

Procurement *Primer*

for Health and
Family Planning
Programs in
Bangladesh



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Abstract

Procurement Primer for Health and Family Planning Programs in Bangladesh. This 100-page booklet provides a simple overview of goods and services procurement for health-sector projects in Bangladesh that have been financed wholly or in part by the World Bank and the International Development Association (IDA). It is intended for individuals with little or no procurement background and no need to acquire more than a basic understanding of the process, procedures, and rules. Color, graphics, and low-density text support a lighthearted approach to this material.

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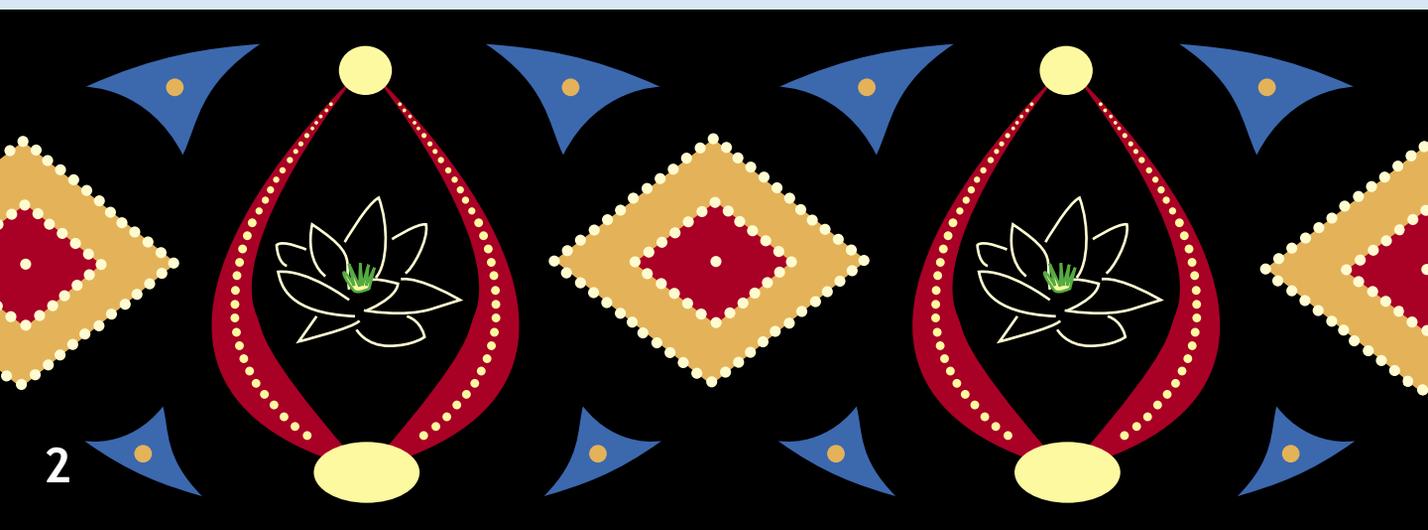


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Preface

Dear Colleague,

When a government uses funds from the World Bank's International Development Association (IDA) to help finance a project or program like HPSP,¹ it signs an agreement promising to follow World Bank procurement procedures and carry out other aspects of the project in a specific way.

Procurement and supply under World Bank IDA agreements have seldom been a smooth process in Bangladesh. Bank procedures are exacting and Government of Bangladesh (GoB) procurement cells have frequently lacked appropriate resources and experience to deal successfully with these requirements. In addition, new line directors are often not fully aware of their critical role in the process. And finally, important stakeholders – e.g., development partners and others with an interest in improving the health and family welfare sector in Bangladesh – sometimes have unrealistic expectations based on limited understanding of public-sector procurement and the World Bank supply process.

Acquiring an understanding of any procurement process can be a tedious undertaking that is too often avoided or set aside for another time. This booklet has been designed to help busy line directors, managers, stakeholders, and other interested parties who need a quick and simple explanation of procurement and contracting procedures in Bangladesh for projects funded by the World Bank and IDA. It is intended for individuals with little or no procurement background who need to acquire a basic understanding of the process, procedures, and rules.

¹ The Health and Population Sector Program (HPSP) of 1998-2003 was jointly financed by a loan from the World Bank's IDA, Government of Bangladesh revenue budgets, and development grants from various other countries.

Introduction

Welcome to the world of procurement. We hope you will find the *Procurement Primer* we have prepared useful and enjoyable at the same time. Color, graphics, and low-density text support our approach to make this normally boring topic more interesting. Illustrations, diagrams, labels, and bold lettering highlight essential information while accompanying text provides necessary detail.

Organization

Our *Primer* has two main parts – one for procurement of goods and one for procurement of services. Each part is subdivided into key steps that progress from identification of need through delivery and distribution. All other sections (e.g., introduction) are common to both parts.

To make sense of the procedures we have described, it is important to understand something about the World Bank's role in financing programs like HPSP of 1998-2003. Thus, we begin with a few paragraphs about World Bank Development assistance before launching into the main body of the *Primer*. After the sections explaining procurement of goods and services, we include a short list of resources for readers who would like to explore specific topics in more depth. An acronyms list and glossary at the end of the document define terms and phrases that have special meaning in the context of procurement. Finally, Annexes 1 through 3 provide short summaries of the HPSP Development Credit Agreement and World Bank procurement guidelines.

Roadmap

Each of the two main parts begins with a colored graphic showing the step-by-step process for obtaining goods or services under programs like HPSP. These spiral diagrams function as an organizing framework for the subject matter that follows. They are repeated on the first page of each

section as small insets with the related segment of the spiral filled in with the appropriate color to show readers where they are in the overall process. Color-coordinated arrows and borders tie pages of the various sections together and give users a tool for locating particular topics.

Cartoons and Icons

Individuals (especially line directors), groups, organizations, documents, and activities that are important to procurement and contracting work in Bangladesh are represented throughout the *Primer* with cartoon illustrations. Some of the cartoons are repeated throughout the document to represent specific organizations or individuals important to that particular process. Examples are:



World Bank



Government
Involvement



Procuring
Unit



Line Director

In addition, three icons are used to emphasize important points in the text:



Line director alert



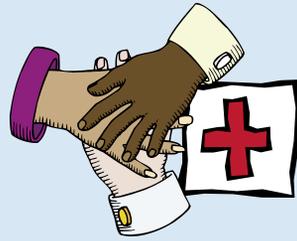
Hurdles



Very important messages



Infrastructure Projects



Health Projects

The World Bank's Role in Financing and Procurement

Loans and Credits—Not Donations

Loans and Credits

The World Bank is the largest source of development assistance in the world. It is a United Nations (UN) organization that provides loans and credits – but not donations – to promote economic and social development. Originally, the Bank focused on infrastructure projects such as bridges, dams, and power-generating plants. Lately, it has also been financing health projects like HPSP (1998-2003) that require commodities such as drugs, vaccines, and contraceptives.

The World Bank's International Development Association (IDA) specializes in credits (zero interest loans) to the poorer countries, while its International Bank for Reconstruction and Development (IBRD) provides market-rate loans to middle-income countries.

As part of its role in the development community, the World Bank tries to stimulate participation by others with similar objectives through pooled-funding and parallel-financing arrangements as well as through investment by developing country borrowers.

Pooled Funding and Parallel Financing

When various donor countries join with the World Bank in financing large programs or projects such as HPSP (1998-2003), we call it “pooled funding.” Donor countries formally pledge their development grants and participate in the coordination and administration of the financing.

“Parallel financing” occurs when donor countries outside of the pooled fund harmonize their development projects and grants with large programs like HPSP, but maintain independent coordination and administration of their financing.

Investment by Developing-Country Borrowers

Borrowers such as Bangladesh typically contribute some of their revenue funds for implementation of the projects and programs financed by the World Bank.



Development Credit Agreement

Once a proposed project or program has been judged feasible, the Bank and the prospective borrower, such as the Government of Bangladesh (GoB), identify basic features and conditions that are necessary to the project's success. This is part of the "project appraisal" process that precedes every loan or credit agreement. The Bank and the borrower then negotiate a legal agreement that precisely defines the project and the procedures it will follow, including provisions for procurement of goods, works, and services. In the case of Bangladesh, the Development Credit Agreement (DCA) serves this purpose.

The DCA commits the Bank to finance a specified project or program and the GoB to carry out the project or program in a specified way during a defined period of time. Annex 1 provides a summary of the DCA for HPSP (1998-2003).

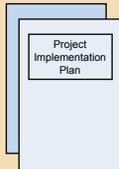
The main DCA document provides detailed information about the financing aspects of the agreement and mentions operational aspects in general terms. It incorporates several other documents "by reference" so borrowers must adhere to their clauses as if they were included in the main document.

A Project Implementation Plan (PIP), which is developed fairly early in the loan process, records specific operational requirements, while standard World Bank publications provide rules for bidding and procurement.

Bank Promises to Finance, Borrower Promises to Perform



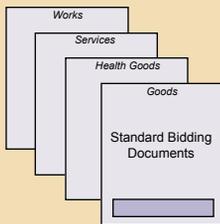
1 The DCA is the central document. In addition to providing financing details, it describes project components and the categories of items to be financed.



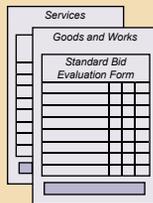
2 The Project Implementation Plan or "PIP" provides a framework and operational detail for the project or program that is being financed.



3 Procurement guidelines (published by the Bank) cover the rules for purchasing goods, works, and services financed under the agreement.



4 Standard bidding documents (published by the Bank) incorporate the basic rules for bidding and submitting proposals, as well as general contract wording. There are several versions of the Standard Bidding Documents (SBDs) based on the type of goods or services that need to be purchased. SBDs are customized by the purchaser (GoB) and used by prospective suppliers and consultants to guide their responses.

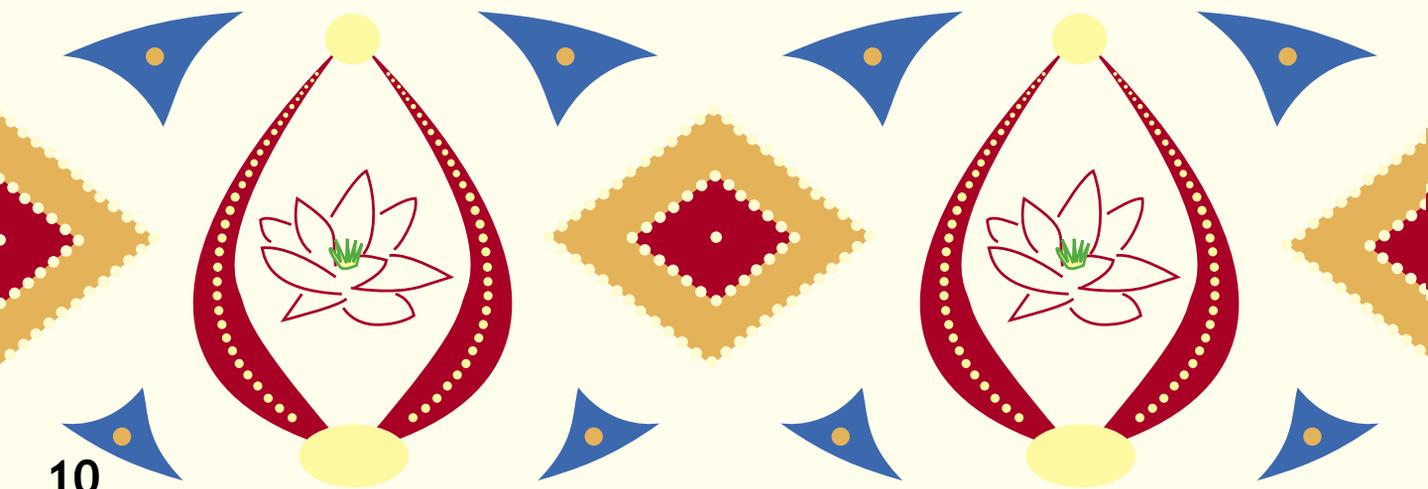


5 Standard bid evaluation forms (published by the Bank) provide the format for evaluating bids and selecting a supplier for goods, works, and services financed under the agreement.

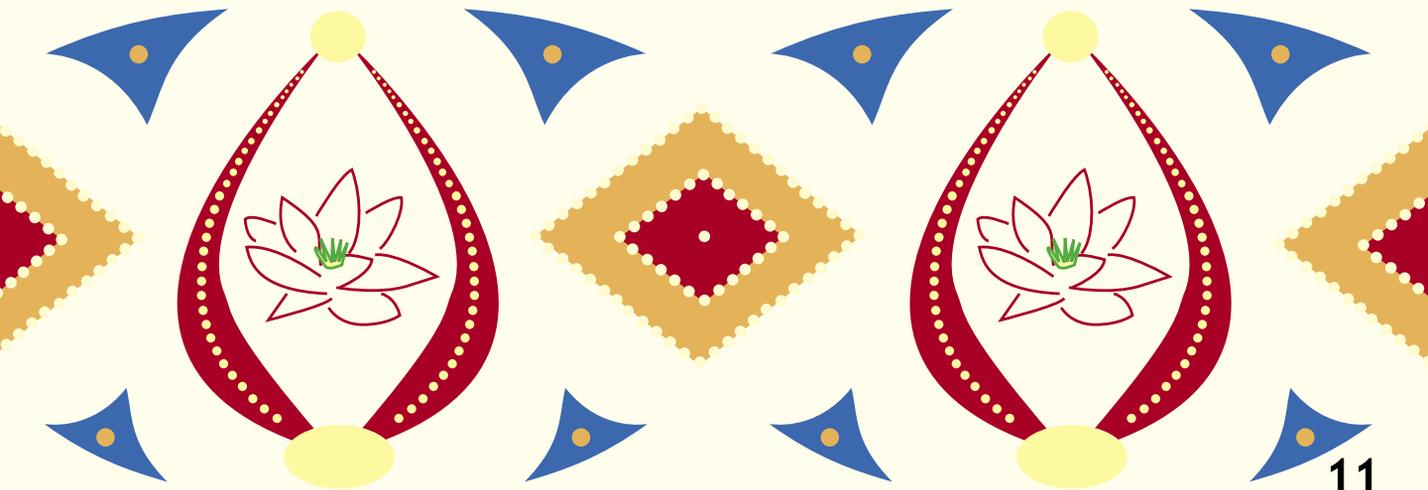


DCA

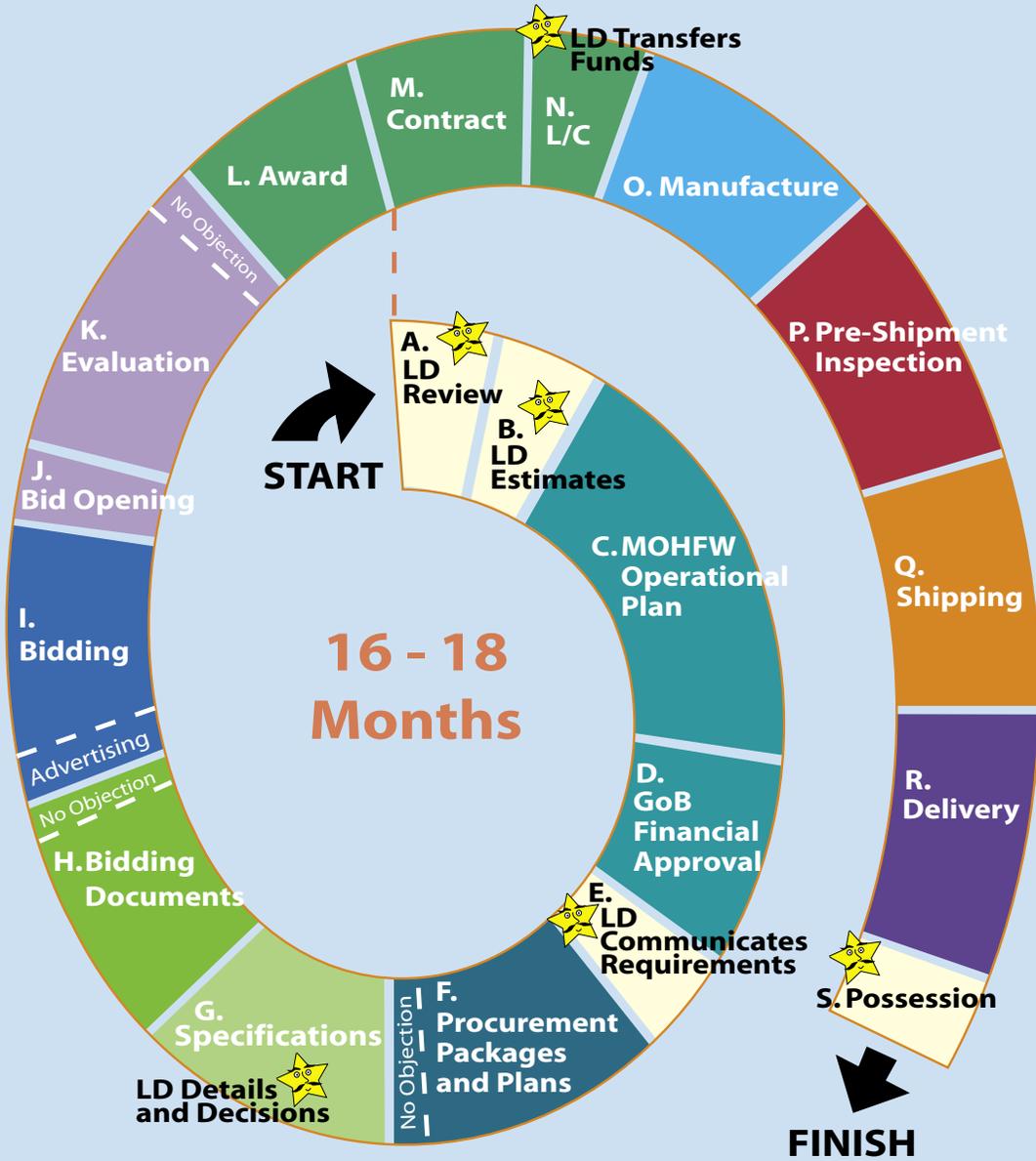
Description of the Project
Amounts to Be Financed
Repayment Requirements
Procurement Methods
Procurement Rules
Prior Review Thresholds
Implementation Requirements



GOODS



The Supply Spiral



Overview of the Supply Process

The “Supply Spiral” diagram on the left shows the process for obtaining goods financed by the World Bank and the pool of HPSP funders.

As you can see, there are 19 steps from start to finish (A through S) and 3 places where the Bank’s review and “no objection” is required. Each step is described on the following pages with symbols indicating predictable hurdles.

Line Director Activities

The yellow stars  on and near the supply path represent six critically important line director (LD) activities:

- Initiating the supply process with annual reviews.
- Estimating needs.
- Communicating supply requirements.
- Guiding specifications.
- Funding procurement at the critical point of contract financing.
- Receiving goods and distributing them to endusers.

Throughout the supply process, the line director also manages and monitors project performance.

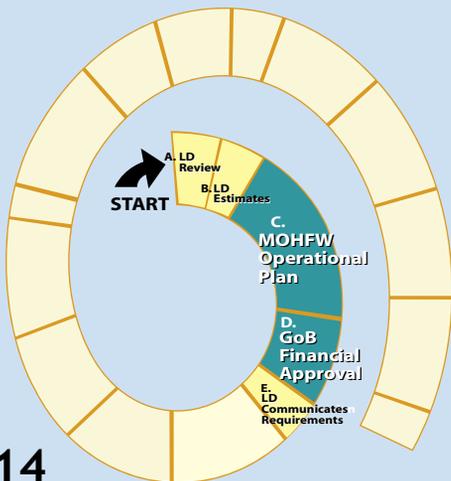
Time frame

The World Bank procurement and supply process usually takes 16 to 18 months to complete with several predictable hurdles along the way. Because of the long timeframe, realistic planning is very important. It is especially critical for health care commodities such as contraceptives, vaccines, and pharmaceuticals because stock-outs of these items can cause serious harm—including unintended pregnancy, preventable illness, unnecessary suffering, and death.





Line Director



Annual Operational Plan and Budgets

Each year the line directors review their program goals and activities for the coming year (**Step A**); consider probable resources (budget); and make estimates of goods, equipment, and services that will be needed (**Step B**). This information is submitted as a request to the Ministry of Health and Family Welfare (MOHFW) and incorporated—sometimes with changes—into an annual operational plan (**Step C**). This operational plan is then forwarded to the government for financial approval (**Step D**).



When the annual operational plan has been refined and approved, line directors communicate their requirements (**Step E**) to the appropriate procuring units, along with basic specifications and cost estimates—within the approved budget, of course. This step often causes delays.



Procuring
Unit

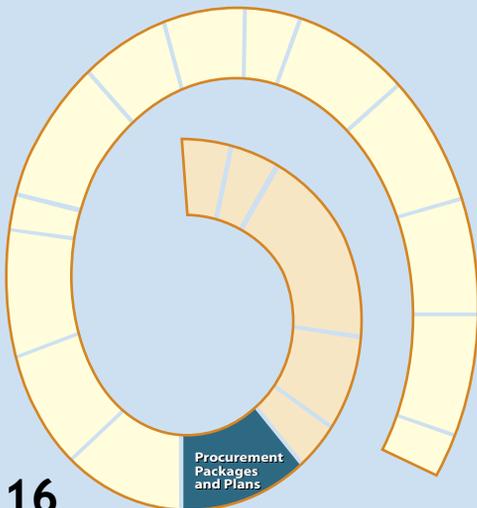
Line
Director

Line directors
communicate
approved
requirements to
the procuring unit



Procuring Unit

Sorting goods into groups of like items for procurement



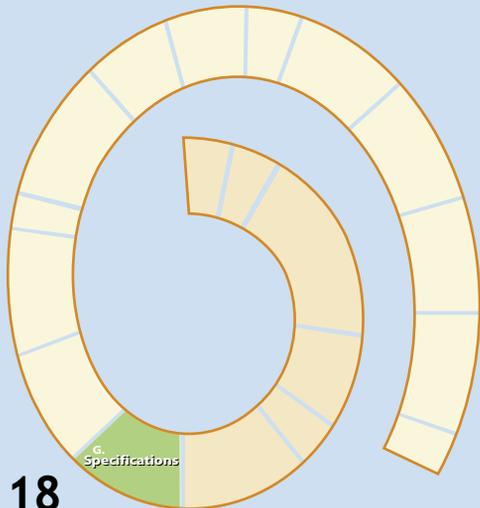
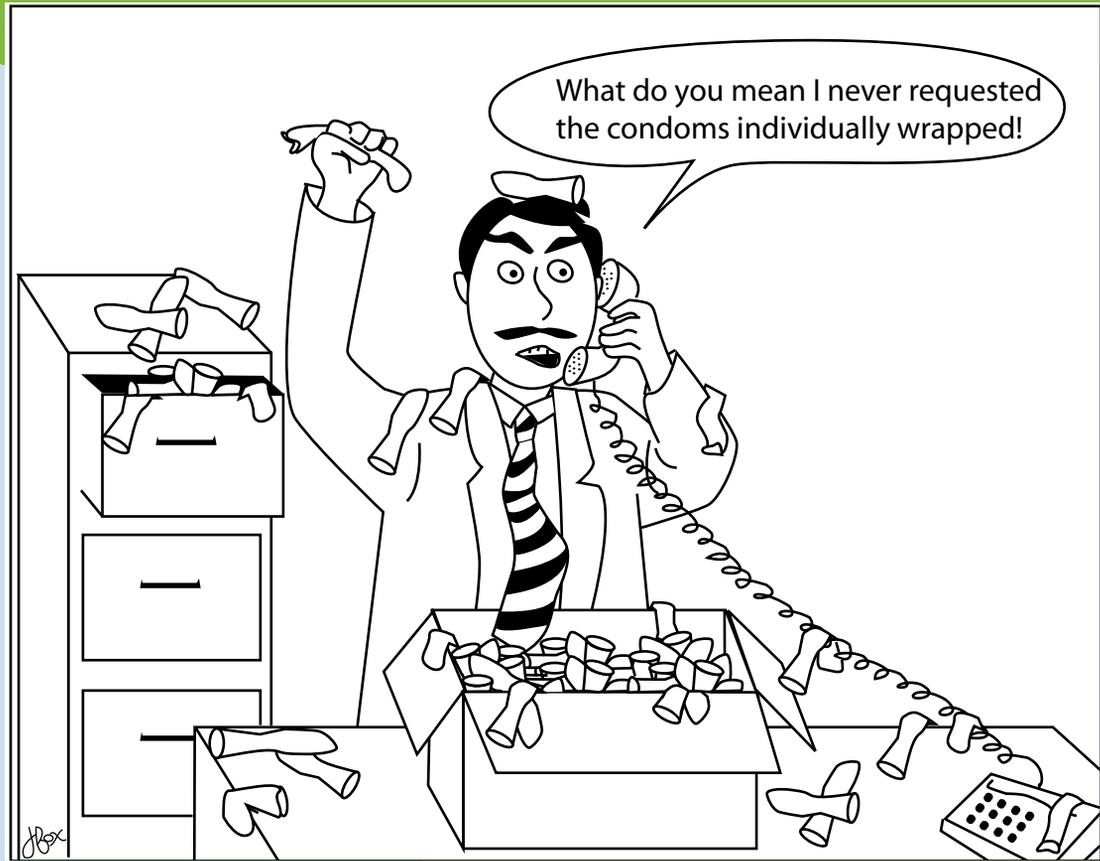
Procurement Packages and Plans

Once all line directors have communicated their approved requirements for the project year, the procuring unit undertakes the immense task of sorting goods and services into groups of similar items, which are called “procurement packages” (**Step F**). There may be more than 100 separate but related items in a package, or there may be only a few items, particularly if major pieces of equipment are involved. An individual line director is likely to have goods in several packages, and each package may be a combination of items for multiple line directors.

Obviously, everything cannot be processed at one time, so the procurement unit also develops a tentative schedule for purchasing activities. The resulting procurement packages and procurement plans must be reviewed and approved by the Bank (that is, they must be given a “**no objection**” determination) before purchasing activities can begin.

Packages enter the procurement phase at different times of the year, and travel at different speeds. Some packages stumble, get stalled, or even drop out of the process. Items in cancelled packages sometimes have to be reassigned to new packages.





Specifications

Before a procurement package can start moving, each item has to have clear, detailed specifications (**Step G**). For all procurement funded by the World Bank, specifications must be “product neutral”—that is, they should not refer to brand names or catalog numbers. Instead, the specifications must describe characteristics and performance requirements.

Basic requirements communicated by line directors in **Step E** usually need to be translated into formal specifications for bidding. Formal specifications are written in the technical vocabulary of the industry and clearly indicate choices if there are different standard elements for the goods to be purchased. Later, the formal specifications will become part of the contract between the supplier and the purchaser.



Writing formal specifications requires a good understanding of the equipment or other items to be purchased. Early in the procurement process, technical consultants or other personnel may ask line directors to provide more information or to make certain decisions about their specifications to ensure that bidding documents give potential suppliers an accurate and complete picture of what is required.



Formal Specifications

An accurate and complete picture of what is required

Written in the technical vocabulary of the industry

What if...

If specifications are not clear, accurate, and complete, bidders may inadvertently quote items that do not meet the end-user's needs. Or worse, a bidder may win the contract and deliver only and precisely what was stated in the specification—even if something important is missing.

Specifications for Equipment or Instruments

Product name

Size, units, quantity, and intended use

Performance requirements such as capability to produce 1000 kilograms/hour of finished product

Electrical requirements

Supporting accessories

Special safety features

Service tools

Spare parts

Manuals and drawings

Pre-shipment inspection and testing

Initial on-site services: installation, start-up and validation; operations training, maintenance training

Warranty

Continuing services

For example:

- If a specification for an operating theater light does not mention light intensity, bidders can base their price offers on a bare minimum illumination without mentioning it to the purchaser. The winning bidder has no legal obligation to supply more than he offered, even if the requesting line director intended far more.
- If a specification does not mention how a product should be packaged, the seller has no obligation to package it at all. This can result in extreme inconvenience, as shown in the cartoon on page 18.

Specifications for Pharmaceuticals and Contraceptives

Product name

Size, units, quantity, and intended use

Product properties such as stability, shelf life, storage temperature

Packaging, packing, and marking including dosage size, dose package, labeling, printed materials

Regulatory requirements

Applicable standards and required certifications

Quality assurance requirements and criteria

Acceptance criteria



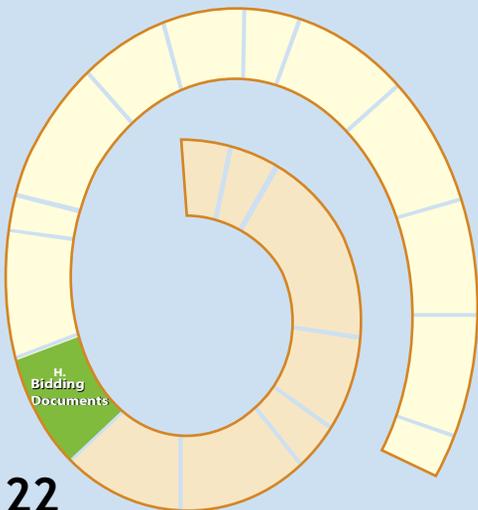
- All requirements about what is to be supplied.

- Terms and conditions for the future contract.

- Rules and procedures for bidding and bid opening.

- Criteria for choosing a winning bid.

Nothing can be changed after bids are opened, even if there is a mistake!



Preparation of Bidding Documents

The bidding documents (**Step H**) establish:

- All requirements about what is to be supplied (specifications).
- All rules and procedures for bidding and bid opening.
- Criteria for choosing a winning bid.

In addition, they lay out terms and conditions for the future contract between the purchaser and the winning bidder.

It is very important for bidding documents to be correct and complete in every detail because nothing can be changed after bids are opened, even if a mistake is discovered. Bidding documents should:

- Furnish all information necessary for prospective bidders to prepare bids for the goods and works to be provided.
- State the basis for bid evaluation and selection of the lowest evaluated bid.
- Specify any factors in addition to price that will be taken into account in evaluating bids.
- State when and where the bids will be opened.

For example, assume that personnel need to be trained in the correct operation of an expensive piece of equipment, but due to vague communications, the bidding documents did not mention this. When bids were opened, Bidder A offered equipment for the equivalent of USD 200,000, Bidder B offered equipment for USD 300,000, and Bidder C offered equipment plus a very attractive training package for USD 203,000. Under international rules, the contract has to be awarded to Bidder A because he offered the lowest price, even though his offer is not as attractive as Bidder C's offer, which includes important training. The line director in this situation will probably be very upset, but nothing can be done because the bidding documents **failed to specify any factors in addition to price that would be taken into account in evaluating bids.**



Wording of Bidding Documents

The World Bank has developed a format and required wording for bidding documents in three versions:

- Goods for international procurement.
- Goods for national procurement.
- Health-sector goods.

All versions use the same format, but the documents for health-sector goods address issues that are unique to pharmaceuticals and contraceptives, such as special quality assurance measures and licensing by the manufacturer's National Regulatory Authority (NRA) as well as the purchaser's NRA (Bangladesh Drugs Administration).

Officers of the procuring unit choose the most appropriate version for each procurement package and complete the bidding documents with information gathered from line directors and other officials. They sometimes add special clauses for program issues and local practices that might cause problems during bidding, evaluation, or contract performance. For example, the bidding documents might give instructions about how to initiate an application with the Bangladesh Drugs Administration.

Organization of Bidding Documents

First-time readers of World Bank bidding documents often find them confusing, so it is helpful to understand how they are organized.

The Bank's Standard Bidding Documents have eight sections (see box at right).

**Purchaser
modifies clauses
written by
the World Bank
and adds
technical
specifications.**



World Bank Format

- Invitation for Bids
- Instruction to Bidders
- Bid Data Sheet
- Technical Specifications
- Schedule of Requirements
- General Conditions of Contract
- Special Conditions of Contract
- Forms

The most important sections are *Instructions to Bidders* and *General Conditions of Contract*. The purchaser (GoB) uses these two sections without making any changes whatsoever, but inserts information specific to the bid package in corresponding clauses of two additive sections, the *Bid Data Sheet* and *Special Conditions of Contract*. Items for supply are described in the *Technical Specifications* section and listed separately in the *Schedule of Requirements* with delivery dates and other pertinent supply data. An *Invitation for Bids* section contains a standard format for inviting bids. A final section provides sample *forms* for use by the bidder, and a list of countries that are not eligible for World Bank contracts.

Because the eight sections are designed for different purposes, the same topic may appear in several places. For example, a reader will find clauses on inspection and tests in three places (*Instructions to Bidders*, *Special Conditions of Contract*, and *Technical Specifications*). This is sometimes confusing and frequently a source of difficulty because small changes—for example, changing “and” to “or”—can create inconsistency between the sections.

Prior Review by World Bank

Once the bidding documents for a package have been drafted, World Bank requires a “prior review” if the purchase is expected to be above the equivalent of USD 300,000. One of the issues the Bank checks for is consistency between sections. The procurement process is not allowed to proceed further until the Bank finds “**no objection**” to the documents that have been submitted. Changes and resubmission are often required.



Prior Review



MOHFW



World Bank



Released for Action



Advertisements, Notifications, Postings

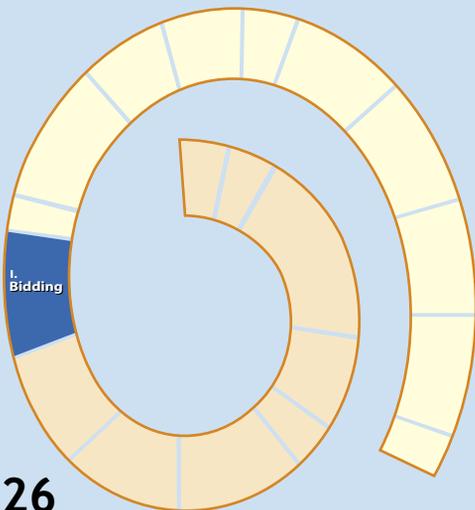


Announcing

Intended purchases

Opportunity to bid

How to obtain bidding
documents



Bidding

As soon as the World Bank approves a set of draft bidding documents, the procurement office advertises the opportunity for bidding (**Step I**), allowing at least 45 days for bidders to respond. Bidding documents are usually sold at about Tk 5,000, which is a price high enough to cover development and production costs, but not high enough to discourage qualified bidders. As the documents are sold or otherwise distributed, the procurement office records their serial numbers and recipients' names and addresses.

Pre-bid Conference

Pre-bid conferences are held for most international and some local procurements. The purpose of the pre-bid conference is to answer bidders' questions about the bidding documents, including questions about specifications and the process for selecting a winning bid. Questions that cannot be answered at once are referred to the World Bank, the technical specification committee, or other experts.



Identical Information

International procurement rules require that all registered bidders receive exactly the same information, so minutes of pre-bid meetings and answers to any questions are recorded and distributed.

Amendment of Bidding Documents

Sometimes bidding documents need to be amended after they have been distributed (but before bid opening), particularly if something is discovered that would affect interpretation of the contract. In this case, an official amendment is sent to all parties who have received documents. The bid submission deadline might be extended as well. Most amendments are the result of:

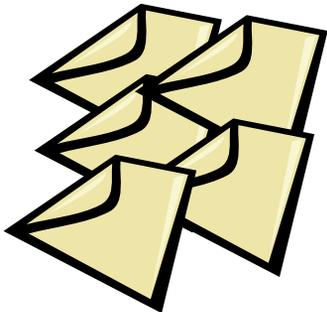
- Questions from prospective bidders that seem to indicate a general misunderstanding.
- An inconsistency between sections of the bidding documents.
- A mistake detected in the original documents.
- Modification to an original plan—for example, a change in delivery date or quantity.



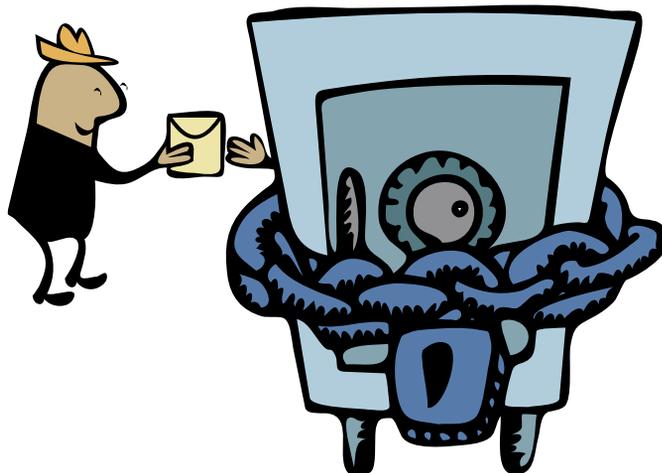
Receipt of Bids

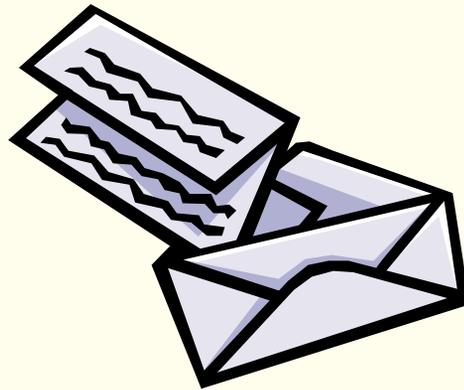
When bids are received, they are held in a safe place and not opened until the date and time announced in the *Bidding Documents and Invitation for Bids*.

Sealed Bids



Kept in a safe place
and not opened until
specified date and time





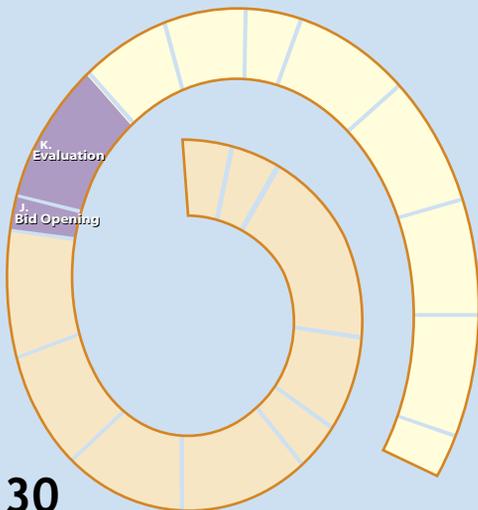
Announcing

Name of bidder

Price offered

Shipping terms

Other relevant information



Bid Opening and Evaluation

GoB committees² open bids, examine and evaluate them, and identify the lowest evaluated bid³. During this step, the committees make award recommendations and prepare documents for the World Bank, MOHFW officials, and the Council of Ministers. These documents have to show that selections (and rejections) were fair and correct and that all required processes were followed.

Bid Opening

Bids are opened publicly and read aloud at the time and place mentioned in the bidding documents (**Step J**). Bids received after the closing deadline has passed are disqualified without being opened. Bidders are not allowed to make corrections or withdraw deviations after the bid opening, and no further contact with *any* bidder is allowed until the winner is identified and notified. The World Bank warns: “No circumstances shall justify meetings or conversations between the borrower (or its consultants) and bidders during the bid evaluation process.” Any errors during bid opening and evaluation can result in official protests by competing bidders, which almost always delay procurement and delivery.



Bid Securities

Bidders are required to provide bid securities⁴ ranging from approximately 1 to 2 percent of the estimated price of the contract with their bids. These securities are intended to compensate the buyer (GoB) for inconvenience and expense if a winning bidder does not accept the contract after an award is made. Bid securities have to be valid for the period stated in the bidding documents; the procurement office confirms all securities with the issuing banks.

² Committee members are assigned by the Director General and may be different for each procurement package.

³ See page 34 “Ranking and Qualification.”

⁴ Bid securities are explained in the glossary.

Bid Examination (Preliminary)

Within a short time after opening—usually several days—each bid goes through a preliminary examination to determine if it is *substantially responsive*. In other words, is it presented in the required manner (for example, in English)? Does it include all of the information, samples, statements, securities, signatures, forms, and supporting documentation asked for in the bidding documents? And, most important, are there any “material deviations”⁵ from or reservations to the terms, conditions, and specifications mentioned in the bidding documents?

Most parts of the preliminary examination do not require judgment on the part of the examining committee—the answers are clearly yes or no. For example, the bidding documents are either signed or not. However, some points do require judgment—in fact, significant judgment. Bids are rarely perfect in all respects and the committee must decide, in each case, whether or not a deviation is material.



Take, for example, a case where bidding documents clearly state that the “supplier must allow purchaser’s representative to perform a visual inspection of the goods on the supplier’s premises prior to shipment.” A bid that specifically denies the purchaser access would contain a material deviation because it limits the rights of the purchaser.

However, a simple omission or mistake resulting from human error may not constitute a material deviation. For example: if the required item is a truck, spare parts and tools for the truck may be mentioned in the specification but they are not the main listed goods. Omission of a small part or tool would not be material to the bid unless the item is expensive in relation to the cost of the truck. Later in the evaluation, an estimated cost for the missing part or tool would be added to the bid price to make a fair comparison among all bidders.



Only bids that successfully pass this preliminary examination phase can go on for financial evaluation and comparison.

⁵ Material deviations is explained in the glossary.

Technical Content

A technical committee assigned by the MOHFW—or a co-opted expert—examines bids for technical content, lists and cross-references deviations from the requirements described in the bidding documents, and indicates whether (and why) the deviations are acceptable or unacceptable.



Detailed Evaluation

An “evaluated cost” is then identified for each bid that survives preliminary examination (**Step K**). Evaluated cost is not always the price that was read out at the bid opening—it takes other factors into consideration and gives them a value if necessary.

In this step, the examining committee converts prices offered by each bidder to a common currency, corrects mathematical errors, and calculates discounts. They may also compensate for the omission of a minor item by adding an estimated cost—for example, the estimated cost of an inexpensive tool. Priced deviations (such as penalties for later—but acceptable—delivery dates) might be included as well. Additional adjustments would be made if bidding documents mention performance or service factors that will be taken into account in choosing a winning bid.

Domestic Preference

Bidding documents often specify a margin of preference for offers of goods produced in Bangladesh. In this case, a premium is applied to the bid price of all foreign offers for the purpose of comparison and selection of the winning bid.



Ranking and Qualification

The evaluation committee ranks bids from lowest to highest using **evaluated** bid prices. Once the committee has identified the lowest evaluated bid, the bidder must be qualified—that is, financial, technical, and business references are checked and approved according to criteria mentioned in the bidding documents. If there is sufficient reason to believe the lowest evaluated bidder does not have the capability and resources to effectively carry out the contract, or has a history of poor performance, its bid is rejected and the next ranked bidder is subjected to the same examination.

Comparison of Evaluated Costs			
Bidder A	Bidder B	Bidder C	Bidder B
12,345	13,350	12,000	13,350


Lowest Evaluated Offer

Cross Discount

Bidders sometimes offer conditional discounts against their quoted prices when they make offers on more than one contract. Usually the bidders initiate this on their own, but the possibility can be mentioned in the bidding documents. The evaluation committee selects the best combination of awards on the basis of least overall cost of the total package. This is a complicated procedure with many variations, and opens the possibility that the lowest evaluated bidder for a single package will not be awarded a contract.



Decision on Award Recommendation

Before contracts over the equivalent of USD300,000 are awarded, the bid evaluation documents and recommendations are sent to the World Bank. When the Bank is satisfied that the evaluation and procedures were fair and correct, it issues a “no objection,” to which the MOHFW adds its formal concurrence. If the award recommendation is for an amount at or above the equivalent of USD5 million, MOHFW forwards the package to the GoB Council of Ministers committee on government purchases for its review and approval.



Award Recommendation



Tender
Committee



World
Bank



MOHFW

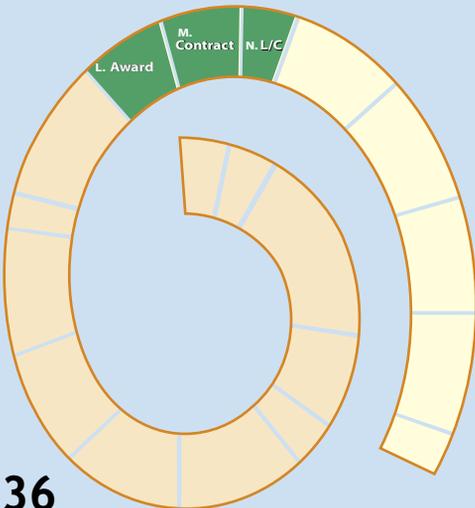


Congratulations!

Please sign the contract form



Please provide performance security



Award, Contract, and Financial Arrangements

After all of the required approvals are in place, an award notification is sent to the successful bidder (**Step L**). If any minor deviations need to be resolved, the award letter states that the offer is being conditionally accepted pending resolution.

The successful bidder usually signs the contract form and provides performance security⁶ within a stated deadline (**Step M**). This binds the bidder to the general and special conditions of the contract and the specifications contained in the original bidding documents. If the successful bidder does not accept the contract or fails to meet the deadline mentioned, the original bid security is forfeited and the contract is awarded to the second-lowest evaluated bidder.

The purchaser (MOHFW) must also sign the contract before it becomes effective. However, there is a small obstacle for some health-sector goods: MOHFW cannot finalize contracts for pharmaceuticals, contraceptives, and vaccines until these products have been registered with the Bangladesh Drugs Administration. This registration process is an important protection against substandard, counterfeit, and dangerous drugs and vaccines entering distribution in a country, and it is practiced by nearly all industrialized nations. Under World Bank rules, however, borrowers cannot limit bidding to manufacturers and products that are already registered, so registration (or licensing) procedures may need to be initiated after the award decision. This can take many months, resulting in unavoidable contract delays.



⁶Performance security is explained in the glossary.

Payment by Purchaser (GoB)

After both parties sign the procurement contract and performance security is confirmed, the government has to make arrangements for paying the supplier (**Step N**). In most cases, this involves opening a letter of credit (L/C). L/Cs for contracts under USD 1 million are financed with funds from the budgets of line directors. L/Cs over USD 1 million are collateralized⁷ out of loan and grant funds not yet disbursed to the GoB. In any case, the GoB, not the Bank, is responsible for paying the supplier.

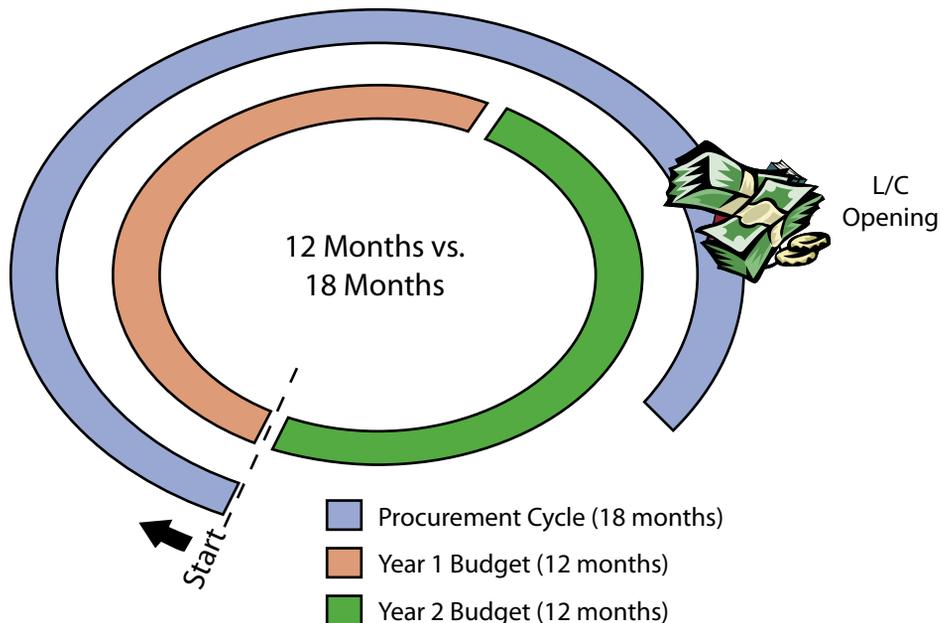


Budget Cycle vs. Procurement Cycle

L/C openings frequently take place more than one year into an 18-month procurement cycle—typically at about 14 months. Since the GoB budget year is based on 12 months, line directors have already evaluated their resources and requirements for the following year by the time they are asked to pay for some of the previous year's requirements. This disparity between budget and procurement cycles can make resources for the following year appear to be much greater than they really are.



Budget Cycle vs. Procurement Cycle



⁷Collateralize is explained in the glossary.

If these “excess” funds are spent on other things, the concerned line director might not have enough money when the time comes to fund an L/C for purchases initiated in the previous year.

WHOOOPS!

Cash Balance

Year 2 allocation
plus leftovers from
year 1.



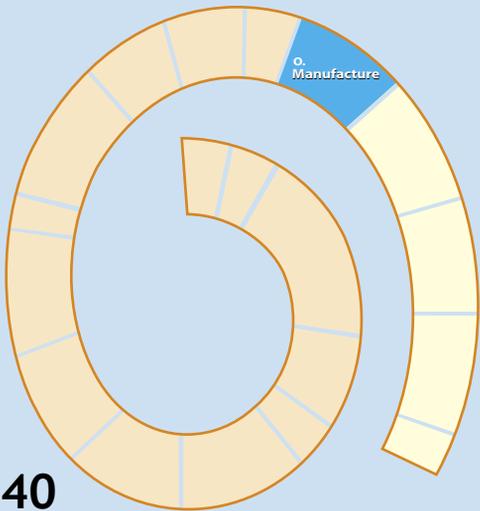
But...

Later in Year 2



Payments due for
Year 1 purchases.

If this happens, the entire procurement package may be delayed or cancelled because international firms usually do not begin producing an order until they have received either a substantial down payment or a letter of credit.



Manufacture

The period between contract signing (or financing) and shipment is called “lead time.” It is worked out between the buyer (MOHFW) and the seller, and written into the contract along with penalties for late delivery. This period can be relatively short—for example, just a few weeks—or it can extend for six months or more, depending on the circumstances.

Sometimes a manufacturer has inventory available, so no manufacturing needs to take place during the lead time. In such cases, delivery is only a matter of pulling items from stock, packing them for shipment, and arranging transportation. In other instances, the manufacturer will have no inventory on hand that can be shipped right away, but will begin production as soon as the order is confirmed and financed (**Step O**). This is usually the case for items with customized requirements such as X-ray machines. In still other cases, a manufacturer will operate a continuous production line, filling orders with goods as they are produced and packaged. Condom manufacturers often manage their operations in this way. When a manufacturer’s incoming orders exceed his production capacity by very much, lead time increases.



**“Lead Time”
Weeks...months to delivery
is worked out between the
buyer and seller**

Pre-Shipment Compliance Program

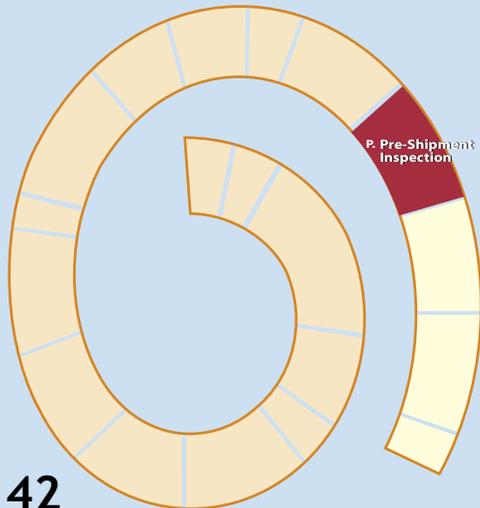


Visuals at Supplier's Facility

Packing
Marking
General Condition
Quantity
Documentation

Testing at Contract Laboratory

For example,
measuring the
bursting strength of
the condoms.



Pre-Shipment Inspection

National Import-Control Program

The GoB requires pre-shipment inspection (**Step P**) of all products above the equivalent of USD 10,000 as part of its national import-control program. This inspection certifies that the merchandise appeared to be in good physical condition and the contracted quantity was present immediately prior to shipment. Pre-shipment inspection is a way of preventing old, damaged, rusty equipment from reaching the country, and of controlling pilferage en route. However, it is not adequate for control over the quality of pharmaceutical products, and it is not a substitute for pre-shipment inspection and testing of contraceptives.



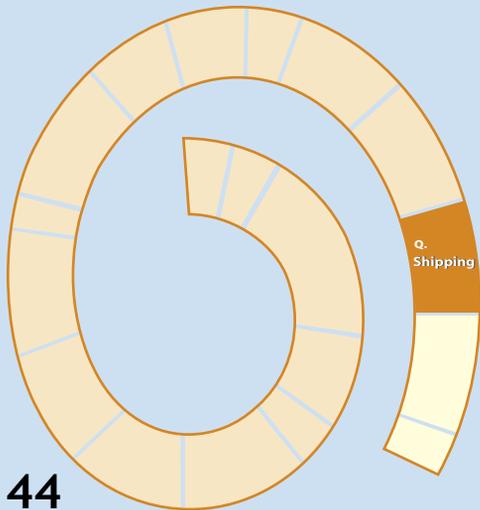
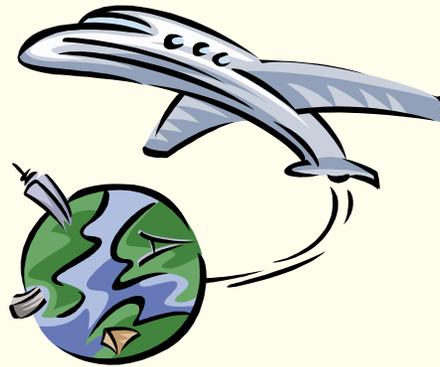
Pre-shipment Compliance Program (Quality Assurance)

Because serious supply chain disruptions can occur when poor-quality pharmaceutical and contraceptive products have to be rejected after they arrive in country, World Bank bidding documents include a standard clause that gives purchasers the right to require pre-shipment inspection, sampling, and testing before products are shipped.

Rather than using local government personnel and laboratories, or the supplier's personnel and laboratories, the purchasing organization contracts with experienced international firms specializing in this service. One of the advantages of contracting with an independent, third party is that it tends to eliminate charges and countercharges of prejudice if there is any disagreement about the outcome of inspection or testing.

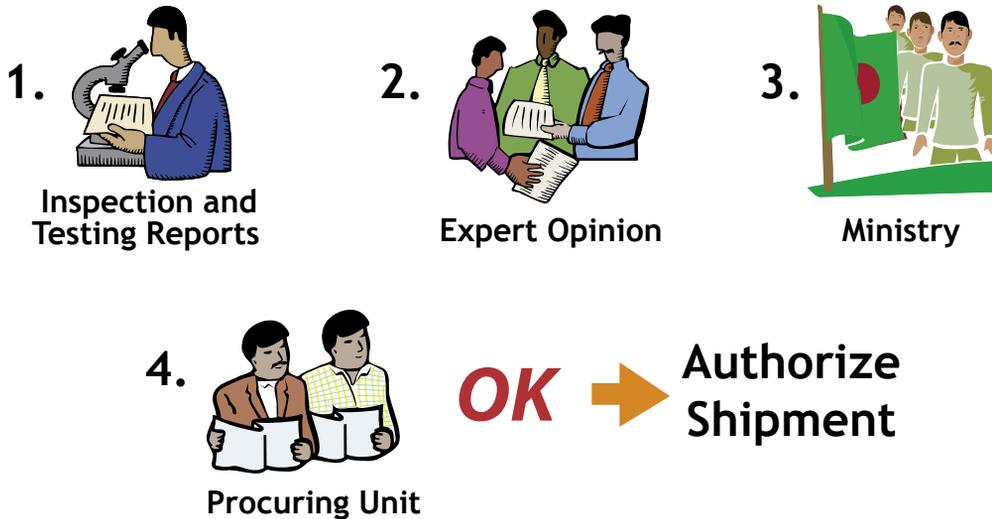


The purchaser (MOHFW) contracts and pays for inspection and testing services, so that the possibility of a supplier influencing the reports is reduced.



Shipping

When test results, expert opinion, and review by the assigned GoB committee have established confidence in the quality and acceptability of the goods, the purchasing organization authorizes shipment (**Step Q**).



In most cases, the supplier makes the shipping arrangements and delivers the goods to the departure point. Responsibilities and risks are divided between the supplier and the purchaser based on a set of international commercial terms called INCOTERMS⁸. The specific INCOTERM that applies is always mentioned in the contract between the purchaser and seller.

⁸INCOTERMS is explained in the glossary.



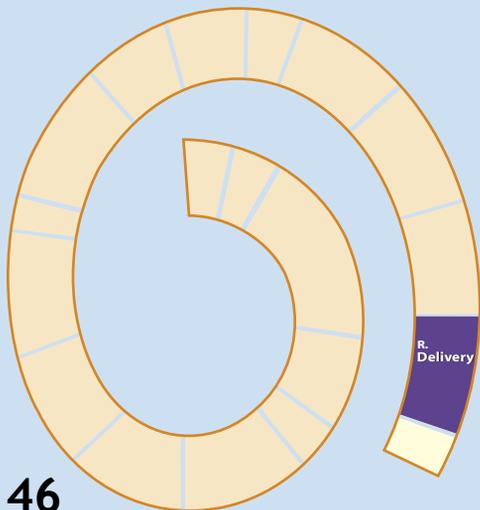
Receiving Warehouse

Warehouse staff

Logistics staff

Program management

Bangladesh Drugs
Administration



Early notification of
scheduled delivery
↓
allows time to make
necessary arrangements.

Delivery

Notification

When a shipping date is known, the procurement office advises the port clearance staff, warehouse staff, and concerned program managers so they can begin preparing for delivery of goods (**Step R**). The warehouse staff uses this time to plan for space and inland transportation. When a shipment actually leaves a manufacturer's facility, the supplier provides an estimated time of arrival (ETA) and other pertinent information.

Shipping Documents

International trade conventions require a bill of lading⁹ (B/L), commercial invoice, insurance documents, and a packing list for each shipment.

For ocean shipments, the signed original B/L is a “negotiable instrument”—in other words, it confers ownership—and goods cannot be collected from the port without it. In most cases, the original B/L arrives in Dhaka before goods reach Chittagong. Air shipment and land transport documents are different—they arrive with the goods and are not negotiable, so goods can be released to any party with the proper identification.

Customs Clearance and Delivery

Customs entry procedures are required for all goods shipped from outside of Bangladesh, whether by land, sea, or air. These customs formalities are managed at the seaport, airport, and land border crossings by clearing and forwarding (C&F) agents who have been selected by the MOHFW.

At the seaport in Chittagong, goods are unloaded from the ship, inspected for any damage or irregularity, and stored under the control of customs authorities in a secure area. The consignee has four days to produce the

⁹Bill of Lading is explained in the glossary.

documents required for customs clearance, pay import fees and any taxes, and take the goods away. After that, demurrage (storage) fees begin to accumulate, so prompt action is important. (In a few notorious cases, demurrage fees have reached an amount that actually exceeded the value of the shipment!) All contraceptives, vaccines, and tuberculosis and cancer drugs are exempt from tax. For other health commodities like antibiotics, non-antibiotics, kits, and syringes, value-added tax (VAT) up to 15 percent has to be paid.

At the airport in Dhaka, freight is unloaded and sent directly to the customs area for inspection and customs procedures. Critical and perishable goods are usually cleared within hours of arrival. Procedures and time frames at border crossings may vary, but goods cannot proceed to their destination in Bangladesh until cleared by customs authorities.

Customs Entry Process

1. Arrival



2. Documents



3. Clearing Agent

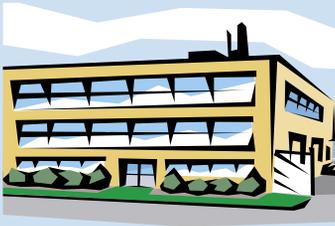


4. Release from Customs

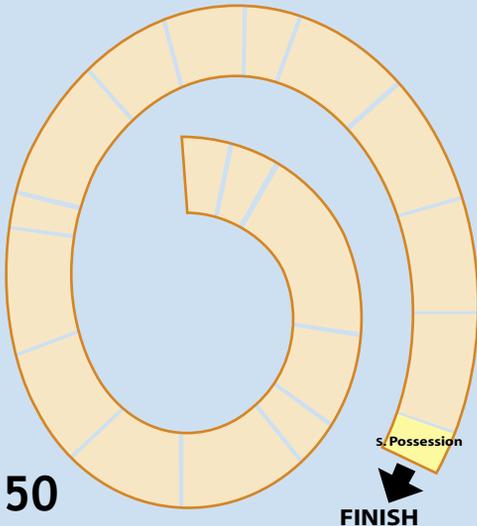
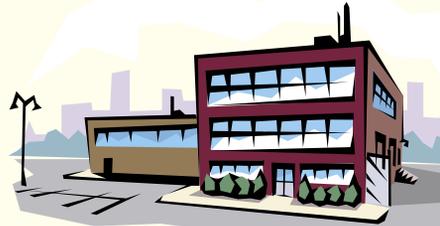


Receiving Warehouses in Chittagong

Family Planning



Health Services



To DHAKA



Possession

After goods have legally entered the country (that is, released from customs), they move into two separate logistics systems:

- The Family Planning logistics system is geared toward providing a continuous, uninterrupted supply of consumable products; each step of the supply process is centrally managed and monitored. As part of this process, the family planning logistics line director takes control of the goods before delivery to the receiving warehouse in Chittagong.
- The Central Medical Stores Depot (CMSD) provides centralized procurement for health services geared toward nonconsumable requirements such as equipment, instruments, vehicles, and furniture. (Consumable items used in the health services system tend to be purchased locally by individual line directors.)



After release from customs, ocean freight is moved to a receiving warehouse in Chittagong along with relevant documents. There are two warehouses—one for family planning goods and one for health services goods. In each case, the receiving warehouse performs a delivery inspection to confirm that they have received the correct items and quantities, and there is no shipping damage or other irregularity. Family planning goods are transferred from Chittagong to the Central Warehouse in Dhaka, mainly by family planning vehicles. Health-sector goods are transferred from Chittagong to CMSD in Dhaka by hired trucks.

Delivery of Contraceptives and Family Planning Supplies

In the case of contraceptives, family planning central warehouse personnel in Dhaka recheck the goods for any damage or pilferage and make sure that packing and packaging are in compliance with the contract, that required markings are present (particularly expiry dates), and that required manufacturer's certifications have been provided. Contraceptives and other family planning goods are distributed directly to the Thana level based on monthly consumption and stock balance figures.

Delivery of Health Services Goods



When shipments are received at the CMSD warehouse in Dhaka, staff unpack and re-sort the goods as necessary, perform another inspection, and request distribution lists from the concerned line directors.

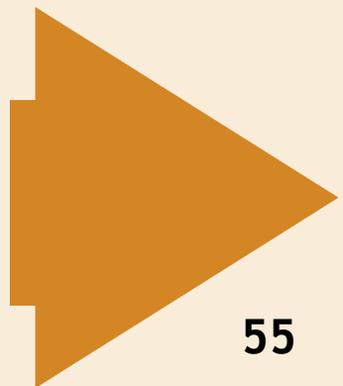


In turn, line directors communicate to civil surgeons and others who will use or distribute the items. Civil surgeons, and other end users, are responsible for preparing indent forms and arranging for private transportation, or they can make special arrangements with the CMSD for a vehicle to deliver the goods.





SERVICES



The Services Spiral



Overview of the Consultant Selection Process

When line directors and program offices require technical capabilities that are not available within their organizations, they may decide to hire consultants to provide the needed expertise. For programs financed in part by IDA (such as HPSP 1998-2003), World Bank requires a formal, competitive process for consultant selection. The Bank allows several different methods, but in this booklet we will be discussing Quality- and Cost-Based Selection (QCBS), which is used for contracts that are expected to cost the equivalent of USD 200,000 or more.

QCBS is based on competition among consultant firms and satisfies the World Bank's requirement for economy, efficiency, fair opportunity, and transparency. The spiral diagram on the left shows the process for selecting and using consultant services under the QCBS method. The time required to complete the cycle can run from several months to several years, depending upon the selection method used and the complexity of the assignment.

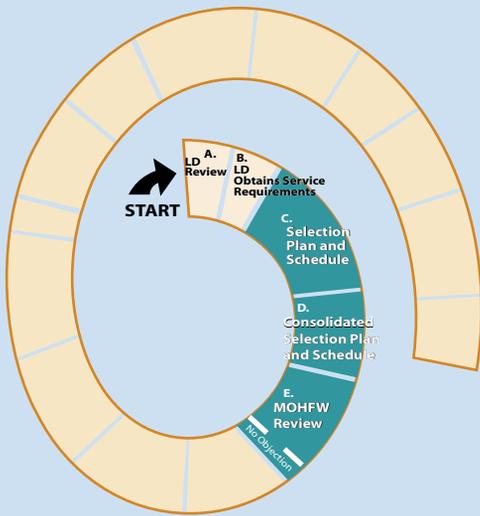
As shown on the diagram, there are 18 separate steps from start to finish, and 6 places where the World Bank's prior review and approval, or "no objection" is required. Each step is described on the following pages with symbols indicating predictable hurdles.



Line Director Activities

The six yellow stars  on the consultant services path on the diagram represent critically important Line Director activities. These include:

- Requesting consultant service requirements from end users.
- Compiling requirements into an annual selection plan.
- Contributing to the development of the terms of reference.
- Participating in the selection of consultants for the short list.
- Funding the procurement at the point of contract financing.
- Keeping abreast of consultant performance.



The Annual Selection Plan and Processing Schedule Identifies

Services

Selection method

Time frame

Budget

Implementing entity

Line directors collect consultant requirements from end-users



Annual Selection Plans and Schedules

Each year line directors review their program goals and activities for the coming year (**Step A**), and gather requirements for consultant services from program offices under their jurisdiction (**Step B**). Next, line directors develop consultant requirements into *Annual Selection Plans* and *Selection Processing Schedules for Services*, and coordinate cost estimates with appropriate MOHFW budgets (**Step C**). These plans and schedules are submitted to the Director of Planning, Health Services, who compiles submissions from the various line directors into a consolidated *Annual Selection Plan* and a consolidated *Selection Processing Schedule* (**Step D**).

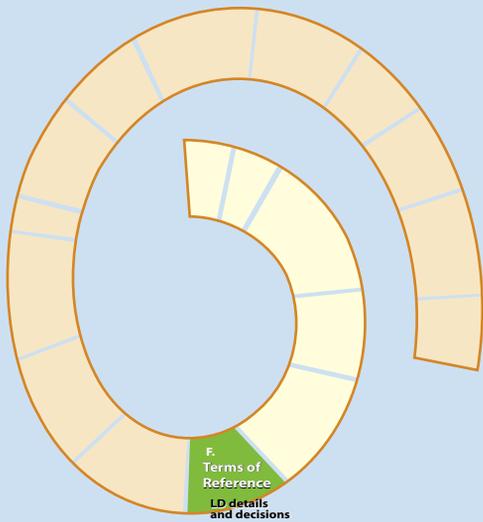


The consolidated *Selection Plan* and *Selection Processing Schedule for Services* are forwarded to the Joint Chief (Planning) of MOHFW for review (**Step E**), and then to the World Bank for its “**no objection**” determination. The World Bank encourages submission of the consolidated *Selection Plan* and consolidated *Processing Schedule* by February of the year the service is required. MOHFW and World Bank clearance constitute approval not only for procurement of the services, but also for the consultant selection method to be used, the projected time frame, the budget, and the group or unit that will carry out the selection process.



Once plans and schedules have made their way through the approval and “no objection” process, line directors communicate their approved requirements to the appropriate staff or procuring unit for processing.





Heart of the Consultant Selection Process

What is the job?

What results are expected?

What are the deliverables?

What will the purchaser provide?



Terms of Reference

The Terms of Reference (TOR) is one of the most important documents used in the consultant selection process (**Step F**). It gives a complete description of the services required to fulfill an assignment and provides clearly defined objectives, goals, performance requirements, and relevant background information. It also lists the information that is to be provided by the purchaser – such as data, local services, personnel, and facilities. When important information is missing from the TOR, consultant firms cannot submit responsive proposals.

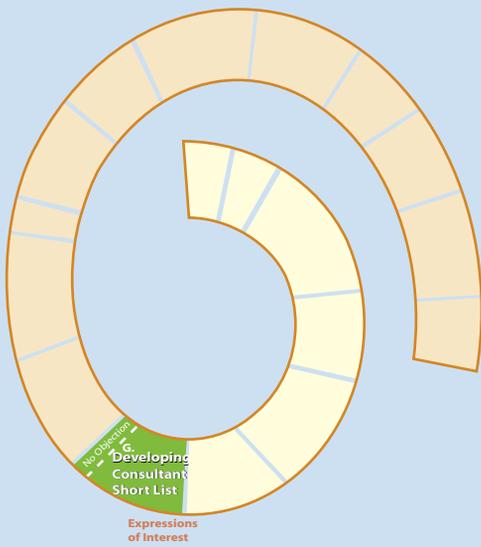
Line directors are responsible for developing TORs, but this job often requires input from specialists who understand the subject and activities associated with the assignment. When appropriate expertise is not available within the organization, line directors have to find outside assistance.



As the scope and complexity of consultant assignments increase, the TOR requires more detailed information. However, a TOR cannot be overly detailed or rigid, because consulting firms will not have the flexibility to propose different and creative methods for completing the assignment.

When important information is missing from the Terms of Reference, consultant firms are not able to submit responsive proposals.





Short List: Two-Step Process

1. Request expression of interest



2. Evaluate qualifications



Developing the Short List of Consultants

Under World Bank procedures, a “short list” of firms qualified to perform the consulting assignment must be developed (**Step G**). This is a two-step process:

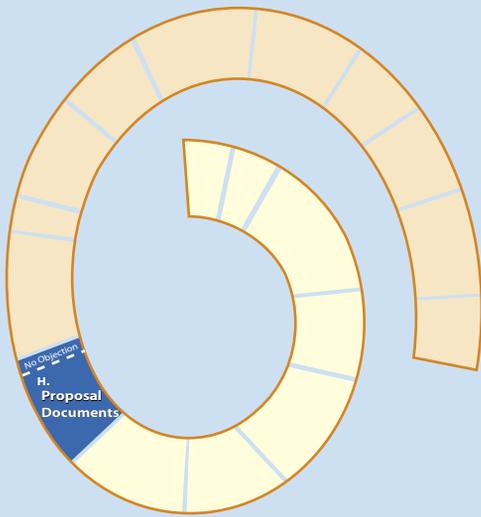
- 1. Expression of interest:** First, a short notice is prepared from the TOR that summarizes work to be done and invites responses. This is called *Request for Expression of Interest* (EOI). It contains enough information for consultant firms to determine if they have the expertise and resources needed to complete the assignment. The notice is distributed and advertised in appropriate newspapers and other media, and consulting firms are given at least 30 days to respond.
- 2. Selection for short list:** In the second step, EOIs from responding consultant firms are evaluated to eliminate those without relevant qualifications for the assignment. The standard criteria used to select consultant firms for the short list include:
 - **Eligibility-** Consulting firm (or individuals) must be from a World Bank member country.
 - **Qualifications-** Including relevant experience, personnel, and infrastructure.
 - **Geographic diversity-** No more than two firms from one country.
 - **Economic diversity-** At least one firm from a developing country (unless no EOI is received from a qualified developing-country firm).

Line directors participate in this process on a case-by-case basis. The limit on number of firms to be selected is usually three to six.

Approval of Short List

The finalized short list is forwarded to the responsible Director General for administrative approval, and then to the World Bank for its “**no objection.**” For contracts estimated to exceed USD 200,000 (Tk 10 million), the short list is forwarded to the MOHFW for administrative approval before being submitted to the World Bank.





All requirements about services to be supplied.

Rules and procedures for submitting and opening proposals.

Criteria for choosing a winning proposal.

Terms and conditions for future contract.



Preparing the Request for Proposal Documents

Request for Proposal (RFP) documents furnish all information necessary for short-listed consultant firms to prepare responsive proposals. They typically include a description of the assignment and services required, rules and procedures for submitting proposals, information about how and when proposals will be opened, and criteria for choosing a winner. They also contain terms and conditions for a future contract between the purchaser and the selected consultant firm.

Unlike bidding documents for goods procurement, RFP documents anticipate some degree of negotiation with the recommended winning consultant or firm. However, these negotiations are not allowed to *substantially* alter the TOR or contract terms that appear in the RFP.

Standardized RFP Documents

The World Bank has developed wording and a standardized set of documents that must be used for requesting proposals from consulting firms when the value of the contract is expected to exceed USD 200,000 (Tk 10 million) (**Step H**). For contract values below that amount, the standardized documents are optional but highly recommended.

There are six main sections in the Bank's *Standard Request for Proposals– Selection of Consultants* document:

- Letter of Invitation
- Information to Consultants
- Terms of Reference
- Technical Proposal – Standard Forms
- Financial Proposal – Standard Forms
- Standard Forms of Contract (four choices)



Letter of Invitation (LOI) invites the firm to participate, reveals the names of all short-listed consultants, and mentions the selection method that will be used (for example, QCBS).

Information to Consultants (ITC) contains instructions for submitting proposals and information on bid opening and evaluation. It also lays out procedures for negotiation and award of the contract. The ITC is divided into two parts. The first part uses World Bank wording that cannot be modified under any circumstances. The second part – called a *Data Sheet* – is used by the purchaser to insert information specific to the RFP. This is where the purchaser reveals evaluation criteria¹⁰ that will be used to select the winning proposal. These criteria have to be developed with great care because they cannot be changed once proposals are opened – even if a mistake is discovered.

Terms of Reference provides details about the services requested.

Technical Proposal–Standard Forms provides forms for the consultant to complete in developing and submitting their technical proposals. *Financial Proposal–Standard Forms* provides forms for the consultants to complete in developing and submitting their financial proposals.

Standard Forms of Contract is divided into two parts, and works much like the ITC and *Data Sheet*. *General Conditions of Contract* addresses matters pertaining to payments, obligations, and rights; the wording in this part cannot be changed. *Special Conditions of Contract* modifies *General Conditions* if needed, and adds wording specific to the assignment. The Bank provides two versions of the standard contract forms for contracts estimated to cost more than USD 200,000 (Tk 10 million), and two versions for contracts below that financial threshold. The procuring unit chooses the most appropriate form for each RFP based on the complexity of the assignment and other related factors.

¹⁰ Proposal evaluation criteria are discussed further in the Technical Evaluation section.

RFP Contents

- Names of short-listed consultants
- Selection method
- How to submit proposals
- How and when proposals will be opened
- Criteria for choosing a winner
- Services required (TOR)
- Procedures for negotiation
- Basic terms and conditions for future contract

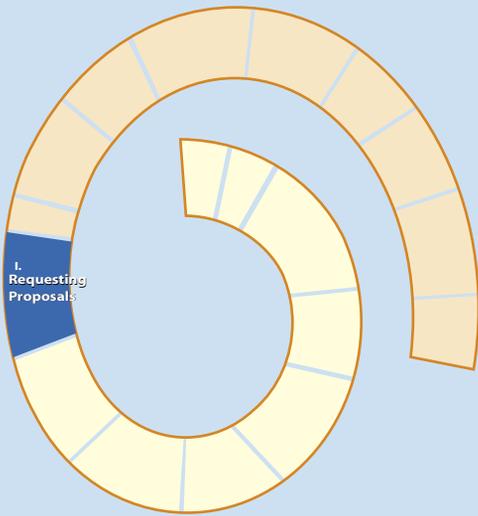
Prior Review by World Bank

If the contract is expected to cost more than USD 100,000, the RFP documents have to be sent to the World Bank for its “no objection” before the selection process can advance to the next step.



Prior Review





Pre-Proposal Conference

Questions about RFP documents

Questions about procedures



Requesting Proposals

After the World Bank has approved the RFP documents, the procurement office sends a copy to each consultant firm on the short list (**Step I**). Consultant firms are allowed 30 to 90 days to submit proposals, depending on the complexity of the assignment.

Pre-proposal Conference

Pre-proposal conferences are usually held for complex assignments. This allows consultant firms to ask questions they may have on the activities identified in the *Terms of Reference*, the proposal process, contract terms, or other relevant issues. Questions that cannot be answered at the conference are referred to the World Bank or another appropriate resource for a reply. All short-listed consultants should receive exactly the same information, so minutes of the pre-proposal conference and answers to questions raised during the conference and at other times are distributed to each consulting firm.

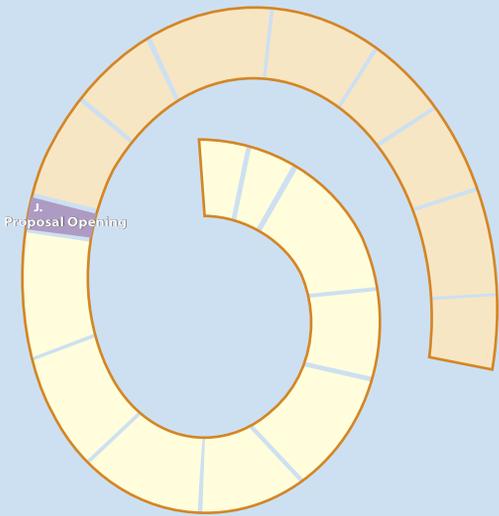
Amendment of Request for Proposal Documents

There are times when RFP documents must be amended after they have been distributed (but before proposal opening). Most amendments are the result of:

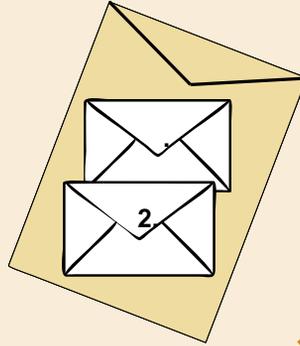
- Modification to an original plan – for example, a revised assignment starting date.
- A mistake found in the original documents.
- Questions from consultants on a specific issue that may not be clear, indicating the need to revise the document to clarify the issue raised.
- An inconsistency between sections of the proposal documents.

Receipt of Proposals

When the proposals are received, they are held in a secure place and not opened until the date and time designated in the RFP documents .



Two-Envelope System



Technical proposal forwarded for technical evaluation



Financial proposal stored in secure location for later public opening

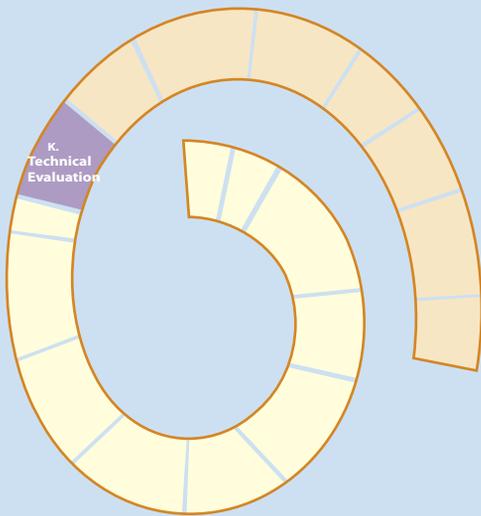
Proposal Opening

Most consultant selection methods use a “two-envelope system.” Under this arrangement, proposals are submitted in two sealed envelopes – one marked “Technical Proposal,” the other marked “Financial Proposal: Do not open with Technical Proposal.” Under the QCBS selection method, financial proposals are not opened until the evaluation of technical proposals is completed and the World Bank has issued a “no objection” to the technical evaluation report.

The subcommittee for technical evaluation opens proposal submission envelopes, which contain the separately sealed technical and financial proposal documents, immediately after the closing time mentioned in the RFP (**Step J**). Proposals received after the submission deadline are disqualified and returned to the consultant firm unopened. The subcommittee records the entries and confirms that both proposal envelopes are present in each case. Next, it arranges for the sealed financial proposals to be stored in a secure location for later public opening.

Consultants are not allowed to make changes to their proposals after the submission deadline, and any effort by the firm to influence the purchaser’s decisions can result in the rejection of a consultant’s proposal.





Technical Committee Evaluates Proposals For

Experience

Workplan

Key staff

Training

Participation of nationals



Technical Evaluation

The technical evaluation committee includes personnel with expertise in the service being requested. They are assigned by the MOHFW and may be different for each proposal evaluation. This committee opens the technical proposals and evaluates them based solely on responsiveness to the *Terms of Reference*. It has no access to corresponding financial proposals.

Five Main Criteria and a Scoring System

Under the World Bank system, technical proposals have to be evaluated (Step K) using five main criteria:

- Consulting firm's experience.
- Quality of their workplan.
- Qualifications of key staff.
- Training of local staff (when required).
- Participation by nationals in the assignment.

Each of these criteria is usually divided into several specific sub-criteria. For *Qualifications of Key Staff*, for example, the Bank requires the following sub-criteria be used: general qualifications, adequacy for the assignment, and experience in the region. The purchaser develops sub-criteria for the other evaluation criteria listed above.

Successful implementation of a consulting assignment is more dependent upon a consultant's technical skills and expertise, and less dependent on proposed costs.

The World Bank has also established a scoring system based on 100 points, and suggests a range of points for each major criterion (see page 75). During the development of the RFP, each criterion is assigned a maximum number of points based on its perceived importance in the successful outcome of the assignment. The RFP also identifies the minimum total number of points required to pass the technical evaluation.

Evaluation criteria and the maximum points assigned to each are identified in the *Information to Consultants: Data Sheet* of the RFP documents so that prospective consultants can understand how their offers will be scored. These numbers cannot be changed once the technical proposals are opened for evaluation.

Separate Reviews

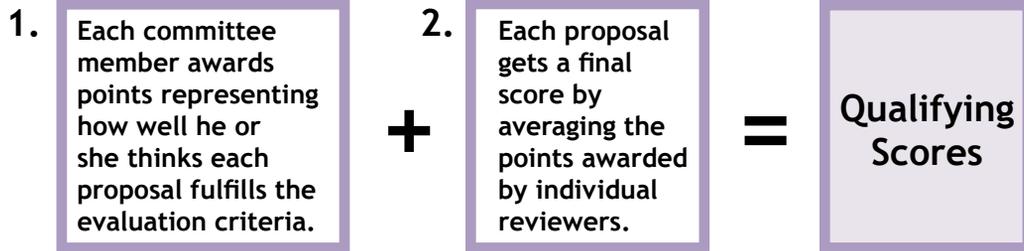
Each committee member separately reviews all technical proposals and assigns points representing how well he or she thinks each proposal fulfills the criteria described in the RFP. Each proposal is given a final score by adding together the points assigned by individual reviewers and dividing this total by the number of reviewers. This averaging process helps to balance the subjective character of the evaluation.

The committee must reject any technical proposal that fails to meet the minimum qualifying technical score specified in the RFP. The committee may also reject any proposal that is non-responsive to the important aspects and requirements of the *Terms of Reference*.

Decision on Technical Evaluation



When the committee has finished its review and scoring, it prepares a *Technical Evaluation Report* for the Bank (in compliance with “prior approval” clauses in the DCA). This report ranks the technical proposals and provides a brief summary of the selection process. It also highlights the strengths and weaknesses of each proposal. The World Bank studies the report, and when it is satisfied that the technical evaluation was fair and correct it issues a “**no objection**” letter. This approval indicates that arrangements can now be made for public opening of the financial proposals from the technically qualified consultant firms.



Major Criteria for Technical Proposal Evaluation (and Suggested Point Range)

Consultant's relevant experience for the assignment
(5-10 points)

Quality of the methodology proposed (workplan)
(20-50 points)

Qualifications of the key staff proposed
(30-60 points)

Transfer of knowledge (training)
(0-10 points)

Participation by nationals in assignment
(0-10 points)

Technical Evaluation Report Review



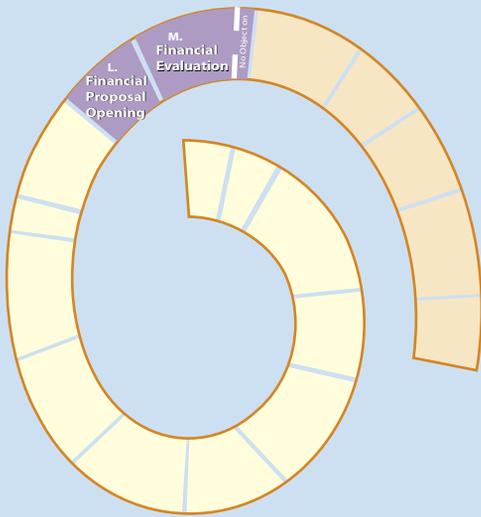
MOHFW



World Bank



Released
for Action



Committee Announces

Name of the consultant

Score from technical evaluation

Price offered

Committee Calculates

Financial score

Total score



Financial Proposal Opening and Evaluation

Consultants who received a qualifying technical score are notified of the date, time, and place for public opening of their financial proposals (**Step L**). Consultants who did not receive a qualifying technical score are advised that their financial proposals will be returned unopened after the selection process has been completed.

At the scheduled opening, a representative of the subcommittee for bid opening announces the name of the consultant, the consultant's technical score, and the proposed price. This information is recorded in meeting minutes, which are signed by committee members and any consultants present.

Financial Proposal Evaluation

The committee examines each financial proposal and calculates its "evaluated cost" (**Step M**). The evaluated cost is not always the submitted price; it takes other factors into consideration and assigns them a value, if necessary. For example, adjustments might be made to compensate for the omission of a minor item. During this process, the committee corrects mathematical errors and, finally, converts prices to a common currency.

After establishing evaluated costs, committee members calculate a financial score for each proposal using the formula described in the original RFP documents. Most often, the proposal with the lowest evaluated cost receives the highest score for the financial component of the evaluation, the proposal with the next-lowest evaluated cost receives the second highest score, and so forth.

Evaluated Cost = Price Offer +/- Adjustments and Corrections
Lowest Evaluated Cost = 100% of available points
Higher Offers = Proportionally lower points

Combining Technical and Financial Evaluations

The committee next calculates a total score for each proposal by combining the technical evaluation score and the financial evaluation score. The technical and financial scores are adjusted, or “weighted,” based on the complexity of the assignment and the importance of quality in performing the assignment. In accordance with the World Bank’s belief that successful implementation of most consulting assignments depends more on a consultant’s technical skills and expertise than on proposed costs, the Bank’s recommended technical/financial split ranges from 70/30 to 90/10 in favor of the technical score. For some assignments, such as auditing, where tasks are clearly defined and professional standards are present, the weighting is more evenly split and a 60/40 or 50/50 technical/financial weighting is acceptable.

Using the factor (for example, 70/30) announced in the RFP, the “weighted” technical and financial scores for each proposal are calculated and added together to obtain a combined evaluation score. The proposal receiving the highest combined technical/financial evaluation score is recommended for award.

And the winner is...

	Score	Weighted Split	Weighted Score
Technical Proposal	90	70%	63
Financial Proposal	100	30%	30
Combined Weighted Score			93



Decision on Award Recommendation

The subcommittee for bid opening prepares a consultant evaluation report, with supporting documents, for the bid evaluation committee's review and award recommendation.¹¹ Usually, both the first- and the second-ranked consultants are approved during this phase, in case the first-ranked consultant fails to accept the award following contract negotiation. For very large contracts,¹² the bid evaluation committee's recommendation is also reviewed and approved by the Cabinet Purchase Committee of the Ministry.

If the expected contract amount is over the prior review threshold set in the DCA, the final evaluation report and award recommendation is submitted to the World Bank for its **"no objection."**

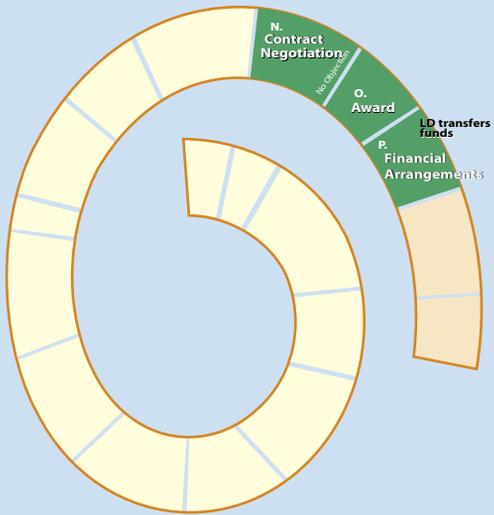


Consultant Evaluation Report Review



¹¹This procedure is used when the estimated contract price exceeds the financial approval limits delegated to line directors or the director general.

¹²Contract amounts over 25 crore Taka.



Negotiations Serve to

Clarify terms of
reference issues

Finalize workplan

Confirm proposed staffing

Confirm contact terms



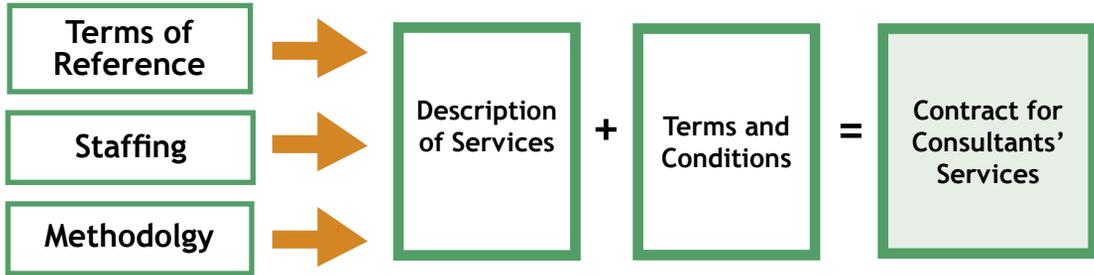
Contract Negotiation, Award, and Financial Arrangements

After the approval process is completed, contract negotiations are carried out with the consultant firm recommended by the evaluation committee (**Step N**). This is much different than the procedure for goods procurement where contracts are based entirely on bids as submitted and no negotiation (other than for very minor corrections) is allowed.

During negotiation the parties discuss, clarify, and agree on the TOR, the methodology proposed by the consultant, the staffing proposed by the consultant, and the contract terms and conditions. Given the range of issues discussed, personnel with appropriate expertise are requested to attend the negotiations along with appointed committee members.

Negotiations usually produce some revision to the original TOR, although substantial alterations are not allowed since that could affect the quality of the final product, the cost, and the relevance of the evaluation process. The final TOR and the agreed-upon methodology are incorporated into a *Description of Services*, which becomes part of the contract. If negotiations with the selected firm fail, the World Bank is notified about the situation and the intention to begin negotiating with the next ranked consultant.

Final Contract



Contract Approval and Award



Negotiated draft contracts are submitted to the bid evaluation committee for review and approval, and then to the World Bank when amounts are over the prior review threshold. Information about any negotiated changes to the original TOR, contract, or proposed key staff must be included.

After the World Bank issues its **“no objection”** determination, the contract is jointly signed by the responsible line director and the consultant. This contract award binds both parties to the activities identified in the negotiated TOR and the terms and conditions of the contract **(Step O)**.

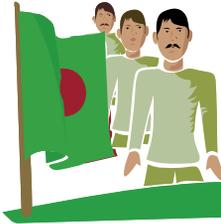
Financial Arrangements



During the negotiations, both parties agree upon the payment terms and amounts, schedule of payments, and payment procedures **(Step P)**. Consultant payments can be made at regular intervals or on receipt of agreed outputs, depending upon the scope and level of complexity of the assignment. After both parties sign the contract, the line director transfers funds to the government agency responsible for issuing payments to the consultant. In the case of an advance payment, the consultant provides the government with a bank guarantee¹³ for an amount equal to or slightly greater than the advance.

¹³ Bank guarantee is explained in the glossary.

Contract Award and Approval



**MOHFW
Approval**



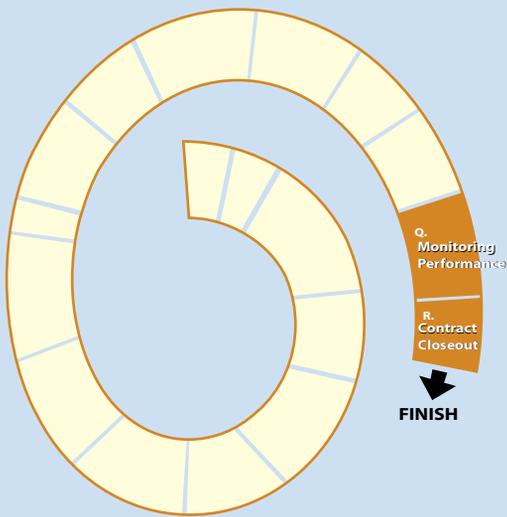
**World Bank
"no objection"**



**Contract
Signature**



**Payment
Arrangements**



Monitor

Milestones

Deliverables

Performance requirements

Outcomes



Verify

Contract tasks and deliverables completed

Unresolved issues negotiated

Payments made

Monitoring Performance and Contract Closeout

Careful monitoring of the consultant's performance (**Step Q**) and, when appropriate, timely intervention prevent small delays or performance failures from escalating into serious problems that might jeopardize the successful outcome of the assignment.

Performance monitoring is based on information provided in the consultants workplan, which includes estimated completion dates, milestones, and deliverables. If a consultant does not meet scheduled milestones or other contract performance requirements, he is notified in writing of his failure to comply. A consultant who does not respond is subject to disciplinary measures: payment can be withheld until the deficiencies are corrected; legal proceedings can be initiated against him; he can be placed on probation; he can be excluded from consideration for future service contracts.

The line director or end user is usually responsible for developing and maintaining appropriate monitoring systems. At a minimum, these include written timetables and schedules.



Documentation of performance, including timeliness and quality of deliverables, can help determine whether a consultant should be considered for future assignments

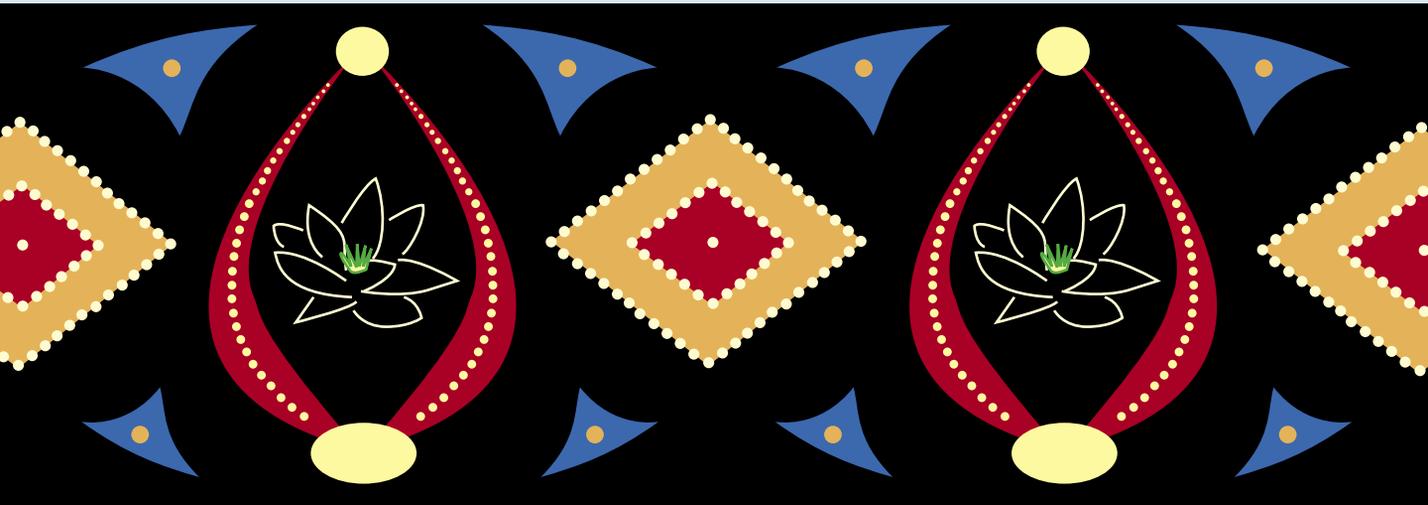
Contract Closeout

Important steps in the closeout process (**Step R**) include:

- Review the assignment file to ensure all contract tasks and deliverables have been completed.
- Negotiate a mutually agreed resolution of any tasks or deliverables not completed.
- Review disbursements to ensure proper payment.

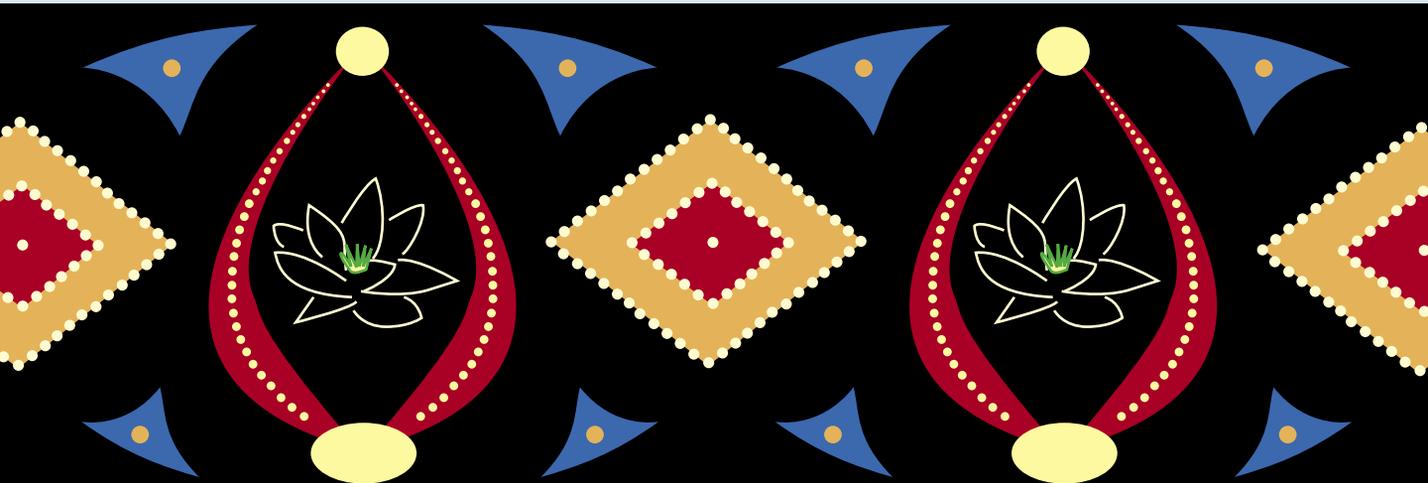


The End





The End



Resources

We have walked through the main steps and predictable hurdles of World Bank procurement in a very general manner. For readers who would like additional information, we recommend the three-volume set of manuals, *Procurement Of Goods and Services Under HPSP*, which was developed during 2000-2001 by the DELIVER/USAID Project for use by MOHFW procurement personnel: Volume 1 addresses procurement of goods; Volume 2 covers procurement of services; Volume 3 is a collection of World Bank and GoB documents that form the basis for procurement procedures and processes described in Volumes 1 and 2. Volume 3 includes:

World Bank Guidelines: Procurement Under IBRD Loans and IDA Credits (January 1999).

Standard Bidding Documents: International Competitive Bidding–Procurement of Goods (February 2000).

Standard Bidding Documents: National Competitive Bidding–Procurement of Goods.

Standard Bidding Documents: Procurement of Health Sector Goods (May 2000).

IDA Standard Bid Evaluation Forms.

GoB Guidelines: Procurement of Goods and Works Financed Under Project AID (May 1992).

Development Credit Agreement (June 1998).

World Bank Guidelines: Selection and Employment of Consultants by World Bank Borrowers (January 1999).

World Bank Standard Request for Proposals: Selection of Consultants (July 1999).

World Bank Sample Form of Evaluation Report: Selection of Consultants (October 1999).

Many of these documents are available from the World Bank website at www.worldbank.org.

Acronyms

B/L	Bill of Lading
C&F	Clearing and Forwarding
CMSD	Central Medical Stores Depot
DCA	Development Credit Agreement
EOI	Expression of Interest
ESP	Essential Services Package
ETA	Estimated Time of Arrival
GoB	Government of Bangladesh
HPSP	Health and Population Sector Program
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Association
INCOTERMS	International Commercial Terms
ITC	Information to Consultants
L/C	Letter of Credit
LOI	Letter of Invitation
MOHFW	Ministry of Health and Family Welfare
NRA	National Regulatory Authority
NSP	Non-essential Services Package
PIP	Project Implementation Plan
QBS	Quality-Based Selection
QCBS	Quality- and Cost-Based Selection
RFP	Request for Proposal
SBD	Standard Bidding Documents
TOR	Terms of Reference
UN	United Nations
VAT	Value Added Tax

Glossary

Bank Guarantee

A financial commitment of a bank that guarantees compensation to the buyer if the service provider (consultant firm) fails to meet contract performance requirements. The bank guarantee is traditionally set for the amount of the advance payment the buyer issues to the service provider and is valid until the service provider has provided an equivalent amount in contracted services.

Bid Security

A financial commitment of a bank or insurance company that guarantees compensation to the buyer for inconvenience and expense if a winning bidder rescinds his offer after the bid is closed and an award is made to him. Each bidder has to provide bid security with his bid submission in the amount stated in the bidding documents.

Bill of Lading

Document issued by a carrier (usually an ocean freight line) to a shipper that provides a written receipt for the goods and commitment to deliver same at a stated destination to the lawful holder of the bill of lading.

Collateralize

To pledge or provide funds for payment of a letter of credit (or loan).

Consignee

A term used in shipping that describes the “ship-to” party.

Cross Discount

Discount sometimes offered by the bidder that is conditional on more than one contract or lot being awarded to him.

Domestic Preference

A term used in World Bank procurement documents to describe a competitive advantage, expressed in percentage points, which is sometimes given to local manufacturers of goods competing for contracts against international sources.

End User

The person or organization who will eventually use the product.

Evaluated Bid

Bid that has been through financial analysis and recalculated to reflect any corrections, discounts, adjustments, or financial value of factors other than price.

Evaluated Cost/Price

Price used for comparison with other bids or proposals: not necessarily the submitted price, but one recalculated with corrections, discounts, adjustments, and financial value of factors other than price.

Financial Threshold

An amount at or above which procedures, rules, and requirements change—usually where financial impact becomes significant and/or responsibility shifts.

INCOTERMS

International rules for the interpretation of commonly used trade terms relating to the division of risks and responsibilities for transport and delivery of goods sold across national borders.

Indent Form

The form used by an end user to request goods, works, or services that have been—or will be—purchased.

Letter of Credit

An arrangement by banks for settling commercial transactions; specifically, a written promise by a bank given to the seller in accordance with instructions (and cash deposit) of the buyer to pay up to a given sum of money within a prescribed time limit when and if the seller presents specified documents that give evidence of his performance.

Material Deviation

Used in evaluating bids to describe a significant and unacceptable difference from the requirements stated in bidding documents. More precisely, a material deviation is one that affects in any way the price, quantity, quality, or delivery of the goods as required in the bid documents, or limits in any way the responsibilities, duties, or liabilities of the bidder or any rights of the

purchaser. If accepted, a material deviation would provide unfair advantage to the bidder.

National Regulatory Authority

An independent government organization responsible for establishing procedures to ensure that medicines and biological products intended for use in the country are safe, potent, and effective.

No Objection

A term used in World Bank procurement to describe the Bank's approval of procurement packaging, draft bidding documents, and recommendation for award.

Performance Security

A procurement term describing the financial instrument used to guarantee compensation to the buyer for inconvenience and expense if the seller does not produce and ship the contracted goods or provide the contracted services within the stated period. The seller puts up his own funds, often through a bank or an insurance company, to be held in reserve until the contract terms have been met.

Prior Review

The World Bank's examination and approval (no objection) of certain procurement documents and decisions before they are implemented.

Procurement Package

Like items grouped together for procurement under one contract.

Stakeholders

Development partners and others with an interest in improving the health and family welfare sector in Bangladesh.

Substantially Responsive

In procurement, a bid that is presented in the required manner and contains no material deviations from or reservations to the terms, conditions, and specifications in the bidding documents.

Annex 1: Summary of DCA for Bangladesh HPSP

Description of Project

The main components of the 1998–2003 Health and Population Sector Program (HPSP) of Bangladesh are *Delivery of an Essential Services Package* and *Reorganization of the Health and Family Welfare Sector*. Both infrastructure and health components are included in this project.

Amounts to Be Financed

The DCA states the amounts to be financed by the World Bank and amounts to be provided by other sources (such as pooled grant funds). The original amount to be financed for HPSP (1998–2003) was nearly USD 245 million, or about Tk 12,247,650,000.

Repayment

How and when the borrower will repay the credit is also outlined in the DCA. In the case of HPSP, GoB will make semi-annual payments over a 30-year period beginning 10 years after the date of the credit agreement (that is, beginning in 2008). The World Bank does not charge interest on IDA credits, but the borrower pays 1.25 percent in commitment and service charges each year.

Procurement Methods

The Bank requires International Competitive Bidding for all contracts financed in whole or in part with IDA credits, unless otherwise stated in the DCA. In other words, the GoB must use formal, sealed bidding and make sure international firms are included in the opportunity to win contracts. In the case of HPSP, several other procurement methods are allowed, but only in given circumstances.

Procurement Rules and Responsibility

Under World Bank financing, borrowers are primarily responsible for related procurement, contracting, and payments to suppliers. For all contracts

financed in whole or in part with IDA credits, the borrower must follow the World Bank's published *Procurement Guidelines*. There are two versions – one for procurement of goods and works, and another for employment of consultants.

Prior Review

The Bank requires borrowers to submit certain decisions for their review and “no objection” before advancing to the next step of the procurement process. In the case of HPSP, the DCA requires prior review of all annual procurement plans. It also requires prior review of bidding documents and evaluation reports for contracts above agreed-upon financial thresholds (USD 300,000 for goods, USD 100,000 for consulting firms, and USD 50,000 for individual consultants; equivalent to Tk 15,000,000, Tk 5,000,000, and Tk 2,500,000, respectively).

Implementation Program

The DCA commits borrowers to making arrangements for smooth implementation of the project or program. It also requires arrangements that will be adequate to review, monitor, coordinate, and evaluate the implementation of the project and achievement of its objectives.

Annex 2: Summary of World Bank Procurement Rules

Procurement Methods

For all contracts financed in whole or in part with IDA credits, the Bank requires some form of competition – unless otherwise stated in the DCA. For procuring goods, International Competitive Bidding (ICB) is the Bank’s preferred method. ICB means that formal, written bids are invited by circulating an open invitation that tells suppliers about the opportunity to compete for a contract. For selecting consultant services, the preferred method is Quality- and Cost-Based Selection (QCBS). Formal RFPs are issued to consultants that have undergone a preliminary review of capabilities.

Eligibility

Eligibility for World Bank contracts is governed by where and by whom goods were produced; eligibility requirements for health sector goods may also include registration or licensing with the regulatory authority of the purchaser’s country. In Bangladesh, pharmaceuticals, oral contraceptives, injectable contraceptives, condoms, and IUDs are supposed to be registered before a contract is finalized. In addition, the World Bank prefers that the bidder be the manufacturer, but allows bidding by agents who have been directly and formally authorized by the manufacturer.

For consulting firms to be eligible for World Bank-financed contracts, they must be registered or incorporated in a World Bank member country. Individual consultants must be nationals of a World Bank member country.

Bidder Qualification

Bidder eligibility and bidder qualification are two different things: a bidder can be “eligible” for a contract based on the country of manufacture (and product licensing, if applicable) but must still “qualify” either before bidding (pre-qualification) or after winning a contract (post-qualification).

World Bank has four basic qualification requirements, but leaves it up to the purchaser to set specific criteria for deciding whether the bidder meets these requirements:

- Manufacturer must have adequate production capacity.
- Bidder must have verifiable business and financial stability.
- Manufacturer must have verifiable technical capability.
- Bidder must have a verifiable history of successful performance.

Consultant Qualification

For the Quality- and Cost-Based Selection (QCBS) method, consulting firms undergo a preliminary review of their basic capabilities to determine if they are qualified to provide the services being requested. In this process, consulting firms respond to a publicly advertised request by the purchaser (*Request for Expression of Interest*) for information on the consulting firms' qualifications to complete a specific assignment. The consulting firm submits summary information on its relevant experience, qualifications of its personnel, and infrastructure support capabilities to the purchaser for review. The purchaser evaluates the information submitted by each consulting firm and selects three to six firms as best qualified to participate in the competition for the assignment. These qualified firms are placed on a "short list" and will receive a formal *Request for Proposal* from the purchaser.

Purchasers Must:

Follow the Bank's published Procurement Guidelines.

Use Standard Bidding and Request for Proposal documents that have been published by the Bank.

Follow the bid and proposal evaluation processes developed by the Bank.

Observe the highest standard of ethics during the procurement process and execution of contracts.

Design procurement packages to attract the interest of as many potential suppliers as possible.

Give timely notification of bidding opportunities (at least 45 days).

Ensure nondiscrimination and wide access to competition by not setting fees for bidding documents so high as to discourage qualified bidders.

Furnish all information necessary for a prospective bidder to prepare a responsive bid or proposal for the goods, works, or services to be provided.

Provide specifications based on relevant characteristics and/or performance requirements, avoiding references to brand names, catalog numbers, or similar classifications.

State the basis for evaluation and selection of the bid or proposal and specify any factors in addition to price that will be taken into account in evaluating bids and proposals.

Open bids and proposals only at an assigned date and time

Evaluate all bids and proposals against the same criteria and select the best one considering both the price and evaluation criteria announced in bidding and proposal documents.

Purchasers Must NOT:

Give information about bids or proposals to anyone but authorized people.

Ask or allow any bidder to change any part of his bid or proposal unless all other bidders have the opportunity to do the same.

Negotiate before an award is made, except with the winning bidder on very minor points. (For consulting contracts, more extensive negotiations with the winning firm are expected and allowed but not to the extent that original intent is altered.)

Bidders and Consultants Must:

Submit bids and proposals in writing, signed and in sealed envelopes before the date and hour stated in the bidding documents.

Include all documents, statements, signatures, information, and other items mentioned in the instructions to bidders.

When required, provide bid security in the amount specified in the bidding documents.

Bidders and Consultants Must NOT:

Engage in corrupt or fraudulent practices in competing for the contract.

- *Corrupt practice* means offering, giving, receiving, or soliciting anything of value to influence the action of a public official in the procurement process or in contract execution.
- *Fraudulent practice* means a misrepresentation of facts in order to influence a procurement process or execution of a contract to the detriment of the borrower, and includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, noncompetitive levels and to deprive the borrower of the benefits of free and open competition.

Annex 3: Summary of World Bank Consultant Selection Methods

On World Bank-financed projects, the Bank's preferred method for procuring consultant services is the Quality- and Cost-Based Selection method. However, the World Bank does allow other methods to be used depending upon the type of assignment to be performed and the circumstances regarding availability of qualified consultants for the assignment. The various consultant selection methods allowed by the World Bank are briefly presented below.

▶ Quality- and Cost-Based Selection (QCBS)

Process

Competitive process in which proposals are requested from short-listed consulting firms.

Summary

Evaluation of proposals is carried out in two separate stages. Technical proposals are first evaluated for quality and assigned relative scores. Then financial proposals of firms whose technical proposals met the minimum qualifying score are evaluated and assigned scores. The firm with the highest total score is invited for negotiations.

Conditions for use

Appropriate when services can be clearly defined and are not complex.

▶ Quality-Based Selection (QBS)

Process

Competitive process in which proposals are requested from short-listed consulting firms.

Summary

QBS selection method is similar to QCBS, but the focus is on evaluation of the quality of the technical proposals. In QBS, the technical proposal only may be requested, or both technical and financial proposals can be

requested. After technical evaluation, only the financial proposal of the firm receiving the highest technical score is opened and negotiated. The other financial proposals are returned unopened upon conclusion of negotiations. When technical proposals only are requested, the firm receiving the highest technical evaluation is invited to submit a financial proposal, which is then negotiated.

Conditions for use

The QBS is appropriate under the following conditions:

- Complex, highly specialized assignments for which it is difficult to define specific Terms of Reference and the consultant must demonstrate innovation in their proposals.
- Assignments that can be carried out in substantially different ways, making comparisons difficult.
- Assignments for which the best experts are needed due to the potential impact of the work, such as engineering design for a large dam.

Selection Under Fixed Budget

Process

Competitive process in which proposals are requested from short-listed consulting firms.

Summary

Similar to the QCBS method, however, the focus is on the budget. The RFP indicates the available budget, and the technical and financial proposals are requested in separate envelopes. Technical proposals are evaluated as in QCBS and financial proposals are opened in public. Financial proposals exceeding the indicated budget are rejected. The consultant submitting the highest-ranked technical proposal is invited to negotiate a contract.

Conditions for use

Appropriate when the assignment is simple, can be precisely defined, and budget is fixed.

▶ **Least-Cost Selection**

Process

Competitive process in which proposals are requested from short-listed consulting firms.

Summary

The RFP indicates a minimum qualifying evaluation score for the technical proposal. Proposals are requested in separate envelopes and technical proposals are opened first. Only financial proposals from consultants whose technical proposal meets the minimum technical score are opened. The consultant submitting the lowest price is invited to negotiate a contract.

Conditions for use

Appropriate for standard assignments of a routine nature (e.g., audits) where well-established standards exist and the contract value is under USD 200,000.

▶ **Selection Based on Consultant's Qualifications**

Process

No price competition; requests for information issued to short-listed firms.

Summary

Terms of Reference are prepared and information on consultants' relevant experience and competence is requested from short-listed firms. The firm with the most appropriate qualifications and references is asked to submit a technical proposal and invited to negotiate a contract.

Conditions for use

Appropriate for small value assignments (under USD 100,000) where the effort to prepare and evaluate competitive proposals is not justified.

▶ **Single-Source Selection**

Process

No price competition or evaluation of comparative qualifications.

Summary

Contract is negotiated with selected consultant firm without competition. Since the Single-Source Selection method lacks transparency and the benefits of competition, its use is generally limited to exceptional cases that fall into the following categories:

- Assignments that are a continuation of work previously carried out by a consulting firm;
- Assignments where rapid selection is essential (emergencies).
- Assignments of very small value (under USD 100,000).
- Assignments where only one firm is qualified for the activity.

Individual Consultants

Process

No price competition.

Summary

Contract is negotiated with an individual who has been selected based on references and comparison of qualifications among those expressing interest in the assignment.

Conditions for use

Team of personnel is not required. Home office professional support is not required. Experience and qualifications of the individual are the primary requirement.

Selection of Particular Types of Consultants

The following agencies and organizations can also be contracted to provide consultant services. In most cases, these organizations are not entitled to any preferential treatment and must undergo a competitive selection process. QCBS procedures are generally the preferred selection method for contracting with the following organizations.

- United Nations agencies
- Nongovernmental organizations (NGOs)
- Procurement agents
- Inspection agents
- Banks
- Auditors
- Service-delivery contractors

About the *Procurement Primer*

This booklet has been designed for line directors, managers, and others in Bangladesh who would like to have a quick and simple explanation of the supply process under projects such as HPSP (1998-2003).

