colleagues from other Bank departments to conduct further research and analysis to better understand policy challenges within the country. For example, before establishing the objective of procuring services from women-owned businesses, procurement can engage with policy experts to understand the barriers that women-owned businesses face, and which sectors would be most appropriate to target.

TABLE 4 Converting CPF issues and opportunities into procurement actions

Issues and Opportunities Identified in CPF	Example	Procurement Action
Economically disadvantaged or marginalized groups	Young indigenous people experiencing extreme poverty and a low rate of employment	Opportunities for apprenticeships with main Contractor to provide trade training
Domestic “green” industries	Growing domestic market providing recycled textiles	Evaluate bids based on Bidders’ proposals for supporting local industries
Categories of businesses that are underrepresented	Small proportion of women-owned businesses nationally, but female entrepreneurship growing in commercial architecture and engineering sectors	Identify categories, such as professional and design services, that can be targeted for increasing representation of women-owned businesses and incorporate as a procurement objective
Key sectors in need of investment and innovation	Slow growth and low productivity in domestic industry providing prefabricated housing	Use project to pilot prefabricated accommodation for site staff to provide investment to domestic industry

FIGURE 26 Case Study: Social inclusion through procurement in Cali, Colombia

Case Study: Social inclusion through procurement in Cali, Colombia

Background

In 2017, the Public Procurement Department of the Mayor of Cali, Colombia procured security and surveillance services for a number of facilities owned by the local government. While procuring these services, the Mayor’s office saw an opportunity to deliver on objectives of social inclusion.

Approach

Bidding documents included two technical requirements of a social nature:

- First, provision of the service had to be carried out while employing four individuals with reduced mobility, which had to be certified by the Bidder at the time, presenting the individuals’ national identification cards and certificate issued by a disability qualification board.
- Second, Bidders had to certify that 10% of the personnel engaged for each area would be made up of unemployed mothers. This condition had to be certified by the Bidder, presenting a sworn statement signed by the individual and the birth certificate of at least one of their children.

Outcome

One year after the commencement of the three awarded contracts, the Mayor’s office followed up to review results and collect feedback from Contractors, which was extremely positive. One hundred and three female security guards were engaged through the contract, including former victims of domestic abuse who used the role as an opportunity to escape violent homes with their children.

In a male-dominated industry in Colombia, which typically avoids hiring women due to concerns about pregnancy, breastfeeding, periods, and maternity leave, among others, Contractors reported a positive experience. The women valued the opportunity to be active in the workplace and were proud to represent their organization. They were often excellent mediators, as they were more understanding and conciliatory than their male counterparts.

Source: [PROLAC Annual Report](#), World Bank (2022)

FIGURE 27 Case Study: Identifying barriers to gender responsive procurement in the Caribbean**Case Study: Identifying barriers to gender-responsive procurement in the Caribbean****Background**

The Bank procurement team in Latin America and the Caribbean (LAC) is striving to identify opportunities for gender-responsive procurement across the region. A Practice Note was developed in 2022 to share their insights and experience on effective measures for incorporating gender considerations into the procurement cycle. Gender issues such as access to economic opportunities and labor force participation in the region, and globally, were badly affected by the COVID-19 pandemic. Their experiences suggested that success was dependent on a solid understanding of the issues facing women, so that the procurement approach could try to eliminate the most significant barriers.

Approach

To fully understand the issues facing women in the region, the regional procurement team conducted a thorough literature review of Bank reports on gender inequality and procurement in the target countries, such as gender scorecards and *Women, Business and the Law*⁶² report on legal barriers to economic equality and participation. Next, the team studied the national legal framework on gender equality to see how procurement could be aligned with national gender action plans. This was supplemented with engagement with the LAC Gender Innovation Lab and brainstorming with Bank experts who understood gender issues at a sectoral, regional, and country level. The next stage involved interviews with relevant stakeholders, including representatives of women's groups and civil society associations, government officials, and procurement practitioners in selected countries.

Outcome

The work identified a range of social and institutional barriers — including human capital factors and social norms — that perpetuate gender inequalities. By openly acknowledging such barriers, the team were able to devise policies that, as far as possible and within the limits of procurement as a policy tool, could try to address them. This detailed process was used to develop a holistic approach that would use procurement to benefit all aspects of women's lives, with positive repercussions on human capital and social inclusion.

The team's success was constrained by the lack of gender-disaggregated data (by sex and other key variables, such as age, related to vulnerable groups) on ownership of companies that participate in Borrower bidding processes and are awarded contracts, as well as a lack of information on gender composition of the workforce of companies that win contracts, which is a common challenge in many countries. This makes it more challenging to fully understand barriers and measure the success of the policy.

Developing the Plan

Project Concept Note

The Project Concept Note (PCN) sets out the PDOs, initial costing and phasing, and an overview of the Borrower's capacity and any limitations that may impact implementation. The PCN includes a summary of both procurement and E&S considerations for the project. Although it is unlikely that the Procurement Plan will be well advanced at this stage, the high-level approach may be sufficiently advanced to include in the PCN.

Early Cost Estimation

The PCN provides an indication of the total cost of the project, as well as the estimated value of the contracts required to implement the project. This is likely to be based on the Borrower's own cost assessment and may not yet have been tested with the supply market. It may also be an analysis of "upfront costs," without considering the scale of costs that may be incurred over the full lifecycle of the product, asset, or service.

If E&S risks have been assessed to be high, it is likely that the Bank will take a more active interest in the early stages of the estimation process. A more complex project environment can increase the cost of implementing the project, owing to the cost of risk mitigation. A lack of interest from (or availability of) suppliers can also increase costs through a lack of competition.

To assess the full value that a project delivers and the costs that it incurs, the cost assessment needs to consider much more than just the initial cost required to purchase or construct the project. Projects can apply more sophisticated methodologies to understand the full scale of costs, as well as potentially considering broader economic, environmental and social costs and impacts. Procurement can advise the Task Team to apply these more sophisticated methodologies, as they will likely result in higher-quality, more sustainable outcomes. Procurement can also advise the Task Team when the target market lacks the capacity to deliver on more stringent E&S requirements. This comprehensive approach to assessing cost and related tradeoffs may also cause the Task Team and Borrower to consider project alternatives if the current option could result in significant long-term costs or significant environmental and social harm.

The Borrower will work toward a full cost estimate and implementation schedule, considering the cost of mitigating and monitoring E&S risks. This will be appraised by the Task Team, who will also need to consider the cost of any support the Bank will need to provide for the project, and any work required to develop Borrower capacity in E&S management. This should be completed in advance of the procurement process. However, at this stage, the economic assessment is likely to be based on a high-level estimate.

Considering Project Alternatives

Analysis throughout this first phase should enable the Task Team to develop an initial assessment of the cost, feasibility, and risk profile of the project. There may still be an opportunity to influence the project's objectives, the analysis and selection of options, or to alter the approach and/or delivery model envisaged by the project. Procurement has the potential to provide significant value by asking fundamental questions, such as:

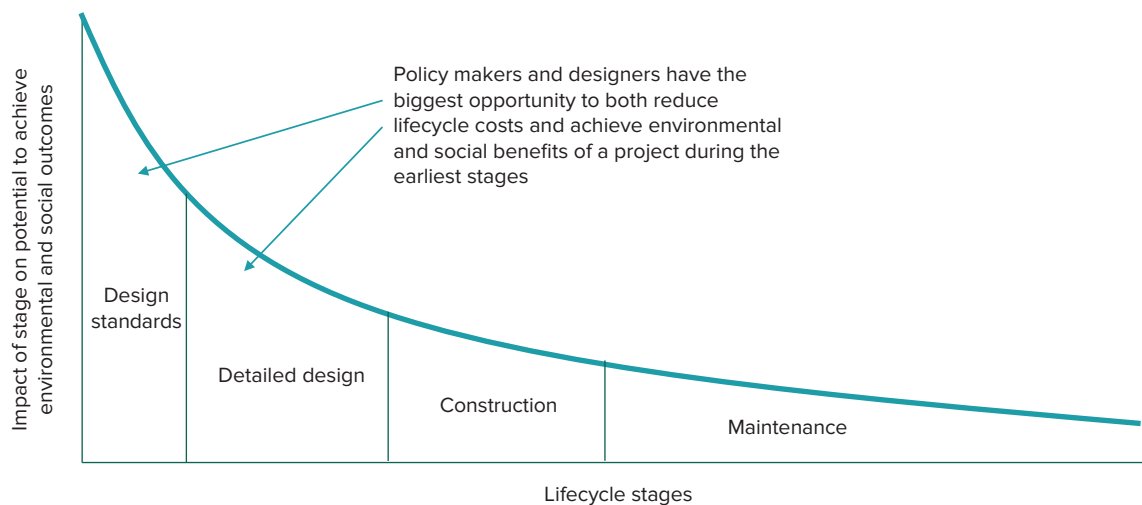
- Is the supply market capable of delivering the project as the Borrower wants it to be delivered?
- Is there another way to achieve the same (or improved) objectives while reducing risk?
- Is the contract needed at this time, or can an existing service or asset be maintained or improved in a way that can still achieve the PDOs or the objectives set out in the CPF.
- Does the supply market have knowledge, insight or innovative approaches that could help deliver this project in a better way?
- Do current supply constraints present a significant risk to the project which could be eliminated by choosing an alternative approach?
- Could the project be delivered in a way that enhances the local economy or engages marginalized groups?

The E&S Specialist can influence these decisions in a similar way, and can ask questions such as:

- Are there alternative project designs or siting options that could help avoid or minimize some of the key risks and impacts?
- Are the potential impacts of E&S risks post-mitigation too great for the project to continue?
- Could a change in project approach significantly change the likelihood and impact of E&S risks?

The most significant and impactful decisions occur in the first phases of a project, such as the assessment and selection of options, and the most fundamental aspects of design and approach. Therefore, procurement's ability to have significant influence over the most important decisions decreases as the project progresses, as demonstrated in Figure 28.

FIGURE 28 Declining impact of project decisions throughout project lifecycle – illustrated example for Works projects



At this early stage of the project, the E&S Specialist will apply the mitigation hierarchy to E&S risks that have been identified so far. This may lead to a conversation with the Borrower about whether project alternatives have been considered, to see if alternative options could avoid or minimize risks, or lead to new benefits. Alternative options could include factors such as:

- Changes to specific project activities,
- Siting,
- Planning,
- Design, or
- Implementation approach (ESS1 paragraph 24).

The assessment of project alternatives can be informed by the Borrower's assessment of the financial and technical feasibility of the mitigation measures under different project alternatives, and the capacity of the PIU/IA and the market to implement them. This analysis can pull information from literature, relevant feasibility studies, or discussions with procurement practitioners on market capacity. For example, if a project option presents a significant environmental risk, but it is assumed that it can mostly likely be mitigated by the Contractor quite easily and at little cost, then this should be factored into the evaluation of project alternatives. If a project option presents a significant social risk that would be disproportionately costly to mitigate in relation to the overall cost of the project, this may favor other project alternatives.

Selecting the Right Delivery Model

It is appropriate at this stage of the process to consider the most effective delivery model for the project. For example, does the Borrower require support beyond the construction of the asset, such as effectively operating and maintaining the asset? Will the design and construction be tendered as a complete package, or will the first phase of procurement just involve the procurement of design services?⁶³ If the Borrower would prefer to have the private sector fund the asset over the long term, then a Public-Private Partnership (PPP) model may be more appropriate.⁶⁴

The delivery model selected will impact the size, scale, and complexity of the procurement approach, as well as the amount of support that the Borrower requires. Procurement has a role to play in influencing this decision, based on the capacity of the supply market to deliver under these different models, as well as the financial implications.

Some projects may involve engaging technical or design expertise at the outset, who will help to define and design the project before approaching the market to find a Contractor who would be engaged under a simple "build" contract. In these cases, the Borrower should give the consultancy firm that is engaged to develop the design clear instructions about sustainability requirements, as demonstrated in Figure 29.

Implications of Project Cost on Procurement and E&S Approach

Initial cost assessments should provide an early indication of the potential size and complexity of procurement activity. This will enable the Procurement Specialist to consult the Procurement Regulations to identify whether a national or international procurement approach is likely to be used. This decision will refer to the Country Procurement Thresholds,⁶⁵ and it will have significant implications for the procurement approach, including the procurement documents that are used.

The value and risk of the procurement activity will also be a key factor in determining the oversight procedures that the Bank will put in place to monitor procurement activity. A higher-value procurement may trigger the threshold for the Bank to conduct prior review.⁶⁶

Establishing the Task Team

Clarifying Task Team Roles and Responsibilities

Responsibility for implementing the project in a way that meets lending policies, including the ESF and the Procurement Framework, sits with the Borrower.

FIGURE 29 Engaging a design team/Consultant to help achieve sustainable outcomes**Engaging a design team/Consultant to help achieve sustainable outcomes**

A PIU/IA does not often have the in-house capability to design large or complex assets, meaning this capability needs to be brought into the project team. The way in which this is done is dependent on the delivery model chosen, for example:

- Under a design/build model, the Contractor is engaged to both design and then construct the asset.
- Under a build only model, the design is either conducted in-house or a specialist consultancy provider is engaged to develop the design and help prepare the bidding documents and technical requirements that will be used to select a Contractor.
- More complex models (such as design, build, operate, PPPs or alliances) may involve design teams and Contractors being engaged simultaneously to form one large, multi-functional project team.

In the case of a “build only” model, the Borrower will need to engage a consultancy provider, which may be done using the Bank SPD “Request for Proposals – Consulting Services (Non-supervision).” When procuring the consultancy provider, the Borrower should clearly set out their requirements and objectives. This could be done by developing a Project Brief, which should include:

- The objectives and priorities of the project, including PDOs
- Any information already developed on the intended lifespan for the asset and its disposal
- Any information on the project site (if established) or potential site options, including environmental risks and considerations, nearby affected communities, site safety and security, and any significant historical or cultural ties
- Requirements for the asset’s operational use, including transport/logistics (that is, how the asset will be accessed and by whom), required flexibility (for example, options for future expansion, potential future uses), and likely energy and water requirements
- Borrower roles, project structure and any relevant information on the PIU/IA’s capacity and prior experience
- Preferences for the project (for example, use of local materials, use of landscape), and quality expectations (including health and safety and design quality)
- Intent to limit use of building materials with high-carbon and other GHGs emissions (for example, does the Borrower intend to identify low-carbon alternatives? Are there options for piloting innovative new materials?)
- Options for waste minimization, such as design choices to avoid cut-offs, or methods for recycling or re-using materials onsite
- Sustainability objectives such as energy use targets, resilience to potential hazards or threats (for example, climate adaptation), waste and water management, and pollution control

Source: Project brief for design and construction, Designing Buildings (2022)

During this first project phase, the Bank establishes a Task Team to support the Borrower to scope the project, including specific expertise in procurement and E&S. Table 5 summarizes overall responsibilities for key participants in the project. Note that additional information on how roles and responsibilities apply to each phase of the project, in particular between the Procurement Specialist and E&S Specialist, is provided throughout this Guidance.

Sharing Insights between Bank Procurement and E&S Specialists

The Task Team incorporates a mix of skills and expertise, which will be most effective when it operates in a collaborative way. Both Procurement Specialists and E&S Specialists have important perspectives to incorporate at key stages of the project. The current stage presents an early opportunity for E&S and Procurement Specialists to collaborate and share knowledge, particularly related to E&S risks and how they may impact on procurement. This knowledge sharing may take several forms, for example:

- Once Borrower informs the Bank on key findings of its assessment of project risks and impacts, E&S Specialist initiates a workshop with the Procurement Specialist to discuss relevant procurement strategies to help manage such risks and impacts

- Jointly developing a summary table of E&S risks that need to be mitigated through procurement to share with the TTL
- Procurement proactively researching major supply chains relevant to the project to understand potential sustainability-related sourcing issues and summarize potential risks and alternatives, sharing findings with E&S Specialist

TABLE 5 Overview of roles and responsibilities across key Bank, Borrower, and external roles

Bank roles	Task Team Leader <ul style="list-style-type: none"> ■ Overall project leadership, project coordination, and policy compliance ■ Interlocutor between the Bank, technical specialists, and the Borrower 	Environmental & Social Specialists <ul style="list-style-type: none"> ■ Technical E&S support and due diligence on ESF ■ Advise the Task Team on E&S mitigations, including criteria for bidders, performance measures, and so on. ■ Work with Procurement Specialists to incorporate E&S technical requirements in procurement documents (including bidding documents, evaluation reports, and contracts) ■ Supervise the Borrower's delivery against their E&S commitments 	Procurement Specialist <ul style="list-style-type: none"> ■ Specialist support and procurement advice to the Task Team, including on application of Procurement Framework ■ Advise Borrower on appropriate SPDs for the project or on enhancements needed for national bidding documents ■ Liaise with E&S Specialist to review technical content and confirm E&S requirements have been incorporated appropriately ■ Liaise with E&S Specialist to confirm E&S issues have been mitigated throughout bidding process ■ Supervise procurement under the project to confirm alignment with PPSP
Borrower roles	Borrower PIU/IA: <ul style="list-style-type: none"> ■ Implement the project in accordance with the Legal Agreement, including obligations related to the ESF and Procurement Framework ■ Assess, manage, and monitor E&S risks and impacts at each stage in the project ■ Include relevant E&S obligations and legal remedies in contracts ■ Require that relevant E&S obligations are included by Contractors in their subcontracts. ■ Supervise Contractors so they operate in a manner consistent with the ESSs, including ESCP requirements, and require Contractors to do the same with their own Subcontractors and Suppliers 	Supervising engineer (large works only): <ul style="list-style-type: none"> ■ Borrower's representative on site ■ Monitor site operations ■ Make day-to-day decisions in delegated areas and escalate/expedite Borrower decisions in non-delegated matters 	Technical Specialist: <ul style="list-style-type: none"> ■ Advise on technical elements of the project ■ Involved from start of project on analysis of initial options through to development of technical specifications and requirements, in liaison where appropriate with E&S and Procurement ■ Key contributor to technical elements of bidding document ■ With procurement support, leads on engagement with Bidders, including using early market engagement to respond to feedback on project approach

(continues)

TABLE 5 Overview of roles and responsibilities across key Bank, Borrower, and external roles
(continued)

Contractor roles	Main Contractor:	Subcontractors:	Primary Suppliers
	<ul style="list-style-type: none"> Responsible for contracted deliverables, including the management of E&S risks and impacts as prescribed in the contract Ensure Subcontractors and Primary Suppliers are accountable for delivering E&S obligations relevant to their activities under the contract 	<ul style="list-style-type: none"> Adhering to relevant E&S obligations under the contract Providing reporting on E&S issues and compliance 	<ul style="list-style-type: none"> Complying with relevant ESS2 and ESS6 requirements while providing goods or materials to the project

FIGURE 30 Case Study: Cross-Bank collaboration to deliver innovative procurement in Vietnam

Case Study: Cross-Bank collaboration to deliver innovative procurement in Vietnam

Background

Funding for development of a wastewater treatment plant in Ho Chi Minh City was split between the Bank, which financed design and construction, and the Borrower, who would finance the ongoing operation and maintenance of the facility. This gave the Borrower an incentive to ensure the procurement approach applied a lifecycle perspective and considered quality and longevity alongside upfront cost. However, the Borrower had little experience of delivering projects using more innovative procurement methods.

Approach

A number of key project roles worked closely with the Borrower to ensure the project was structured appropriately to achieve long-term value and ensure that the successful Bidder used innovation and diligent E&S management to deliver on the project's objectives. This meant intensive engagement between the Borrower and the Bank throughout project preparation and implementation, in particular by a number of key roles:

- The Task Team Leader was determined and persistent in convincing the Borrower to change their traditional approach (design–bid–build, carried out in three separate phases) to an integrated Design Build Operate (DBO) model, which was a new concept to the Government at the time of project preparation. This meant supporting the Government by engaging resources who could provide expertise and advice at the right stages of the project.
- The Country Director, along with the Bank's legal counsel, provided valuable support during loan negotiations, which removed constraints in the Borrower's legal system on the application of DBO contracting and allowed open competition in the identification of technology solutions.
- During the procurement process, critical guidance and support was provided by the Operations Procurement Review Committee (OPRC) and the Accredited Practice Manager, who helped to overcome various procurement challenges.

To achieve the project's E&S objectives, various sustainability-related requirements were included in the bidding documents, in particular:

- Technology options were not prescribed; instead, Bidders were encouraged to propose advanced environmentally friendly and energy-efficient technology;
- The Bid evaluation approach considered lifecycle costing, including capital expenditure (CAPEX) and operating expenditure (the costs of operation and maintenance [OPEX]) in order to incentivize Bidders to offer high-quality and durable solutions;
- Although the Bank's new ESHS requirements were not mandatorily applicable to the project, they were incorporated into bidding documents, including a requirement for a 3% ESHS Performance Security, which was applied in Vietnam for the first time.
- ESHs requirements included a stipulation that the Contractor had to take into account climate change impacts and carbon footprint reduction in design and construction of the works.

Source: World Bank case study repository

In their respective early risk analysis, both procurement and E&S may identify risks that impact on each other. Table 6 provides two illustrative examples of how a specific risk is identified by either the E&S or Procurement Specialist, and then how effective collaboration on early risk identification and mitigation can help to deliver a positive outcome.

TABLE 6 Example of collaboration between E&S and procurement on risk identification and mitigation

	E&S-led Activity	Procurement-led Activity
<i>Risk identified</i>	E&S risk analysis identifies that the project presents high risk of biodiversity loss	Procurement risk analysis identifies that the domestic market is not able to deliver critical services, meaning bids must be obtained from international Bidders
<i>Insights gained from colleagues</i>	Market analysis conducted by Procurement identifies suppliers with strong track record of mitigating biodiversity loss operating in nearby countries	E&S colleagues identify heightened risks to local community from an international workforce
<i>Mitigation</i>	Risk can be mitigated through a change to the procurement strategy to attract Bidders from alternative markets	Bidders should be asked during bidding process to demonstrate experience in effectively managing a workforce in rural, complex settings

Managing Different Perspectives and Timeframes in the Task Team

As the Task Team progresses through the project cycle, different elements of the project may be occurring in parallel. For example, the Procurement Specialist and E&S Specialist are likely to be working on different deliverables at the same time. These activities may require different levels of detail or may involve different levels of complexity, which means that they are not always completed at the same time. Where either procurement or E&S activities experience delays, this may result in the misalignment of activities across the team. The TTL's role is to help resolve any differences of opinion, dependencies or conflicting timeframes to avoid project delays or disruption.

Procurement and E&S Specialists may have different perspectives on any number of issues, such as the severity and impact of a certain risk, perceptions about project stakeholders or affected communities, or the capacity of Contractors, Subcontractors and/or Suppliers to manage specific E&S risks. In these cases, the TTL can help to find common ground in the following ways:

- Reaffirming the project's objectives to align different technical aspects across the team; and
- Developing prioritization criteria to facilitate an assessment of potential tradeoffs and a collective decision on the issues.

Undertaking Initial Risk Analysis

Assessing the Suitability of the Borrower's Procurement Framework

The Bank assesses the Borrower's national procurement system, typically using the MAPS methodology or other appropriate assessment methodologies. This information supports the procurement

risk assessment in the PCN by providing useful context and background on procurement in the Borrower country. It can also be used to identify potential risks to the achievement of SPP outcomes. The supplementary MAPS module on Sustainable Procurement could also be used to develop a wide-ranging and comprehensive view of the suitability of the procurement framework for implementing SPP.⁶⁷

To understand whether the national procurement system provides an environment conducive to the delivery of SPP, either the Bank or Borrowers themselves can ask the following key questions to identify potential constraints:

- Does the Borrower have experience of implementing SPP on Bank-financed projects?
- What are the specific capacity gaps that the Bank could help address through the provision of technical support and expertise?
- Are there already sustainability-related policy objectives in place at the national level that procurement practitioners will be familiar with (for example, SME engagement, targeting minority-owned businesses, reducing construction waste)?
- Do the current legislative arrangements preclude the use of SPP practices (for example, is the use of rated criteria permitted)?
- Is it possible to conduct market engagement activities in the country without unduly increasing corruption risk?
- Are there specific risks or concerns relating to the use of SPP (for example, particularly powerful industry groups, stringent complaints procedures with severe punishments)?
- Do the bidding documents include sufficient provisions to adequately mitigate against environmental and social risks and impacts?

Key Tip!

The early stages of a project are when Procurement Specialists and E&S Specialists have the greatest potential to help the Borrower to achieve sustainable outcomes. Specialists can use their expertise to influence the TTL and/or the Borrower to:

- Incorporate “lifecycle thinking,” considering the whole life of an asset, including the environmental and social impacts and benefits
- Listen to the market and learn from past successes and challenges
- Think about how to introduce innovative approaches, both in how the procurement is structured, but also the products or services that are being procured
- Seek to use the procurement to achieve development objectives (for example from the Country Partnership Framework)
- Ensure the Borrower is aware of the requirements of the ESF and what needs to be done to ensure the ESSs are met

Next Steps

By reading this section, Procurement and E&S teams should be aware of the importance of the decisions made during the project's earliest phases, and how they might materially impact sustainability outcomes. By working together, the Procurement Specialist and E&S Specialist can influence these decisions in the interest of improving project outcomes from a sustainability perspective.

The initial analysis and assessment of risks conducted to date will be expanded and built upon in the next phase, in order to develop a comprehensive and fit-for-purpose procurement strategy.

Identification: Learning Checklist

- ☐ I am aware of my responsibilities, and the responsibilities of my colleagues and other key parties, in relation to the implementation of SPP
- ☐ I understand how the CPF and other key documents are used to align IPF projects with development objectives
- ☐ I understand the types of questions I can ask to ensure the project approach is well-considered when compared to alternative approaches
- ☐ I am aware of how an initial analysis of risk and capacity is used to develop the PCN

Preparation Stage: Appraisal

Stage Summary

Key stage activities:	<ul style="list-style-type: none"> ■ Borrower to conduct a more detailed assessment of the project, including on technical design, E&S risks and impacts, and potential mitigations ■ Consultation with project beneficiaries and stakeholders ■ Bank prepares and publicly discloses: <ul style="list-style-type: none"> ▪ Project Appraisal Document (PAD) ▪ The Appraisal stage Environmental and Social Review Summary (A-ESRS) ■ Key procurement deliverables that are developed during this stage include: <ul style="list-style-type: none"> ▪ Development of an overall project procurement strategy in the Project Procurement Strategy for Development (PPSD) ▪ Summary of project procurement activity in the Procurement Plan, which may be appended to the Project Appraisal Document (PAD)
In this section, you will learn:	<ul style="list-style-type: none"> ■ The contents and purpose of the Project Procurement Strategy for Development ■ Considerations for analyzing and assessing E&S risks and capabilities ■ How when planning out procurement activity in the PSD, E&S considerations are integrated at each stage of the procurement process, including contract management and KPI development ■ The key differences between conformance and performance specifications and their relevance for SPP ■ Implications of choosing a selection method for SPP ■ Success factors for implementing an evaluation methodology for sustainable outcomes, in particular rated criteria ■ How price evaluation methodologies have increasingly incorporated external E&S factors ■ How changes made to Bank PSDs have incorporated ESF requirements that Contractors/Suppliers must comply with

(continues)

Key Things to Consider	
Bank Procurement Specialist	Bank E&S Specialist
<ul style="list-style-type: none"> ■ Review Borrower's proposed procurement mitigation measures to address E&S risks ■ Verify that proposed market approach and procurement method are appropriate for mitigating E&S risks ■ Ensure that Procurement Plan reflects recommendations of the PPSD and project E&S and procurement risks ■ Review standard national bidding documents to ensure they address E&S risks or agree how any gaps or weaknesses are addressed by the Borrower ■ Inform the E&S Specialist which procurements are planned to be conducted with international or national market approaches, which selection methods are to be applied, and type of bidding documents used ■ Draft summary of PPSD ■ Draft summary on procurement-related E&S risks and mitigation measures incorporating E&S Specialist's inputs ■ Determine whether prior or post review will be required based on contract values and risk levels 	<ul style="list-style-type: none"> ■ Review E&S risks and mitigations for the project to determine those that are procurement-related (for example, requires a Contractor to carry out a specific activity), and discuss those with Procurement Specialist ■ Consider if there are any E&S innovations or opportunities to enhance sustainable outcomes that could be included in the project procurement approach ■ Review E&S risks and mitigation measures as drafted in PPSD to ensure appropriate application of mitigation hierarchy ■ In collaboration with Procurement Specialists, review relevant sections in the Procurement Plan and bidding documents to confirm E&S considerations are covered appropriately
Borrower Procurement Specialist	Borrower E&S Specialist
<ul style="list-style-type: none"> ■ Develop PPSD for the project, working with national E&S experts to identify and mitigate E&S risks ■ Develop a Procurement Plan that sets out a clear timeframe for procurement activity, including whether SPDs or national documents will be used (including steps include appropriate E&S provisions in national documents) ■ Use the Procurement Plan to agree with the Bank what additional support will be provided (such as HEIS) 	<ul style="list-style-type: none"> ■ Carry out a detailed assessment of project E&S risks, working with national procurement counterparts to develop mitigation strategies ■ Review the PPSD and Procurement Plan to ensure procurement activity takes into account relevant E&S risks ■ Begin to work with national procurement counterparts to develop specifications for how Contractors will manage E&S risks

Stage Overview—Preparation Stage: Appraisal

Having conducted early risk and opportunity analysis and selected an initial procurement approach in the previous phase, the Borrower continues to lead a more detailed project assessment. At this stage, Borrowers often engage Consultants and other technical experts to help carry out the following, inter alia:

- Conducting technical, economic, social and environmental assessments;
- Preparing feasibility studies, engineering and technical designs; and
- Undertaking stakeholder engagement and meaningful consultation on project design, including the duration of project activities, purpose of the project, potential impacts and risks, project benefits, process for public consultation, and the process and means by which grievances can be raised and will be addressed.

In addition to providing financing, the Bank provides technical expertise to support Borrowers to plan the project. The Bank generally provides advice or other capacity support (for example, identifying relevant experts) during this phase to support the Borrower to develop the most appropriate project design and implementation approach. The Bank assesses the capacity of the Borrower's implementing agencies at this point to reach agreement with the Borrower on their arrangements for overall project management, such as the systems required for financial management, procurement, E&S risk management, reporting, and monitoring and evaluation.⁶⁸ The Bank will also consider the level of procurement oversight and due diligence required based on the project's value and complexity and the Borrower's experience and capacity. Findings from the Bank's due diligence exercise are summarized in relevant sections in the Project Appraisal Document and specifically for ESF related issues, the A-ESRS.

The most significant outputs of the Appraisal Stage from a procurement perspective are the Borrower's PPSD and their Procurement Plan.⁶⁹ The completion of the PPSD in particular reflects a significant procurement milestone. The PPSD template steps Borrowers through the stages of analysis and planning, culminating in a recommended procurement approach. The contents of the PPSD and Procurement Plan are as follows:

- **PPSD:** All IPF projects are required to submit a PPSD,⁷⁰ which the Bank reviews.⁷¹ It details the procurement-related analysis and planning carried out by the Borrower, using it to set out an overall procurement approach that will support the development objectives of the project. A summary of the PPSD is included in the Project Appraisal Document (PAD), which summarizes all activities relating to a project's preparation.
- **Procurement Plan:** Takes the approach developed in the PPSD and plans out specific procurement activities in more detail. It covers at least the first 18 months of project implementation, including a description of the contracts, the procurement risks, the contract values, the approach(es) to market and the selection methods that will be used. It needs to be prior reviewed by the Bank, before the completion of loan negotiations, after which it is incorporated in the Legal Agreement, making it legally binding on the Borrower.⁷²

Procurement planning should be informed by other technical inputs, including information on key project risks and impacts, and proposed mitigation measures. To achieve this, there should be strong collaboration between the Procurement Specialist and E&S Specialist, both within the Bank Task Team and the PIU/IA.

How a Fit-for-purpose Environmental and Social Assessment Can Inform Procurement Strategy Development

Under the ESF, the Borrower conducts the process of environmental and social assessment (ESA) and prepares mitigation plans during both the project preparation stages (Concept and Appraisal) and Implementation, based on the considerations set out in ESS1 (footnote 14). The Borrower is required to

assess, manage and monitor the E&S risks and impacts of the project throughout the project life-cycle “so as to meet the requirements of the ESSs in a manner and within a timeframe acceptable to the Bank.” In establishing the “manner” and an “acceptable” timeframe, the Bank will take into account:

- The nature and significance of the potential E&S risk and impacts;
- Timing for development and implementation of the project;
- Capacity of the Borrower and the other entities involved in the project; and
- Specific measures and actions that will be implemented to address the E&S risks and impacts.

The ESF sets out specific requirements on the extent of the ESA that should take place by the end of the Appraisal stage. A key consideration is whether the Borrower has sufficient information about the project to allow stakeholders to conduct a meaningful review of the proposal and for the Bank to conduct its due diligence. At a minimum, for all projects regardless of risk classification, the ESF requires the Borrower to know enough about the key risks and impacts of the project that an Appraisal-stage Environmental and Social Review Summary (A-ESRS) can be prepared and publicly disclosed. An Environmental and Social Commitment Plan (ESCP) and Stakeholder Engagement Plan (SEP) must also be developed and publicly disclosed. The ESF explicitly requires High and Substantial Risk projects to disclose draft documentation, in addition to the A-ESRS, ESCP and SEP, that addresses key project risks and impacts and provides sufficient detail to inform stakeholder engagement.

There is a prohibition in ESS1⁷³ that states that the Borrower will not carry out any activities in relation to the project that may cause material adverse environmental or social risks or impacts until relevant plans, measures or actions have been completed in accordance with the ESCP. For example, the Borrower may not agree that Contractors can mobilize on site to start dredging a canal until environmental management measures, such as arranging for disposal sites, checking for toxic materials that need to be disposed of separately, and traffic management plans, have been agreed upon and established.

In addition, the timing of project activities, such as procurement and permitting requirements, could affect the timing of the ESA. If the Borrower plans to start procurement soon after project Approval, the Borrower should consider completing an ESA that is sufficient for relevant information on risks and mitigations to be included in the bidding documents. For example, it may be necessary to have sufficient information on the expected profile and scale of the labor force, and key labor risks to inform the Procurement Plan and bidding documents.

Even after a comprehensive ESA process, new risks will still emerge, or the existing risks are reassessed, requiring a change in the mitigation measures. For changes that emerge once a contract is signed, the contract’s change control process can be followed (see *Implementation: Stage Seven—Manage Contract*). However, introducing contract changes at a later date can introduce costs related to project delays while contract changes are processed.

Bank Due Diligence

As described above, the Borrower's ESA should provide the Bank with sufficient information to make an informed decision on the project (see E&S Policy, paragraph 30). The due diligence conducted by the Bank E&S Specialist should be proportionate to the nature and context of the project and proportionate to the level of E&S risks and impacts, with due regard to the mitigation hierarchy (E&S Policy, paragraph 31). The guiding question for the Bank's due diligence is whether the project is capable of being implemented in accordance with the ESSs.

To fully evaluate a project's ability to achieve sustainable development outcomes during implementation, Task Teams should consider whether the Borrower has taken steps to identify and assess key E&S considerations in sufficient detail to inform the procurement process. The ESA carried out by the Borrower and the due diligence carried out by the Bank E&S Specialist, as documented in the A-ESRS, should assess the Borrower's capacity and willingness to manage environmental and social risks and impacts arising from the project, and the measures necessary to effectively manage such risks and impacts during project implementation.

This is the stage when prospective Bidders are informed of important project delivery requirements, which allows them to be properly costed into the contract. To undertake such an evaluation, the Bank's Procurement Specialist and E&S Specialist should work together while also encouraging close collaboration between the Borrower's procurement and E&S staff. Table 7 illustrates how collaboration between Procurement Specialists and E&S Specialists can help achieve SPP in a project by informing the requirements set by the Borrower so they can be included in bidding documents.

TABLE 7 Example of early identification of E&S risks and their relevance to procurement

E&S Risk Identified	Relevance to Procurement	Potential Mitigations through Procurement
Contractor will require large overseas workforce who will work alongside domestic labor	Bidding documents should prompt Bidders to consider how OHS and worker welfare risks will be managed given a diverse workforce	Assess Bidders' experience in managing overseas workforce while reducing risks and protecting worker welfare
Chemical discharges from project site could affect water source for local community	Bidding documents should require Bidders to specify how they would manage risk of runoff contaminating local drinking water	Evaluate feasibility of Bidder's management plan for managing runoff or using non-harmful chemicals (using rated criteria)
Indigenous community located in proximity to project site, and project site holds cultural significance for the community	Bidding documents should highlight this as part of context, and suggest that Bidders consider building cultural competence and appoint a community liaison role	Assess key personnel put forward by Bidders to manage stakeholder risks, as well as Bidders' understanding of cultural significance of site

The ESA Process and How It Can Inform SPP

ESS1 requires a Borrower's ESA to address all relevant project risks and impacts (ESS1 paragraph 28) and identify opportunities to enhance the positive impacts of the project (ESS1 paragraph 24). As part of the ESA process, the Borrower will also develop appropriate measures to manage specific E&S risks and impacts, which are usually set out in various documents such as labor management procedures, a Biodiversity Management Plan, a Cultural Heritage Management Plan, or a Pest Management Plan.

While developing these measures for managing E&S risks, it is important to identify the party that should be responsible for implementing and costing specific measures. This will help to clarify the requirements that will need to be integrated into procurement processes. The Bank's works SPD, for example, includes prompts for Borrowers to include E&S requirements that the Contractor must meet when delivering the works. In relation to ESS2, the SPD includes clauses that require the Contractor to comply with certain provisions that are set out in the specification. The SPD also includes instructions to "the Employer" (the Borrower) on how to develop specifications on wages and conditions of labor in accordance with the labor management procedure. This relies on the labor management procedures clearly identifying applicable national and ESS2-related requirements.

The outcome of the procurement risk assessment, when combined with risks identified in the Borrower's ESA, should provide a comprehensive basis for SPP and a starting point for pursuing sustainable outcomes during project implementation. Achieving this will require the Bank's Procurement and E&S Specialists to collaborate and share their insights. This section uses a selection of E&S issues to further illustrate how mitigations can be built into the procurement process and resulting contracts, to help achieve sustainable outcomes during project implementation.

Non-discrimination

Applicable Bank SPDs (see Figure 66 or a breakdown of the E&S issues covered by different Bank SPDs) include a provision requiring Contractors to address different forms of discrimination, as shown in Figure 31.

The Bank's SPDs align with the ESSs by supporting the elimination of different forms of discrimination, including:

- Avoiding discrimination toward individuals or groups by providing access to development resources and project benefits, particularly in the case of those who may be disadvantaged or vulnerable (ESS1⁷⁴ and ESS10⁷⁵); and
- Promoting the principles of non-discrimination, fair treatment and equal opportunity in the employment or treatment of project workers (ESS2⁷⁶).

Individuals or groups facing discrimination face a diverse set of barriers and challenges, requiring fit-for-purpose mitigations. As a result, some practices have emerged for addressing discrimination against specific categories of disadvantaged or vulnerable people. This will require Borrowers to

FIGURE 31 SPD clause on non-discrimination and equal opportunities**SPD clause on non-discrimination and equal opportunities**

"The Contractor shall not make decisions relating to the employment or treatment of Contractor's Personnel on the basis of personal characteristics unrelated to inherent job requirements. The Contractor shall base the employment of Contractor's Personnel on the principle of equal opportunity and fair treatment, and shall not discriminate with respect to any aspects of the employment relationship, including recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, and disciplinary practices.

"Special measures of protection or assistance to remedy past discrimination or selection for a particular job based on the inherent requirements of the job shall not be deemed discrimination. The Contractor shall provide protection and assistance as necessary to ensure non-discrimination and equal opportunity, including for specific groups such as women, people with disabilities, migrant workers and children (of working age)."

develop approaches and specifications that address the causes of different types of discrimination, for example:

- **Disability:** The ESF strengthens the Bank's commitment to identify vulnerable or disadvantaged individuals and groups, including persons with physical or mental disability. This [ESF Good Practice Note on Non-Discrimination and Disability](#) outlines practical steps and identifies relevant stages of the project process in which discrimination on grounds of disability can be addressed.
- **Sexual Orientation and Gender Identity (SOGI):** the LGBTI community faces different forms of discrimination, including access to education, violence, workplace-based discrimination, and unequal pay. This [ESF Good Practice Note on Non-Discrimination: Sexual Orientation and Gender Identity \(SOGI\)](#) advises Task Teams how considerations on SOGI can be integrated in E&S risk identification, analysis and mitigation steps.
- **Race:** Procurement has been used as a tool in certain geographies to help address historical economic disparities by providing contracting opportunities to certain categories of business. Often referred to as Supplier diversity programs (which can also incorporate women-owned businesses), these initiatives seek to diversify the supply base by targeting businesses that are owned by, or support through employment, certain ethnic minorities or target groups. The international procurement-focused membership organization, the Chartered Institute of Procurement and Supply has developed a [handbook](#) summarizing the approaches taken by countries when implementing Supplier diversity policies.
- **Gender:** The Bank's Gender Strategy⁷⁷ sets the direction for a number of country and sector-level instruments aimed at supporting gender equality and inclusion, including regional gender action plans, country diagnostics and other tools and guidance notes. This [Good Practice Note: Towards Gender Responsive Procurement](#), developed by the procurement team in the Bank's Latin America and Caribbean region, sets out approaches for mainstreaming gender considerations throughout the procurement cycle.⁷⁸

High-risk SEA/SH Project Procurements

The Bank recognizes that a limited number of projects financed by the Bank involve risks of SEA/SH and as a result, has developed Guidance to advise Task Teams and Borrowers on how to identify and address these risks, including through procurement.⁷⁹

FIGURE 32 Case Study: Supporting Black Economic Empowerment through procurement in South Africa

Case Study: Supporting black economic empowerment through procurement in South Africa

Background

A procurement for Battery Energy Storage Systems (BESS) to support South Africa's transition to renewable energy identified that, with a projected lifespan of 20 years, it was imperative that local capacity was established to operate and maintain the BESS and associated equipment, most of which requires periodic maintenance and replacement. The market analysis undertaken in the PPSD found that 40% of maintenance and replacement services could be undertaken using local manufacturing and supply capability.

Approach

The Bank and Borrower worked together to develop qualification and evaluation criteria that aligned with the government's Black Economic Empowerment (BEE) policy, which targeted historically disadvantaged groups for job creation and skills development. It involved establishing pass/fail criteria that required Bidders to demonstrate how a minimum of 30% of the contract value would be spent with Suppliers that could be classified successfully under the national system as either meeting the BEE definition for black ownership or supporting the achievement of BEE policy objectives through various other means.

Outcome

All international bidders met the requirements, and the four awarded contracts amounted to a total of US\$231 million in total, with US\$46.2 million being spent with previously disadvantaged groups. During contract implementation, the PIU is closely monitoring progress on skills development, reviewing the number of trainees and type of skills being acquired, as well as the number of jobs created.

Additional contract clauses have been developed for applicable Bank-financed projects to specifically address SEA/SH risks. In addition to requirements applying to all contracts for Works (such as those related to the establishment of codes of conduct and the associated training), the disqualification mechanism applies to Works-related contracts assessed as high-risk for SEA/SH, and are intended to:

- Create an incentive for Contractors and Subcontractors to strengthen their performance in preventing SEA and SH from occurring; and
- Improve how Contractors respond to SEA/SH incidents in the event that they occur.

Contractors and Subcontractors are accountable for implementing the following SEA/SH prevention and response obligations in all IPF Works contracts:

- **SEA/SH conference:** participate in the SEA/SH conference, organized by the Borrower prior to commencement of any physical Works, and aimed at ensuring a common understanding of SEA/SH contractual requirements and remedies.
- **Mobilization:** mobilization to site will not be carried out unless, among other things, the Engineer provides a 'no-objection' to the Contractor's measures for managing SEA/SH risks.
- **Code of Conduct:** prepare and issue a code of conduct for personnel, train staff in its use and monitor its implementation in accordance with the contract provisions and prior to site mobilization.
- **SEA/SH accountability and response mechanism:** put in place an ethical and safe process for confidentially receiving, investigating, and addressing allegations of SEA/SH as well as putting in place measures to protect against any reprisal for its use (for example, confidentiality measures, anti-retaliation policies, whistleblower protection policies, and so on).
- **Training:** deliver induction and ongoing training of workers on SEA/SH requirements and standards of conduct.
- **Subcontractors:** make it a contractual requirement that Subcontractors comply with the SEA/SH prevention and response obligations that are relevant to their work.

Although these requirements have existed in Bank SPDs since 2017, they were strengthened in 2021 by the addition of an SEA/SH Contractor disqualification mechanism. The mechanism requires Bidders on projects classified as high-risk of SEA/SH to submit a declaration accepting that, if awarded the Contract, the Bank may disqualify them (including any non-compliant Subcontractor) from being awarded a Bank-financed contract for a period of 2 years, in the event they are deemed to have not met their SEA/SH contractual obligations.

The disqualification mechanism builds on general terms of applicable FIDIC contracts by requiring a determination by a Dispute Avoidance/Adjudication Board (DAAB), comprised of independent expert(s), that the Contractor has not complied with their SEA/SH prevention and response obligations.

Solar-Related Procurements

Allegations of forced labor in the production of solar panels and components has resulted in the Bank taking measures to help solar projects to identify and mitigate these risks as effectively as possible, as outlined in the Bank's procurement provisions for mitigating forced labor.⁸⁰ Additional contract clauses have been developed for applicable Bank-financed solar-related projects to specifically address these risks.

For IPF projects where solar is considered core⁸¹ to the project or a specific project component, procurement processes involving solar panels/solar components must be strengthened by including

forced labor Bidder declarations, qualification requirements and strengthened contractual provisions. Projects applying these provisions will be subject to Bank prior review and no objection.⁸² These provisions must be applied to new international and national procurements (advertised, invited, or awarded through direct contracting) on or after January 1st, 2022. Enhanced procurement measures enacted by the Bank to mitigate forced labor risks in solar projects include:

- A Forced Labor Performance Declaration, assessing their past performance and any contractual remedies such as suspension or termination, that have been applied in the previous 5 years;
- A Forced Labor Declaration, making a commitment to addressing forced labor in the future, including cascading those requirements to their own Subcontractors and Suppliers;
- A strengthened contract clause in Bank SPDs relating to forced labor; and
- Prior review of all applicable procurements/contracts by the Bank.

Accessibility

Disability-inclusive development is a clear commitment for the World Bank, since it is directly responsive to the Bank's twin goals of ending extreme poverty and promoting shared prosperity.⁸³ The Bank Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups directs Bank staff to consider, in their due diligence obligations, any form of discrimination in relation to disadvantaged or vulnerable groups.⁸⁴

In addition, the COVID-19 pandemic highlighted that much remains to be done to address persistent and emerging accessibility barriers that sustain inequalities and exclude persons with disabilities as well as other vulnerable groups. Beyond disability, accessibility intersects with other identities, including those of children, older persons, persons who have terminal or transient illnesses/diseases, women and girls, Indigenous peoples, youth, sexual and gender minorities, people with temporary injuries, and mothers, fathers, or caregivers using strollers and other supportive devices to carry their children.

While there are strong ethical and social reasons for taking a more inclusive approach to project design and procurement, the underlying economic benefits are also compelling, such as the expected increase in GDP from increased workforce participation and the resulting reduction in national social allowances/benefit payments. Collectively, these positive outcomes have inspired most Borrower countries to legally mandate accessibility at national and local levels.

"Inclusive procurement" can be said to take place when procurement procedures incorporate accessibility considerations as bidding requirements.⁸⁵ Incorporating accessibility into project design is the key to unlocking participation and full inclusion for people with disabilities. Borrowers have access to technical support from Bank specialists, who are available to help Borrowers think through what needs to be procured. More detailed guidance is available to guide specific project types, such as water, sanitation, and hygiene (WASH) and ICT projects.⁸⁶ In some instances,

where a Task Team requires highly specialized advice, Bank specialists can help to identify the resources required.

There are a number of common steps that Task Teams can take at each project stage to further the achievement of accessibility objectives through procurement:

- **Pre-project:** embed accessibility in the country's objectives, for example through the CPF. Regardless of the sectors that are designated as priorities, accessibility should be cross-cutting. A key strategy could be using public procurement to incentivize the private sector to deliver projects with accessibility in mind.
- **Identification:** clarify the specific areas and gaps that will be addressed by the project, being sure to explain the social and economic benefits that accessibility can help to achieve, and considering the indicators that can help to measure if they are achieved (for example through procurement objectives).
- **Project preparation:** ESS4 also requires Borrowers to apply the universal access concept in the design and construction of new buildings and structures where technically and financially feasible (ESS4, paragraph 7). During preparation, include accessibility as a key technical feature in the project's Procurement Plan. This could involve defining the accessibility requirements for products, services, or Works to be purchased, as well as determining the desired accessibility-related qualifications of Contractors or Consultants.
- **Implementation:** implement accessibility-sound procurement activities as defined in the PAD. If required, this may involve the provision of appropriate accessibility training for Contractors and Consultants as part of the Mobilization phase.

FIGURE 33 Case Study: Inclusive procurement in Rwanda

Case Study: Inclusive procurement in Rwanda

In Rwanda, the Bank supported the government in designing disability-inclusive school infrastructure that resulted in the expansion of over 20,000 classrooms and nearly 15,000 toilets. The effort included ramps for easier access to classrooms, spacious restrooms that accommodate wheelchairs, and accessible blackboards. The project will also provide teacher training to support children with disabilities and accessible learning materials.

Dealing with Uncertainties in Different Project Scenarios

There may be occasions where a project proceeds for Board approval under very tight timelines, or where the Bank becomes involved in a project once activities have already commenced. Figures 34, 35, and 36 provide a number of project scenarios that deviate from good practice. Each one spells out the E&S implications, and possible mitigations for managing risks or minimizing harmful impacts from these scenarios.

FIGURE 34 Example IPF Scenario 1 – incomplete risk assessment**Example IPF scenario—insufficient information for risk assessment**

A project progressing to Board Approval with insufficient and incomplete information on E&S risks is likely to experience increases in cost and procurement complications. If the procurement process is conducted before the PIU/IA Procurement Specialist has access to information on E&S risks that could shape the procurement approach, Bidders will have to respond without being fully informed of the project's risks.

However, differences in the sequencing of project planning and design activities may cause projects to take an unconventional path to Board Approval. In these cases, both Borrower and Bank E&S and procurement teams should work together, using their combined experience and expertise to establish or at least estimate the project's key E&S risks and impacts. This should be used to inform the procurement process, including the preparation of the contract and the development of specifications. Based on information available about the project, E&S screening conducted early in preparation should help to identify on a preliminary basis the key E&S risks, impacts and possible opportunities, including whether alternative designs or measures should be considered as part of the procurement process to avoid or reduce E&S risks and impacts.

Using prior project experience, it may be possible to assess the likely cost of mitigating these risks. The existence of unknown and unquantified E&S risks will increase the amount of uncertainty for Bidders when submitting their prices. The Task Team should prepare for this by increasing the amount of E&S-related contingency requested as part of Board Approval. Budgeting should also consider the resources that will be required for administering the inevitable contract changes that will be required as risks emerge during implementation.

To identify procurement-related key E&S risks, the Borrower could also sketch out the contractual structure that will be put in place to implement the contract, considering the following questions:

- How many Contractors and Subcontractors are likely to be required to implement the project, and what are the most significant E&S challenges that each of them will face?
- What “goods or materials essential for the core functions of the project” will the Contractor need to procure, and what are the known E&S risks present in those supply chains?
- Likelihood of Contractors and Subcontractors with the capacity to manage those risks?

The Task Team should help the Borrower to think through the possible mitigations that could help them deal with the amount of uncertainty in the project, for example:

- Align the amount of contingency requested to the amount of uncertainty in the project during the bidding process;
- Consider bringing in expert procurement resources (for example, HEIS) who can help to develop a flexible procurement approach to account for changing circumstances;
- Identify Bidders with experience of working in uncertain environments and demonstrating adaptability by incorporating changes into projects and managing emerging risks; and
- Employ an experienced Supervising Engineer supported by a strong set of E&S Specialists who will be able to manage E&S risks appropriately as they arise during implementation.

FIGURE 35 Example IPF Scenario 2—Works contract already signed

Example IPF scenario—Borrower Legal Agreement is signed after the contract has been signed but Works have not yet commenced

In a scenario where, for whatever reason, the Bank begins providing financing support to a project once the bidding process for a main Contractor has been completed (known as Advance Contracting, as discussed in the Procurement Regulations), the Bank will be required to assess the context of the project, E&S risks, and the bidding process that was followed, before determining what actions to take.

The Bank's E&S Specialist will begin by reviewing the output of the Borrower's ESA to ensure it is comprehensive and covers key E&S risks including those related to the Works contract. Of the risks identified, the assessment will also need to identify those that are relevant to the project's supply chain. If mitigations for any of those risks are not included in relevant contracts, the Borrower will likely be required to make amendments to contracts to ensure these requirements are incorporated.

Where the Borrower has conducted an international procurement using a current Bank SPD, then standard E&S contractual provisions and other key clauses should have already been included (unless deleted by the Borrower without the Bank having an opportunity to review). Once satisfied the correct SPD and contract conditions have been used, the Bank will likely focus its review on how identified E&S risks have been incorporated into specifications and consider whether any further contract variations are required to incorporate any additional E&S requirements as appropriate on the basis of the ongoing assessment of E&S risks.

If the procurement has been carried out under the Borrower's national law, the Bank's Procurement and E&S Specialists will need to work together to assess the state of play and determine if any corrective actions need to be taken to meet Bank Policy requirements. Both Procurement and E&S Specialists will need to review the contract to understand existing obligations (including E&S requirements within the specifications) and where improvements may be needed. The Procurement Specialist, given their familiarity with contracts, may assist by noting pertinent E&S contract aspects and sharing that information with the E&S Specialist, who can then use their technical knowledge to review the specifications and Works methodology to understand how the Contractor has been asked to deal with E&S issues.

The Bank's Procurement Specialist should review contract and bidding documents for compliance with the Bank's Procurement Regulations. The review of the contract should also include checking for appropriate breach provisions (in particular, whether they include E&S breach causes), remedies, and allocation of funds to E&S mitigations in the Bill of Quantities. This analysis should inform an analysis of the likelihood and scale of additional costs that the Contractor might be likely to raise through contract variations.

Making amendments may be challenging for the Borrower, so the Bank's Procurement Specialist may need to support the Borrower through this process. This may involve providing the Borrower with a list of questions to pose to the Contractor on E&S risks and mitigation activities and providing advice on the types of responses that they should expect to receive.

The Bank Procurement and E&S Specialist can help the TTL to prepare for senior level meetings with the PIU/IA by preparing a list of key contractual issues that need to be resolved and potential solutions.

FIGURE 36 Example IPF Scenario 3—Works activities already underway**Example IPF scenario: Project already underway and some facilities constructed**

There may be cases where the Borrower approaches the Bank for funding once a project has already been procured (Advance Procurement), Works have commenced, and some facilities may have already been partially or fully constructed. The Bank will be required to decide whether the entire site, inclusive of preexisting facilities, will need to be compliant with the ESF, or whether the ESF will only apply to Works that will be carried out for the Bank-financed aspects of the project. In this situation, the Bank would review the Borrower's ESA including all relevant permits already obtained, and depending on project-specific circumstances, determine whether additional studies (such as an E&S audit) and/or mitigation measures would be required for the proposed project including any Associated Facilities (as defined in ESS1 and subject to the Borrower's control and influence), to meet the ESSs.

Where an E&S audit is conducted and additional actions and mitigation measures are identified (including cost estimates and a schedule for implementation), these would be included in the ESCP. This process would inform the Bank's decision on whether to provide funding for the proposed project. At this stage, E&S and Procurement Specialists should collaborate with the Borrower's Project Manager (PM) and/or Engineering team to identify contract-related E&S risks, review any changes to the project scope, and cascade the relevant E&S obligations to Contractors by adding new obligations to the contract, using the prescribed contract change control process.

Bank due diligence may involve a site visit and a meeting with the Borrower's PM and/or Engineer to assess the management structure and project approach that is in place. If a PM or Engineer are not in place, the Bank may encourage the Borrower to improve the project's management structure, depending on the size of the project and the extent of Works still to be carried out. A physical inspection of the site by Bank staff will also help to understand whether any significant issues exist. As a result of the Bank's involvement, additional measures may require changes that would have to be costed and managed by the Contractor and PIU, which may entail a review of existing arrangements such as reporting structure and key project milestones.

Visiting the surrounding area and affected communities will help the Bank to assess any impacts that the project has had on the site and nearby communities. The Bank's E&S Specialist or TTL may want to visit the local labor inspectorate and other relevant local authorities such as those responsible for dealing with environmental issues. This will help the Bank to build important stakeholder relationships, as well as understanding whether the project has encountered any significant issues to date. Similarly, the TTL may wish to meet with local government officials or leaders of religious or community institutions, to identify any external or political impacts that the project has had and to try to understand the project's context.

Initial meetings with the Contractor should be informed by information on project progress so far, for example by requesting progress reports for the previous 6 months of the project and any change requests that have been submitted. The Procurement and E&S Specialists can then review them to identify any E&S issues or themes that emerge.

Preparing the PPSD

The PPSD is developed by the Borrower, though the Borrower may also require Bank support particularly for more complex procurements. The PPSD template and Guidance documents⁸⁷ help Borrowers to apply modern procurement tools and techniques to identify the procurement approach that delivers the best VfM for the project.⁸⁸ The PPSD template⁸⁹ is divided into eight sections that help the Borrower design an effective procurement approach. Each of the eight sections may include an SPP-related element, as summarized in Table 8,⁹⁰ with the most important sections expanded on in the rest of this section.

TABLE 8 SPP considerations in PPSD sections

PPSD Section	SPP-Related Considerations
1. Project Overview	Mainly descriptive project information taken from the PCN. Should include Legal/ Policy Requirements, including policy requirements linked to sustainability, ⁹¹ and project risks that will need to be managed to meet the ESSs. The application of GRID principles and opportunities for procurement to deliver sustainability benefits should also be outlined.
2. Strategic Assessment of Operating Context and Borrower Capability	Assesses three different but interrelated dimensions of capability and risk: <ul style="list-style-type: none"> a) Operational context, including any pertinent E&S-related matters, for example, whether significant labor market risks exist in the country or region; b) Capability of Borrower and PIU/IA, in particular any relevant experience in SPP; and c) Market analysis, for example, the capacity, availability and readiness of the local and international market to address anticipated E&S risks
3. Procurement Risk Analysis	Guidance indicates that the Borrower should structure the procurement risk assessment around eight key areas, which includes: <ul style="list-style-type: none"> ■ technical innovation — the degree and rate of change; and ■ sustainability (environmental, economic, social). Once completed, the analysis would then set out risk mitigations that will be taken at each stage of the procurement process as part of a Procurement Risk Management Plan.
4. Procurement Stakeholder Analysis	Identifies key stakeholders that have an interest in or impact on the procurement strategy, which is then refined into a (Procurement) Stakeholder Management Plan. This should represent a holistic assessment of stakeholders impacted by procurement activity, including identified project stakeholders, likely Bidders in the local and international market, or local SMEs who may be able to participate.
5. Procurement Objectives	Procurement Objectives will be an important aspect of the PPSD, given they build a connection between PDOs and subsequent procurement steps such as setting specifications, allocating risk between Borrower and Supplier, the development of evaluation criteria, and Key Performance Indicators. Inclusion of sustainability-related Procurement Objectives will increase importance of sustainability throughout the process.
6. Procurement Approach Options and Recommendations	This section builds on the Borrower's PPSD-related analysis set out in previous sections to develop the project's procurement approach, which includes: <ul style="list-style-type: none"> a) how the Borrower is going to approach the market, including the market that will be targeted and the bidding documents that will be used; b) the structure of the selection method, the type of specifications and the evaluation methodology; c) A Procurement Plan that summarizes how each contract within the Project will be procured.

(continues)

TABLE 8 SPP considerations in PPSD sections (*continued*)

PPSD Section	SPP-Related Considerations
7. Preferred Arrangement for Low-Value/Low-Risk Activities	Records the procurement approaches for activities that were assessed from the Borrower's PPSD Supply Positioning analysis as Tactical Acquisition or Tactical Advantage (low procurement risk), meaning a detailed procurement assessment and justification is not required. However, this does not necessarily mean that sustainability considerations should not be included. While the procurement risk may be low, the E&S risks may be considered high, for example, a Steeplejack is usually a low-cost procurement, but E&S related safety risks are very high. As discussed previously, sustainability considerations can be incorporated into any Works, Goods, service or consultancy if warranted.
8. Summary of PPSD to Support the Preparation of the PAD by the Bank	The final stage of the PPSD template (PPSD Guidance, Annex I) is to provide a short summary of the recommended procurement approach, which the Bank will use when preparing the PAD. The summary should be a description of the recommended procurement approach and a synopsis of the justification for that approach. If E&S-related risks require a different or enhanced procurement approach that may not be obvious from the Procurement risk assessment, then this will need to be explained in the PAD, for example, management of forced labor risks in solar related projects. ⁹²

Strategic Assessment of Operating Context and Borrower Capability

This section of the PPSD helps inform the Borrower's selection of the proposed procurement approach. The proposed approach is justified based on an appropriate and proportionate amount of research and analysis. The analysis conducted at this stage should also inform much of the development of the remaining sections of the PPSD.⁹³ The research and analysis conducted at this stage covers three PPSD topic areas. Each area is discussed below, with a particular focus on SPP considerations that could be integrated into each one.

Operating Context

This PPSD section analyzes the operating context to identify factors that may affect the procurement approach, the motivation of Bidders to participate, and the success of any subsequent contracts. A PESTLE (Political, Economic, Social, Technology, Legislative, and Environment) analysis is usually conducted by the Borrower to support this assessment (see Table 9 below). Besides the obvious relevance of the E&S aspects of this analysis, all PESTLE categories may identify risks or opportunities that are relevant to SPP.

Like many elements of the PPSD, this stage represents an opportunity for the PIU Procurement Specialist to collaborate with the E&S Specialist, who will be undertaking their own analysis in parallel. Working closely together at this stage can save time and effort by developing a well-aligned and comprehensive record of due-diligence activities including a set of recommendations.

Table 9 gives an indication of the sustainability considerations that might be incorporated into the Borrower's PESTLE analysis:

TABLE 9 SPP considerations for PESTLE analysis⁹⁴

Political	<p>Fragility and conflict: will any instability in the current political environment make it challenging for Contractors to implement a comprehensive approach to managing E&S risk?</p> <p>Bureaucracy/corruption: are there significant concerns about corruption which would make SPP practices (for example, Supplier-led specifications, use of rated criteria) more challenging to implement? Have there been previous examples of successful SPP in the country/implementing agency? Or if not, in other sectors in the Borrower country? If so, what challenges have they faced?</p>
Economic	<p>Labor supply: Will the Borrower's domestic labor market be able to support the project? Is there sufficient capacity with the right mix of skills in the local labor market? Or will Contractors seek to bring in workers from elsewhere in the Borrower's country or another country? Or will labor be required from another country? Are there opportunities to support the project's economic development objectives such as engaging the Borrower's local labor market to offer jobs and/or training opportunities through the project?</p>
Social	<p>WB social standards: are there specific ESSs that may be more challenging for a Contractor to adhere to in this social and cultural environment? For example, ESS2 and ESS4.</p> <p>Affected communities: what challenges is a Contractor likely to face when working with the affected community? How challenging is the stakeholder engagement process likely to be?</p>
Technology	<p>Emerging technologies: are there other specification options/emergent technologies/methods available that may better mitigate E&S concerns? Will the Bidder be permitted to offer alternative options? Are there likely to be locally sourced and developed solutions that could help mitigate E&S risk while growing the local economy?</p>
Legislative	<p>Regulation/rule of law: are there laws/regulations which inhibit or enable ESF compliance and/or SPP practice? Are there specific SPP policies or legislation to take into account? Given the level of adoption of international conventions on labor, environment, OHS, and so on, how well advanced is domestic practice of Contractors, Consultants or Suppliers likely to be in these areas?</p>
Environmental	<p>Local legislation: will local legislation and governance create a challenging compliance environment for the Contractor?</p> <p>WB environmental standards: are there specific ESSs which may be more challenging for a Contractor to adhere to in this project context? For example, ESS3.</p> <p>Waste disposal: what are the requirements for removal and disposal of waste from the site, and how will this require the project approach to take into account logistical requirements? Does the project lend itself to a low-waste design and construction approach?</p> <p>Climate change: to what extent will climate mitigation and/or adaptation requirements need to be incorporated into the project approach? For example, will climate adaptation requirements influence the quality and specification of the design? Is there an opportunity to explore low-carbon design options? And/or ask Bidders for alternate "lower-carbon" options?</p>

Assessment of Capability of Borrower PIU/IA

The objective of this assessment is to identify any known factors, both enablers and constraints, that may impact the delivery of the project and the procurement approach⁹⁵ based on the capability levels and experience of the Borrower, specifically the agency charged with implementing the project (the PIU/IA). It should also help identify any targeted early interventions such as PIU training or enhanced support that the Borrower may benefit from, whether from the Bank, or other sources.

This analysis could be supported by work already carried out in the project's Identification/Concept stage (see previous section: *Assessing the suitability of the Borrower's procurement framework*). The analysis could also use as a reference point the requirements set out in the previous section *SPP at the National Government Level*, as well as the Sustainable Procurement module of MAPS.⁹⁶

The Bank's PPSD Long Form Guidance suggests that Borrowers structure their analysis to identify the Borrowers' own Strengths, Weaknesses, Opportunities, and Threats (commonly referred to as a SWOT Analysis). To assist Borrowers to incorporate SPP considerations into the SWOT, a number of suggested questions and considerations have been included in Figure 37.

FIGURE 37 SPP considerations for SWOT analysis

Strengths What SPP experience does your organization have? What are the strengths of existing procurement staff that could be applied to an SPP approach? What are the strengths of existing E&S staff that could be applied to an SPP approach? How supportive are policy makers/politicians/senior leaders of an SPP approach? How flexible are existing procurement processes to incorporate SPP? Do you have examples of successful SPP in your organization or country and/or internationally in a similar sector/context?	Weaknesses How would the PIU/IA team skillset need to be expanded/broadened to successfully achieve SPP? Are there certain parts of the SPP process where the team lacks experience/capacity (for example, market analysis, developing an SPP strategy, evaluating Supplier credentials, contract management)? Are there any cost or policy barriers that may prevent SPP? Are Bidders from the country likely to be able to demonstrate adequate SPP requirements and/or meet anticipated minimum qualification criteria?
Opportunities Are there any recent/upcoming changes in government legislation or policy that will enable SPP? Is there public demand for/appreciation of SPP? Are there opportunities to be a regional case study/showcase for SPP? Are there relevant training opportunities available from national/international organizations? Is there demand from domestic Suppliers to consider SPP, or use more qualitative evaluation criteria? If not, is there an appetite to use SPP to broaden the pool of international Suppliers?	Threats Would Supplier complaints/remedies processes make challenges to SPP approaches likely? Will a lack of control or influence over potential Contractors or Suppliers make it challenging to implement SPP approaches? Are there powerful industry or lobby groups who would argue against aspects of an SPP approach? Would transparency around the SPP approach result in negative media attention? Are there other government priorities that might conflict with the SPP approach?

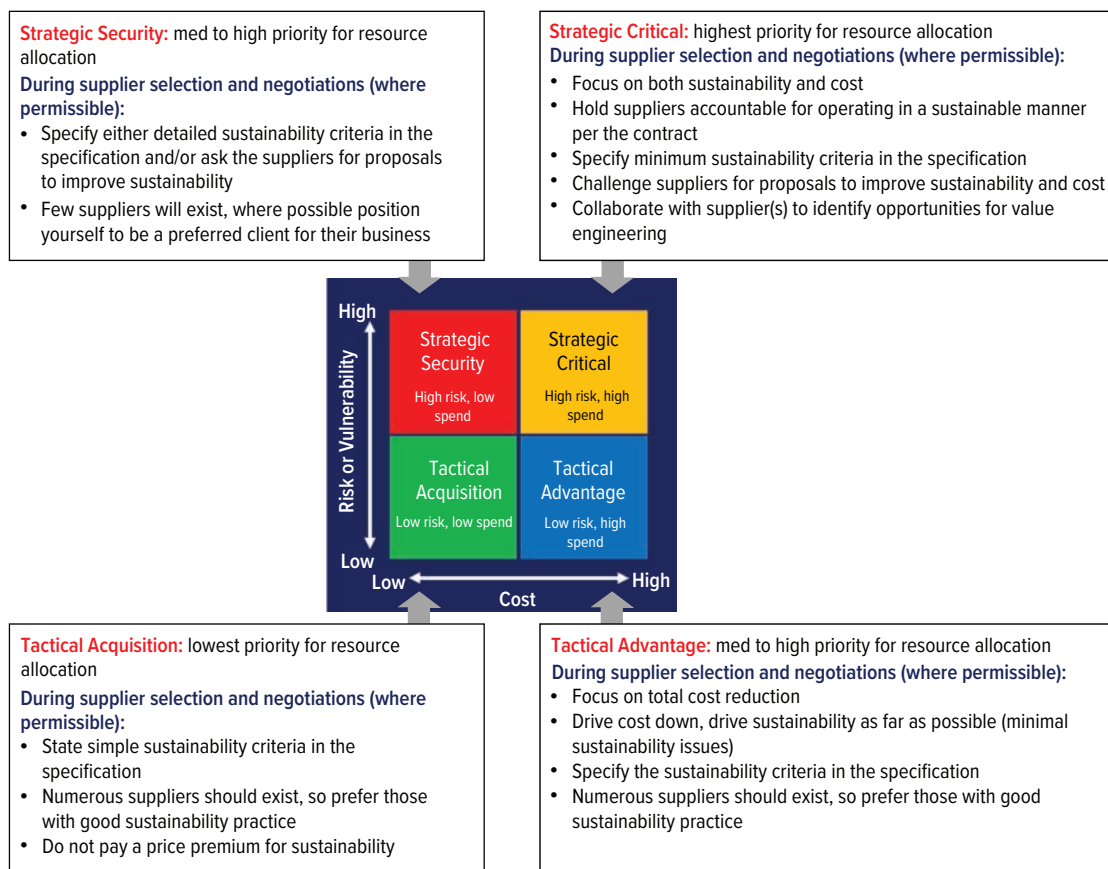
Market Analysis and Engagement

The objective of the Borrower's market analysis is to develop an appropriate understanding of the market sector, and the organizations that are both qualified and potentially interested in bidding to

deliver the contract. This is to confirm if the proposed procurement approach maximizes the likelihood of Bidders with appropriate capability and capacity participating in the process.⁹⁷ It is particularly important to consider whether the local market has capacity to respond or whether the international market will need to be engaged—and then how best to motivate Bidders to participate.

The PPSD Long Form Guidance suggests that one of the key procurement tools to be used during Market Analysis is the Supply Positioning Model. It can be used to categorize specific procurements based on their supply risk and value. By applying a sustainability lens to this exercise, a Borrower can also assess the relative importance and degree of time and resource that should be applied to implementing SPP for each contract. Figure 38 illustrates how the position of a procurement/contract in the supply positioning model can influence the approach to incorporating sustainability requirements:

FIGURE 38 Determining potential sustainability approach from Supply Positioning Model



Once the Supply Positioning Model analysis is complete, the Borrower should have an indication of the appropriate level of effort and resource required for implementing SPP for each contract, as well as the procurement approach that seems most appropriate.

When analyzing specific categories/products/services, there may be existing research on possible sustainability requirements, either at an international or country level. As discussed above, this stage

will also present a good opportunity for the Borrower's Procurement Specialist and/or the TTL/E&S Specialist in the Bank's Task Team, who may hold additional knowledge of the E&S risks and opportunities associated with different markets. An analysis of the market's ability to implement SPP and adhere to the ESSs could consider the following:

■ **Business practices**

- Are there any controversial or potentially high-risk practices that exist in this sector? For example, increased child and forced labor.
- How have leading businesses in the sector changed their business practices to achieve E&S benefits?
- Are there any relevant sustainability certifications that businesses in this sector can be awarded for demonstrating that their operations achieve a certain social or environmental standard?

■ **Product specifications**

- Are there widely used standards and/or labels that can be used to verify the sustainability credentials of a product or service, or that suppliers can be asked to manufacture/construct to (for example, Energy Star for products, or Green Star for a building)? If so, how easily can they be verified?
- How have leading businesses in this sector evolved the specifications of their product or service to reduce carbon emissions, waste, pollution, or other negative environmental or social outcomes?
- Is there scope for innovation in this sector? That is, can market-led proposals lead to improved sustainability outcomes, or should sustainability requirements be incorporated into a tightly defined, conformance-based specification?

***A list of available eco/social labels is provided in Annex I of this document.**

Borrowers may not be able to answer all of the above questions using desktop research. The market approach should also consider to what extent the Borrower (or Bidders themselves) would benefit from some form of early engagement with the supply market. For projects of medium-high value and complexity, Borrowers should consider gathering feedback and ideas on their specific requirements. This can be done through independent industry experts, trade bodies/industry associations (who may speak for a broad range of businesses within a specific sector), or directly to a group of businesses through a structured and open engagement process, which can also be used to generate interest in the opportunity amongst potential Bidders.

As discussed above, the earlier in the project that market engagement takes place, the more the market's expertise can be used to influence the project design and approach. Although this may be perceived to increase risk of corruption and capture from private sector interests, the market holds a great deal of expertise and knowledge that can improve the project's outcomes, as well as leading to a more sophisticated approach to risk assessment and allocation, costing, contract type and schedule. Any direct engagement with the market at this early stage needs to be carefully managed

to ensure that it is done in a fair, open, and transparent way and does not advantage or disadvantage one Supplier over another.

Market engagement can be undertaken using a number of different mechanisms and channels, including concept viability exercises, Supplier questionnaires, market sounding exercises, Supplier conferences, trade events, paid for market research, and publication of outline procurement strategies for consultation. Therefore, the nature of market engagement may depend on the status of the project, and the type of input that the Borrower and Bank Task Team are looking for from the market.

Finalizing the Strategic Assessment

The analysis undertaken during the development of the PPSD is used to create three deliverables:

- **Resourcing plan:** If the Borrower has not undertaken a procurement of this nature before, they should explain how they plan to obtain the necessary capability and capacity to implement the procurement approach. In the case of an SPP approach which may involve new techniques such as rated criteria, early supply market engagement, or market-led specifications, the Borrower may not have much prior experience. The Borrower should consider whether Bank HEIS would be a suitable vehicle for supplementing and growing their capacity.
- **Market Engagement Plan:** The approach the Borrower will take to directly engage with Suppliers to seek feedback and ideas on the specified requirements, to look for opportunities for innovation, and to create marketplace interest in bidding for contracts; and
- **High-Level Procurement Approach Options:** An overview of the options available for the procurement approach for each contract, which can then be refined as described in *Procurement Approach Options and Recommendations*.

Procurement Risk Analysis

Building on risk analysis conducted as part of the PCN, this more detailed analysis of procurement risks will be incorporated by the Bank into an overall project risk rating (using the Bank's Systematic Operations Risk-rating Tool (SORT)), which will be an important factor for the Bank in deciding, among other things, the scale of governance, assurance and due diligence activities that are put in place to monitor the project (see *Overall Project Risk Assessment*).

The PPSD Long Form Guidance advises that the procurement risk assessment needs to cover eight key areas. Two areas in particular should present an opportunity to identify E&S-related procurement risks:







- **Sustainability (environmental, economic, social):** This area should allow the Borrower to explicitly identify risks to the achievement of environmental, economic, and social benefits through the procurement, as well as specific E&S risks that need to be managed; and
- **Business and operating environment:** This area will allow the Borrower to explore how businesses within this sector operate, how the supply chain fits together, and any E&S issues that typically arise within that supply chain.

The procurement risk assessment and E&S risk assessment are separate yet complementary processes. Having conducted their own risk assessments, the Borrower's Procurement and E&S Specialists should share their respective findings, for example:

- The Procurement Specialist will review relevant findings of the E&S risk assessment with a market lens, to consider whether the Bidders will likely have the capacity required to manage the E&S risks that they will be accountable for either within the project supply chain or at the project site.
- The E&S Specialist will review relevant findings of the procurement risk assessment, and will be able to identify those materials, products and/or services whose supply chains are known to encounter significant E&S risks and any known issues with the local market's capacity to deliver the contract.

The combined knowledge of both the Procurement and E&S perspectives may facilitate discussions on SPP design issues, for example, whether credible product licensing, certification or international standards exist that could help mitigate certain E&S risks. A starting point for understating potential risk "hotspots" associated with the various Contractors and Suppliers to a project is a desktop review using existing literature, reports, and articles on some of the most common E&S risks in supply chains. Some examples are included in Figure 39.⁹⁸

FIGURE 39 Indicative mapping of main environmental impacts across the construction value chain

Steps in construction project cycle						
IMPACT	Planning, designing	Construction materials	Logistics	Construction	Operation	End-of-life
 Deforestation and land use changes		Land conversion; use of timber; mining		Land conversion	Occupation of land over time	
 Biodiversity loss		Land conversion; use of timber		Land conversion		
 Water scarcity and pollution		River sand extraction			Wastewater	
 Soil pollution and runoff		Mining; material extraction and production		Land conversion	Day-to-day waste and wastewater	Demolition; landfills; unmanaged waste
 Air pollution		Material extraction and production		Dust emissions during construction	Indoor air quality	Landfills
 GHG emissions		Embodied in construction materials	Transport	Construction activities; land conversion	Energy use	Waste

Through this desktop review, the Borrower can narrow down the key potential E&S risks across the project's supply chains. Such information could also inform Borrower decisions on practical ways to mitigate such risks, whether through identifying existing certification or verification mechanisms that can manage those risks appropriately, and/or adding specifications to the contract that would increase the Borrower's potential to monitor and manage such risks. There are also consultancy organizations that provide Supplier audits and verification services. Supplier audits typically involve in-person visits to Suppliers' premises (or work sites) to identify "red flags" that could indicate whether there are poor environmental or social practices in place. The Bank's Guidance on Supply Chain Management (SCM Guidance) provides further information on how and when to engage these types of services.⁹⁹

Borrowers should also think through a product's external impacts and dependencies, particularly for products and materials that are of great importance to the project or that represent a critical dependency for other activities. Knowing these potential supply chain vulnerabilities can help Borrowers focus their monitoring on the most vulnerable parts of the supply chain, develop supply risk mitigation approaches should those vulnerabilities cause a disruption, and/or address the vulnerability by strengthening that part of the supply chain. The SCM Guidance provides Borrowers with practical tools to identify vulnerabilities and build resilience in their supply chains.

Procurement Risk Management Plan

The risks identified during the Strategic Assessment are summarized and evaluated in a Procurement Risk Management Plan, which forms a section of the PPSD. Informed by the analysis conducted at each stage of PPSD development (for example, PESTLE, SWOT, Supply Positioning Model), the plan will consider typical supply chain and procurement risks, such as Supplier suitability, supply chain constraints, corruption, and lack of competition.¹⁰⁰ It should also include SPP-related risks (identified through the PPSD and the Borrower's ESA process) related to the operating environment, market conditions, PIU/IA capacity, E&S risks associated with key Suppliers to the project, and the capabilities that the Borrower needs to look for from Contractors, Consultants and/or Suppliers and whether those capabilities exist domestically or internationally.

Borrowers use the Procurement Risk Management Plan to assess each risk's likelihood and impact, as well as identifying potential mitigation measures. The Bank's Long Form PPSD Guidance¹⁰¹ sets out a methodology for determining likelihood and impact. Where appropriate, especially when E&S risks and other supply chain risks converge, the Borrower's procurement team should work closely with E&S Specialists from the Bank and the Borrower so that there is a consistent view on such risks across the project.

To identify the most effective mitigation, it may help Borrowers to identify the cause of the risk. Table 10 includes a number of illustrative categories of risk cause, as well as questions to prompt analysis of how mitigations might be designed to address the cause of the risk.

Determining Risk Ownership and Accountability

The Procurement Risk Management Plan should identify the entity or entities responsible for managing the project's different procurement-related risks. Open and transparent conversations between the Borrower and prospective Contractors/Suppliers through early market engagement, and advice from technical experts, can help to determine the most appropriate owners for key procurement-related E&S risks.

TABLE 10 Designing risk mitigations based on risk cause

Possible Categories of Risk Cause					
Low Contractor/ market capacity	Low Borrower procurement capacity	Sensitive cultural/historical context	Dissatisfied stakeholders	Challenging design/build	Challenging physical environment
At what stage is the risk likely to eventuate?					
Are there existing treatments/mitigations that are proven?					
Who else has influence over the risk and can support its mitigation?					

There may be a temptation by Borrowers and/or Bank staff to transfer as much risk as possible to the [main] Contractor based on the belief that as the party implementing the project, they are also most likely to have control over all implementation risks. A common commercial principle¹⁰² is that a risk should be allocated to the party best equipped to control and manage it. However, some SPP risks may be better managed by the Borrower, and should not be pushed entirely onto Contractors, as illustrated in the following examples:

- A Contractor is engaged under a fixed-fee commercial arrangement to construct a hospital on a greenfield (that is, previously undeveloped) site. Initial investigatory work failed to identify culturally significant ruins at the site, which required a redesign and relocation of the hospital's foundations.
- The specifications for a wastewater treatment site require use of a low-carbon cement mix; there is limited availability in the region, and geopolitical circumstances cause delays at the main production facility.

If there is an inappropriate balance of risk between the Borrower (referred to as the Employer under FIDIC) and a [main] Contractor who is required to own a risk that is very difficult to control or manage, the result is likely to be a poor procurement outcome. The misallocation of project risks often results in few, if any, returned compliant bids and/or poor VfM, leading to failed procurement processes. There are two main reasons for this:

- The Contractor adds a substantial risk premium onto the price to account for the uncertainty and difficulty of managing the risk(s).
- The Contractor makes little provision for managing the risk to retain their market competitiveness, with the intention of either not managing the risk and hoping it goes unnoticed, or seeking to recover the cost in contract variations. The latter approach may also increase the likelihood of corruption, as the Contractor may attempt to avoid any additional costs that it has not provisioned for in its bid price.

An appropriate allocation of risk will see risks distributed between all relevant parties, including, where appropriate, the Employer (Borrower). Table 11 demonstrates a useful exercise that Borrowers can undertake to identify the most appropriate owner of a specific E&S risk. In the example below, the Borrower and their Consultants can help prepare for the risk by considering safety principles during the design process, while the Contractor is well placed to control the risk during implementation. This exercise will help the Borrower to determine with which parties are best placed to hold responsibility for different project risks at different stages.

TABLE 11 Identifying appropriate owners of E&S risk – worked example¹⁰³

Example Risk Allocation – Occupational Health and Safety					
	Borrower	Contractor	Subcontractor	Consultant	Primary Supplier
Ability to prepare for the risk in advance	H	M	L	H	L
Ability to control the risk during implementation	M	H	H	L	L
Benefits from risk avoidance	H	H	H	L	L

H = High; M = Medium; L = Low.

Developing a targeted list of risks in the bidding document, with an appropriate assessment and allocation of risks between the Borrower and the Bidder/Main Contractor, can improve the clarity and quality of bid responses. The practice of providing Bidders with the full list of project risks by attaching the Borrower's Environmental and Social Management Plan (ESMP) or Environmental and Social Commitment Plan (ESCP) is not an effective way of allowing Bidders to clearly identify and understand the risks that are specifically theirs to manage. This means they will be unable to scope and price the project in a way that considers the cost of managing relevant risks during implementation.

Procurement Risk Assessment Management System (P-RAMS)

The P-RAMS system was designed to allow a focused and standardized assessment and mitigation of project procurement risks. Bank Procurement Specialists update P-RAMS as procurement risk ratings change throughout the project lifecycle. The system also provides a valuable platform for monitoring procurement risk management and procurement performance during project implementation.

Procurement Objectives

The procurement objectives that the Borrower includes in the PPSD should help to establish alignment between procurement activity (requirements, evaluation criteria, Supplier selection, contract conditions, and key performance indicators (KPIs)) and the PDOs or the project's sustainability objectives. Sustainability-related procurement objectives can help:

- Retain focus on the key sustainability issues in procurement activities, where procurement can most strongly contribute to PDOs or manage the greatest risks;
- Inform the design of contract KPIs to measure the delivery by Contractors, Subcontractors, Consultants, and Primary Suppliers of key E&S-related project deliverables; and
- Bring attention to issues beyond the project site such as indirect or transboundary risks or benefits that have been identified.

By promoting sustainability considerations in procurement, the Borrower may be able to influence the supply market and incentivize innovation such as the development of new or improvement of existing products and services. The Borrower's market analysis should help to determine whether this degree of influence is likely. For example, a Supplier Preferencing¹⁰⁴ exercise is used by buyers to determine the amount of influence they will likely have over a particular market. The Supplier Preferencing model

included in the Bank's Long Form PPSD Guidance identifies a number of potential categories that the buyer (in this case, the Borrower) may find themselves in, for example:

- **Core:** Significant influence likely exists; therefore, it may be possible to influence an improvement in sustainability practices or set new expectations;
- **Exploitable/Development:** Moderate influence exists, and the market will take notice of how sustainability requirements are set, while sustainable outcomes can be achieved by selecting a Supplier who demonstrates strong E&S performance; and
- **Nuisance:** Appropriate practice may involve accepting industry-standard sustainability requirements.

Procurement objectives can be tailored according to the amount of influence that the Borrower is likely to have over the supply market. Where a large amount of influence exists, Borrowers may be able to achieve transformational change within a specific sector by actively incentivizing Suppliers to improve their sustainability practices.

In addition, where the project ESA identifies specific groups as disadvantaged or vulnerable, procurement objectives can be put in place to enhance project benefits for them. Procurement could support, for example, targeted employment and/or training opportunities for these groups.

Many countries have domestic content requirements applicable to specific projects. Borrowers may also apply a margin of domestic preference in order to support local businesses, provided the conditions comply with the Procurement Regulations and are included in the PPSD (and detailed in the Project's Procurement Plan),¹⁰⁵ which are summarized in the PAD.

Procurement Approach Options and Recommendations

All the analysis and research undertaken as part of the PPSD is now brought together as supporting evidence or justification for the procurement approaches that are proposed in this section. As shown in Table 12, Borrowers will need to understand how to design a procurement process that uses the right tools to address four key E&S-related challenges.¹⁰⁶

Each subsection below discusses how these procurement tools can help achieve SPP outcomes. Different tools can be used to achieve the same or similar objectives. For example, every bidding process will involve a number of steps aimed at evaluating whether the Bidder has the relevant experience and qualifications; and in some cases, the process will also look for evidence of whether the Bidder has successfully implemented any company policies and plans on sustainability issues.

Borrowers can also use specifications to set detailed requirements on the qualities of the Goods, products, or services that the Contractor, Consultant or Supplier will provide. Where technically and financially feasible, Borrowers can also incorporate sustainability criteria linked to relevant eco-labels and standards. An example is provided in Table 13 on the use of these different tools and their sequence in a typical Bank procurement process to assess a Bidder's credentials on sustainable practices, in particular the use of timber.¹⁰⁷

TABLE 12 Use of procurement tools to address E&S challenges

Key E&S Related Questions for Procurement Approach	Procurement Tool
Do the Procurement Documents clearly set out E&S-related procurement objectives, requirements, specifications, and risk transfer?	Specifications Additional sustainability requirements included in Bank SPDs
How do we attract and identify a Bidder with sufficient E&S capacity to address the risks and deliver the benefits we have outlined?	Market approach and selection method Qualification/evaluation selection method
How do we give Contractors appropriate accountability and sufficient incentives for managing the risks that have been assigned to them?	Pricing mechanism/evaluation of costs Contract type
How do we make sure the Contractor follows through on what they have agreed to deliver?	Contract management plan KPIs

TABLE 13 Use of procurement tools to assess use of sustainable timber in a construction project

Stage	Procurement Tool	Application in Assessing Sustainable Timber Construction
Plan the procurement	Specifications	<p>Dependent on type of specifications used, for example:</p> <ul style="list-style-type: none"> ■ Conformance-based specifications, which specify where timber would be used in the building and the desired brand/type of timber, size, and so on. ■ Performance-based specifications, which set out how materials would need to perform without detailing the exact materials to be used. This could include a requirement for materials to come from a renewable or sustainable source, with low embodied carbon. <p>Borrowers may draw elements of their specifications from eco-label criteria and may accept the holding of relevant eco-labels as evidence of compliance with that specification. However, Borrowers need to consider how to retain fairness in the bidding process, for example by avoiding setting requirements so unique and specific that very few bidders are able to meet them. Borrowers should be prepared to accept equivalent means of proof that a Bidder's product or service meets the specification. This fairness principle is reinforced in the Procurement Regulations:</p> <ul style="list-style-type: none"> ■ <i>"in international competitive procurement, the Borrower shall specify internationally accepted standards with which the equipment, materials or workmanship shall comply. When such international standards do not exist or are inappropriate, national standards may be specified. In all cases, the Procurement Documents shall state that equipment, material, or workmanship meeting other standards that are at least substantially equivalent to the specified standards will also be accepted."</i>¹⁰⁸

(continues)

TABLE 13 Use of procurement tools to assess use of sustainable timber in a construction project *(continued)*

Stage	Procurement Tool	Application in Assessing Sustainable Timber Construction
	Product standards and eco-labels (see Annex I for more information)	<p>Gaining an eco-label requires a business to demonstrate that a product or material meets set requirements typically related to lifecycle costs or energy performance. However, Borrowers should be aware that not all labels require the same degree of verification or assessment. The different categories of labels are explained further in Annex I.</p> <p>Market research should identify whether labels exist in the relevant market, and what specific sustainability credentials these labels demonstrate. Commonly cited eco-labels for timber products are Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC).</p> <p>Social labels demonstrate that certain social standards have been met in the course of developing the product, material or service. For example, products carrying the Fairtrade mark have been certified against the criteria in the Fairtrade Standards, which covers issues such as non-discriminatory employment practices, pay rates, as well as occupational health and safety.</p>
	Business credentials, qualifications, and policies	<p>In addition to specifying the qualities of the products and materials that are being procured or performance standards that are applicable to specific aspects of the project, Borrowers should also look at attributes of businesses themselves, including:</p> <ul style="list-style-type: none"> ■ Accreditations that demonstrate that sound business practices are used, for example the use of environmental management systems such as ISO 14001 ■ Qualifications held by staff in relevant technical areas, including membership of professional institutions such as the Royal Institute of Chartered Surveyors ■ Company's environmental and social policies, such as those related to environmental management, emissions reduction, labor practices, diversity & inclusion, or community relations
	Past performance	At the planning stage, the Borrower should consider what Bidders need to demonstrate in relation to past performance. For example, have they been involved in delivering a project using sustainable sources of timber in the past? Do they have existing relationships with timber producers that meet the FSC or PEFC requirements? Do they have experience constructing timber buildings of a certain size and scale?
	Market approach and selection method	Another issue the Borrower should think through during the procurement planning stage is the most appropriate selection method for achieving the procurement objectives. For example, will the procurement involve an international or national procurement approach? Should Bidder selection be divided over multiple stages?

(continues)

TABLE 13 Use of procurement tools to assess use of sustainable timber in a construction project *(continued)*

Stage	Procurement Tool	Application in Assessing Sustainable Timber Construction
Invite offers	Initial selection	<p>If a two-stage selection method is being used, initial selection is the first stage of the evaluation process. Initial selection criteria are put in place to ensure only suitably qualified Bidders are put through to the second phase of the evaluation. These criteria should be based on factors that the Borrower considers as essential or “non-negotiable.” They should also be relatively straightforward to assess using a pass/fail response. On larger or more complex procurements, rated criteria may be used as part of initial selection to provide a qualitative assessment of Bidder’s responses and further narrow down the pool to those Bidders who will provide effective competition at the next stage.</p> <p>It will be important to confirm whether the bar that Bidders need to meet is set at the right level and focuses on the right priorities. This should be linked to Bidders’ capacity to manage the serious E&S risks that the project faces. For example, Bidders may be required to confirm that they have not been subject to contractual or legal sanctions for breach of E&S requirements on contracts over the past 7 years.</p>
	Pass/fail criteria	<p>In a single-stage selection process, all Bidders are assessed to determine whether they are ‘substantially responsive’ to all process requirements. Remaining Bidders can then be ‘qualified’ against a set of pass/fail criteria which set out the Borrower’s mandatory minimum requirements. These are often referred to as Qualifying Criteria, and they may also relate to a Bidder’s experience, qualifications or credentials. After an evaluation based on pass/fail criteria, a more qualitative or cost-related assessment can then be applied to the remaining successful Bidders.</p>
Evaluate offers	Rated criteria	<p>Rated criteria allow Borrowers to conduct a qualitative assessment of Bidders’ responses. They can be applied to product or service-related requirements, such as the Bidders’ approach to meeting the specifications. They can also be applied to business-related requirements, such as assessing the quality of a Bidder’s team, their methodology for delivering the project, or value added to the design/works in a way that improves the asset’s performance, efficiency, or functionality.</p>

When developing criteria to use at the initial selection or the final evaluation stages, Borrowers could consider the following distinction:

- Criteria used during initial selection (or as qualifying criteria in a single stage process) are often **backward-looking**, as they relate to the Bidder’s previous experience and performance, success at implementing policies, qualifications or credentials achieved, and so on.
- Criteria used during the technical evaluation are often **forward-looking**, as they consider how the Contractor will deliver the project, the likely effectiveness of their methodology, the potential effectiveness of their team, and so on. One notable exception may be when a Borrower requests evidence of past performance as part of the due diligence after the technical evaluation stage.

Specifications

The Procurement Regulations¹⁰⁹ state: “The sustainable procurement requirements should be based on evidence (that is, with supporting data), and on existing social-label criteria, eco-label criteria, or information collected from stakeholders in industry, civil society, and international development agencies.”

There are two broad categories of specifications: conformance specifications and performance specifications. Table 14 can help Borrowers to decide which is most suitable for delivering procurement and sustainability objectives according to the context and requirements of a specific project.

TABLE 14 Overview and benefits/implications of conformance- and performance-based specifications¹¹⁰

Conformance-based Specifications	Performance-based Specifications
<ul style="list-style-type: none"> ■ Describes in detail the requirements of the design, method of production, construction and/or delivery (sometimes called technical, detailed, input or design specifications). ■ The specification may include sustainability-attributes; for example, recycled content, or the way in which the product is manufactured or delivered, such as use of sustainably managed timber. ■ Generally, RFB processes use conformance-based specifications, as the Bidder must conform to the specifications prescribed by the Borrower. ■ The Borrower controls the design and method of delivery. There is usually little room for innovation or alternative sustainable solutions. ■ Typically evaluated against qualifying criteria, meaning the Bid either meets or does not meet the requirements. Meeting requirements results in a Bid being determined to be substantially responsive. ■ Rated criteria can still be used to assess a Bidder's implementation methodology, plan for managing E&S risks, key personnel, design optimization or value engineering proposals, 	<ul style="list-style-type: none"> ■ Describes the outcomes or results required in terms of business, functional or sustainable performance requirements (sometimes called output or results-based specifications) ■ May define the proposed function to be fulfilled by the product; for example, the strength and durability of concrete to be supplied, or energy/fuel efficiency of a machine. ■ Generally, RFP processes use performance-based specifications, (or a mixture of performance and conformance). That is, the Proposer (i.e. the Bidder responding to an RFP) develops a solution that will deliver the sustainable requirements outcomes described by the Borrower. ■ The Proposer controls the design and method of delivery. Performance specifications are used where the Borrower seeks innovation in sustainable solutions. This is especially effective when procuring unique or novel requirements. ■ The strength of each Proposers' plans for meeting performance specifications are assessed using rated criteria. Proposals can then be ranked against each other based on the quality and best fit-for-purpose VfM solutions.
Benefits and Implications	
More time to develop specifications	Less time to develop specifications
Borrower has more control in delivery	Borrower has less control in delivery
High risk to Borrower if specifications are wrong	Low risk to Borrower if specifications are wrong
Low complexity of evaluation	Med to high complexity of evaluation
Low level of innovation potential	High level of innovation potential
	Buyer needs to recognize an excellent Bid

(continues)

TABLE 14 Overview and benefits/implications of conformance- and performance-based specifications (*continued*)

Tips for SPP Implementation	
Conformance-based Specifications	Performance-based Specifications
<ul style="list-style-type: none"> ■ Address sustainability requirements by precisely describing the exact nature of the technical requirement ■ May also specify the materials to be used in production and/or the method of production, packaging, or service delivery (without requiring production processes that are proprietary or otherwise only available to one vendor, or to vendors in one country or region, unless approved by the Bank) ■ Social-label criteria or eco-label criteria products can be specified, provided the Borrower is satisfied they are consistent/compatible with the detailed specification 	<ul style="list-style-type: none"> ■ Address sustainability requirements by using performance specifications to describe the exact nature of the sustainability outcome or objective to be achieved. ■ If appropriate, use existing social-label criteria or eco-label criteria, or ask bidders to adhere to a sustainability standard ■ May seek suggestions from the market about innovative approaches for managing specific sustainability risks

If the Borrower identifies an opportunity to use the procurement to create a new or boost an emerging market through the development or improvement of a product, material, or service, then a selection method should be adopted that gives Bidders flexibility to innovate. In some cases, it may be appropriate for the Borrower to fund a pilot, test, or Research and Development (R&D) exercise. Investing in such opportunities can support SME growth and achieve GRID objectives by helping to grow new, environmentally or socially responsive markets.

FIGURE 40 Case Study: Market-led proposals in Senegal

Case Study: Market-led proposals achieve positive outcomes from bus procurement in Senegal

Background:

The low quality of diesel used to power automotive transport in Dakar, Senegal has dire health consequences as emphasized by a 2016 study by the World Health Organization.

Approach:

To address this situation, the Bank-financed Dakar Bus Rapid Transit Project required Bidders to put forward proposals that met an international emissions standard, the Euro 5 Emissions Standard. As opposed to stipulating the use of e-buses, this approach meant that the market was able to determine the best way of meeting the standard.

Achieving this standard was challenging for submissions involving diesel buses, as it involved establishing new supply chains to gain access to clean diesel. As a result, Bidders largely opted to submit proposals involving e-buses. This required the Bank to revise their assessment of the project's GHG emissions and Economic Internal Rate of Return (EIRR), which took a long-term 30-year view of the economic life of the assets and infrastructure involved. The Bank also factored in Senegal's energy mix in the revised GHG calculations, to understand how the electrification of Dakar's bus network would impact the capacity of the local power grid, as well as future plans to expand the use of renewable energy sources.

Results

The results showed significant GHG savings and favorable Project EIRR compared to the Euro 5 diesel option that was originally included in bidding documents. Each year, the electric option will lead to GHG savings averaging 67,708 tCO₂eq over its economic lifetime of 30 years. These savings will amount to a total of 2,031,231 avoided tons of CO₂e, which is around three times greater than the diesel alternative.

Source: World Bank case study repository

FIGURE 41 Specifying low-emissions construction materials**Specifying low-emissions construction materials**

Technical specifications can include references to low-carbon materials or specific material compositions. Procurers can use either conformance-based or performance-based specifications to achieve low-carbon outcomes.

Conformance-based approach

In the case of construction materials, specifications can build on established material standards. For example, EN 197 is a common standard for cement products and describes different cement types based on raw materials that they contain (CEM I – CEM V). The Dutch Ministry of Infrastructure and the Environment (the Rijkswaterstaat) stipulated that:

“Only the following two cement types are allowed for respective infrastructure projects because they guarantee (a) Sustainability: 70% less CO₂ emissions than Portland cement, and (b) Resistance against Alkali-Silica Reaction (ASR):

- 1. CEM III cement with a percentage of slag higher than 50%; or*
- 2. Portland-fly-ash cement CEM II with a percentage of fly-ash higher than 25%.”*

Similarly, the Irish Concrete Standard I.S. EN 206, makes provision for the use of several alternative low-carbon cements, as partial replacement of regular Portland cement (CEM I or CEM II/A) in concrete.

Performance-based approach

This approach does not determine the construction materials that should be used, but the desired function or outcome from those materials, provided they are specifically designed to pursue low-carbon or sustainable outcomes. For example, a Dutch tender for a concrete bicycle lane incentivized Bidders to use recycled materials and low-carbon solutions via:

- a) Reuse of secondary products (concrete granulate and secondary sand) in concrete material (by percentage)
- b) Calculated carbon dioxide footprint of concrete production (per m³)—this includes emissions from the extraction stage and production of all materials, storage and transport to production site until the concrete mix is ready for transportation.

Source: Low-Carbon Innovation for Sustainable Infrastructure: The Role of Public Procurement, IISD (2018)

Product Standards and Eco-labels

Standard certificates and labels are valuable tools for implementing SPP. They can help Borrowers overcome some of the challenges they face when attempting to develop sustainable conformance-based specifications and award criteria.¹¹¹ Borrowers may use criteria from labels to draft conformance specifications and verify compliance (see Annex I on using eco/social labels). However, for labels to be used appropriately the following should be considered:

- The label must be a credible, internationally recognized certification or accreditation scheme;
- The use of a particular label needs to be relevant to the subject matter of the procurement; and
- Vendors ought not to be required to be registered under a particular label, equivalent labels or accreditation ought to be allowed.

Public lists of vendors of certified/labeled products can be used to verify a Bidders' claim that they comply with the requirement to provide labeled products. Annex I provides a list of labels and certification schemes available worldwide

Third-party certification schemes can also be used to verify that assets such as buildings and roads have been constructed to a certain standard, which includes quality and environmental considerations. Schemes such as these allow a Borrower to specify that an asset meets a certain standard

FIGURE 42 Case Study: Certification of green social housing in Ghana**Case Study: Certification of green social housing in Ghana**

The Lahagu Housing Project delivered 100 green, affordable two-bedroom homes in Northern Ghana. It is the first EDGE-certified project in Northern Ghana, and achieved 34% improvements in energy efficiency, 31% improvements in water efficiency, and 56% improvements in embodied energy in materials, as compared with conventional local construction methods.

The Contractor has achieved improved green performance through measures such as low-flow water fittings, walls built with compressed earth blocks, and naturally ventilated spaces. Delivered by Reall and Afreh Group, it was achieved by bringing in best practices from the construction sectors in both Ghana and the UK to deliver a product that is affordable, climate-smart, and attractive to first-time buyers in the community.

Source: Edge Certification, [the Lahagu Housing Project](#)

without having to specify environmental or quality requirements themselves. The Bank's Technical Note on Accessibility provides a demonstration of how national and international standards can be used to set accessibility requirements, as shown in Figure 43.

FIGURE 43 Setting accessibility requirements through standards**Setting accessibility requirements through the use of national and international standards**

The use of existing standards as a benchmark for assessing accessibility provides vendors with clear expectations and supports a fair and equitable bidding process. It also sets clear criteria for evaluating Bids. Although there are accessibility-related standards for many different types of products, services, and Works/facilities, below are some of the more commonly used standards:

- **National/Regional Level:** Whenever available, compliance with national standards can be required for every relevant procurement of products, Works, or services. For example, the Americans with Disabilities Act standards or Section 508 (USA), the BS standards (UK), the UAE accessible building code, the Standards d'Accessibilité du Quebec, or the accessibility requirements suitable for public procurement of ICT products and services in Europe (EN 301549:2014).
- **ISO Accessibility Standards:** When national or regional standards for accessible buildings and infrastructure do not exist or are not exhaustive, or if the Bid requires international competition, compliance with ISO standards should be required.
- **WCAG 2.1:** When national or regional standards for Web accessibility do not exist or are not exhaustive, compliance with WCAG 2.1 standards should be required

Source: Technical Note on Accessibility - Part 1: The Narrative, the World Bank (2022)

Business Credentials, Qualifications, and Policies

The sustainability criteria applied to a Bidder's business practices should, where possible, be based on verifiable standards and technical competencies, supported by specific certification or verification mechanisms in the industry, such as a recognized environmental or social standard, code, or management system.¹¹² This certification or verification can take the form of an accreditation scheme, where companies qualify by demonstrating/claiming to have policies and practices consistent with specific E&S outcomes (such as waste reduction and circularity, fair trade, ethical employment or diversity and inclusion). The Procurement Regulations¹¹³ permit the use of:

"Internationally recognized certification or accreditation schemes [that] demonstrate [a] firm'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 may be recognized. Firms may also be able to demonstrate that they apply equivalent sustainable management measures, even without certification.”

Borrowers should also assess the applicability, relevance and reliability of an accreditation or credential before including it in the specification. Some schemes are more recognized than others, and they each have different means of testing and verification. Some trade bodies maintain their own Supplier qualification database or vendor registration systems online or employ Supplier risk and performance management vendors that maintain databases.

Schemes in some sectors operate in highly commercial and competitive markets, where specifying a single scheme could restrict competition. The Procurement Regulations prohibit Borrowers from using “*sustainable procurement requirements that are proprietary or otherwise available to only one firm, unless such a requirement is justified to the satisfaction of the Bank.*”¹¹⁴ Borrowers could consider using phrases such as “or equivalent,” to allow Bidders to use schemes that would achieve equivalent E&S outcomes as a scheme that meets their requirements.

Bidders may be asked to provide evidence of their sustainability credentials or their proposed methodology for meeting sustainability requirements in a number of ways. For example, Table 15 below identifies several different means of seeking verification from Bidders on a range of sustainability issues.

TABLE 15 Example of criteria used to measure capability of the Bidder's sustainability credentials

Example Category	Example Verification
Technical capability/past experience of the Bidder:	The Bidder must provide comprehensive information verifying their experience, with credible references in the following fields:
<ul style="list-style-type: none"> ■ The Bidder/Proposer must provide verification of sufficient experience in sustainable construction 	<ul style="list-style-type: none"> ■ Use of building materials produced in an environmentally responsible manner (for example, certified sustainable timber, reconstituted concrete) ■ Energy efficient construction in accordance with internationally recognized environmental standards and that the construction/s has been independently audited and accredited to that standard
Use of local labor/SMEs	Engage and manage suitably skilled/experienced local Subcontractors and tradespeople as well as unskilled tradespeople who shall receive skills/trade training during the project. Provide references from training/apprenticeship organizations or partners that you have worked with in previous projects or intend to work with as part of this Bid.
Sustainably sourced materials	Procure local, sustainably sourced materials to be used in the works. Confirm as a dollar cost percentage of total construction value for materials procurement.
Waste reduction	Nominate, as a dollar cost percentage of the total construction value, proposed prefabricated elements to be used in the works (and supported with necessary break-up figures). Provide information on any waste reduction qualifications or credentials held by your organization or any of your key personnel.
Waste elimination	Nominate the percentage of construction waste that will be removed from the region or recycled/reused in the region.

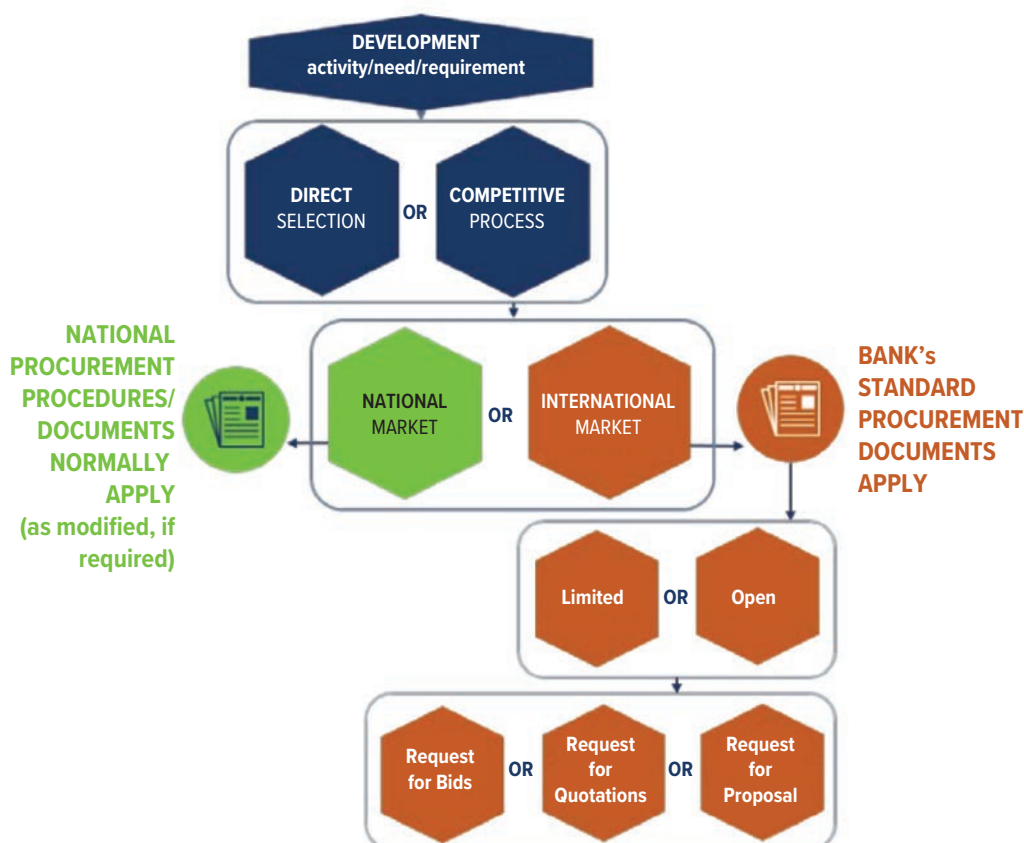
If required for managing specific risks, Borrowers could also consider the extent to which the need for certifications and accreditations should extend down the supply chain. If significant E&S risks have been identified in the project's likely supply chain, the Borrower should consider whether those risks could be mitigated by including a requirement that supply chain partners should be accredited for adhering to certain standards. The extent to which the Borrower would set these requirements for the supply chain, or conduct their own verification and due diligence, would depend on the complexity, size, and sustainability risk profile of the project. See the Bank's SCM Guidance¹¹⁵ for further information on identifying and mitigating risks in the supply chain.

Market Approach and Selection Method

The market approach is designed to attract enough qualified Bidders with the right capability, experience, and qualifications to generate competition. Using market insights taken from analysis conducted earlier in the PPSD process, the Borrower should know enough about the domestic and international markets to understand the approximate number of Bidders with the required capacity. Equally, the Procurement Regulations set a value threshold for Borrowers to follow, which tells Borrowers when an international or national procurement process is required.

Figure 44 sets out a decision tree to help Borrowers to understand the options for approaching the market according to the Procurement Regulations.¹¹⁶

FIGURE 44 Example of selection methods decision logic



The Procurement Regulations also inform Borrowers that when the estimated cost of a given contract exceeds the applicable country threshold, an international procurement exercise should be conducted¹¹⁷ (the Borrower may carry out a national procurement exercise when the procurement is under the threshold). According to the Procurement Regulations, all international procurement must use the Bank's Standard Procurement Documents (discussed further in the section on Implementation—Stage Three: Invite Offers).

As well as having implications for the Procurement Documents that are used, international and national procurements can have very different attributes, as demonstrated in Figure 45.

FIGURE 45 Attributes of international and national competition



At this stage, for contracts under the threshold, the Borrower may have chosen a selection method as prescribed by the national legislative/policy framework, which may recommend or mandate selection methods based on a number of criteria, such as value, risk, or capacity and experience of the PIU/IA that is conducting the procurement. International procurement procedures will need to select from four selection methods (defined in Figure 46): RfB, RfP, RfQ, and Direct Selection. Figure 46 describes the attributes of each method (note further information on selection methods is available in the section on Implementation—Stage Three: Invite Offers).

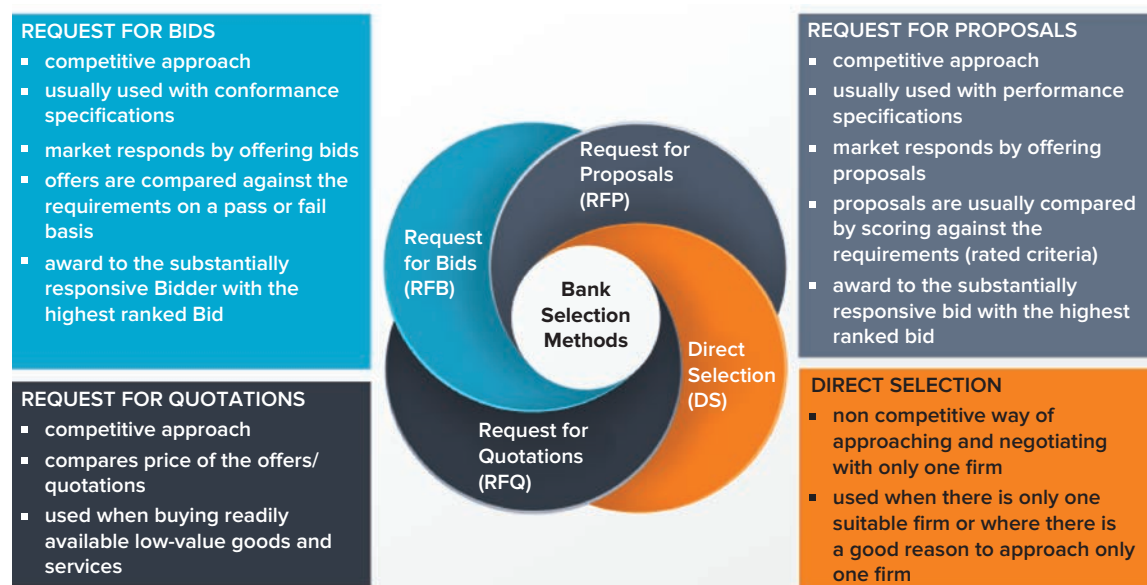
Qualification/Evaluation Selection Method

The next step in developing the PPSD is to determine a qualification/evaluation approach that is “appropriate to the nature and complexity of the procurement to enable the Borrower to achieve VfM.”¹¹⁸ The PPSD has to set out the evaluation criteria that will be applied in the procurement, as well as the manner in which the criteria will be applied. Rules around the development and application of evaluation criteria are included in the Procurement Regulations.¹¹⁹ The evaluation approach should be designed to assess Bidders' capacity to:

- Understand and manage the contract's E&S risks;
- Perform to the required standards during project implementation;

- Develop a supply chain of partners who are capable and willing to adhere to the ESSs; and
- Find new and innovative solutions to help to achieve the Borrower's goals on climate change and sustainable development.

FIGURE 46 Overview of approved selection methods for goods, works, and non-consulting services



As described in Figure 46 above, each selection method has attributes that impact the way Suppliers are evaluated and selected. A Request for Proposals (RFPs), for example, is likely to use a combination of conformance- and performance-based criteria, whereas a Request for Bids (RFB) would typically use conformance specifications. The Bank now requires Borrowers to apply rated criteria to any internationally competitive procurement process that applies either an RFP or an RFB.

The selection method and criteria can be used to assess Bidders against a broad range of factors, including the assessment of innovative approaches in the design and/or delivery of the Goods, Works, or Non-consulting Services. This should give Bidders the opportunity to include solutions that exceed the requirements or alternative solutions that could deliver better VfM.¹²⁰

Qualifying Criteria/Initial Selection

Some procurement processes are run over two stages, particularly for larger, more complex projects where many Bidders are expected. In these cases, Borrowers can use the first stage (typically “qualifying criteria” in an RFB, and “single stage after initial selection” in an RFP) as a filter to ensure only Bidders with an appropriate level of experience, commitment and capacity can progress to the qualitative evaluation process.

Even less complex, more straightforward procurement processes can incorporate strong sustainability requirements, most likely as part of an RFB’s technical and commercial qualifying criteria.¹²¹

Figure 47 provides an overview of the types of considerations that can be assessed using qualifying or pass/fail criteria.

FIGURE 47 Overview of use of qualifying criteria to assess sustainability credentials such as experience, commitment, and qualifications

Using qualifying criteria to determine a Bidder's sustainability credentials

Qualifying criteria can be used by the Borrower to assess a Bidder's sustainability qualifications or credentials. The nature of qualifying criteria means that the assessment will need to be on a binary basis; that is, a Bidder either does or does not meet the criteria, with no possibility of assessing responses against a scale.

However, when developed correctly, qualifying criteria can be used to assess Bidders in several ways, for example:

- **Organizational commitment to sustainability:** Bidders can be asked to provide evidence of their commitment to sustainability through the implementation of sustainable business practices (for example, organization is compliant with ISO 14001 or equivalent for environmental practices, or Social Accountability SA8000 for labor management practices), provided they are relevant to the procurement.
- **Capacity of individuals:** Borrowers can require certain key project roles to have relevant individual qualifications (for example, proposed project manager has received training in the area of sustainability and sustainable project management).
- **Past experience:** Bidders' experience of delivering sustainable objectives can be most effectively assessed using qualitative criteria, given that Bidders' experiences may be varied and therefore challenging to assess using pass/fail criteria. However, there may be instances when it is appropriate to develop qualifying criteria that applies a pass/fail assessment to previous experience, particularly where the experience that is required is well defined (for example, *"do you have previous experience in constructing to Green Star Level 5 or an equivalent standard?"*).
- **Implementation of policy commitments:** Bidders can be required to provide evidence that they have enacted company policies (for example, environmental/labor management policy), or improvement programs (for example, carbon or waste reduction program, or a diversity and inclusion program).
- **Monitoring and measurement:** Measuring carbon emissions is a critical first step for companies toward carbon neutral practices. Therefore, asking Bidders to acknowledge whether they measure their own emissions can be a powerful tool for driving change in the sector.
- **Supply chain management:** Bidders can be asked to demonstrate how they have worked with supply chain partners to improve practices, potentially by providing purchasing guidelines to help them address issues such as environmental compliance, employment practices, and product/ingredient safety. Similarly, larger companies can implement "whistleblower" services, which give workers in their supply chain a mechanism for raising grievances with employment or safety practices.
- **Verification and standards:** Requires a Bidder to provide assurance that materials or goods are sourced sustainably in a way that is capable of verification through an internationally recognized standard or body such as the Programme for the Endorsement of Forest Certification (PEFC), which certifies that paper is sourced from sustainable timber.
- **Product certifications:** For the purchase of Goods (or larger procurements involving the purchase of Goods), Bidders can be required to obtain third-party certifications for their products (such as EnergyStar, EU Ecolabel, Nordic Swan), based on market research conducted during the PPSP.

Source: Examples taken from Practitioner's Guide to Sustainable Procurement, United Nations Development Programme

Qualifying criteria may be more likely to focus on a Bidder's attributes or credentials (such as, does the company have policies, experience, and/or qualifications that demonstrate a commitment to sustainability). As a result, they can go some way to ensuring that only Bidders with an appropriate level of capacity, experience or commitment can proceed to the final stage of the evaluation process. Borrowers should also carefully consider which elements of the Bid could be evaluated using a more

merit-based scoring system. This is where methodologies incorporating qualitative techniques such as rated criteria must take over and identify the Bidder that best understands and is most capable of managing the E&S risks or delivering the potential sustainability benefits of the project.

Rated Criteria

The Procurement Regulations require Borrowers to “award the contract to the Bidder . . . offering the Most Advantageous Bid.” The definition of the Most Advantageous Bid changes according to the selection method and represents the Bid “that meets the qualification criteria and whose Bid/Proposal has been determined to be”¹²²:

- a) **(When rated criteria are used)** substantially responsive to the Request for Bids/Request for Proposals document and the highest ranked Bid/Proposal; or
- b) **(When rated criteria are not used)** substantially responsive to the Request for Bids/Request for Proposals document and the lowest evaluated cost (see Section X – *Pricing Mechanism/Evaluation of Costs*).

As mentioned above, the Bank now requires Borrowers to apply rated criteria to any internationally competitive procurement process that applies either an RFP or an RFB. Rated criteria can be challenging to apply in comparison to lowest-cost methodologies, particularly where corruption risks may be high. The subjective nature of rated criteria means that procurement professionals may feel that a lowest-cost methodology presents less risk of unsuccessful Suppliers successfully challenging award decisions. However, rated criteria are much more effective than lowest-cost methodology at securing sustainable outcomes and prioritizing quality and E&S considerations, as illustrated in Table 16.

TABLE 16 Comparison of the two most common evaluation methodologies

Lowest Cost	Rated Criteria
Price focused	Price is not the key or only determining factor
Focuses on compliance	Different ways of delivering a requirement
Based on minimum standards	Implementation approach can affect the quality of outcomes and management of risks during implementation
Requirements are standard or homogenised	Requirements are based on performance and outputs
Little to differentiate between Contractors	Different approaches can be assessed as delivering more or less “value”
Expresses all requirements in monetary terms	Takes a broader view of value, which can incorporate costs or benefits to the project, community or broader society
No innovation	Allows innovation
Easier to administer and defend under scrutiny	More difficult to administer and requires more detailed explanation to back up scoring when under scrutiny

Rated criteria are used to identify differences in attributes among different bids where they cannot be expressed in monetary terms or where a Borrower wishes to differentiate proposals using merit points¹²³. The same requirement can be assessed in different ways, according to their relative

importance to the project. For example, a requirement can be expressed as a mandatory qualifying/technical criterion, or as an optional criterion that is awarded points as part of a qualitative assessment or rated criteria methodology, as demonstrated in Table 17.

TABLE 17 Comparison between mandatory pass/fail criteria and qualitative criteria across different categories

Criteria	Vehicles	Construction Works	Wood Products
Required/mandatory	Minimum standard <CO ₂ /km	Minimum standard 5% of working hours to socially disadvantaged people	Minimum standard 100% recycled or FSC/PEFC labeled or equivalent
Optional/desirable	One point awarded for every 10 g below thresholds	Best offer gets 10/10, meeting minimum standard gains no extra points	Points awarded based on different levels of environmental benefits delivered throughout wood production lifecycle

The Procurement Regulations now require all internationally competitive procurements to use rated criteria as part of their evaluation. Even where other, non-price factors are incorporated into the evaluation process, research suggests that where price is given a weighting higher than 25%–30%, price will still typically be the deciding factor.¹²⁴ Therefore, Borrowers will have to use rated criteria effectively to ensure sustainability is given enough importance to make a difference in the evaluation process. The Bank's *Procurement Guidance—Evaluation Criteria*¹²⁵ sets out the most effective ways to apply rated criteria. To achieve sustainability outcomes, Borrowers should consider the following while developing rated criteria:

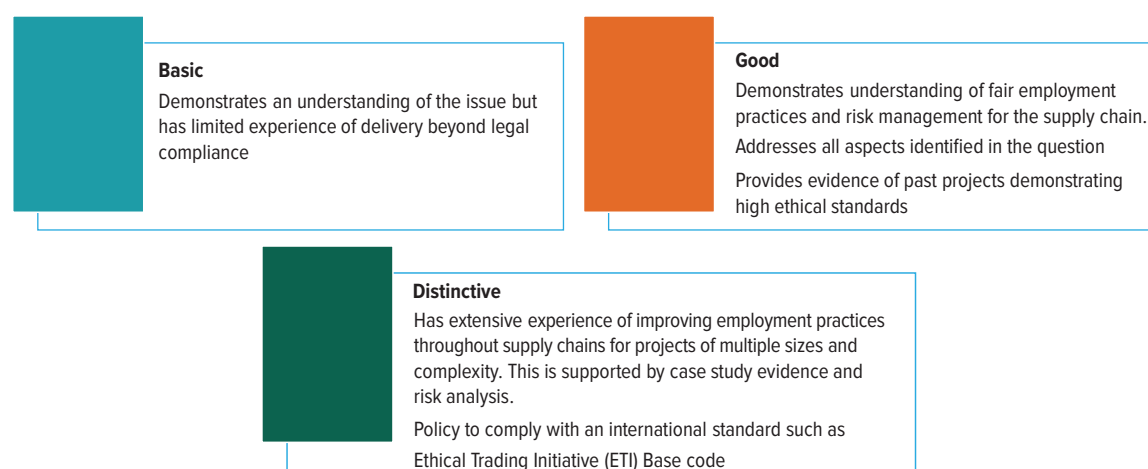
- Devise a price evaluation methodology that incorporates lifecycle or external social and environmental costs and benefits (see *Section X – Pricing Mechanism/Evaluation of Costs*);
- Provide sufficient weighting to non-price criteria, given that price will continue to be the determinant factor in evaluation methodologies, where it is weighted above 25%–30%¹²⁶;
- Put people with experience in managing E&S risk and comparing E&S proposals on the evaluation panel;
- Involve evaluation panel members in early discussions about project objectives and specifications so that they more intimately understand ‘what good looks like’ for the project and the outcomes that are being sought;
- Give evaluators guidelines on what a good response should look like as compared to a poor response; less well-informed evaluation panels tend to cluster scores around the average mark (for example, most responses are likely to receive 6 to 8 out of 10); and
- When agreeing a weighting for E&S/sustainability considerations, make sure it correlates to the level and complexity of risk, and aligns with the importance that the project should place on selecting a Bidder who is able to manage the risks effectively (for example, if

managing a specific environmental risk or identifying a Bidder who can effectively manage community stakeholders equates to 20% of the value of the contract, then ensure weightings reflect this).

Borrowers can assist the evaluation panel and reduce the level of subjectivity in the scoring of a rated criteria requirement by providing Guidance on the attributes of a good versus a poor response, while still allowing Bidders flexibility. Figure 48 demonstrates how that guidance might be structured.

FIGURE 48 Evaluation panel guidance on attributes of responses to assist rated criteria

What is your employment policy with respect to: wages, equality and diversity, freedom of association, grievance procedures, and working hours?



Evaluating Sustainability Elements of the Bid

Rated criteria are an effective tool for measuring whether a Bidder is suitably prepared to implement the contract and assessing their approach for managing risk. This is achieved by giving merit points to Bidders that are able to demonstrate how they are better equipped than their competitors to help achieve the contract's objectives.

Where Bids are evaluated based on price, there is little incentive for Bidders to go beyond the minimum requirements set out in the bidding documents. This typically means that Bidders are only incentivized to find the most cost-effective way of delivering the contract, which often leads to compromises in quality or a failure to effectively resolve E&S issues. Even if bidding documents reference the importance of sustainability or innovation, if they are not given any weighting in the evaluation methodology, Bidders are unlikely to prioritize these outcomes in their Bid submission, or to use these factors to differentiate themselves from other Bidders. An evaluation methodology that incorporates factors such as quality, sustainability, and innovation, and expresses them as quantifiable and measurable outcomes or standards can encourage Bidders to take these issues seriously in their submission.

The evaluation methodology should identify the criteria that will make up the technical score, and the weighting of technical components versus price, as illustrated in Table 18.

TABLE 18 Example of weighted criteria

Rated Category and Feature	Weighting
Price weighting	30%
1. Methodology and work plan	
a. Appropriateness of methodology	10%
b. Timeframe and efficiency of work plan	10%
2. Management and technical skills	
a. Expertise and experience of management team	10%
b. Depth and breadth of technical skills	10%
3. Sustainability	
a. GHG emissions: Ambition and feasibility of the Contractor's proposals for reducing carbon emissions from the project	10%
b. ESF: Accuracy and appropriateness of mitigations in E&S MSIPs	10%
c. GRID: Contribution to GRID objectives	10%
Technical score	70%
Total	100%

FIGURE 49 Case Study: Applying sustainability-related evaluation criteria in the Solomon Islands

Case Study: Applying sustainability-related evaluation criteria in the Solomon Islands

Background

A series of projects in the Solomon Islands involved targeted investments to improve infrastructure supporting international air transport. The aviation sector in the Solomon Islands has suffered due to the lack of investment, and further reform and improvements are needed to support the country's resilience to climate impacts and enable economic growth.

Approach

The procurement of a Contractor to deliver the upgraded terminal and supporting infrastructure incorporated a range of value engineering, social, economic, and environmental requirements in order to maximize the broader policy benefits that could be achieved from these investments. Specifically, technical criteria (with an overall evaluation weighting of 30%) gave these requirements added importance by evaluating:

- The use of locally sourced, sustainable materials to construct the terminal (5%);
- The engagement and management of suitably skilled/experienced local subcontractors and tradespeople, as well as the provision of skills/trade training to local unskilled tradespeople during the project (10%);
- The amount of construction waste that was removed from or recycled/reused in the Solomon Islands (5%); and
- Value-added architectural and other design proposals in order to achieve improvements in sustainability, performance, efficiency, functionality, as well as ease of cleaning, maintaining, and operating (5%).

Bank implementation support resources trained the Borrower team in the use of rated criteria, as well as reviewing and supervising the implementation of the rated criteria approach. The Bank team also facilitated early market engagement to inform potential Bidders of the upcoming opportunity, and to notify them of the importance that the Borrower would place on environmental and social factors during the evaluation process. The evaluation panel also included technical experts, who were able to effectively evaluate proposed value engineering and sustainability solutions.

Source: World Bank case study repository

The model evaluation methodology assigns 70% of the overall score to technical factors, including the following:

- **Methodology:** Certain elements of the project may have been tightly defined or scoped, where the Borrower had a very clear idea what was required. However, Bidders may have been given flexibility to determine how some elements are delivered (particularly where performance-based specifications (RfPs) are used), which may have implications for sustainability management. For example, the Borrower may have asked Bidders to propose different methodologies for digging a large trench or tunnel. The Borrower may then assess Bids to identify the one that delivers optimal results from an operational performance, environmental, health and safety, and maintenance perspective. The assessment can incorporate subcriteria depending on the local context or project priorities. For example, if the project is in a region that experiences a high rate of safety issues, questions on methodology can place an emphasis on OHS and ensuring site safety throughout implementation (for example, does it apply principles of safety in design, as explained further in Figure 50).
- **Management and technical skills:** The Borrower should assess the experience and qualifications of the Bidder's proposed project team to assess their suitability for managing E&S risks and experience in achieving sustainability objectives in previous projects of a similar type.
- **GHG emissions:** Where performance-based specifications are used, Bidders will have more flexibility to determine how the specifications can be met while using low-carbon methods and materials. But even where conformance-based specifications are used, there will still be opportunities for Bidders to look for opportunities to reduce emissions generated from the project. This can be done in a number of ways, from using industry standard calculation methodologies, to asking Bidders to submit a short report on how they plan to reduce the project's carbon emissions. Borrowers will need to assess both the credibility (that is, how achievable and well prepared these plans are) and scale (that is, how quickly the Bidder is hoping to achieve net zero) of Bidders' plans to reduce emissions.
- **ESF:** Bidders must submit draft Management Strategies and Implementation Plans (MSIPs), which outline their approach to managing the project's E&S risks and impacts. Bidders who do not submit MSIPs will be disqualified for being non-compliant. Borrowers should consider including a qualitative evaluation of the MSIP as a core part of the evaluation process (see *Implementation – Stage Five: Evaluate Offers* for more information). There may be specific elements of the MSIP or Bid submission that are particularly relevant and important for the project which could be prioritized for evaluation. For example, Bidders are asked to develop a Code of Conduct using the template provided in the Bank's SPD for Works.¹²⁷ Bidders are asked not to modify any of the minimum requirements contained in the template, though they are able to add requirements as appropriate, to reflect contract-specific issues/risks. Borrowers should evaluate the Codes of Conduct submitted by Bidders to assess their robustness, the extent to which they demonstrate an understanding of contract risks, the standards they expect their workers to uphold, and the actions they propose to take in the event of a breach.
- **GRID:** Incorporating GRID objectives into the evaluation methodology allows the Borrower to measure to what extent a Bidder can support development objectives, for example by using new "green" technologies or approaches developed within the Borrower country or providing

jobs or apprenticeship opportunities to support development in the local community. Bidders can be asked to respond to a set of questions about how they plan to achieve these objectives through the project.

FIGURE 50 Explainer on “Safety in design”

Explainer: Safety in design

Safety in design (also known as prevention through design) is a practice that goes beyond the identification and management of health and safety risks on site. It involves incorporating health and safety considerations into the design of a project and its implementation to eliminate those risks altogether from the construction process, as well as from ongoing maintenance activities, as described in the following illustrative example:

Design specification

The methodology put forward by the Bidder (to meet the project requirements) suggested that groundwater monitoring wells were dug at various locations. Several of those lines were located directly under overhead power lines.

Accident

A worker was electrocuted after his drilling equipment went too close to overhead power lines.

Safety in design approach

If the Bidder employed the principles of safety in design, their methodology would have specified that wells should be dug away from power lines.

Variations in methodology/work plans between Bids may present different E&S risks and benefits. For example, a Bidder that proposes to construct a plant to manufacture bricks close to the project site could deliver significant reductions in emissions by comparison with other bidders who propose to transport bricks from overseas. At the same time, this approach could introduce other risks, such as generating more air pollution near local communities, as demonstrated in the illustrative diagram (Figure 51).

FIGURE 51 Illustrative risks and benefits of works methodologies to consider during evaluation



Pricing Mechanism/Evaluation of Costs

The Procurement Regulations state that cost may be assessed “*using a methodology that is appropriate to the nature of the procurement including:*

- i. adjusted Bid price; or*
- ii. adjusted Bid price plus the running/recurrent cost over the useful lifetime of the asset on net present cost basis (lifecycle costs).”*

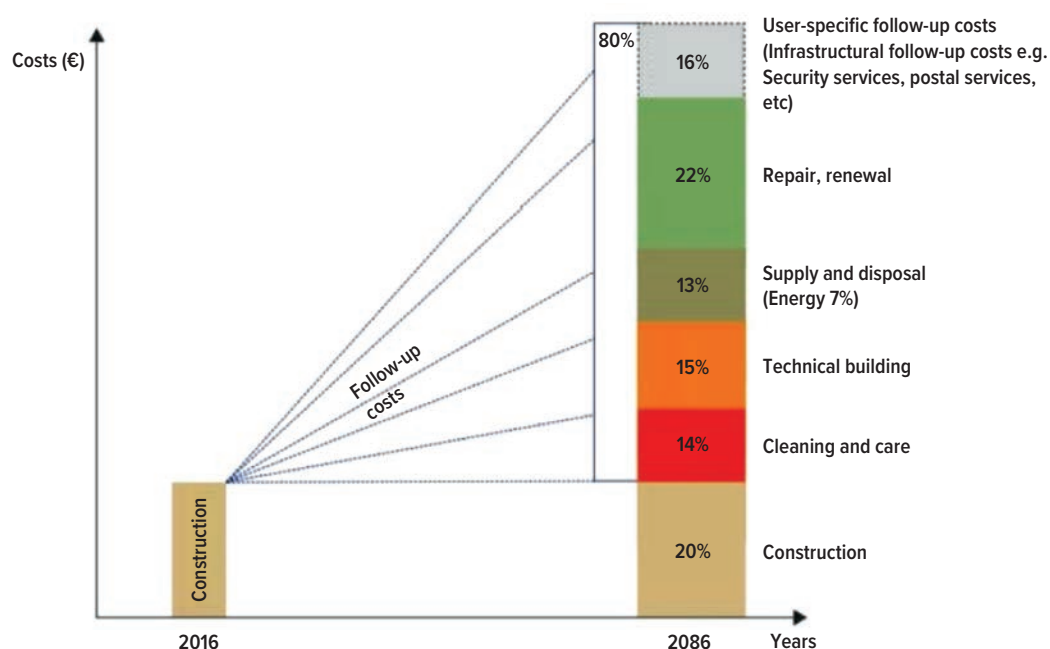
This assessment will also be influenced by the pricing mechanism that is applied to the contract, for example lump sum versus time and materials (more information on the attributes of different pricing mechanisms is available in the Bank's Long Form PPSD Guidance¹²⁸). Furthermore, the assessment will be dependent on the scope and nature of Goods, Works or Non-consulting services being procured. For example, a design and build contract can be assessed according to the cost of the asset over its lifecycle, whereas it could be challenging to assess a time and materials contract for maintenance services in the same way.

In Bank-financed projects and globally, procurement has historically compared Bids based on their upfront or purchase price. However, this is just one of the cost elements in the whole process of purchasing, owning, operating, and disposing of an asset or acquiring a service. Different methodologies have been developed to assess the full and complete price of an asset, product, or service. Lifecycle costing (LCC) means means considering all the costs that will be incurred during the lifetime of the asset, product, or service¹²⁹ including:

- Purchase price and all associated costs (delivery, installation, insurance, and so on);
- Operating costs, including energy, fuel and water use, spares, and maintenance; and
- End-of-life costs (such as decommissioning or disposal) or residual value (such as revenue from sale of product).

This methodology is consistent with sustainability objectives as greener products (that is, those that require less energy, or are made of higher quality materials or components) are likely to be cheaper overall, and deliver savings, including on the use of energy, water and fuel, maintenance and replacement, and disposal costs. The inclusion of these costs in the procurement process is a way of visualizing previously hidden costs and bringing them into the procurement decision,¹³⁰ as shown in Figure 52.

FIGURE 52 Example lifecycle costs of a building over 70-year lifespan



The Works SPD gives Borrowers guidance on the use of lifecycle methodologies, suggesting that Borrowers should use LCC where “the costs of operation and/or maintenance over the specified life of the Works are estimated to be considerable in comparison with the initial cost and may vary among different Proposals.” The Borrower shall indicate to Bidders whether LCC should be used as part of the evaluation, the methodology that will be used, and the information required from Bidders to complete the evaluation.¹³¹

The Borrower will also define a target duration for the asset’s operation, requiring the Bidder to estimate variable costs such as maintenance, renewal, energy, and so on over that period. When developing this methodology, the Task Team should consider that this is typically a notional calculation, and reflect on the implications of the Borrower operating the asset for much longer than the target period. For example, a Contractor may be selected to build a waste water treatment plant based on an estimated operational duration of 15 years. If that asset operates for 30 years in total, maintenance and operating costs and GHG emissions will be significantly different from the estimates included in the procurement process.

Figure 53 describes how LCC was effectively used to evaluate bids to design, build and operate (DBO) a Bank-financed water treatment plant.

FIGURE 53 Case Study: Use of LCC methodology for a Bank DBO water treatment project

Case Study: Using LCC to get innovation and value from a Bank-financed project in ECA

Background

As part of a three year DBO contract for a water treatment plant in the Europe and Central Asia (ECA) region, the asset in question was required to operate over a lifecycle of 15 years. Performance-based specifications were used, requiring a guaranteed minimum water flow of 3 meters³ per second, and parameters for how water would be converted from raw water to expected treated water.

Approach

Major cost categories over the 15-year lifecycle period included labor, chemicals, and power cost (indicative value of 0.2 USD/kwh). Maintenance costs included spare parts for 15 years of operation, applying a discount rate of 5%. Land value was set at USD 250 per m² to encourage designs to achieve the requirements using a smaller land parcel.

Outcome

Three bids were received, all taking a very different approach to meeting the specifications. The size of land parcel used for each Bid was multiplied by the land value. The winning design had the smallest footprint, allowing the Borrower to more quickly expropriate the land required and at a lower cost. The successful Bidder did not put forward the Bid with the lowest upfront cost, though it was assessed to be the lowest cost over the 15-year lifespan. The Bidder with the lowest upfront cost was assessed to have the most expensive Bid over the 15-year period.

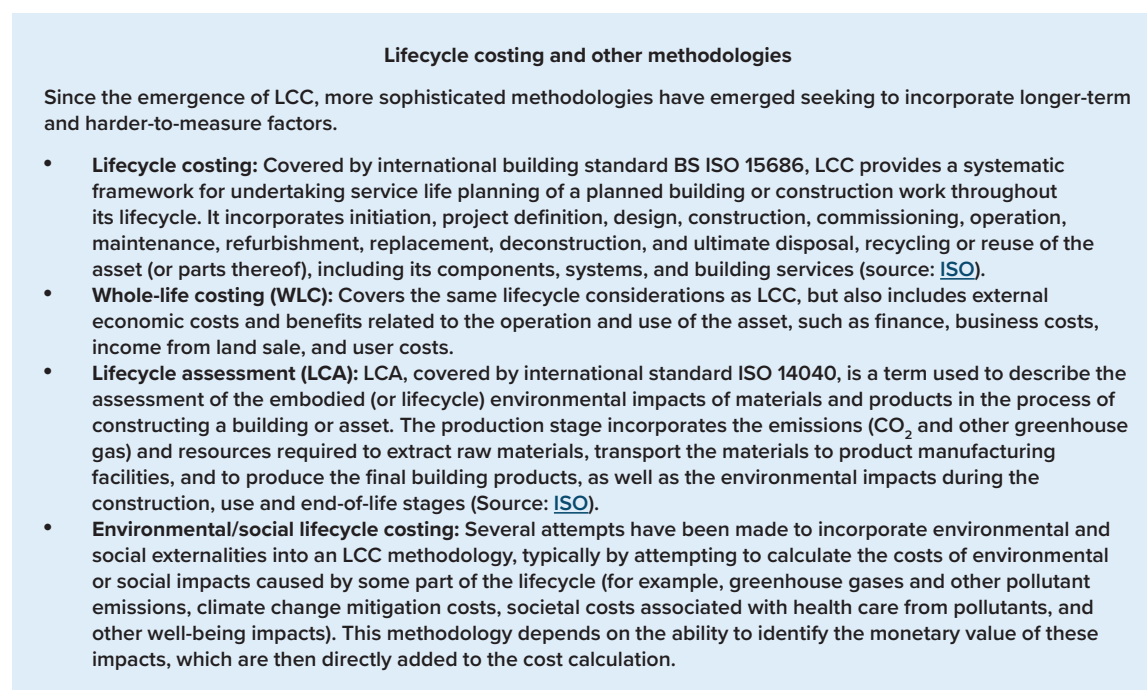
Lessons Learned

- Align contract term with asset life, to avoid Bidders manipulating bids to make ongoing operating costs seem lower. At end of three-year contract term, the Contractor was not accountable for the accuracy of their estimates on operating costs.
- Include reference costs for all variables such as fuel, chemicals, and labor where possible, in the same way that an electricity unit cost was used.

Source: World Bank case study repository

LCC methodologies can vary greatly, and there are a number of independent methods and tools providing information on LCC, as described in Figure 54.

FIGURE 54 Overview of LCC methodologies



To ensure fairness in the application of LCC, it is important to adhere to the following principles when selecting and implementing a methodology:

- It should be based on objectively verifiable and non-discriminatory criteria.
- It should not require an unreasonable amount of effort from Bidders to submit the data required for the methodology to function.
- The methodology should be published as part of the Procurement Documents, so that there is transparency on how costs will be calculated.

Costing of E&S Risk Mitigations

Bidders should be clearly instructed how their E&S risk measures should be incorporated into the Bid price (Bill of Quantities). This will be dependent on the extent to which E&S risks have been sufficiently scoped, understood, and mitigations detailed as part of the requirements. If mitigations are clearly detailed, the Borrower may require Bidders to set out the cost of mitigations as stand-alone items in the Bill of Quantities. However, if mitigations are not set out in detail, potentially because risks are not yet well understood, then it may be more challenging for mitigation costs to be itemized in detail. The Borrower may propose three main options for the inclusion of E&S mitigation costs, and Table 19 describes each option in more detail along with the benefits and drawbacks of each.

TABLE 19 Options for costing E&S risk mitigations

Option A: Costs are not broken out separately but integrated in the Bill of Quantities (BoQ).	Option B: Costs are Included as Specific E&S Line Items in the BoQ	Option C: Costs are Set Aside as Provisional Sums for E&S Activities
Description: Costs are included along with typical construction elements given they are integrated into the broader delivery methodology.	Description: If specific mitigation measures have been included in the contract requirements, they can be priced independently and included as stand-alone line items in the BoQ.	Description: Provisional sums could be set aside for discrete E&S-related activities, such as SEA and SH awareness and sensitization.
Pros: Can demonstrate that E&S activities are integrated into project operations, for example OHS considerations are a key consideration for all parts of the works methodology as opposed to a stand-alone item.	Pros: Allows Borrower to check that Bidders have allowed sufficient costs for E&S mitigations and consider removing E&S mitigation costs from the evaluation of Bids, ensuring competition is based on efficiencies in other areas.	Pros: Allows the Contractor to propose additional sustainability outcomes beyond the requirements of the Contract, and Borrowers to hold Contractors to account during Implementation by holding onto provisional sum until E&S mitigations are delivered.
Con: Does not give Borrower assurances that E&S considerations have been incorporated into the Bid price and can allow lowest-cost approach to reward Bidders who do not include costs for E&S mitigations.	Con: Requires Bidders to have a detailed knowledge of E&S risks in order to scope and cost mitigation activities.	Con: Does not show mitigations as activities that are integrated with project methodology.

FIGURE 55 Overview of SAVi methodology

Sustainable Asset Valuation (SAVi) methodology

SAVi is an assessment methodology that provides policy makers and investors with a comprehensive analysis of how much their infrastructure projects and portfolios will cost throughout their lifecycle, taking into account risks that are overlooked in a traditional valuation. Developed by the International Institute for Sustainable Development in partnership with the MAVA Foundation, SAVi uses a combination of system dynamics and project finance modeling to capture the full costs of environmental, social, economic and governance risks. Moreover, SAVi calculates the dollar value of externalities that result from infrastructure development.

Policy makers and investors can therefore use SAVi to make investment decisions that are not only based on a holistic valuation of risks, but also on the extent to which their investments will contribute to fulfilling national development priorities, curbing climate change, and addressing its effects, and achieving the UN Sustainable Development Goals.

Once the cost of climate-related risks and externalities are taken into account as part of project budgeting, Governments, investors, and project developers will have insight into why low-carbon, resource-efficient, and climate-resilient infrastructure can bring more attractive returns for both asset owners and citizens.

Source: [International Institute for Sustainable Development \(IISD\)](#)

Selecting the Right Procurement Documents

The Bank's Procurement Regulations mandate the use of Standard Procurement Documents (SPDs) for international competitive procurement. The Bank has developed a number of SPDs, that include applicable contracts, to give Borrowers access to fit-for-purpose documents that clearly allocate responsibility to Contractors for complying with relevant parts of the ESSs (also see the section on implementation—*Stage Three: Invite Offers* for further information on SPDs). Bidders also get more certainty during the to bidding process, given that Bank projects across the world use consistent base terms of contract. In the case of large Works contracts (admeasurement, design and build, design build and operate, engineering procurement and construction), the contracts are based on the general conditions of contract issued by the International Federation of Consulting Engineers (FIDIC)¹³² and strengthened by the addition of the Bank's own particular conditions.

The SPDs are updated/enhanced from time to time to reflect current policies, relevant initiatives, and operational experience. Since 2017, added focus has been put on managing E&S risks and impacts through the procurement process, in particular to reflect the ESF and the Bank's requirements on SEA/SH. The SPD enhancements also included the development of a dedicated major Works SPD with a disqualification mechanism applying to projects at high risk of SEA/SH (discussed further in *Managing contracts with High Risk of SEA/SH*, a subsection of *Implementation—Stage Seven: Manage Contract*). As shown in Figure 56, SPDs are broken into three sections, each with a specific purpose.

FIGURE 56 The structure of Bank SPDs



Further information is included in the section on Implementation—*Stage Three: Invite Offers* to help Borrowers to discern which E&S issues are covered as standard clauses by the different SPDs, given the need to address common E&S issues in different types of procurements (Works, Goods, Consultants, and so on). E&S risks and deliverables are covered throughout the SPDs in a number of different ways. Table 20 highlights sections in the SPD where E&S risks and deliverables are most likely to be included.

TABLE 20 Integrating E&S into SPDs

E&S Feature in the SPD	Why the Feature is Important
Declaration of past E&S performance	Demonstrates history of managing E&S risks. Used by Borrower to identify areas to target with further due diligence
Specification	The E&S activities and obligations that will be the Contractor's responsibility must be clearly described in the specification
MSIPs	Bidder to submit their MSIPs, which should demonstrate their understanding and knowledge of the project's identified E&S risks and the credibility of their proposed mitigations
Code of Conduct	Bidders are required to use the template Code provided in the SPD, which can be added to in order to address specific project risks, such as SEA/SH
Training personnel	Training plan demonstrates the time and resources the Bidder is willing to commit to building their personnel's E&S knowledge and understanding and improve behaviors
E&S specialist(s)	Demonstrates the qualifications and experience of a named Contractor's E&S specialists
E&S reporting	Supports monitoring of E&S performance and can flag emerging risks
E&S performance security	Provides an incentive to meet E&S obligations
E&S provisional sum	Provides an incentive to meet E&S obligations

The most complex provisions are described in further detail below:

- **Declaration of past E&S performance:** Bidders¹³³ submit a formal declaration disclosing their past performance in relation to E&S. The declaration relates to any breach of E&S requirements in a previous project, which may or may not be financed by the Bank, resulting in either a Works contract being suspended or terminated, or a performance security being called in. The Bidder will not be automatically disqualified if they declare any prior performance issues, particularly if they also detail any subsequent improvements that they have implemented. The Borrower can use this information to inform a decision to conduct further due diligence on the Bidder. If a Bidder misrepresents the facts, or misses out an important fact from their declaration, they can be disqualified from the bidding process and may be subject to the Bank's sanctions regime.
- **Specification:** Part 2 of the SPD describes all the activities and obligations that the Contractor will be responsible for. Borrowers can set out, in the subsection entitled "E&S Requirements," project-specific E&S mitigation measures that will be undertaken by the Contractor, the E&S risks that will be managed by the Contractor, and E&S-related KPIs.
- **Management Strategies and Implementation Plans (MSIPs):** Each Bidder prepares draft MSIPs, which describe in detail the actions, materials, equipment, and management processes that will be used/applied to manage specific E&S risks. Each Bidder should consider the E&S provisions described in the specification and any other material provided by the Borrower while preparing their MSIPs. Where risks emerge post-contract signing that are not accounted for as part of the bidding process, there is a prescribed process in the SPD to allow for contract changes. While change control processes provide flexibility for dealing with unanticipated issues and events, they typically result in an increase in time and cost.

The Bidder's draft MSIP will be evaluated as part of the Bid. If the Bidder is successful, the MSIP will be developed further as requested by the Supervising Engineer. The Contractor cannot mobilize at the site unless the Supervising Engineer agrees that appropriate measures are in place to address E&S risks and impacts. Together, all MSIPs form the **Contractor's Environmental and Social Management Plan (C-ESMP)**, which must be reviewed and updated at least every 6 months.

- **Code of Conduct:** Note this provision is most relevant for procurements that involve site-based activity, or that include a labor component.¹³⁴ Each Bidder must submit a Code of Conduct that is contract-specific and will apply to all personnel of the Contractor (which includes Subcontractors).

Bidders must use the Code of Conduct template provided in the SPD as the basis for their project-specific code. The template includes a set of minimum requirements which cannot be removed or modified. Bidders can add requirements as appropriate, including introducing contract-specific issues and risks. The successful Bidder's Code of Conduct becomes part of the contract. The enforceability of the Code of Conduct, as well as provisions on how it is communicated to personnel, are included in a specific contract clause. The clause states that the Contractor must ensure that its personnel are each given a copy of the code in the appropriate language/form and seek acknowledgment of receipt from personnel. The Contractor is also required to display the Code of Conduct visibly on the site and in places accessible to local communities and project affected people.

The standard contract in Part 3 of the SPD includes a number of E&S-related contract provisions (particularly in works-related SPDs). These provisions cannot be changed by Borrowers or negotiated/removed by the successful Bidder. This means that accepting these terms is considered a pass/fail criterion as part of the evaluation process (described in more detail in the *Qualification/Evaluation Selection Method* section).

Some E&S considerations are included in the FIDIC general conditions, and the Bank has added its own particular conditions to supplement standard FIDIC terms to cater for the Bank's specific circumstances. As shown in Figure 57, the Bank has developed specific wording to impose obligations on Contractors that are consistent with the ESSs (Annex II demonstrates this "cascading" effect for all ESF provisions).

Where Borrowers use national procedures and do not use a Bank SPD, it is highly likely that the E&S requirements contained in national bidding documents will differ significantly from those in Bank SPDs. With the Bank's support, Borrowers may choose to incorporate additional provisions into their national bidding documents to cater for the project's most significant E&S risks.

The Bid Evaluation Report (BER) will document the extent to which each Bid has successfully responded to the provisions included in the bidding documents. Borrowers should reflect those provisions in the BER, for example by using a checklist such as the one included in *Implementation—Stage Six: Award Contract*. At the conclusion of the bidding process, those requirements that are submitted as part of the successful Bid and agreed by the Borrower will be integrated into the contract to become a package of legally binding obligations for the Contractor.

FIGURE 57 Cascade of ESF requirements into contract terms—Sustainable management of natural living resources example (abridged)

Key ESF Provision	Clause wording in Bank SPD	Integrating appropriate clauses into national bidding documents
<p>“Where a Borrower is purchasing natural resource commodities, including food, timber, and fiber, that are known to originate from areas where there is a risk of significant conversion or significant degradation of natural or critical habitats, the Borrower’s environmental and social assessment will include an evaluation of the systems and verification practices used by the primary suppliers.</p> <p>The Borrower will establish systems and verification practices which will:</p> <p>(a) identify where the supply is coming from and the habitat type of the source area;</p> <p>(b) where possible, limit procurement to those suppliers that can demonstrate that they are not contributing to significant conversion or degradation of natural or critical habitats; and</p> <p>(c) where possible and within a reasonable period, shift the Borrower’s primary suppliers to suppliers that can demonstrate that they are not significantly adversely impacting these areas”</p> <p>The ability of the Borrower to fully address these risks will depend upon the Borrower’s level of control or influence over its primary suppliers.</p>	<p>“The Contractor shall obtain natural resource materials from suppliers that can demonstrate that obtaining such materials is not contributing to the risk of significant conversion or significant degradation of natural or critical habitats such as unsustainably harvested wood products or extraction of gravel or sand from riverbeds or beaches.</p> <p>If a Supplier cannot continue to demonstrate that obtaining such materials is not contributing to the risk of significant conversion or significant degradation of natural or critical habitats, the Contractor shall within a reasonable period substitute the Supplier with a Supplier that is able to demonstrate that they are not significantly adversely impacting the habitats.”</p>	<p>If national bidding documents are used, Task Teams should be aware that they are unlikely to reflect the ESF, and often do not specifically list applicable national environmental and social legal requirements. The Task Team can influence the Borrower toward integrating appropriate E&S clauses in national procurement documents by doing a number of things, for example:</p> <ul style="list-style-type: none"> • Discussing with the Borrower the key risks that would be more effectively managed if appropriate E&S clause(s) are included in the national procurement contracts • Advising Borrowers to identify applicable national laws and regulations that may be reinforced in contracts to address specific risks • Sharing with Borrowers how the risk in question is addressed in SPDs as an example

Contract Management

The planning and analysis conducted in the PPSD to date should have identified project risks, likely mitigations, and risk owners. Bidding processes should then result in a set of contracts that clearly set out the Contractor, Consultant and/or Supplier’s responsibilities for managing E&S aspects in their respective contracts. However, a contract alone does not guarantee that the Contractor, Supplier, or Consultant will follow through on their obligations. Active contract management is a critical part of managing E&S risks, as described in Figure 58.

At this stage of the procurement cycle, before Bidders have had the opportunity to submit their proposed methodology for managing E&S risks during implementation, Borrowers will not be able to develop a detailed Contract Management Plan. However, Borrowers should include their high-level approach to contract management in the PPSD, so that relevant information can be included in Procurement Documents. This will allow Bidders and Borrowers to plan for the resources that will be required to carry out effective contract management.

The contract management approach should be proportionate to the value, risk, length, type, and complexity of the contract and the type of market/suppliers who will be delivering the contract.¹³⁵

FIGURE 58 E&S practices in multinational supply chains**An HBR study: The case for contract management of E&S supply chain practices**

A study by *Harvard Business Review* analyzed three supply networks headed by multinational companies covering the automotive, pharmaceutical, and consumer products industries. All three multinationals, seen by others as “sustainability leaders,” had set clear E&S standards for first tier and lower-tier suppliers to adhere to.

The study found that many were violating those standards. A visit to five lower-tier suppliers identified that all lacked environmental management systems, and four lacked procedures for handling red-flag social problems such as sexual harassment, retaliation by supervisors, and hazardous labor conditions.

A visit to 10 lower-tier suppliers identified that all had poor environmental practices, dangerous working conditions, and chronic overtime issues.

The study also identified that the multinational companies (or clients) were causing many of the issues, by placing large and demanding orders that exceeded suppliers’ capacity or imposed unrealistic deadlines, leading Supplier factories to demand heavy overtime from their workers.

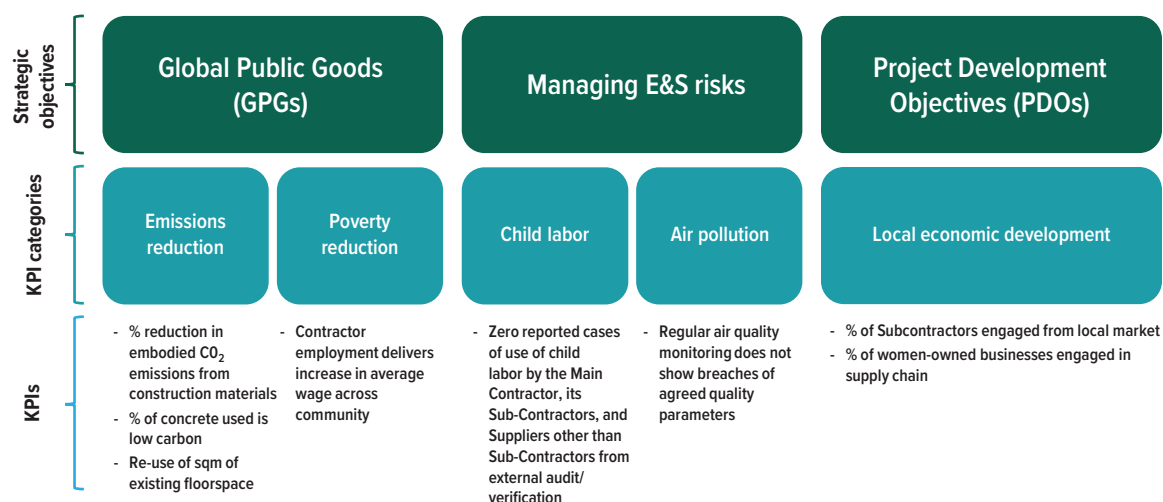
Contracts that require Contractors, Consultants or Suppliers to manage significant E&S risks are likely to require additional support and oversight from the PIU/IA. The Contract Management Plan should be developed during preparation of the contract and ideally completed at the time the contract is signed. It should be developed in consultation with the successful Bidder, and should include the Bidder’s Bid, along with the Borrower’s contract management requirements. It should set out how the Borrower will manage all Contractors in an effective manner, including continuously assessing and monitoring E&S risks and impacts, providing reporting to the Bank and implementing any necessary corrective or preventative actions (see *Section IX—Contract Management Plan* for more detail).

KPIs/E&S Performance Metrics

Key Performance Indicators (KPIs), which are initially included in the SPD as “Metrics for Progress Reports” and then brought into the Contract Management Plan, are a tool for measuring the performance of Contractors, Consultants or Suppliers and providing early warning of any potential implementation issues. They can be used to measure progress toward PDOs and procurement objectives and identify whether E&S mitigation measures are succeeding, as demonstrated in Figure 59.

FIGURE 59 Steps in procurement process for setting and tracking objectives

Well-designed KPIs should be tied back to project objectives, the Bank’s strategic goals, and the E&S risks that are most relevant to the project. Figure 60 demonstrates how KPIs should be connected to the project’s overarching strategic goals.

FIGURE 60 Example KPI structure for Bank-financed water project

KPIs can be developed for any E&S issue that the Borrower or the Bank believe is sufficiently significant to require regular performance monitoring and reporting; for example, they could be targeted at areas such as:

- Environmental incidents of pollution, damage to ground water, and so on
- Supervision of health & safety
- Worker accommodation
- Gender statistics in the workforce
- Training workers on E&S matters
- Grievances

Notwithstanding any specific KPIs agreed for the project, when the Bank's SPD are used, Contractors are obliged to provide monthly progress reporting on E&S metrics, as set out in Part D of the Bank's Works SPD. KPIs should be regularly discussed between the Borrower/Employer, Contractor, and where relevant, Subcontractors, for example during contract review meetings. If the Contractor fails to meet a critical KPI or repeatedly demonstrates an inability to achieve a specific measure, the Borrower can consider working with the Supervising Engineer to identify the underlying cause, and then discuss with the Contractor how such contract implementation issues can be resolved.

KPIs should reflect the nature, size, risk, and complexity of the contract. The Bank's Guidance on Contract Management: Practice,¹³⁶ in particular Annex II, includes useful practical guidance on how to develop KPIs. They should be a clear and measurable indicator of performance which can be quantitative or qualitative, supported by an underlying methodology that includes the specific assessment/

reporting frequency, a performance target, the data collection method, and the entity/individual responsible for measuring and reporting. For example, a KPI on worker training could measure the number (%) of workers that will be trained by specific dates, or the number of OHS specific trainings in a given timeframe. KPIs can also include subindicators. For example, if the project proposes to hire local workers, a subindicator could track specific training delivered to those workers.

Leading projects establish a suite of indicators that align with the project's goals and help the project owner to monitor key elements of the project. Each contract then applies the most appropriate and relevant indicators from the suite, adding any additional measures that are required for that activity. The example below, from the London 2012 Olympic games, shows how a balanced scorecard approach measured a range of elements, all in alignment with the project's overall vision.

FIGURE 61 Balanced scorecard from London 2012 Olympics

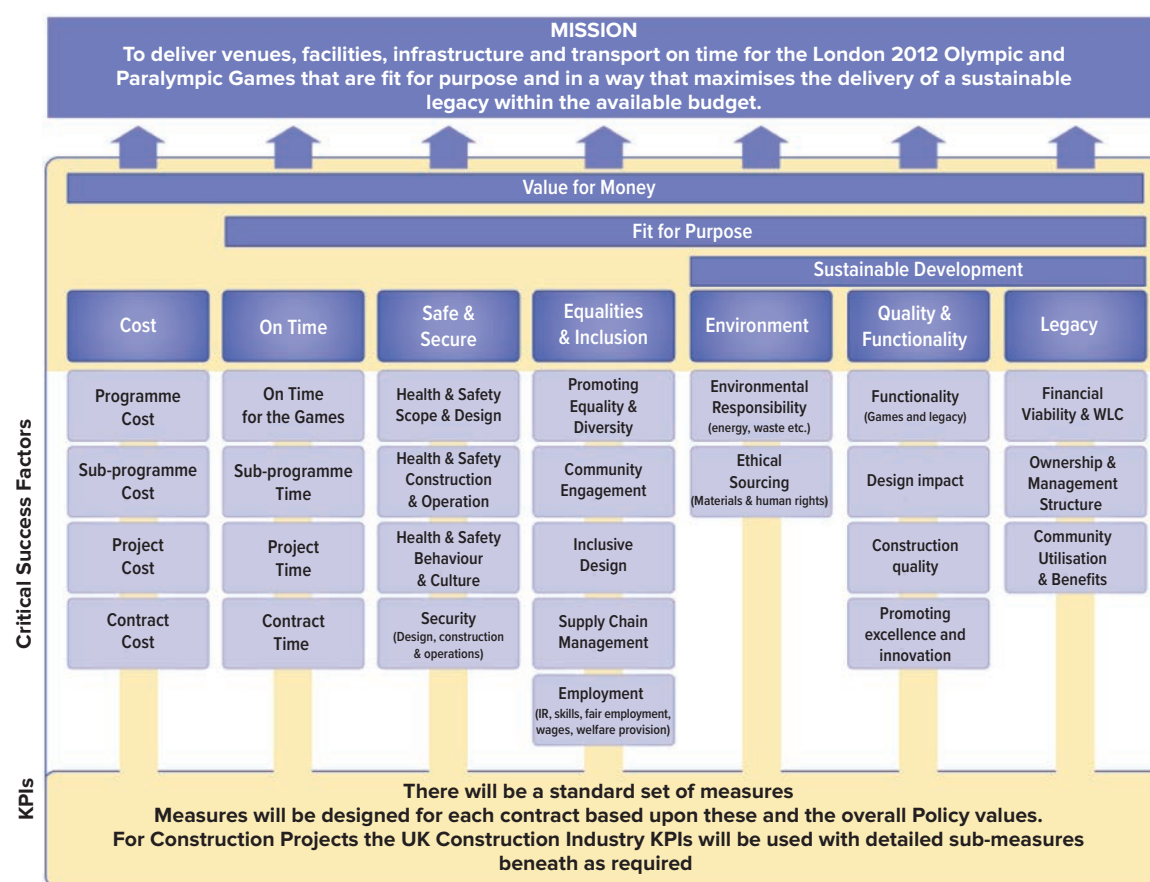


Table 21 provides a further example of how outcome indicators can be aligned with PDOs for a construction project.

TABLE 21 Illustrative example of outcome indicators aligned to PDOs

Objective: To Deliver Social and Economic Benefits for the Region Affected by the Project	
Project PDO	Measures
By (date), the project will have these goals annually:	Contractor will report:
■ 10% of the total supply chain expenditure will be sourced from businesses operating within the local vicinity	■ % of total Supplier/Subcontractor expenditure with local businesses
■ 5% of the total supply chain workforce on sites will be apprentices or trainees	■ Person days on site for local residents
	■ Person days on site for apprentices or trainees

The Contractor will have reporting requirements beyond the KPIs set out in the contract, given that the Bank's Works SPDs include a provision that obligates Contractors *"to inform the Engineer immediately of any allegation, incident or accident, which has or is likely to have a significant adverse effect on the environment, the affected communities, the public, Employer's Personnel or Contractor's Personnel"* (see Implementation – Contractor Reporting Obligations for further information).¹³⁷

Procurement Plan

The final stage of the PPSD template (in Annex I of the PPSD Long Form Guidance¹³⁸) provides a summary of the recommended procurement approach, which the Bank will use when preparing the PAD. Given that the PAD is made publicly available once the Legal Agreement is signed between the Borrower and the Bank, information in the Procurement Plan will then be visible to the supply market. Therefore, it is possible that Borrowers may be approached by prospective Bidders for more information on the procurement. In these cases, Borrowers should respond to Bidders' questions where appropriate, while being sure to provide the same response to all other interested Bidders, such as through an online portal or trade journal.

Next Steps

At the completion of this phase, the Borrower will have completed a large amount of risk, market, and option analysis, and will have identified the optimal plan for achieving the Procurement Objectives. The Procurement Plan, which summarizes the proposed procurement approach for the project, will form part of the PAD. Once agreed between the Bank and the Borrower, the PAD will go to the Bank's Board for approval.

Preparation for Appraisal—Learning Checklist

- ☐ I understand the components of the PPSD and how to integrate sustainability considerations at each stage of the procurement planning process
- ☐ I understand how to apply key tools such as SWOT, PESTLE and risk allocation in pursuit of SPP objectives
- ☐ I know which procurement tools to use to mitigate the different types of E&S risks
- ☐ I can differentiate between conformance- and performance-based specifications and how they are applied
- ☐ I understand how E&S risks are accounted for in Bank SPDs

Negotiation/Approval Stage

Stage Overview—Negotiation/Approval

During this stage, the Bank and Borrower negotiate the Legal Agreement. The Bank Task Team reviews the PPSD and approves the Procurement Plan. The Bank should reach agreement with the Borrower on the final Procurement Plan no later than completion of loan negotiations.¹³⁹ This will confirm a number of key details about the procurement approach, including the extent of procurement support that the Bank will provide to the Borrower, such as HEIS. The Borrower provides a summary of the procurement support they require from the Bank in the PPSD. These arrangements may be discussed and agreed during negotiations and disclosed in the Procurement Plan.¹⁴⁰

The finalized Procurement Plan will set out the following (inter alia):

- **Oversight:** The procurement risk rating, as well as the financial value of the procurement, will determine the governance arrangements that will be put in place, including whether the procurement will be subject to prior review. A project that is adopting a unique approach to deliver SPP benefits may be more likely to be subject to prior review.¹⁴¹
- **Procurement approach:** The approach set out in the Procurement Plan will confirm the selection method and market approach, including whether the procurement opportunity will be advertised internationally, and whether the procurement will use Bank SPDs.

As procurement risks and mitigations are added to PRAMS, it presents an opportunity for the Bank's E&S Specialist and Procurement Specialist to work together to ensure the classifications of E&S risks that can be addressed through procurement are consistent and informed by procurement and E&S expertise. It will also be important to ensure both the Task Team's E&S Specialist and Procurement Specialist agree on proposed mitigations, to avoid confusing the Borrower with inconsistent advice. The TTL plays an important role in resolving any differences of opinion in these situations.

During this stage, the Bank and the Borrower also negotiate the ESCP, which sets out the material measures and actions that the Borrower is required to take for the project to meet the ESSs over a specified timeframe. Once finalized, the ESCP will be referenced in the Legal Agreement.

Bidders will need to provide a set of Management Strategies and Implementation Plans (MSIPs) setting out how they will deliver the project, with a focus on managing E&S risks. The successful Bidder's MSIPs will then become the Contractor's Environmental and Social Management Plan (C-ESMP), which



will be incorporated into the contract, making the Contractor accountable for mitigating relevant E&S risks.¹⁴²

Once all project details are negotiated and accepted by the Borrower and the Bank, the Bank Task Team finalizes the PAD, along with other financial and legal documents, for submission to the Bank's Board of Executive Directors for consideration and approval.¹⁴³ Following approval, the project Legal Agreement is signed.

Once financing is approved by the Bank's Board, information is added to the Projects & Operations website,¹⁴⁴ which is a searchable and publicly accessible database that contains profiles of every Bank development project. Each project profile provides key information, including inter alia the "Total Project Cost"¹⁴⁵ and the E&S risk classification.

Implementation Stage

Stage Summary

Key stage activities:	<ul style="list-style-type: none"> ■ PIU/IA delivers the activities set out in the Procurement Plan for each of the procurements/ contracts required to implement the project, making any updates required to Procurement Documents if E&S risk status has changed ■ Confirm responsibilities of Supervising Engineer by developing a Terms of Reference, incorporating relevant obligations for identifying and helping to mitigate E&S risks ■ Once contracts are signed, Contract Management Plan activities are implemented by the PIU/IA, with support on site from the Supervising Engineer, and any other verification or audit services that have been engaged ■ Borrower provides regular reporting to the Bank on project progress, including immediate reporting in the event of incidents or serious accidents ■ Bank provides project implementation support to the Borrower
In this section, you will learn:	<ul style="list-style-type: none"> ■ The seven stages of operations procurement, how they fit alongside the World Bank's project cycle ■ How the Procurement Documents need to be brought together, including the various E&S provisions contained in Bank SPDs ■ How E&S matters cascade from the ESF through to Procurement Documents ■ Use of the Bank's Operations Portal (for internal Bank staff) and STEP ■ Good practice for evaluating Bids in a way that saves Bidders time and improves communication with the market ■ How value can be lost by neglecting or under-resourcing the contract management phase ■ The various roles and responsibilities among key parties for managing the contract

(continues)

Key Things to Consider	
Bank Procurement Specialist	Bank E&S Specialist
<ul style="list-style-type: none"> ■ Provide Borrower access to Bank support requested in PPSD ■ Support Borrower in identifying and sourcing Supervising Engineer with appropriate experience, skills and knowledge ■ For contracts that are subject to prior review by the Bank, review Procurement Documents that are prepared by the Borrower, engaging E&S Specialist to review sections relevant to E&S ■ Monitor developments in relevant local and international markets to identify trends or disruptions that might affect project implementation such as increases in material costs or delays in the supply of materials ■ Implement fit-for-purpose monitoring of procurement activity throughout implementation to identify any issues that might affect implementation ■ Ensure monitoring is able to identify any deficiencies in contract management practice 	<ul style="list-style-type: none"> ■ Conduct detailed reviews of E&S requirements included in Procurement Documents, with a particular focus on: <ul style="list-style-type: none"> ▪ Contractor qualification and experience requirements including of key E&S personnel ▪ Works requirements and specifications related to E&S issues ▪ Contractors' Code of Conduct ▪ Contract clauses (if SPDs are not used) ▪ Costing of E&S requirements ▪ Rated criteria for evaluating E&S responses ▪ E&S performance metrics and KPIs ■ Review Borrower's approach to evaluating E&S aspects of the Bid focusing on above issues ■ Ensure contract management and monitoring controls are adequate for E&S risks, including Primary Suppliers
Borrower Procurement Specialist	Borrower E&S Specialist
<ul style="list-style-type: none"> ■ Review PPSD and Procurement Plan following Board Approval to ensure it is fit-for-purpose and context or market conditions have not changed ■ Continue to update Procurement Plan as the project progresses, submitting updates for Bank prior review in STEP ■ Implement activities outlined in the Procurement Plan, engaging any Bank support (such as HEIS) and complying with oversight measures (prior review) when required ■ Prepare key documents for each procurement, including: <ul style="list-style-type: none"> ▪ Pre-qualification/initial selection document (if required) ▪ Bidding/proposal document (RFP/RFB) ▪ Bid/Proposal Evaluation Report ▪ Contract negotiation plan ▪ Contract Management Plan 	<ul style="list-style-type: none"> ■ Work closely with PIU/IA procurement colleagues and project manager to get adequate access to project meetings and documents at the right time, including all relevant Procurement Documents ■ Work with Bank E&S Specialist to ensure mitigations included in Procurement Documents align with good practice and achieve the ESSs ■ Discuss with Bank E&S Specialist the monitoring and other controls that need to be put in place for different procurements/contracts according to risk exposure

Stage Overview—Implementation

Following Bank approval, the project Legal Agreement is declared effective in the months after signing; and then implementation gets underway. Implementation is led by the Borrower, with the Bank Task Team providing implementation support and monitoring to confirm if the project is implemented in accordance with the Legal Agreement, including the ESCP.¹⁴⁶

The PIU/IA reports regularly on project progress and results to the Bank Task Team. Every six months, the Bank Task Team prepares an Implementation Status and Results Report (published on the Bank website) to report on project performance.

As discussed in *Project Stage Four: Negotiation/Approval*, key project information will now be publicly available in the Project & Operations website. The project will also be established in a number of the Bank's internal systems, including the procurement system "Systematic Tracking of Exchanges in Procurement" (STEP),¹⁴⁷ which is an online system to help the World Bank and Borrowers plan and track procurement activities under Bank-financed projects. It records important activities and exchanges between the Bank and the Borrower and is used to transmit and store key Procurement Documents.

It is important that the Borrower continues to update project procurement data in STEP, as key details flow through to the Project & Operations website. Changing circumstances, project delays and unexpected events can sometimes require adjustments to the project design, such as implementation arrangements or even objectives. Monitoring of procurement activities in STEP also creates an auditable record of interactions and turns procurement data into actionable information, which helps increase transparency and speed up procurement processing. Financial management and Procurement Specialists on the Bank's Task Team confirm that adequate fiduciary controls on the use of project funds are in place.

During project implementation, as each procurement is delivered it will follow a standard procurement cycle known as Operations Procurement. All procurement is led by the Borrower, known under Works contracts as the Employer.¹⁴⁸ This stage is about putting the planning activity that took place during the Preparation stage into action, once the Procurement Plan is verified to ensure it is up-to-date and still fit-for-purpose. Executing the bidding process typically involves following a prescribed process, however Borrowers should consider how to maximize the chances of well-qualified and appropriately experienced Bidders taking part, while trying to avoid wasting unqualified Bidders' time. This can be done by breaking the evaluation of complex procurements into phases, with the first phase (initial selection) assessing a Bidder's qualifications, experience, and company values, and the second phase involving a more detailed and rigorous assessment of the proposals of a smaller group of suppliers (see Bank SPD for "single stage after initial selection"¹⁴⁹).

The Borrower may decide to use a two-stage bidding process for several reasons, for example if they wish to narrow down what they anticipate will be a large number of Bids, or if they wish to quickly eliminate Bidders who do not hold essential skills, qualifications or experience. Key to the success of

the second phase of a two-stage bidding process will be the use of non-price rated criteria. Historically, the vast majority of the Bank's procurements of Works, Goods, and Non-consulting services have been assessed using a methodology that awards the contract to the lowest-priced, evaluated Bid that satisfies the minimum qualifying criteria. The Bank now requires the use of non-price rated criteria in all international competitive procurements, which will allow Bids to be assessed using qualitative criteria, including sustainability, alongside price.

Even if a capable and experience Supplier is selected, a great deal of the value negotiated with the Contractor and set out in the contract can be eroded if the contract is not managed effectively. Leading practice will involve adopting Supplier relationship management approaches for the most critical contracts. Standard practice should involve Borrowers using contractual and working relationship levers to check the Contractor's progress against their contractual obligations to identify risks and performance issues. Developing productive working relationships with Suppliers over the lifetime of a contract is critical for successful project implementation. A positive working relationship can be productive and collaborative, while avoiding any inappropriate or fraudulent behavior (see the Bank's Guidance on contract management for further information¹⁵⁰).

The Bank's role in relation to monitoring project implementation is set out in the Bank's Operational Policy 10.00: *"During Project implementation, the Bank monitors borrower compliance with the borrower's obligations as set out in the legal agreements and provides implementation support to the borrower by reviewing the borrower's information on Project implementation progress, progress toward achievement of the Project's development objectives and related results, and updates the risks and related management measures. Implementation support and monitoring carried out by the Bank during the implementation period ends at the completion of the Project."*

FCV, Emergency Situations, and/or Capacity Constraints/Specific Vulnerabilities

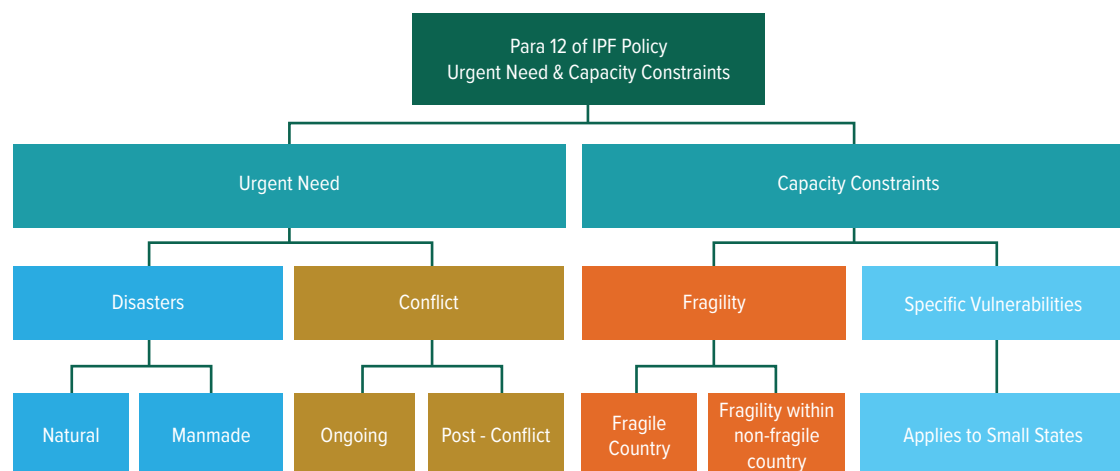
Some Bank-financed projects will be categorized as FCV (also discussed in Section II: Principles of SPP). Such projects will benefit from special treatment to help Borrowers to implement the project while navigating challenges related to the context in which the project is operating.¹⁵¹ As illustrated in Figure 62, projects taking place within a Borrower country experiencing urgent need or capacity constraints may trigger paragraph 12 of the Bank's IPF Policy,¹⁵² which seeks to identify:

- Borrowers in urgent need of assistance because of a natural or man-made disaster or conflict ("Urgent Need"); and
- Borrowers with capacity constraints because of fragility or specific vulnerabilities (including for small states) ("Capacity Constraints").

Bank policy provides a number of flexibilities in terms of project processes and implementation arrangements to support Borrowers in these situations.

The procurement approach in an FCV situation is set out in the Procurement Plan, which is appended to the PAD. When financing is approved by the Board, the Legal Agreement, PPSD,

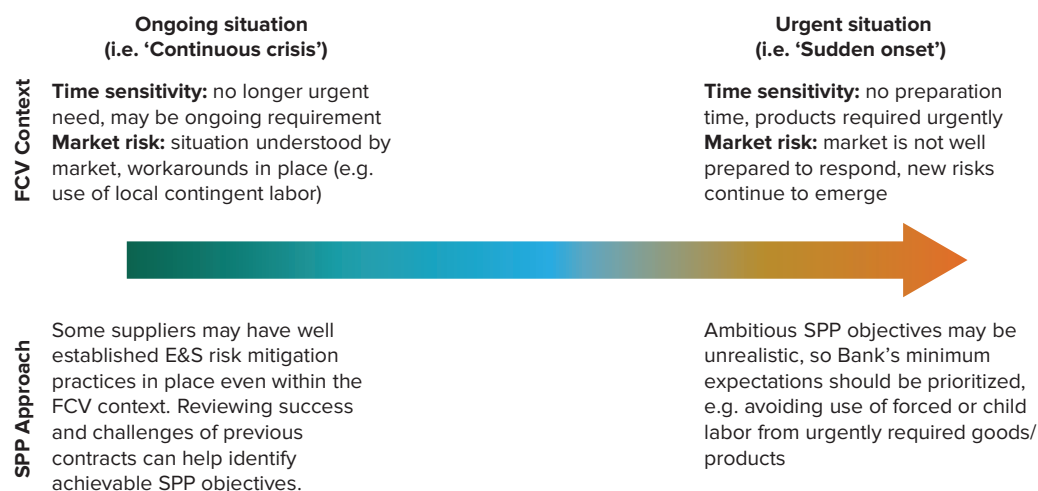
FIGURE 62 Projects triggering paragraph 12 of Bank's IPF Policy on urgent need & capacity constraints



and Procurement Plan give the Borrower the authority to pursue a procurement approach that might differ from standard approaches detailed in the Procurement Regulations. The operating context may warrant more flexibility in the application of the Procurement Regulations, though the approach should still be consistent with the Bank's Procurement Policy including its Core Procurement Principles.¹⁵³ For example, if the procurement meets the definition of an Emergency Situation,¹⁵⁴ a simplified Procurement Plan may be completed later during the implementation stage.¹⁵⁵

The Procurement Regulations permit the use of Direct Selection (approaching and negotiating with only one firm), *"in exceptional cases, for example, in response to Emergency Situations."*¹⁵⁶ The Borrower's national procedures may also be used where international procurement is considered to be inappropriate or too complex due to weak Borrower implementation capacity, or where there is clearly no international market appetite to participate in the Borrower's procurement process.

In order to meet the Borrower's needs in responding to the urgent situation and/or meet the project's development objectives, the procurement approach will need to be tailored according to the FCV situation and the requirements of the project phase. However, it may still be possible to achieve SPP objectives in an FCV procurement, provided the approach is realistic given the constraints under which the project (and potentially the market) is operating. The Task Team should consider the FCV context and the project phase when determining the extent to which SPP outcomes might be achievable. As illustrated in Figure 63, gradual onset or continuous crisis FCV situations may allow more preparation time than what is required when responding at short notice to a "sudden onset" situation.

FIGURE 63 Aligning SPP approach to FCV context

The Seven Stages of Operations Procurement

Each project will have different procurement needs, ranging from relatively small and simple procurement activity (for example, purchasing goods or the services of a Consultant) to large and complex arrangements involving multiple procurements at different phases of implementation. While each procurement is unique, they broadly follow a similar process, which can be split into seven key stages.¹⁵⁷ Figure 64 provides a simplified representation of the common stages of the procurement process and the typical sequence.

FIGURE 64 Summary of the Bank's procurement process

Stages One and Two: Develop Strategy and Plan the Procurement

Up to this point, the Borrower has developed a procurement strategy for the project contained in the PPSD, and a Procurement Plan detailing the procurement activity required to implement the project. The Procurement Plan should provide a blueprint for how the procurement activity will be conducted, as it sets out details such as the sequence of procurement activity, the selection methods and Procurement Documents that will be used (including SPDs), the evaluation process that will be followed and the Bank's prior/post review requirements.¹⁵⁸

The project's operating context may have changed since the development of the PAD. As each individual procurement is initiated, the Borrower must verify that the recommended approach, which was based on analysis and planning conducted as part of the PPSD, is still valid and up to date. In relation to SPP, the Borrower's Procurement and E&S Specialists should work together to validate the initial assessment of E&S risks and proposed mitigations.

Hands-on Expanded Implementation Support (HEIS)

HEIS is available to provide procurement support and advice on project implementation at the Borrower's request and *"if the Bank determines that this support is useful to help the Borrower achieve the development objectives and outcomes of an IPF operation."*¹⁵⁹ HEIS has been shown to help Borrowers to speed up delivery, increase the number of Bidders and to improve overall project quality.¹⁶⁰ In broad terms, HEIS may include, among other activities:

- Drafting Procurement Documents;
- Identifying strengths and weaknesses of Bids/proposals;

FIGURE 65 Case Study: Using HEIS support to achieve GRID objectives in Sint Maarten

Case Study: Using HEIS support to achieve GRID objectives in Sint Maarten

Background

Established in 2018 by the Government of the Netherlands and the Bank, the Sint Maarten Recovery Reconstruction and Resilience Trust Fund provided USD\$553 million to support this small island after the devastation of Hurricanes Irma and Maria.

Approach

HEIS support helped the Borrower to prepare Procurement Documents and issue Bids for the rehabilitation of its International Airport and for contracts with local firms to rebuild shelters, schools, social and private homes. The intent was to achieve a green and resilient rehabilitation of the airport, which is the gateway for the country's main activity, tourism.

Outcome

"Thanks to the excellent support provided by the Procurement Team through HEIS, in a short few years, the World Bank's program has delivered repaired social housing and private homes, adequate space in shelters for the upcoming Hurricane Season, the first batch of repaired schools for the people of Sint Maarten. Without HEIS support and the close collaboration with the client that it entails, preparing and implementing these activities would have been impossible. We are even happier that the Government intends to voluntarily adopt World Bank procurement practices to manage some of its domestically-financed projects" — Michelle Keane, Program Manager.

Source: PROLAC Annual Report, World Bank (2022)

- Observing dialogue and negotiations with Bidders/consultants; and
- Drafting procurement reports and contract award documentation.

Projects involving complex sustainability requirements, or those attempting to apply less common procurement approaches such as procurement for innovation, should strongly consider engaging HEIS support to ensure the procurement approach is well considered. Given the criticality of the PPSD stage for achieving SPP objectives, the Borrower may also consider requesting Bank HEIS support when developing the PPSD, so that the selection method, risk assessment, and evaluation criteria are all structured to support the achievement of SPP objectives and PDOs.

Prior Review

By now, the Borrower should know whether each procurement activity is subject to prior review, as this will have been outlined in the Procurement Plan. Prior review involves (inter alia) the Bank's Task Team reviewing documents at relevant stages in the process. The review will include:

- Procurement notices
- Prequalification documents
- Request for Bids/Proposals and any subsequent amendments
- Changes to the standard terms and conditions of contract
- Bid/proposal Evaluation Reports
- Contract Management Plan (if requested by the Bank)

To proceed at each stage, the Borrower must receive a "no objection" from the Bank.

Post Review

The Bank may also conduct post reviews of Borrower procurements to determine whether they have complied with the requirements of the Legal Agreement, as well as to check if the Borrower has complied with agreed procurement arrangements, including timely and effective implementation of the Contract Management Plan. This will also involve a review of the Borrower's mitigation of identified E&S-related procurement risks.

Given post review is carried out once a procurement has been completed and the Contractor has executed or is still executing their obligations under the contract, it will be able to assess the effectiveness of activities throughout the procurement cycle. The Borrower's contract management activity will be critical to the achievement of project objectives, and the identification and management of E&S risks throughout the project (see *Stage Seven: Manage Contract* section for further information).

Stage Three: Invite Offers

This stage of the procurement process is about ensuring an appropriate level of competition for the nature and complexity of the contract by attracting qualified and capable Bidders to participate in the bidding process. It can be expensive and time-consuming for Bidders to participate in a bidding

process. Larger organizations are likely to employ teams that are solely responsible for responding to business opportunities, whereas SMEs find it particularly challenging to find or employ resources to prepare Bids. The cost of bidding is also likely to increase with the size and complexity of the project. Therefore, particularly for larger projects, the bidding process should be designed to ensure that only qualified Bidders incur the cost of bidding. At the same time, the process can be designed to include SMEs or other types of target businesses as much as possible, particularly where the project or procurement objectives seek to support local economic growth or the SME market.

This may mean that a two-stage process (commonly referred to as “single stage after initial selection”) is appropriate under certain circumstances (see section *Preparing the PPSD*), such as large complex procurements where a large number of Bidders are expected. In which case, it will be important to ensure the first stage uses qualifying criteria that only allow suitably qualified Bidders to progress. However, it will be important that the criteria are realistic, so that a sufficient amount of Bidders progress to optimize effective competition in the second stage. Market analysis undertaken during the development of the PPSD, particularly the Supplier Preferencing¹⁶¹ exercise (see section *Preparing the PPSD*), will help to determine how attractive the procurement opportunity will be to the market, and the amount of interest that it is likely to generate. Market analysis will also help the Borrower to set a realistic bar that ensures a sufficient number of well qualified and experienced Bidders progress through each stage of the evaluation process.

When the Bank’s SPDs are not used (for example, when national bidding documents are used instead), the Borrower should consider how E&S considerations can be incorporated into Procurement Documents in a way that supports the Borrower’s obligations to the Bank under the ESF. The process to invite offers and prepare Procurement Documents will vary depending on the selection method that is chosen. This section provides an overview of how SPP considerations may change depending on the selection method and Procurement Documents that are used. When used, the Bank’s SPDs are set out to help Bidders understand the capabilities required from the Contractor, and the standards that they must meet during implementation.

Request for Quotations (RFQ)

According to the Bank Procurement Regulations, an “*RFQ is a competitive method that is based on comparing price quotations from firms.*”¹⁶² This method is expected to be used 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.*” This type of routine procurement should typically present limited E&S risks.

However, when preparing the PPSD, the Borrower should have assessed E&S risks in relation to each procurement. In the PPSD, the Borrower’s Procurement Specialist should have identified key E&S risks that will need to be mitigated during the course of the procurement, and any agreed mitigations.¹⁶³ The specifications included in the RfQ can, for example, be targeted at mitigating specific E&S risks.

National Procurement Procedures

The Borrower may choose, subject to the Bank’s agreement and to the requirements of Sections 5.3–5.6 of the Procurement Regulations,¹⁶⁴ to conduct a procurement process that only involves an approach to the domestic market. This may be because the procurement is unlikely to attract foreign competition because of its size, value (for example, it is below the country threshold for international competition¹⁶⁵), or it involves activities that are commercially unattractive for other reasons, or because the advantages

of approaching the international market are clearly outweighed by the administrative or financial burden.¹⁶⁶ The procurement will be advertised openly to the national market and will also be open to eligible firms from any country that may wish to participate.

A number of stipulations apply to national procurement procedures, including that the bidding documents include sufficient provisions to adequately mitigate against environmental and social risks and impacts. For example, projects with “substantial” or “high” risk of SEA/SH should consider integrating the SPD requirements for addressing SEA/SH risks into national bidding documents.¹⁶⁷ As with RFQs, provisions in national bidding documents (including specifications and contract terms) should be targeted at SPP risks identified in the PPSD.

Direct Selection

According to the Procurement Regulations, approaching and negotiation with only one firm (“Direct selection”) 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.”*¹⁶⁸ It may be appropriate, to use Direct Selection if the procurement is of both very low value and low risk (as agreed in the Procurement Plan).

The Regulations give a further example of re-engaging a business that has *“previously completed a contract with the Borrower to perform a similar type of Consulting Service. The justification shows that the firm performed satisfactorily under the previous contract, no advantage may be obtained by competition, and the prices are reasonable.”*¹⁶⁹ This may be a useful solution where there are no other firms able to perform the work that have specific skills required to assess or manage an E&S risk.

Similarly, in previous phases of the project, a Consultant may have developed productive working relationships with a stakeholder group that is important to the project, such as an affected indigenous group. The Procurement Regulations permit the Borrower to select a Consultant using direct selection *“where continuity in the technical approach, experience acquired, and continued professional liability of the same Consultant may make continuation with the initial Consultant preferable to a new competition.”*¹⁷⁰ This allows the Borrower to weigh the importance of retaining the Consultant to manage this important relationship for the project against the benefits of undertaking a competitive process.

However, even in cases of direct selection, the Borrower should still assess if the Contractor, Consultant or Supplier is sufficiently qualified to perform the contract, including managing sustainability risks and meeting any related criteria or requirements.

The Use of SPDs in Different Project Types to Address E&S Issues

When used, the Bank’s SPDs help give Borrowers legal protection from common E&S risks that their Contractors/Consultants/Suppliers are likely to be confronted with. The Bank has published a range of different SPDs (in English, French and Spanish) to consider the specific procurement needs of different project types, most notably:

- Works (including Design & Build, underground works, roads, plant, and many with options for one-and two-stage processes)
- Consulting services

- Non-consulting services
- Goods
- Health (for example, pharmaceutical products and vaccines)
- Information systems

Each E&S issue included in the ESF has been assessed according to whether it is most effectively dealt with as a contract term or a specification. Figure 66 sets out the procurement-related E&S issues that have been identified as relevant for each of the Bank's SPDs, the location of that issue within the ESF, and whether that issue has been included as a contract term, or whether it should be addressed by inclusion in the specification by the Borrower.

The matrix in Figure 66 above should help Borrowers to discern which E&S issues are addressed in each SPD and which will need to be dealt with as a specification. As shown in Figure 66, to address project-specific E&S issues in different types of procurements (Works, Goods, Consultants, and so on), Borrowers will need to add appropriate provisions in the works requirements/specification.

It is also important to note that many of the E&S issues addressed as contract clauses also require additional requirements to be added as specifications. For example, the SPD contract clause on Rates of Wages requires Contractors to notify personnel about deductions *'in accordance with the applicable Laws or as stated in the Employer's Requirements'*. In cases where national law does not clearly set this out, the Borrower will be required to include further clarification in the Specifications/Requirements.

SPD Provisions on E&S Matters

In addition to contract clauses and works requirements/specifications, the Bank's SPDs also include a number of other provisions that can contribute to the Borrower's process to identify the most qualified Bidder to implement the contract. The SPD provisions below are all useful tools to help Borrowers to clarify a Contractor's obligations and hold them accountable during implementation, noting that some of these provisions are more suitable to Works-related procurements:

- **Ascertaining E&S credentials:** Bidders are requested to provide examples of past performance in managing E&S risks while implementing projects, as well as information about any E&S experts that will form part of their project team, and their proposed approach for managing the specific E&S risks of the project.
- **Clarifying E&S requirements:** The Borrower uses the SPD to describe the E&S activities, obligations and performance standards that the Contractor must adhere to, which also become legally binding as they are included in the contract.
- **Setting E&S performance standards:** Bidders are made aware of a number of standards that the Contractor must meet, including (for applicable projects) the Code of Conduct that will apply to its personnel, training that must be given to personnel on E&S obligations, and KPIs that will be used to monitor Contractor performance.

FIGURE 66 Illustrative treatment of different E&S issues in various bank SPDs (continued)

[illegible]

- **Monitoring E&S performance:** Reporting and contract management obligations included in the Procurement Documents stipulate what needs to be monitored throughout implementation, including regular E&S progress reports, immediate reporting of serious E&S incidents, review and update every 6 months of the Contractor's Environmental and Social Management Plan (C-ESMP), and the requirement to formally vary the contract in the event additional measures need to be undertaken based on new or emerging E&S issues during implementation.
- **Remedying E&S breaches:** The contract provides remedies in the event of an E&S breach (such as removal of personnel from site and withholding Contractor payments), as well as an E&S performance security which can be called in to compensate for an E&S breach; and
- **E&S provisional sum** which will be withheld if the Contractor fails to deliver a specified E&S activity.

Table 22 summarizes key E&S features of the Bank's SPDs (with a specific focus on works' SPDs), explaining how each of them works and why they are important.

Cascade of Issues from ESF to SPD

Table 22 outlines how different SPD provisions can support Borrowers to address E&S risks in different ways. Once an E&S risk is identified that will be managed by a party contracted under the project (i.e. a Contractor, Subcontractor, Consultant or (Primary) Supplier), it should trigger a sequence of events which are intended to result in the mitigation of that risk being clearly assigned to an owner, and then effectively managed and mitigated by that owner.

To illustrate how these different provisions can be used to address a specific E&S issue, Figure 67 sets out an illustrative example of how the obligations to manage child labor risks can be traced from a requirement in the ESF through the project phases until its inclusion across a number of elements in the SPD.

For projects using national procurement documents, some of these provisions may differ. In cases where significant E&S risks (such as forced labor) have been identified, the Borrower should evaluate the extent to which appropriate E&S provisions should be added to national bidding documents given the project's risks and impacts. For example, in cases where risk of forced labor in the project's Primary Suppliers has been identified, Borrowers should check if national laws address forced labor issues and decide if the contract requires an explicit provision against forced labor under national law.

Retaining SME Interest in Bidding for Bank Projects

The Bank's SPDs are necessarily thorough and can set a high bar for some Bidders to achieve, which may make it challenging for certain SMEs to effectively respond to the requirements set out in the SPDs. However, for many Borrowers, involving SMEs in public procurement is a key economic enabler. Borrowers will be able to adapt their procurement approach to provide participation opportunities for SMEs or disadvantaged businesses in Bank-financed projects, for example by directing main Contractors to work with local suppliers to implement the contract. Borrowers can also run sessions for local SMEs on how to respond to bidding processes, taking time to explain contract provisions and requirements and listen to concerns about the aspects of the bidding process that they find to be the most challenging.

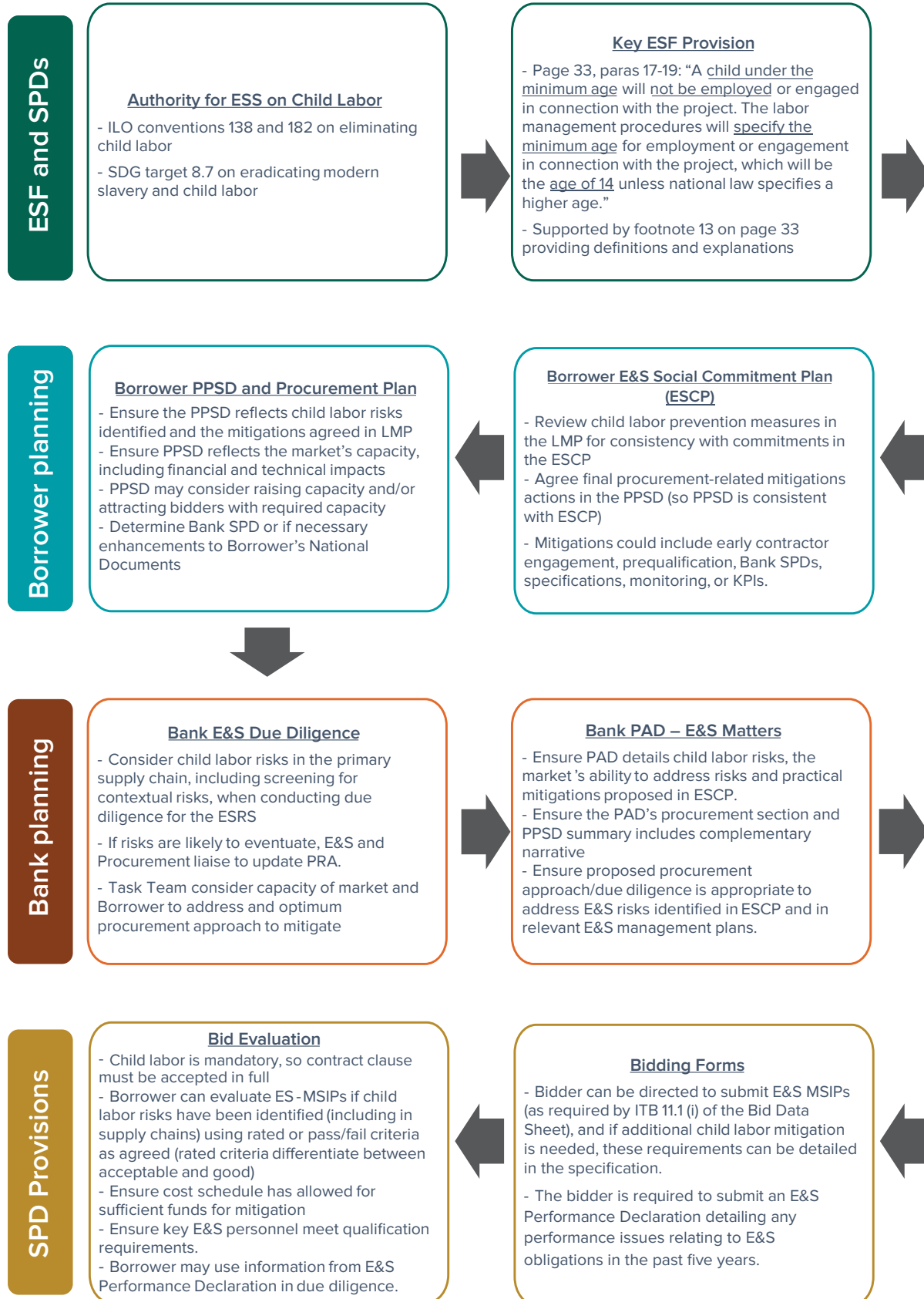
TABLE 22 Purpose of key E&S features of Bank SPDs

E&S Feature in the SPD	Why the Feature is Important
Declaration of past E&S performance	<p>Bidders must submit a formal declaration disclosing their past performance in relation to E&S. This will tell the Borrower whether the Bidder has been associated with mismanagement of E&S risks in the past, identifying any organizations with poor practices and directing the Borrower to undertake due diligence to find out whether improvements have been made.</p> <p>The declaration relates to any breach of E&S requirements resulting in a:</p> <ul style="list-style-type: none"> ■ Civil works contract being suspended or terminated ■ Performance security being called-in <p>The Borrower can use this information to inform further due diligence. If a Bidder misrepresents the facts or misses out an important fact, they can be disqualified from the bidding process and may be subject to the Bank's sanctions regime.</p>
Specification	<p>Part 2 of the SPD (Works' Requirements) describes all of the activities and obligations that the Contractor will be responsible for. Contract clauses cannot consider every scenario, therefore the specification is where a Borrower can include specific provisions relating to the E&S risks of a specific project.</p> <p>Project-specific E&S requirements are described in the Work's Requirements – in the Specification section under E&S Requirements. The E&S specification must include full descriptions of the specific:</p> <ul style="list-style-type: none"> ■ E&S actions to be undertaken by the Contractor ■ E&S risks to be managed by the Contractor ■ Any other E&S responsibilities and obligations ■ E&S key performance indicators
E&S MSIPs	<p>Each Bidder prepares draft MSIPs, which describe in detail the actions, materials, equipment, management processes, and so on that will be used/applied to manage specific E&S risks. Each Bidder should consider, while developing their draft MSIPs, the E&S provisions described in the specification and any other material provided by the Borrower. This is an opportunity for the Borrower to assess whether the Bidder has understood the E&S risks detailed in the specification, and how appropriate their proposed mitigations appear to be.</p> <p>The draft MSIPs will be:</p> <ul style="list-style-type: none"> ■ Evaluated as part of the Bid (as long as the Bidder meets the qualification requirements); ■ If the Bidder is successful, checked and approved by the Supervising Engineer; and ■ Applied during contract mobilization, along with any other activities required by the Supervising Engineer. <p>The Contractor cannot start on site unless the Supervising Engineer consents that appropriate measures are in place to address E&S risks and impacts. Together, all MSIPs form the Contractor's Environmental and Social Management Plan (C-ESMP), which must be reviewed and updated at least every 6 months (failure to do so represents a breach of contract).</p>

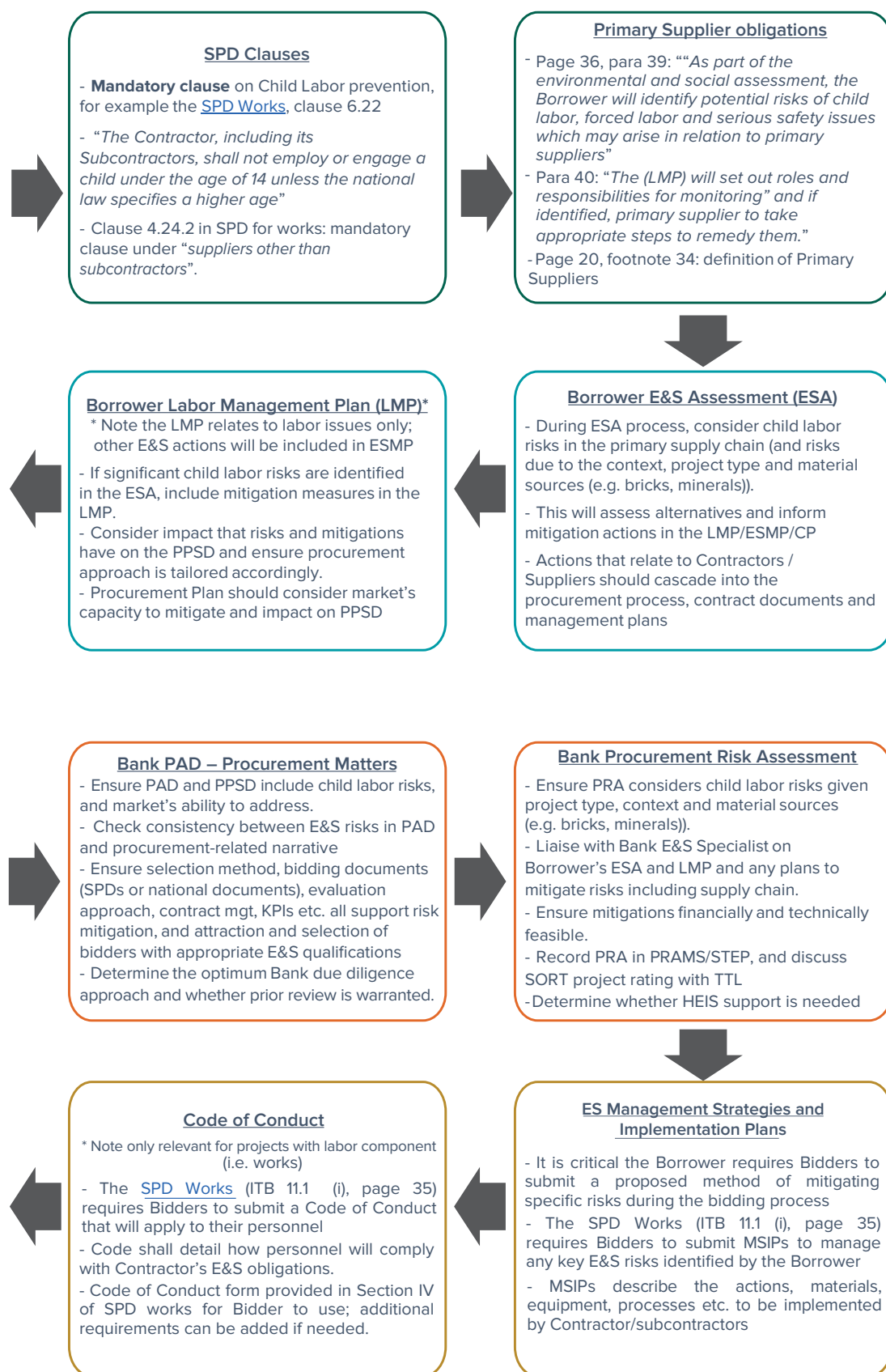
(continues)

TABLE 22 Purpose of key E&S features of Bank SPDs (*continued*)

E&S Feature in the SPD	Why the Feature is Important
Code of Conduct	<p>Each Bidder must submit a Code of Conduct that will apply to the Contractor and their Personnel, including Subcontractors. The code is to be project-specific and designed to ensure the Contractor's Personnel comply with the Contractor's E&S obligations. Specifically, the code must address SEA/SH. The Borrower will get a sense, from reviewing the proposed code, of how a Bidder expects its personnel to behave during implementation, and the consequences they will put in place for breaches of the code.</p> <p>Bidders must use the Bank's general Code of Conduct template when preparing their project-specific code. The successful Bidder's code becomes part of the contract and compliance becomes a legal obligation.</p> <p>The Contractor must ensure that its Personnel are each given a copy of the code in a comprehensible language/form, and it must be visibly displayed on the site and in places accessible to local communities and project affected people. The Contractor is to seek acknowledgement of receipt of the code.</p>
Training personnel	<p>The training plan should demonstrate the time and resources the Bidder is willing to commit to developing their personnel's E&S knowledge, improving their understanding of E&S issues and learning about relevant and appropriate behaviors. This will tell the Borrower how committed the Bidder is to ensuring staff take the identification and management of E&S risks seriously.</p>
E&S specialist(s)	<p>Demonstrates the qualifications and experience of the Contractor's named E&S specialists. The Borrower should ensure that key roles will be occupied by suitably qualified individuals.</p>
E&S reporting	<p>Details the reporting that Contractors are required to provide on how effectively E&S risks are being managed, specifically:</p> <ul style="list-style-type: none"> ■ Provision of regular reports monitoring progress against pre-agreed E&S metrics (as detailed in the SPD's particular conditions); and ■ Immediate reporting to the Supervising Engineer of <i>"any allegation, incident or accident, which has or is likely to have a significant adverse effect on the environment, the affected communities, the public, Employer's Personnel or Contractor's Personnel."</i>
E&S performance security	<p>The SPD for Works includes an option for a Borrower to include an E&S performance security where E&S risks are deemed to be high. The E&S performance security will be in the form of a "demand guarantee" normally between 1% and 3% and not exceeding 10% of the total contract value. Tying E&S performance to financial incentives/penalties is a good way of ensuring that Bidders take it seriously. A contract form for the E&S performance security is included in the SPD for Works.</p>
E&S provisional sum	<p>The Borrower's E&S and Procurement Specialists should consider how the Contractor will cost the delivery of E&S requirements. Typically, delivery of E&S requirements will be integrated in a larger sum for the delivery of services. For example, the cost of implementing safety systems, such as traffic and road safety systems, are included in the Bidder's rates for the relevant Works. Alternatively, provisional sums could be set aside for E&S risk mitigation activities, which would give the Borrower comfort (along with assurances from the Contractor) that the activities would not be subject to the Contractor's wider cost-reduction efforts. The Borrower may require some activities, such as an HIV counseling service or SEA/SH awareness and sensitization training, to be delivered as additional to the Contract with separate payment arrangements.</p>

FIGURE 67 Cascade from ESF to SPD provisions – Child labor worked example

(continues)

FIGURE 67 Cascade from ESF to SPD provisions – Child labor worked example (*continued*)

Supplier Briefings and Responding to Bidder Questions

Depending on the nature, size and complexity of the procurement, the Borrower may organize a prebid Supplier briefing. It can be used to give potential suppliers advance notice of the procurement opportunity, openly discuss key project risks, including E&S risks, and the implications for Bidders, and ideally motivates organizations to bid. If the project is seeking to deliver development objectives, such as local economic growth, job creation, training opportunities or other economic, social, and environmental benefits, the briefing is a good opportunity for the Borrower to outline those objectives and encourage Bidders to make it a key part of their response.

Virtual meeting technologies can facilitate engagement between procurers and businesses, meaning that briefing events do not need to be held in-person, particularly where it is anticipated that Bidders from other regions and countries will be attracted to participate. It may be possible to run hybrid events, where Bidders can participate both virtually and in-person.

Supplier engagement events can deliver a range of benefits, including a more engaged and informed Bidder community, with greater clarity of project purpose, objectives and understanding of E&S risk. They also give Bidders an opportunity to ask questions that may inform their response. They may also help the Borrower to learn different perspectives about their proposed approach to the project by providing a forum for additional concerns or ideas to be raised.

However, engagement events such as this can present risks that the Borrower will need to manage, such as:

- **Corruption risk:** Increased perception of corruption risk due to pre-tender interaction between Borrower and Bidders in an “uncontrolled environment.” This can be mitigated by controlling the engagement to the largest extent possible, such as by recording a virtual event and posting it publicly for transparency, and/or by inviting external witnesses/independent probity experts to observe.
- **Confidentiality:** Bidders may not be willing to share their thoughts or questions in an open forum in front of other potential Bidders. Borrowers can develop a (controlled and audited) channel where Bidders’ questions and perspectives can be submitted confidentially.
- **Unequal access and information flow:** Hybrid sessions, or sessions involving a combination of an open forum and one-on-one meetings between the Borrower and Bidders, can cause suspicion that some Bidders are getting supplementary information to help them with their Bid. Borrowers can manage this risk by recording a virtual event and posting it publicly for transparency and/or ensuring that an independent witness or probity expert is present for one-on-one interactions, and that where possible, responses that Borrowers give to Bidder questions are shared with the entire community of interested Bidders.

Borrowers may receive queries from Bidders throughout the bid process. It is important that Borrowers respond to those questions with as much information and clarity as possible, and that those responses are shared equally with the entire Bidder community.¹⁷¹ E-procurement platforms can also be useful tools for facilitating engagement between procurers and businesses in a transparent and auditable way.

FIGURE 68 Case Study: Simplifying procurement procedures to support family-owned agriculture in Paraguay

Case Study: Simplifying procurement procedures to support family-owned agriculture in Paraguay

Background

In 2013, the government of Paraguay launched the National Program for Poverty Alleviation, which included the Sowing Opportunities (Sembrando Oportunidades) initiative. The initiative aimed to increase income and access to social services for vulnerable families working in agriculture by giving them greater market access, including through the public procurement market.

Approach

The objective was codified in a decree that facilitated the procurement of healthy and fresh food from small family-owned farms for lunches and snacks at schools. Prior to these reforms, government procurement processes did not enable small-scale suppliers to participate, as they lacked the administrative and financial capacity to submit offers for public contracts. Decree 1056/13 and Resolution No. 178 reformed procurement processes to permit two simplified selection methods when procuring from family agriculture producers:

- (a) **Direct procurement:** The procuring agency can buy defined family agriculture products directly from the producer or organization of producers registered in the National Registry of Family Agriculture. Individual Suppliers must present a copy of their identity card, and producer organizations must present their incorporation documents (duly registered) with a list of their members. The Ministry of Agriculture and Livestock determines the price references per crop, which include transport and labor costs. When this procurement method is used, the Suppliers located closest to the client get priority. If demand cannot be fully met by local producers, Suppliers from nearby areas are given an opportunity to participate. Payment terms are set at 30 days from delivery. Despite not being mandatory, the simplified procurement processes are widely used.
- (b) **Indirect procurement:** The procuring agency obliges its Suppliers (for example, catering companies) to buy a minimum percentage of the contract value from family agriculture producers. In these circumstances, the family agriculture producer is the second-tier Supplier and does not directly contract with the procurement agency. Catering services delivering school feeding programs are obliged to prove that they have purchased stock from a family producer. This upstream supply chain requirement is included as a qualification criterion in tender documents. Each agency can establish the percentage that catering companies need to comply with in terms of sourcing supplies from family agriculture producers (depending on stock available from local producers). The Supplier must then choose producers from the Family Agriculture Registry and describe the products, zones and estimated quantities that will be procured.

Outcomes

“The success of the program led to its expansion to hospitals, penitentiaries and other local public agencies that buy food and could benefit from the program. Having started as optional criterion in tenders, the program’s success led to supply from family agriculture producers becoming mandatory for all public food procurement. In 2016, 16% of food procurement came from family agriculture producers. The Paraguayan government identified several multiplier benefits resulting from the procurement of family agriculture, including better market access to family agriculture producers, cheaper prices in comparison with the previous school catering service (USD 1.3/child versus USD 3/child) and the creation of job opportunities in local catering service companies. The family agriculture program shows that public procurement can lead to addressing a larger societal goal, like reducing poverty.”

Lessons Learned

In 2014, the government encountered irregularities in the new procurement processes. First, they found that intermediaries between the producers and public agencies were costly and hamper the economic benefits for producers, so new regulations were enacted to eliminate intermediaries. Producers now must register with the Family Agriculture Registry. The government also imposed a maximum quota of orders per producer, to avoid the concentration of business with a small number of producers (FAO, 2015). Producers have found that the publication of price references is often delayed, which makes it difficult for them to prepare Bids in a timely manner. Further, the producers have also been critical of the price references, as they do not reflect differences in the cost of production across the country.

Source: [Toward Strategic Public Procurement in Latin America and the Caribbean](#), International Institute for Sustainable Development (2020)

FIGURE 69 Case Study: eProcurement system increases access, efficiency and transparency in Bangladesh

Case Study: eProcurement system increases access, efficiency and transparency in Bangladesh

Background

The Bank's objective of helping Borrowers to achieve value for money with integrity in delivering sustainable development has meant supporting country procurement reforms in order to achieve sound procurement systems and institutions. As part of these efforts, the Bank is supporting the third phase of procurement reform in Bangladesh, which includes delivering technology enhancements in order to achieve a fully end-to-end eProcurement system.

Approach

eProcurement reforms were focused on supporting the achievement of other reform objectives, such as achieving data-driven procurement, improving monitoring of contract implementation, increasing citizen engagement, and achieving more inclusive procurement procedures by increasing participation by women-led businesses and SMEs, which were most negatively affected by the pandemic.

Outcome

The project enabled the entire procurement process to be brought online through eProcurement. In 2021, 70% of public procurement expenditure (USD\$17.5 billion) was processed through the eProcurement system, compared to 2% at the start of the project in 2017. Some of the project's most notable achievements include:

- An annual average saving of USD\$1.1 billion against an annual spend of USD\$70 million;
- Uninterrupted delivery of services throughout the pandemic, enabling over 1,300 public sector organizations to process all procurement activities online, with 32,000 procurement contracts processed during the lockdown in March to June 2020 compared to 37,000 procurement contracts processed during the same period in 2019;
- Improved market access and competitive bidding environment compared to manual bidding: the number of registered Bidders increased from 23,000 in 2017 to 91,000 on June 2021;
- Average procurement time decreased from 100 days in 2017 to 57 days in 2021;
- Increased transparency by publication of 100% of procurement notices and contract award information, as well as the launch of an online portal (Citizen Portal: <https://citizen.cptu.gov.bd>), which provides public access to national procurement and contract implementation data and allows users to carry out data analytics.

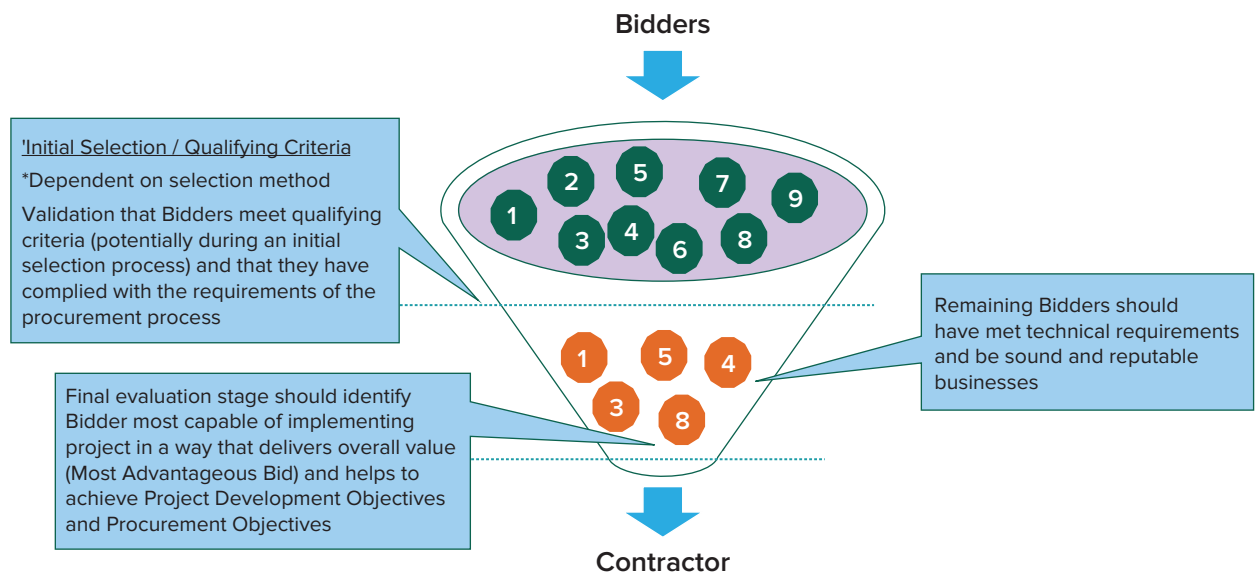
Source: WB case study repository

Stage Four: Receive Offers

It is important that the Borrower maintains the integrity of the bidding process by opening submitted bids in a transparent way, often in a public setting.¹⁷² Section V (5.40 – 5.48) of the Procurement Regulations¹⁷³ contain a detailed description of the process that should be followed when receiving offers, including important differences in process steps between the different selection methods.

Stage Five: Evaluate Offers

The Borrower will follow the evaluation approach set out in the PPSD and Procurement Plan, including the number of stages that the selection process will follow and the evaluation criteria that will be applied. A two-stage selection process (or “single stage after initial selection”) will require Bidders to pass initial technical or prequalifying criteria. The Procurement Regulations state that Borrowers should consider applying sustainability criteria in the prequalification/initial selection of firms, and as part of evaluation criteria.¹⁷⁴ Figure 70 demonstrates how, depending on the selection method

FIGURE 70 Illustration of bidding process structure to identify the right Bidder

that has been chosen, the evaluation process should be designed to identify the Bidder that can most effectively help the Borrower to achieve their objectives.¹⁷⁵

When applying the evaluation approach included in the PPSD and the Procurement Documents, Borrowers should look for signs that Bidders have not fully understood the project's E&S risks. Example "red flags" might include:

- Price, in combination with other elements of the Bid, appears so low that it raises material concerns as to the capacity of the Bidder to perform the contract for the offered price; the price can be assessed as low in comparison with the Borrower's estimate, the average of other bids, or the closest Bid;
- The price does not appear to provide sufficient margin for profit, indicating that the Bidder hopes to cut costs or increase revenue during the course of the project;
- There is little or no connection between the key E&S risks outlined in the Procurement Documents and the Bidder's cost submission or MSIPs;
- The Bidder has not provided sufficient detail on their proposed supply chains, or the Primary Suppliers who will provide goods or materials that are essential for the core functions of the project¹⁷⁶;
- The Bidder has not demonstrated any experience or understanding of the requirements for managing E&S risks in a similar project; or
- It appears that the Bidder has not fully disclosed previous performance on E&S, including material breaches or failed projects.

The Borrower can undertake further due diligence and request further information from the Bidder to address the concerns above. The Borrower may reject all Bids if the bidding process has not been

able to identify a suitably qualified Bidder or a Bid that is substantially responsive to the Borrower's requirements. This option is preferable to selecting a Bidder without sufficient capacity for managing the project's E&S risks.

Abnormally Low Bids (ALBs)

If a Bidder submits a bid price that is substantially below the majority of Bids and below the Borrower's own estimate, it should raise material concerns about their ability to deliver the contract for that price. There may have been a mistake in the submission (for example the Bidder omitted a portion of the project from the total Bid price), or the Bidder may hope to win the contract and find other means of making the contract profitable. Either way, it is unlikely that the Bid allows for sufficient resource to manage the project's E&S risks appropriately.

The Bank's Guidance on Abnormally Low Bids (ALBs) and Proposals¹⁷⁷ helps Borrowers to follow a structured process for identifying and addressing ALBs, beginning with the selection of an appropriate methodology for identifying ALBs based on the number of Bids received. According to the Procurement Regulations, once a Bid has been assessed as a potential ALB, *"the Borrower shall seek written clarifications from the Bidder/Proposer, including detailed price analyses of its Bid/Proposal price in relation to the subject matter of the contract, scope, proposed methodology, schedule, allocation of risks and responsibilities, and any other requirements of the request for bids/request for proposals document."*¹⁷⁸

The written clarifications provided by the Bidder should help the Borrower to identify the reason for the ALB, for example:

- (a) The Bidder omitted to price some items, either intentionally or accidentally;
- (b) Some items are priced significantly lower by the Bidder than estimated by the Borrower, either intentionally or due to an arithmetical error; or
- (c) Certain items/types of items are consistently underpriced (for example, cost per meter of laying pipes in a trench).

The response provided by the Bidder should indicate whether the low Bid price indicates potential E&S risks related to the Bidder's methodology for delivering the project. Table 23 provides Borrowers with some questions to consider when determining whether ALBs could present potential E&S risks.

Working across the PIU/IA or Bank Task Team to get answers to these questions will help the Borrower to determine whether the Bid should be accepted or rejected (noting that the Bid price cannot be changed).

Applying Non-Price Rated Criteria

Rated criteria are mandatory for international competitive procurement processes. They allow Borrowers to assess attributes among different Bids that are not easily quantifiable (or the evaluation criteria cannot be expressed) in monetary terms. Rated criteria can be used:

- a) in conjunction with pass/fail criteria in order to rank and initially select Bidders; and
- b) in the evaluation of proposals and bids to identify the most advantageous proposal (Bid).¹⁷⁹

TABLE 23 Considerations to help identify potential E&S risks in ALBs

ALB Issue	Questions to Ask Among the Project/Task Team to Identify Potential E&S Risks	Steps Taken to Resolve
Bidder omits item from the Bid	<ul style="list-style-type: none"> ■ Does it appear deliberate or a genuine/administrative error? ■ Could the omission directly or indirectly increase an E&S risk? ■ For example, is the item related to a service or deliverable that would support good E&S practice, such as supporting OHS compliance? ■ Does the omission relate to a service that would benefit workers, for example, onsite facilities? ■ Could the omission deliver a benefit, for example, identifying a requirement as unnecessary or wasteful, or re-using existing materials or assets? 	If the omission is material to the implementation of the contract, the Bid should be rejected.
Items priced lower than estimated by Borrower	<ul style="list-style-type: none"> ■ Is there a logical reason why? For example, is the Bidder concluding a construction near this site so can move resources and labor easily, significantly reducing their mobilization costs? ■ Is this down to economies of scale, or are there alternative products on the market that are of lower/quality and/or produced in a way that compromises social or environmental standards? ■ Is the item in question independently verifiable in terms of quality and/or working conditions (for example, is it subject to an eco- or socio-label)? 	If the explanation by the Contractor does not demonstrate a legitimate reduction based on efficiency or innovation and does not eliminate fears that the contract cannot be delivered for the Bid price, the Bid should be rejected.
Items/types of items consistently underpriced	<ul style="list-style-type: none"> ■ If the lower price is the result of an innovative product or methodology, does the Bidder have previous experience of implementing the product/methodology in a previous project, and can they demonstrate that E&S performance was not negatively affected? ■ If the price reduction is due to a reduction in workforce, can the Bidder prove that workers' rights, including pay and hours of work, will not be negatively impacted? ■ If the reduction in workforce is triggered by use of a new technology, how will the technology affect site OHS and environmental performance (for example, will it be more damaging for the site if machinery were to be used rather than workers?) 	If the explanation by the Contractor does not demonstrate how the price reduction was achieved (for example, through Supplier relationships or economies of scale) and does not eliminate fears that the contract cannot be delivered for the bid price, the Bid should be rejected.

As discussed in *Preparing the PPSD*, a number of project elements could be evaluated when assessing a Bidder's capacity for managing E&S risks. It may also help the evaluation panel to apply the criteria if scoring guidance is provided. An example scoring guide is provided in Table 24, using elements that Borrowers should consider including in their sustainability evaluation (note a 1–5 scale has been used in this example):

TABLE 24 Example scoring guide to support sustainability evaluation

E&S Element	Score				
	1 (Poor)	2	3 (Acceptable/Good)	4	5 (Excellent)
MSIP	Generic plan with no specific mitigations to address contract E&S risks		Plan addresses main E&S risks, suggesting suitable mitigations. No evidence of innovation.		Comprehensive plan that comprehends and addresses all E&S risks, including understanding of root causes. Uses some innovation in mitigation measures.
Project team	Little evidence that project team has relevant qualifications, or experience of addressing similar E&S risks in past projects		Project team is suitably qualified, with adequate experience delivering a project with satisfactory reputation on E&S issues		Project team highly qualified, and can demonstrate involvement in a project that used best practice approaches that delivered positive results
Methodology	No evidence that methodology considers environmental protection or carbon reduction, and potentially presents some E&S risks (for example, reduce workforce numbers or unsafe practices)		Methodology demonstrates awareness of main E&S risks and incorporates mitigations into implementation practices (for example, plant movements and logistics are structured to reduce emissions)		Innovation incorporated into design and methodology in a way that eliminates major E&S risks (for example, proposal to use low carbon concrete, or innovative tunnel digging methodology that avoids OHS and environmental risks)
Code of Conduct	Few relevant additions to Code of Conduct in SPD template		Some additions to Code of Conduct template to address risks that Contractors see as material in a way that improves standards on site		Bidder incorporates their own company values onto Code of Conduct to demonstrate a positive, respectful and safe working culture

Rated criteria are most effective when the Borrower's evaluation panel has the necessary technical knowledge to differentiate between Bids that represent a good versus a poor quality response to a specific criteria. Providing structured guidance on the attributes of a good (and a poor) response can help the evaluation panel to differentiate between Bids, which should help avoid the clustering of scores (for example, most Bids receiving a score of 3 out of 5).

Evaluating the MSIPs

In their bid submission, Bidders are required to include a set of Management Strategies and Implementation Plans (MSIPs) setting out how they will manage E&S risks. Collectively, once they are integrated into the contract, the MSIPs make up the Contractor's Environmental and Social Management Plan (C-ESMP). Contractors should then be held to account against achievement of the C-ESMP throughout implementation, including providing updates every 6 months, which can be included as a milestone in the Contract Management Plan.

If Borrowers use rated criteria to effectively evaluate the MSIPs, it should increase the chances that a Bidder with good knowledge of, and experience in, managing the contract's E&S risks will be awarded the contract. Table 25 provides a checklist of items that Borrowers should look for when evaluating Bidders' MSIPs.

This list can be used to guide the evaluation panel on the features that need to be present for the MSIP to score highly. Not all items in the above checklist will need to be present in every Bid, and so the checklist should be modified to be consistent with the evaluation criteria defined in the Procurement Documents. For contracts with high E&S risk where effective understanding of the risks and an appropriate mitigation plan are critical, Borrowers should consider whether it would be appropriate to reject bids for non-conformance if the MSIP is assessed to be "Poor" (see Bank Guidance *Evaluating Bids and Proposals Using Rated Criteria* for an explanation on the use of minimum quality thresholds for setting a mandatory qualitative threshold for certain requirements).

TABLE 25 MSIP evaluation checklist

Items to Identify in MSIP	Present
<i>*Note not all items will be relevant for all contracts</i>	
Outlines approach for managing the project's Primary Suppliers, including an understanding of obligations that cascade to Primary Suppliers (such as forced labor, child labor, sustainable natural resource use, and serious safety concerns)	<input type="checkbox"/>
Includes the Contractor's SEA/SH Accountability and Response Framework, which demonstrates how the Contractor is able to meet the project's SEA/SH prevention and response requirements.	<input type="checkbox"/>
Clearly describes chain of contracts in supply chain, and any E&S risks that may need to be mitigated	<input type="checkbox"/>
Identifies products or materials that present increased E&S risk due to risks present in the geography/sector	<input type="checkbox"/>
Identifies relevant project stakeholders, how they might be affected by project activities, and effective plans to mitigate impacts	<input type="checkbox"/>
Clearly assigns owners to E&S mitigation activities	<input type="checkbox"/>
Demonstrates an understanding of relevant local and national regulations and legislation relating to E&S aspects of the contract	<input type="checkbox"/>
Identifies E&S training needs and a training plan targeting workers, Subcontractors and others as required (including mobilization, site induction, toolbox talks as well as formal or mandatory training programs)	<input type="checkbox"/>
Suggests a mechanism for worker and community grievances to be raised and addressed	<input type="checkbox"/>
Sets out a site/contract risk register and process for raising, assessing, and addressing E&S risks that emerge during implementation	<input type="checkbox"/>
Evidence that where required, Subcontractors have been made aware of relevant E&S risks, and that E&S deliverables such as risk mitigation activities are included in subcontracts	<input type="checkbox"/>
Bidder has included deliverables that exceed the minimum sustainability requirements	<input type="checkbox"/>
Bidder has identified additional, GRID-aligned E&S benefits that can be delivered through the project, which are outlined in the MSIP; for example:	
■ Creating opportunities for engaging local employees in the contract	<input type="checkbox"/>
■ Involving local or marginalized businesses in project implementation	<input type="checkbox"/>
■ Targeting ethnic, gender, or other types of diversity	<input type="checkbox"/>
■ Sets carbon reduction targets or identifies techniques for reducing emissions during implementation	<input type="checkbox"/>

Considering E&S Tradeoffs When Evaluating Bids

Borrowers may experience occasions where environmental and/or social goals seem to conflict within a Bid/proposal. In these cases, Borrowers should consider working with the Bank's Task Team to consider answers to the following questions:

- Which of the risks can be mitigated? This may require market research around either product alternatives or alternative sources of supply.
- Could mitigation be strengthened through external support, such as HEIS or the engagement of an external audit/verification organization?
- Which of these objectives is most critical to the project/most closely linked to PDOs and/or national priorities?
- Can the project progress if both risks are avoided?

In cases of Prior Review, the Borrower will require the Bank's no objection to the Bid Evaluation Report before proceeding. Figure 71 provides a worked example of how these tradeoffs might be managed in a real-life scenario.

FIGURE 71 Illustrative example: Managing E&S tradeoffs in Bid evaluation

Scenario: A Contractor proposes a construction methodology where preconstructed elements are assembled at a facility close to the site. This approach represents a significant reduction in carbon emissions given this innovative construction methodology reduces waste and uses low-carbon materials. However, the assembly facility would need to border a nearby settlement and employ a local workforce, potentially presenting risks of labor exploitation as well as noise/traffic nuisance to the community.

Potential risk mitigations: Consider how carbon reduction can be achieved without the risk of exploitation and disruption to the local community, or whether the exploitation risk can be mitigated while still leveraging this new methodology.

External support: Engage local labor experts to work with local labor inspectorate on a process for identifying and employing the local population without undue risk of exploitation.

Alignment with project objectives: While using low-carbon and innovative construction technology would be a significant achievement for the project, there are other World Bank projects in the country that present similar opportunities without the risk of exploitation. However, local labor experts are confident that with sufficient mitigations in place, this methodology can still be used without undue risk to local population.

Risk avoidance: The exploitation risk can be mitigated without disrupting the project outcomes.

Evaluating E&S Mitigation Costs

As discussed in *Preparing the PPSD*, price will remain the critical element of the evaluation process, even as additional emphasis is placed on other factors through the use of rated criteria. Therefore, it is critical that the Bidder's price proposal is assessed to ensure it adequately considers and incorporates the cost of appropriately managing the E&S aspects of the project. This should include costs associated with delivering SEA/SH mitigations for any Works contracts.¹⁸⁰

Through the development of the PPSD and the ESA process, the Borrower should have been able to identify the most significant E&S risks to the contract, in particular those that will need to be managed by a Contractor, Subcontractor, Consultant or (Primary) Supplier. During the bidding process, Procurement Documents will need to be as specific as possible about the risks that each party will be required to manage. Bidders can only be specific about mitigation costs if they the Borrower provides sufficient information on E&S risks in the Procurement Documents. Borrowers should also guide Bidders on their expectations about how E&S requirements should be priced and included within the Bid. See earlier section on “Costing of E&S Risk Mitigations” in *Preparing the PPSD* to better understand the three main options for costing E&S requirements and their potential advantages and drawbacks. The Borrower’s choice will also be dependent on the extent to which E&S requirements are clearly defined, as opposed to a more performance-based approach where the Borrower is looking for innovation from Bidders on how certain E&S risks will be addressed.

Evaluating Contract Costing Methodologies

The PPSD should have identified how Bids should be priced (for example, using fixed price or adjustable price), and Bidders will have been notified in the relevant section of the Procurement Documents (typically the Proposal Data Sheet). The Bank has developed Guidance to assist Borrowers to evaluate Bid prices, in particular combining the weighted technical score with the weighted financial score to give an overall total score.¹⁸¹

Where lifecycle costing (LCC) is used, Borrowers should be aware that it is primarily an economic tool, and, while it may have positive implications for sustainable procurement, it is not a panacea.

FIGURE 72 Scenario—Incorporating cost contingencies because risks have not been fully assessed

Scenario: Incorporating cost contingencies because risks have not been fully assessed

Proceeding to the implementation phase without E&S risks being assessed and quantified can lead to cost increases occurring throughout the project as the Contractor responds to new risks and requirements. It may result in the selection of a Contractor without the skills or experience to manage the E&S risks that have emerged. An effective procurement process will also be dependent on an understanding of the project’s risks, so that the best Contractor can be chosen based on their ability to manage those risks.

However, there may be exceptional cases (outside of FCV/small states) where a project must proceed to implementation without completing the ESA process. In these cases, Borrowers will be assessing responses from Bidders that are incomplete as a result of the lack of information provided on project risks. This will also mean that the Bidder has been unable to effectively price for the mitigation of those risks.

In these cases, the Borrower should consider the following:

1. Be transparent with Bidders about the limitations of the information provided, providing as much information as possible to support them to assess the risks; disclose information that you know you do not hold (for example, if a survey or assessment is required but has not yet been undertaken, inform the Bidders)
2. Include a provisional sum, estimated at an amount that would cover the cost for the Contractor of mitigating partially scoped or unanticipated risks
3. Review similar projects to understand potential E&S risks and costs, using that information to ensure the project budget has sufficient contingency available
4. Work with the E&S Specialist in the Bank Task Team to discuss potential risks that might emerge, and mitigations that have been successful in past projects

LCC can, however, help to overcome one of the main barriers for the implementation of sustainable procurement, which is the perception that greener products are more expensive than conventional products. LCC should demonstrate that the cost savings that occur during the product/service lifetime outweigh any potential upfront price premium that may be involved with sustainable options.¹⁸²

More complex methodologies that incorporate externalities into the financial assessment of Bids, in particular environmental impacts such as carbon emissions, or improvements in health care outcomes from reduced air pollution for example, are preferable as they enable a truly holistic economic assessment of project costs. They also enable a stronger connection between the evaluation methodology and PDOs or procurement objectives. Borrowers should consider arranging training for procurement staff that are considering applying these methodologies as they can be challenging to implement.

Stage Six: Award Contract

The evaluation process should have identified a preferred Bidder. The Borrower will develop a Bid Evaluation Report (BER) detailing the process undertaken so far, reasons for selecting the preferred Bidder, and any risks that will need to be managed through contract implementation. If the contract is subject to prior review, this will be shared with the Bank and decision-makers at the PIU/IA. Implementation Unit. If the contract is subject to prior review, the Borrower will require a “no objection” from the Bank before awarding the contract. Bank staff should review the BER to look for the elements set out in the checklist at Table 26, which will demonstrate that the Borrower has adequately considered sustainability as part of the evaluation.

TABLE 26 Checklist of sustainability elements to identify in BER

Sustainability-related Evaluation Factors that Borrower can Include in BER	
<i>*Note: not all items will be relevant for all contracts</i>	Present
The evaluation committee/panel listed in the BER has relevant experience and expertise in E&S matters	<input type="checkbox"/>
The evaluation methodology gives adequate weight to sustainability elements, including management of E&S risks and reduction of project emissions	<input type="checkbox"/>
Rated criteria have been applied to provide a qualitative assessment of the bids, including assessing the Bidder's understanding of the contract's E&S risks and proposed mitigations	<input type="checkbox"/>
The C-ESMP has been assessed to ensure it contains all relevant project E&S risks, with clear and appropriate mitigations	<input type="checkbox"/>
Contractor has been asked to demonstrate relevant experience and capacity for managing the project's E&S risks and a suitably qualified and experienced project team	<input type="checkbox"/>
The Contractor's project team was assessed to ensure relevant qualifications and experience	<input type="checkbox"/>
Bidders' methodologies were assessed to ensure they did not unduly increase E&S risks	<input type="checkbox"/>
The Borrower has shown an understanding of the preferred Bidder's likely supply chain, Primary Suppliers, and any E&S risks that are likely to arise within the supply chain	<input type="checkbox"/>
The pricing methodology considered the allocation of funds for managing E&S risks and implementing mitigations	<input type="checkbox"/>

Parts of the successful Bidder's response will be incorporated into the final contract; however, in some exceptional cases where the Bank agrees that it is appropriate for the Borrower to undertake negotiations, the implementation approach (including implementation schedule, C-ESMP, and commercial terms) can still be negotiated between the Borrower and successful Bidder before the contract is awarded. The justification for the use of negotiations should be set out in the PPSD. Negotiations will need to be aligned with requirements in the Procurement Documents (new sustainability requirements, for example, cannot be added during the negotiations process). Negotiations will be held in the presence of a Probity Assurance Provider, as agreed with the Bank.

The negotiation phase can set the tone for the relationship with the Contractor. An adversarial contract negotiation is likely to result in overly punitive or restrictive contractual terms, which may lead to an adversarial relationship. This type of relationship can often lead Contractors to conceal issues such as E&S risks, as opposed to collaborating with the PIU/IA to mitigate E&S risks once they have been identified.

A negotiation that focuses on creating a collaborative relationship and ensures both the Borrower and the Contractor are focused on the project outcomes, can create a much more trusting and amenable relationship. The Bank's Guidance on Negotiations and Best and Final Offer outline the attributes of an effective negotiation and the team that the Borrower needs in place to achieve it; for example,¹⁸³

- Negotiations are about identifying and resolving differences between the preferred Bidder and the Borrower, which is best achieved by taking a win-win approach. This means finding a solution that is acceptable to both parties and leaves both parties feeling that they've won in some way.
- Taking a win-lose approach (that is, trying to "win" the negotiation while the other party "loses") may work occasionally as part of a longer-term relationship with a Supplier, but it can also undermine trust and damage teamwork.
- Before entering negotiations, the Borrower should prepare a negotiation plan. Although not required by the Procurement Regulations, it is good practice for the plan to be sent to the Bank for review before entering formal negotiations. The plan should include the preparatory work that the Borrower should carry out, such as detailing the issues or concerns that need to be negotiated and their individual/collective importance.
- Successful and effective negotiators have a set of knowledge, experience and skills that help them navigate the negotiation process in a way that achieves mutually acceptable results. Good negotiators can do it in a warm manner that enhances the relationship they have with the Bidder, using skills such as active listening and empathy.

Borrowers must ensure that, while negotiations may discuss terms and conditions, price, and/or social, environmental, and innovative aspects, the minimum requirements of the Bid are not changed. Legal terms in the Bank's SPDs cannot be amended, and any additional requirements for managing E&S should be carefully considered before being added to the works requirements/specification.

If negotiations result in material deviations from the Bid submitted as part of the bidding process, the Borrower may be open to challenges from other Bidders about the fairness of the process.

Contractor Environmental and Social Management Plan (C-ESMP)

The C-ESMP is a key contractual document as it allows the Borrower to hold the Contractor to account for delivering the E&S mitigations that they have agreed to. It should contain the mitigations that the Bidder submitted as part of the MSIPs in their Bid. The C-ESMP may remain draft until it is approved by the Supervising Engineer to enable site mobilization (see *Role of the Supervising Engineer* section below).

The draft C-ESMP will detail:

- (a) The measures to be taken by the Contractor during the implementation and operation of a contract to eliminate or offset adverse E&S impacts, or to reduce them to acceptable levels; and
- (b) The actions needed to implement these measures.

The C-ESMP contains the Contractor's elements of a larger environmental management plan, the ESMP, which is owned by the Borrower. The ESMP gives the Bank assurance that the Borrower has identified all relevant E&S risks to the project and has applied the mitigation hierarchy to ensure risks are dealt with appropriately, including those owned by the Contractor. The Borrower's decision to proceed with a project, and the Bank's decision to support it, are predicated in part on the expectation that the ESMP will be executed effectively. Consequently, each of the measures and actions to be implemented need to be clearly specified, including the individual mitigation and monitoring measures and actions and the institutional responsibilities relating to each.

Both the Works SPD and the ESF make it clear that Subcontractors are responsible for complying with the E&S requirements that are relevant to the activities they are responsible for, and Primary Suppliers must also adhere to a certain set of standards. The Bank's Works-related SPDs, based on the FIDIC Red Book (2017),¹⁸⁴ hold the Contractor responsible for the actions of all related parties to the contract, including Subcontractors and Primary Suppliers. The Borrower is required under the ESF to manage these parties and should enquire with (either directly or through the Supervising Engineer) the Contractor whether terms and specifications have been included in contracts with Subcontractors and Primary Suppliers. This would represent a clear chain of responsibility whereby E&S obligations are passed down to all parties to the contract.

Role of the Supervising Engineer

The Supervising Engineer, referred to in the FIDIC Red Book¹⁸⁵ as the Engineer, plays a critical role as the Borrower/Employer's representative on site. Often working with a team of Engineer's Representatives, they supervise the works on behalf of the Borrower. A significant part of the role relates to the commercial management of the contract, reviewing the Contractor's requests for contract variations and technical deviations. As the Borrower's "eyes and ears" on site, the Engineer can also provide a

valuable monitoring service, identifying potential breaches of the E&S obligations in the contract and overseeing remedies and risk management activities.

The Bank's Works SPDs¹⁸⁶ identify a number of key activities that the Engineer performs in relation to E&S issues, such as:

- Monitoring the health, working conditions, and hours of work of the workforce;
- Attending the SEA/SH orientation conference along with the Contractor, its Subcontractors, DAAB members, and others;
- Agreeing to contract variations in an emergency situation, without requiring the consent of the Borrower;
- Instructing the Contractor to reduce any risk affecting the safety of life, of the Works or of an adjoining property;
- Giving consent to the Contractor's MSIPs/C-ESMP to allow commencement of site mobilization;
- Reviewing any additional MSIPs that are necessary to manage the E&S risks and impacts of ongoing Works;
- Reviewing the C-ESMP following the Contractor's periodic review, not less than every 6 months;
- Receiving declarations from Subcontractors in relation to SEA/SH (for instance, that they have not been subject to disqualification due to non-compliance)¹⁸⁷;
- Reviewing the health and safety manual specifically prepared for the Works;
- Agreeing to the Contractor's actions to remedy any damage to the environment, property and/or nuisance to people, on or off site as a result of the Contractor's operations;
- Receiving notifications of any allegation, incident or accident which has or is likely to have a significant adverse effect on the environment, the affected communities, the public, Employer's Personnel or Contractor's Personnel;
- Requiring the Contractor to remove anyone whose conduct risks damage to safety, health, or the protection of the environment, or who breaches the Code of Conduct;
- Consenting to the Contractor's risk assessment before children between the minimum age and the age of 18 are permitted to work on site; and
- Receiving a monthly summary from the Contractor of employment records of the workforce, including names, ages, genders, hours worked, and wages paid to all workers, and reviewing against applicable labor requirements under the contract.

The role of an Engineer is extremely valuable to the Borrower given the breadth of activities on site in which they are involved or have visibility. Projects with a "substantial" or "high" SEA/SH risk rating

should consider adding a social/environmental specialist to the Supervising Engineer's team with GBV (including against children) specific skills to supervise issues related to SEA/SH (for example, supervise signing of Codes of Conduct, verify the suitability of the grievance mechanism, refer cases where needed).¹⁸⁸

FIGURE 73 The role of the Supervising Engineer in incident reporting

The role of the Supervising Engineer in incident reporting

The Supervising Engineer should provide an ongoing presence at the project site, which means they typically report to the PIU/IA about any issues that may arise and provide advice to the Contractor on possible improvements to site safety management practices. This however DOES NOT remove the Contractor's obligations in relation to health and safety, such as the requirement to implement adequate safety measures, and the reporting of any incidents.

There have been historic cases of Bank projects experiencing health and safety incidents without the PIU/IA being notified because the Supervising Engineer was not on site. This represents a failure to meet their obligations by both parties, in particular:

- The Supervising Engineer for a failure to have a permanent supervisor on the site leading to weak management of the incident; and
- The Contractor for poor site management leading to the issue and a failure to report the incident to the PIU/IA.

Not all projects will be large or complex enough to justify the engagement of an Engineer. In these cases, the Borrower may need to consider alternative means of achieving the same outcomes through both regular and unplanned site visits by their own personnel. For small works projects, the Borrower may appoint a Project Manager, who can fulfil a similar function to the Engineer on site. According to the Bank's SPD for small works, the Project Manager *"is responsible for supervising the execution of the Works and administering the Contract."*¹⁸⁹

A sample Terms of Reference for engaging a Supervising Engineer has been included in Annex II.

Developing the Contract Management Plan

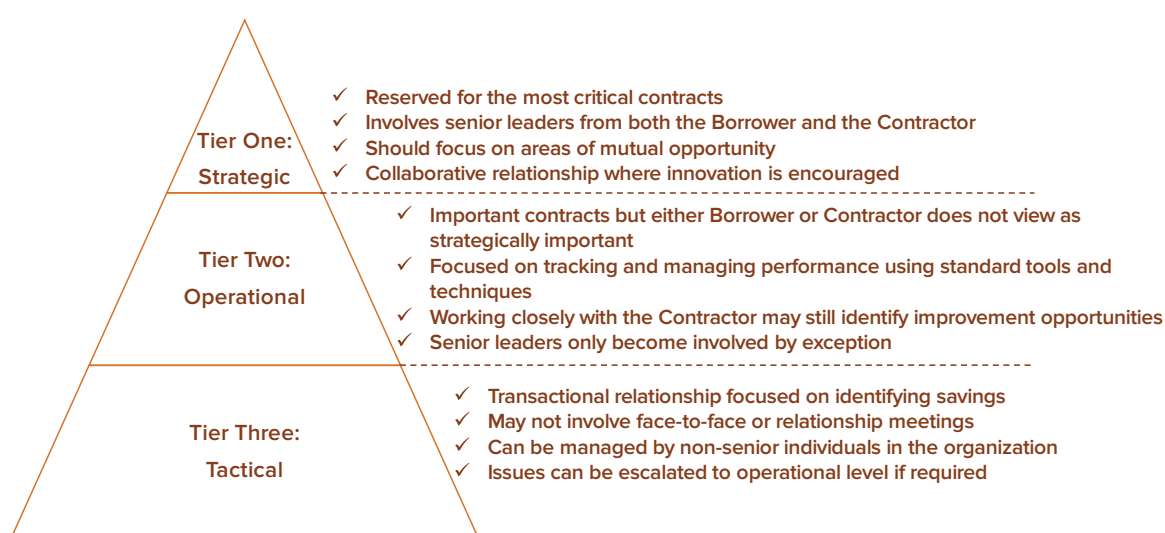
Without effective contract management, the E&S commitments that have been secured through the bidding process and included in the contract might not be achieved, meaning E&S risks might not be effectively managed and project objectives may not be achieved. A Contract Management Plan (CMP) helps to ensure that fit-for-purpose oversight is implemented, and that both the PIU and the Contractor put in place sufficient resources to manage the contract.

The CMP is developed during contract creation and should be completed at the time the contract is signed.¹⁹⁰ The Borrower may involve the Contractor in the development of the CMP, which will give the Contractor an opportunity to suggest amendments depending on the resources they have available to administrate their side of the contract. The CMP will determine the amount of resource and effort that the Borrower and the Bidder apply to managing the contract. This should be determined based on both the amount of implementation risk and/or additional value that is available from the

contract. For example, there is greater need for the Borrower to apply resources to manage a contract where the Contractor has extensive E&S risks to mitigate and/or potential benefits to deliver, such as delivering jobs or training opportunities to the local community.

Much of the information collected during the development of the PPSD and the resulting analysis, such as Supplier preferencing and Supplier positioning, will help the Borrower to understand the relative importance of the contract to both the Borrower and the preferred Bidder. This can then be used to determine the “tier” that the contract should be put in, as shown in Figure 74.

FIGURE 74 Illustrative categorization of Supplier relationships



Guidance on developing a fit-for-purpose CMP is provided in the Bank’s Guidance on Contract Management Practice,¹⁹¹ which also provides a template CMP in Annex III. The Guidance suggests that the “*level of detail and length of the document should be proportionate to the scope, value, risk, complexity and duration of the contract,*” and it follows that these factors should also determine the degree of rigor applied to managing the contract. For example, the CMP will detail requirements around reporting and governance. Contracts with severe, high, or substantial E&S risks are likely to have more intensive governance arrangements, and requirements for frequent, detailed reporting.

Stage Seven: Manage Contract

The contract has now been awarded, and the commitments that are included in the contract must now be delivered. The CMP provides a valuable vehicle for ensuring that all parties are committed to managing the contract properly. However, the contract cannot account for every eventuality, and new E&S risks and issues will arise as the contract is implemented. Therefore, the contract and the relationship between the PIU/IA and the Contractor must be able to adapt to meet the project’s changing circumstances.

Immediately after contract signing, the project enters a transition phase between contract award and the start of contract implementation, while the Contractor prepares to mobilize the project. The Borrower and the Contractor can now finalize the CMP.

This section will discuss successful approaches for planning sustainability-focused contract management activities, and for ensuring effective management of E&S risks during project implementation. For general contract management guidance, Borrowers should review Section 8.7 of the [PPSD](#) on Contract Management, as well as the Bank's Guidance on [Contract Management Principles](#) and [Contract Management Practice](#).

Roles and Responsibilities

Successful implementation of a contract requires a number of parties to deliver on their obligations and work together effectively. Knowledge and expertise of how to manage a project's E&S risks and the ability to mitigate them will probably reside with different people. Table 27 outlines the main responsibilities of the project's key roles: the Borrower, the Bank, the Contractor, and the Supervising Engineer.

Establishing a clear understanding of roles and responsibilities across the project team will make it easier for activities in the contract mobilization plan and CMP to be assigned to owners and effectively executed.

Mobilization

Mobilization, also known as preconstruction, is the phase where the site is prepared for construction. It is an important stage for managing E&S risks as it establishes the physical environment for the project (for example, worker accommodation, site access, utilities, and waste) and brings project workers on site together for the first time.

The Bank's Guidance on Contract Management: Practice¹⁹² describes the importance of this stage, given it *"can include major activities such as land clearance, excavation, building access roads to the site, work site establishment and construction of Contractor's personnel accommodations. This is often an overlooked period of (E&S) impacts, and therefore it is critical that the correct documents, training, procedures, and systems are in place to ensure that all (E&S) impacts are identified and managed appropriately."* This includes establishing important procedures for affected members of the community to raise grievances.

Borrowers should use the mobilization phase to confirm that the Contractor, key Subcontractors and their personnel understand relevant E&S risks and their commitments in the contract. This period should also be used to develop relationships (if appropriate) with the local labor inspectorate to discuss the Contractor's approach to labor management. It can also be worthwhile for the Contractor to engage with local authorities on issues such as disaster response and emergency preparedness, given the Contractor may require access to local amenities during a major event, and local authorities will need to respond to a major event taking place at the project site.

The Borrower and Contractor should also discuss roles and responsibilities in relation to relationships with the local community. Relationships with some community groups may be particularly sensitive, and in these cases the Borrower may wish to take the lead. For stakeholder relationships to be

TABLE 27 Contract management roles and responsibilities between Borrower and Bank

Borrower	Bank	Contractor	Supervising Engineer
<ul style="list-style-type: none"> ■ Holds contractual relationship with the Contractor ■ Overall responsibility for project implementation, including overall owner of ESCP and E&S risk management ■ Holds Contractor to account for managing E&S risk as set out in C-ESMP ■ Uses monitoring to identify necessary corrective and preventive actions ■ Appoints staff/Consultants/Supervising Engineer/project manager to manage the contract ■ Provides site access, permits, etc. as required by the contract ■ Makes payments on time - normally based on milestones ■ Carries out contractual actions such as notices, remedies, in accordance with the contract ■ Sets KPIs and uses them to monitor Contractor performance ■ Informs the Bank of serious incidents such as accidents resulting in death or serious injury 	<ul style="list-style-type: none"> ■ Fiduciary role - ensure funds are used for the purpose intended ■ Requires Borrowers to use SPDs for international procurements ■ Conducts prior review of material amendments to major contracts ■ Exercises audit and inspection rights when needed ■ Monitors implementation to ensure Legal Agreement is adhered to, including compliance with ESF, and avoidance of fraud and corruption ■ Supervision and monitoring including: <ul style="list-style-type: none"> ■ The use of third party monitoring ■ E&S audits ■ Carries out end of project evaluation 	<ul style="list-style-type: none"> ■ Provides regular reporting on E&S risks and mitigation progress ■ Provides immediate reporting to the Supervising Engineer in event of an incident ■ Delivers E&S mitigations as agreed in C-ESMP ■ Administers the contract as agreed in CMP ■ Ensures Subcontractors and Suppliers have appropriate E&S responsibilities in their specifications/contracts ■ Provide a grievance mechanism, process, or procedure to receive and facilitate resolution of concerns and grievances from project-affected parties 	<ul style="list-style-type: none"> ■ Borrower's representative on site, monitoring site operations, making day to day decisions in delegated areas ■ Interlocutor between the Borrower, the Contractor(s) and local stakeholders ■ Monitors the site, Contractor(s) and personnel to make sure the contract is followed ■ Makes decisions on behalf of the Borrower in areas delegated for day-to-day control ■ Escalates issues to the Borrower and expedites Borrower's decisions ■ Supervises and monitors E&S risks and impacts, reviews E&S reporting and conducts follow-up as required ■ Considers E&S impacts in relation to contract variations ■ Measures Contractor's achievement against KPIs, completion stages and authorizes payments ■ Invokes appropriate contract remedies

managed effectively, there needs to be a common understanding about ownership and approach for stakeholder management across all project parties.

An example contract mobilization plan is provided in Annex IV of the Bank's Guidance on Contract Management Practice.¹⁹³ It provides a range of example mobilization actions, and suggests that each one is assigned a timeline, owner and a reference to the relevant contract clause or specification. When developing a contract mobilization plan, Borrowers should consider including the following E&S requirements:

- A training program for workers on relevant E&S topics, including more informal, regular interactions with workers (for example, toolbox talks) on emerging issues, OHS risks, etc;
- Inductions for workers and supervisors on E&S matters;
- Establishing a Code of Conduct (where required by the contract), which all workers should be required to commit to before the commencement of works, potentially as part of site induction;
- Community liaison/engagement plan;
- Ensuring OHS measures are in place, including for activities required to mobilize and prepare the project site; and
- Establishment of grievance mechanism and plan to raise awareness of the mechanism among affected members of the community.

The Bank's Works SPD states that *"the Contractor shall not carry out mobilization to Site . . . unless the Engineer gives consent . . . to the measures the Contractor proposes to manage the environmental and social risks and impacts, which at a minimum shall include applicable . . . (MSIPs) and applying the Code of Conduct for Contractor's Personnel"* (the role of the Supervising Engineer is discussed in more detail below). The Contractor may wish to include the contract mobilization plan in the Project Operations Manual, if one exists for the project.

Project Operations Manual

The project operations manual (POM) is developed by the Borrower to set out detailed arrangements, procedures and processes for project implementation. The POM is referenced in the project Legal Agreement, typically stating that:

- The POM must be completed, approved by the Bank, and adopted by the PIU/IA, typically within 3 months of the Legal Agreement being signed;
- The Borrower will maintain an up-to-date POM throughout implementation; and
- The Borrower can amend the POM from time to time, but is required to seek Bank approval for amendments.

The POM should include the key E&S arrangements for the project. For example, if E&S plans or studies should be prepared by the PIU/IA and approved by the Bank before a specific activity begins, the POM should detail the process that should be followed. In some projects, Borrowers are asked to develop

a detailed action plan on a specific issue (for example, a Gender Action Plan) as part of the process of preparing the POM.

There are several significant differences between the POM and other key E&S documents that might be prepared throughout the project (such as the ESIA, the ESMP, Resettlement Plans, and so on):

- The POM describes processes that will be followed, as opposed to a study of potential impacts; and
- The POM is not subject to public disclosure, while there are explicit public disclosure requirements for several E&S documents, both under national laws and under Bank policy.

Managing Contracts with High Risk of SEA/SH

Mobilization is also a key stage for putting in place mitigation measures to respond to SEA/SH risk. IPF-financed Works contracts should include measures specifically designed to address these risks, including:

- An SEA/SH orientation conference, training workers on SEA requirements, organized to take place prior to commencement of Works;
- A Code of Conduct that outlines expected behaviors from workers and actions the Contractor will take to address breaches;
- An SEA/SH Response mechanism for receiving, investigating and addressing allegations of SEA and/or SH, and measures to prevent reprisals;
- Ongoing training and staff induction on SEA/SH;
- A contractual requirement that Subcontractors comply with SEA/SH prevention and response obligations; and
- Engagement of an SEA/SH expert/s for the duration of the contract.

Projects identified as being at high risk of SEA/SH will apply an additional mechanism requiring Bidders to submit a declaration accepting disqualification from winning a Bank-financed contract for 2 years in the event of a breach of their SEA/SH obligations. These strengthened remedies hold Contractors (and any non-compliant Subcontractors) accountable for fulfilling their SEA-SH obligations during contract implementation.

Dispute Avoidance /Adjudication Board (DAAB)

The disqualification mechanism requires a determination from a Dispute Avoidance/Adjudication Board (a requirement established in the FIDIC Red Book¹⁹⁴) comprised of independent expert(s). This makes the Board a critical element for applying serious remedies in Bank projects.

The DAAB is a standard feature in Bank SPDs for Works that apply FIDIC General Conditions. It is made up of independent and impartial individuals selected by the parties. Members are appointed at the

commencement of a project, and are typically involved throughout the project, undertaking regular visits to the site to gain an understanding of the project's context. The DAAB helps parties avoid or overcome any disagreements or disputes that may arise during the implementation of the contract by providing a determination on a matter of disagreement.

The Bank requires that three members are appointed for Works contracts with estimated costs higher than US\$50 million. In the interest of proportionality, contracts with estimated costs between US\$20M and US\$50M may comprise three DAAB members or a sole member, and for contracts with estimated costs less than US\$20M, the Bank recommends a sole member. Terms related to the appointment of the DAAB are included in the Bank's Works SPDs.¹⁹⁵

The DAAB has both an informal role in assisting parties to avoid disputes, and a binding adjudication role where it decides on non-compliance of either party. The Borrower or the Contractor may appeal a DAAB decision if they are dissatisfied with the determination.

While the DAAB does not review every potential case of contractual non-compliance, the new SEA/SH-related remedy requires the DAAB to intervene in cases of potential non-compliance with SEA/SH obligations. Allegations of SEA/SH are put to the Engineer, who issues a Notice to Correct to the Contractor. If the Contractor fails to comply with this notice, the matter is referred to the DAAB. The DAAB does not get involved in determining the factual aspects or assessing the merits of any underlying allegation of SEA-SH, but instead it determines whether the Contractor has complied with their SEA/SH prevention and response obligations under the contract.

If the DAAB determines that the Contractor or Subcontractor has not complied with their obligations, the Task Team Leader prepares a memorandum to the Bank's Chief Procurement Officer (CPO) recommending that the Bank's Operational Procurement Review Committee (OPRC) undertakes a procedural review of the DAAB decision. If the review is cleared by the CPO, a recommendation to disqualify the Contractor and/or Subcontractor is given to the Vice President of OPCS (within the Bank), who makes the final decision.¹⁹⁶ A disqualification period of 2 years applies to any Contractor or Subcontractor found to be non-compliant, unless they receive an arbitration award in their favor within that period. Decisions shall take a maximum of four months, while ensuring fairness and application of due process for Contractors.

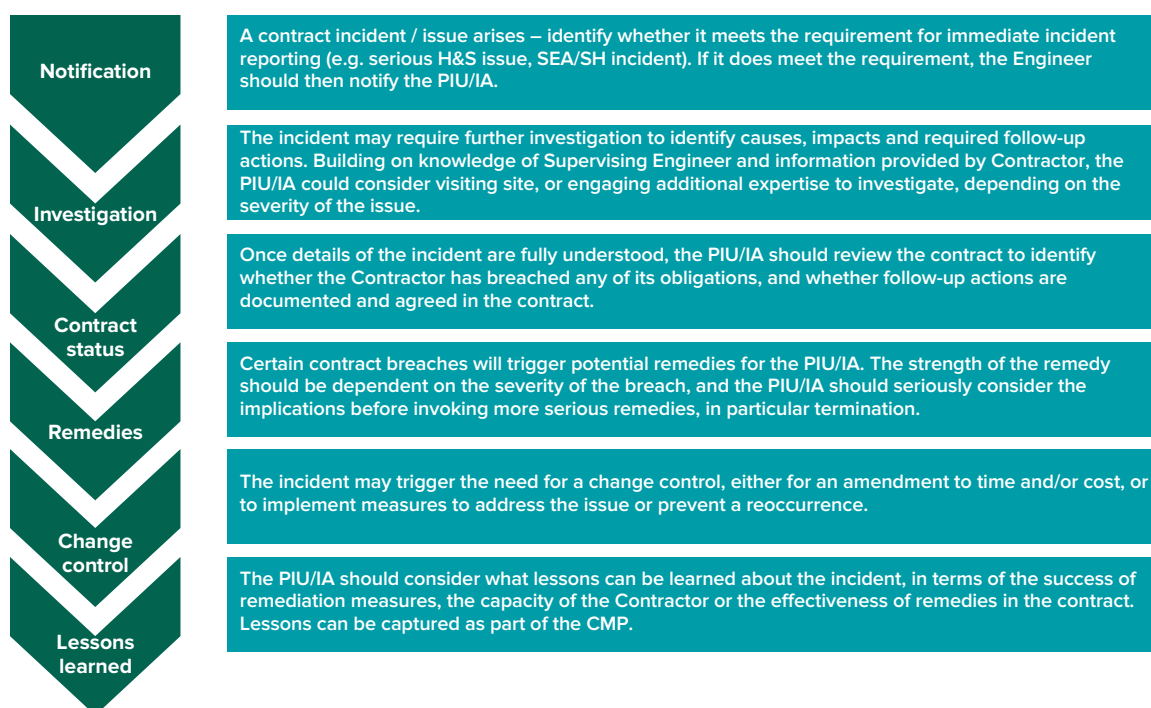
Implementing the Contract Management Plan

As discussed in the section *Contract Management (Preparing the PPSD – Appraisal)*, the approach to contract management should be proportionate to the value, risk, length, type, and complexity of the contract and the type of market/Suppliers who will be fulfilling the contract.¹⁹⁷ The Procurement Plan will have identified the estimated level of effort required for managing each contract. Now that the contract has been awarded and obligations and responsibilities are clear, the Borrower should have a much clearer idea of responsibilities for themselves and the Contractor.

The Contract Management Plan (CMP) cannot be prepared to cater for every eventuality, given the dynamic nature of project implementation. The CMP should instead ensure that mechanisms are in place to effectively manage issues that arise, and also for identifying early warning signs. Effective contract management means identifying the small issues that can be symptomatic of a bigger issue and dealing

with them early. Good practice contract management involves risk identification, mitigation, and management across all aspects of the contract, in particular E&S risks which are often overlooked as all parties focus on implementing the project within time and budget constraints. Figure 75 outlines the steps that the contract manager (that is an individual assigned responsibility for leading the relationship with the Contractor) within the PIU/IA can take when an incident or issue arises.

FIGURE 75 Common steps for resolving contractual incidents and issues



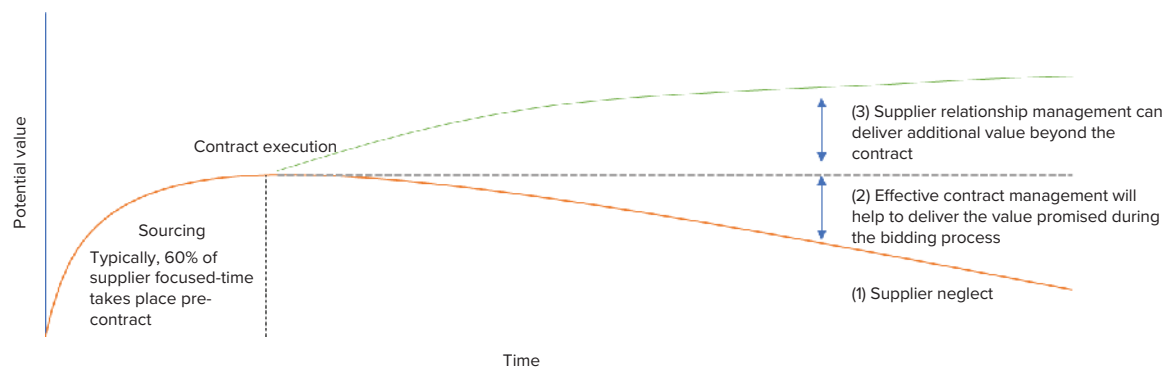
Where a CMP is required, it should include the following¹⁹⁸:

- Capacity and capability assessment of Borrower's contract management (including dealing with E&S issues), and actions required to deal with capacity deficits;
- Risk management and mitigation plan, for all contract related risks including E&S (which may already be set out in C-ESMP);
- Contract milestones;
- Contract variation/change control mechanisms;
- Roles and responsibilities in relation to administering the contract and implementing the project, including Borrower, Contractor, Consultant, and Supervising Engineer;
- Governance arrangements, including communication and reporting procedures;

- Use of dispute review mechanisms/DAAB;
- Key contractual terms and conditions such as Code of Conduct;
- KPIs; and
- Reporting requirements.

Ineffective contract management can jeopardize implementation and reduce the amount of value achieved from the contract. Figure 76 demonstrates how effective contract management can help ensure Contractors deliver on their commitments, while developing collaborative relationships with Suppliers (for example by applying Supplier relationship management tools and principles) can deliver additional value beyond the contract.

FIGURE 76 Value lost through insufficient contract management approaches



Managing the relationship with the Supplier involves setting clear expectations (through the contract and KPIs) and working together to resolve any issues that arise in a professional and timely manner. The quality of the Supplier relationship can be strengthened and enhanced through a combination of practices, including (inter alia):

- Ensuring the Supplier fully understands their contractual commitments and how they will be delivered, including the sustainability priorities;
- Agreeing a contract that has a fair balance of risk between the Borrower/Employer and the Supplier;
- Ensuring that Suppliers who have fully delivered are paid on time as per contractual terms and legal requirements;
- Improving issue resolution through fair, transparent, professional and timely dialog; and
- Paying particular attention to the needs of Suppliers based on their categorization, for example, strategic, SMEs, suppliers from small or fragile states, and so on.

Borrowers can use the contract management Module of STEP to help manage their contracts. STEP includes a number of features that can help to guide Borrowers through the most important aspects of the contract lifecycle, as illustrated in Figure 77.

FIGURE 77 STEP contract management features



The system is able to support Borrowers when undertaking the most critical contract management activities, including:

- Consolidated records of contract management records across the entire contract implementation cycle, from contract signing to completion;
- Development of the Contract Management Plan to track progress during implementation, including:
 - key contract deliverables and their expected dates
 - planned payments and their due dates
 - KPIs where applicable, and
 - planned dates for major milestones and progress against them
- Automated alerts/reminders to Borrowers and Task Teams of upcoming or overdue milestones;
- Tracking of contract variations, claims, and contractual disputes including their resolution; and
- Dashboards and contract- and project-level reports on progress against contract implementation.

Managing Obligations of Primary Suppliers

As well as managing E&S risks at the project site, the ESF requires Borrowers to identify and mitigate certain risks that arise in the project's supply chain. Projects may require products and materials that will be sourced from Suppliers and manufacturers from around the world. Some products (for example, a wind turbine) are made up of different components that are sourced from a number of different Suppliers. The chain of contractual relationships that connects raw materials to a finished product is

called a supply chain. Some supply chains present significant E&S risks because of the nature of the manufacturing process or the way in which materials are sourced or produced.

Primary Suppliers are “those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project”. Primary Suppliers are required to comply with specific standards in ESS2 (paragraphs 39 to 42) and ESS6 (paragraphs 38 to 40).

Should any of these risks materialize, the Contractor is required to take measures to require the Primary Supplier to take appropriate steps to remedy them. In some cases, the Borrower and/or Contractor will not have sufficient influence over the Supplier to enable remedies to be implemented. In cases where issues are not remedied, the Contractor will need to substitute the Supplier with one able to manage these risks.

To proactively manage these risks, the Borrower should discuss with the Contractor how monitoring and verification procedures could be used within the relevant supply chain (see section on *Monitoring*). The labor management procedures, which should be established by the Borrower during the Appraisal stage, will set out roles and responsibilities for monitoring Primary Suppliers. The procedures and mitigation measures that are put in place to address risks associated with Primary Suppliers should be reviewed periodically to ascertain their effectiveness.

Additionally, in projects where solar panels/components are “essential to the core functions of a project,” the Suppliers of those panels/components are considered Primary Suppliers, and the mitigations put in place by the Bank will apply¹⁹⁹.

Contractor Reporting Obligations

Contractor reporting is an important tool for Borrowers to understand implementation progress and the success of E&S mitigation measures. Reporting obligations have been included in Bank SPDs to help Borrowers to meet the ESF requirement²⁰⁰ to “conduct monitoring and reporting on the environmental and social performance of the project against the ESSs.” The Contractor’s project reporting obligations fall into two buckets: immediate notification to the Supervising Engineer, and regular progress reports, as described further in Table 28.

The Contractor is also required to comply with specific E&S reporting requirements, as detailed in the Bank’s Works SPD, such as:

- Updating the Borrower in the event of any change to the Contractor’s disqualification status resulting from breaches of SEA/SH provisions;
- Periodic (maximum 6 monthly) review of the C-ESMP and updates as required to ensure it remains appropriate for the contract; and
- Periodic review of the health and safety manual.

Both the C-ESMP and health and safety manual shall be submitted to the Supervising Engineer for their review.

TABLE 28 Contractor E&S reporting obligations

Immediate Notification (to the Supervising Engineer) ²⁰¹	Regular Progress Reports ²⁰²
<p>The contract describes the incidents which must be immediately notified to the Supervising Engineer. These include:</p> <ul style="list-style-type: none"> ■ Any accident causing serious injury or death ■ Any incident likely to have a significant adverse effect on the: <ul style="list-style-type: none"> ▪ environment ▪ affected communities or the public ▪ the Employer's personnel or Contractor's personnel ▪ SEA/SH incidents ▪ damage to private property ■ Any similar accident or incident on the Subcontractor's premises 	<p>The requirements and metrics for regular E&S reporting are described in the RFB/RFP and contract.</p> <p>The Contractor's regular reporting is usually monthly.</p> <p>Possible E&S reporting metrics include:</p> <ul style="list-style-type: none"> ■ Environmental incidents of pollution, damage to ground water, and so on. ■ Supervision of health & safety ■ Worker accommodation ■ Gender statistics in the workforce ■ Training ■ Grievances ■ GBV/SEA incidents

Monitoring

The Borrower will monitor the environmental and social performance of the project in accordance with the Legal Agreement, including the ESCP.²⁰³ Monitoring will normally involve activities such as:

- Recording information to track the contract's performance and establishing relevant operational controls to verify and compare compliance and progress;
- Reviewing the regular reports submitted by the Engineer on the Contractor's E&S performance;
- Assessing the Engineer's performance in relation to managing E&S risks and issues and quality of reporting; and
- Validating Engineer's reporting on E&S compliance through other means such as site visits, independent audit and verification, reviewing Contractor performance reports, in particular E&S metrics and incident reporting.

The Borrower should decide upon the mode and extent of monitoring, and gain agreement from the Bank. Monitoring arrangements should be proportionate to the nature of the project, the project's E&S risks and impacts, and compliance requirements.²⁰⁴ The ESF requires the Borrower to “ensure that adequate institutional arrangements, systems, resources and personnel are in place to carry out monitoring.”²⁰⁵ Different E&S risks are likely to exhibit different attributes that Borrowers might look out for to understand whether deeper issues exist. For example, Table 29 illustrates the things that might be evidenced on site or at a Supplier's facility that could indicate the existence of forced labor, as well as the proactive steps that Borrowers could take to improve monitoring and verification practices.

TABLE 29 Example of identification and prevention measures for forced labor

Common Indicators of Forced Labor to Support Monitoring Activities	Useful Practices for Mitigating Forced Labor
<ul style="list-style-type: none"> ■ Employees cannot refuse overtime for fear of dismissal ■ Migrant workers pay a fee or bond to get a job outside their country ■ Workers do not have free access to their personal documents ■ There are issues with payment, such as no pay slip, late payment, or payment not made in legal tender ■ Prison labor used in the production of goods/execution of works ■ Workers' freedoms are limited, including the right to move freely outside of working hours, or resign ■ Workers experience physical and sexual violence 	<ul style="list-style-type: none"> ■ Working with local partners such as NGOs or unions to understand risks and vulnerabilities ■ Conducting audits of working practices including unannounced site visits to examine both the workplace and employer-operated camps ■ Speaking with workers individually, while keeping in mind the sensitive nature of this issue. Take particular care to ensure the confidentiality of these interviews to protect the worker from any possible reprisals. If possible, meet workers off site ■ Reviewing grievance logs periodically ■ Ensuring in-language support and regular training for workers to increase awareness of employment rights ■ Partnering with Contractors to acknowledge problem and address root causes ■ If a private employment agency is used to hire workers, speak with management about policies related to this. Where possible, meet with representatives of such employment agencies to discuss recruitment policies and procedures.
Additional Resources	
<p>To help identify cases of forced labor, the ILO has developed forced labor indicators that represent the most common signs that point to the possible existence of a forced labor case. The ILO Forced Labor Indicators can be accessed here.</p> <p>To help identify high-risk products and geographies, the US Government's Bureau of International Labor Affairs maintains a list of goods produced by child labor or forced labor, which is updated periodically.</p>	<p>The ILO has put together a checklist to help assess compliance. This includes questions as well as policy guidance and technical advice on how to conduct assessments.</p>

Where appropriate, the Borrower can engage stakeholders and third parties, such as independent experts, local communities, or NGOs, to complement or verify its own monitoring activities. For example, the Borrower may wish to engage experts to monitor Contractor or Supplier performance in specific E&S disciplines. Projects at high risk of SEA/SH are recommended to engage an independent Third-Party Monitoring (TPM) organization or Independent Verification Agent (IVA) (such as a civil society organization, international or local NGO, academic partner, or private sector firm) with experienced GBV (including against children) staff to monitor implementation of SEA/SH mitigation measures and ensure all parties are meeting their responsibilities.²⁰⁶

Monitoring Primary Suppliers

While monitoring Contractor or Subcontractor activity on site may be fairly straightforward, monitoring offsite practices or operations of Primary Suppliers may be much more challenging. For example, if a Borrower identifies a specific risk relating to OHS or labor standards in a manufacturing facility of a Primary Supplier, then a specialist resource may be needed to conduct an audit of the relevant facility. The Supervising Engineer may be able to play an important role here by monitoring the Contractor's procurement activity to understand from where project materials are sourced and raise any concerns they might have with the PIU/IA.

The Bank's Guidance on Supply Chain Management (SCM) contains tools and resources to help Borrowers to develop the techniques that will give them better visibility of E&S practices within the supply chain.²⁰⁷ The SCM Guidance details how third-party/independent audit or inspection can be used to check compliance with employment conditions, for example safe working conditions and the absence of forced/child labor. In these audits, trained auditors inspect employee, safety, and pay records, and examine physical factory conditions, as well as conducting interviews with workers. Audits can also focus on examining certifications and documentation for products, standards, testing and quality management systems; reviewing production processes and materials controls; and reviewing production equipment calibration and maintenance records. A range of factors that could be incorporated into an assessment of a Primary Supplier has been included in Figure 78.

FIGURE 78 Illustrative factors to be included in Primary Supplier audits

Factors to include in Primary Supplier audits	
A Primary Supplier E&S audit report could include the following assessments (the following factors were included in a recent Bank-initiated audit for a manufacturer of Goods, conducted by SGS):	
•	Company profile, which can include information on company ownership, contact information, and subsidiary plants
•	Personnel, which can include an organizational chart, employee headcounts, and key staff
•	Manufacturing ability, which can include information on the main facilities (including a listing of major machinery and instruments), and yearly output
•	Certificates, which includes a listing of all management system certificates obtained (such as ISO standard certifications), as well as product certificates
•	Quality control management, which can include safeguards to prevent environmental harm, the presence of written instructions, and procedures for quality control and corrective actions
•	Corporate social responsibility, which assesses the presence of child labor or forced labor, the conditions of health and safety precautions, and working hours
•	Development plan, which includes strategic initiatives the organization plans to pursue, such as the expansion of overseas markets
•	Production flow chart, which includes an overview of the different stages the product goes through as part of the manufacturing process
•	Sampling, which includes information about the products that were sampled as part of the audit

In addition to a written report, the organization conducting a third-party/independent audit can also include photographs of the products at various stages of the production process, the buildings, the production floor, the office space, or worker dormitories.

Bank Supervision and Oversight

Although the Bank is not a party to the contract between the Borrower and the Contractor or the Supervising Engineer, the Bank's Task Team should hold discussions with the Borrower to understand whether Contractors are fulfilling their obligations, and whether the role of the Supervising Engineer has been satisfactorily carried out. The roles of different Task Team members with regard to monitoring activity are illustrated in Table 30.

TABLE 30 E&S-related monitoring responsibilities of Task Team

E&S Monitoring Responsibilities		
Task Team Leader	Bank Procurement Specialist	Bank E&S Specialist
<ul style="list-style-type: none"> ■ Coordinate overall Task Team monitoring activity ■ Act as point of escalation for any serious E&S breaches ■ Manage relationship with Borrower in relation to quality of their contract management and monitoring 	<ul style="list-style-type: none"> ■ Analyze Borrower's reporting on contractual matters and compliance against E&S requirements ■ Review Borrower's contract management and monitoring activity against PPSD and contract management plan to validate agreed resources and measures are being applied ■ Coordinate with E&S Specialist on E&S issues related to Supervising Engineer, Contractors, or Suppliers identified in Borrower reporting 	<ul style="list-style-type: none"> ■ Review Borrower E&S reporting to identify issues related to Supervising Engineer, Contractors, or Suppliers, and work with Procurement Specialist to identify applicable contract provisions relating to these issues ■ Consider Borrower performance against the ESCP for entire project to assess if commitments have been adequately implemented by Borrower and their implementation partners

The Legal Agreement between the Borrower and the Bank allows the Bank to gain access to all project sites and documents. These arrangements enable the Bank to provide implementation support, identify potential implementation challenges, and better support the Borrower to resolve any issues during implementation.

As part of their procurement support and monitoring activity, the Bank Procurement Specialist may identify material deviations from the procurement approach which could represent non-compliance with the Legal Agreement. In these cases, the Task Team Leader will recommend remedial action (based on information provided by the Procurement Specialist). Where this involves application of a legal remedy, the Bank's Regional Vice President will make a decision on whether to proceed with that remedy. If no legal remedy is required, the Bank's Country Director will make the decision. In both cases, if the contract in question is over the threshold for review by OPRC,²⁰⁸ the chair of that group (the Bank's CPO) will provide an initial clearance.²⁰⁹

Contracts that are over the OPRC threshold also submit the CMP and quarterly reports on progress against KPIs (or an annual progress report) to OPRC for their review.²¹⁰

Grievances

The Bank's Works SPDs require the Contractor to establish a grievance mechanism for both project-affected parties and workers to voice concerns about the Contractor's performance. In relation to complaints about labor practices, the Contractor's personnel would ordinarily take up their grievances with the Contractor themselves. However, the role of Supervising Engineer can provide an alternative channel if valid complaints by personnel are not being addressed. The Supervising Engineer should also review relevant sections in the Contractor's monthly reports on workers' grievance mechanisms to assess whether these mechanisms are functioning satisfactorily.

Remedies under Procurement Contracts

In the event that the Contractor does not comply with its E&S obligations under the contract, depending on the severity of the breach in question, the Borrower may initially seek to remedy issues using a relationship-based approach. This may involve meetings with the Supervising Engineer and representatives from the Contractor to raise the issue and discuss its remediation, potentially working together to develop a remediation plan.

If this approach is unsuccessful, or the breach is deemed to be too serious or urgent, the Borrower may seek to apply a contractual remedy, such as (depending on the terms of the contract and the seriousness of the breach)²¹¹

- Withholding milestone payments or ES performance security;
- Issuing a Notice to Correct, specifying the timeframe for remedy by the Contractor; or
- Suspending or, in more extreme cases, terminating the Contractor.

Some contractual matters may be escalated to the DAAB, which will provide a determination as described in the above subsection *Dispute Avoidance/Adjudication Board (DAAB)*.

Contract Change Control

Any changes to the contract will undergo a change control process to ensure each change is appropriately scoped and costed, and to verify whether it is appropriate that the Contractor is compensated for a change in circumstances. The Borrower will notify the Bank promptly of any proposed changes to the scope, design, implementation, or operation of the project that are likely to cause an adverse change in the E&S risks or impacts of the project.²¹² The Engineer will help facilitate an agreement between the Borrower and the Contractor on whether proposed changes are appropriate and should be approved.

The Bank's Works SPDs require the Contractor, upon submitting a request for a variation, to provide a description of the varied work to be performed, including details of the resources and methods that will be adopted, and sufficient information to enable an evaluation of E&S risks and impacts. The information may include the additional time required, the extent and nature of the Works, any impacts on stakeholders or the community, environmental impacts (including factors such as air pollution and carbon emissions, if they are likely to be significant), and the working arrangements required to complete the work. This should allow the Borrower to make an informed decision on whether to proceed with the variation.

Certain categories of changes must receive the Bank’s “no objection” before proceeding, including material modifications to scope or extensions of time that impact project schedule.²¹³ Special procedures apply where the Bank is requested to issue a “no objection” to a variation involving a firm disqualified for SEA/SH non-compliance. In principle, the Bank does not finance any variation that would introduce a material modification to an existing contract with a firm disqualified for SEA/SH non-compliance on or after the effective date of disqualification. The decision to deviate from this position rests with the CPO, based on input from the Task Team Leader.

Disposal and Decommissioning

Some Goods, equipment, and infrastructure require sustainable disposal strategies to be developed for the end of their useful life. Disposal options should be reviewed and assessed with the aim of minimizing environmental impacts, maximizing recycling and reuse, and taking any opportunities to minimize landfill and pollution. Poorly managed disposal can have significant impacts on communities and the environment, which could result in remediation costs and reputational damage.

Disposal requirements should ideally have been factored in at the design and procurement stages, and then monitored throughout the operational phases of the product or service’s lifecycle. This could include ensuring consideration of disassembly and reuse at the design stage, optimal selection of components and materials in the specification to maximize recycling opportunities, and recovery of subsystems and resources while minimizing the use of hazardous materials that could be dangerous and costly to dispose of. If the exact disposal method was not determined at the time of contract signing, the Borrower should verify whether the Contractor is instead required to issue a disposal plan for review by the Supervising Engineer or Project Manager.

At this stage, the Contractor should carry out actions set out in any decommission plans or required under specific permits that have been granted. The Supervising Engineer should check if these actions have been fully performed before confirming that the Works have been completed.

Implementation: Learning Checklist

- ☐ I know the seven stages of operations procurement and what E&S activity needs to be done at each stage.
- ☐ I understand how to use different aspects of the SPD to give the Contractor responsibility for relevant E&S obligations.
- ☐ I understand how to structure the evaluation process to ensure only the most qualified Bidders with good experience in managing E&S risk are successful.
- ☐ I can differentiate between the responsibilities of the Contractor, the Borrower, the Supervising Engineer and the Bank in implementing the project and managing the contract.
- ☐ I appreciate the importance of the contract management phase and understand the different mechanisms that I can use to maximize value from the contract.

Completion/Validation and Evaluation Stage

Stage Overview—Completion/Validation and Evaluation

At this stage, the project has been implemented; the asset has been constructed and services have been stood up. The project will not be considered complete until the measures and actions set out in the Legal Agreement (including the ESCP) have been implemented.²¹⁴ The Bank's E&S Specialist will determine if there are any outstanding E&S commitments that the Borrower has not fulfilled and raise any outstanding items with the Borrower as appropriate.

When a project is closed at the end of the loan disbursement period, the Bank, with input from the Borrower, compiles an Implementation Completion and Results Report (ICR), which evaluates the project's outcomes, challenges, and lessons learned to determine what additional measures are needed to sustain the benefits derived from the project. In addition, the evaluation team assesses how well the entire operation complied with the Bank's operations policies and accounts for the use of Bank resources.

If the ICR determines that there are outstanding actions from the Legal Agreement that are still to be delivered, the Bank will determine whether further measures and actions, including continuing Bank monitoring and implementation support, will be required.

Procurement's Role in Validation and Evaluation

The Task Team carries out the assessment process, meaning procurement staff will need to review the success of the Borrower's procurement approach. The Bank's Independent Evaluation Group (IEG) validates the evaluation carried out by the Task Team, so it is important that the ICR is accurate and reflects on opportunities for improvement, even if that means reflecting on things the Bank could have done better in supporting the Borrower.

ICRs can be shared across Bank Task Teams, so that colleagues undertaking similar projects can learn from historic successes and challenges. To ensure findings are as robust and insightful as possible, procurement could run through the checklist of questions in Table 31, which considers the project's success from an SPP perspective.

Some projects will be selected for a Project Performance Assessment Report, which conducts a more detailed evaluation of project operations. This review is likely to base its findings on interviews and a review of project documents.

TABLE 31 Lessons learned considerations for ICR review of SPP

SPP-related Evaluation Factors for Task Team to Review in ICR <i>*Note: these questions should be used to identify areas where further investigation is needed to identify improvement opportunities</i>	
Planning and strategy	
The market analysis was thorough and identified opportunities to achieve SPP objectives	<input type="checkbox"/>
The procurement approach was appropriate for the market conditions and maximized opportunities to achieve SPP	<input type="checkbox"/>
PIU/IA procurement was adequately involved in the early stages of the project to influence project objectives and design, allowing procurement to contribute to setting and achieving PDOs	<input type="checkbox"/>
There was sufficient knowledge of project E&S risks to incorporate into the PPSD and influence the procurement approach	<input type="checkbox"/>
There was good collaboration between procurement and E&S teams, both within the PIU/IA and the Task Team	<input type="checkbox"/>
Bank support and oversight was adequate for the level of E&S risk and complexity	<input type="checkbox"/>
Implementation	
Procurement Documents were comprehensive and gave Bidders clarity of accountability for E&S risks	<input type="checkbox"/>
Project-specific E&S risks and opportunities were incorporated into the specifications in a way that was clear for Bidders	<input type="checkbox"/>
Where national bidding documents were used, the Borrower incorporated Task Team input and ensured major E&S risks were covered	<input type="checkbox"/>
There was healthy participation in the bidding process, demonstrating that the opportunity was attractive to the market	<input type="checkbox"/>
Engagement with the market was open and positive, and the PIU/IA's responses to Bidder questions were satisfactory and transparent	<input type="checkbox"/>
The evaluation methodology used rated criteria and incorporated a qualitative approach to assessing Bidder capacity including in sustainability matters	<input type="checkbox"/>
The mobilization phase set the project up for success and included training for personnel on E&S risks and issues	<input type="checkbox"/>
Borrower contract management followed the CMP and held the Contractor to account for delivery and mitigation of E&S risks	<input type="checkbox"/>
Supply chain risks were well managed, including E&S risks related to Primary Suppliers	<input type="checkbox"/>
Bank monitoring and PIU reporting allowed for early identification, notification, and resolution of E&S risks and issues	<input type="checkbox"/>
The Bid price methodology demonstrated value in the long term and allowed sufficient flexibility for dealing with changes throughout the project	<input type="checkbox"/>

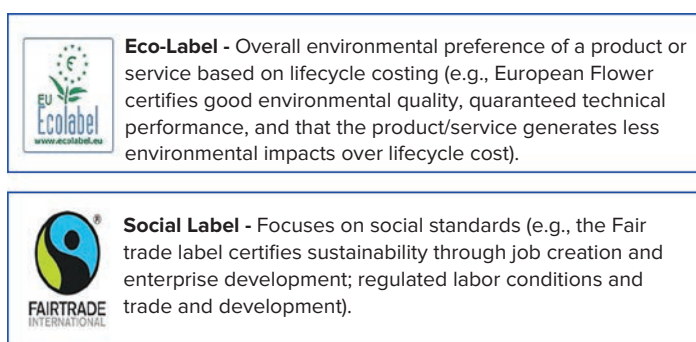
Eco/Social Labels

Using Eco/Social Labels

Standard certificates and labels are valuable tools for implementing SPP. They can help Borrowers overcome some of the challenges they face when trying to sensibly deliver social or environmental sustainability. The Procurement Regulations (Annex VII, 2.6.) permit the use of:

“Internationally recognized certification or accreditation schemes [that] demonstrate [a] firm’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 may be recognized. Firms may also be able to demonstrate that they apply equivalent sustainable management measures, even without certification.”

FIGURE 79 Examples of eco/social labels



When applied appropriately, Borrowers may find labels useful when preparing conformance specifications, developing award criteria or verifying compliance with relevant E&S criteria. However, for labels to be used appropriately, the following considerations ought to be taken into account:

- The label must be a credible, internationally recognized certification or accreditation scheme;
- The use of a particular label needs to be relevant to the subject matter of the procurement; and
- Vendors should not be required to be registered under a particular label; equivalent labels or accreditation should be allowed.

Though not as numerous as eco-labels, some social labels are beginning to emerge in a number of market sectors. Social labels can cover different types of socioeconomic issues, such as human rights, workers' rights, a ban on child labor, payment of a fair price to developing country producers, and so on. Some labels also incorporate both E&S aspects. Others focus on a single issue (for example, GoodWeave, dedicated to ending illegal child labor in the carpet industry, or the Forest Stewardship Council for sustainable forestry).

When writing specifications and developing evaluation criteria, Borrowers must make sure that the specifications related to the social performance of the suppliers are relevant to what is being procured, as described in Table 32.

TABLE 32 ISO 14020 Series of Environmental Standards Classification

Standard	Description	Application
Type I, ISO 14024	Eco-Labels	Voluntary, multiple criteria based, third party verified, and based on lifecycle considerations.
Type II, ISO 14021	Green Claims	Declarations firms make about their product or service. These types of eco-labels are not independently verified.
Type III, ISO 14025	Environment Impact Labels	Product information shared through a list of parameters; no evaluation, just data.
"Type I-like"	Focus on Single Issues	Energy consumption, sustainable forestry, etc.

For more information on labels and certification schemes available worldwide, refer to:

- (a) [Ecolabel Index](http://www.ecolabelindex.com/)—<http://www.ecolabelindex.com/>
- (b) [Global Ecolabelling Network \(GEN\)](http://www.globalecolabelling.net/eco/eco-friendly-products-by-category/)—<http://www.globalecolabelling.net/eco/eco-friendly-products-by-category/>
- (c) [EU GPP Criteria](http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm)—http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm
- (d) [Standards Map](http://www.standardsmap.org/)—<http://www.standardsmap.org/>
- (e) [International Finance Corporation/WB Performance standards](http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards)—http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards

Sample Terms of Reference for Engaging a Project Supervising Engineer

Terms of Reference for Supervising Engineer

Project Name: _____

Reference No: _____

Contracting Authority: _____

Applicants are requested to submit a CV and a covering letter (no more than two pages) detailing their suitability for the role, in particular relevant experience, and demonstration of the required skills.

Project overview	<p>Insert a description of the project including:</p> <ul style="list-style-type: none"> ■ Project objectives ■ Description of works ■ Location ■ Timeframe ■ Current stage
Description of services	<p>Include a description of the services sought, including a summary of monitoring and supervisory responsibilities such as:</p> <p>Overall responsibilities</p> <ul style="list-style-type: none"> ■ Review the Contractor's design drawings and oversee the Works to ensure that they meet all the standards and specifications included in the contract; ■ Oversee the implementation of the environmental and social (E&S) risk mitigation measures included in the Contractor's Environmental and Social Management Plan; ■ Ensure that all Works comply with the agreed schedule and budget, terms and conditions of the contracts, standard engineering practice, and relevant standards (Environmental and Social Standards – ESSs) from the World Bank's Environmental and Social Framework (ESF), in particular the key E&S risks identified in the contract;; ■ Monitor and report on progress and quality of Works to the Employer during the project's implementation; ■ Provide general guidance and issue instructions to Contractors; ■ Make engineering decisions in consultation with the Employer; and ■ Immediately advise the Employer of any serious work progress, quality control, E&S or implementation issues as they arise.

(continues)

Site Mobilization

- Review and approve the Contractor's Environmental and Social Management Plan to ensure it contains adequate mitigations for the project's E&S risks, giving consent for site mobilization;
- Attend the SEA/SH orientation conference along with the Contractor, its Subcontractors, DAAB members, and others;
- Receive declarations from Subcontractors in relation to SEA/SH (to the effect that they have not been subject to disqualification due to non-compliance);
- Establish a positive and amicable, but impartial, liaison with the Contractor(s);
- Review the project health and safety manual to ensure it aligns with industry standards;
- Review and comment on the Contractor's Works plans and methodology to ensure they are robust and well devised.

Project Implementation

- Undertake site visits as required to provide oversight of the Works and review progress, with particular attention to ensuring Contractors' adherence to the design and construction drawings and specifications, and suitable management of E&S risks;
- Maintain written records of all contractual issues identified on site, including breaches, performance issues, changes to key personnel, health and safety notifications, and training programmes, to help the Employer to validate the Contractor's reporting;
- Inform the Employer's Project Manager as soon as practicable of all significant developments in the Works, health and safety incidents, contract breaches, or other matters of concern;
- Ensure the Contractor's complete and timely compliance with the Works schedule;
- Random (but at least every two weeks) scrutiny of the Contractors' daily records, material testing results, batch records, survey records, training records, and so on;
- Random sampling and testing of Contractor's materials to ensure compliance with the specifications;
- Prepare pro-forma monthly supervision reports with support photos for the Project Manager;
- Review and make recommendations on any claims submitted by the Contractor for additional payments and extensions of time;
- Conduct formal Site Meetings with the Contractor and keep minutes of matters of concern;
- Guide the Contractor on critical elements of construction, including but not limited to:
 - a. Interpretation of technical specifications;
 - b. Matters relating to worksite safety and traffic management; and
 - c. Construction methodology.
- Confirm that Practical Completion has been reached, and advise the Employer's representative accordingly;
- Monitor the health, working conditions, and hours of work of the workforce;
- Agree to contract variations in an emergency situation, without requiring the consent of the Borrower;
- Instruct the Contractor to reduce any risk affecting the safety of life, of the Works, or of an adjoining property;
- Agree to the Contractor's actions to remedy any damage to the environment or property and/or nuisance to people, on or off site, as a result of the Contractor's operations;

	<ul style="list-style-type: none"> ■ Review any additional requirements to the C-ESMP that are necessary to manage emerging E&S risks and impacts; ■ Review the C-ESMP following the Contractor's periodic review, not less than every 6 months; ■ Receive notifications from the Contractor of any allegation, incident or accident, which has or is likely to have a significant adverse effect on the environment, the affected communities, the public, Employer's Personnel or Contractor's Personnel; ■ Require the Contractor to remove anyone whose conduct risks damage to safety, health, or the protection of the environment, or who breaches the Code of Conduct; ■ Consent to the Contractor's risk assessment before children between the minimum age and the age of 18 are permitted on site; ■ Receive a monthly summary from the Contractor of employment records of the workforce, including names, ages, genders, hours worked, and wages paid to all workers; and ■ Periodically review training and induction records to ensure workers are up to date with necessary training, in particularly OHS and E&S matters, before being allowed to work on site.
Required work experience	<p>Include work experience required from applicants, making it relevant to the project where necessary. In the example below, phrases in (brackets) can be substituted to be relevant for the project.</p> <ul style="list-style-type: none"> ■ Minimum 10 years of professional experience in the relevant field of (civil) engineering working on projects of national significance, particularly in the delivery of (wastewater/solar/health) projects ■ Knowledge of procurement, tendering and contracting processes and establishing requirements; ■ Working experience in the area of preparation, implementation, and monitoring of technical construction schedules and drawings; ■ Experience in providing written reports to a high standard suitable for an audience of senior government officials; ■ Proven verbal communication skills, with excellent spoken command in English and (Arabic); ■ Interpersonal skills, including managing and resolving conflict and working with multi-disciplinary teams; and ■ Self-starter, experienced at developing own work plans and monitoring schedules, and using experience to identify and investigate potential issues.
Qualifications	<ul style="list-style-type: none"> ■ Bachelor's degree in civil Works (or equivalent professional experience) ■ Member of national institute of _____ ■ Up to date licenses and insurances ■ Successful applicant will be required to complete a background and reference check
Reporting arrangements	<ul style="list-style-type: none"> ■ This role will report to the _____. ■ Monthly progress reports will be submitted to provide updates on work done to meet the requirements included in this ToR. ■ The assignment will expire at the completion of the project, with interim review periods every (1 year) to agree a contract extension.
Evaluation criteria	<ul style="list-style-type: none"> ■ Qualifications – 20% ■ Relevant work experience – 50% ■ Demonstration of relevant skills (for example, languages, interpersonal skills) – 30%

Endnotes

- ¹ [Marrakech Task Force on Sustainable Public Procurement](#), United Nations Environment Programme (UNEP), 2011.
- ² The adoption of environmental and social practices by businesses is often known as responsible business conduct (RBC) or corporate social responsibility (CSR).
- ³ [Productivity in Public Procurement](#), OECD (2019).
- ⁴ Up to 55 E&S issues cascade from the ESF into procurement-related implementation actions.
- ⁵ [The Paris Agreement](#), United Nations Climate Change.
- ⁶ Rules governing activities of Borrower staff in the procurement of IPF projects is governed by the Procurement Regulations; additionally, Bank staff must apply rules set out in the [Bank Procurement Policy](#), both of which are guided by the Bank's Core Procurement Principles of value for money, economy, integrity, fit for purpose, efficiency, transparency, and fairness.
- ⁷ The ESF was established as mandatory Bank policy by the [World Bank Environmental and Social Policy for Investment Project Financing](#).
- ⁸ The term "procurement" is commonly used throughout the document and should be read as "public procurement" given this Guidance is primarily addressed to World Bank staff and Borrower countries.
- ⁹ [How large is public procurement?](#), the World Bank (2020).
- ¹⁰ The project named [Capacity Building for Sustainable Public Procurement in Developing Countries](#) was piloted in seven countries: Chile, Colombia, Costa Rica, Lebanon, Mauritius, Tunisia, and Uruguay.
- ¹¹ [Sustainable Public Procurement Implementation Guidelines](#), UNEP (2012).
- ¹² [Sustainable Public Procurement: 2022 Global Review](#), United Nations Development Programme (2022).
- ¹³ 26 OECD countries and 1 partner, Brazil, [OECD](#) (2021).
- ¹⁴ Chapter 8. Public Procurement, [Government at a Glance](#), OECD (2021).
- ¹⁵ The OECD Foreign Bribery Report (2014) collected data that showed that more than half of foreign bribery cases occurred to obtain a public procurement contract, and almost two-thirds of foreign bribery cases studied occurred in sectors closely associated with contracts or licensing through public procurement: the extractive, construction, transportation and storage, and information and communication sectors.
- ¹⁶ [Corruption and the Challenge to Sustainable Public Procurement \(SPP\): A Perspective on Africa](#), Eyo (2017).
- ¹⁷ [Guidance for Leadership in Sustainable Purchasing \(Version 1.0\)](#), Sustainable Purchasing Leadership Council (2014).
- ¹⁸ World Bank Group. 2013. [World Bank Group Strategy](#). Washington, DC. © World Bank.
- ¹⁹ [Bank Policy – Procurement in IPF and Other Operational Procurement Matters](#), the World Bank (2017).
- ²⁰ This Guidance sets out a good practice SPP approach that is consistent with the Bank's Procurement Policy and should be read in conjunction with other Bank Guidance such as: Project Procurement Strategy for Development (PPSD) (available in [Long Form](#) or [Short Form](#)), [VfM](#), [Evaluation Criteria](#) and [Contract Management – Practice](#).
- ²¹ [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- ²² The US Government's Bureau of International Labor Affairs maintains a [List of Goods Produced by Child Labor or Forced Labor](#), which also highlights the regions where these issues are most likely to arise.
- ²³ "'Tsunami of data' could consume one fifth of global electricity by 2025," The Guardian (December 11, 2017).
- ²⁴ Contained in the sustainability aspects of the Project Procurement Strategy for Development (PPSD), described further in Section X.

- 25 Sustainable Procurement in Fragile States, International Institute for Sustainable Development (2012).
- 26 [Procurement Guidance: Procurement Hands-on Expanded Implementation Support](#), the World Bank (2019).
- 27 [Procurement Hands-on Expanded Implementation Support](#), World Bank guidance.
- 28 Overview of the World [Bank's Environmental and Social Framework](#).
- 29 The financing agreement between the Bank and the Borrower requires use of the ESF.
- 30 ESS 1, paragraph 27 (page 19).
- 31 Relevant ILO conventions on labor and working conditions are referenced in the [ESS 2: Labor and Working Conditions—Guidance Note for Borrowers](#).
- 32 Relevant UN conventions on the environment include The Vienna Convention for the Protection of the Ozone Layer, The Basel Convention on the Control of Trans-Boundary Movements of Hazardous Waste, and the Stockholm Convention on Persistent Organic Pollutants.
- 33 United Nations' [Sustainable Development Goals](#).
- 34 Set out in the World Bank Environmental and Social Policy for Investment Project Financing, page 9, paragraph 46 of [the ESF](#).
- 35 The Bank's [Procurement Framework](#) incorporates a number of measures, including Procurement Policy, the Procurement Regulations, the Procurement Directive, Procurement Procedure, and includes a range of Guidance Notes and Standard Procurement Documents.
- 36 ESS 1—Annex III: Management of Contractors (page 29); ESS1—footnote 1 (page 15): “Contractors retained by or acting on behalf of the Borrower or an implementing agency are considered to be under the direct control of the Borrower.”
- 37 ESS 1—Annex III: Management of Contractors (page 29); ESS1—footnote 1 (page 15): “Contractors retained by or acting on behalf of the Borrower or an implementing agency are considered to be under the direct control of the Borrower.”
- 38 ESS 1—footnote 34 (page 20): “Core functions of a project constitute those production and/or service processes essential for a specific project activity without which the project cannot continue.”
- 39 ESS 1—footnote 34 (page 20).
- 40 Request for Proposal (Two Stage), Standard Procurement Documents, World Bank (2023). <https://thedocs.worldbank.org/en/doc/237f11d9047bda7b0bddcbdf117add47-0290012023/original/SPD-RFP-Works-DB-Two-Stage-SEASH-JULY-2023.docx>.
- 41 Note: Spelling of ‘labour’ inserted where original contract text includes UK spelling (FIDIC).
- 42 World Bank Environmental and Social Policy, paragraph 3a (page 3); paragraph 6 (page 4); paragraph (page 7); paragraph 53 (page 10); paragraph 56 (page 10).
- 43 ESS 2 – G, paragraph 42 (page 36).
- 44 Bank Directive, [Procurement in IPF and other Operational Procurement Matters](#).
- 45 [Procurement Policy in IPF and Other Operational Procurement Matters, July 2016](#).
- 46 [Methodology for Assessing Procurement Systems](#) (MAPS).
- 47 [Draft Guide to the APA Assessment](#), Methodology to Assess Alternative Procurement Arrangements in Borrower Implementing Agencies for Procurement financed under IPF, World Bank guidance.
- 48 [Shock Waves: Managing the Impacts of Climate Change on Poverty](#), the World Bank (2016).
- 49 Country commitments are monitored by the [Net Zero Tracker](#) developed by the Energy and Climate Intelligence Unit (ECIU).
- 50 “Net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance” (United Nations, [Net Zero Coalition](#)).
- 51 [World Bank Group Climate Change Action Plan 2021-2025](#).
- 52 CCDRs by region can be found [here](#).
- 53 [Green Public Procurement: Catalyzing the Net Zero Economy](#), WEF and BCG (2022).
- 54 [Projects & Operations portal](#), World Bank.
- 55 [Industrial Analytics Platform](#), United Nations Industrial Development Organization (2021).
- 56 [Net Zero Challenge: The Supply Chain Opportunity](#), World Economic Forum (2021).
- 57 [Green Public Procurement: An Overview of Green Reforms in Country Procurement Systems](#), the World Bank (2021).

- 58 [Going Green: Best Practices for Sustainable Procurement](#), OECD (2015).
- 59 Bank Procedure: Preparation of Investment Project Financing, World Bank (2021).
- 60 [Dominican Republic - Country Partnership Framework for the Period FY 22-26](#), the World Bank (2022).
- 61 The reference number P163260 is the World Bank project number.
- 62 [Women, Business and the Law 2023](#)
- 63 See Section VI of the Procurement Regulations on Approved Selection Methods, which is expanded on in the [Project Procurement Strategy for Development—Long Form Guidance](#); see Section VIII. Design of Procurement Approach and Recommendation, in particular 8.4 Contract Strategy (page 51).
- 64 The Bank's [guidance on procurement of PPPs](#) is developed by the Public–Private Infrastructure Advisory Facility (PPIAF).
- 65 Country Procurement Thresholds are set out [here](#), as directed by the Procurement Regulations.
- 66 This is informed by the PPSD prepared by the Borrower and is outlined in the Procurement Plan that is appended to the Project Appraisal Document (PAD).
- 67 MAPS, [Sustainable Procurement Module](#).
- 68 [World Bank Project Cycle](#).
- 69 Section IV, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- 70 Section 16, [Operational Policy 11.00](#), the World Bank (2011).
- 71 Section 6, Annex II, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- 72 [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- 73 Section 16, ESS1, [Environmental and Social Framework](#), the World Bank (2017).
- 74 Paragraph 28(b), Paragraph 29, ESS1, [Environmental and Social Framework](#), the World Bank (2017).
- 75 Paragraph 11, ESS10, [Environmental and Social Framework](#), the World Bank (2017).
- 76 Paragraph 13, ESS2, [Environmental and Social Framework](#), the World Bank (2017).
- 77 [World Bank Group Gender Strategy \(FY16-23\): Gender Equality, Poverty Reduction and Inclusive Growth](#), (2015).
- 78 Practice Note: Towards Gender Responsive Procurement, PROLAC, World Bank (2022).
- 79 [Procurement Sexual Exploitation and Abuse and Sexual Harassment \(SEA/SH\) Prevention and Response Measures](#), the World Bank (2021).
- 80 [IPF Solar Procurement Bidder Declaration – Forced Labor](#), World Bank (2021).
- 81 Core functions of a project constitute those production and/or service processes essential for a specific project activity without which the project cannot continue (footnote 34, page 20, [Environmental and Social Framework](#), the World Bank (2017)).
- 82 [IPF Solar Procurement Bidder Declaration – Forced Labor](#), World Bank (2021).
- 83 [Technical Note on Accessibility](#), World Bank (2022).
- 84 [Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups](#), the World Bank (2021).
- 85 Although this flexible term is also used to describe procurement processes that seek to include businesses owned by minorities or individuals from historically underutilized or disadvantaged groups (including people with disabilities) in procurement processes.
- 86 [Technical Note on Accessibility](#), World Bank (2022).
- 87 [Long Form PPSD Guidance](#) and [Template](#), and the [Short Form PPSD Guidance](#) and [Template](#)
- 88 Specific advice on completion of the PPSD is available, both for the [Long Form PPSD](#) (for higher-risk and -value procurements) and the [Short Form PPSD](#) for all other procurements.
- 89 Available for both the [Long Form PPSD](#) and the [Short Form PPSD](#).
- 90 Taken from Annex V, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- 91 Section III. Project Overview, [Long Form PPSD Guidance](#), World Bank (2016).
- 92 [Mandatory Note to Borrowers to mitigate forced labor risk in the procurement of solar panels/components](#).
- 93 Section IV. Strategic Assessment of Operating Context and Borrower Capacity, [Long Form PPSD Guidance](#), the World Bank (2016).
- 94 Developed based on PESTLE analysis in Section 4.1. Strategic Assessment of Operating Context and Borrower Capacity, [Long Form PPSD Guidance](#), the World Bank (2016).

- 95 Section 4.2. Assessment of Borrower Capability and Project Implementation Unit (PIU), [Long Form PPSD Guidance](#), the World Bank (2016).
- 96 MAPS, [Sustainable Procurement Module](#).
- 97 Section 4.3. Market Research and Analysis, [PPSD Long Form Guidance](#), the World Bank (2016).
- 98 [Sustainability and Circularity in the Textile Value Chain](#), United Nations Environment Programme (2020).
- 99 Supply Chain Management: An introduction and practical toolset for procurement practitioners, World Bank Procurement Guidance (2022).
- 100 The overall approach to the Procurement Risk Analysis is set out in Section V. Procurement Risk Analysis, [PPSD Long Form Guidance](#), the World Bank (2016).
- 101 Section V, [Long Form PPSD Guidance](#), the World Bank (2016).
- 102 [Risk Allocation and Pricing Approaches – Guidance Note](#), Government Commercial Function, UK Government; [COVID-19 Construction Risk Management](#), Construction Sector Accord (NZ), 2022.
- 103 Based on the risk matrix example set out in [COVID-19 Construction Risk Management](#), Construction Sector Accord (NZ), 2022.
- 104 Section 4.3.11, [Long Form PPSD](#), the World Bank (2016).
- 105 Section 5.51 (page 23), [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- 106 Section VIII, [PPSD Long Form Guidance](#), the World Bank.
- 107 A study on timber specifications and requirements in the European Union identified that countries use different combinations of these tools in order to verify the quality and sustainability of the timber they procure: ([GPP/Ecolabel criteria for timber and timber products](#), European Commission (2018)).
- 108 Section 5.26, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- 109 Section 2.5, Annex VII, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
- 110 Taken from [Guidance – Sustainable Procurement in World Bank Investment Project Financing](#), the World Bank.
- 111 [Guidance—Sustainable Procurement in World Bank Investment Project Financing](#), the World Bank (2019).
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- 131 2(b), Section III—Evaluation and Qualification Criteria, Works SPD.
- 132 [Construction Contract 2nd Edition \(2017 Red Book\)](#), International Federation of Consulting Engineers.
- 133 Note: the term Bidder is replaced by the term Contractor at the relevant stage in the process, as the successful Bidder becomes the Contractor upon signing the contract.

- 134 This provision has been included in SPDs with labor components, namely the procurement of works.
 135 Section 8.7.1, [Long Form PPSD Guidance](#), the World Bank (2016).
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 137 Included as clause 4.20 in the Bank's Works SPDs.
 138 Annex I, [PPSD Long Form Guidance](#).
 139 [Procurement Guidance: Medical Diagnostic Imaging \(MDI\) Equipment](#), the World Bank (2019).
 140 Section B.1, [Bank Guidance – Procurement Hands-on Expanded Implementation Support](#), the World Bank (2019).
 141 Annex II – Procurement Oversight, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).
 142 Subclause 4.1, Bank's Particular Conditions, [Bank's Works SPD](#).
 143 [World Bank Project Cycle](#).
 144 [World Bank Project & Operations website](#).
 145 Total project cost includes funding from World Bank and non-bank sources in US\$ millions, which is indicative and will be updated as the project progresses.
 146 [World Bank Project Cycle](#).
 147 [STEP](#).
 148 Note according to the FIDIC red book (2017) on which general conditions in the Bank's Works SPDs are based, "Employer" is the contracting party for whom the work is carried out.
 149 [Design and Build Request for Proposal \(Two Stage\)](#) for projects assessed as high risk for sexual exploitation and abuse and sexual harassment.
 150 Section VIII – Supplier Relationship Management, [Contract Management: General Principles](#) (2017), and Contractual Remedies, [Contract Management: Practice](#) (2018).
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 165 [Thresholds for procurement approaches and methods by country](#), the World Bank (2016).
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172 Section IV, [Procurement Guidance – A beginner’s guide for Borrowers](#), the World Bank.
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