

2016 PROCUREMENT FRAMEWORK

Project Procurement Strategy for Development

Implications for supplies, contractors and consultants

PRIVATE SECTOR SEMINAR



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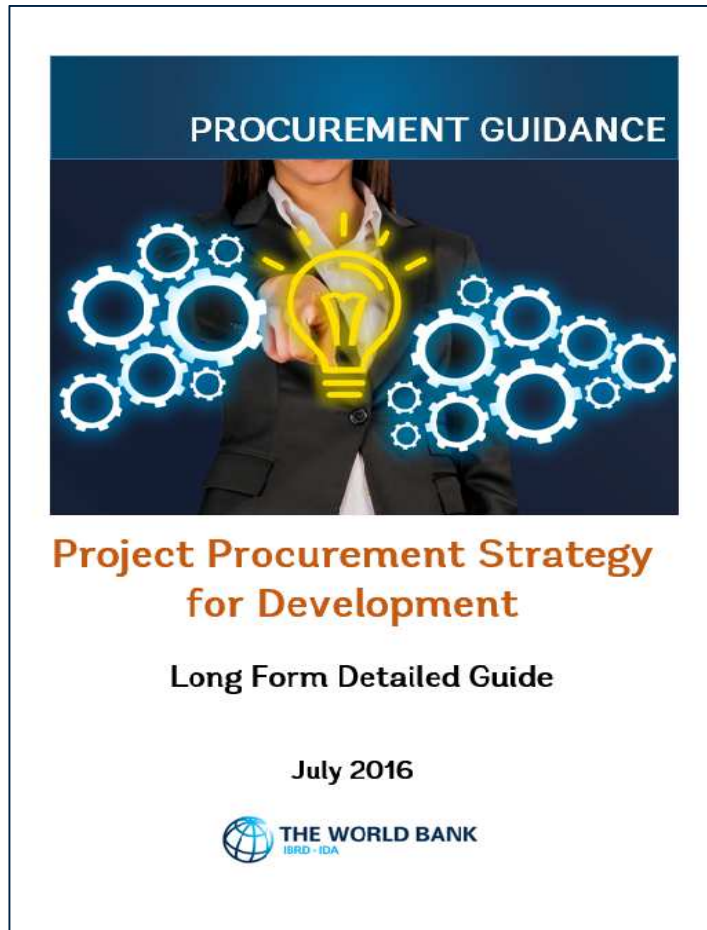
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PROJECT PROCUREMENT STRATEGY FOR DEVELOPMENT

Introduction



What is the PPSD?



- PPSD is a methodology that is used to determine the optimum procurement approach to deliver the right procurement result
- Borrower prepares a PPSD for each project financed under Investment Project Financing
- The Bank reviews the PPSD and approves the procurement plan
- By designing the right procurement approach, there is more likelihood of the right bidders participating, better bids being received, and an overall increased chance of achieving value for money and delivery of project outcomes to time, quality and budget

Key Questions asked by the PPSD

- Borrower capability:
 - What are the Borrower's capabilities and how can they strengthened
- How will the Borrower attract the best suppliers to bid?
 - More upfront market engagement
 - A more interactive approach with the market e.g. sharing the draft bidding documents where appropriate
- What is the best procurement route to choose?
 - Request for Bid or Proposal, Direct Selection, International/National
 - Pre/post qualification, Special conditions of contract
 - Framework agreements, Reverse auctions, Competitive dialogue
 - Value engineering, Best & Final Offer, Negotiation

Key Questions asked by the PPSD (cont)

- How will the bid be priced?
 - Lump sum, Target fee, Schedule of rates
 - Time based, Performance based
- How will responses be evaluated?
 - Substantially responsive/lowest evaluated cost, Value for Money (VFM) rated criteria
- Contract Management approach:
 - Risk management, monitoring of costs, key performance indicators
 - Milestones and deliverables, Contract variations



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PROJECT PROCUREMENT STRATEGY FOR DEVELOPMENT

Contents



Contents of the PPSP

1. Project overview

- Project development objectives
- Results indicators
- High level statement of requirements

2. Strategic assessment

- Country - operational context
- Borrower - capability as client
- Marketplace - market related risk
- Procurement complexity – specification, solutions, evaluation

3. Risk analysis

- Risks that can be mitigated through the procurement strategy

4. Stakeholders

- Who, role, objectives, method and purpose of communication

5. Procurement objectives

- Key objectives that support delivery of the project development objectives

6. Recommended procurement strategy

- Description of the recommended strategy and supporting rationale

7. Activity components

- List of all contracts to be awarded and their scope in terms of value, duration and contract strategy

8. Individual component strategy

- Individual component strategy for those largest components comprising 80% of overall project value

Project Overview

- Description of the Project
- Project development objectives
- Key results indicators
- Statement of any specific legal or policy requirements
- Summary of the proposed procurement activities

Operating Context and Borrower Capacity

Operating Context

- Governance aspects (e.g. fragility and conflict affected states, legal regulatory factors, state involvement in specific economic sectors, disaster or emergency situations)
- Economic aspects (e.g. emerging market sector, small economy, inflation, foreign currency restrictions, local content requirements, track record of timely payments)
- Technological aspects (e.g. ease of doing business, availability of information technology, information transfer and security)
- Sustainability aspects (e.g. government environmental standards, health and safety aspects, labor standards, social impacts associated with specific environments)

Operating Context and Borrower Capacity

Borrower Capacity

- Previous experience / track record in implementing similar projects / procurements
- Procurement capacity to carry out procurement process
- Experience in implementing similar projects, track record and lessons learned
- Contract management capacity
- Track record and market reputation for meeting contractual commitments
- Administrative arrangements to facilitate timely decision making
- Complaints management and disputes resolution systems
- Reliance on advisors to augment Borrower capacity
- Inspection arrangements

Market Research and Analysis

Analyzes market related risks and opportunities that affect the preferred approach to the market

- What is the type of market?
- Who are the potential bidders and what are their capabilities?
- What factors influence the market and do they affect bidder participation?
- What is the total estimated and available supply market?
- What are the costs associated with the supply of goods, services or works?
- What is the nature of competition?
- What are the market related risks?
- What is the market capability?

Market Research and Analysis

Analyzes market related risks and opportunities that affect the preferred approach to the market

- What are the pricing methods used by suppliers?
- What are the trends in pricing?
- What will motivate the market to bid/maximize market interest?
- What are the risks associated with the market and how should they be managed?
- How do other customers in the market achieve VFM?
- What is the Borrower's previous experience with achieving VFM in similar markets?
- Is the Borrower's contract likely to have any impact on the market (positive or negative)?

Market Research and Analysis

What are the outputs of this analysis?

- How best to interact with the market to attract the right suppliers to bid?
- How best can the Borrower maximize their influence with suppliers in the market?
- What is the expected level of performance suppliers will provide?
- How to incentivize suppliers to perform?
- How VFM will be achieved?
- How opportunities, threats and risks will be managed at the different procurement stages?

Market Research and Analysis

How the analysis influences the strategy

- Modification of requirements (if needed) to align them to the market's capability
- Identifies actions needed to ensure appropriate levels of market participation
- Identifies risks and a management plan based on allocating risk to the party best placed to manage it
- Incorporating current good practice for procuring from market including pricing methods, risk allocation and benchmarks of performance and cost

Market Research and Analysis

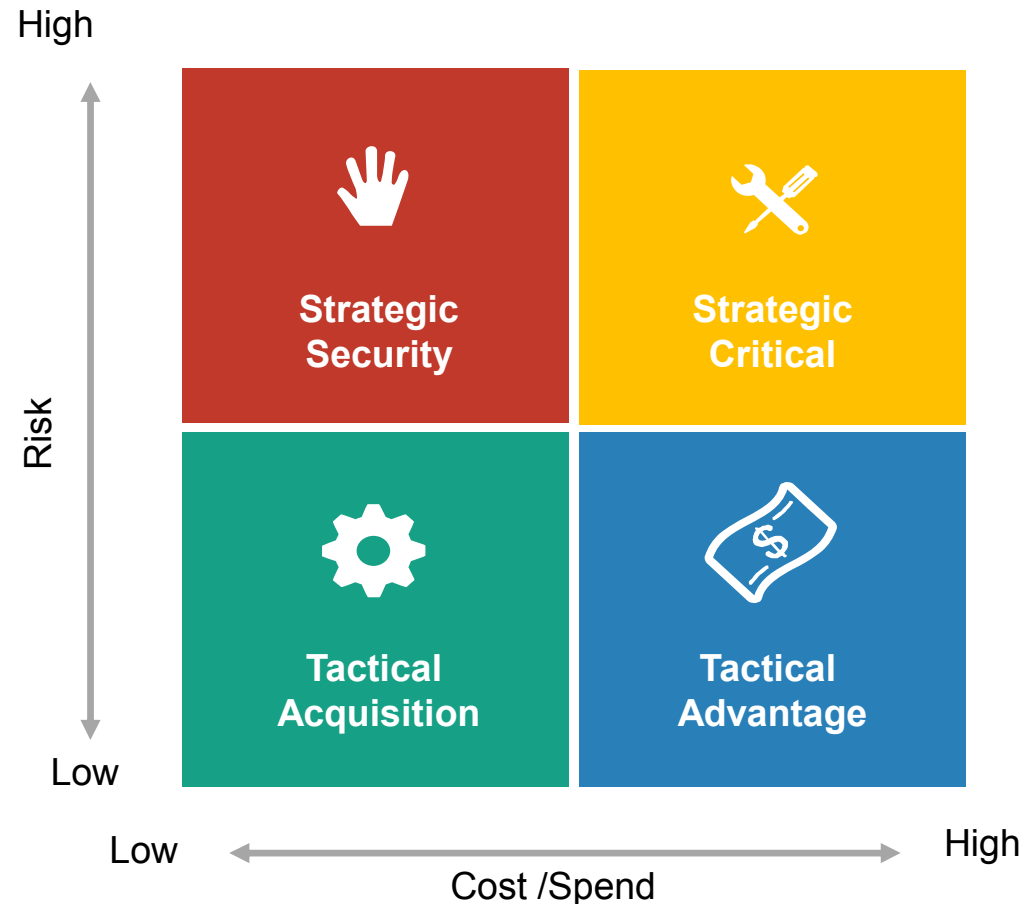
Some tools and techniques available

- SWOT – Strengths, Weaknesses, Opportunities and Threats
- Supply Positioning
- Supplier Preferencing
- Porter's Five Forces Analysis
- PESTLE – Political, Economic, Social Technological, Legal and Environmental
- Supply chain / Value Chain Analysis
- Etc.

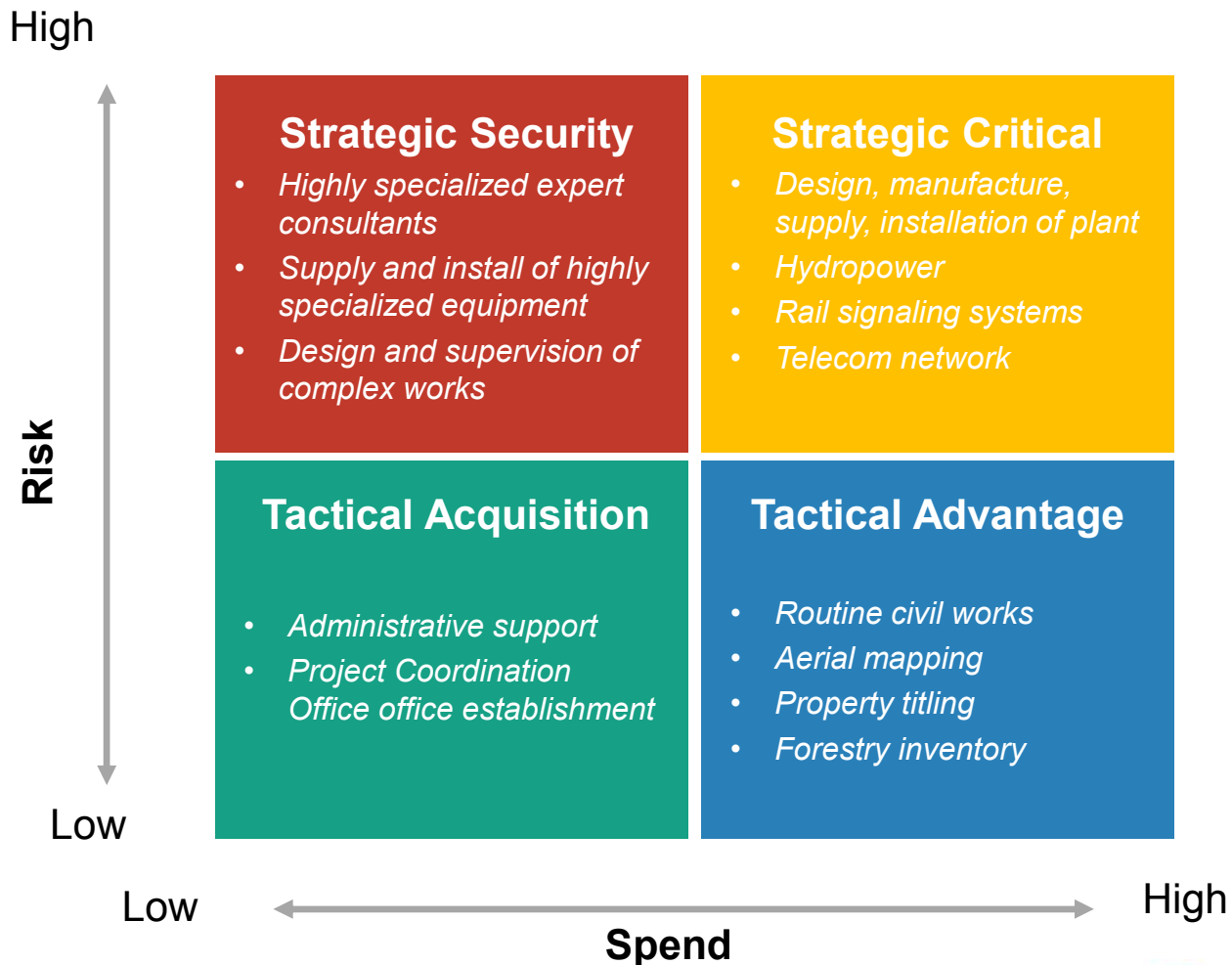
Market Research and Analysis

Supply Positioning

- A PPSP should have appropriate and proportionate research and analysis based on the value and risk of the procurement
- Supply positioning is a tool that can help with making this judgement
- Also helps Borrower to estimate how much time, effort and due diligence is required



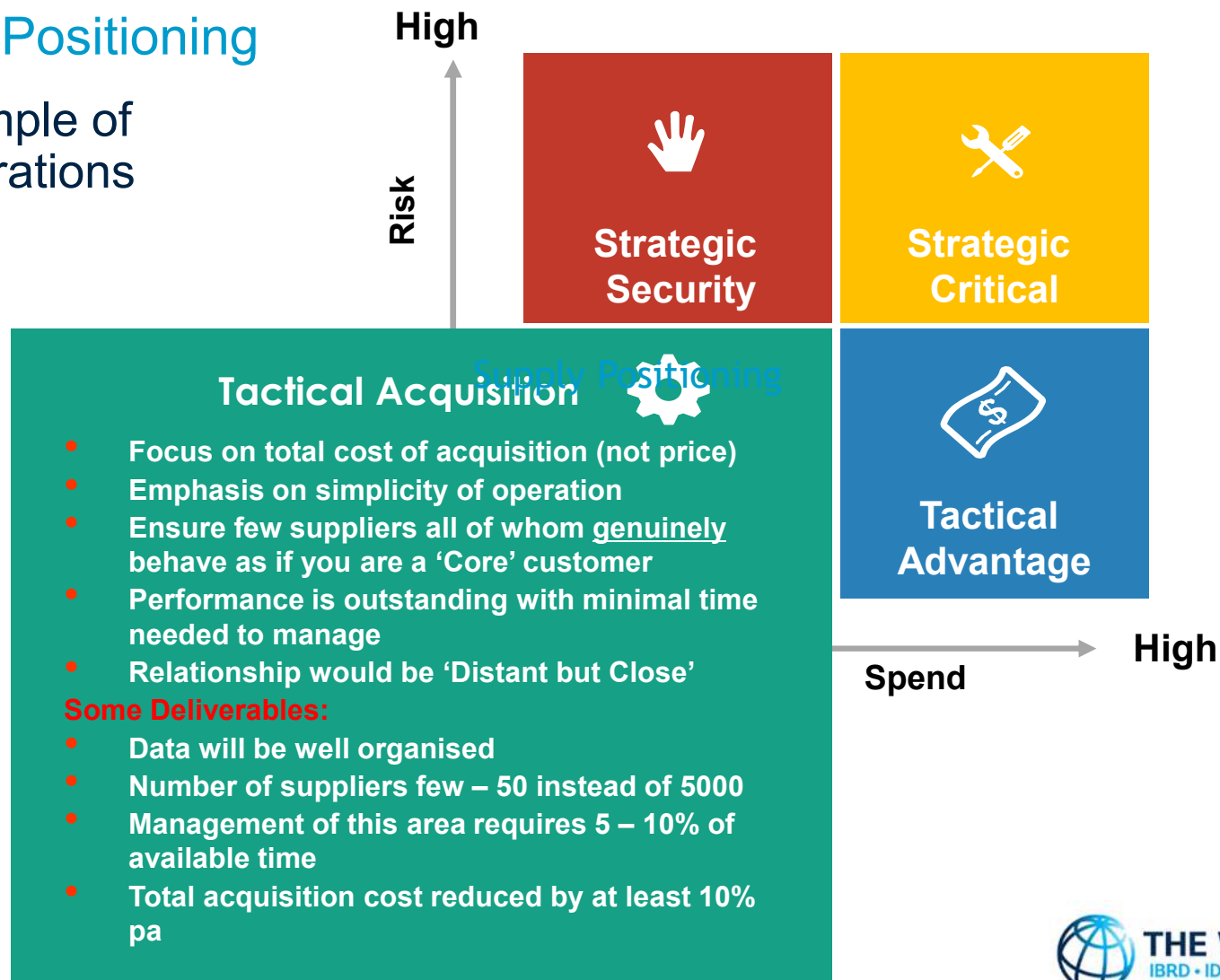
Market Research and Analysis



Market Research and Analysis

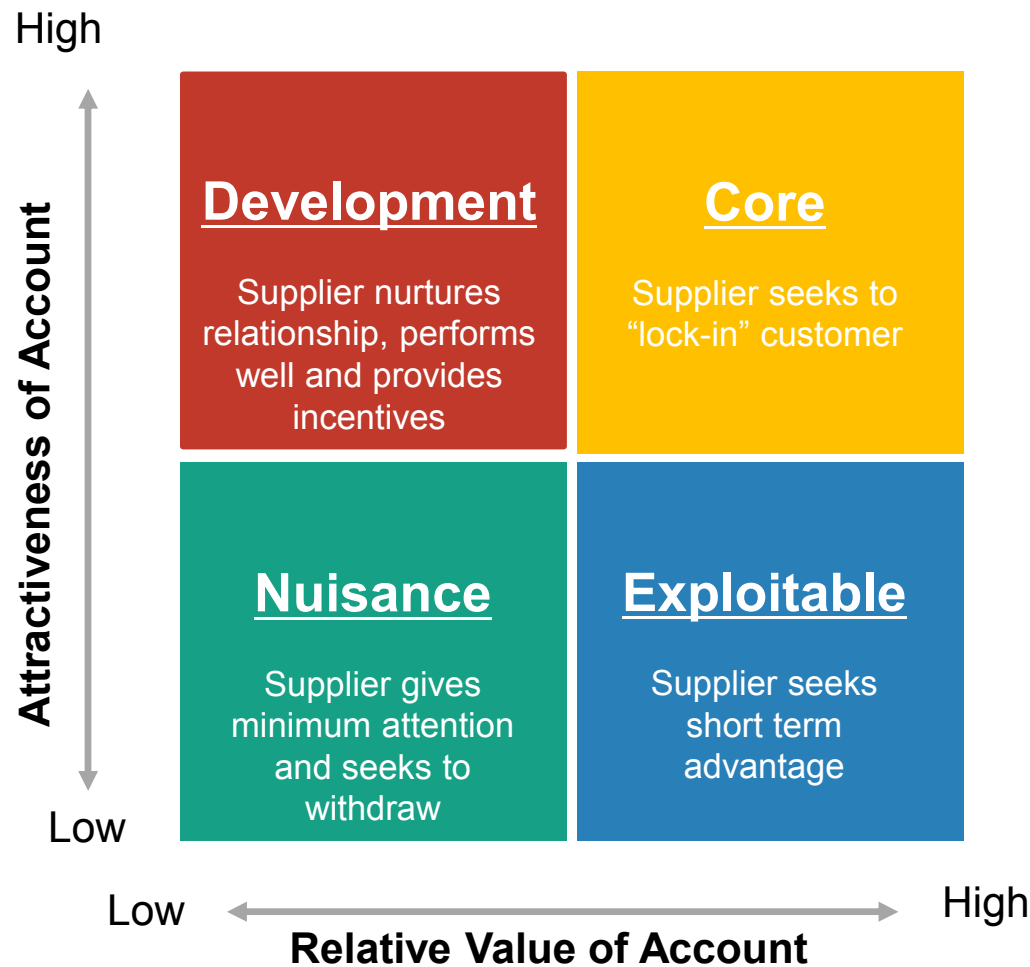
Supply Positioning

An example of considerations



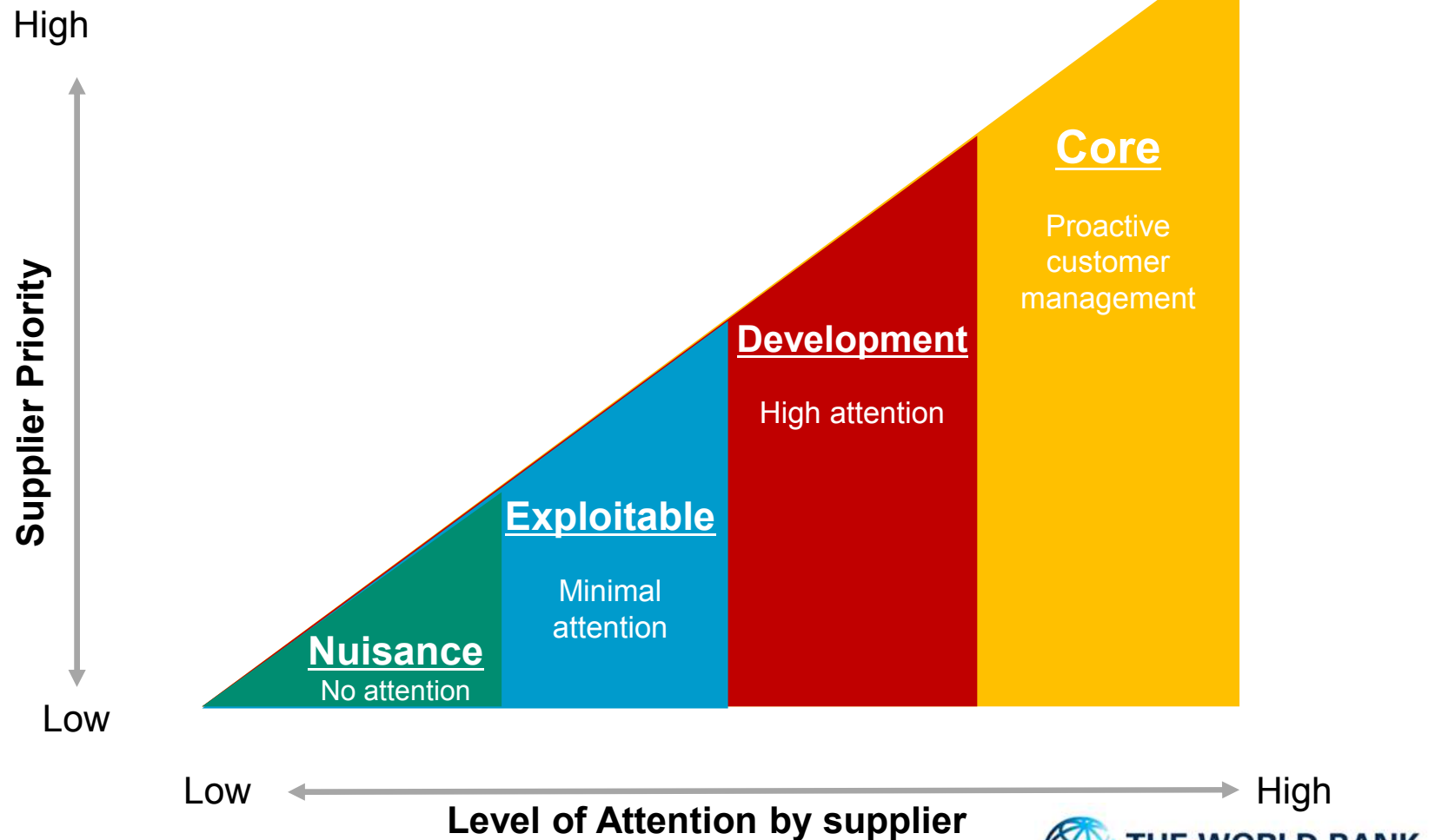
Market Research and Analysis

Supplier Preferencing



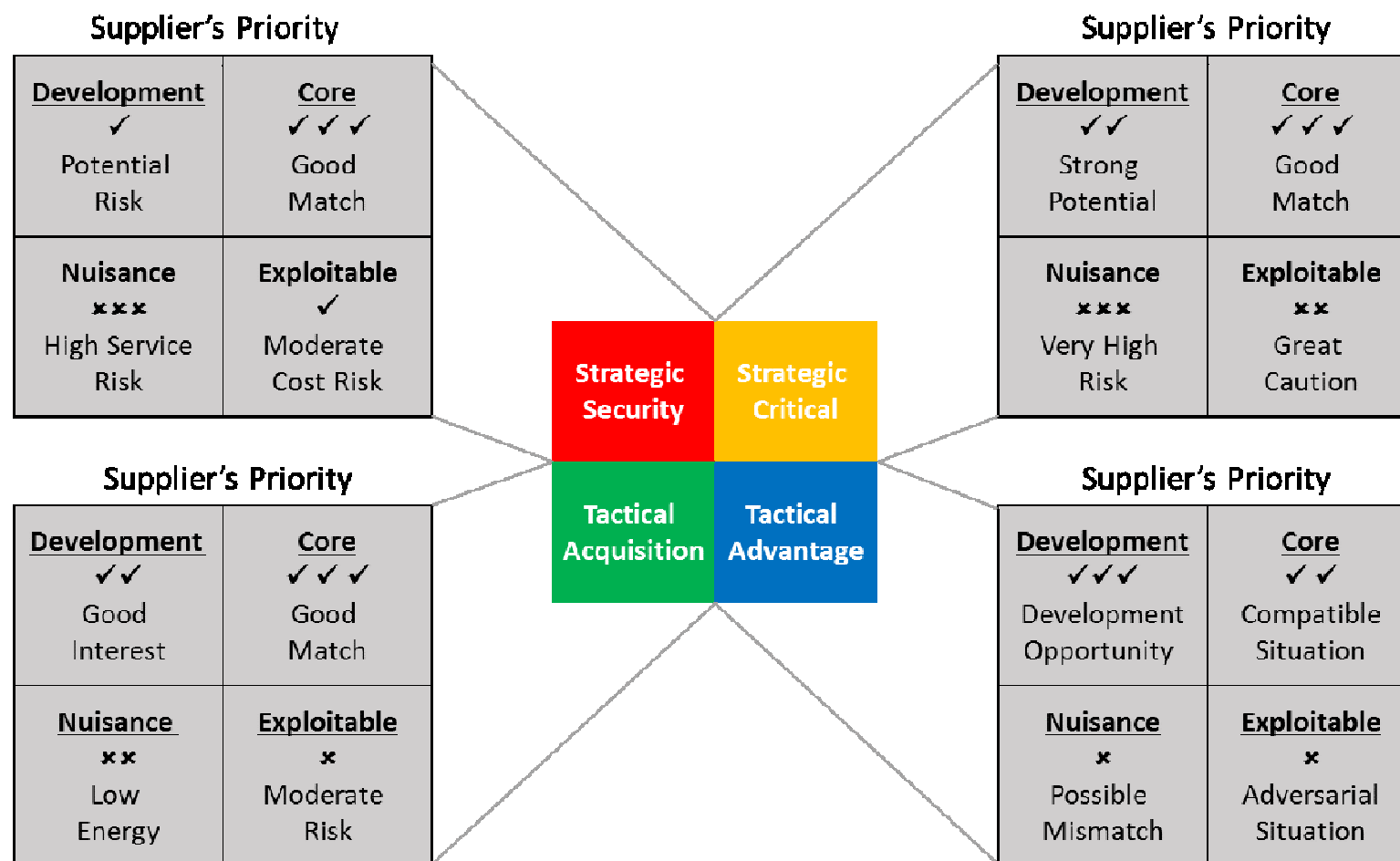
Market Research and Analysis

Level of attention based on Supplier Preferencing



Market Research and Analysis

Supplier Preferencing and Supply Positioning



Procurement Risk Analysis

What are the risks along the following areas?

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

Which party is best suited to manage these risks?

Procurement Risk Analysis

How can these risks be mitigated throughout the procurement process?

- 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
- Prequalification and Initial Selection – to make sure that only suppliers capable of delivering the requirements are invited to bid
- Specification – to ensure the Borrower clearly states the requirements
- Contract Strategy (contract type, conditions of contract, pricing mechanisms, etc.) to make sure bids are competitive and ultimately deliver demonstrable VfM
- Selection Methods and Market Approaches – to make the Procurement Arrangements have selected can deliver the Project Development Objectives (PDOs) and VfM
- Evaluation Methods – to make sure the most appropriate supplier is selected and all risks are managed and understood.

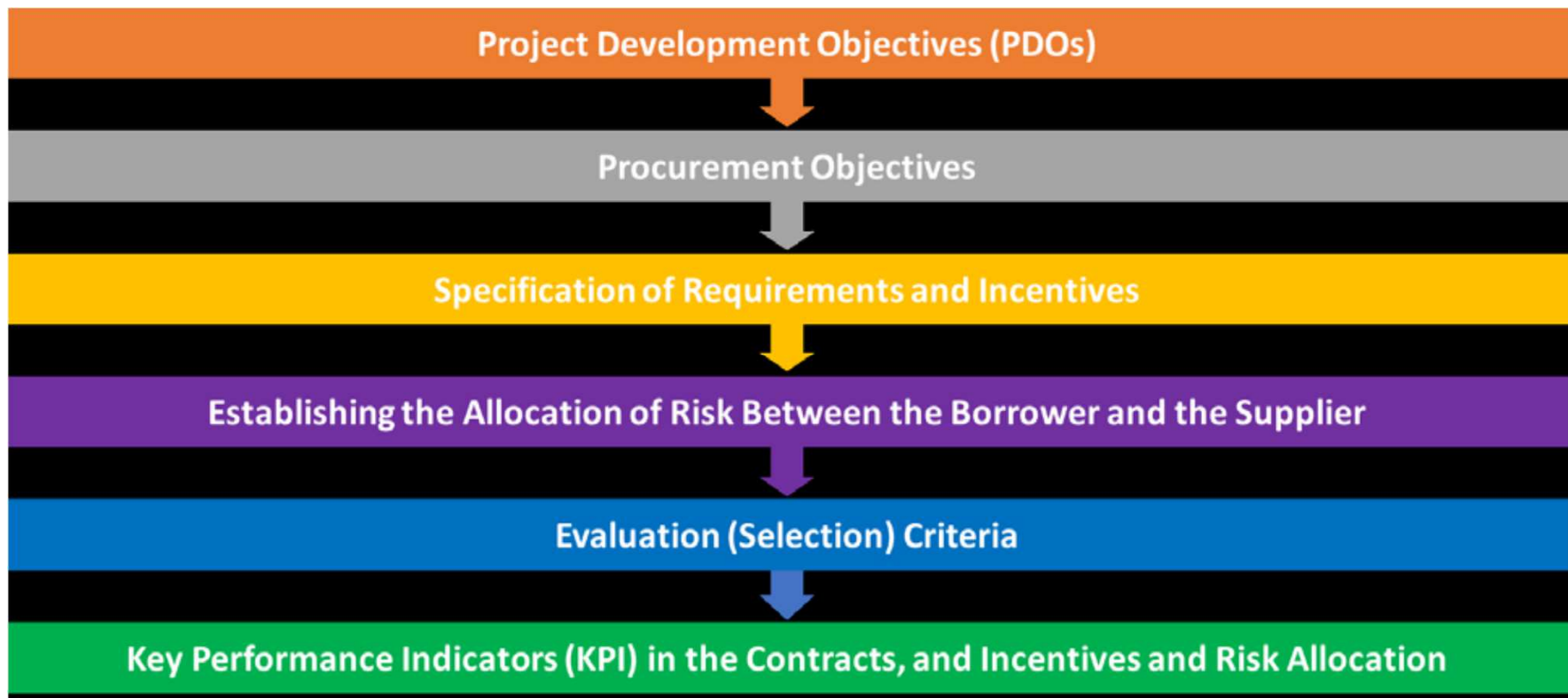
Procurement Risk Analysis

Procurement Risk Management Plan

Risk Description	A Likelihood	B Impact	Overall risk score (AxB)	Proposed Mitigation measure	Risk Owner	Procurement process Stage

Procurement Objectives

Useful in testing alternative procurement approaches to ensure they deliver project requirements

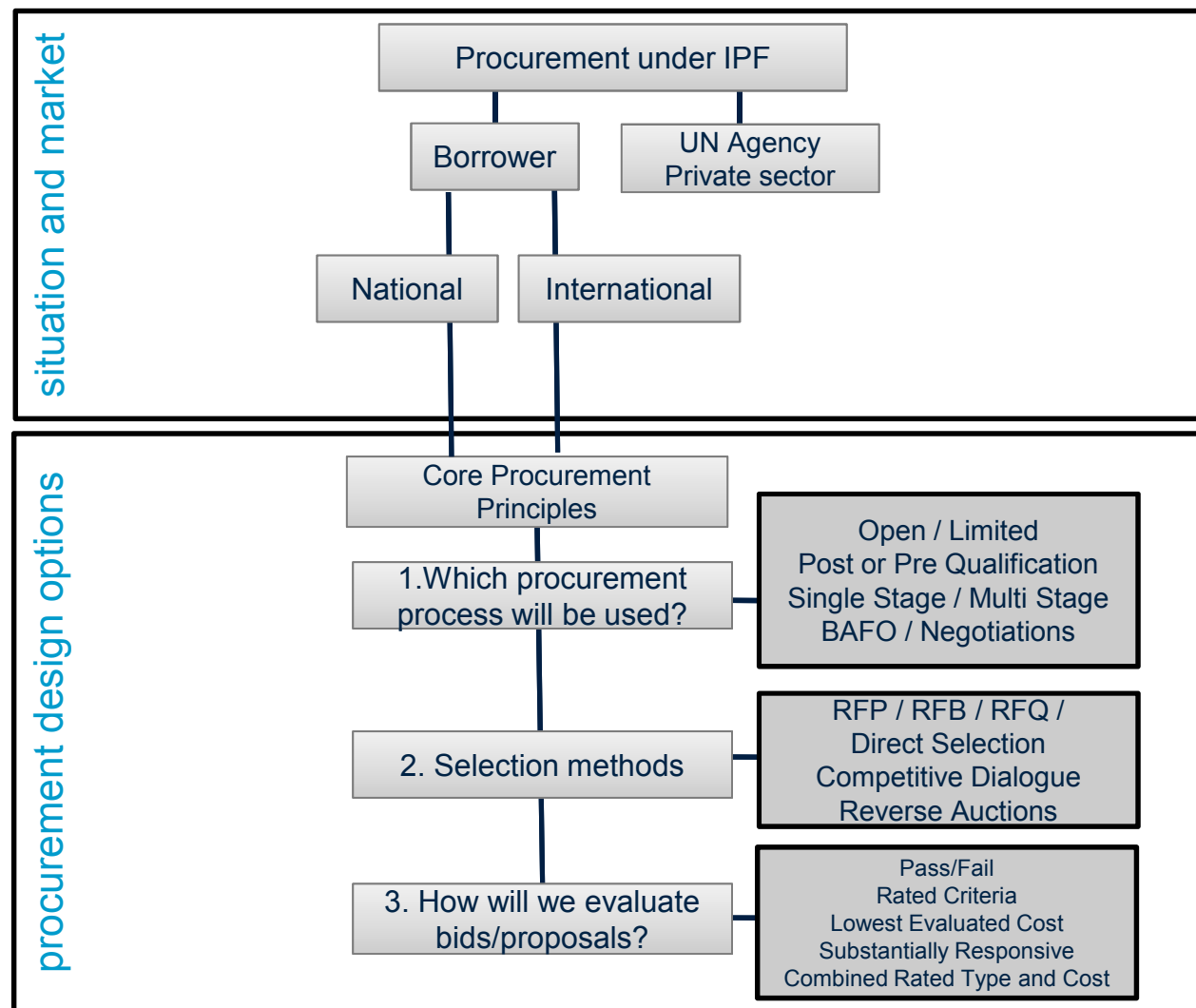


Procurement Approach

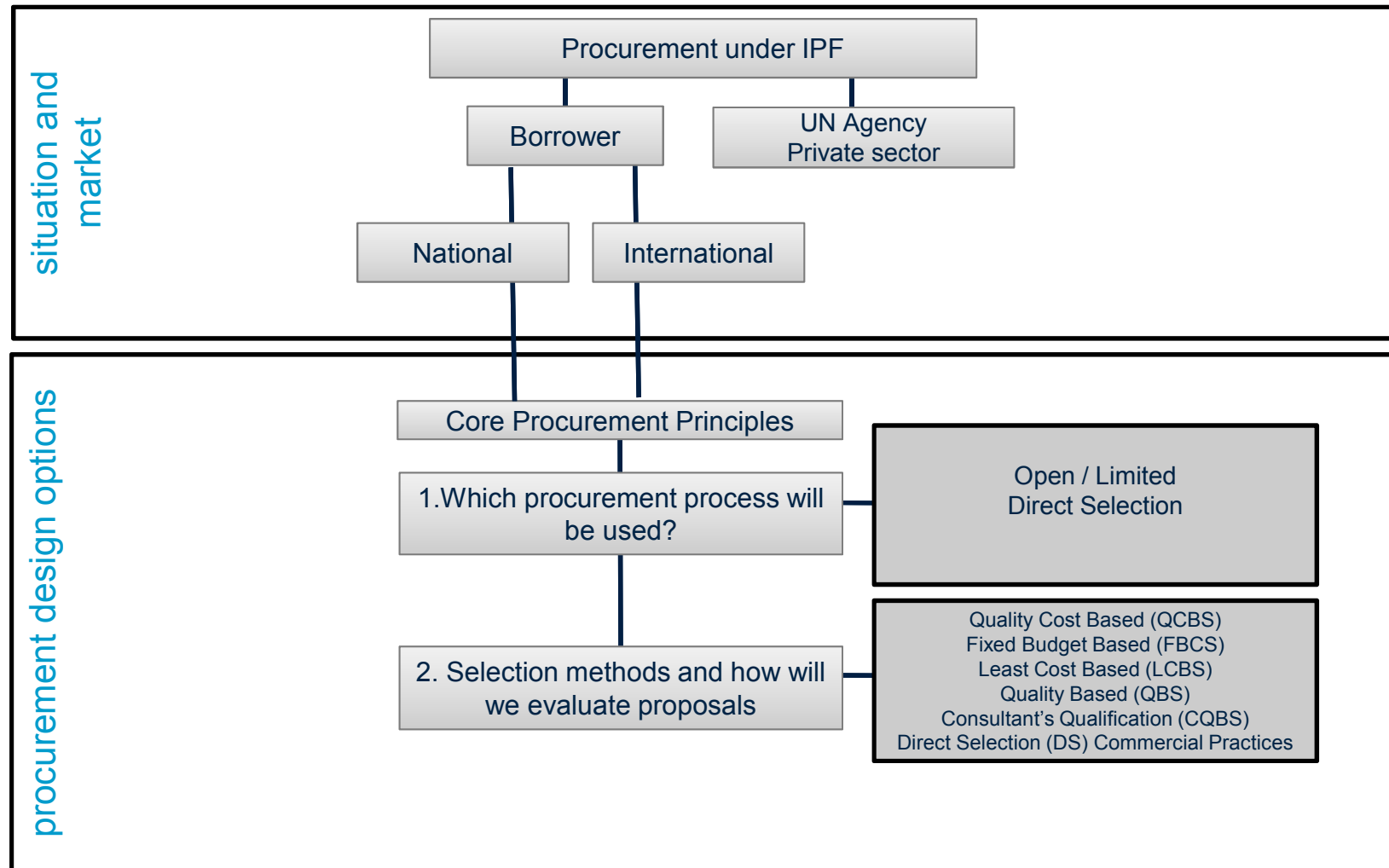
The procurement approach answers the following questions:

- What are the **Requirements**
- What is the **Contracting Strategy**
- What are the appropriate **Selection Methods** and **Market Approach Options**
- What **Evaluation Methods** will be followed
- How will the **contract be managed**

Procurement Approach - GWNcS



Procurement Approach – Consulting Services



Procurement Approach

Type of Specifications

- Conformance vs performance

What Contract Type shall be adopted

- Traditional
- D&B
- Design, Build, Operate and Maintain
- EPC and EPCM

How will the bid / proposal be costed

- Lumpsum
- Performance based contracts
- Schedule of rates/ admeasurement
- Time and materials

Price Adjustment vs fixed price

Procurement Approach

What Selection Method shall be adopted?

- Request for Bids
- Request for Proposals
- Request for Quotations
- Direct Selection

Selection Arrangement

- Competitive Dialogue
- PPP
- Commercial Practices
- UN Agencies
- E-reverse auctions
- Framework agreements
- Etc.

Procurement Approach

Market Approach Options

- Open
- Limited
- International
- National
- Direct
- BAFO or Negotiations (with open international competition)

How shall Qualification be determined?

- Initial Selection
- Prequalification
- Post Qualification

Procurement Approach

Evaluation Method

- Rated criteria
- Lowest evaluated cost

Contract Management

- Contract management Approach
- Key Performance Indicators

Procurement & Contract Management Approach



Outputs of the PPSD

- Procurement plan (the PPSD provides adequate justification for the selection methods in this output)
- Summary PPSD highlighting the procurement arrangements for high risk activities (Disclosed in the Project Appraisal Document)
- Contract Management Plan



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Project Procurement Strategy for Development So What?



What does this mean for Suppliers?

1 Early Market Engagement

- Opportunity to get early knowledge of the Borrower's requirements
- Solution and requirements informed by the market

2 Borrower Capacity Assessment

- Borrowers capacity enhanced and they are better able to manage the procurement process
- Suppliers will deal with better capacitated Borrowers

3 Supply Positioning

- Assists Borrower to ensure that risk assessment and procurement approaches are proportionate to the risk and value of the procurement

4 Supplier Preferencing

- Assists the Borrower to tailor the procurement approach to attract the right response from the market given knowledge of market behaviour

What does this mean for Suppliers?

5 Risk Analysis

- Risk mitigation is informed by risk assessment

6 Stakeholder Engagement

- More integrated approach given knowledge of stakeholders and their interests and influence

7 Procurement Approach

- Increases chances of using the right procurement approach for the market and requirement including RFP, BAFO, CD, Negotiations, rated criteria etc.

8 Risk Management

- Informed risk analysis increases chances that the risks are assigned to the party that is best placed to manage them and they are rewarded accordingly

What does this mean for Suppliers?

9 **Contract Management**

- Will be done properly
- Timely project delivery
- KPI will keep parties focused on project objectives

10 **PPSD Summary in PAD**

- Market will be informed of the requirements and the strategy and approach through disclosure of the PAD

11 **Value for Money**

- VFM will be built into the whole procurement process
- PSD is a systematic review of what is the procurement and the best approach to meet objectives

12 **Procurement Plan**

- Well informed by market analysis
- Increases chances of first time success

Useful links

World Bank's Procurement Regulations for IPF Borrowers

<https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=4005>

World Bank's Procurement Policy

<https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=4002>

Standard Procurement Documents templates

<http://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework#SPD>

Guidance on SPDs

<http://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework>

Guidance on how to complain

<http://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework>

Guidance on PPSD

<http://pubdocs.worldbank.org/en/123601488224013672/PPSD-Short-Form-Final.pdf>

<http://pubdocs.worldbank.org/en/847531467334322069/PPSD-Long-Form.pdf>

Procurement App for iPad:
Data on contracts

<https://itunes.apple.com/us/app/world-bank-project-procurement/id911312962?mt=8>

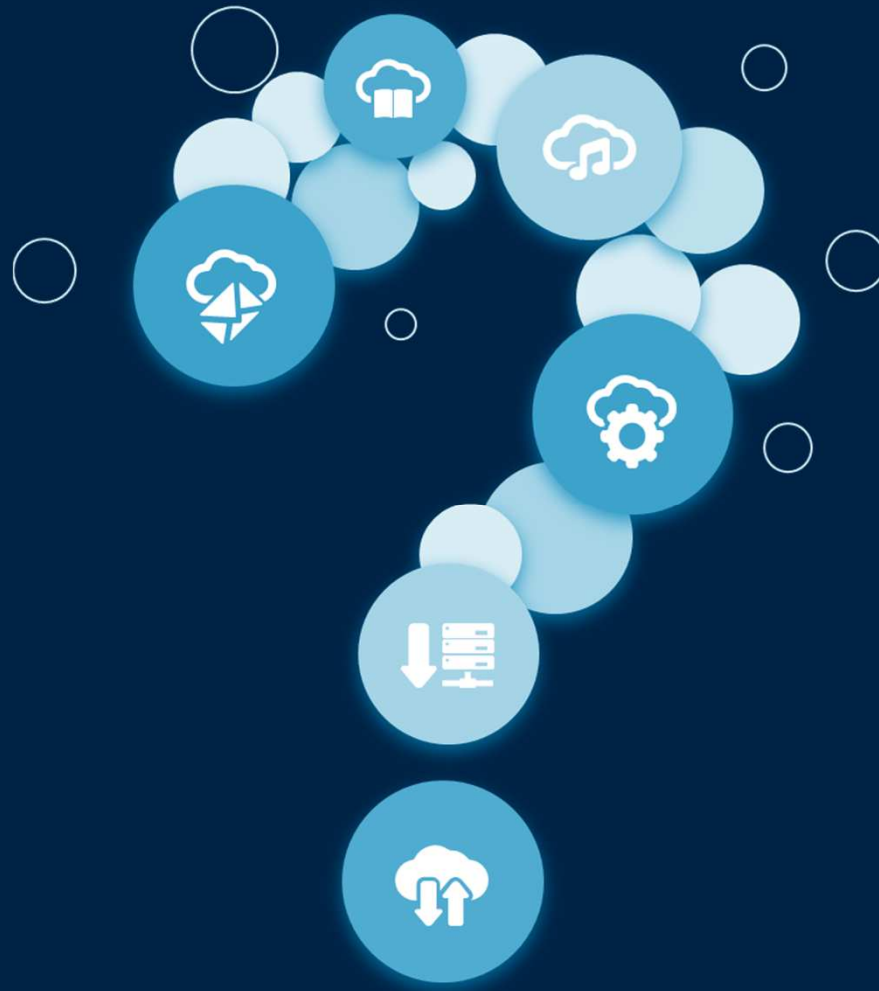
Procurement App for iPad:
Data on projects, finances and procurement data

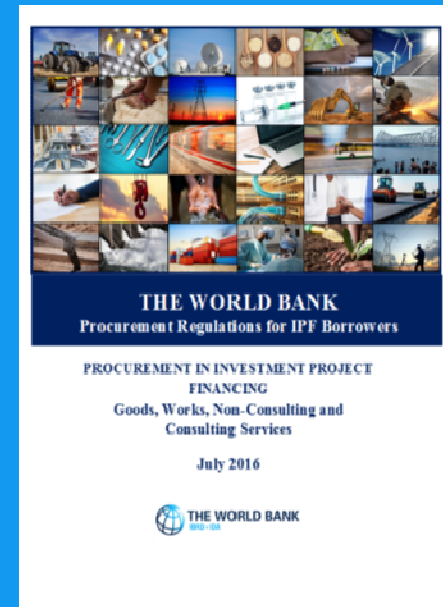
<https://itunes.apple.com/us/app/world-bank-group-finances/id465555488?mt=8>

UNDB Online

<https://www.devbusiness.com/Search/Search.aspx?PreLoadProjects=1>

Questions?





FOR MORE INFORMATION

<http://www.worldbank.org/procurement>

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Standards, Procurement and Financial Management Department
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