

Guidance Note

**Procurement arrangements applicable to
Public-Private Partnerships (PPP) contracts
financed under World Bank projects:**

September 2010¹

¹ To be updated once the revisions in Procurement Guidelines have been finalized

List of acronyms used in this document:

BOO	Build, Own, Operate
BOOT	Build, Own, Operate, Transfer
BOT	Build, Operate, Transfer
DBFO	Design Build Finance Operate
FI	Financial Intermediary
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Association
IFC	International Finance Corporation
LIB	Limited International Bidding
MIGA	Multilateral Investment Guarantee Agency
MW	Mega Watt
NCB	National Competitive Bidding
OBA	Output-Based Aid
OM	Operational Memorandum
PCG	Partial Credit Guarantee
PPP	Public Private Partnerships
PRG	Partial Risk Guarantee
RFP	Request For Proposal
SBD	Standard Bidding Document
SPV	Special Purpose Vehicle
VGf	Viability Gap Funding
WB	World Bank

Procurement arrangements applicable to Public-Private Partnerships (PPP) contracts financed under World Bank projects

I. Objective

1. This note aims to provide guidance to staffs involved in preparing and providing implementation support to procurement of PPP contracts that are financed by the Bank by providing the interpretation of the policies.

II. Scope of PPPs related to this note

2. In a broad sense, PPPs cover all kinds of arrangements between the public and private sectors to deliver infrastructure services. When a government agency (or a state owned enterprise) seeks private participation to deliver infrastructure services, it has several options available to structure the project².
3. The provisions of this note specifically apply to BOO/BOT/BOOT, concessions and similar kinds of private sector arrangements as have been mentioned in World Bank Procurement Guidelines³ (hereafter referred to as Procurement Guidelines).
4. The conceptual framework for PPPs and elaboration of different types of project structures is provided in a separate note "*Information Note on Public-Private Partnerships (PPP) and Public-Private Infrastructure (PPI) – September 2010*"⁴ that gives the relevant concepts influencing the procurement of this type of project and discusses worldwide practices.

III. Role of the Bank

5. The World Bank Group is associated with PPPs in several capacities (please refer to Fig. 1).
 - (a) Both IFC and IBRD provide advisory services to the clients.
 - (b) IFC also participates by lending directly to the private sector investors (non-sovereign guaranteed lending).
 - (c) IBRD and IDA (hereafter referred to as World Bank or WB⁵) finance government contributions - including capital grants, land acquisitions, Output–

² There may be several ways of defining PPPs. However, this note considers the various PPP from Bank procurement application.

³ Guidelines – Procurement of Goods, Works and Non-consulting services under IBRD loans and IDA credits by World Bank Borrowers (Draft March 2010) [*provisions in this note will be updated once the revisions in Guidelines are approved*]

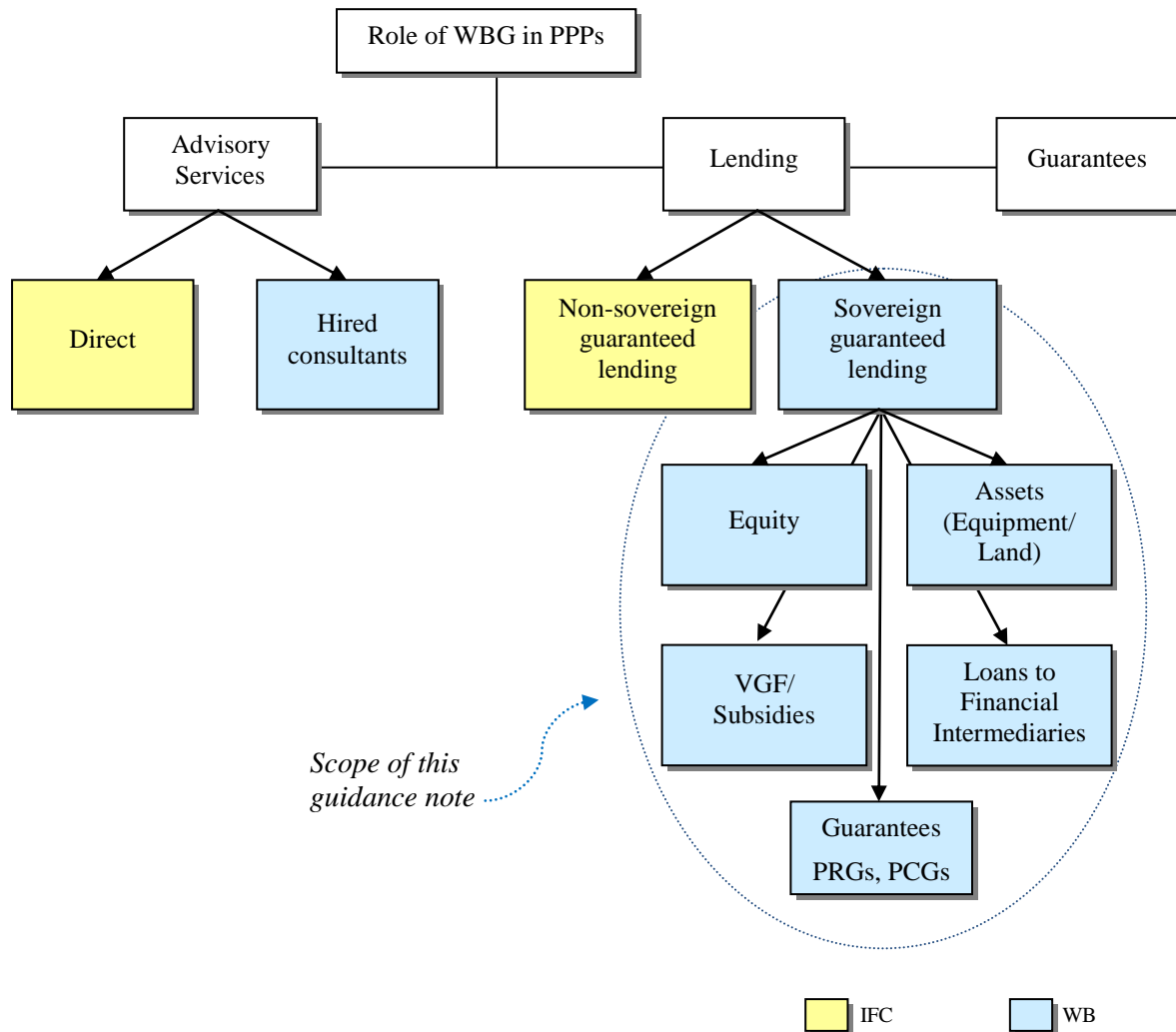
⁴ Information Note on Public-Private Partnerships (PPP) and Public-Private Infrastructure (PPI) – September 2010

⁵ WB financial support to PPPs comes in through the Government's financial contribution to the project or providing guarantees for such contributions. The applicable provisions on Procurement Guidelines for such involvements in explained in Section V.

Based Aid (OBA) subsidies, VGF, investments that are sovereign-guaranteed and consultants hired as transaction advisors.

- (d) WB finances intermediaries that in turn finance private sector investors
- (e) PRGs or PCGs provided by WB
- (f) MIGA guarantees

Fig. 1



IV. Key considerations in undertaking a PPP project

6. PPP projects are by their very nature different from traditional projects and hence applying conventional procurement procedures may limit their effectiveness. Key differences are summarized in Annex 1.
7. Discussions related to procurement arrangements are recommended in early stages of project preparation. Since a range of options are usually available while preparing a PPP project, the WB team can help the borrower ensure that adequate capacity⁶ is built to develop and implement the PPP approach, design the implementation in line with private sector expertise that exists to deliver the PPP requirements, and also guide the borrower on requirements of compliance to Bank Procurement Guidelines to avoid subsequent difficulties during implementation support.
8. Good practices recommend allowing the Service Provider to have more flexibility in operational, managerial and investment decisions aiming at more innovative solutions. Use of output results (performance indicators) is a good means of giving the Service Provider the maximum scope to innovate or otherwise use his skills and experience to design efficient solutions without being constrained by past practices. With the above factors appropriately addressed, the private sector has greater incentive to reduce costs.

V. Application of Procurement Guidelines

9. This section explains the various provisions in the Procurement Guidelines as may apply to PPPs:
 - (a) *Contracts of the type BOO/BOT/BOOT, Concessions and Similar Private Sector Arrangements (paragraph 3.14a of the Procurement Guidelines):*

This section applies to PPP arrangements where a Service Provider designs and takes over the management of an existing facility or a Greenfield project⁷ for a given period during which it also assumes significant investment risk (“concession” arrangements). It can also apply where a Service Provider takes over the responsibility for the design, building, financing and operation of a project “from scratch” (“design-build-finance-operate” or DBFO arrangements).

In either case, Bank policies apply to both the selection of the Service Provider (also referred to as ‘*upstream*’ procurement) as well as to Bank-financed procurement by the Service Provider or Service Provider, of goods, works and

⁶ While a good assessment of the government and industry capacity for undertaking PPP projects is critical, it is important to recognize that in many cases, the borrowers may not have a track record of managing PPP projects and yet are willing to tread in that direction with support under the Bank projects. In such cases, the Bank initially augments the procurement capacity of the client by including the requirement of engaging a competent transaction advisor and other consultants as may be required, and concomitantly initiate steps to build the client's capacity in due course. The procurement capacity assessment, in certain cases, may benefit from involvement of sector experts with relevant PPP expertise.

⁷ Greenfield projects usually refers to projects where the Service Provider is responsible for a totally new project where he is responsible for the complete concept, design, acquisition of land (if the case), construction, and operation of a new facility.

services needed by the facility to provide the required public service (also referred to as ‘*downstream*’ procurement).

Under Bank-financed projects, the Service Provider can procure goods, works and services required by the facility using its own procurement practices (subject to eligibility conditions defined under paragraph 1.10 of Procurement Guidelines and having no conflict of interest as defined in paragraph 1.7 of Procurement Guidelines), provided the Service Provider was selected based on open competitive bidding procedures determined acceptable by the Bank (paragraph 3.14a⁸).

The following define how such a selection can be determined to be acceptable to the Bank:

- (i) Open competitive bidding procedures followed by the Borrower to select the Service Provider need not be carried out in accordance with Section II of the Procurement Guidelines⁹ and flexibility may be applied provided the basic principles established in Section I of the Procurement Guidelines are observed.
- (ii) Annex 2 details a well-managed selection process in accordance with Section I of the Procurement Guidelines. In summary, such a process includes the following steps while preparing the bidding documents and planning the procurement process (more details in Annex 2):
 - a. Wide advertisement is done providing potential bidders detailed information and enough time for preparation of proposals
 - b. Prequalification of potential bidders is done using well designed criteria.
 - c. Bidding documents¹⁰ are well prepared, clear and non-discriminatory bidding documents.
 - d. Procedures for bid submission¹¹ are clear and bid opening is public

⁸ Para 3.14a of Procurement Guidelines mentions “*The concessionaire or entrepreneur under the BOO/BOT/BOOT or similar type of contract shall be selected under open competition bidding procedures determined acceptable by the Bank⁷¹, which may include several stages in order to arrive at the optimal combination of evaluation criteria, such as the cost and magnitude of the financing offered, the performance specifications of the facilities offered, the cost charged to the user or purchaser, other income generated for the Borrower or purchaser by the facility, and the period of the facility’s depreciation. The said entrepreneur selected in this manner shall then be free to procure the goods, works, and consulting and non-consulting services required for the facility from eligible sources, using its own procedures. In this case, the Project Appraisal Document, and the Loan Agreement shall specify the type of expenditures incurred by the said entrepreneur towards which Bank financing will apply.*”

⁹ Section II of the Procurement Guidelines defines the details on Bank policies and procedures for ICB for procurement of goods, works and services using Bank ICB standard bid documents

¹⁰ There are no Bank-prescribed SBDs for PPP procurements.

¹¹ The decision between having a single or a multiple stage bidding procedures (also refer Annex 3) will depend on the nature of the contract, on how precisely the technical requirements can be defined, and if output results (or performance indicators) are used for selection of the Service Provider.

- e. Bid evaluation criteria are transparent, well defined in the bidding documents
 - f. Negotiation of the final contract, if required, is done only within the parameters defined in the bidding document, and after receiving Bank 'no-objection'
 - g. Selection of one firm for award of contract is done based on most economically advantageous offer
 - h. Appropriate complaint handling mechanisms exist
- (iii) For projects such as toll roads, tunnels, harbors, bridges, power stations, waste disposal plants, and water distribution systems, open competition means international competitive procedures. Under certain circumstances, at the project design stage, the Borrower may propose use of national competitive bidding procedures for selection of the Service Provider.
- (iv) NCB procurement is generally not recommended, but can be considered on an exceptional basis if criteria specified under paragraph 3.3¹² of Procurement Guidelines are satisfied. In such case, the basic principles for determining acceptability to the Bank will continue to be determined as mentioned in Annex 2.
- (v) In case only a limited number of suppliers are available, the borrower may propose procurement through direct invitation such as LIB procedures. The Bank will need to be consulted prior to accepting use of such procedures.
- (vi) All above procedures mentioned in iii, iv and v shall be subject to Bank prior-review.

¹² Para 3.3 of the Procurement Guidelines mentions that “*National Competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Borrower, and may be the most appropriate method of procurement of goods, works and non-consulting services which, by their nature or scope, are unlikely to attract foreign competition. To be acceptable for use in Bank-financed procurement, these procedures shall be reviewed and modified⁶² as necessary to assure economy, efficiency, transparency, and consistency with the provisions included in Section I of these Guidelines⁶³. NCB may be the most appropriate method of procurement where foreign bidders are not expected to be interested because (a) the contract values are small, (b) works are scattered geographically or spread over time, (c) works are labor intensive, or (d) the goods or works are available locally at prices below the international market. NCB procedures may also be used where the advantages of ICB are clearly outweighed by the administrative or financial burden involved.*”

Procedure for Service Provider Selection (detailed in Annex 2)

Open Bidding Process	<ul style="list-style-type: none"> • Open competition • LIB • NCB only exceptional cases (without restriction of access to foreign bidders)
Advertisement & Promotion	<ul style="list-style-type: none"> • Disseminate information to potential bidders • Innovative means like road shows, data room
Bidder prequalification	<ul style="list-style-type: none"> • Ensures quality bidders • Indicates market perception of risk • Based on quantifiable and objective criteria to the extent possible
Bidding Documents	<ul style="list-style-type: none"> • Bank SBDs not available • Borrower documents shall be well prepared
Bid submission and Opening	<ul style="list-style-type: none"> • Allow sufficient time for bid preparation • Single or two stage
Bid Evaluation	<ul style="list-style-type: none"> • Clearly specify criteria in the Bid Documents
Negotiation of Final Contract	<ul style="list-style-type: none"> • Contract awarded to Most Economically Advantageous Offer • Can be preceded by discussions of final details of contract terms, financing plan
Complaints and Appeals	<ul style="list-style-type: none"> • Clear and effective mechanism

(b) *Contracts of the type BOO/BOT/BOOT, Concessions and Similar Private Sector Arrangements (paragraph 3.14b of the Procurement Guidelines):*

Where the Service Provider has not been selected under an open competitive bidding procedure determined acceptable to the Bank, the Service Provider must follow the Bank’s procedures described in Section II of its Procurement Guidelines for the large value procurement of goods, works and services (consulting and non-consulting) required by the facility, that are to be financed by the Bank (para 3.14b¹³). For smaller value contracts, the Bank may define other appropriate procurement methods in line with the established commercial practices.

- (i) There could be occasions where the proposed selection procedure may not fit into open competition bidding procedures acceptable to the Bank:
- a. Unsolicited proposals – Public authorities are sometimes approached directly by private companies who submit proposals for the development of projects in respect of which no selection

¹³ Para 3.14b of Procurement Guidelines mentions “If the said concessionaire or entrepreneur has not been selected in the manner set forth in subparagraph (a) above, the goods, works, or consulting and non-consulting services required for the facility and to be financed by the Bank shall be procured in accordance with ICB or LIB procedures for large value procurement as defined in Section II and other appropriate procurement methods determined acceptable by the Bank for smaller value contracts.”

procedures have been opened. These proposals are usually referred to as “unsolicited proposals”. Unsolicited proposals may result from the identification by the private sector of an infrastructure need that may be met by a privately financed project. They may also involve innovative proposals for infrastructure management and offer the potential for transfer of new technology to the host country. Some countries have evolved procedures that though require a competitive selection, allow for an incentive for the first mover¹⁴. But at the same time, the award of projects pursuant to unsolicited proposals and without competition from other bidders may expose the Government to serious criticism, in particular in cases involving exclusive concessions hence not making them aligned to requirements of Procurement Guidelines paragraph 1.2a,b and c¹⁵.

Such requests will be reviewed by the Bank as per para 3.7 of Procurement Guidelines relating to Direct Contracting. Alternately, the Borrower may be suggested to follow a competitive selection procedure¹⁶.

- b. Short-list (or restricted procedure): Paragraph 1.6 of the Procurement Guidelines states that “*Any conditions for participation shall be limited to those that are essential to ensure the firm’s capability to fulfill the contract in question*”. Limiting of bidders (to a pre-determined number) at the pre-qualification stage is not in accordance with this provision, nor is any registration requirement for bidders to pre-qualify.

In order to carry out pre-qualification, quantitative criteria are more transparent, and should be recommended as opposed to qualitative criteria that require a merit point system (and may lead to complaints by bidders). Bank recommends using a well designed pre-qualification procedure that uses criteria which may handle this issue without upfront predefining any arbitrary number of firms that can prequalify. Such procedures typically require a good understanding of the private sector capacities and capabilities.

¹⁴ For example, to check if there are “better offers” for the unsolicited proposal (or to be able to do a price validation) from other private entities, governments may conduct a price challenge, or “Swiss Challenge” by publicly soliciting alternative price offers to implement the concession agreement. This allows private competitors to offer a better price than that of the original proponent, under the same terms of the concession. The original proponent however, has the right to match the “better offer” should there be one, and reclaim the project for itself.

¹⁵ From para 1.2 of Procurement Guidelines “(a) *the need for economy and efficiency in the implementation of the project, including the procurement of the goods and works involved;*
(b) *the Bank’s interest in giving all eligible bidders from developed and developing countries the same information and equal opportunity to compete in providing goods and works financed by the Bank;*
(c) *the Bank’s interest in encouraging the development of domestic contracting and manufacturing industries in the borrowing country;”*

¹⁶ In many such cases, adding the necessary flexibility to the competitive selection procedures may present a possible solution.

- c. Competitive Dialogue: Used for complex projects, a post tender stage dialogue is allowed with selected suppliers. This is done to identify solutions that meet the needs of the contracting authority and thereby come to the most economically advantageous offer.

While there are rules for such discussions, at the post-tender stage this aims at having parallel negotiations with more than one bidder and may lead to technical transfusion. Possible acceptable alternative is to explore use of a two stage bidding procedure.

(c) *Existing incumbent Service Provider:*

In certain exceptional cases (determined under para 3.15¹⁷ of Procurement Guidelines) when a Service Provider (privately or publicly owned) already exists, the government may seek Bank financing for expansions of existing systems. Examples are extensions of distribution networks like power distribution lines or water or gas distribution piping, usually for connection of new consumers.

In these cases, the small amounts¹⁸ involved in downstream procurement would make the use of Bank's procedures, mandated by para 3.14b unpractical. The Bank may agree to use of the procurement procedures of the incumbent Service provider if:

- (i) the entity meets the criteria under paragraph 1.10 (b) of Procurement Guidelines;
- (ii) the Bank determines to be acceptable the procurement capacity, practices and procedures that the entity relies upon as part of its normal business operations;
- (iii) the entity does not grant any preference or award contracts to their parents or affiliates or shareholders; and
- (iv) procurement procedures ensure fair competition, economy, efficiency, quality and transparency.

The Bank shall conduct post reviews from time to time during implementation to satisfy itself that the procurement capacity and

¹⁷ According to para 3.15 of Procurement Guidelines, "Notwithstanding the provisions under paragraph 3.14 (b), the Bank may accept, in exceptional cases such as the expansion of an existing system operated by an incumbent concessionaire or entrepreneur that is either a privately-owned or a government-owned company, the use of its procurement procedures provided that: (i) the entity meets the criteria under paragraph 1.10 (b) of these Guidelines; (ii) the Bank determines to be acceptable the procurement capacity, practices and procedures that the entity relies upon as part of its normal business operations; (iii) the entity does not grant any preference or award contracts to their parents or affiliates or shareholders; and (iv) procurement procedures ensure fair competition, economy, efficiency, quality and transparency. The Bank shall conduct post reviews from time to time during implementation to satisfy itself that the procurement capacity and practices remain acceptable, and that the procurement procedures agreed under the loan were followed."

¹⁸ As agreed with the Bank

practices remain acceptable, and that the procurement procedures agreed under the loan were followed.

The conditions for application of Paragraph 3.15 of the Procurement Guidelines are further explained in Annex 4 of this note.

(d) *Output Based Aid:*

In cases where Bank participates by financing government-granted subsidies, such as OBA, staff shall refer to “Procurement Issues in Structuring OBA Operations Financed by the World Bank - Guidance Note for Procurement Staff” issued on April 11, 2008.

(e) *Guarantees:*

In these cases, the Bank may be involved in the project without financing of new investments.

OP14.25 (Guarantees) requires guarantees to comply with paragraphs 1.5¹⁹ and 3.18²⁰ of the Procurement Guidelines, and such arrangements are not subject to OP 11.00 (Procurement). The Procurement Guidelines require procurement with due regard to economy and efficiency, and the Bank to be satisfied² that the procedures used to fulfill the borrower’s obligations to cause the project to be carried out diligently and efficiently and that the goods and works are procured with satisfactory quality, delivery time and price.

(f) *Divestures:*

For divestures, when a private entity buys an equity stake in a state owned asset or enterprise through an asset sale, the Bank may be requested to finance government investments or new installations and expansions under responsibility of the private Service Provider. If those investments (either by the government or by the Service Provider) are part of the procurement process for divesture, paragraph 3.14 of Procurement Guidelines is applicable.

However, if those investments are made after some time after the divesture took place and an incumbent Service Provider is already in place, there are two

¹⁹ Para 1.5 of Procurement Guidelines mentions “*The principles, rules and procedures outlined in these Guidelines apply to all contracts for goods, works and non-consulting services financed in whole or in part from Bank loans*10. *The provisions described under this section I apply to all other sections of the Guidelines. For the procurement of those contracts for goods and works not financed in whole or in part from a Bank loan, but included in the project scope of the loan agreement, the Borrower may adopt other rules and procedures. In such cases the Bank shall be satisfied that the procedures to be used will fulfill the Borrower’s obligations to cause the project to be carried out diligently and efficiently, and that the goods and works to be procured:(a) are of satisfactory quality and are compatible with the balance of the project; (b) will be delivered or completed in timely fashion; and (c) are priced so as not to affect adversely the economic and financial viability of the project.*”

²⁰ Para 3.18 of Procurement Guidelines mentions “*If the Bank guarantees the repayment of a loan made by another lender, the goods and works financed by the said loan shall be procured with due attention to economy and efficiency and in accordance with procedures which meet the requirements of paragraph 1.5.*”

possibilities: (a) large investments on new facilities (like a “Greenfield” project) – these are similar to conventional procurements of services and/or works under Procurement Guidelines, and shall follow Section II of Procurement Guidelines; or (b) expansion of existing network or system made by the incumbent Service Provider – paragraph 3.14 of the Procurement Guidelines may be used.

(g) *Financial Intermediary Loans:*

Where the Bank provides funds to eligible participating FIs for on lending to final borrowers (subject to OP 8.30), to be on-lent to beneficiaries²¹, the procurement is usually undertaken by the respective beneficiaries in accordance with well established private sector methods or commercial practices which are acceptable to the Bank²² as mentioned in para 3.13 of the Procurement Guidelines.

However, even in these situations, procurement methods and commercial practices of the private sector conducted by open or limited international or national competition bidding may be the most appropriate procurement method for the purchase of large single items or in cases where large quantities of like goods can be grouped together for bulk purchasing²³.

The Project Implementation Document or the Operational Manual shall describe the basic guiding principles and acceptable procedures applicable to the loan. These principles shall include mandatory provisions that beneficiaries of the loan shall not award contracts to their parents or affiliates. The documentation shall define the main responsibilities of financial intermediary institutions (or of other designated agencies) such as: (a) assessing the capacity of the beneficiaries to carry out procurement efficiently; (b) approving acceptable plans for the procurement of goods, works and non-consulting services, and the selection of consultants as may be applicable; (c) agreeing to supervision and oversight arrangements under each sub-loan (consistently with the provisions under the Bank loan) for the procurement to be carried out by the beneficiaries so as to insure compliance with the agreed private sector methods and commercial practices under the sub-loans; and (d) maintaining all relevant records for the Bank’s post review and audits when requested. The financial intermediary or its designated agency shall satisfy itself with the reasonableness of the price of contracts awarded by the beneficiaries, if necessary through the hiring of independent auditors.

²¹ These include individuals, private sector enterprises, small and medium enterprises, or autonomous commercial enterprises of the public sector for the partial financing of subprojects

²² The checklist used for making a procurement assessment under OBA can be adapted for this purpose. It can be located in Annex 2 of Guidance Note to Procurement Staff on Procurement Issues in Structuring Output-Based Aid (OBA) Operations Financed by the World Bank (issued on April 11, 2008) and can be found at <http://go.worldbank.org/A8P21L3UQ0>

²³ The values are determined as per the thresholds proposed in the Project Procurement Plan.

The Bank team shall review the methods and procedures of procurement and selection of consultants of the private sector and the commercial practices in the country of the Borrower to determine their acceptability. There is no need to specify in the Loan Agreements or Procurement Plans threshold by value of contracts for their use regardless of the adopted specific methods and commercial practices.

Given the demand-driven nature of such projects, it may not be always practical to prepare Procurement Plans as per paragraph 1.18, especially when the selection of consultants is conducted by the beneficiaries. Simplified procurement plans, where feasible and practical, shall be prepared based on a broad list of eligible activities to be implemented.

In case the financial intermediary contributes directly (or as part of a consortium of banks to provide funds to a PPP arrangement which are of the type defined in 9a above, provisions of Procurement Guidelines para 3.14 shall apply. Such project designs are challenging since the intermediary is not directly involved in the design or implementation of the PPP projects.

VI. Anti Corruption Guidelines

10. In line with the Bank's Anti-corruption guidelines, the Bank's clause on Fraud and Corruption (including the Bank's right to audit) shall be included in the bidding document as specified in clause 1.16 of Procurement Guidelines.

Annex 1 – Difference between traditional procurement and PPP arrangements

This annex briefly summarizes the key differences between conventional procurement and a PPP arrangement:

- (a) While contracts for large facilities may take a few years, they usually do not last longer than usually about 5 years, while PPPs are significantly longer-term contracts (sometimes for 20 to 30 years). Consequently, they create a long term partnership between the Government and the Service Provider. Therefore, the requirements and procedures for the selection of the Service Provider may be very different from the selection of a Contractor for a works contract.
- (b) Contracts for large facilities (plants or civil works) have as their object the conclusion of the construction (or installation) of the facilities, and the final product can be tested and accepted at the end of the works. On the other hand, contracts for PPP have as objective the provision of a service by the Service Provider, for which, the Service Provider may have all responsibilities from design of the facilities, the funding, and its construction and at times operation for the provision of the service. In other words, in conventional procurement the approach is ‘input’ oriented – the Contractor is hired to deliver as product a construction (or plant) in accordance with a pre-established design and paid based on how much ‘input’ is put into the final product; while on PPP the approach is ‘output’ oriented – the Service Provider is hired to deliver a service for which he will construct the facility he deems adequate for delivery of the required ‘output’ and the revenue normally proceeds (directly or indirectly) from the final beneficiary of the services.
- (c) In certain types of PPPs (described in II above), the Service Provider forms a special company called a "special purpose vehicle" (SPV) to develop, build, maintain and operate the asset for the contracted period. In cases where the government has invested in the project, it is typically (but not always) allotted an equity share in the SPV. The consortium is usually made up of a building contractor, a maintenance company and bank lender(s). It is the SPV that signs the contract with the government and with subcontractors to build the facility and then maintain it. In the infrastructure sector, complex arrangements and contracts that guarantee and secure the cash flows. The lenders may also have a say in the project documentation to ensure their risks are manageable.
- (d) PPP projects are financed by user fees or tariffs, direct payments using public funds, loans or guarantees provided to the service provider, or a combination thereof.
- (e) When well-designed, a PPP project can bring about cost reductions to the service provided due to improved risk sharing obtained by allocating risks to the party best able to manage it. With this possibility, the private operator has incentives to reduce costs.

Annex 2 – Procedure for Selection of Service Provider using open competition bidding procedures determined acceptable to the Bank

This annex details what is meant by “open competition bidding procedures determined acceptable to the Bank” and what are such a well-managed selection shall include. The steps mentioned in this annex will need to be applied to the procurement procedure proposed to be followed by the Borrower as may be applicable.

Open competition is the accepted method of selection. This translates, in most cases to ICB, and in some cases LIB. ICB shall be used as the preferred procedure while LIB shall be limited to cases when only a limited number of known qualified bidders exist. NCB may be acceptable under exceptional circumstances provided that the requirements of Procurement Guidelines para 3.3 are met.

Although an open competition bidding process with open advertisement brings more transparency, it shall be designed to assure that all bidders have the experience, capability, and resources to handle the project. Thus, prequalification of participants in the bidding process is highly recommended.

A well-managed selection process is recommended to include the following steps before contract signing:

- (a) Advertisement and Promotion²⁴: The advertisement and promotion of a PPP project is different from those used in a procurement process for goods or works. It is paramount for the success of the operation that potential bidders have information as detailed as possible on the project, as well as enough time to analyze the requirements and to prepare their proposals.

Thus, in addition to the mandatory advertisement in local and international newspapers and trade journals, it is highly recommended to have a pre-bid conference with potential bidders to give them information on the project.

Before issuing the bidding (or prequalification) documents, the government may hold “road shows”²⁵ to visit potential investors, holding conferences open to interested bidders where basic information on the prequalification and bidding process and details of the project are disclosed.

In addition, the government may establish a data room where all relevant data, studies, and information on the project are made available to potential bidders for a specified period of time. These actions help stimulate interest in the project.

²⁴ Advertisement shall consist of the open and timely notification to the business community of the bidding process for the selection of the concessionaire to foster competition. Promotion shall take place in advance to the bidding process and shall consist in creating interest in the concession by giving information and calling the attention of qualified concessionaires around the world to the project in question.

²⁵ “Road shows” are visits and presentations made by the government and its advisors to potential bidders. In these presentations, the project is explained in detail trying to attract the higher number of interested firms in the bidding process.

After the firms are prequalified, and after the first version of the bidding documents have been distributed, it is good practice to have a conference open to all prequalified firms, on a pre-specified date before bid submission. During this conference, the government²⁶ shall provide any needed clarification and receive comments and suggestions on the bidding documents (especially the draft concession contract²⁷). The outcome of this pre-bid conference shall be summarized in minutes of the meeting. Bidders shall also be allowed to send written comments on the bidding documents and on the draft concession contract within a period of time after the conference.

This will assist the government and its advisors in deciding on the allocation of risks so that it can assign them to the best-qualified party to deal with them. After the final date for prequalified bidders to comment on the bidding documents they would be revised and issued in a final version to be distributed to prequalified bidders. The use of qualified advisors is highly recommended in the case of PPP contracts, especially for governments with low level of experience in this type of transaction.

- (b) *Prequalification of Potential Bidders*: In designing the bidding process for PPP projects, prequalification of potential Service Providers is highly recommended. This serves three purposes:
- (i) Given that preparation of proposals for PPP projects is expensive, it helps to ensure that only those firms with the requisite technical and financial capacity to construct and operate the project/concession participate in the bidding, thus sparing the proposal preparation cost to unqualified Service Providers.
 - (ii) A defined number of bidders (resulting from the prequalification) may stimulate greater effort on the part of prequalified firms to prepare better proposals and will make it easier to obtain feedback on some aspects of the bidding documents (especially the draft concession contract) from those prequalified bidders before issuing them in a final version.
 - (iii) The number of applicants for prequalification will give a good indication of the risk measured by the market, allowing, in the case of very few applicants, for modifications in the project design and for invitation for a new prequalification to attract other potential investors before calling for bids.

In the majority of PPPs the financial capacity and prior experience of implementing a project of similar size and complexity are the most important requirements. Consequently, the bidding documents usually allow bidders to subcontract the construction or the operation of the facilities. In a few cases those subcontractors shall be identified and prequalified at the same time as the Service Provider, however, in the majority of cases it is sufficient that the Service Provider demonstrates that it has experience of having implemented similar projects where it was able to select, hire and manage those subcontractors. The minimum requirements for prequalification will

²⁶ For the effect of this note, Owner is the agency (or government department) that will select the Service Provider and will sign the contract for implementation of the PPP project.

²⁷ Refer to the Information Note for more details and examples of the provisions in the concession contract.

depend on the type of concession for which bids are required. The criteria shall be quantifiable and objective.

The following are examples of the type of essential criteria for prequalification:

- Financial: applicants shall demonstrate economic and financial capacity to fund or to get financing for the investments required under the concession; and experience having mobilized (debt and equity) financing for similar projects and in similar amounts. They shall also demonstrate to have a minimum cash, or line of credit, (as defined in the prequalification documents) available for the working capital requirements of the project.
- Design: applicants shall demonstrate that they, or their partners (or subcontractors) have the minimum experience (as defined in the prequalification documents) in the design of a well-defined type of service of certain magnitude. This experience does not need to be demonstrated by the Service Provider (or his partners) when he demonstrates that he has experience of having implemented similar projects where he was able to select, hire and manage consultants for the design.
- Construction: applicants shall demonstrate that they, or their partners (or nominated subcontractors) have the minimum experience (at the level defined in the prequalification documents) in the construction of a well-defined quantity of services of certain magnitude. This experience does not need to be demonstrated by the Service Provider (or their partners) when he demonstrates that he has experience of having implemented similar projects where he was able to select, hire and manage contractors for the construction. Not all projects require that potential Bidders have construction experience.
- Operation and Maintenance: applicants shall demonstrate that they, or their partners (or nominated subcontractors) have the minimum experience (at the level defined in the prequalification documents) in the operation and maintenance of a well-defined variety of services of certain magnitude. If the operator is a subcontractor, the operational contract shall be for a long period (minimum five years).
- References: on efficiency (or performance) of other projects; history of litigation or arbitration etc.

In the case of joint-ventures, technical and financial capability of partners can be combined using the same criteria for prequalification of bidders for procurement of works as defined in the standard prequalification document (SPD). In joint ventures, they shall also be jointly and severally liable for the execution of the contract, or alternatively have in place a commitment (eg - a consortium agreement) indicating that if awarded the contract, the shareholders' agreement would include a clause distributing liabilities in proportion to the partners' respective investments in the project company.

In some countries, this company must be formed prior to the prequalification process, and is the entity that is prequalified.

Prequalification criteria shall be carefully chosen to fit the project, i.e., more rigorous for larger projects and relatively minimal for simple projects, however, carefully designed to avoid lowering the required standard of quality. While the prequalification criteria shall not be excessively or artificially stringent as to hinder potential bidders from entering the competition, it shall not be so low as to allow the unfair competition of highly qualified Service Providers with much less qualified ones (whose price offers may be expected to be correspondingly lower), as this discourages the participation of the former, anticipating that their probabilities to be awarded the contract are reduced if they need to compete under such unlevelled conditions.

Despite pressure that may be applied by some bidders who condition their participation to a particular low number of prequalified bidders, the list of prequalified bidders shall not be limited to a pre-set number but shall include all bidders that meet the established qualification criteria. Well-designed schemes shall facilitate joint ventures between

experienced operators or contractors with financially strong agents to compete with traditional Service Providers already in the market. In other cases, the Service Provider may be allowed to subcontract the construction or the operation of the facilities for providing the service.

While prequalification shall take place early in the bidding process, potential bidders shall be given ample information about the project. Therefore, prequalification shall happen after the promotion actions described above have taken place. Potential bidders shall be informed that after prequalification, bidding documents would be revised and issued in a final version.

Another innovation at the pre-qualification stage is the due diligence to verify the past performance of bidders²⁸. Given the nature of PPPs where a bid submitted is based on promises of performance, feedback related to bidder past performance can help manage performance risks more effectively. A sample questionnaire that can be used by borrowers to obtain this information is available in the Information Note.

- (c) *Bidding Documents*²⁹: Developing SBDs for PPPs is neither desirable nor feasible. This is because of the variety in the type and nature of PPPs, even within the same sector. Also such an approach allows task teams the flexibility in designing their projects.

The main purposes of bidding documents are to regulate the bidding process and to give bidders information about: (a) the project scope; (b) its objectives; (c) how bids shall be prepared and submitted; (d) how bids will be evaluated; and (e) the draft contract. In PPP projects, whenever possible, but depending upon the specific project, it is desirable to set requirements in terms of output results (performance indicators) rather than detailed plans and operational specifications (as normally used in procurement of works). This allows bidders desirable flexibility for maximizing efficiency and economy in project design and operation.

The main components of bidding documents shall include:

- (i) **Instruction to Bidders**: including the scope of the project, description of the project including services to be provided; how, when, and where bids are to be submitted;
- (ii) **Bid Data Sheet**: provisions those are specific to the procurement and that supplement the information or requirements included in Instructions to Bidders above.

²⁸ A sample questionnaire for evaluation of the past performance of bidders is provided in the *Information Note*.

²⁹ Since ICB for concessions do not need to follow all requirements described in Section II of the Guidelines, several aspects of Bidding Documents may differ from Bank Standard Bidding Documents, including the following: (1) advertisement – shall be broad and preferably in international newspapers but no mandatory publication in UN Development Business is required if publication has been done on a web-site with international access.; (2) Bid Securities are not mandatory and it would be a choice of the Borrower; (3) Language-- since concessions are for very long contracts local language can be used; (4) Currency – use of local currency.

- (iii) **Bid Evaluation Criteria:** a detailed description of the bid evaluation criteria. Bidding documents shall specify very clearly the minimum contents of the technical and commercial proposals and how they will be evaluated.
 - (iv) **Technical Specifications:** Technical specifications included in the final bidding documents shall indicate the minimum technical requirements (or output targets) with which the technical proposal shall comply, including performance/output requirements, description and details of the technical requirements and performance indicators to be used in the bid evaluation for compliance by the operator, environmental and safety minimum requirements, and obligations of the operator.
 - (v) **Bid Forms:** including price or financial proposal, minimum guarantee requirements, i.e., the bid security (if any) and the contract performance security, if it is the case; and
 - (vi) **Conditions of Contract and Contract Forms:** including performance/output requirements, pricing regime, applicable regulation, penalties for non-compliance or securities against failure of contractual obligations, as well as the contract review process during operation of the concession.
- (d) *Bid submission & opening:* PPP projects are much more complex than conventional civil construction works, usually requiring association of firms in consortia (financing/construction/ operation); consequently bidders shall be allowed sufficient time to prepare bids. In the case of well documented projects, a minimum of three to four months, following prequalification, is usually recommended to submit bids.

The technical proposal, when required, shall be presented in accordance with the technical specifications and shall propose performance indicators or, alternatively, technical indices above the minimum requirements defined in the technical specifications. For two-stage bidding processes (using para 2.6³⁰ of the Procurement Guidelines), un-priced proposals are first submitted based on a conceptual design, subject to technical as well as commercial clarifications and adjustments, to be followed by amended bidding documents. After that, final technical and commercial proposals are submitted in the same manner as a single stage bid.

Bidders shall submit technical proposals in accordance with the minimum technical requirements defined in the bidding documents. In that case, Bids that do not comply with the minimum standards indicated in these technical requirements are declared non-responsive on pass-fail criteria. However, there are some special cases where a point

³⁰ As per para 2.6 of Procurement Guidelines, *“In the case of contracts for: (a) large complex facilities awarded as either turnkey or single responsibility contracts for the design, supply and installation, or single responsibility contracts for the supply and installation of a facility or plant; (b) works of a complex and special nature; or (c) complex information and communication technology that are subject to rapid technology advances, it may be undesirable or impractical to prepare complete technical specifications in advance. Due to the complex nature of such contracts and in order to avoid deviations from the Borrower’s specifications, the Bank may require the use of a two-stage bidding procedure. First unpriced technical proposals on the basis of a conceptual design or performance specifications are invited, subject to technical as well as commercial clarifications and adjustments, to be followed by amended bidding documents and the submission of final technical and priced bids in the second stage.”*

system is inevitable (like, for example, if the bidding is for selecting a Service Provider to develop innovative designs or technical solutions). In that case, a method shall be developed to make the evaluation less vulnerable to personal preferences.

Clarifications are usually necessary for evaluation of technical proposals. When a one-stage bidding process is used, clarifications shall be done in writing, however, for the sake of competition; they may result in more than one round of questions and answers. As clarifications are part of evaluation, confidentiality, as indicated above, is of essence. When a two-stage bidding process is used clarifications are carried out in separate meetings with each of the bidders. In these clarification meetings the evaluators shall submit the list of clarifications sought from the bidder and at the end of each meeting all points discussed shall be listed in a table with at least two columns: one with the points raised by the evaluators and the other with the clarification made by the bidder or solution agreed between the parties. The minutes of those meetings shall also summarize the modifications the bidder shall include in his technical proposal.

It is also important to call the attention of evaluators that, although in a two-stage bidding clarifications are in person, transparency and confidentiality shall be respected. As a consequence, during the technical clarification meetings, no transference of proprietary or other type of information from one bidder to another shall be allowed, and the adoption of any of the bidders' original ideas or approaches shall not be adopted for the project when amending the bidding documents, without that bidder's authorization.

No amendments to the proposal shall be accepted after the deadline for submission of proposals. Bids submitted after the time stipulated shall not be considered. The time for the bid opening shall be promptly after the deadline for receipt of bids. The time and place for bid opening must be clearly specified in the invitation to bid. The government will open the bids in a ceremony open to the public at the time and place specified in the invitation to bid. Bidders shall be invited to this ceremony. No bid evaluation shall be carried out during the opening ceremony (except for the case where no technical proposal is required and bidders had been pre-qualified). The name of the bidder and the specific commercial proposal (the price, up-front payment, future tariff, or service fee) shall be read aloud and recorded. Any special fact during bid opening shall be also included in the records. A copy of the records shall be sent to the Bank.

- (e) *Bid Evaluation*: During bid analysis and evaluation, information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with the process until the successful bidder is notified of the result of the bid evaluation. This is important especially if the information submitted by the bidders contain proprietary aspects.
- (f) *Best commercial proposal (most economically advantageous offer)*: The contract is awarded to the qualified bidder with a technically responsive bid that offers the best commercial proposal³¹. In some cases the commercial proposal may include the cost of

³¹ Information note contains examples of award criteria used in PPP contracts

financing offered by bidders; in this case the requirement for financing and how it will be considered in bid evaluation shall be defined in the bidding documents.

Several approaches may be used for evaluation of the commercial proposal, including, among others, one of the following alternatives:

(a) Bids are based on an up-front payment in combination with future concession payments. Bids are evaluated on the basis of the total amount of up-front payment and present value of future fees; or

(b) Bids are based on the future tariff. Bids are evaluated on the basis of who offers the largest discount on existing tariffs or the lowest new tariff; or

(c) Bids are based on a service fee. Bids are evaluated to determine who offers to charge the lowest service fee; or

(d) Bids are based on a combination of financial and economical factors resulting in income to the government, given a fixed tariff. Bids are evaluated to determine who offers the highest income to the government.

The evaluation shall conclude with a single recommendation for the award of the contract. The recommendation shall be included in a report prepared by the evaluation committee. This report shall be submitted to the Bank for comments before the firm recommended for the award of the contract is announced.

- (g) Negotiation of Final Contract: After receiving the Bank's "no objection" to the recommended contract award, the government would invite the firm recommended for award of the contract for contract signature. In some cases this could be preceded by discussions to reach agreements on final details of contract terms where the draft contract was not totally defined in the bidding documents, particularly with respect to specific guarantee mechanisms. It may also include additional discussions on the financing plan, particularly when new investment (e.g. a BOT project) is part of the bidding process. These negotiations on financial closure of greenfield projects can only be finalized when the commercial Banks know the awarded firm; therefore, they generate a delay in the final signing of the concession contract. After final negotiations on the concession contract are completed the contract shall be sent to the Bank for "no objection", and subsequently signed by the parties.

Complaints and Appeals: The best way to avoid or reduce complaints or appeals to the award proposal is to have clear bidding documents and a simple and transparent bidding process. Complaints and appeals cannot be eliminated. However, they shall not be used by bidders to hinder the process, delaying its conclusion. Thus, governments shall define a clear, effective mechanism for handling complaints which may include:

- (i) identifying who will be responsible for hearing and arbitrating complaints/appeals;
- (ii) defining the basis for formulating complaints/appeals;
- (iii) how complaints/appeals will be heard; and
- (iv) setting deadlines for submitting complaints and resolutions.

A measure by the government to discourage frivolous complaints may be desirable, but shall be carefully evaluated so that it does not discourage the bidders from submitting their feedback to the procuring entity and seeking its effective resolution within a reasonable time.

Annex 3 – Bidding processes – single vs. two stage

This annex provides a summary of some of the available procedures that are commonly used in selection of service providers for PPP contracts. While the discussion related to single or two stages is common to conventional procurement as well, it is mentioned here since these issues are commonly encountered in PPP project preparation.

A two-stage bidding approach means that the first request for proposal (RFP) asks for technical proposals from bidders, without prices. The RFP does not contain specific detailed technical requirements, but it is rather designed to elicit innovative approaches from service providers, who provide their technical bids in accordance with their best proposal for providing the service. After having evaluated the technical bids, the government prepares the second stage detailed bidding documents based on response it received from the first-stage technical bids. Bidders then respond anew including their financial bid.

A two-stage bidding approach is useful in instances where the government is unsure about a) market response (example: bundling of areas or services, specific technologies, etc)., and b) the specific project design and wishes to be presented with various options of how to do a certain project. These cases make it difficult to prepare complete technical requirements or specifications, and a two-stage bidding process can then be used. Two-stage bidding is also the best solution when it is in the best interest of the government to allow bidder to bring new solutions (i.e. different alternatives).

In both the above case (single or two stage), a pre-qualification procedure is recommended. While pre-qualification adds one more step into the process and thus extends the time required for the bidding process, requiring pre-qualification might be helpful in instances when the government is unsure whether and how many national operators have the required qualifications. Sometimes, this is also referred to as a three stage bidding which can mean, for example, a preliminary stage of pre-qualification, second bidding stage involving discussions of value and efficiency and proposing of innovative ideas by bidders and the third stage when the final documentation is issued based on the approach decided as a result of the second stage. This methodology provides an opportunity for all sides to clarify their needs and assumptions but require the procuring agency's willingness to consider new solutions and understand bidder concerns.

It is also important to mention here the concept of one vs. two envelopes (either of these can be used with single or two stage bidding procedure):

A one envelope approach contains both the technical and financial proposal in a single envelope. A two envelope approach requires the technical bid and financial bid in separate envelopes. The two-envelope approach means that the technical bid is opened and evaluated first, before the financial bid is opened. The advantage is that the evaluation cannot be influenced by the price of the bidder. In the case of the one-envelop approach, commonly used for Bank projects, the financial and technical bids are contained in the same envelop and the financial bids are read out at the bid opening. The advantage is that bidders know immediately what their competition has bid and there is a high level of transparency. For this reason, Bank discourages the use of two envelopes, and it is allowed on an exceptional basis and after the Bank team is able to confirm the safe-keep of the second envelope so that the financial bids are not subject to any

manipulation when technical bids are being evaluated. Also, delays in technical evaluation shall be avoided.

The following examples are illustrated to explain different bidding stages:

- (a) *Single-Stage Bidding Based on Performance Indicators*: The case of awarding the concession for distribution of electricity in a specific area in a country that has already implemented a satisfactory regulatory framework including the regulatory agency. The bidding documents in this case could define minimum technical standards like: (i) specified voltage (and frequency) fluctuation at consumer level; (ii) outage duration (hours/year); (iii) outage frequency (number/year); (iv) losses; (v) number of days to connect a new customer; (vi) commercial standards for customer relationship (number of days to pay bills; to reconnect installations; to respond to customers' complaints, etc). All these standards would be defined in detailed regulations and referred to in the concession contract. Prequalified bidders would submit their bids, including a technical proposal complying with these minimum technical standards to qualify, otherwise their bids would be non-responsive. The concession would then be awarded to the responsive bidder offering the best commercial proposal, for example, the lowest tariff to customers (all in accordance with the pre-established evaluation criteria).
- (b) *Single-Stage Bidding Based on Technical Specifications*: The case of awarding the concession of a toll road project for which the government has technical (and economical) studies at the same level of detail it would have when asking for bids for construction works in a conventional bidding process when the government is the employer. Bidders would submit their bids including a technical proposal in accordance with the technical specifications resulting from these studies as well as for the minimum operation and maintenance technical requirements. The concession would be awarded to the responsive bidder offering the best commercial proposal (e.g. the lowest toll).
- (c) *Two-Stage Bidding*: Two cases, one for power and one for roads. First suppose the awarding of a concession for power generation when the government does not have a pre-defined design or technical solution. The invitation for bids would allow bidders to offer their own solutions for providing supply of, say, between 200-230 MW in accordance with pre-defined standards of service. In this case, bidders may offer very different technical solutions (even of slightly different total MW capacity), which makes a two-stage bidding appropriate. The same would happen for a toll road if the government did not have sufficient technical studies to bring all possible proposals to the same level; i.e., the government would ask for proposals for construction and operation of a toll road between cities A and B complying with certain technical features. Bidders would be free to bring their preferred technical solutions. Here again, a two-stage bidding would be required.

Annex 4 - Investments made by Incumbent Service Providers

Which procedures would be acceptable to the Bank to finance contracts procured by incumbent Service Providers using their own procurement procedures”?

In the main body of the note, the applications of Procurement Guidelines have been addressed. On November 7, 2005, the Bank issued an Operational Memorandum (OM)³² clarifying the conditions for application of Paragraph 3.14 of the Procurement Guidelines when a Service Provider (privately or publicly owned) already exists and the government seeks Bank financing for expansions of existing systems.

The OM establishes that the system extensions shall not be for Greenfield projects, which means that it does not apply to well defined enclosed facilities, like a power plant or a substation or a water treatment plant, or a toll-road – it aims at normal extensions of distribution networks like power distribution lines or water (or gas) distribution piping, usually for connection of new consumers. The OM also establishes that:

- (a) The incumbent Service Provider or Service Provider shall be a privately owned company or a government-owned company complying with Paragraph 1.8 (c) of the Procurement Guidelines.
- (b) The Bank shall carry out an up-front assessment of the procurement capacity and of the procurement practices and procedures used by the Service Provider or Service Provider in its normal business.
- (c) The Bank may accept the procurement procedures of the Service Provider or Service Provider if they do not grant preference to contractors of the Service Provider’s or Service Provider’s group of shareholders, and if they result in
 - fair competition to bidders;³³
 - economy (lowest cost);
 - efficiency (satisfactory quality); and
 - transparency.
- (d) The Bank may conduct post reviews as frequently, and to the extent and depth, as it may consider necessary to satisfy itself that the procurement capacity of the Service Provider or Service Provider has not diminished below the level accepted by the Bank, and that the procurement actions carried out by the Service Provider or Service Provider have followed the Service Provider’s or Service Provider’s procurement procedures that were accepted by the Bank.

³² The OM can be found at <http://go.worldbank.org/JTAOVHXU50>

³³ The process must be open competition; however, economic considerations may limit competition to national bidders when appropriate

Since under a scheme like this the Bank would finance a slice of the total goods (and services) procured by the Service Provider for his whole annual investment program (and therefore not ring-fenced), two critical aspects for the application of these procedures are: (i) how to establish that the goods (and services) for which Bank proceeds would be used, are really goods (and services) destined to the system expansion envisaged; and (ii) how those goods (and services) would be procured, since they would be part of the overall procurement program of the Service Provider.

One way to address the first issue is to have an in-depth technical analysis of a typical section of the system extension to identify the goods and their quantities required: (i) for the expansion of a unit of length of system; or (ii) for the connection of a new customer. Then, knowing the length of system to extend (or the number of new customers to connect) in the year, a good estimate of the type and quantities of goods that could be reasonably related to the program could be calculated for Bank financing. The same procedure can be made for construction services. The control on executed program could be made by confirmation (at the end of the year) of the length of system extension (or number of new customers connected) made during the year and the amount of goods (or services) procured.

The second issue, procurement practices of the Service Provider, requires an assessment on the adequacy of those procurement practices. Important points usually encountered in carrying out those assessments are:

- Registration of Bidders - System assessments would focus on its transparency and ensure that this is not discriminatory against any prospective bidder, nor provides any preference to bidders of the same economic group as the Service Provider. Registration shall remain permanently open to bidders, including for updating information at any time. No deadline for specific bidding processes shall be imposed.
- Open Bidding – shall be the rule, although it could be restricted to all bidders in the Service Provider Registration of Bidders.
- Bidding documents - Procedural rules shall impose the use of well-formulated bidding documents, which will result in bid submissions that are free from qualifications. The review of bidders' qualification shall be conducted by examining whether the bidder meets qualification criteria.
- Bid evaluation criteria shall be nondiscriminatory. They shall be disclosed and rigorously quantified in monetary terms to define the "lowest evaluated bidder."
- The award shall be made to the bidder having submitted the lowest evaluated responsive bid, provided that bidder has been determined to be qualified in accordance with pre-disclosed criteria.

- Control – it is suggested that the Service Provider shall have independent auditors to verify the procurement actions department. This shall be considered while preparing the implementation support strategy for the project.