Approved Selection Methods
Selection methods, arrangements and market approach options

GOODS, WORKS & NON-CONSULTING SERVICES
TOPIC + CONTENTS

- This presentation explores **Approved Selection Methods** (selection methods, arrangements and market approach options) for Goods, Works and Non-consulting Services (GWNcS).
- These Approved Selection Methods are described in the **Procurement Regulations at: Section VI and Annex XII**.
- This will cover the following:
  - Selection Arrangements and their procurement processes
  - Process decision tree for practitioners
  - International vs national market approaches
  - RFQ vs RFB vs RFP
  - SPD features e.g.; BAFO, multi-stage, two-envelope etc.

**Out of scope**

- Approved Selection Methods for **Consulting Services** is out of scope for this presentation. The Procurement Regulations do not make significant changes to the Bank’s selection of Consultants.
Project Procurement Strategy for Development (PPSD) is a critical planning tool. It informs many decisions about process.

The PPSD captures the key market analysis findings and explains how they:
- impact on the Borrower’s approach to market, and
- determine the best fit-for-purpose procurement procedure.

Through PPSD analysis determine:

1. What is the market segmentation? (national/international competition)
2. How will the project outcomes be delivered?
3. How will the contract and commercial deal be structured?

NOTE: APA is not covered in this webinar.
CLASSIFICATIONS

The Approved Selection Methods for Goods, Works and Non-consulting Services uses three main classifications. These are:

- **Selection Methods**
  
  *e.g.*: RFB / RFP / RFQ etc.

- **Selection Arrangements**
  
  *e.g.*: PPP / CDD / UN Agencies / Commodities etc.

- **Market Approach Options**
  
  *e.g.*: Open / Limited / Direct / National / International etc.
SELECTION METHODS
Goods, Works and Non-consulting Services

1. Direct
Approach and negotiate with only one firm. Price must be reasonable and consistent with market.

2. RFQ
Competitive method of seeking quotations for readily available, off-the-shelf GWNcS. There is no SPD for RFQ.

3. RFB
Competitive method used when Borrower specifies requirements and wishes to maintain a higher degree of control in delivery.

4. RFP
Competitive method used when Borrower specifies functional/performance needs and market proposes solutions. Rated criteria are normally used.
1. Public-private Partnership

- Private sector arrangements undertaken by private sector partners
- Test to finance existing PPPs = meet Core Procurement Principles + Fraud and Corruption guidelines + consistent with Regulations
- Test to finance new PPPs = consistent with the Approved Selection Methods (i.e. no longer restricted to open competitive bidding)
- Private sector partners can now procure from eligible sources using own procedures
- Unsolicited proposals now allowed

2. Commercial Practices

- In scope = Bank financing to private sector beneficiaries
- Test for commercial practices = must reflect Core Procurement Principles
- Out of scope = Bank financing, through financial intermediaries, for loans to private sector borrowers
### SELECTION ARRANGEMENTS (cont)

**Goods, Works and Non-consulting Services**

3. **UN Agencies**
   - Borrower may select UN Agency directly
   - Test = Agency’s expertise or rapid mobilization is critical
   - Used especially where urgent need of assistance or capacity constraints
   - Use UN Standard Agreement
   - Use Bank-UN Framework Agreement (where available)

4. **E-auctions**
   - A particular application of a RFQ
   - Scheduled on-line auction where PQ/registered firms compete
   - Test = Borrower’s requirements are unambiguously specified and there is adequate competition

5. **Program of Imports**
   - Covers program of imports handled by the Borrower’s public sector entities
   - Use simplified RFB selection method
   - If private sector entity handles the procurement Commercial Practices may be applied
Commodities

- Can use:
  - Framework Agreement
  - RFQ
  - E-reverse auction where there are PQ/registered firms

Community Driven Development

- Call for participation of local communities/NGOs with local know-how, Goods, or employ local labor
- Usually a large number of small-value contracts often in remote areas
- Use RFQ: local competitive bidding for Goods or Works
- Use direct contracting: small-value GWNcS

Force Accounts

- WNcS carried out by government department using own personnel and equipment – Force Account unit
- Use department’s own procedures
- Apply rigorous quality checks and inspections

NOTE: Competitive dialogue is covered later in this webinar under RFPs
Framework Agreements

An agreement with one or more firms to supply GWNcS, on an as-needs basis, over an agreed period of time and subject to agreed contract conditions.

Key changes
- For new FA = restrictions have been removed
- Test for pre-existing FA = consistent with Core Procurement Principles
- More detailed procedures for the operation of FAs
- Use of FAs now expanded beyond GWNcS to include Consulting Services

Examples
- desktops + laptops
- stationery + consumables
- pharmaceuticals
- vehicles
- panel of experts
- emergency response
- small works
MARKET APPROACH OPTIONS
Goods, Works and Non-consulting Services

Each of these options will be covered in detail later in the webinar

1. DIRECT APPROACH
   Approach and negotiate with only one firm. Allowed in certain circumstances.

2. OPEN COMPETITION
   Opportunity is openly advertised. All eligible firms have equal opportunity to participate. This is the Bank’s preferred option.

3. LIMITED COMPETITION
   Competition is limited to those firms that are invited to participate. No open advertisement. Allowed in certain circumstances.

NOTE: All of these options may be used when approaching national or international markets.
MARKET APPROACH OPTIONS (cont)
Goods, Works and Non-consulting Services

Each of these options will be covered in detail later in the webinar

4 NATIONAL COMPETITION
May be appropriate when the procurement is unlikely to attract foreign competition.

5 INTERNATIONAL COMPETITION
May be appropriate when the participation of foreign firms will increase competition and deliver best VfM and fit-for-purpose results.
MARKET APPROACH OPTIONS (cont)
Goods, Works and Non-consulting Services

6. **PRE-QUALIFICATION**
A shortlisting process normally used with RFBs. PQ is optional depending upon the category of procurement, size, risk and complexity. See individual SPDs.

7. **INITIAL SELECTION**
A shortlisting process normally used with RFPs. It must be used with Competitive Dialogue (CD) (see later slide for details of CD).

8. **SINGLE STAGE**
Most appropriate when the Borrower can describe the requirements in sufficient detail to enable the submission of complete Bids/Proposals.

9. **MULTI STAGE**
Most appropriate in large complex Plant, Works, ICT projects that may be novel or unique, or subject to rapid technological advances, where the Borrower describes the requirements in terms of business/functional needs.
MARKET APPROACH OPTIONS (cont)
Goods, Works and Non-consulting Services

10 BAFO
An option where the Borrower requests Best and Final Offers. Bidders/Proposers are not required to submit a BAFO.

11 NEGOTIATION
An option that allows the Borrower to conduct a negotiation with the Bidder/Proposer with the most advantageous Bid/Proposal.

- BAFO or Negotiation may be used following evaluation and before contract award, when the procurement would benefit from Bidders/Proposers having a final opportunity to improve their Bids/Proposals in terms of fit-for-purpose solutions, commercial aspects, price etc.
- BAFO and Negotiation are mutually exclusive i.e. you cannot use both in the same procurement.

12 RATED CRITERIA
Rated-type evaluation criteria are normally used with RFPs. They evaluate criteria based on merit and demonstrate the degree to which each Proposal meets or exceeds the requirements.
This decision tree illustrates the typical process options available to the Borrower, and the typical sequencing of the decisions.

This decision tree demonstrates a mix of Market Approach Options and Selection Methods.
The choices represented here demonstrate approaching the international market using the Bank’s SPDs.

The decision tree illustrates the range of choices available in deciding how to proceed to market.

This decision tree demonstrates a mix of Market Approach Options and Selection Methods.
DECISION TREE
PART ONE
Goods, Works and Non-consulting Services
This decision tree illustrates the typical process options available to the Borrower, and the typical sequencing of the decisions.

This decision tree demonstrates a mix of Market Approach Options and Selection Methods.
DIRECT SELECTION
Goods, Works and Non-consulting Services

- The first decision is whether **direct selection** or a competitive process is appropriate.

- There must be sufficient justification to use direct selection.
General rule

Direct selection may be appropriate if there is only one suitable firm, or there is justification to use a preferred firm.

Regulatory tests

1. Existing contract that may be extended
2. Re-engage firm that has completed contract within last 12 months
3. Low value, low risk procurement
4. Exceptional circumstances e.g. Emergency Situation
5. Standardization of goods needs to be compatible
6. Proprietary equipment
7. Essential to achieve required performance or functional guarantee
8. Provided by SOE, university, research center and of an unique and exceptional nature
9. UN Agency
Types of procurement

- Existing contract
- Low value, low risk contract
- Emergency situation
- Proprietary equipment from one source

Check

- Prices are reasonable and consistent with market
- Requirement not split into small procurements to avoid competitive process

Examples

- Spare parts
- Proprietary software
- Small quantities of office supplies or consumables
COMPETITIVE PROCESS
Goods, Works and Non-consulting Services

- If direct selection is not appropriate, then consider a competitive process.
- An open competitive approach to market is the Bank’s preferred option. It:
  - allows all eligible firms an equal opportunity to compete, and
  - provides timely and adequate advertisement of the requirements.
In deciding to undertake and competitive process the next decision is to choose between national competition or international competition.
NATIONAL COMPETITION
Goods, Works and Non-consulting Services

- When is it appropriate to approach the national market?
INTERNATIONAL COMPETITION
Goods, Works and Non-consulting Services

- When is it appropriate to use international competition?
General rule
Applying international competition may be appropriate when the participation of foreign firms:
1. will increase competition, and
2. may lead to best VfM and fit-for-purpose results.

Bank’s preferred approach
Open international competition is the Bank’s preferred approach for contracts that are:
1. complex
2. high-risk and/or high-value or
3. where the Bank’s Country Thresholds are exceeded.

Procurement Documents
For international competitive procurement the Borrower shall use the Bank’s Standard Procurement Documents (SPDs).
DECISION TREE

PART TWO – International Competitive Procurement

Goods, Works and Non-consulting Services
Decision #1: COMPETITION
- Limited
- Open

Decision #2: SELECTION METHOD
- RFQ
- RFB
- RFP

RFB Decision #3: QUALIFICATION
- Pre Qualification
- Post Qualification

RFB Decision #4: ENVELOPE/S
- 1 or 2 envelope/s

RFP Decision #3: PROCESS OPTIONS
- Model 1: two-stage
- Model 2: Streamlined
- Model 3: Competitive Dialogue

RFP Decision #4: VfM
- BAFO or Negotiation
- closed opening of financial envelope

DECISION TREE
PART TWO – International Competitive Procurement
Goods, Works and Non-consulting Services
**Two-envelope process**

- **Application**: can apply in single-stage procurements of goods, works or non-consulting services, BAFO or negotiation

- **Package**: the bidder/proposer is required to package the technical part and financial part of their bid/proposal in separate envelopes

- **Submission**: both envelopes are submitted simultaneously before the deadline

- **First opening**: only the technical envelopes are opened

- **Financial envelopes are not opened, and are kept in safe custody until the second opening**

- **Second opening**: after evaluation of technical parts, the financial envelopes are opened

- **Reason**: separate openings supports the evaluation of technical/quality parts without being influenced by price
**Default position** = maintain practice of public openings – both technical and financial parts

**Exception**: closed opening with probity auditor = option that may be applied:

- two-envelope process
- multi-stage RFP for goods, works or non-consulting services
- with BAFO or negotiation

**Closed opening with probity auditor = new process when opening financial envelopes:**

- opened in the presence of a probity auditor (not in public)
- auditor prepares a probity report
- deferred disclosure = at the same time as sending Notification of Intention to Award the borrower:
  - sends the probity report to proposers
  - publishes report on website
Why closed opening and deferred publication of information?

- proposers do not learn each others’ prices - maintains competitive tension
- doesn’t compromise integrity - as done in presence of independent probity auditor
- does not compromise transparency - as information is released later in probity report
- reflects modern commercial practice
When to use LIMITED

- where there are genuinely only a small number of suppliers in the market and they can be identified
- there will be no disadvantage to any other supplier/s
- where the advantages of open competition are outweighed by admin or financial burden

When to use OPEN

- this is the Bank’s preferred approach
- open is the default choice for competition
Which process is the best option?

To assist in determining the best fit-for-purpose process consider:

- the key characteristics of each process
- the pros and cons between each process
- whether additional process elements should be included e.g. BAFO or negotiations
Competitive method of seeking quotations for readily available, off-the-shelf GWNcS.

- There is no SPD for RFQ
- Consider open, limited or direct
- Consider using E-reverse auction

**Key characteristics**

Some or all of the following characteristics apply:

- low to medium value (Bank Guidance thresholds)
- requirements are simple and easy to specify, or off-the-shelf standard product or service
- there is a ready market with many suppliers
- procurement decision is based on technically conforming lowest quotation

**Examples**

- furniture
- laptops, computers
- catering services
- office maintenance
- transport services
Competitive method that seeks Bids that conform to Borrower’s specifications.

- Select the appropriate SPD based on the category of GWNeC and risk, size and complexity of procurement
- if appropriate, seek Bank’s agreement to additional process e.g. BAFO or Negotiations

**Key characteristics**

Some or all of the following characteristics apply:

- standard procurement where the requirements are simple and easy to describe
- complex procurement where Borrower describes the specifications and the market has proven ability to deliver
- the Borrower retains tight control over design and delivery
- the Borrower accepts the risk in the design of the specifications
- procurement decision is based on lowest price conforming Bid

**Examples**

- road construction designed by the employer
- vehicles
- pharmaceuticals
Competitive method that seeks Proposals. Borrower describes requirements in terms of functionality/performance and the market proposes solutions.

- Select the appropriate SPD based on the category of GWNcS and risk, size and complexity of procurement
- if appropriate, seek Bank’s agreement to additional process e.g. BAFO or Negotiations OR
- develop customized Procurement Document using the Universal RFP template

**Characteristics**

Some or all of the following characteristics apply:

- non-standard procurement, or where complexity is moderate to high
- cost of bidding is high
- there is a high potential for alternative solutions, or alternative technologies, or the Borrower is actively seeking innovation
Characteristics (cont)

Some or all of the following characteristics apply:

- the market is able to offer customized solutions that are fit-for-purpose and deliver the desired performance or outcome
- the use of quality/cost evaluation (rated criteria) will lead to enhanced value for money
- the Borrower wants the supplier to have a greater degree of flexibility and/or control over design and/or delivery
- the Borrower does not want to accept the risk in the design of the specifications
- quality of design and/or execution are important priorities

Examples

- integrated financial management information systems
- water treatment plant
- design and build of dam
- advanced medical equipment
3 model RFPs:

- **RFP MODEL 1**: Two-Stage following Initial Selection
- **RFP MODEL 2**: Streamlined
- **RFP MODEL 3**: Competitive Dialogue
Request for Bids

Cons

1. Can take longer to get to market as Borrower develops the specifications
2. Borrower carries legal risk if design and specifications are wrong
3. Limited scope for innovation and alternative solutions

Pros

1. Suitable for standard procurements where the Borrower specifies detailed requirements
2. Suitable for complex procurements where Borrower can describe the specifications and the market has proven ability to deliver
3. Simple identification of MAB based on qualifying criteria and lowest evaluated cost
4. Borrower retains tight control over design and delivery
Request for Proposals

Pros

1. Suitable for non-standard procurement, where complexity is moderate to high
2. Suitable for procurements where there is high potential/need for innovation, new technologies or alternative solutions
3. Suitable where the Borrower does not want to accept the risk in the design of the specifications
4. Delivers a customized, fit-for-purpose solution for a unique or novel requirement

Cons

1. The cost of going to market and cost of bidding are high
2. The process can take longer than a standard RFB
3. Borrower may need additional specialist support to: (1) define the business needs, (2) design and apply appropriate rated-type criteria (including weightings) and (3) manage the deliverables
Best Fit-for-Purpose Procurement Process

Goods, Works and Non-Consulting Services

Fit-for-purpose by design

Getting the best fit-for-purpose procurement process can sometimes be a combination of the:

a. right selection method e.g. RFB or RFP and

b. right market approach options e.g. single-stage or two envelope, or negotiation

- **y axis** = levels of complexity and risk in the procurement and time to undertake the procurement
- **x axis** = how easy/difficult is it to define:
  1. the outcome to be delivered, and
  2. how the contract and commercial deal will be structured
The 2016 suite of SPDs provides choice based on the category of procurement and size, complexity, risk.

The SPD Design Features handout lists each SPD and specifies the key features that it contains.

You may seek approval to add an additional feature to an existing SPD if there is justification to do so.

Alternatively craft a RFP using the Model 2 RFP.