# Procurement Compass

## Process Attributes

<table>
<thead>
<tr>
<th>Procurement Methods</th>
<th>1 Stage (1 Envelop)</th>
<th>Multi Stage</th>
<th>Open Comp.</th>
<th>Limited Comp.</th>
<th>RFP</th>
<th>RFB</th>
<th>BaFO</th>
<th>Negot.</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Competitive Bidding (ICB)</td>
<td>✔</td>
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<tr>
<td>Competitive Dialogue (CD)</td>
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<td>Innovation Partnership (IP)</td>
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<tr>
<td>Limited Bidding (LB)</td>
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<tr>
<td>National Competitive Bidding (NCB)</td>
<td>✔</td>
<td>✔</td>
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<td>Shopping (S)</td>
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<tr>
<td>Direct Contracting (DC)</td>
<td>✔</td>
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<td>Electronic Reverse Auction (ERA)</td>
<td>✔</td>
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<td>✔</td>
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</tr>
</tbody>
</table>

## Market Approach

- RFP: Request for Proposal
- RFB: Request for Bid
- BaFO: Break-Fixed Order
- Negot.: Negotiated Procurement

## Evaluation Attributes

- Price
- Sustainability
- Innovation
- Other

## Applicable Mechanisms

- Stand Still
- APA: Alternative Procurement Approach
- Probity Assurance
- ALT

## Other Modalities

Other Modalities include:
- GN-2349-15
- GN-2350-15

## Decision Tree


## Sustainable Procurement

- Net Present Value
- Value for Money
- Economy
- Efficiency
- Equality
- Transparency
- Integrity
Decision Tree
Route to the most appropriate procurement method.

Supply and Demand Matrix
Tool to understand the relationship between the market and the various procurement strategies.

Evaluation Criteria
Classification of the various criteria, evaluation methods and rules for awarding contracts.

Sustainable Procurement
Everything you need to know to design a sustainable procurement process.

Link to an internal information source. Click on the compass to expand your search.

This icon indicates which attributes, market approaches, or mechanisms are applicable for the selected procurement method.

This icon indicates the attributes, market approaches, or mechanisms that are optional for the selected procurement method.

Link to an external source of information. Click to expand your search.

Home
Under **Value for Money (VFM)** considerations, the Bank seeks effective, efficient and economical use of resources, which require the assessment of relevant costs and benefits, as well as risks and other attributes other than price, including life cycle costs, where appropriate.

**Relevant Considerations**

It is a principle for the evaluation of offers\(^1\): VFM is not an evaluation criterion, but a concept that serves as the basis for comparing offers, in order to select the most advantageous\(^2\). Sometimes the price itself is not an accurate indicator, especially for complex acquisitions, where quality, sustainability, innovation and lifecycle costs are all dimensions relevant to accomplish success.

In addition to proper contractual management, it requires compliance with the following requirements:

- Integrity throughout the entire procurement process.
- Clear definition of procurement needs and objectives.
- The procurement approach is proportional to their risk, value, context and complexity.
- Specification of the technical and functional conditions and requirements of what is intended to be procured.
- Selection of contractual arrangements, procurement method and relevant evaluation criteria.

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1. This condition treats value for money as a key principle of procurement, rather than a subordinated objective.
2. VFM is the optimal combination of efficiency, effectiveness and economy in every purchase. It cannot be evaluated through just one of these dimensions.
CCE (2015). ¿What is Value for Money? Colombia Compra Eficiente, Colombia

ChileCompra (2017). Value for Money in Public Procurement. Dir. ChileCompra, Chile

Jackson, Penny (2012). Value for Money and International Development. OECD, Paris


The *Economy* principle refers to the purchase of appropriate quality supplies at the appropriate price. The economy principle considers price-related and non-price-related factors, such as quality, sustainability and life cycle costs, as appropriate, that support value for money. This principle can consider sustainability under specific criteria in support of the Borrower’s sustainable procurement policy.

**Home**
The Efficiency principle requires procurement processes to be proportional to the value and risks of the underlying project activities.
The *Equality* principle consists in giving all eligible bidders from developed and developing countries the same information and equal opportunity to compete in providing goods and works financed by the Bank.
The Transparency principle requires that relevant procurement information be made publicly available to all interested parties, consistently and in a timely manner, through accessible and widely available sources at reasonable or no cost and appropriate reporting of procurement activities, including contract awards.
Integrity

The Integrity principle refers to the Bank’s financing being used for its intended purpose and good governance practices and also requires that all parties involved in the procurement process observe the highest standards of ethics during the procurement process of Bank’s financed contracts and execution of the project, and refrain from Prohibited Practices, in accordance with paragraph 1.16 and Bank’s Sanctions Procedures.
The objective of the **International Competitive Bidding (ICB)** is to provide all potential eligible bidders with timely and appropriate notification of a Borrower’s requirements for the necessary goods and works of a project, and to provide such equal opportunities to submit bids in relation to them. ICB may be carried out through RFB (used when the Borrower is able to fully specify the detailed requirements) or RFP (used for complex and innovative procurement).

It is used to purchase works, goods or services, in relevant or complex quantities, in which the scope, purpose and/or function can be clearly defined in sketches or technical specifications. Some of its main features include:

- Maximum competition and transparency
- It involves national and international suppliers
- May exceed the expected time
Limited Bidding (LB)

A Limited Bidding (LB) is a competitive method by invitation without open advertisement. It may be an appropriate method of procurement where (a) there is only a limited number of suppliers, or (b) other exceptional reasons that justify departure from full ICB procedures. Under LB, Borrowers shall seek bids from a list of potential suppliers broad enough to assure competitive prices, such list should include all suppliers when there are only a limited number.

It is used to purchase works, goods or services where there are a limited number of suppliers on the market or where its use is exceptionally justified instead of an LPI.

Principle features:

➢ Shorter term than ICB
➢ Limited number of national and international suppliers
➢ It doesn’t require public notice, but it requires an invitation
➢ All other ICB rules apply
National Competitive Bidding (NCB)

The National Competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Borrower and may be the most appropriate way of procuring goods or works which, by their nature or scope, are unlikely to attract foreign competition. To be acceptable for use in Bank-financed procurement, these procedures shall be reviewed and modified as necessary to align with Core Procurement Principles, and broad consistency with the provisions included in Section I of these Policies.

It is used to purchase works, goods and services for an estimated amount less than the ICB threshold or because due to its scope or nature there is no interest of international suppliers under the four assumptions stipulated in the Policies. Some of its main features include:

➢ The procedure and specifications used should be consistent with the Basic Principles of Procurement and the provisions of Section I of the Policies
Shopping is a procurement method based on comparing price quotations obtained from several suppliers (in the case of goods) or from several contractors (in the case of civil works), with a minimum of three, to assure competitive prices, and is an appropriate method for procuring readily available off-the-shelf goods or standard specification commodities of small value, or simple civil works of small value.

It is used to purchase goods or services in stock and easy to obtain or simple works requiring at least three valid offers.

Principle features:

➢ Simple, quick and informal procedure
➢ It is formalized through a purchase order, service order or simplified contract
➢ Limited competition
Direct Contracting (DC) is used to purchase works, goods or services directly, without competition or advertising.

Principle features:

➢ No competition
➢ It must be justified in accordance with the requirements in paragraph 3.6 of the Policies
The **Competitive Dialogue (CD)** allows the dynamic interaction of the borrower with the bidders. It is recommended to use when making complex or innovative acquisitions.

Under this method, the borrower engages in a dialogue with the companies or JVCA (Joint Venture, Consortium or Association) initially selected, with the aim of identifying and specifying suitable alternative solutions, to satisfy the needs, before inviting firms to submit their final proposals. Requires the presence of an independent probity authority.

**Relevant considerations:**

Questions that help determine the desirability of using CD:

- Are the needs clear, but the means to meet them undefined?
- Does the borrower wish to encourage and enable innovation and is willing to abstain from defining the means that will satisfy the needs?
- Could the needs be met through several different solutions?
- Has the borrower made prior purchases for similar needs? If so, where the results satisfactory?
- Is the borrower confident that other procurement methods do not allow a level of collaboration between him and the bidder, for the development of an appropriate solutions?
- Does the borrower have resources for an intensive medium- or long-term procurement process (8 to 12 months), requiring a high level of technical, legal and commercial input and knowledge, as well as resources and costs?
- Is there a high level of market interest and competition?
- Have other procurement selection methods been evaluated and discarded?

**Independent Probity Assurance Authority:**

In order to ensure the implementation of the Core Procurement Principles defined in the Policies, the borrower shall identify an Independent Probity Assurance Authority acceptable to the Bank, to be designated at the beginning of the process and that supervise it until the award of the contract.
Competitive Dialogue (CD)

Guidelines for the CD:

It consists of rounds of confidential meetings with each of the prequalified bidders, in the presence of the probity assurance authority, to analyze all aspects of the preliminary technical proposal submitted, including the details of the proposed solution, its sustainability, legal aspects, estimated price and other elements deemed relevant. In order to ensure success you should consider:

➢ Establishing the number of meetings with each bidder, to clarify the information included in their preliminary technical proposal. If necessary, additional meetings can be held.
➢ Avoiding preferences or providing information that may affect the position of other bidders.
➢ Bidders shall indicate to the borrower the parts of their preliminary proposal that are commercially confidential.
➢ The borrower shall not disclose the proposed solutions to other bidders, nor the confidential information provided, or shared during the CD without the written consent of the bidder.
➢ The borrower will not use a bidder’s confidential information to improve other proposals.

Preparation of the CD:

Before starting the procedure, it is essential that the borrower plans the entire process to identify the complexities, critical route and estimated duration of the procedure, in order to establish the workflows, the necessary resources and to designate a responsible team in charge of the CD. In parallel, it is vital to know the existing market, the appetite of potential stakeholders to engage in a CD, the expected level of competition and commitment of the different actors. CD involves significant dedication and costs to participants, who must have a clear understanding of their conditions and scope. In this preparation phase, the probity assurance authority should be identified and hired.

The borrower shall keep confidential minutes of the dialogue meetings with each bidder, which shall be communicated to the same as part of the invitation to submit final proposals. The minutes shall not form part of the request for a final proposal.

If the borrower has not previously performed a CD procedure, it is recommended to rely on an expert in this method of selection and hiring.

1 The procedure indicated may be adjusted according to the nature and complexity of the specific case.
2 The deadlines indicated depend on each case and the state of development of the project.
<table>
<thead>
<tr>
<th>Competitive Dialogue Procedure</th>
<th>Estimated Days (Calendar days)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prequalification (if applicable)</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Prequalification documents prepared</td>
<td></td>
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<tr>
<td>1.2 Specific Public Notice (SPFN) Published</td>
<td></td>
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<tr>
<td>1.3 Prequalification clarifications</td>
<td>30</td>
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<tr>
<td>1.4 Public Opening of Prequalification Applications</td>
<td></td>
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<tr>
<td>1.5 Evaluation of Prequalification Applications (Pass/Fail)</td>
<td></td>
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<tr>
<td>1.6 Evaluation Report and Selection of Prequalified for CD (Between 3 and 6)</td>
<td>20</td>
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<tr>
<td>1.7 Notification of prequalification results</td>
<td></td>
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<tr>
<td><strong>Request for preliminary technical proposal and CD</strong></td>
<td></td>
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<tr>
<td>1.8 Preparation and delivery of request for proposals to prequalified, with conceptual design, functional specifications, and/or initial performance, as well as the CD rules</td>
<td>60</td>
</tr>
<tr>
<td>1.9 Clarification period for the request for technical proposals and of the CD</td>
<td></td>
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<tr>
<td>1.10 Public opening of bids</td>
<td></td>
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<tr>
<td>1.11 Technical proposals evaluations</td>
<td></td>
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<tr>
<td>1.12 CD bilateral meetings rounds</td>
<td></td>
</tr>
<tr>
<td>1.13 Preparation of CD report, including rejection of preliminary technical proposals that resulted in non-satisfactory and noncompetitive proposals</td>
<td>30</td>
</tr>
<tr>
<td>1.14 Notification of CD results</td>
<td></td>
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<tr>
<td><strong>Request for final proposals</strong></td>
<td></td>
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<tr>
<td>1.15 Based on the meetings the CD request for proposals is modified to prepare and present the final technical and financial proposals.</td>
<td>50</td>
</tr>
<tr>
<td>1.16 Public submission of final technical and financial proposals. Only the technical proposals are opened</td>
<td></td>
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<tr>
<td>1.17 Evaluation of technical proposals. Notification of results to proponents</td>
<td></td>
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<tr>
<td>1.18 Opening of financial proposals in the presence of the Probit Authority (not public)</td>
<td></td>
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<tr>
<td>1.19 Evaluation of financial proposals</td>
<td></td>
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<tr>
<td>1.20 Preparation of the evaluation report (attached Probit Authority report), including identification of the Most Advantageous Bid and process for Abnormally Low Bids, if there were any</td>
<td>10</td>
</tr>
<tr>
<td>1.21 Delivery of Notice of Intention to Award. Stand Still Period is activated</td>
<td></td>
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<tr>
<td>1.22 If a claim is received, it will be answered before the award of contract</td>
<td>15*</td>
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<tr>
<td>1.23 Award and signing of contract, including submission of guarantees</td>
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<tr>
<td>1.24 Publication of Notification of Award</td>
<td>30</td>
</tr>
<tr>
<td><strong>Estimated days for Competitive Dialogue</strong></td>
<td>300</td>
</tr>
</tbody>
</table>

*Conditional timeframe on the presentations of protests. It is not considered within the estimated total timeframe of the process.
Links and References

- World Bank Competitive Dialogue
- HM Treasury United Kingdom. Competitive Dialogue Guidance
The **Innovation Partnership (IP)** is a multistage procedure where the Borrower needs a solution for delivering better works, goods or services to achieve their sustainable development goals, and that solution is not readily available in the market.

**Relevant considerations:**

- It differs from pre-commercial public procurement in that it is intended to contract R&D activities, and from the public purchase of innovation, in that it merely acquires something already existing, either as a prototype or because it is not available on a commercial scale, so it requires the development of new or improved technology, without R&D.

**Features and Guidelines of the IP:**

- It will be used in exceptional circumstances, and it should justify that the identified need is absent in the international market. The Bank reserves the right to verify the scope and data of the justification.
- It is a competitive multistage procedure, demanding extensive technical, administrative and negotiation skills.
- The bidding documents should identify the need for an innovative service or work through the description of the central elements the minimum requirements to be met by the bidders.
- The information provided must be sufficiently accurate to allow candidates to identify the nature and scope of the required solution and decide whether to participate in the procedure.
- It can be agreed with one or more vendors.
- It follows the sequence of stages of the research and innovation process, which may include the development or design, manufacture of goods, the provision of services or the completion of works.
- It shall establish intermediate milestones to be met by the members and provide for the payment of remuneration in the appropriate terms.
Bidders should be selected based on their capacity in the field of research and development of innovative solutions.

The borrower will negotiate the initial proposals with the bidders and all subsequent proposals submitted by them, except for the final one, to improve the content of the proposals, but not including the minimum requirements and the award criteria which are not subject to negotiation.

The contract shall define the arrangements applicable to intellectual property rights.

If a supplier does not meet the intermediate objectives, the IP may be terminated in respect of that supplier, after payment of what has been successfully achieved so far.

At the end of each phase, the borrower may terminate the IP, or reduce the number of suppliers.

Features and Guidelines of the IP:

- The competitive phase is performed at the beginning of the procedure, when the most suitable partners are selected according to their skills and experience.
- In the development phase, partners develop the solution in collaboration with the borrower. R&D can be divided into several stages.
- In the commercial phase, the agreed products are delivered.

Benefits:

- It stimulates the development of innovative solutions.
- It allows to identify and select the best partners for the development and production of the solution.
- It contributes to achieving the sustainable development goals.

Click on the image to see the phases of the Innovation Partnership.
PHASE 1
Investigation Activities

PHASE 1
Prototype creation

PHASE 3/ PURCHASE
Pilot creation
Procurement of the resulting works/ services/ goods
Agencia Valenciana de la Innovación

Innovation Partnership in the New Public Procurement Regime – A Shift of Focus from Procedural to Contractual Issues?


European Commission. (2016) Innovation partnerships keep public services up to date


Van Putten, M. Leading public innovation procurement

Electronic Reverse Auction

The **Electronic Reverse Auction** is a scheduled online event in which prequalified or registered firms have met the minimum qualification criteria and bid against each other on their price.

**Relevant considerations:**

- Conducting a reverse auction requires conditions within the process.
- A strictly electronic procedure. No proposals or face-to-face bids are acceptable.
- The existence of a competitive market of suppliers or contractors, with the participation of companies of any size.
- The detailed and unambiguous description of the subject matter of the contract to be awarded.
- Criteria for determining the quantifiable and expressible winning bid in monetary terms.

According to the characteristics of the market and the nature of the object of what is intended to be contracted, low price auctions\(^1\), first-price-up auctions\(^2\) and any other form of auction\(^3\), for which the conditions above.

Where possible, the reference price, as well as the widespread and systematic use of this mechanism, will be avoided in order to avoid coordination among auction participants.

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1. Also known as the English Auction
2. Also known as the Dutch Auction
3. Other reverse auction modalities include the Japanese Auction, Multiple Attribute Auctions, among others.


Durá, Pedro. (2003). Teoría de Subastas y Reputación del Vendedor. CMNV, Spain
Multi-Stage procurement (AME) is recommended when, while knowing or identifying the most appropriate solution, it is impractical to prepare in advance complete technical specifications due to the complexity or magnitude of the scope of the good, work or service because the borrower does not have enough information to produce complete technical specifications.

**Relevant considerations**

In the Multistage Procurement, the borrower can organize confidential meetings to inquire on technical and functional clarifications, including other aspects. The specification shall be amended to reflect the aspects identified and to improve the solution identified by the borrower.

<table>
<thead>
<tr>
<th>Multistage Procurement Process</th>
<th>Duration* (Calendar Days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pre-qualification (if it applies)</td>
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<tr>
<td>1.1 Pre-qualification documents preparation</td>
<td></td>
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<tr>
<td>1.2 Publication of specific procurement notice</td>
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<tr>
<td>1.3 Preparation of pre-qualification applications</td>
<td></td>
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<tr>
<td>1.4 Pre-qualification clarifications</td>
<td></td>
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<tr>
<td>1.5 Public act filing and opening prequalification applications</td>
<td>15</td>
</tr>
<tr>
<td>1.6 Evaluation of prequalification applications (Go/No-Go)</td>
<td></td>
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<tr>
<td>1.7 Evaluation report and selection of pre-qualified entities</td>
<td></td>
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<tr>
<td>1.8 Notification of prequalification results</td>
<td></td>
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<tr>
<td>2. Request for preliminary proposal and bilateral meetings</td>
<td></td>
</tr>
<tr>
<td>2.1 Preparation and submission to pre-qualified requests for proposals, with conceptual design, functional and/or initial performance specifications and rules of bilateral meetings</td>
<td></td>
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<tr>
<td>2.2 Period of clarification on request for technical proposals</td>
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<tr>
<td>2.3 Public act of filing and opening request for proposals</td>
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<tr>
<td>2.4 Evaluation of technical proposals</td>
<td></td>
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<tr>
<td>2.5 Confidential bilateral meetings with bidders</td>
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<tr>
<td>2.6 Evaluation report on technical proposals and bilateral meetings. May include rejection of unsatisfactory technical proposals.</td>
<td></td>
</tr>
<tr>
<td>2.7 Notification of evaluation results of technical proposals and meetings bilateral meetings.</td>
<td>10</td>
</tr>
<tr>
<td>3. Request for Final Proposals</td>
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<tr>
<td>3.1 Based on bilateral meetings, a request for final proposal is prepared and bidders are invited to submit a final technical and financial proposal</td>
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<tr>
<td>3.2 Clarifications of request for proposals</td>
<td>30</td>
</tr>
<tr>
<td>3.3 Public act of submitting final technical and financial proposals. Only technical proposals are opened</td>
<td></td>
</tr>
<tr>
<td>3.4 Evaluation of technical proposals. Notification of results</td>
<td></td>
</tr>
<tr>
<td>3.5 Public act opening financial proposals</td>
<td></td>
</tr>
<tr>
<td>3.6 Evaluation of financial proposals</td>
<td>30</td>
</tr>
<tr>
<td>3.7 Preparation of an evaluation report, including identification of the most advantageous proposal and of abnormally low bids, if any.</td>
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<tr>
<td>3.8 Sending the notification of award intention.</td>
<td></td>
</tr>
<tr>
<td>3.9 If a protest is received, it is settled before the contract is awarded</td>
<td>15*</td>
</tr>
<tr>
<td>3.10 Contract award and signing. Includes presentation of guarantees provided.</td>
<td>30</td>
</tr>
<tr>
<td>3.11 Publication of award notification</td>
<td></td>
</tr>
<tr>
<td><strong>Multistage Procurement Total Estimation in Days</strong></td>
<td>210</td>
</tr>
</tbody>
</table>

* The timeframes are estimated and depend on the complexity of the project and the responsiveness of the market.

* It is not considered in the full-time frame because it is an uncertain fact.
Procurement Regulations for IPF Borrowers. Annex XII. Selection Methods - World Bank
Request for Proposal (RFP)

Is a bidding document that should be used when the Borrower is not able to clearly specify its requirements (typically used for complex and innovative procurement) allowing firms to offer proposals that vary in the degree in which they meet the requirements set forth in the bidding document. The evaluation criteria normally includes rated type criteria.
Request for Bids (RFB)

Is a bidding document that should be used when the Borrower is able to fully specify the detailed requirements that enable firms to offer bids that meet the requirements set forth in the bidding document. The evaluation criteria is normally expressed in monetary terms.
Best and Final Offer (BAFO)

The **Best and Final Offer (BAFO)** is an option under which the Borrower invites bidders that have submitted substantially responsive bids to submit their BAFO.

**Relevant Considerations**

1. General conditions for the evaluation criteria
   - It is used in international competitive bidding (ICB), limited bidding (LB) and is subject to ex-ante review.
   - Cannot be combined in the same procurement process with negotiation.
   - The independent Probity Assurance Authority is optional.

Its procedure should be expressly provided in the tender documents, with the applicable rules and guidelines. If the BAFO mechanism was intended, it applies even if a single offer is received. The BAFO is applied after the evaluation of financial proposals is completed.

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**Procedimiento Adquisición en Múltiples Etapas con MOF**

1. **Pre calificación (si aplica)**
2. **Solicitud de Propuesta preliminar y reuniones bilaterales**
3. **Solicitud de Propuestas finales**
   3.6 Evaluación de propuestas financieras
   3.7 Invitación a preparar y presentar la MOF
   3.8 Acto público de presentación y apertura de MOF
   3.9 Evaluación de la MOF
   3.10 Elaboración de informe de evaluación, incluyendo identificación de propuesta más ventajosa y tratamiento de la propuesta anormalmente baja, si la hubiera
   3.11 Envío de notificación de intención de la adjudicación. Se activa plazo suspensivo
   3.12 Si se recibe protesta, se solventa antes de adjudicar el contrato
   3.13 Adjudicación y firma del contrato. Incluye presentación de garantías previstas
   3.14 Publicación de notificación de adjudicación

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1. The deadlines indicated are for reference and depend on each case and the state of development of the project.
2. The procedure indicated may be adjusted according to the nature and complexity of the specific case.
Links and References

Negotiations

The Negotiation allows the Borrower to enter into a dialogue with the bidder who has submitted the most advantageous offer.

Relevant Considerations

➢ It is only used in international competitive bidding or limited bidding, and subject to ex-ante review.
➢ It cannot be included in the same procurement process where the best final offer is allowed.
➢ It requires an independent Probity Assurance Authority.

Negotiation should be expressly provided for in the tender documents with the rules and guidelines they apply to it. The probity authority must be designated from the outset of the process to familiarize it with the bidding document and the bids received. Trading is triggered after the evaluation of the financial offer. This is amended in step 3 of the AME procedure:

<table>
<thead>
<tr>
<th>Procedimiento Adquisición en Múltiples Etapas con Negociación ¹</th>
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<tr>
<td><strong>Etapa 1. Precalificación (si aplica)</strong></td>
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<td>3.7 Elaboración de informe de evaluación, incluyendo identificación de propuesta más ventajosa y tratamiento de la propuesta anormalmente baja, si la hubiera</td>
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<td>3.8 Negociación con la oferta más ventajosa en presencia de autoridad de probidad. Si esta negociación no es satisfactoria, se negoca con la siguiente oferta más ventajosa y así sucesivamente</td>
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<td>3.9 Preparación del informe de autoridad de probidad sobre el proceso de negociación</td>
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<td>3.10 Envío de notificación de intención de adjudicación. Se activa plazo suspensivo</td>
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<td>3.11 Si se recibe protesta, se solventa antes de adjudicar el contrato</td>
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</tr>
<tr>
<td>3.13 Publicación de notificación de adjudicación</td>
</tr>
</tbody>
</table>

The Notice of Intent to Award (NIA) is a written notice transmitted to each bidder that submitted a bid, informing them of the intention to award the contract to the successful bidder.

The Standstill Period shall apply to give the bidders time to examine the NIA and to assess whether it is appropriate to submit a complaint.

**Relevant Considerations**

The NIA is sent after the Bank’s non-objection to the evaluation report, or after successful negotiations with the relevant bidder or consultant are concluded.

**Guidelines for sending the NIA**

- It must contain enough information about the evaluation process of the bidder or proponent to which it is addressed, indicating that it initiates the suspensive period for receiving complaints and the date of termination of the complaint.
- It must be sent simultaneously and without delay to all bidders.
- The executing agency must be aware when the NIA is sent.
- The Standstill Period begins after the day the NIA is sent.
- It is not a substitute for the publication of the award notice.
- Once it is issued, the confidentiality regime on the procurement process ceases, without prejudice to the duty to preserve the commercial reserve and sensitive business information.

The Standstill Period allows bidders to assess whether it is appropriate to file a complaint and it lasts ten (10) business days after the NIA, except for the assumptions set out in numeral 2.79 of policy GN-2349-15 and 2.31 of the GN-2350-15. If a complaint is received, the award of the contract is suspended until its termination. For this reason, the Borrower must promptly process the handling of the complaint, in coordination with the Bank, as described in Appendix 1 of the Policies.
Upon receipt of the non-objection, the borrower may publish the results of the award without the need to make a new NIA or suspend the process.

If no complaint is received during the 10-business day period, the borrower shall:

- Inform the Bank that no complaints were submitted.
- Award the contract under the NIA that had the Bank’s non-objection.
- Publish the award of the contract.

**Benefits of the NIA and Standstill Period**

- It allows bidders to examine and evaluate merit for complaints.
- Avoids declaring ineligibility or subsequently cancelling a contract.
- It allows you to set a schedule to deal with and resolve complaints.
The Stand Still period starts the day after the delivery of the NIA to all bidders.

**Stand Still Period (10 working days)**

1. **Up to the third day**, the bidder may request in writing clarifications or an informative meeting to discuss the reasons why its bid was not selected.

2. **Up to the fifth day**, the Borrower must reply to the clarifications or host the informative meeting.

3. **Up to the eighth day**, the Bidder may submit the claim.

4. **Up to the tenth day**, the Borrower must issue a response to the claim, unless there is an extension.

5. **Award contract on day 11th or thereafter**

The Contract is awarded if there is no protest pending resolution.

The Claims may be submitted at any time during the Stand Still Period, without consideration to the stages.

The Stand Still period expires at midnight on the 10th day (unless extended).


The **Complementary Procurement Support (ACA)** consists of supporting the management of competitive procurement processes for goods, works, non-consulting services and consultancy services, subject to prior review through the assignment of an expert team, agency or an independent individual consultant.

**Relevant Considerations**

The responsibility for the selection and contracting process, as well as for the execution of projects, rests solely with the borrower. The ACA does not mean that the Bank assumes the execution of the acquisitions on behalf of the borrower.

**Implementation:**

The ACA can be requested by the borrower or recommended by the procurement specialist or team leader, in any of the following cases:

- Identification of weaknesses in the ability to execute by the borrower.
- Complex and innovative processes.
- Exceptional cases, such as emergency situations and natural disasters.

The ACA is analyzed on a case-by-case basis, in which the procurement specialist will evaluate the necessity along with the team leader of the project.

It may be used in procurement as follows:

- For new projects: Annex III will identify procurement processes to be supported by the ACA, as well as the corresponding justification for this and the sources of funding. The initial Procurement Plan will list procurement processes with ACA.
- For on-going projects: The procurement specialist, along with the team leader, will evaluate the relevance and, if agreed, update the Procurement Plan indicating the procurements in which it will be implemented.
Links and References

➢ World Bank - Procurement Hands-on Expanded Implementation Support
Activities Allowed - ACA

➢ Contribute to defining the project procurement strategy.
➢ Support in the preparation of the Procurement Plan.
➢ Support in the preparation of documents for the international bidding process.
➢ Participate in previous preparatory meetings or during the bidding process.
➢ Attend clarifying meetings and support the development of answers to clarifying questions.
➢ Participate as an observer in presentation and opening of bids.
➢ Support consistency in the application of evaluation criteria and verification of their compliance, during the evaluation process.
➢ Support the preparation and definition of the strategy for contract negotiation and participate in the negotiations.
➢ Support the design and elaboration of the final contract.
➢ Support in the design of contract management and monitoring mechanisms.
➢ Participate in briefings with unselected bidders.
➢ Support and guide in the attention of claims and protests.
Activities Not Allowed - ACA

➢ Grade, reject bids, assign scores, and sign the assessment report.
➢ Integrate the borrower evaluation committee.
➢ Decide the winning proposal and communicate the outcome of the process to the participants and adjudicator.
➢ Assume the negotiation of the contract.
➢ Attend information meetings with unselected bidders without the borrower.
Guidelines for the Use of ACA

➢ Given the nature of the support provided under any of the modalities of the ACA, the procurement specialist and the team leader shall retain their full power to review and issue mandatory concepts, technical opinions and non-objections.

➢ It may not be perceived or give rise to a situation of conflict of interest.

➢ Its use does not imply that the Bank waives the rights and powers stipulated in the Constitutional Agreement, Loan Agreement, Procurement Policies and other Bank policies and regulations, applicable to the project and the borrower.

➢ The team, agency or consultant running the ACA will be selected and contracted in accordance with the Bank’s procurement policies and will be obliged to keep confidential during the process.

➢ The expert opinions issued by the team, agency or consultant implementing the ACA are independent and do not represent or compromise the Bank’s opinion.
The Independent Probity Assurance Authority (IPAA) is a third party (natural or legal, public or private personnel) that offers specialized probity verification services during procurement processes, under the modality of Competitive Dialogue or Negotiations in an acquisition process. Its appointment must have the Bank's non-objection.

Relevant Considerations

➢ The IPAA conducts an independent review of the procurement process and ensures that the Bank’s Basic Procurement Principles have been complied with.
➢ Once the borrower makes the decision to award the contract and prior to the submission of the Notice of Intent to Award the Contract, the IPAA shall prepare the probity report, which shall be sent to the borrower and the Bank,
➢ The probity report will also be sent to all bidders attached to the Notice of Intent to Award. The probity authority shall terminate its function once the contract has been awarded.

Guidelines and Scope

➢ It must be designated before the start of the procurement process.
➢ The request for proposals documents (including prequalification documents, if any) need to be reviewed before being sent to bidders and you will have access to the offers or proposals and all documents generated during the procurement process.
➢ It accompanies the entire procurement process and you should warn of any deviation, vulnerability or risk that may compromise it.
➢ Must be present in all external or internal meetings and negotiations, including borrower evaluation committee meetings.
➢ Must disclose any conflict of interest situation, or that compromises the independence of the services provided as soon as it arises.
➢ It should help to ensure the confidentiality of the process and the proper treatment of documents considered confidential.
➢ You must inform the parties about the scope of the procurement process, the framework of applicable rules regarding probity compliance, and their role as IPAA.
➢ You should provide impartial advice to avoid or resolve any probity issues that may compromise the process.
➢ It can serve as a liaison with other borrower instances that require information about the process.
➢ Must prepare a probity report, which documents everything that has happened, with the corresponding media that occurs during the process, so that the result of the process is adequately supported.
➢ Must prepare and send interim probity reports to the borrower and bank at the end of each stage of the acquisition process. These milestones will be indicated in the bidding documents and in the Terms of Reference.
➢ The probity report shall be public and may be published on the borrower’s website or in any other public medium.
How to Undertake a Competitive Dialogue Procurement Process
The Use of Country Systems seeks that the procurement systems of borrowing countries are used in the design, execution and evaluation of Bank-financed operations.

Considerations:

The conditions for acceptability of the borrower's national procurement systems are set out in the Update on the Strengthening and Use Strategy for Country Systems.

The bank's assessment to verify compliance with best practices in this area is the Methodology for the Evaluation of Procurement Systems (MAPS), including the corresponding supplementary modules, depending on the scope of the use of the systems that will be utilized.
Links and References


➢ MAPS Initiative


Other Methods of Procurement

➢ Force Account
➢ Procurement from Specialized Agencies (PSA)
➢ Procurement in Loans to Financial Intermediaries
➢ Procurement under Loans Guaranteed by the Bank
➢ Community Participation in Procurement (CPP)
➢ Modified International Competitive Bidding (MICB)
Force Account

Force account, that is, construction and installation of equipment and non-consulting services carried out by a government department of the Borrower’s country using its own personnel and equipment, may be the only practical method for constructing under specific circumstances. The use of force account requires that the Borrower apply the same rigorous quality controls and inspections as for contracts awarded to third parties.

It is used to acquire works and/or install equipment and services, made by a public entity employing its personnel and equipment, in 5 assumptions indicated in the Policies.

Principal Features:

➢ Recommended for small and scattered works
➢ Quality risk in the result
➢ Ideal work plan, quality controls and rigorous oversight are suggested
Procurement from Specialized Agencies (PSA)

It is used to acquire goods in stock or specialized products in an economical and efficient way to an international agency, which acts as a supplier. As a direct purchase, it requires justification.

Principal Features:

➢ PSA procurement procedures apply.
➢ It tends to be fast and of quality.
➢ Frequently used in educations and health sectors (vaccines and medicines)
Community Participation in Procurement (CPP)

Seeks project sustainability and/or achievement of social objectives through local services; local knowledge and materials; use of labor-intensive technologies.

Principal Features:
➢ Social goals are met.
➢ Community appropriation.
The *Modified International Competitive Bidding* is used when:

- An import program is financed, or;
- To purchase commodities such as cereals, fuels, fertilizers or metals, which its prices fluctuates in established markets (stock market or similar).

Some of its main features include:

- It is simplified in terms of advertising and coins. May require inspection agency.
- The aim is to guarantee supply. It is quoted and paid in the specific market currency.
- Allows you to receive offers by electronic means, telex or fax.
Subject of Acquisition

- Goods
- Second-Hand Goods
- Consultancy
- Leasing
- Works
- Different Consulting Services
Types of Contracts

- Framework Agreement
- Public-Private Partnerships (PPP)
- Performance-Based Procurement
- Time-Based
- Turnkey Contracts
- Unit Price
- Reimbursable Cost-Plus Fees
- Lump Sum
- Other Acceptable Contracts
Public Private Partnerships

Long-term contract between private and public parties to provide an asset or public service. The private entities assume considerable risk and administrative responsibilities.

Principal Features:

➢ Useful for concession and infrastructure management
➢ Competitive
➢ Remuneration is linked to performance
➢ It usually requires sophisticated financial arrangements

Links and References
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Asociaciones público-privadas en el sector de agua y saneamiento en América Latina

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Casos de estudio en asociaciones público-privadas en América Latina y el Caribe: Centro Administrativo Tlajomulco (México)

Cursos BID sobre Asociaciones Público-Privadas

¿Cómo se están estructurando financieramente las Asociaciones Público-Privadas en Salud en América Latina?

Public-Private Partnership (PPP) – Asian Development Bank
Performance-Based Contracting

It refers to competitive procurement processes that result in a contractual relationship in which payments are made on the basis of measurable results, rather than the traditional way in which the supplies are measured. The technical specifications define the expected results and what the measurement elements will be and the parameters to be used to measure them.

The expected results must meet a functional need in terms of quality, quantity and reliability. Payment is made according to the amount of results obtained, subject to delivery with the required quality level.

Principal Features:

➢ Competitive
➢ Also used for concessions
➢ The supplier can propose the most appropriate solution
➢ The expected results, measurement elements and parameters must be defined to measure them.
You can purchase Second-Hand Goods or Lease Assets with purchase option.

**Relevant considerations for Leased Assets**

- Bidding documents with the necessary adjustments, acceptable to the Bank, will be used to clearly establish that the object of the acquisition will be made by leasing an asset with option to purchase.
- It is suggested to clearly describe the need to satisfy, expected performance and the required good, the time of use and related services such as operation, maintenance, training, supply of consumables and other aspects, as appropriate.
- To determine the most advantageous offer, it is recommended to include minimum conditions based on industry standards to evaluate and compare bids.

Useful for computer equipment, office equipment, medical equipment, storage spaces, transportation, among others.

**Recommendations for the procurement of Second-Hand Goods**

- Determine the updated and reasonable market value without exceeding the cost of new goods, through market research, accounting valuations, or expertise.
- Materials recovered, recycled, consumables, packaging, among others should not be considered second-hand goods.
- Second-hand goods may be reviewed and subject to certifications or independent tests stipulated in the bidding documents, to verify that they meet the required characteristics, that they are in good functional and operational condition, and which can operate under the conditions envisaged for the expected period.
- Require warranty of use/operation, maintenance, as well as rules on return for defects and hidden defects, among others.
The evaluation and comparison of bids, as appropriate, is carried out through the application of bid/proposal evaluation criteria.

General considerations for the evaluation criteria

➢ Bidding documents should include all the criteria to be applied and how to verify its compliance.
➢ They must be appropriate to the nature, risks, value, complexity, value of the acquisition and objective of the procurement process, as well as to market conditions.
➢ They shall be objectively comparable between the different offers and, as far as possible, quantifiable (e.g., convertible in monetary terms).
➢ Clear and precise. It should be avoided to include criteria whose verification is disproportionately costly or complex or may be considered discretionary.
➢ Criteria that is not expressly indicated in the relevant bidding document will not be accepted.
➢ If changes are made to the criteria, they should be reflected in the bidding document and communicated to all bidders who obtained it, by issuing an amendment, with enough time for the review and consideration of the bidders to prepare and submit new bids as the case may be.

In order to design processes according to the basic principles of procurement, the criteria may consider the following factors:

Price

➢ Price offered
➢ Adjusted bid price as indicated in the bidding documents, plus lifecycle costs\(^1\) based on net present value.

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\(^1\) From the buyer’s perspective this includes the total cost of ownership and the value of disposal or final disposal of the acquired good. Total cost of ownership is a calculation method that determines direct and indirect costs, as well as benefits, related to a product or system, so it reflects not only the cost of the purchase, but also the costs associated with its use and maintenance.
Evaluation and Comparison of Bids

Other Dimensions

➢ Quality: Criteria that serves to determine the degree of compliance with the requirements and technical specifications.
➢ Sustainability: Criteria for considering economic, social and/or environmental impact and benefits throughout the life cycle.
➢ Innovation: Criteria for evaluating innovation in the design or acquisition of goods, works, non-consulting services or consulting services, which allow bidders to include in their bids diverse solutions to maximize the VFM, as long as they do not compromise the minimums required and the quality of what is requested.

Evaluation Criteria and its Classifications

The evaluation criteria is classified in two groups:

➢ Monetary measures: Can be expressed in terms of money.
➢ Non-monetary: They do not have a monetary representation.
  ➢ Qualification criteria - Minimum requirements that are indicated in the spread and evaluated on the basis of whether or not it passes.
  ➢ Criteria by score - They are those that are evaluated by assigning points based on merit.

Evaluation Methods

A. Cost evaluation

Costs will be assessed taking into account:

➢ Price offered, adjusted. Adjustments to the bid/proposal price include arithmetic corrections, discounts and any other adjustments specified in the bidding document for evaluation purposes.
➢ Lifecycle costs. They should be used where feasible, particularly where the costs of operations or maintenance during the specific life cycle of goods or works are deemed to be considerable compared to the initial cost and may vary from one offer/proposal to another. They are evaluated based on net present value (NPV).

B. Score and price evaluation (combination)

The scored assessment allows you to evaluate non-price characteristics, based on the number of points earned on merit. It is used when the benefits are not quantifiable (or the evaluation criteria cannot be expressed in monetary terms) and the benefits associated with these scored criteria are expected to vary from one offer/proposal to another.

1 From the buyer’s perspective this includes the total cost of ownership and the value of disposal or final disposal of the acquired good. Total cost of ownership is a calculation method that determines direct and indirect costs, as well as benefits, related to a product or system, so it reflects not only the cost of the purchase, but the costs associated with its use and maintenance.
Evaluation and Comparison of Bids

The scored evaluation and sub criteria, as appropriate, are prioritized, receive points on merit, and are weighted from their relative importance to achieve the expected results. As few sub criteria as possible should be maintained.

The evaluation criteria may include, inter alia, the following characteristics:

➢ Performance, capacity and functionality
➢ Innovation
➢ Sustainable procurement

The score assigned to the evaluation criteria, as well as the weighting of each of the dimensions considered (price and quality/sustainability/innovation) should be clearly indicated in the documents. It is recommended that the weight given to the scored evaluation criteria does not exceed thirty percent (30%).

However, it can go up to fifty per cent (50%) if it is justified in order to achieve the best VFM and, consequently, the most advantageous offer.

C. Cost-benefit
It is a financial assessment tool that allows to measure the relationship between the costs and benefits of a proposal in order to evaluate its profitability. For this technique, the costs and benefits are expressed in monetary terms and the net present value of the money flow over a period of time must be estimated.

D. Cost effectiveness
It is an economic analysis tool that allows you to compare the relative costs with the results of two or more proposals. It is frequently used in the field of health services where it can be complex to monetize the health effects. It is expressed in terms of a reason where the denominator is a gain in health (i.e. years of life) and the numerator is the cost associated with increased health.


An Abnormally Low Bid (ALB) is the one whose price, in combination with other elements of the offer, is so low that it raises serious doubts in the borrower about the bidder’s ability to execute the contract at the quoted price.

**Relevant considerations**

Multilateral Development Banks (MDBs) jointly developed a methodology for the identification and treatment of ALBs. The methodology proposes an arithmetic formula for identifying offers in a risk zone of ALBs:

\[
b_{0AB} = b_m - \sigma
\]

Where:
- \( b_{0AB} \) = Minimum acceptable offer.
- \( b_m \) = Average of offers.
- \( \sigma \) = Standard Deviation

- The formula assumes a normal price distribution and requires at least five offers. It uses a relative approach, as it compares with the prices presented by the other bidders.
- In case of four or fewer offers, it is recommended to use an absolute approach. That is, based on the comparison of the prices of the offer(s) with the budget of the cost of the acquisition drawn up by the borrower.
Abnormally Low Bids

¿What to do if you identify ALBs?

➢ Ask the bidder for written clarifications, including detailed analysis of their offer in relation to the subject matter of the contract, scope, proposed methodology, schedule, risk and liability allocation, price details and any other requirement of tender documents. The guidelines set out in section 4 of the final report of the MDB Working Group can be used as a reference.
➢ If the clarifications do not provide sufficient basis to support the offer, it must be rejected.
➢ If the clarification is satisfactory the offer is accepted, but if risks persist, an increase in the guarantee of faithful compliance with the contract, up to 20% of the price of the contract, can be requested.

Risk of accepting ALBs

➢ Suboptimal contractual performance.
➢ Scope changes in terms of cost and time during contract execution.
➢ Early termination of contracts that may result in lengthy and costly lawsuits or arbitration.
➢ Contractor's bankruptcy or insolvency.

¿How to prevent ALBs?

➢ Perform proper project preparation/design.
➢ Perform an adequate budgeting of the project based on market analysis.
➢ Respond satisfactorily to requests for clarification from bidders.
➢ Include the clause and treatment of ALBs in the bidding documents.
➢ Evaluate the appropriateness of a prequalification phase.
➢ Establish the proper evaluation criteria.
➢ Establish adequate guarantees and bidding times.
➢ Carry out the bidding process in multiple stages, especially for complex construction projects.
➢ Designate an expert works supervisor and establish an appropriate budget for this.

¿In which cases can you have ALBs?

When the bidder, for example:
➢ Can implement economies of scale.
➢ He is interested in entering a new market and takes the strategic and conscious position of bidding low.
➢ It proposes a more efficient and innovative working method.
➢ Intends to enter a market where there are limitations to competition.
Final Report. MDBs Abnormally Low Tenders Working Group


Asian Development Bank. Abnormally Low Bids

Abnormally Low Tenders Prices Under Works Contracts. EBRD Perspective and Cases

Abnormally Low Tenders. Sigma Initiative OECD

Checklist for protecting competition when managing the risks of very low tenders

Decision Tree

Selection methods and market approaches
Specifications

Detailed Technical Specifications

Detailed technical specifications define the mandatory requirements of the good, work or services subject to the procurement process by clearly and accurately describing the essential technical characteristics and requirements.

Functional/Performance Technical Specifications

Technical specifications formulated in terms of performance or functional requirements are defined as those describing the function, objective or performance to be achieved, rather than specifying the product or service that is the subject of the contract. In other words, the functional specifications focus on the real needs that the contract seeks to meet and let the market suggest the best path to its achievement, without establishing mandatory technical elements.
**Selection Criteria**

* They refer to the qualities or characteristics of the bidder

**Type:**
- Rating
  - Minimum requirements set out in the specification; are usually evaluated based on go or no-go.

**Evaluation Criteria**

* They refer to the characteristics of the offer or proposal

**Tipo:**
- Non-Monetary
  - Quality
  - Sustainability (Environmental, Economical, and Social)
  - Innovation
  - Other

**Type:**
- Monetary
  - Price adjustment
  - Price adjustment + Life Cycle Cost (NPV)

**Award Criteria**

* It is the rule to award the most advantageous bid

**Type:**
- Comparable
  - Lowest bid
  - Lowest assessed bid
  - Best rated offer/proposal (price-quality)
  - Better cost-benefit ratio
  - Better cost-effectiveness

**Type:**
- Not Comparables
  - Points are assigned based on merit
Net Present Value

Definition

Net Present Value (NPV) is the current value of a series of cash flows that take place at different times in the future. The NPV represents the value of the money over time and depends on the time interval between today and the periods in which cash flows occur, as well as the discounted rate.

What is the value of utilizing NPV?

Net Present Value provides a method for evaluating and comparing capital projects, financial products with cash flows over time, contracts, bid lifecycle costs, etc.

Formula

\[ VPN(r, N) = C_0 + \sum_{t=0}^{N} \frac{C_t}{(1 + r)^t} \]

\[ VPN(r, N) = C_0 + \frac{C_t}{C} + \frac{C_t}{N} \]

Example

Calculate your NPV, given the indicated investment data and cash flows, and considering an annual discount rate of 10%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flows</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$42,000</td>
</tr>
<tr>
<td>1</td>
<td>$14,000</td>
</tr>
<tr>
<td>2</td>
<td>$14,000</td>
</tr>
<tr>
<td>3</td>
<td>$14,000</td>
</tr>
<tr>
<td>4</td>
<td>$14,000</td>
</tr>
<tr>
<td>5</td>
<td>$14,000</td>
</tr>
</tbody>
</table>

\[ NPV = -42,000 + \frac{14,000}{(1 + 0.1)^1} + \frac{14,000}{(1 + 0.1)^2} + \frac{14,000}{(1 + 0.1)^3} + \frac{14,000}{(1 + 0.1)^4} + \frac{14,000}{(1 + 0.1)^5} \]

\[ NPV = 11,071.01 \]

Decision Criteria

1. Selection of projects or investments with NPV > 0
2. When comparing between multiple projects or offers, select the project with the highest VPN

Available in Excel with the formula = NPV( )
Sustainable Procurement allows organizations to meet the needs of goods, services or works by applying the VFM principle based on a life cycle analysis, with benefits to the entity, society and the economy, as well as a reduction in negative impacts on the environment. Sustainable procurement encompasses the economic, environmental and social dimensions in a context of good governance to ensure institutional sustainability.

Benefits for the Countries
- Economic savings and smart investments
- Reputation
- Compliance with domestic policies and international best practices
- Incentive for innovation in the domestic industries

IDB Objectives
- Supporting LAC countries to meet the Sustainable Development Goals (SDGs)\(^1\)
- For countries to adopt climate change and environmental sustainability as a mainstream practice
- The goal of increasing funding for climate change-related projects

\(^1\) The United Nations approved the 2030 Agenda on Sustainable Development in 2015, which defined 17 Sustainable Development Goals. In this context, each of the 193 signatory countries is committed to achieving certain targets.
¿What is green procurement?

Green procurement refers to the environmental dimension of sustainable procurement. They are understood as acquisitions of goods, works, services or consultancies with more harmless results for the environment and human health and safety compared to others with which they compete and that fulfill the same function, or that can even generate positive impacts on the environment.

**Goods**
- Buying furniture made from recycled materials or for which non-polluting materials are used during its manufacturing process.
- Buying appliances, sanitary hot water equipment, lighting lamps or air conditioning equipment with eco-labels that guarantee its high energy efficiency.

**Works**
- In building projects, incorporating energy and renewable efficiency measures, responsible consumption and conservation of water, passive construction (building orientation, natural ventilation) and resilience to climate change (deep foundations, hurricane-resistant roofs, planting trees for shade).

**Consulting Services**
- Hiring design consultancies that include certain environmentally friendly technical solutions, such as bioclimatic architecture, use of local materials, the incorporation of renewable energies or the implementation of measures energy savings in their projects.

**Services**
- Hiring services instead of purchasing some goods, especially when they have a very short shelf life, to ensure that the supplier will take care of the removal of disused goods.
Links and References

- Sustainable Development Agenda
- Green Procurement: How to Encourage Green Procurement Practices in IDB Funded Projects?
- ¿Qué es la infraestructura sostenible? Un marco para orientar la sostenibilidad a lo largo del ciclo de vida del proyecto
- Gender in Infrastructure
- A Handbook on green public Procurement European Commission
- Handbook for the Inter-American Network on Government Procurement (INGP) Implementing Sustainable Public Procurement In Latin America and the Caribbean
- Consideraciones Ambientales en las Adquisiciones del PNUD
- SMART SPP Innovation through Sustainable Procurement
- European Sustainable Procurement Network Procura+
Examples of green procurement outside of LAC by economic sector

**Transport**
- Promote the use of clean technology in transport systems (e.g., electric buses)
  - The acquisition of clean vehicles in Catalonia
  - Green public procurement tender model 2020: the procurement of low emission buses for public municipal transport

**Opportunity**
- Use innovative material and/or incorporate photovoltaic generation facilities when repairing a highway.
  - The sustainable reconstruction of the A6 highway in Holland

- Promote the use of biofuels for transport
  - A handbook for the sustainable procurement of biofuels for transport

**Agriculture**
- Create technical specifications that refer to the production process (e.g., using fertilizers which permit the agricultural activities to be classified as organic)
  - Technical specifications of biological and organic fertilizers

Back
Examples of green procurement made outside of LAC by economic sector

**Buildings**
(hospitals, schools, offices, housing)

- Promote the use of passive designs and/or technology to save energy (e.g. highly efficient boiler for hot water, energy saving light bulbs, light controls, smart meters).

**Procurement Example**
- Passive housing procurement in Finland
- Renewable energy heating systems in schools in Oslo
- Zero carbon emission remodeling of a school in the East of England

**Waste water treatment**

- Promote the use of technology (e.g. thermal hydrolysis) which reduces the production of sludge and makes the necessary energy reduction process quicker.

- Efficient waste water treatment in Holland
- Efficient ecological waste water treatment in Sweden

**Digital government**

- Including energy efficient criteria in the design of data centers.

- Contracting energy efficient data centers
Sustainable Procurement

Who can help drive sustainable procurement?

Executing Agency

The role of the EA is critical to driving and implementing sustainable procurement. As responsible for the execution of the project, it defines the characteristics of the goods, works, services and consultancies that they want to acquire where it is possible to include green specifications.

IDB Representative in the country

Within the Bank’s Country Strategy, it is possible to include the first references to the incorporation of goods, works, services and consultancies with a sustainable approach in the case of resource-based procurement for Bank-financed operations.

Project Team Leader (TL)

The TL, being responsible for leading the project and for the non-objection to the documents and procurement processes carried out by the EA, is the main spokesperson and driver from the Bank that can ensure the implementation of a sustainable procurement approach.

Climate Change Specialist (CCS)

The CCS provides specialized inputs to the partners with the borrowing country in incorporating environmental considerations and can promote actions that result in a necessity to contract sustainable goods, works, services and consultancies.

Suppliers, Consultants and Contractors

They play an important role in offering innovative and good quality and environmentally responsible products. The ability of these actors to deliver environmentally responsible goods, works, services and consultancies is one of the main success factors for effective implementation.

Chief of Operations

The COO, in its role in supporting the formulation and monitoring of the Bank’s Country Strategy, must verify that operations respond to key regional and corporate strategy issues. If the Country Strategy includes the reference to sustainable procurement, it may suggest the inclusion, in the programs, of goods, works, services and consultancies.
Figure 2. Green Procurement: Incorporating environmental considerations into the procurement cycle
Procurement Plan

Relevant concepts for the planification for sustainable procurement:

**Life Cycle Costs (LCC)**

From the point of view of the entity who executes the project (the EA), the total cost of a good, service or work is not only determined by the price, but is composed of the costs associated with delivery, installation, operation (including energy expenditures, fuel, water, etc.), maintenance and waste, as well as the cost of externalities.

**Tools for calculating LCCs**

- Tool to estimate LCCs and CO2 emissions in acquisitions under the SMART-SPP project
- European Union standard method for estimating LLC in construction projects
- Tool developed by Sweden

**Identification of Needs**

Before incorporating a process into the Procurement Plan, it is important to conduct a needs assessment considering the environmental, social and economic impacts it might have. At this stage it is important to consider whether the good, service, work or consultancy to be hired represents the best way to meet the defined need, whether recycled or remanufactured products can be purchased, or even the purchase of products can be rethought by hiring comprehensive services or solutions that may have less impact.

**Market Research**

Having a good knowledge of the market is essential to decide the best way to implement sustainable procurement, know the existence of environmentally friendly alternatives, the ability of the market to respond to environmental requirements and even identify innovative solutions.

In addition, market research may detail the technical standards adopted in the country on the goods, services or consultancies they intend to contract. Market analysis should be objective and queries to suppliers or contractors, where appropriate, should be transparent and non-discriminatory.
Procurement Plan

Public Procurement of Innovation

The concepts of environmental sustainability and innovation are closely related as, for example, a new technology can extend the lifespan of a good or reduce the amount of components or pollutants.

In order to identify more sustainable solutions, innovation in the market needs to be fostered. There are several instruments that facilitate innovation such as Pre-Commercial Public Procurement and Competitive Dialogue.

- **Pre-Commercial Public Procurement**
  Recruitment of research and development (R&D) services in order to find solutions to future public demands. In this type of hiring the government and suppliers share the risks and benefits with the aim of developing innovative solutions.

- **Competitive Dialogue**
  Method commonly used for large and complex projects where technical specifications cannot be defined in advance and where various phases of dialogue are held with suppliers prior to the award of the contract.

Links and References

2 In 2016, the IDB conducted a study on Innovative Public Procurement (CPI) with the aim of advancing knowledge of the role of public procurement as a demand-side policy tool to stimulate innovation in Latin America and Car (LAC). The report reviewed evidence on the implementation and impact of the instruments and structures for ICC support used by a sample of developed countries, identifying useful policy lessons for LAC countries.

Definition of the Object of the Contract

The definition of the object and name of a “sustainable” contract provides an opportunity to send a signal to the market, the community and the rest of the authorities about the intention to implement sustainable purchases.

Below are some examples of titles that signal to the market about the intention to implement sustainable procurement.

- Consulting for the certification of a sustainable building
- Provision of recycled and eco-friendly paper for photocopiers and printers for general use of the municipality
- Energy-efficient street lighting grid construction
- Building remodeling with environmentally friendly materials and products
- Supply and installation of photovoltaic generators
- Construction of permeable pavements
- Cleaning services with organic products
Spurring Innovation-led Growth in Latin America and the Caribbean through Public Procurement
Contracting

The procurement stage offers multiple opportunities for sustainable procurement as it ranges from the definition of technical specifications, the evaluation and selection of suppliers and the evaluation of bids, to the award of the Contract.

This phase is where criteria is established and the possibility of awarding a sustainable contract materializes.

Preparation of Bidding Documents and Proposal Requests

Bidding documents, in the case of acquisitions of goods, works and services other than consultancy, and the request for proposals documents for consultancy services, constitute the set of documents prepared by the Borrower for each acquisitions that they make and that are made available to those interested in participating in the process.

Click on the image to see the “International Standards”

Requirements, Technical Specifications and Terms of Reference

Technical specifications are the channel through which the buyer describes to the market the characteristics of the good, service or work that it intends to hire by providing information on the requirements on which it will base the evaluation of the offers and is considered the most common means of including sustainable criteria.

Environmental Technical Standards → There are various national and international standards that establish product and works guidelines with sustainable criteria that can be used as a reference for formulating specifications.

In some specific cases, national legislation establishes mandatory compliance standards, or special certifications that must be considered. In other cases, it is not a legal requirement, but it is a common practice in the country or is technically recognized by professional associations.

Whenever reference is made to a standard in a tender document or request for proposal, reference should be made to the word "equivalent" in order not to limit competition.
INTERNATIONAL STANDARDS

ISO 14000. This is a set of standard regulations that provides practical tools for organizations aiming to manage their environmental responsibilities and minimize their negative impact on the environment.

The European Union has established a series of environmental criteria for groups of products and services, including cleaning products, computing and monitoring products, electrical products, electrical medical equipment, food, furniture, design, the administration and construction of buildings, and the design, construction and maintenance of highways, among others. These aim to achieve a balance between environmental performance, cost effectiveness, market availability and verification simplicity.

The European Committee for Standardization. It establishes technical environmental standards for a wide range of goods, services and methods such as plastics, construction materials, gas distribution infrastructure, steel water and drainage pipes, and others.

NATIONAL STANDARDS IN LAC

Colombia. Since 2014, the Valle de Aburrá Metropolitan Area in the Antioquia Department has implemented a Public Policy for Sustainable Construction. Within this framework, in 2015 five Sustainable Construction Guidelines were drafted establishing guidance on technical specifications.

Uruguay. Within the framework of the agreement made in 2006 between the Ministry of Industry, Energy and Mining (MIEyM) and the Uruguayan Institute of Technical Regulations (UNIT), National Technical Regulations were created which establish and define the Energy Efficiency of products and installations. They include technical specifications for household electrical goods, gas fittings and buildings.

Mexico. Mexican Regulations (NMx) related to protecting the environment are voluntary technical regulations created by the Ministry of the Environment and Natural Resources, and by the National Water Commission which provide a common set of rules, specifications, attributes, testing methods, guidelines, characteristics or terms and conditions for a product, process, installation, system, activity, service or production method or operation, as well as those related to terms, symbols, packaging, markings or labeling.

Brazil. Brazil has 74 technical environmental standards issued by the Brazilian Association of Technical Standards (ABNT) which establish criteria for products, environmental management systems and other aspects related to environmental management.

IDB STANDARDS

Environmentally Sustainable Landfills and Cement Plants

The IDB has referential guides and publications which can be used to specify environmental criteria in specific sectors. The construction guide for environmentally sustainable landfills and the construction guide for cement plants are particularly noteworthy.
Links and References

➢ ISO 14000. Environmental Management
➢ European Commission Green Public Procurement
➢ European Committee for Standardization Technical Standards
➢ Colombia National Standards
➢ Uruguay National Standards
➢ Mexico National Standards
➢ Brazil National Standards
Contracting

National and Sectorial Policies

Several countries have national sustainable procurement policies and policies to promote and/or promote the use of sustainable technologies in goods, works and services. These measures provide benefits and rewards to institutions that adopt sustainable criteria in their acquisitions.

Eco-Labelling

Another tool that can be useful for managing sustainable purchases and defining specifications. Eco-Labels identify sustainable or socially impactful environmental products or services, are based on the definition of objective and transparent criteria and are granted by an independent third party.

Certifications

There are different types of certifications, which are granted by an independent third party, when the products or works meet certain standards. The technical specifications defined for certifications can also be used as inputs to define characteristics of the associated works and consulting services.

Materials and Selection Methods

The environmental impact of a good or services is largely determined by what and how it is produced. In the technical specifications it is possible to establish conditions on the use of recycled and reused material, restrictions on the use of hazardous substances in products, and conditions on the forms of extraction of raw materials, manufactures waste of the good.
Bid Evaluation and Contract Award

Under the procurement policy it is possible to consider factors other than price to determine the lowest bid, including environmental benefits. Bidding documents should specify the relevant factors, in addition to the price, to be considered in the evaluation of bids and how they should be applied in order to determine the best bid.

It is of great importance that the criteria taken into consideration for the evaluation of bids have been published and mentioned explicitly in the bidding documents including how they will be evaluated and rated, and that they are specific, objectively distinguishable between different proposals and do not limit competition.

These must be expressed, to the extent possible, in monetary terms, or given a relative weighting in order to determine the "most advantageous offer" to which the Contract will be awarded.
**PROCUREMENT OF ENERGY-EFFICIENT STREET LIGHTING**

The EA needs to procure lamps for street lighting along an inter-departmental route and has decided to incorporate environmental criteria to evaluate the bids. The minimum technical specifications and evaluation criteria indicated in the bidding documents are:

In addition to the environmental criteria, to determine the lowest assessed bid, the agency will use a life cycle cost approach to consider the maintenance costs based on the net present value of the bid with a discount rate of 5% and a period of 10 years.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value or minimum condition required</th>
<th>Criterio de Evaluación</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lamp Efficacy (lumens/watt)</td>
<td>Equal to or greater than 80</td>
<td>A discount will be applied the presented bid if it surpasses the minimum condition according to the following:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>81 - 90 lumens/watt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>91 - 100 lumens/watt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;100 lumens/watt</td>
</tr>
<tr>
<td>Mercury content (mg/lamp)</td>
<td>Equal to or greater than 40</td>
<td>A discount will be applied to the presented bid if it surpasses the minimum condition according to the following:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>39 - 19 mg/lamp</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18 - 7 mg/lamp</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&lt;7 mg/lamp</td>
</tr>
</tbody>
</table>

Note: The considerations, discount rate and other parameters used are examples, they must be determined and considered in each case in accordance with the criteria established for each good, service or consultancy.
The executing agency received three bids, each based on different technologies:

### Bid A
- High pressure sodium lights
- Initial cost: 13 000 000
- Maintenance costs: 150 000 every 3 years
- Lamp efficacy: 92 lumens/watt
- Mercury content: 15 mg/lamp

### Bid B
- LED lamps
- Initial cost: 14 000 000
- Maintenance costs: 100 000 every 5 years
- Lamp efficacy: 110 lumens/watt
- Mercury content: 0 mg

### Bid C
- Metal halide lamps
- Initial cost: 12 500 000
- Maintenance costs: 100 000 every 2 years
- Lamp efficacy: 82 lumens/watt
- Mercury content: 35 mg/lamp

<table>
<thead>
<tr>
<th></th>
<th>Bid A</th>
<th>Bid B</th>
<th>Bid C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial cost</td>
<td>13 000 000</td>
<td>14 000 000</td>
<td>12 500 000</td>
</tr>
<tr>
<td>High efficiency discount</td>
<td>2%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Low mercury content discount</td>
<td>3%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Year 0 (Initial cost minus discounts)</td>
<td>12 350 000</td>
<td>12 320 000</td>
<td>12 250 000</td>
</tr>
<tr>
<td>Year 1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Year 2</td>
<td>0</td>
<td>0</td>
<td>100 000</td>
</tr>
<tr>
<td>Year 3</td>
<td>150 000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Year 4</td>
<td>0</td>
<td>0</td>
<td>100 000</td>
</tr>
<tr>
<td>Year 5</td>
<td>0</td>
<td>100 000</td>
<td>0</td>
</tr>
<tr>
<td>Year 6</td>
<td>150 000</td>
<td>0</td>
<td>100 000</td>
</tr>
<tr>
<td>Year 7</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Year 8</td>
<td>0</td>
<td>0</td>
<td>100 000</td>
</tr>
<tr>
<td>Year 9</td>
<td>150 000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Year 10</td>
<td>0</td>
<td>100 000</td>
<td>100 000</td>
</tr>
<tr>
<td>Net Present Value</td>
<td>12 083 999</td>
<td>11 866 423</td>
<td>12 025 400</td>
</tr>
</tbody>
</table>

The established criteria and the life cycle approach allow to compare bids taking into consideration the environmental aspects and maintenance costs and select the bid that offers the best value for money:

Bid B with the LED technology is evaluated as the lowest bid when considering the lamp efficacy, the low mercury content and the low maintenance costs despite having the highest initial cost.
PROCUREMENT OF ENERGY EFFICIENT VEHICLES
The following is an example of how environmental aspects can be incorporated into the bid's evaluation criteria for the procurement of a fleet of energy-efficient vehicles.

1. Evaluation criteria (meets requirements/doesn't meet requirements)

<table>
<thead>
<tr>
<th>Environmental Criteria</th>
<th>Verification Method</th>
<th>Bid A</th>
<th>Bid B</th>
<th>Bid C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide a high energy efficiency classification (B/A).</td>
<td>Technical specification of vehicle.</td>
<td>Meets requirement</td>
<td>Meets requirement</td>
<td>Meets requirement</td>
</tr>
<tr>
<td>Comply with the standard X polluting gas emission levels (i.e., National environmental regulations).</td>
<td>Technical documentation or approved specifications of vehicle.</td>
<td>Meets requirement</td>
<td>Meets requirement</td>
<td>Meets requirement</td>
</tr>
<tr>
<td>Be equipped with an energy efficiency indicator.</td>
<td>Technical documentation of vehicle.</td>
<td>Meets requirement</td>
<td>Meets requirement</td>
<td>Meets requirement</td>
</tr>
</tbody>
</table>

In this example, the evaluation criteria established the minimum conditions expected from a bid and that are mandatory.

2. Life cycle cost analysis to determine the lowest evaluated bid

The life cycle cost approach on a net present value basis was used to evaluate the bids, taking into account the maintenance and fuel costs, as well as the residual value of the vehicles. In this case, despite the fact that bid A had the lowest initial cost, when considering fuel consumption costs (reflected in energy efficiency) and maintenance, as well as the residual value of the vehicles, bid C was evaluated as the lowest.

<table>
<thead>
<tr>
<th></th>
<th>Bid A</th>
<th>Bid B</th>
<th>Bid C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial cost</td>
<td>200 000</td>
<td>220 000</td>
<td>240 000</td>
</tr>
<tr>
<td>Annual maintenance costs</td>
<td>12 000</td>
<td>10 000</td>
<td>7000</td>
</tr>
<tr>
<td>Average annual fuel consumption (reference value of 20,000 km per year)</td>
<td>3571 Classification B: 14 km/l</td>
<td>3125 Classification A: 16 km/l</td>
<td>3125 Classification A: 16 km/l</td>
</tr>
<tr>
<td>Residual value</td>
<td>6 000</td>
<td>8 000</td>
<td>10 000</td>
</tr>
<tr>
<td>Discount rate (5%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period (10 years)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Present Value</td>
<td>316 555</td>
<td>316 436</td>
<td>312 043</td>
</tr>
</tbody>
</table>
Contract Management

The contracts resulting from the procurement processes clearly establish the rights and obligations of the Hiring Entity and the Contractor, as well as the form, conditions and deadlines in which the products subject to the contract must be delivered and the corresponding payments.

To ensure that all aspects and conditions of the Contract are respected, EAs must also have reliable and efficient management mechanisms to continuously and timely monitor the performance of contracted entities or individuals and the execution of contracts, and have agile management systems that allow them, in turn, to fulfil their respective obligations, such as the timely delivery of payments, the processing of any modifications to the designs, or attention to protests.

Environmental Clauses

Environmental considerations could be incorporated into the contract clauses if they have been included in the bidding document. For example, require the supplier to properly remove and dispose of equipment at the end of their service life, particularly when it comes to potentially polluting supplies such as batteries, printer cartridges, etc. Once they are incorporated into the contract it is mandatory.

Compliance Monitoring

There are various ways to carry out this monitoring, such as directly requesting evidence of compliance from the contractor, conducting review/supervision visits, or hiring a third party to perform the monitoring (in the case of works, the supervising/fiscal entity is responsible). Contracts may include penalties for non-compliance or bonuses for good performance. A good common way to measure performance is through key performance indicators (KPIs) which may be associated with the contractor's right to claim payments if performance had been higher than agreed in the contract.

Examples of requirements that can be incorporated into environmental clauses:

- One-time bulk deliveries and not per unit on multiple occasions reduces the transportation required. You can specify the maximum number of deliveries per month or week.
- Goods may be required to be delivered out of traffic hours, to avoid worsening congestion.
- Require the supplier to remove (and recycle or reuse) the product packaging which contributes to the removal of unnecessary packaging.
- Certain characteristics may be required for vehicles in which transfers are carried out.
- In works and services, the transport of products and tools to the site must be solely and not separately, to use as little transport as possible.
- The transport of items must be done in reusable containers.
Evaluation of the Quality of Works, Goods and Services

Regarding quality controls, receipt and final acceptance of products, the EA is responsible for the technical-administrative supervision of contracts, so it must verify that the designs, technical specifications, terms and conditions of those contracts are fully complied with, in all their formal, technical and legal aspects.

Regarding the performance assessment of the contractor or supplier, at the end of the works or services, it is advisable in accordance with the best practices that the EA makes an assessment of the performance of the Contracted Party according to previously established parameters, taking into account: the quality of the products delivered; efficiency and suitability of staff and equipment employed; meeting of deadlines; good readiness to negotiate and make the necessary adjustments or additions to improve the project proposed by the EA and to heed the comments of the EA or its representative.

This assessment also provides an opportunity to review whether sustainability goals were achieved, to measure sum impact and to incorporate lessons learned to improve future sustainable procurement processes.

Examples of requirements that can be incorporated into environmental clauses:

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