



SUSTAINABLE PROCUREMENT

**Appraisal stage:
Incorporating sustainability into
the procurement strategy**

Published June 2023—Second Edition

Copyright © 2023

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

Email: pubrights@worldbank.org

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.

Contents

Common Abbreviations and Defined Terms	i
Glossary of Commonly Used Terms	i
SECTION I. Preparation Stage: Appraisal	1
Stage Summary	1
Stage Overview—Preparation Stage: Appraisal	2
How a Fit-for-purpose Environmental and Social Assessment Can Inform Procurement	
Strategy Development	3
Bank Due Diligence	5
The ESA Process and How It Can Inform SPP	6
Non-discrimination	6
High-risk SEA/SH Project Procurements	8
Solar-Related Procurements	9
Accessibility	10
Dealing with Uncertainties in Different Project Scenarios	11
Preparing the PPSD	14
Hands-on Expanded Implementation Support (HEIS)	16
Strategic Assessment of Operating Context and Borrower Capability	17
Procurement Risk Analysis	22
Procurement Objectives	26
Procurement Approach Options and Recommendations	27
Procurement Plan	57
Next Steps	57
ANNEX I. Eco/Social Labels	59
Using Eco/Social Labels	59

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 PPSD, 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 SPDs have incorporated ESF requirements that Contractors/ Suppliers must comply with

(continues)

Key Things to Consider	
<p>Bank Procurement Specialist</p> <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 	<p>Bank E&S Specialist</p> <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
<p>Borrower Procurement Specialist</p> <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) 	<p>Borrower E&S Specialist</p> <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). <p>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.</p>
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

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."⁹³ HEIS support may be engaged during PPSD development, particularly for complex projects where Borrowers lack the capacity or experience to conduct sufficiently detailed market analysis, risk management planning, or develop sophisticated procurement approaches, for example multi-stage processes that involve complex qualification or evaluation criteria. HEIS has been shown to help Borrowers to speed up delivery, increase the number of Bidders and to improve overall project quality.⁹⁴ In broad terms, HEIS may include, among other activities:

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

FIGURE 37 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)

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.⁹⁵ 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 analysis⁹⁶

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 approach⁹⁷ 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.⁹⁸

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 38.

FIGURE 38 SPP considerations for SWOT analysis

<p>Strengths</p> <p>What SPP experience does your organization have?</p> <p>What are the strengths of existing procurement staff that could be applied to an SPP approach?</p> <p>What are the strengths of existing E&S staff that could be applied to an SPP approach?</p> <p>How supportive are policy makers/politicians/senior leaders of an SPP approach?</p> <p>How flexible are existing procurement processes to incorporate SPP?</p> <p>Do you have examples of successful SPP in your organization or country and/or internationally in a similar sector/context?</p>	<p>Weaknesses</p> <p>How would the PIU/IA team skillset need to be expanded/broadened to successfully achieve SPP?</p> <p>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)?</p> <p>Are there any cost or policy barriers that may prevent SPP?</p> <p>Are Bidders from the country likely to be able to demonstrate adequate SPP requirements and/or meet anticipated minimum qualification criteria?</p>
<p>Opportunities</p> <p>Are there any recent/upcoming changes in government legislation or policy that will enable SPP?</p> <p>Is there public demand for/appreciation of SPP?</p> <p>Are there opportunities to be a regional case study/showcase for SPP?</p> <p>Are there relevant training opportunities available from national/international organizations?</p> <p>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?</p>	<p>Threats</p> <p>Would Supplier complaints/remedies processes make challenges to SPP approaches likely?</p> <p>Will a lack of control or influence over potential Contractors or Suppliers make it challenging to implement SPP approaches?</p> <p>Are there powerful industry or lobby groups who would argue against aspects of an SPP approach?</p> <p>Would transparency around the SPP approach result in negative media attention?</p> <p>Are there other government priorities that might conflict with the SPP approach?</p>

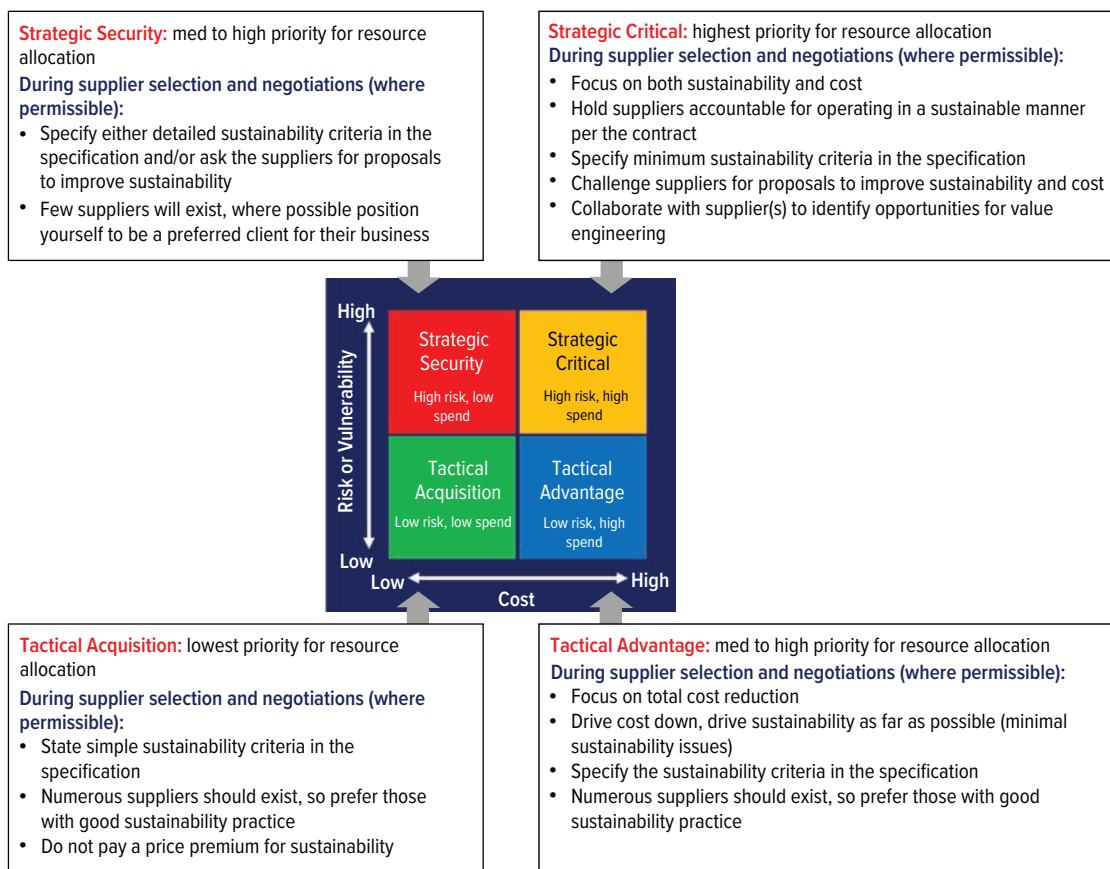
Market Analysis and Engagement

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.⁹⁹ 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 39 illustrates how the position of a procurement/contract in the supply positioning model can influence the approach to incorporating sustainability requirements:

FIGURE 39 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 40.¹⁰⁰

FIGURE 40 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
Categories of environmental impact	 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.¹⁰¹

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.¹⁰² 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 Guidance¹⁰³ 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 principle¹⁰⁴ 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 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 example¹⁰⁵

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

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 Preferencing¹⁰⁶ 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),¹⁰⁷ 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.¹⁰⁸

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.¹⁰⁹

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>¹⁰

(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	<p>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?</p>
	Market approach and selection method	<p>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?</p>

(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 Regulations¹¹¹ 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 specifications¹¹²

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 41 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 tCO₂e 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 42 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.¹¹³ 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 43 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 44.

FIGURE 44 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.¹¹⁴ 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 Regulations¹¹⁵ 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.*”¹¹⁶ 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/Proposer must provide verification of sufficient experience in sustainable construction	The Bidder must provide comprehensive information verifying their experience, with credible references in the following fields: ■ 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.

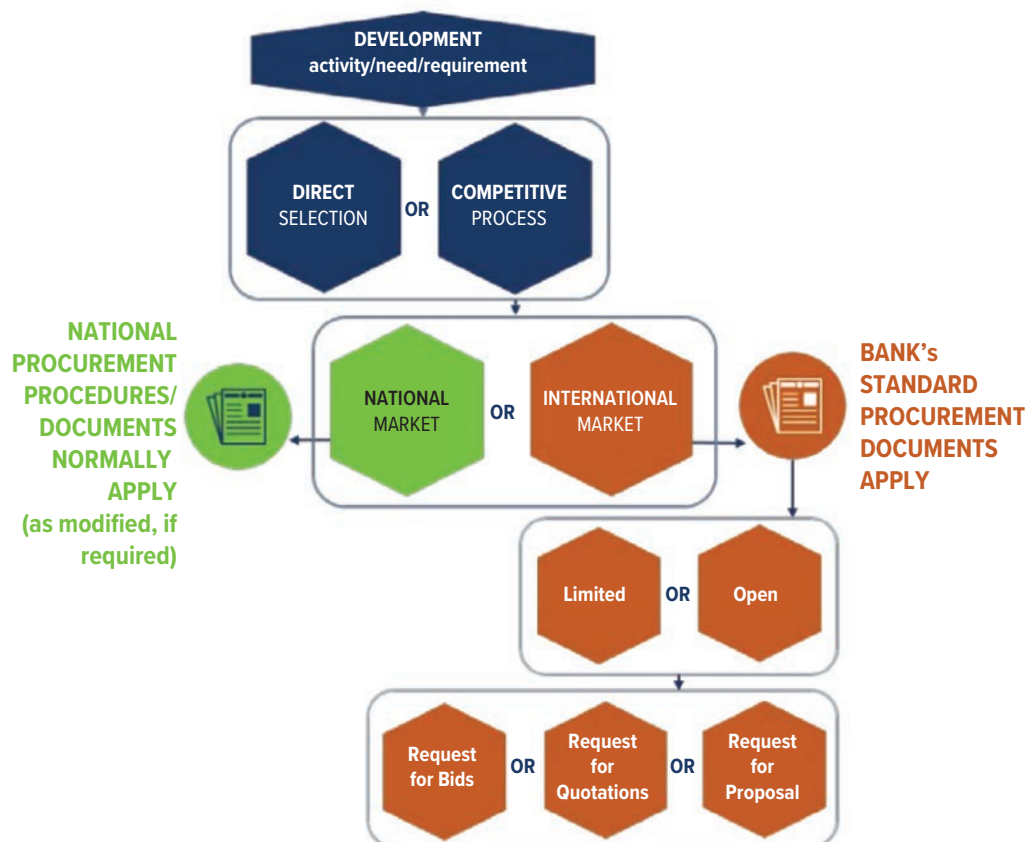
If required for managing specific risks, Borrowers could also consider the extent to which the need for certifications and accreditations should extend down the supply chain. If significant E&S risks have been identified in the project’s likely supply chain, the Borrower should consider whether those 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 Guidance¹¹⁷ 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 45 sets out a decision tree to help Borrowers to understand the options for approaching the market according to the Procurement Regulations.¹¹⁸

FIGURE 45 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 conducted¹¹⁹ (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 46.

FIGURE 46 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 47): RfB, RfP, RfQ, and Direct Selection. Figure 47 describes the attributes of each method (note further information on selection methods is available in the section on Implementation—Stage Three: Invite Offers).

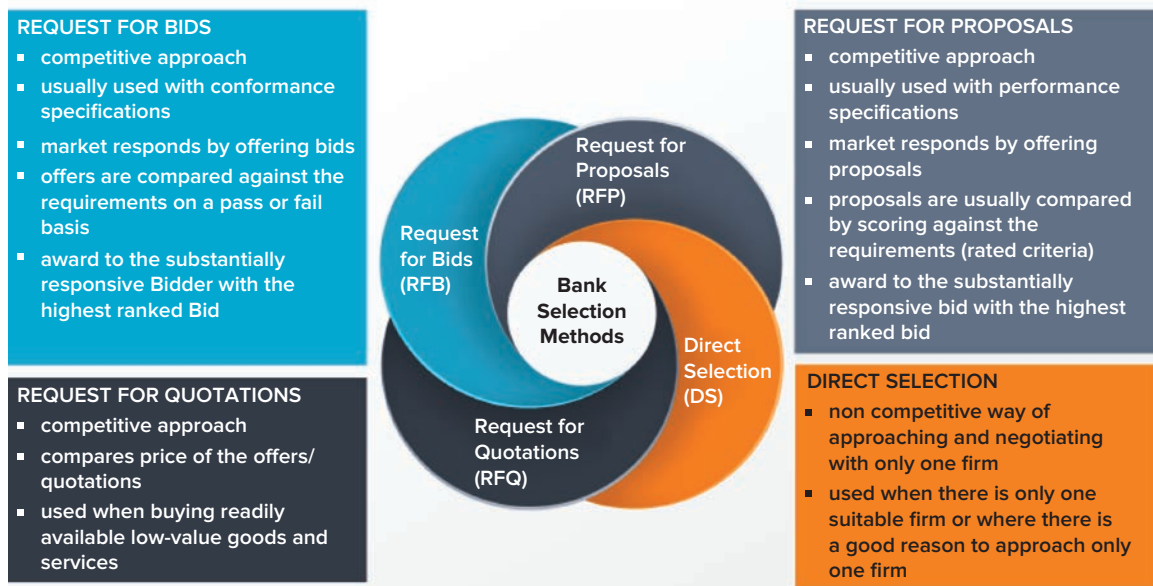
Qualification/Evaluation Selection Method

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.”¹²⁰ 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.¹²¹ 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 47 Overview of approved selection methods for goods, works, and non-consulting services



As described in Figure 47 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.¹²²

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.¹²³

Figure 48 provides an overview of the types of considerations that can be assessed using qualifying or pass/fail criteria.

FIGURE 48 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 PPSD.

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”¹²⁴:

- 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 points¹²⁵. 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.¹²⁶ 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*¹²⁷ sets out the most effective ways to apply rated criteria. To achieve sustainability outcomes, Borrowers should consider the following while developing rated criteria:

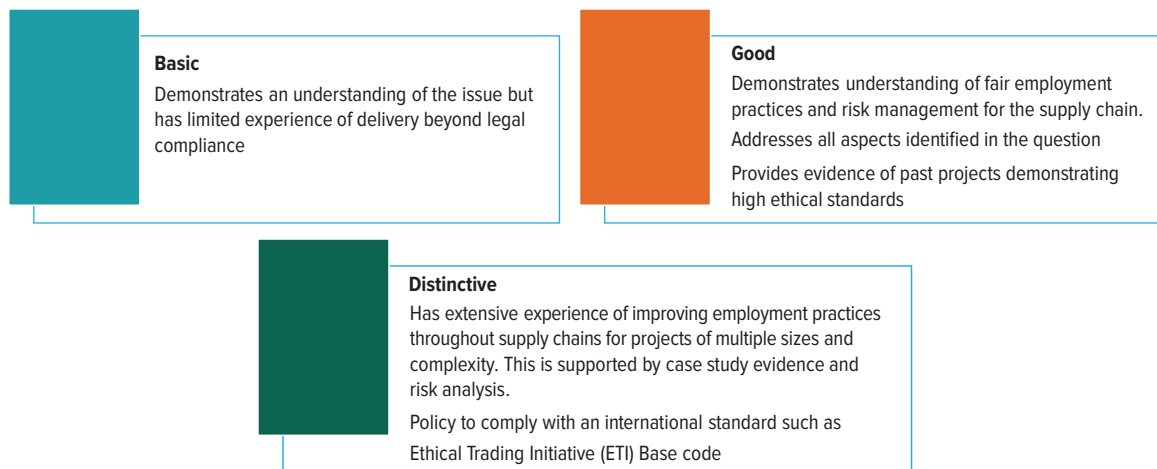
- Devise a price evaluation methodology that incorporates lifecycle or external social and environmental costs and benefits (see *Section X – Pricing Mechanism/Evaluation of Costs*);
- Provide sufficient weighting to non-price criteria, given that price will continue to be the determinant factor in evaluation methodologies, where it is weighted above 25%–30%¹²⁸;
- 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 49 demonstrates how that guidance might be structured.

FIGURE 49 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 50 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 51).
- **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.¹²⁹ 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 51 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 52).

FIGURE 52 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).”*

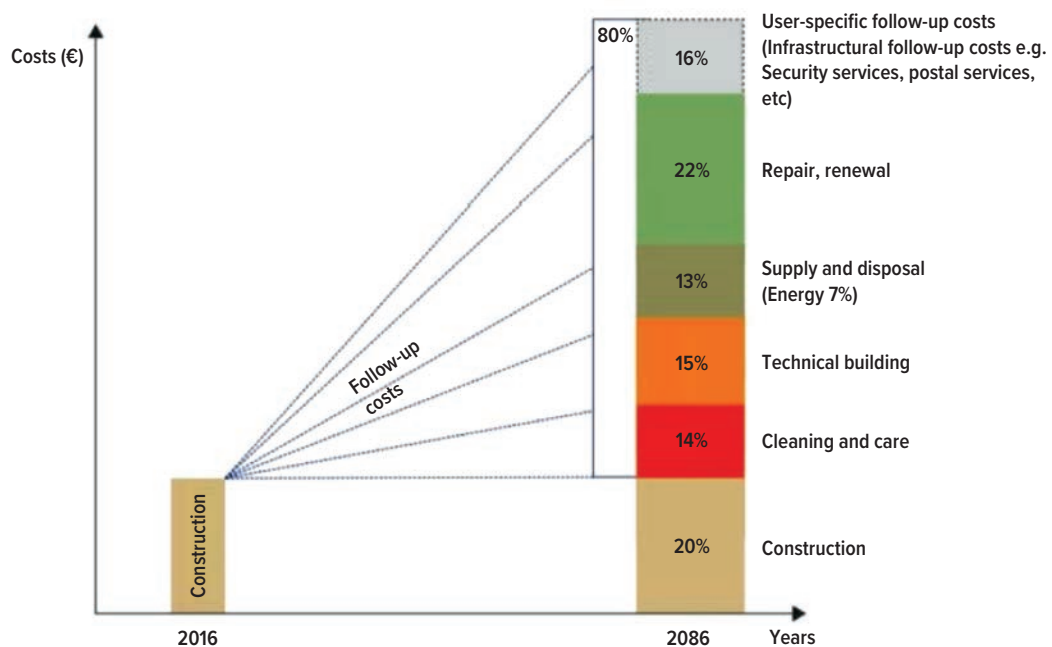
This assessment will also be influenced by the pricing mechanism that is applied to the contract, for example lump sum versus time and materials (more information on the attributes of different pricing mechanisms is available in the Bank’s Long Form PPSD Guidance¹³⁰). Furthermore, the assessment will 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 service¹³¹ 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,¹³² as shown in Figure 53.

FIGURE 53 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.¹³³

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

FIGURE 54 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.

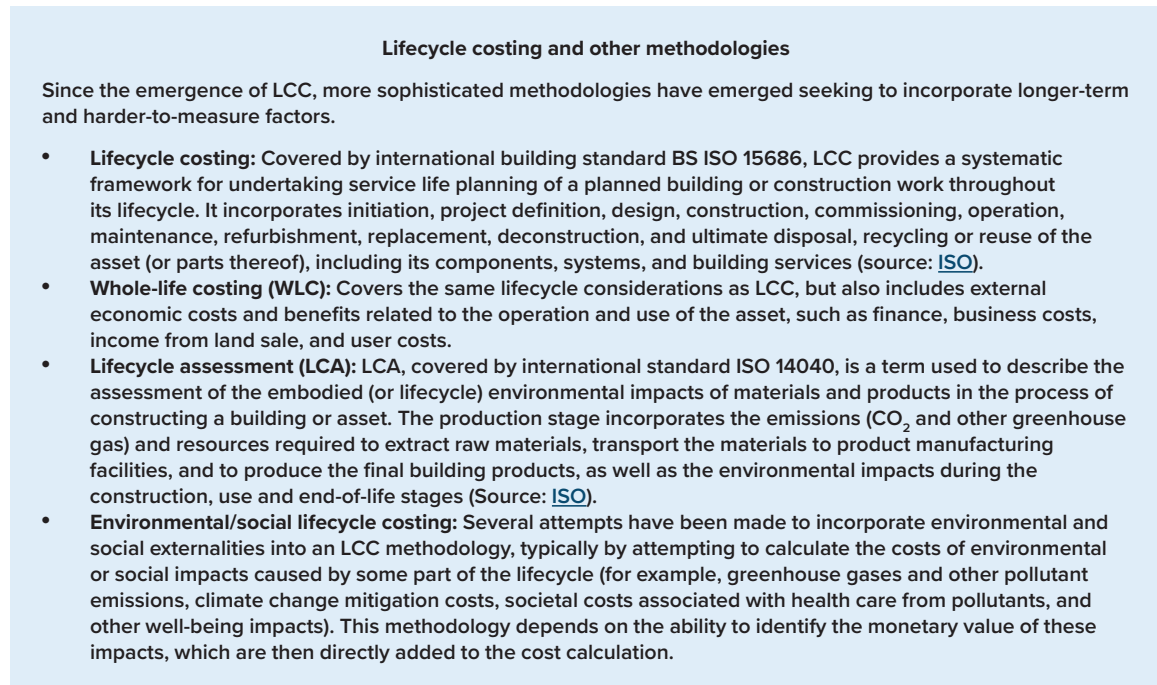
Lessons Learned

- 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 55.

FIGURE 55 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 56 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.

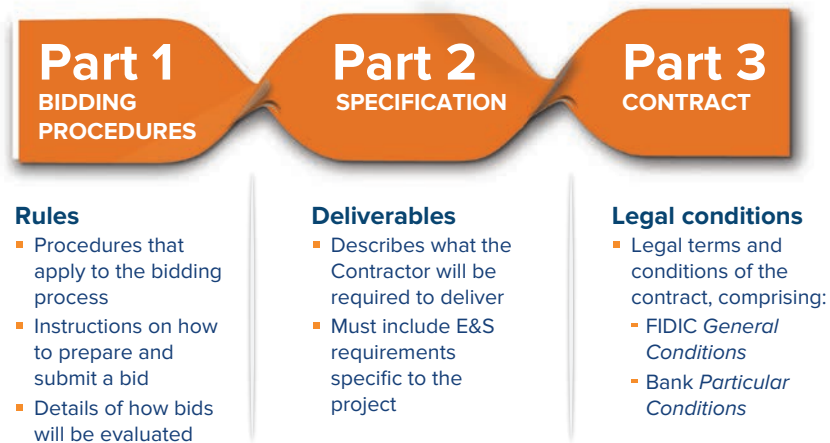
Source: [International Institute for Sustainable Development \(IISD\)](#)

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)¹³⁴ 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 57, SPDs are broken into three sections, each with a specific purpose.

FIGURE 57 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:** Bidders¹³⁵ 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.¹³⁶ 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 58, the Bank has developed specific wording to impose obligations on Contractors that are consistent with the ESSs.

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 58 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 59.

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.¹³⁷

FIGURE 59 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.

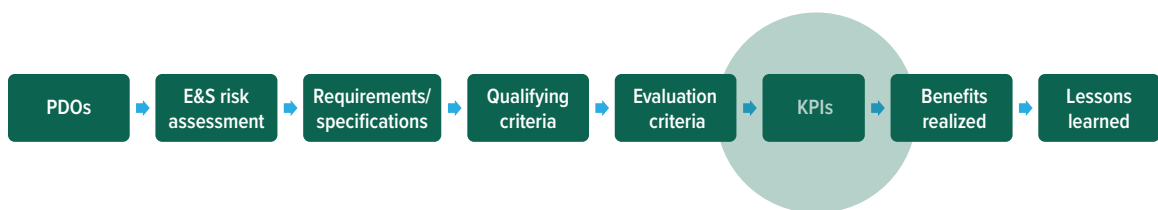
A visit to 10 lower-tier suppliers identified that all had poor environmental practices, dangerous working conditions, and chronic overtime issues.

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).

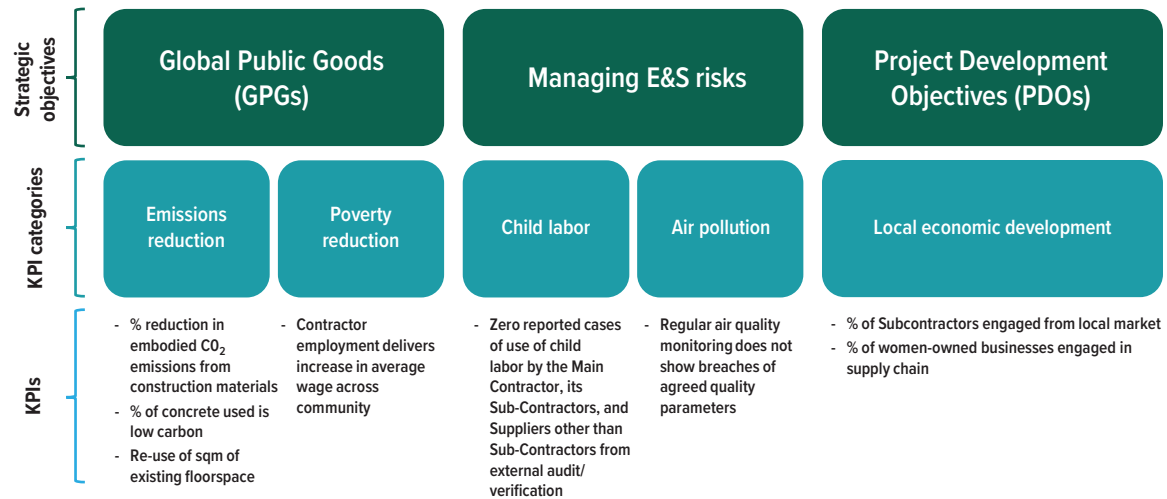
KPIs/E&S Performance Metrics

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 60.

FIGURE 60 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 61 demonstrates how KPIs should be connected to the project’s overarching strategic goals.

FIGURE 61 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,¹³⁸ 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 62 Balanced scorecard from London 2012 Olympics

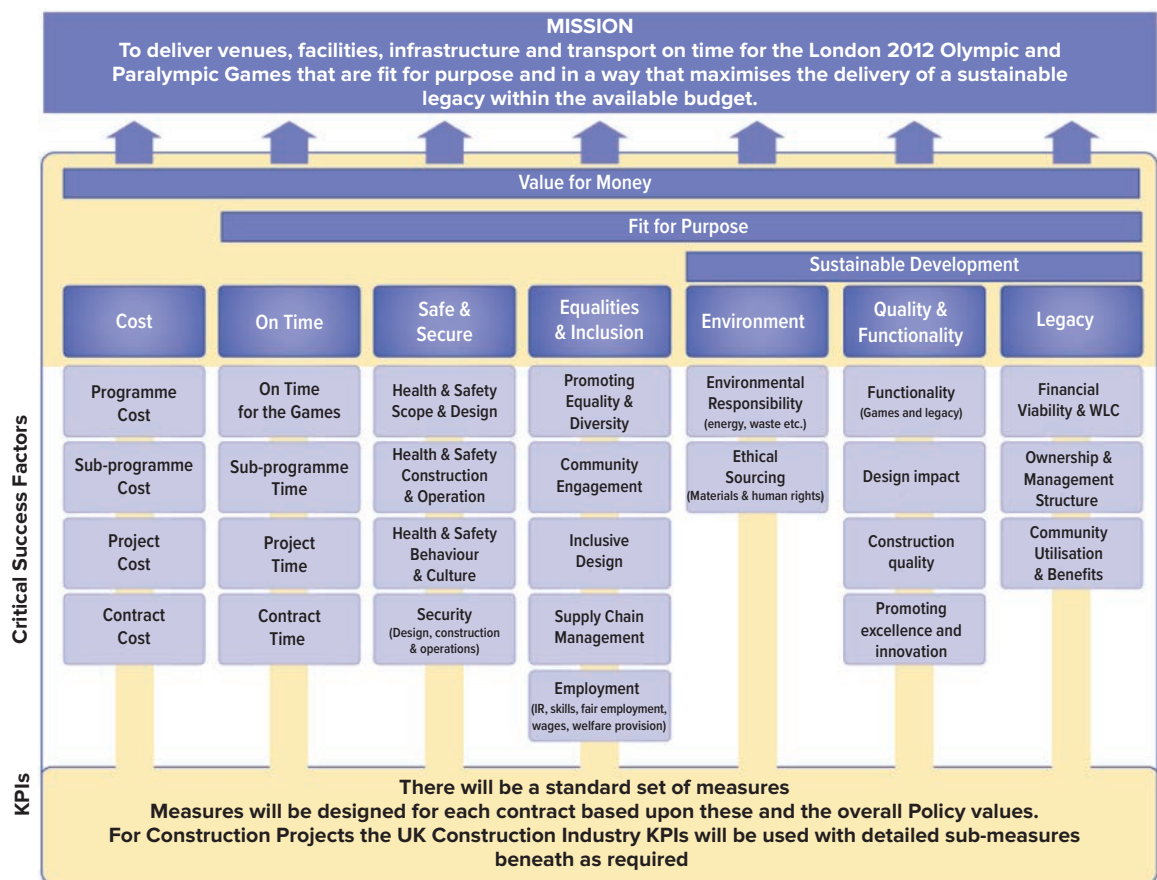


Table 21 provides a further example of how outcome indicators can be aligned with PDOs for a construction project.

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:
<ul style="list-style-type: none"> ■ 10% of the total supply chain expenditure will be sourced from businesses operating within the local vicinity ■ 5% of the total supply chain workforce on sites will be apprentices or trainees 	<ul style="list-style-type: none"> ■ % of total Supplier/Subcontractor expenditure with local businesses ■ 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).¹³⁹

Procurement Plan

The final stage of the PPSD template (in Annex I of the PPSD Long Form Guidance¹⁴⁰) 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

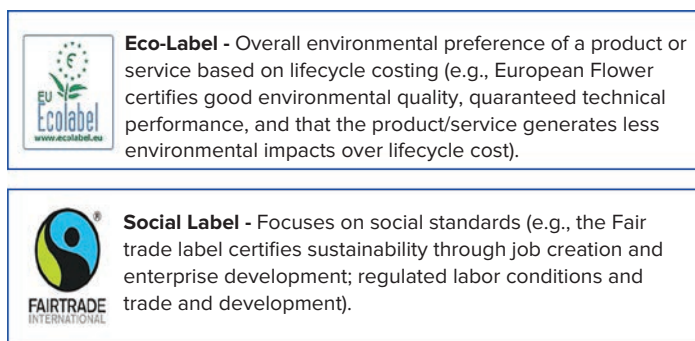
Eco/Social Labels

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)

Endnotes

- 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 4, [Bank Directive: Procurement in IPF and Other Operational Procurement Matters](#) (2021).
- 94 Hands-On Expanded Implementation Support (HEIS): Latin America & Caribbean (LAC) Region, OPCS, (2022).
- 95 Section IV. Strategic Assessment of Operating Context and Borrower Capacity, [Long Form PPSD Guidance](#), the World Bank (2016).
- 96 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).

97 Section 4.2. Assessment of Borrower Capability and Project Implementation Unit (PIU), [Long Form PPSD Guidance](#), the World Bank (2016).

98 MAPS, [Sustainable Procurement Module](#).

99 Section 4.3. Market Research and Analysis, [PPSD Long Form Guidance](#), the World Bank (2016).

100 [Sustainability and Circularity in the Textile Value Chain](#), United Nations Environment Programme (2020).

101 Supply Chain Management: An introduction and practical toolset for procurement practitioners, World Bank Procurement Guidance (2022).

102 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).

103 Section V, [Long Form PPSD Guidance](#), the World Bank (2016).

104 [Risk Allocation and Pricing Approaches – Guidance Note](#), Government Commercial Function, UK Government; [COVID-19 Construction Risk Management](#), Construction Sector Accord (NZ), 2022.

105 Based on the risk matrix example set out in [COVID-19 Construction Risk Management](#), Construction Sector Accord (NZ), 2022.

106 Section 4.3.11, [Long Form PPSD](#), the World Bank (2016).

107 Section 5.51 (page 23), [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

108 Section VIII, [PPSD Long Form Guidance](#), the World Bank.

109 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)).

110 Section 5.26, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

111 Section 2.5, Annex VII, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

112 Taken from [Guidance – Sustainable Procurement in World Bank Investment Project Financing](#), the World Bank.

113 [Guidance—Sustainable Procurement in World Bank Investment Project Financing](#), the World Bank (2019).

114 Examples of industry standards include Health and Safety Management (OHSAS 18001), Eco-Management and Audit Scheme (EMAS), Environmental management (ISO 14001), Energy management systems (ISO 50001).

115 Section 2.6, Annex VII, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

116 Section 2.5, Annex VII, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

117 [Supply Chain Management Guidance](#), World Bank (2023).

118 [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

119 [Procurement Guidance – Thresholds for procurement approaches and methods by country](#), World Bank (2016).

120 Annex X, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

121 Annex X, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

122 Annex X, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

123 Page 6, [Procurement Guidance – Evaluation Criteria](#), the World Bank (2016).

124 Section 5.68 – 5.70, [Procurement Regulations for IPF Borrowers](#), the World Bank (2020).

125 [Evaluating Bids and Proposals](#), the World Bank (2023).

126 [Evaluating non-price outcomes in tender processes](#), New Zealand Infrastructure Commission (March 2022).

127 [Evaluating Bids and Proposals](#), the World Bank (2016).

128 [Evaluating non-price outcomes in tender processes](#), New Zealand Infrastructure Commission (March 2022).

129 [Design and Build, Request for Proposal](#), World Bank (2021).

130 Section 8.4.2, [Long Form PPSD Guidance](#), the World Bank (2016).

131 Taken from “Life-cycle costing,” Green Public Procurement, European Commission.

132 [Life Cycle Costing](#), SPP Regions: Regional Networks for Sustainable Procurement (2017).

133 2(b), Section III—Evaluation and Qualification Criteria, Works SPD.

134 [Construction Contract 2nd Edition \(2017 Red Book\)](#), International Federation of Consulting Engineers.

135 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.

- ¹³⁶ This provision has been included in SPDs with labor components, namely the procurement of works.
- ¹³⁷ Section 8.7.1, [Long Form PPSD Guidance](#), the World Bank (2016).
- ¹³⁸ [Contract Management: Practice](#), World Bank (2018).
- ¹³⁹ Included as clause 4.20 in the Bank's Works SPDs.
- ¹⁴⁰ Annex I, [PPSD Long Form Guidance](#).



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