

PROCUREMENT GUIDANCE



Project Procurement Strategy for Development

Short Form Guidance

February 2017



Published February 1, 2016 – Second Edition

Copyright © 2016

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

Disclaimer

This work is a product of the staff of The World Bank. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given. Any queries on rights and licenses, including subsidiary rights, should be addressed to:

Office of the Publisher
The World Bank
1818 H Street NW
Washington, DC 20433
USA
fax: 202-522-2422
e-mail: pubrights@worldbank.org

Common Abbreviations and Defined Terms

This Section explains the common terms and abbreviations used in this Guidance Document. Defined terms are written using capital letters.

Abbreviation / term	Full terminology / definition
BAFO	Best and final offer.
Bank	IBRD and/or IDA (whether acting on its own account or in its capacity as administrator of trust funds provided by other donors).
Borrower	A borrower or recipient of Investment Project Financing (IPF) and any other entity involved in the implementation of a project financed by IPF.
Competitive Dialogue	A selection method for Goods, Works or Non-consulting Services described in Paragraphs 6.39 to 6.41 and Annex XIII of the Procurement Regulations.
Complaint	A procurement-related complaint as described in Paragraphs 3.26 to 3.31 and Annex III, Procurement-related Complaints of the Procurement Regulations.
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,
IBRD	International Bank for Reconstruction and Development, which is part of the World Bank Group.
IDA	International Development Association, which is part of the World Bank Group.
Incoterms	The international commercial terms for goods published by the International Chamber of Commerce (ICC).
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.

Abbreviation / term	Full terminology / definition
Non-consulting Services:	Services, which 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.
PESTLE	A PESTLE (Political, Economic, Social, Technology, Legislative and Environment) is analysis tool for supporting assessment of each of these factors.
Plant	A category of procurement relating the provision of equipped facilities, such as those executed on the basis of design, supply, installation, commissioning, maintenance, modification and protection.
PPP	Public-Private Partnership.
Prequalification	The shortlisting process, which can be, used prior to inviting request for Bids in the procurement of Goods, Works or Non-consulting Services.
Procurement Approach	Procurement approach is the overall design of “fit for purpose” procurement to award contracts that deliver the Project Development Objectives and Value for Money. This includes the Procurement Arrangements, procurement risk management, contract strategy, market engagement, requirements drafting and contract management (where appropriate).
Procurement Arrangements	Procurement arrangements are the combination of Selection Methods and Market Approaches.
Procurement Plan	The Borrower’s Procurement Plan for IPF Projects, as referred to in Paragraphs 4.4 and 4.5 of the Procurement Regulations, 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, contract award, and contract management. It ends on the last day of the warranty period.
Procurement Regulations	The “World Bank Procurement Regulations for IPF Borrowers”.
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 development objectives of the Project and deliver VfM.

Abbreviation / term	Full terminology / definition
Proposal	An offer, in response to a request for proposals, which may or may not include price, by one party to provide Goods, Works, Non-Consulting Services or Consulting Services to another party.
Proposer	An individual entity or joint venture that submits a Proposal for Goods, Works, and Non-consulting Services in response to a request for proposals.
REOI	Request for Expressions of Interest.
RFB	Request for Bids as a selection method.
RFP	Request for Proposals as a selection method.
RFQ	Request for Quotations as a selection method.
Standard Procurement Documents (SPDs)	Procurement documents issued by the Bank to be used by Borrowers for IPF financed Projects. These include, GPN, SPN, EOI, REOI, Standard Prequalification documents, Initial Selection documents, Request for Bids Documents, and Request for Proposals Documents.
SWOT	A SWOT (Strengths, Weaknesses, Opportunities and Threats) is an analysis tool that can support the Borrower Capability Assessment, Market Analysis and Procurement Risk Assessment.
VfM	Value for Money.
Works	A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training.

Contents

Section I. Introduction.....	1
Section II. Background.....	2
2.1 Selecting the Appropriate PPSD Approach and Template	2
2.2 PPSD Preparation and the Project Cycle.....	3
Section III. PPSD Completion.....	5
3.1 Intorduction.....	5
3.2 The Contents of a Short Form PPSD	5
3.3 Project Overview	5
3.4 Strategic Assessment of Operating Context and Borrower Capability	5
3.5 Operational Context	6
3.6 Assessment of Borrower previous Experience, Capability and Project Information Unit (PIU)	7
3.7 Market Reasearch and Analysis	9
3.8 Market Analysis Scope.....	10
3.9 Market Analysis Outputs.....	10
3.10 Sources of Information	11
3.11 Undertaking Market Analysis	11
3.12 Supplier Preferencing.....	12
3.13 Market Engagement	13
Section IV. Procurement Risk Analysis	15
4.1 Approach to Procurement Risk Analysis.....	15
Section V. Procurement Objectives.....	17
Section VI. Procurement Options and Recommendation	19
6.1 General Considerations in Designing a Procurement Approach	19
6.2 Design of Procurement Approach.....	22
6.3 Requirements.....	22
6.4 Specifications	22
6.5 Sustainable Procurement.....	23

6.6	Contract Strategy	23
6.7	Contract Type	23
6.8	Price and Costing Mechanism.....	23
6.9	Supplier Relationship	24
6.12	Price Adjustments	24
6.13	Form of Contract (Terms and Conditions)	24
6.14	Selection Methods	25
6.15	Evaluation Methods	25
6.16	Options Analysis to Determine the Preferred Procurement Approach ...	26
6.17	Evaluation of Procurement Approach against Procurement Objectives .	26
6.18	Review of the Procurement Risks to establish Procurement Approach that best address the known risks	27
Section VII. Preferred Arrangements for Low-Value/Low-Risk Contracts		29
Section VIII. Summary of PPSD to Support the Preparation of the PAD by the Bank		31
Annex I. Short Form PPSD Template		33

Section I. Introduction

The Project Procurement Strategy for Development (PPSD) is a methodology that is used to determine the optimum Procurement Approach to deliver the right procurement result.

The PPCSD requires Borrowers to consider, among other things, the market situation, the operational context, previous experience and the risks present – then from this, determine the right Procurement Approach that will yield the right type of response from the market. By designing the right Procurement Approach, there is far more likelihood of the right suppliers participating, better bids being received, and an overall increased chance of achieving value for money (VfM). Therefore, determining the right Procurement Approach, informed by appropriate analysis is a critical activity that subsequently impacts every following step of the Procurement Process, and onwards into Project implementation.

This Procurement Guidance is for use when drafting the Short Form PPCSD - template attached in Annex I. This Guidance provides a structured approach for Borrowers to use a modern set of procurement tools and techniques to achieve VfM in Projects financed through Investment Project Financing (IPF).

As with the overall preparation of the PPCSD, the use and application of these tools needs to be proportionate to the level of market research and information required to develop a “fit for purpose” Procurement Approach. There is not an expectation that all the tools detailed will be used, but only those most appropriate to the individual Project circumstances. As a minimum the Borrower should use both the Supply Positioning (detailed in PPCSD Preparation and the Project Cycle Sub-Section) and Supplier Preferencing tools (detailed in the next Sub- Section) to inform the right Procurement Approach.

The level of detail in the PPCSD should be proportionate to the risk, value, context, nature and complexity of a Project.

This PPCSD Guidance should be read in conjunction with the World Bank Procurement Regulations for IPF Borrowers.

For reference, more detailed Procurement Guidance is available in the PPCSD Long Form Detailed Guidance, which provides additional information and explanation of the procurement tools and techniques. A series of short briefing videos are also available that explain the use of key procurement tools in the PPCSD process, see www.worldbank.org/procurement. Examples of completed Short Form PPCSDs will be published as case studies in the future.

Section II. Background

The PPSD and the Procurement Plan are documents that the Borrower prepares as part of the Project preparation process for Projects financed through IPF. The Bank reviews the PPSD together with the Procurement Plan as part of Project appraisal and reaches agreement with the Borrower on the Procurement Plan no later than completion of loan negotiations.

No formal clearance of the PPSD is required, however, the PPSD summary will form part of the Bank's Project Appraisal Document (PAD), that summarizes all activities relating to a Project's preparation and the Bank will consider the PPSD summary as part of the overall PAD package and determine whether the whole package can be cleared. Also as part of Project preparation, a Procurement Plan is prepared based on the analysis in the PPSD and this is subject to the Bank's no objection.

In situations of urgent need of assistance because of a natural or man-made disaster or conflicts recognized by the Bank, the Borrower should only prepare a high-level, summary PPSD, as soon as practicably possible. In these situations, the PPSD can be reviewed with the Bank later during implementation.

2.1 Selecting the Appropriate PPSD Approach and Template

The vast majority of Projects financed by the Bank will require completion of a Short Form PPSD template. Table I below details the type of procurement/contract, procurement risk, and value thresholds that should be used to determine when the Short Form PPSD is required. If the scope of the procurement (based on contract type, cost and procurement risk) under a Project does not include any contract, which exceeds the value thresholds in the table then normally a Short Form PPSD should be produced.

The procurement risk rating as shown in the table should be agreed between the Borrower and the Bank. The Borrower and the Bank should also agree when a Short Form PPSD is required.

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

Table I – Thresholds for Completing a Long Form PPSD

2.2 PPSD Preparation and the Project Cycle

The preparation of the PPSP should begin as early as possible in the Project Cycle, which normally will be at the Project Concept stage, once the major contracts in the Project have been identified.

The PPSP provides the basis for preparing the Procurement Plan, which includes a description of the procurement contracts, the procurement risks, the contract values, the approach(s) to market and the Selection Methods. One single PPSP should be prepared for all contracts that are required for a Project. The PPSP should describe the Procurement Approach in sufficient detail for all the procurements to be undertaken during (at least) the first 18 months of the Project and should be updated for the remaining procurements, as important information becomes known. Accordingly, a Procurement Plan should be prepared and agreed with the Bank for the first 18 months of the Project prior to negotiations. The Procurement Plan should be updated every 12 months or earlier. Any updates to the Procurement Plan should be submitted to the Bank for its review and no objection. Any changes to the Procurement Plan should be justified, as appropriate, by the Borrower through a revised PPSP.

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

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

- a) Borrower skills and previous experience in procuring and managing this type of contract;
- b) Difficulty of specifying, or the uniqueness of the contract / Project requirements;
- c) Competitiveness of the market and the number of potential suppliers in the market;
- d) Contract implementation risks; and
- e) Criticality of the contract to Project delivery and Project Development Objectives (PDOs).

The combined assessment of these supply risk factors should be categorized, rated (high through to low) and ranked. Each contract should then be plotted on the y-axis of the Supply Positioning Model.

The relative cost estimate of each contract should be plotted on the x-axis. Relative cost is calculated on the basis of the relative cost of the contract when compared to the estimated total Project procurement cost. The determination of high cost is typically any contract that is 1% or more of the estimated total Project procurement costs.

Mapping contracts in the Supply Positioning Model will place the contract in one of the four named quadrants. Contracts shouldn't be artificially broken down into smaller lots at this stage (although that could be appropriate once the PPSP analysis is complete and determines that this is required as part of the Procurement Approach), while the opportunity to package similar contracts together should also be considered later in the preparation of the PPSP.

If any contract in a Project is categorized as Tactical Acquisition, this indicates a relatively low level of supply risk and therefore requires proportionately less research and analysis. If any of

the contracts are categorized as Strategic Security or Strategic Critical, this indicates a relatively high level of supply risk and therefore requires a greater level of analysis, due diligence, and effort to be applied. Under normal circumstances, contracts that are Tactical Acquisition should simply have the Procurement Approach summarized in Section VI of the PPSD template in Annex I (Preferred arrangements for lower value lower risk contracts).

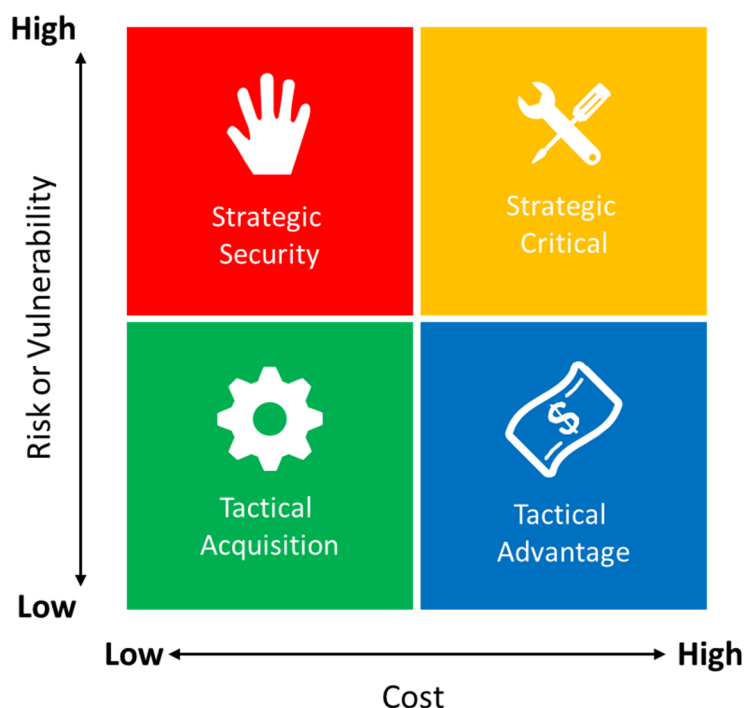


Figure 1 – Supplier Positioning Matrix

On completion of the Supply Positioning assessment, the Borrower should use its judgement to make sure the contract placement on model is realistic. Where data or information is not available, the Borrower should state their “assumptions” and use their best judgement. These “assumptions” and judgements should be reviewed as the PPSD is being prepared and if necessary the Borrower should revisit the Supply Positioning assessment, if there are any material changes to the “assumptions” and / or judgements made.

Section III. PPSD Completion

3.1 Introduction

The Short Form PPSD template takes the Borrower through a series of key stages that help shape the design of a Procurement Approach to produce a “fit for purpose” set of Procurement Arrangements. The Procurement Approach should be designed to ensure that the suppliers (including contractors and consultants) that are most capable of delivering VfM, and the PDOs are motivated to bid, and that the right supplier is ultimately selected for award.

3.2 The Contents of a Short Form PPSD

A “fit for purpose” Procurement Approach should be outlined within the seven Sections of the PPSD as follows:

- a) Project Overview;
- b) Strategic Assessment of Operating Context and Borrower Capability;
- c) Procurement Risk Analysis;
- d) Procurement Objectives;
- e) Procurement Approach Options and Recommendations;
- f) Preferred Arrangements for Low-Value Low-Risk Contracts; and
- g) Summary of PPSD to Support the Preparation of the PAD by the Bank.

A description of the content that should be considered in each PPSD Section is detailed in this Guidance.

3.3 Project Overview

This Section of the PPSD is mainly descriptive; its purpose is to briefly summarize the Project in terms of scale and requirements. Much of the information required here can be drawn from the Project Concept Note. This Section should include:

- a) A summary of the key Project Development Objectives; and
- b) Project Description — for each contract/sub-contract, there should be a short description of what is required from suppliers including the cost estimate.

3.4 Strategic Assessment of Operating Context and Borrower Capability

This Section of the PPSD assesses three different, but interrelated dimensions of capability and risk:

- a) Operational Context;
- b) Borrower Capability and Project Implementation Unit (PIU); and
- c) Market Analysis.

This Section is also designed to provide the ***appropriate and proportionate levels*** of research and analysis that will inform and ***provide the justification*** for the selected Procurement Approach.

At the end of each sub-Section of the PPSD template, the Borrower should document the conclusions that can be made based on the individual assessments undertaken. The conclusions should be focused on the factors that will need to be considered and addressed in the Procurement Approach, such as a Borrower's capability building requirements, market engagement approach, and an overview of the options available for the Procurement Approach for each contract.

3.5 Operational Context

The PPSD should analyze and take into consideration the operational context factors that may affect the Procurement Approach, the motivation of suppliers to participate, and the likely success of any subsequent contracts. This should include:

- a) **Governance aspects:** fragile or conflict-affected situations that may raise security concerns; state involvement in the specific economic sector (such as state owned enterprises receiving government subsidies), legislative processes that may regulate the market / suppliers; the overall legal framework; and disaster or emergency situations;
- b) **Economic aspects:** a small economy that may result in a lack of competition or difficulty attracting international suppliers; high inflation that may require use of another currency or inflation protection terms that protect a supplier so they are motivated to participate; any domestic preference that may motivate local businesses, but endanger international competition; track-record of on-time payment to suppliers, and exchange rate volatility;
- c) **Sustainability aspects:** sustainable procurement requirements, such as use of government environmental standards (e.g. energy / water efficiency targets); social impacts associated with working in sensitive environments; importing of labour and labour standards; and
- d) **Technological aspects:** speed of technological change; need for information transfer and security so there is not a continued dependency on the suppliers; internet access and restrictions; cell phone access and coverage; opportunity for, and dependency on, the use of technology for Project delivery.

A PESTLE (Political, Economic, Social, Technology, Legislative and Environment) analysis is a useful tool for supporting this assessment. A full explanation of a PESTLE analysis is provided in PPSD Long Form Detailed Guidance, but the diagram below illustrates some of the points to be considered in undertaking the Operational Context assessment using a PESTLE.

Political	<ul style="list-style-type: none"> • Government type, stability • Fragility and conflict • Regulation, rule of law 	<ul style="list-style-type: none"> • Bureaucracy, corruption • State involvement in the economy • Small states
Economic	<ul style="list-style-type: none"> • Growth • Inflation • Exchange rates 	<ul style="list-style-type: none"> • Commodity prices • Unemployment • Labour supply
Social	<ul style="list-style-type: none"> • Demographics • WB social standards • Education, health 	<ul style="list-style-type: none"> • Affected communities • Conflict; Civil unrest • Attitudes
Technology	<ul style="list-style-type: none"> • Emerging technologies • Information availability • Pace of change 	<ul style="list-style-type: none"> • R&D expense • Everyday technology access
Legal	<ul style="list-style-type: none"> • State involvement • Employment law 	<ul style="list-style-type: none"> • Contract/Commercial law • Health and safety
Environment	<ul style="list-style-type: none"> • Climate change • Local legislation • WB environmental standards 	<ul style="list-style-type: none"> • Waste disposal • Impact and remediation

Figure II - Overview of Factors to Consider in Undertaking a PESTLE Analysis

The PESTLE analysis may provide a lot of information so it is important to consider what the findings actually mean for the Procurement Approach. The priority is to identify factors that could impact the Procurement Approach both positively and negatively, while drawing conclusions from this information to inform the Procurement Arrangement that is being designed and detailed in the PPSD.

The PESTLE is particularly helpful at identifying risks, which should be considered as part of Procurement Risk Management in Section IV of this Guidance.

3.6 Assessment of Borrower previous Experience, Capability and Project Implementation Unit (PIU)

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

The Borrower should consider the following factors in assessing their capability and resource "needs" to plan, design and deliver the Procurement Approach:

- a) Previous experience/track record (good and bad) in implementing similar Projects/procurements, and implementing World Bank Projects;
- b) Contract management capacity, capability and track record in following through on commitments made during the procurement process and contained in the contract;
- c) Track-record and market reputation for making contractual payments on-time;

- d) Complaints management and dispute resolution systems that are credible, independent, and engender trust in all parties, through prompt/fair dealing with of complaints;
- e) Procurement capacity (previous experience, technical capability in designing and preparing specifications, and bidding documents, experience in supervision of construction contracts (if applicable), testing of procured items, availability of resources and track record) to undertake successful fit for purpose procurement planning, procurement process, bid/proposal evaluation, supplier selection, and contract award;
- f) Project implementation arrangements;
- g) Administrative arrangements, including delegated authority levels to facilitate timely decision making;
- h) Inspection arrangements;
- i) Contract packaging;
- j) Reliance on, criticality of, and use of professional advisors such as consultants to augment Borrower capability;
- k) Experience using Alternative Procurement Arrangements; and
- l) The need to request Bank hands-on expanded implementation support.

This analysis should not only focus on what didn't go well and could have been improved, but also what went well and why?

Areas to consider include:

- a) What was the marketplace?
- b) Which suppliers bid and which suppliers declined to bid, and why?
- c) Was the Project delivered to time, cost, and quality, and why, or why not?
- d) Were there any disputes and what were the causes?
- e) Overall, were there good marketplace and supplier participation levels and why?
- f) What type of specification was used, did it deliver the right result, and are there any elements of that specification that may be relevant to this Project/contract?
- g) What type of Procurement Approach was used, and with the benefit of hindsight, was this the correct approach, could the approach be made more effective?
- h) What was the approach to contract management, and how effective was this at keeping the Project and supplier under the right level of control?
- i) What staff resourcing did the Borrower use, and were any areas identified post Project where the Borrower would have benefited from additional capacity?

The use of a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is a tool that can support the Borrower Capability assessment. The PPSD Long Form Detailed Guidance provides a detailed overview of a SWOT analysis. Figure III below details some of the considerations and questions Borrowers may wish to take into account in preparing this Section of the PPSD template in Annex I.

Strengths	Weaknesses
<ul style="list-style-type: none"> • What implementation advantages does your organization have? • What does your organization do better than anyone else? • What resources does your organization have access to? • What do stakeholders see as your organization's strengths? 	<ul style="list-style-type: none"> • What could your organization improve? • What should your organization avoid? • What are stakeholders likely to see as your organization's weaknesses? • What factors negatively impact on results?
Opportunities	Threats
<ul style="list-style-type: none"> • Where can you find good opportunities? • Useful opportunities can come from such things as: <ul style="list-style-type: none"> • Changes in technology and markets on both a broad and narrow scale • Changes in government policy related to the requirements • Changes in social patterns, population profiles, lifestyle changes • Local events. • What are the trends? 	<ul style="list-style-type: none"> • What would happen if delivery of the goods/services/works failed? • What are the obstacles to delivery? • What do suppliers do that cause concern? • Are stakeholders' needs changing? • Is changing technology threatening your organization's position? • Are there any budget restrictions? • Could any of your organization's weaknesses seriously threaten delivery? • What systems and procedures are in place to identify failure early? • What is the reputational risk? • Are there any political, policy or legal changes that could threaten the procurement? • What challenges are there relating to the geography/geographic location of the Project?

Figure III – SWOT Analysis

The Borrowers assessment of its previous experience, capability, strengths and weaknesses should be supported, demonstrated and corroborated by reference to credible third party audit reports or similar documentation. In developing the Procurement Approach the Borrower should demonstrate experience in undertaking similar types of procurement (and Procurement Arrangements) and successful implementation. Where the proposed Procurement Approach hasn't been used previously (or were not previously successfully implemented), the Borrower should explain how they would obtain the capability and capacity to implement the Procurement Approach. Any associated risks should be considered as part of the Procurement Risk Analysis in Section III of the PPSD template in Annex I.

3.7 Market Research and Analysis

The objective of market research and analysis is to develop an appropriate understanding of the market sectors that have been identified as having the potential to bid for the goods, services, and/or works required for a contract within a Project. This is to ensure the eventual Procurement Approach maximizes the likelihood of the right suppliers participating, and the right supplier being selected (minimizing failed procurement processes due to no bids, or the wrong types of bids).

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

This information should then be analyzed to design the Procurement Approach to ensure the right markets and suppliers are targeted, so that the Procurement Approach maximizes market interest – noting that high value/profile procurement is not always sufficient motivation for the right suppliers to participate.

3.8 Market Analysis Scope

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

- a) Identify the type of market;
- b) Describe the nature of competition and how it really works;
- c) Establish supply market capability;
- d) Estimate the total and available supply market capacity;
- e) Know the factors influencing the market, and how this may affect supplier participation;
- f) Understand how factors influencing the market may drive change and the impact of this change;
- g) Know who the key suppliers are and their plans for the future;
- h) Identify costs associated with the supply of goods, services and works;
- i) Identify pricing methods the suppliers use in this market;
- j) Establish pricing trends in terms of actual prices and pricing methods;
- k) Understand current best practice pricing methods and the availability of cost and price benchmarks;
- l) Identify risk associated with a market and describe how the risk should be managed;
- m) Assess the Borrower's previous experience of achieving VfM when operating in similar markets;
- n) Describe how other customers in the market achieve VfM, and get the right result; and;
- o) Determine whether the Borrower's contract is likely to have any positive or negative impact on the market (Will the right suppliers bid? In the right way? To get the right result?).

3.9 Market Analysis Outputs

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

- a) Market capability to meet the Borrower's needs including typical experience levels, package sizes, and financial performance;
- b) Previous experience in the market by the Borrower, and other customers including on World Bank and non-World Bank Projects;
- c) Market view of the Borrower (from a supplier's perspective) in terms of attractiveness for contracting with (e.g., reliability of payment, procurement capability, timeliness in decisions, complaints handling, and imposing onerous conditions), i.e. are the right suppliers likely to bid, noting these areas;

- d) Modifications to the requirements (if needed) to align them to the market's capability, or actions to influence the market place so that it is willing and able to meet the requirements unchanged;
- e) The nature of competition and what is needed to ensure appropriate levels of participation;
- f) Current good practice for procuring from the market including pricing methods, risk allocation, and benchmarks of performance and cost;
- g) Risks identified, and the mitigation actions, including, allocating risk to the party best placed to manage the risk. This should be documented in Section III of the PPSD template in Annex I; and
- h) Markets risk tolerance (as there is usually a cost in transferring a risk to another party and if the Borrower attempts to transfer too much risk to suppliers, it may result in few or no supplier bids, or a bid that too expensive to select).

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

- a) Develop an approach to engage with the market. This is the approach the Borrower takes to directly engage with suppliers so they can provide feedback, and ideas on the planned specification / requirements, and to create the right marketplace that is motivated to bid for the contracts; and
- b) Identify High Level Procurement Arrangement Options — an overview of the options available for the Procurement Approach for each Project contract as outlined in Section VI of this Guidance.

3.10 Sources of Information

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

3.11 Undertaking Market Analysis

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

As with the overall preparation of the PPSD, the use and application of these tools needs to be proportionate to the level of market research and information required to develop a “fit for purpose” Procurement Approach. There is not an expectation that all the tools will be used, but only those most appropriate to the individual circumstances. As a minimum the Borrower should use both the Supply Positioning (detailed in PPSD Preparation and the Project Cycle sub-Section) and Supplier Preferencing tools (detailed in the next sub- Section) to inform the right Procurement Approach.

The PPSD Long Form Detailed Guidance provides a further reference source on additional tools and techniques that may be used to augment this analysis.

3.12 Supplier Preferencing

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

Supplier Preferencing is a tool that identifies how a supplier views a Borrower (as a customer) and depending on this view, how the supplier is likely to behave. Supplier preferencing categorizes these “views” into 4 segments as detailed in the diagram below. For a detailed description of Supplier Preferencing and its application, see the PPSD Long Form Detailed Guidance.

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

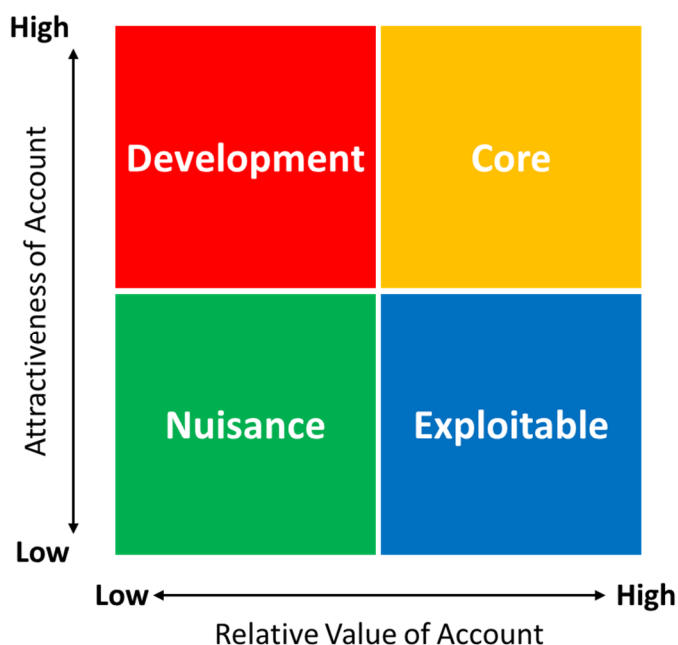


Figure IV – Sources of Market Information

Again, the value of a contract does not in itself make a procurement or a Borrower attractive to a potential supplier. Rather, the whole package of value, coupled with Borrower behavior informs how the supplier is likely to react. The ideal classification is that potential suppliers will see Borrowers as good customers that they already treat as “core” or that that they would like to grow the relative value of the account through “development”. Unfortunately, some

suppliers may see the Borrower as a “nuisance” to be avoided due to high costs of doing business, or as someone that can be “exploited” over the short term. Accurately understanding this dynamic, and how it can be changed to get the right, motivated supplier is critical in ensuring a successful procurement result.

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

- a) What changes the Borrower needs to make to be more attractive to the market?
- b) How to motivate the market to bid and provide a good solution to meet the Borrower’s requirements?
- c) How to engage with the market to optimise the level of supplier participation in a bidding process?

3.13 Market Engagement

Market engagement is a way of discussing the Borrower’s requirements with a marketplace and the suppliers it contains.

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

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

Market Engagement can be undertaken through a number of different ways 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.

Section IV. Procurement Risk Analysis

Procurement risk analysis is the process of identifying and minimizing the likelihood of a risk occurring, and minimizing the impact to the Project. The Procurement risk analysis sets out the plan for tackling risks, noting that inappropriately transferring risks to the supplier, may reduce competition, or result in no bids or a sub-optimal bid.

The major risks identified from the analysis in Section III should be summarized and evaluated, along with any other relevant risks identified through brainstorming. The Procurement Risk Analysis defines the risks, describes the mitigation action and allocates the risk to an owner.

4.1 Approach to Procurement Risk Analysis

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

- a) Market complexity and competitiveness;
- b) Delivery and supply security;
- c) Suppliers and supplier relationships;
- d) Borrower experience, capacity and capability;
- e) Cost trends;
- f) Technical innovation – the degree and rate of change;
- g) Sustainability (environmental, economic, social); and
- h) Business and operating environment.

When considering how and where identified risks could be mitigated, consideration should be given to the stages in the procurement process detailed below.

- a) Market engagement – to ensure the Borrower has an understanding of how the market functions and to demonstrate to suppliers the benefits of working with the Borrower;
- b) Prequalification and Initial Selection – to make sure that only suppliers capable of delivering the requirements are invited to bid;
- c) Specification – to ensure the Borrower clearly states the requirements;
- d) Contract Strategy (contract type, conditions of contract, pricing mechanisms, etc.) – to make sure bids are competitive and ultimately deliver demonstrable VfM;
- e) Selection Methods and Market Approaches – to make the Procurement Arrangements have selected can deliver the PDOs and VfM;
- f) Evaluation Methods – to make sure the most appropriate supplier is selected and all risks are managed and understood.

Section V. Procurement Objectives

The Borrower should develop a list of Key Procurement Objectives based on an assessment of the PDOs, the procurement risk, the Borrower Capability and the Market Analysis.

The Key Procurement Objectives should be described in enough detailed that if achieved, will support the delivery of the PDOs and achieve VfM.

The Procurement Objectives need to be SMART – Specific, Measurable, Achievable, Relevant and Time Bound. It is also important that the Procurement Objectives are prioritized.

Section VI. Procurement Options and Recommendation

This Section of the PPSD template summarizes the options for the Procurement Approach for each of the contracts in the Project. The supporting evidence or justification for each Procurement Approach should be drawn from the previous Sections of the PPSD, with enough detail to logically explain the recommended Procurement Approach.

The output of this Section will be a:

- a) Procurement Approach stating how the Borrower is going to approach the market, select the right supplier, and finalize the contract;
- b) Set of procurement methods and approaches built up from the individual procurement methods that combine to inform the bidding document; and
- c) Procurement Plan that summarises how each contract within the Project will be procured.

All the analysis and research undertaken, as part of the PPSD needs to be brought together to design the different Procurement Approaches that are available to deliver the Procurement Objectives and PDOs. It is likely there will be a number of different Procurement Approaches available. This Section is concerned with generating alternative Procurement Approaches that could deliver the Procurement Objectives and PDOs and then determining which one is most likely to succeed. Where possible, the Borrower should develop a number of alternative Procurement Approaches making sure that they can realistically achieve the stated Procurement Objectives.

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

The PPSD Short Form template details all the various Procurement Approaches and methods that should be considered in developing the right Procurement Approach.

A template should be completed for each option generated, with the justification column only completed once the option analysis has been completed, and then only to justify the final recommended Procurement Approach.

6.1 General Considerations in Designing a Procurement Approach

A. Supply Positioning and Supplier Preferencing

Aligning the needs of the Borrower and the likely behaviors of suppliers who may bid for World Bank financed Projects is a fundamental part of the Procurement Approach design.

As described in Section II, Supply Positioning is a procurement tool used to assess the criticality of the goods, services, and works. Table II below provides an overview of the possible Procurement Approaches and mitigation measures, segmented by the Supply Positioning categorization Borrowers should consider in developing a Procurement Approach.

Buyer's Priority	Description	Approach	Arrangement
Strategic Security <i>Security of supply</i>	<ul style="list-style-type: none"> Low-cost goods/services/works Strategically important Shortage of reliable suppliers 	<ul style="list-style-type: none"> Ensure supply 	<ul style="list-style-type: none"> Long term contracts Build reserve of stock Consider alternative products
Strategic Critical <i>Security of supply at a good price</i>	<ul style="list-style-type: none"> High costs specialist goods/services/works Limited number of suppliers 	<ul style="list-style-type: none"> Manage suppliers 	<ul style="list-style-type: none"> Med/long term contract Contingency planning
Tactical Acquisition <i>Purchasing efficiency</i>	<ul style="list-style-type: none"> Routine purchases Low-value/low-risk goods/services/works Many potential suppliers 	<ul style="list-style-type: none"> Minimal attention 	<ul style="list-style-type: none"> One-off contracts/purchase orders E-purchasing Procurement cards
Tactical Advantage <i>Improving value through leverage tactics</i>	<ul style="list-style-type: none"> High-cost/low-risk goods/services Many potential suppliers 	<ul style="list-style-type: none"> Drive tactical advantages 	<ul style="list-style-type: none"> Short term contracts Ongoing active sourcing for competitive price

Table II – Supply Positioning categorization

Equally Supplier Preferencing identifies the approaches suppliers use based on their segmentation of customers. Table III below provides a view of a supplier's likely approach to a Borrower (as a customer) in each category.

Supplier's Priority	Description	Approach	Arrangement
Development <i>Supplier nurtures relationship, performs well and provides incentives</i>	<ul style="list-style-type: none"> Customer has potential Customer highly sought after Work hard to exceed Customer's expectations Exceptional service levels 	<ul style="list-style-type: none"> High attention 	<ul style="list-style-type: none"> Nurture the Customer Secure further business Price using 'special deals' and marginal costing
Core <i>Supplier seeks to 'lock-in' customer</i>	<ul style="list-style-type: none"> Supplier core business Give high level of service and response Increase profitability in low key manner Ensure ongoing profitability 	<ul style="list-style-type: none"> Proactive customer management 	<ul style="list-style-type: none"> Look after the Customer through excellent service and delivery Retain and expand business Receptive to 'strategic alliances' Seek to 'lock in' Customer through long term contracts
Nuisance <i>Supplier gives minimum attention and seeks to withdraw</i>	<ul style="list-style-type: none"> Little profit made Customer difficult and/or expensive to service Poor at paying bills Provide poor service Supplier's overall objectives: 	<ul style="list-style-type: none"> No attention 	<ul style="list-style-type: none"> Give it low attention Short term contracts Withdraw from business
Exploitable <i>Supplier seeks short term advantage</i>	<ul style="list-style-type: none"> In unique position of strength Increase prices – reduce service costs Seek short-term advantage Prepared to risk losing Customer 	<ul style="list-style-type: none"> Minimal attention 	<ul style="list-style-type: none"> Drive for best price Maximise profit in the short-term

Table III – Supplier Preferencing

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

Where alignment between the Borrower and the Supplier on the Procurement Approach is high, this is a good indication that the indicative Procurement Approach is likely to deliver the expected benefits. However, where there is little alignment, this is a good indication that the indicative Procurement Approach may not be effective in delivering the expected benefits.

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

- a) Potential risks that need to be considered in developing a “fit for purpose” Procurement Approach;
- b) Where Borrowers may need to change supplier perceptions of them by making changes for example, asking the Bank to make direct payments to suppliers if the supplier is concerned about the Borrower’s track record in payment timeliness;
- c) Elements that need to be addressed in the Market Engagement approach to positively position the market as to why a supplier would want to do business with the Borrower;
- d) Actions that need to be included within the risk register, and contingency planning to address highlighted risks;
- e) Potential areas that could be covered under pre-qualification to ensure that suppliers with the best match to the Borrower are qualified to bid; and
- f) Potential evaluation criteria to ensure that questions are included in the request for bids or proposals that ensure suppliers provide information that allows the most aligned suppliers to be identified.

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

B. Types of Competition

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

- a) Type of competitive bidding (determined by the level of competition and the availability of substitutes/alternatives);
- b) Most effective pricing, or costing mechanism (determined by the market pricing approach); and

- c) Level of risk transfer the market will realistically bear (determined by the relative strength and power of the buyer and the supplier's motivation to participate).

The management technique, "Porter's Five Forces" Analysis (described in the PPSD Long Form Detailed Guidance) can be used to undertake a detailed assessment of competition and the factors that determine the type and level of competition.

6.2 Design of Procurement Approach

Application of the right Procurement Approach should be considered in each of the following five (5) stages:

- a) Requirements (specification type and sustainable procurement requirements);
- b) Contract Strategy (contract type, pricing/costing mechanism, supplier relationship, and conditions of contract);
- c) Selection Methods (approved selection methods, particular types of approved selection arrangements, and market approach options);
- d) Evaluation Methods (rated criteria or lowest evaluated cost); and
- e) Contract management.

6.3 Requirements

While the PPSD is not directly concerned with the drafting of Project/contract requirements, the selection of the appropriate type of specification has a critical impact on the Procurement Approach, and subsequent level of market interest.

6.4 Specifications

The two main types of specification are:

- a) Conformance specifications, sometimes known as technical, detailed, input or design specifications; and
- b) Performance specifications, sometimes known as outcome based specifications.

A. Conformance Specification

Conformance specifications are used where a thorough understanding of the requirements already exists, and there is little/no desire for the supplier to innovate.

B. Performance Specification

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

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

6.5 Sustainable Procurement

Sustainable procurement derives from the concept of sustainable development, which has been defined as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Sustainable development defines three pillars for consideration: environmental, social, and economic. The inclusion of additional sustainable procurement aspects beyond the Banks requirements in a Procurement Approach is discretionary. See Sustainable Procurement Guidance for more information.

6.6 Contract Strategy

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

6.7 Contract Type

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

The selection of contract type is Project specific so consideration also needs to be given to the PDOs and Procurement Objectives.

6.8 Price and Costing Mechanism

The choice of the price and costing mechanism should be made at the time the Contract Type and the SPD are selected. Each price and cost mechanism will determine the risk allocation between the Borrower and supplier. Therefore, the cost and price selection should be informed by the contract strategy, the type of specification, the Procurement Risk Analysis, and the Strategic Assessment of Operating Context and Borrower Capacity.

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

- a) Lump Sum;
- b) Performance Based Contracts;
- c) Schedule of Rates/Admeasurement – Contract based on unit prices;
- d) Time and Materials – Time based contracts; or
- e) Cost Plus – Reimbursable cost contracts, either with a fixed fee or % of contract value.

When selecting the appropriate price and cost mechanism, the Borrower should consider:

- a) Specification type – conformance or performance based and how well the requirements can be scoped at the contract outset and how quickly the work needs to start;
- b) Contract type – certain types of contracts look to pass risk to the supplier (such as design, build, operate, and maintain) therefore, the price mechanism needs to be one that is consistent with that approach;
- c) Required allocation of risk – risk is allocated to the party best able to manage the risk;

- d) Operational environment – includes events that are difficult to predict and known issues such as high inflation, delivery and insurance (e.g. INCOTERMS);
- e) Capacity of the Borrower – familiarity with the pricing mechanism and availability of resources to manage the contract; and
- f) Type of market – what will motivate suppliers to bid and deliver.

6.9 Supplier Relationship

The selection of the contract type and price and cost mechanism, generally determines the likely relationship with the supplier during contract and Project delivery. The relationship spectrum can range from adversarial at one extreme, to highly collaborative at the other.

An adversarial/tactical approach may be appropriate where some of the following are present:

• Strong competition in the market;	• Many suppliers and a large supply market;
• Suppliers have little power;	• Standard goods, services, and works;
• High degree of trust between the Borrower and supplier not required;	• The cost of switching to a new supplier is low to nil;
• One off purchases;	• Short-term relationship, with no long-term commitment.

A collaborative approach may be appropriate where some of the following, are present:

• Long-term commitment based on mutual trust, openness, and transparency;	• Agreed shared interests and objectives;
• Shared risk and reward;	• A win-win approach is possible;
• Relationship is one of equal partners;	• Agreement that there should be joint working where both the Borrower and supplier can benefit from seeking ways to reduce cost and add value.

6.10 Price Adjustments

The Banks Standard Procurement Documents offer the option for either fixed prices or adjustable price contracts where adjustments are made to reflect any changes in major cost activities of the contract, such as labor and materials.

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

6.11 Form of Contract (Terms and Conditions)

The final part of the Contract Strategy is selecting the terms and conditions of contract. In many instances, the decisions made on the approved selection methods and SPD) will determine the conditions of contract. However, as a check and balance, the Borrower should establish a determination that is consistent with the overall Procurement Approach.

Decisions on the most appropriate form of contract are driven by the value and complexity of the procurement, procurement risk, uncertainties in contract performance, allocation of risks between the Borrower and supplier and the desired supplier relationship.

6.12 Selection Methods

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

- a) Selection Method;
- b) Selection Arrangement; and
- c) Market Approach.

There are numerous combinations of these three options, however, some are mutually exclusive. The options available are detailed in the Section VI and VII of the Regulations.

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

- a) Market Analysis including the cost and complexity of the contract as determined by the supply position model;
- b) Market Engagement approach; and
- c) Procurement Risk Analysis.

Applying this information to each contract and then to the chosen combination should help keep the activities that make this element of the Procurement Approach consistent.

6.13 Evaluation Methods

Evaluation methods are concerned with establishing the process by which supplier bids and proposals are assessed to determine the supplier that offers the best VfM (and will therefore deliver the right result/PDOs).

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

The evaluation criteria must be designed to enable the Borrower to achieve best VfM in procurements financed by the Bank. The evaluation criteria needs to be appropriate to the type, nature, market conditions, and complexity of what is being procured and must be clearly specified in detail in the RFB/RFP document (www.worldbank.org/procurement).

6.14 Options Analysis to Determine the Preferred Procurement Approach

There will often be more than one Procurement Approach option for the combination of procurements that could be used for a contract. Option analysis is the last analytical stage of preparing the PSD.

To select the preferred Procurement Approach a comparative analysis needs to be undertaken of each potential Procurement Approach. This involves two main activities:

- An evaluation of likely benefits of each potential Procurement Approach against the Procurement Objectives; and
- A review of the Procurement Risks to establish which Procurement Approach best addresses the known risks.

Before an options analysis can begin, each of the procurement options summarized in individual templates (Section VI of this Guidance) should be summarized as a short narrative.

6.15 Evaluation of Procurement Approach against Procurement Objectives

Figure V below is a simple tool to undertake this evaluation. The different Procurement Approaches need to be listed in the first column with the Procurement Objectives listed in the first row. A simple rating is then applied to assess whether each individual Procurement Approach meets each of the Procurement Objectives. The ratings are:

-1 = does not meet the objective; 0 = meets the objective; 1 = exceeds the objective.

Once all the Procurement Approaches and Procurement Objectives have been assessed, the points for each option need to be summed together. Finally each option should be ranked from highest to lowest score, eliminating that any option that fails to meet an objective.

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

Figure V – Option Analysis

6.16 Review of the Procurement Risks to establish Procurement Approach that best addresses the known risks

The second stage is to look at the procurement risk analysis undertaken earlier and evaluate how each procurement option addresses the risks identified. This analysis needs to be completed on any of the remaining procurement options after undertaking the above evaluation. This stage is based on making an assessment of the legacy risk that may exist for each Procurement Approach, and whether the overall risk has reduced because of the application of that particular approach. The final output should be to update procurement risk table in Section III of the PPSD template, for the preferred Procurement Approach. After this assessment, it should be possible to now identify the final preferred Procurement Approach.

Section VII. Preferred Arrangements for Low-Value/Low-Risk Contracts

This Section of the template is used to record the Procurement Approaches for contracts that were identified as part of the Supply Positioning analysis (Section II of this Guidance) as not requiring a detailed assessment and justification for the selected Procurement Approach.

Section VIII. Summary of PPSD to Support the Preparation of the PAD by the Bank

The final stage of the template, is to provide a short summary of the recommended Procurement Approach (and to inform the Procurement Plan), that the Bank will use as part of preparing its Project Appraisal Document (PAD). The summary should be a short description of the recommended Procurement Approach, and a synopsis of the justification for that approach. The following points should be considered in completing this Section.

- a) How the Procurement Approach enables the delivery of VfM in achieving the PDOs, particularly if the recommended approach is less than open competition, or uses new procurement techniques to the Borrower, or presents a high, or substantial risk.
- b) The key procurement risks identified, and the mitigating measures proposed (e.g. relating to the Country, Market Sector, Agency's capacity assessment, and the complexity of the procurement, and the proposed Procurement Approach);
- c) The oversight and monitoring arrangements for procurement, including applicability and need for the Bank to provide hands-on expanded implementation support; whether APA are proposed; any proposed additional oversight (e.g. probity assurance) required, e.g. due to risk in the proposed Procurement Arrangements (such as use of negotiations, competitive dialogue), and confirmation that an acceptable Procurement Plan covering the first 18 months of Project implementation is available; and
- d) The Procurement Arrangements for the high or substantial risk contracts within the Project in the table in the PPSD template.

Annex I. PPSD Short Form Template

1 Project Overview

Completion of the template should focus on describing the details of each of the higher value / risk contracts identified through the application of Supply Positioning as described in the PPSD Preparation and Project Cycle Section of the PPSD Guidance Note. All similar contracts, having similar approaches should be consolidated and described under one heading.

Country:	
Full Project Name:	
Total Finance (\$):	
Project Number:	
Summary of Project Development Objectives	

For each key contract detail a short one-line summary of the requirement including the cost estimate.

2 Overview of Country, Borrower and Marketplace

a. Operational Context

- Governance aspects
- Economic Aspects
- Sustainability Aspects
- Technological Aspects

Key Conclusions

b. Client Capability and PIU Assessment

- Experience
- Need for hands-on support
- Contract management capability and capacity
- Complaints management and dispute resolution systems

Key Conclusions

c. Market Analysis

- Market sector dynamics
- Financial
- Procurement trends

Key Conclusions

3 Procurement Risk Analysis

Risk Description	Description of Mitigation	Risk Owner

4 Procurement Objective

- 1.
- 2.
- 3.
- 4.
- 5.

5 Recommended Procurement Approach for the Project

- **Contract and Estimated Cost:**
- **Procurement Approach** (select from options and complete table below):

Attribute	Selected arrangement	Justification Summary/Logic
Specifications	Conformance/Performance	
Sustainability Requirements	Yes/No	
Contract Type	A. Traditional B. Design and Build C. Design, Build, Operate, Maintain D. Design and Build – Turnkey or Prime Contractor E. EPC and EPCM F. Other:_____	
Pricing and costing mechanism	A. Lump Sum B. Performance based contracts C. Schedule of Rates / Admeasurement D. Time and Materials E. Cost Plus	

Supplier Relationship	A. Adversarial/Collaborative	
Price Adjustments	A. None, fixed price B. Negotiated C. Percentage	
Form of Contract (Terms and Conditions)	D. State any special conditions of contract	
Selection Method	A. Request for Proposals (RFP) B. Requests for Bids (RFB) C. Requests for Quotations (RFQ) D. Direct Selection	
Selection Arrangement	A. Competitive Dialogue B. Public Private Partnerships (PPP) C. Commercial Practices D. United Nations (UN) Agencies E. e-Reverse Auctions F. Imports G. Commodities H. Community Driven Development I. Force Accounts J. Framework Agreements K. Cross Project Opportunities	
Market Approach	A. Type of Competition 1. Open 2. Limited 3. International 4. National 5. No Competition – Direct Selection B. Number of Envelopes/Stages 1. Single Envelope 2. Two Envelopes 3. Single Stage 4. Multi Stage B. BAFO (Yes/No) C. Negotiations (Yes/No)	
Pre / Post Qualification	A. Pre-Qualification B. Post-Qualification C. Initial Selection	
Evaluation Selection Method	A. Quality Cost Based Selection (QCBS) B. Fixed Budget Based Selection (FBS) C. Least Cost Based Selection (LCS) D. Quality Based Selection (QBS) E. Consultant's Qualifications Based Selection (CQS) D. Direct Selection	
Evaluation of Costs	A. Adjusted Bid Price B. Life-Cycle Costs	
Domestic Preference	Yes / No	
Rated Criteria	List the type of criteria to be used (mandatory/desired)	

6 Preferred arrangement for low value, low risk activities (if applicable)

Contract	Category	Estimated cost	Procurement Arrangement and Method

7 Summary of PPSD to be inform the Bank's preparation of the PAD

Contract Title, Description and Category	Estimated Cost US\$ and Risk Rating	Bank Oversight	Procurement Approach/ Competition:	Selection Methods:	Evaluation Method:
			<ul style="list-style-type: none"> National International Open Limited Direct Sole Source 	<ul style="list-style-type: none"> Pre/post Qualification SPD (RFP/RFB) Competitive Dialogue Framework Agreement E-Reverse Auction QCBS/QBS etc. Negotiation BAFO 	<ul style="list-style-type: none"> Rated Criteria (VfM) Lowest Evaluated Cost



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

