7 Selecting Suppliers

Three Phases	*Ten Elements*
I. Program Planning	**1. Defining Reproductive Health Supply Requirements**
	2. Specifications
	3. Assessment of Procurement Options
	4. Budget, Funding, and Procurement Requisition
II. Procurement Process	**5. Procurement Planning**
	6. Developing Bidding Documents and Inviting Offers
	7. Selecting Suppliers
	8. Contracts
III. Performance	**9. Contract Performance and Monitoring**
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A. Introduction

Suppliers that can deliver safe and effective goods at the lowest possible cost within the required time period are critical to the success of a reproductive health (RH) program.

This module covers Element 7 of the RH supply process: selecting a supplier. It describes an impartial, widely accepted process for opening and evaluating competing offers, identifying a winning bid, making a recommendation for award, and receiving approval to proceed. Along with these foundational components, it discusses associated considerations and challenges.

Element 7 follows the development of bidding documents and the Invitation for Bids and comes before the contract award.

The manner in which suppliers are evaluated and selected or rejected can affect timeliness, bid prices, and overall program costs. In the public sector, most large procurements (such as for annual replenishment of RH products) use a competitive process in which prospective suppliers respond to bidding documents. These documents specify all of the requirements, terms, and conditions of an eventual contract and the way in which a winning bid will be chosen.

When reputable suppliers in the marketplace perceive that the procuring entity awards contracts fairly and in compliance with criteria stated in the bidding documents, they are more inclined to bid—believing they have a reasonable chance to win the award. Over time, this contributes to increased competition among suppliers, which, in turn, fosters lower bid prices and lower overall cost to the program.

When winning bids are not chosen fairly and in accordance with the criteria mentioned in the bidding documents, quality, timeliness, and cost may suffer:

- Reputable suppliers of high-quality products will not be inclined to bid on future contracts, judging it a waste of their time and resources; thus, a market for questionable and poor-quality products will propagate.
- Unsuccessful bidders will have valid grounds to file protests, which almost always delays the procurement process and contract award (and subsequently, the delivery of products).

Of the many countries and organizations using principles of good public-sector procurement to select suppliers, some have developed a carefully documented process complete with a

series of worksheets, checklists, and standard calculations. Others do not define a specific process, but require a summary report and Recommendation for Award.

In Module 7, we will discuss a good public-sector process for examining and evaluating bids using parts of the World Bank's Standard Bid Evaluation Form (SBEF) as a model. The SBEF format developed by the World Bank is comprehensive; supports a clear, transparent process; and generates the documentation necessary to support the award recommendation.[1] It emphasizes compliance with technical, quality, delivery date, and other contractual requirements *first*, before considering price. This approach aligns with the overarching tenets of RH procurement.

Module 7 defines, in general, what should be evaluated and suggests an organizational arrangement for accomplishing the necessary work.

[1] The SBEF was developed for use under World Bank loans and credits; thus, some details and references are not applicable for other procurement situations. The SBEF was used by the World Bank for all projects initiated up to October 2006. As of the date of publication of this *Toolkit*, the World Bank had not released an updated SBEF. Therefore, the original SBEF is used here as an illustrative model that could be adapted for use by a wide range of procuring entities.

B. Learning Objectives

At the end of this module, the reader will be able to:

- Plan, facilitate, and document a bid opening.
- Facilitate the work of a bid evaluation committee (BEC) using the SBEF as a model to evaluate all aspects of bids, including:
  - Conformance and responsiveness.
  - Technical aspects.
  - Commercial aspects.
  - Financial aspects.
  - Eligibility and qualifications.

C. Components, Considerations, and Challenges

1. Components

Each element of the RH supply process is made up of several components. Most components involve activities to be carried out by an RH procuring entity or an assigned government bid committee; others are dependent on activities performed by others.

The main activities in Element 7 are:

- Bid opening.
- Bid evaluation (including technical review).
- Comparison of substantially responsive bids.
- Bid Evaluation Report and Recommendation for Award.

Components of Element 7 dependent on the activity of others include:

- Input from technical experts to determine and document the responsiveness of the bidders to the technical specifications.
- Approvals (critical component).

2. Considerations

The main considerations for Element 7 are:

a. Overarching Principles of Quality and Timeliness

- Selection of a supplier that provides documentary evidence of the ability and intent to deliver high-quality products in full compliance with the commercial and technical specifications.
- Selection of a supplier that provides documentary evidence of capacity and intent to provide goods in accordance with the delivery schedule requirements.

b. Critical Components

- Receipt of at least one responsive bid.
- Approval of contracting authority and/or funder (as required).

c. Required Input From Other Elements

- Approved specifications, as determined in Element 2.
- Complete bidding documents, as determined in Element 6.
- Release of the Invitation for Bids, as determined in Element 6.
- Bids received and held unopened in a secure location (Element 6).

d. Key Decision Points

- Who will do the work—procurement unit or an assigned BEC.
- Determination of the responsiveness of each bid and its acceptance for financial evaluation.
- Qualification of the apparent winning bidder.

e. Expected Output

- Supplier selection is completed with a Bid Evaluation Report advising contract award to the lowest evaluated cost qualified bidder meeting all the technical and commercial requirements.
- Selection is approved by the contracting authority and funder (if required).

3. Challenges

Five main challenges are inherent in Element 7:

- Organizing and maintaining a process that is transparent, well-documented, and uses only impartial decision-makers without any perceived or actual conflict of interest.
- Clearly applying the evaluation criteria stipulated in the bid.
- Refraining from all contact with the bidders after the opening of bids until the winner is notified (except for good-faith requests for clarification—in writing).
- Ensuring that impartial judgment and extreme care are used in the evaluation of bids against the evaluation criteria identified in the bidding documents.
- Conducting the evaluation and award process in a timely and efficient manner so that it can be completed within the specified bid validity period.
- Receiving approvals from contracting authorities or funders before expiry of bid validity.

D. Framework for the Selection Process: Guidelines for Committees and Subcommittees

In most cases, committees and subcommittees offer the best framework for carrying out bid opening and evaluation tasks. Qualified personnel must be assigned and in place well in advance of the bid opening date.

Assignment to a committee or subcommittee may cover all procurement for a set period of time; alternatively, it may be limited to a specific procurement action—particularly in the case of high-value or unusual purchases.

Good procurement practice generally asks that bid opening and evaluation tasks be undertaken by personnel not directly connected with the procuring office. The degree to which this principle is followed in actual practice varies based on the size of the procuring entity and other factors. At the lower end of the scale, procurement personnel may indeed do a substantial portion of the evaluation work. However, as "best practice," up to three committees should be responsible for bid opening and evaluation:

1. Bid Opening Committee

The bid opening committee (BOC) is made up of at least three members, one of whom also serves on the BEC. The BOC presides over the scheduled public opening of bids for specific contracts.

2. Bid Evaluation Committee

The BEC has responsibility for reviewing and comparing bids and recommending one to the contracting authority based on its comparative merits (including, but not limited to, price). An ideal BEC would be composed of at least five members chosen from among the following groups:

- Personnel of the concerned unit of the procuring entity (e.g., finance, commercial, and technical units not directly involved in preparing bidding documents).
- Personnel from the concerned ministry/division or from other agencies under the concerned ministry/division.
- Personnel from the end user/beneficiary entity.

Two outside members with experience in procurement are sometimes appointed from the following groups based on their professional expertise:

- Technical, commercial, financial, or legal experts from other ministries, divisions, or agencies.
- Universities and/or reputable professional bodies.

The BEC is convened promptly after the bid opening and must complete its tasks within the time periods indicated in the bidding documents.

3. Technical Evaluation Committee

A technical evaluation committee (TEC) is a subcommittee to the BEC that may also be appointed to provide specific technical expertise related to the commodity being procured. The TEC is responsible for technical review of the bidders' offerings, including evaluation of options and alternatives proposed by bidders. The TEC should consist of a minimum of three members from a mix of the following: (1) RH program managers, (2) regulatory authority personnel, and (3) Ministry of Health technical representatives.

E. Bid Opening

As bids arrive, the procuring office records the bidders' names and submission dates, and holds the unopened bids in a secure location. On the date and at the time announced in the bidding documents, all bids received before the predetermined and publicized deadline are opened in public by the BOC. (Bids received after the exact deadline are not eligible for the evaluation; and thus, they are not opened.)

1. Preparation for Bid Opening

At least 7 days ahead of the scheduled bid opening, the procuring office:

- Notifies members of the BOC of their upcoming commitment.
- Arranges the location for the bid opening as specified in the bidding documents. It should be well lit, large enough for at least two individuals from each bidding firm, and equipped with any necessary audio facilities.
- Continues to keep all bids unopened and secure until the date and hour designated in the bidding documents.

2. Bid Opening Attendance

Participants permitted to attend the bid opening are:

- Bidders.
- Authorized bidders' representatives (representatives may be asked to produce written authorization from the bidders).
- Others directly involved with the procurement (such as consultants hired for the purpose).

Each party present at the bid opening is required to register his or her attendance in a special log set up for this purpose. The register should include the following information about each participant:

- Name, address, telephone number, and email address.
- Company/manufacturer represented.
- Organizational affiliation (if not a bidder).
- Signature.

3. Proceedings of Bid Opening

At the stated time, the BOC opens each bid that was received before the deadline and reads aloud the following information:

- Bidder's name and local agent's name (if different).
- Bidder's city/state or province/country.
- Withdrawal or modifications (if any).
- Currency (or currencies) of the bid.
- Bid price.
- Discounts (if any).
- Presence or absence of any required bid security.

The BOC does not open bids received after the deadline mentioned in the bidding documents. After the bid opening has been completed, any late bids are returned to the sender, unopened, with a letter detailing the late submittal and rejection of the bid.

4. Record of Bid Opening

- As each bid is being read out, a member of the BOC records the details on a Record of Bid Opening (Section N.1, Exhibit 7-1). No bid that was received on time may be eliminated at this stage, even if something appears to be missing or incorrect.
- Upon conclusion of the bid opening, all members of the BOC and the attending bidders or their representatives sign the Record of Bid Opening.
- The BOC distributes copies of the Record of Bid Opening as required—usually to the head of the procuring entity, the contracting authority, and any outside financier.
- The BOC may also provide copies of the Record of Bid Opening to bidders upon their request.

F. Bid Securities

If required by the bidding documents, bid securities are submitted with bids from both local and international bidders. The bid security is a fixed amount, ranging from approximately 1 to 2 percent of the estimated price of the contract. The bidding documents identify the forms of bid security that are acceptable, and occasionally, where they must originate. No cash money is allowed.

Forms of bid security may include:

- Pay order.
- Bank draft.
- Irrevocable bank guarantee issued by an in-country bank.
- Bid bonds issued by a surety (insurance document).
- Bank guarantee.
- Letter of credit.

1. Recording and Safeguarding Bid Securities

Soon after the bid opening, the BOC or another assigned body:

- Segregates bid securities from the bids.
- Records each bid security in a register established for this purpose.
- Ensures that bid securities are stored in a locked, secure location until a contract has been awarded.

2. Confirming Bid Securities

In order to rule out the possibility of a fraudulent or unsupported bid security—a risk in some regions of the world—the validity of each bid security is confirmed with its originator shortly after the bid opening, generally within 5 to 15 days:

- Bid securities issued by international banks or other outside institutions may be confirmed by email, fax, telegram, telex, letter, etc. Exhibit 7-2 (Section N.1) shows an example request letter.
- Bid securities issued by local or international banks with local correspondent affiliations may be confirmed by visiting the correspondent bank and speaking with

an officer. The letter in Exhibit 7-2 may also be used as a safeguard to document the confirmation in writing.

G. Bid Evaluation: Format and Code of Conduct

1. Format and General Procedure

The next few sections of this module will offer a format and general procedure to systematically examine and evaluate each bid submission and arrive at a winning bid based on a fair application of the rules, procedures, requirements, and evaluation criteria set down in the bidding documents.

In this format, the bid evaluation work progresses through three sequential stages:

- Examination of each bid to determine whether or not it is substantially responsive to the bidding documents.
- Financial evaluation of each substantially responsive bid and identification of the lowest overall.
- Qualification of the lowest evaluated cost bidder (or confirmation of status for prequalified bidders).

The Recommendation for Award and approval process are discussed in Sections L and M.

As mentioned above, the tools for the evaluation work described in Module 7 are based on the World Bank's SBEF, which is reproduced in Supplementary Topics, Section M: World Bank Standard Bid Evaluation Form. It offers tables, a cover sheet, a transmittal letter, and several annexes of instructions. Additional checklists and subschedules appearing below are based on instructions in Annex I of the SBEF document.

2. Guidelines for the Bid Evaluation Committee

In addition to strict impartiality, a basic code of conduct for BEC members includes specific guidance with regard to:

- **Timeline for execution of duties:** It is very important for the bid evaluation work to take place promptly, and result in a Recommendation for Award and contract signing before the period of bid validity expires. Once begun, the BEC should work continuously to carry out its responsibilities.
- **Communication with bidders:** After the public bid opening and report, there must be no further contact with bidders until the winner is identified and notified. No circumstances justify meetings or conversations between BEC members and

the bidders during the evaluation process. However, a member of the BOC may seek clarification from a bidder. Both the inquiry and reply must be in writing.

- **Confidentiality and bid security:** No person outside the assigned BEC or an official subcommittee may see or receive information about individual bids or their evaluation from the time of bid opening until an award is made. All bid copies, worksheets, and other documents necessary for the evaluation work should be locked up at the workplace when not in use by an authorized member of the BEC.
- **Bid originals:** In every case, bid originals must be kept separately and locked. Bid evaluation work should be based on copies of the originals supplied by the bidders.
- **Bid copies:** Bids are normally requested in an original and several copies. Some procuring entities use the submitted copies for evaluation work; others make fresh copies of the original. If submitted copies are used, each should be compared with its original and corrected accordingly if necessary.
- **Extraneous information:** Evaluators must not consider any information contained in a bid submission that was not specifically requested in the bidding documents.

H. Bid Evaluation: Initiation and Preparation

In robust systems, the chairman of the BOC initiates the evaluation process by presenting the opened bids and a summary record of relevant information to the chairman of the BEC. No parties other than BEC members should ever receive or have access to bids or bid copies. Technical experts enlisted to serve as an official subcommittee of the BEC are allowed necessary technical sections of bids only.

1. Transmittal Data

The BOC or the relevant procurement unit assembles basic information about the procurement activity for the BEC. This information not only provides a reference point for the BEC, but establishes facts that may be necessary to defend against any later challenge or protest of the process by unsuccessful bidders.

These transmittal data include facts and figures in three categories: information that identifies the procurement action, information that summarizes the bidding process, and information about the bid submission and opening. Except for cost estimate information, none of this information is confidential.

The following three-part list is based on Tables 1 through 3 (Section N.1, Exhibits 7-3, 7-4, and 7-5) of the World Bank's SBEF. Some of the Bank requirements are not applicable for all types of procurement; and thus, they are not discussed here. In particular, the Bank's inclusion of an original cost estimate (Exhibit 7-3 [Table 1], item 1.9) is at odds with many procuring authorities. These authorities withhold cost estimate information until after the BEC work is completed in order to help ensure a complete and unbiased evaluation.

Identification (SBEF Table 1)

a. Name of procuring entity.

b. Name and identification numbers of the procurement.

c. Procurement method.

d. Budget line item.

e. Authorizing authority.

f. Funding source (government revenue budget, development budget, etc.).

Bidding Process (SBEF Table 2)

a. Issue dates of Invitation for Bids/Request for Quotation.

b. Names of publications (if advertised).

c. Titles of bidding documents, and dates of amendment.

d. Number of firms issued documents.

e. Date of pre-bid conference (if any).

Bid Submission and Opening (SBEF Table 3)

a. Bid deadline and opening dates.

b. Bid validity period.

c. Number of bids received.

d. Record of Bid Opening—copy (Exhibit 7-1).

2. Bidding Document Review

In order to evaluate bids, the BEC must know what to examine; this information comes directly from the original bidding documents issued for the purchase. They will indicate:

- Eligibility and qualification criteria for bidding.
- How the bidder is expected to prepare and submit its bid: what should be included, and how, where, and when the bid should be presented.
- What constitutes the bid.
- Requirements about the goods and delivery: specifications, quality assurance provisions, delivery dates, etc.
- Provisions of the future contract.

Many purchasing authorities use modular bidding documents with sections of standard clauses and separate sections for modifications and additions. These documents also separate out delivery requirements, specifications, and other items, and provide mandatory forms for the bidder to fill in. Thus, the information needed for evaluation is not in one place—rather, it is spread throughout the documents. Evaluators looking only at standard clauses, without taking into consideration modifications and additions, will develop the wrong impression of what the bids they process should be offering and agreeing to. In the same vein, looking only at modifications and additions will generate misunderstanding as

well, as these clauses are rarely intuitive. They must be read in conjunction with their standard clauses.

The first step for evaluators is to understand the bidding documents that have been issued to bidders—what is included and where it is located. Readers are encouraged to study Module 6 for examples and insight.

3. Detailed Checklists and Schedules

Detailed checklists and schedules for parts of the evaluation process can be prepared in advance, as an adjunct to the bidding document review. Exhibits 7-6 through 7-9 and Exhibit 7-11 of this module provide generalized guidance, but details must come from the bidding documents themselves. For example, in Exhibit 7-6, item 2, "Bid validity period conforms to the requirement in the bidding documents? (yes/no)," the evaluator would need the required bid validity period mentioned in the bidding documents in order to evaluate bids against that criterion.

I. Bid Evaluation Stage 1: Examination

The first stage of the overall evaluation work is to examine each bid and determine if it is "substantially responsive" to the requirements of the bidding documents. In other words, is it presented in the required manner? Does it include all required information, statements, securities, signatures, forms, etc.? Are there any deviations or reservations to the terms, conditions, and specifications stated in the bidding documents? The objective of this examination is to identify and reject bids that are incomplete, invalid, or substantially *nonresponsive* to the bidding documents. Only bids that pass this examination can proceed to financial evaluation and comparison with other bids.

Table 5 of the SBEF provides an example of a summary record indicating how each bid for a goods contract is substantially responsive or nonresponsive to the bidding documents. It includes columns for recording each bidder's name, verification status, eligibility status, bid security status, completeness of bid, substantial responsiveness, and acceptance for detailed examination:

SBEF Table 5: Preliminary Examination

Bidder	Verification	Eligibility	Bid Security	Completeness of Bid	Substantial Responsiveness	Acceptance for Detailed Examination
(a)	(b)	(c)	(d)	(e)	(f)	(g)

To complete Columns B through F of Table 5, the BEC will need supplementary checklists based on details found only in the original bidding documents. The sample checklists and subschedules found in Exhibits 7-6 through 7-9 and Exhibit 7-11 correspond to SBEF Table 5, but are necessarily general in nature. Details are missing and additional or different issues might need to be included. In this format, copies of the checklists would be completed and attached to each bid and the findings would be summarized in Table 5. A more detailed discussion of each follows.

1. Verification Exercise (SBEF Table 5: Column B)

Exhibit 7-6 is a general checklist for examining verification issues. With an appropriate checklist in this category, the BEC:

- Notes or confirms precise requirements for items to be checked.

- Confirms that signatures on each original are present as required.
- Examines each bid in detail and notes deficiencies that, if accepted, would provide unfair advantages to the bidder. For example, does the bid validity period conform to the requirement in the bidding documents?

Significant judgment must be used; simple omissions or mistakes resulting from human error should not be grounds for rejection of the bid. However, the validity of the bid itself (e.g., presence of an official, signed document) must not be in question.

2. Bidder Eligibility Assessment (SBEF Table 5: Column C)

Exhibit 7-7 is a general checklist for examining eligibility issues. With an appropriate checklist in this category, the BEC:

- Notes or confirms precise requirements for items to be checked in this category.
- Confirms the eligibility of each bidder *and the goods offered*:
    1. If prequalification was required, only bids from prequalified bidders can be considered.
    2. A bidder may be disqualified if it has been placed on a debarment list by the national government. Check government websites for a list of debarred firms. Even if this step was performed in advance, it should be repeated now, as firms may have been debarred during the bidding process.
    3. On a country-by-country basis, suppliers that are not the original manufacturer may not be eligible to bid unless specifically authorized by the manufacturer in question.
    4. Pharmaceuticals and contraceptives usually require regulatory licensing in the purchasing country in order to be eligible for contracts. The World Bank does not bar unregistered products from being bid on, but in the case of selection, requires registration before a contract can become effective.

3. Conformance of Bid Security (SBEF Table 5: Column D)

Exhibit 7-8 provides a sample checklist for examining details of bid security. The BEC:

- Notes or confirms precise requirements for items to be checked in this category; for example, the amount and expiry date of the bid security.
- Checks each bid security record against the requirements stated in the Instructions to Bidders sections of the bidding documents. Original bid securities are separated and locked up for safekeeping. Copies may be included with transmittals of bids or the BEC can rely on transmittal data.

4. Completeness of Bid (SBEF Table 5: Column E)

Exhibit 7-9 is a sample checklist for recording details about the completeness of the bid; for example, whether or not all of the required documents and attachments are included with the bid. The BEC:

- Notes or confirms precise requirements for items to be checked in this category.
- Reviews each bid and notes deficiencies, if any.

    1. Unless the bidding documents have specifically allowed bidders to quote for only select items or for only partial quantities of an item, bids not offering all of the required items (both type and quantity) ordinarily will be considered nonresponsive. This decision requires *significant judgment.*
    2. Changes or additions to the bidding documents by the bidder are usually treated as deviations but may be acceptable if they are simply corrective, editorial, or explanatory. This also requires *significant judgment and proper documentation*.

5. Responsiveness of Bid (SBEF Table 5: Column F)

"Substantial responsiveness" (see definition, next page) addresses commercial and technical issues not included in Columns B through E (verification, eligibility, bid security, and completeness) of Table 5 or its equivalent. Major (also called material) deviations (see definition, Section I.5.a) from the technical specification (Section I.5.b) and commercial requirements (Section I.5.c) are a basis for the rejection of bids. However, the procuring entity may regard a bid with minor deviations as responsive.

Note of Caution

This step requires significant judgment and extreme care because bids that are determined to be "not substantially responsive" cannot be further considered—in other words, they cannot be evaluated on the basis of price. Mistakes in this area are likely to result in protest and may lead to cancellation of the bid. Documentation of decisions is critical in defense of any protest.

Bidders are not allowed to correct or withdraw major deviations or reservations after bids have been opened.

As an exception, bids that offer deviations may be considered substantially responsive—at least as to the issue of fairness—if the deviations can be assigned a monetary value that would be added as a penalty during the financial evaluation process and if such deviations would be acceptable in the eventual contract. For example, a later delivery date might be accepted with a financial penalty equal to liquidated damages mentioned in the draft contract.

a. Important Definitions

- A bid is considered **substantially responsive** when it is presented in the required manner and includes all required information, samples, statements, securities, signatures, forms, and supporting documentation, and when it contains no material deviations from or reservations to the terms, conditions, and specifications in the bidding documents.
- A **major (or material) deviation** is a significant and unacceptable difference from the requirements stated in the bidding documents. As a general rule, major deviations are those that, if accepted, would not fulfill the purposes for which the bid is requested, or would prevent a fair comparison with bids that are properly compliant with the bidding documents.
    - A major deviation affects the price, quantity, quality, or delivery of the goods as required in the bidding documents; limits the responsibilities, duties, or liabilities of the bidder; or limits any rights of the purchaser.

b. Technical Responsiveness

Immediately after bids are opened, a technical expert or a TEC begins the task of examining the bids for technical content. Although it is not specifically listed with the World Bank's Table 5 headings, the technical evaluation is a critical part of determining a bid's responsiveness to the requirements and whether or not it can proceed to the next stage – financial evaluation and comparison.

The technical evaluation is carried out at the same time the BEC is examining bids for compliance with the other elements related to SBEF Table 5 (or its equivalent). In this regard, the technical expert or TEC:

- Examines each bid for modifications, exceptions, and interlineations (notations written between the lines of the original bidding documents) regarding:
    a. Technical specifications provided in the bidding documents.
    b. General and Special Conditions of Contract included in the bidding documents that are related to the technical specifications (for example, contract requirements for preshipment inspection, sampling, and testing).
- Lists and cross-references deviations from the bidding documents and indicates whether or not they are acceptable or unacceptable, along with the reasons.
- If bidders are required to submit samples for inspection and/or testing, completes the examination and facilitates arrangements for any necessary testing and obtains written reports.[2]
- Summarizes findings and provides overall comments on the technical evaluation. A sample report for recording details about the technical evaluation can be found in Exhibit 7-10. A list of the actual technical specifications must be incorporated into this report. The technical expert or TEC indicates whether or not the bid is technically acceptable and notes this determination in the evaluation report.

c. Commercial Responsiveness

Exhibit 7-11 is a sample subschedule for examining details of commercial responsiveness. It addresses issues such as whether or not the bidder agrees that the purchaser may vary quantities (within a +/-15 percent range) at the time of contract signing. With an appropriate checklist in this category, the BEC:

- Notes or confirms precise requirements for items to be checked.
- Examines each bid and notes deviations, including those mentioned in the bidding documents (Instructions to Bidders sections) that would require rejection of the bid.

[2] **Testing is sometimes restricted to samples from several prospective suppliers with the lowest substantially responsive bids, but may also be reserved for bids from new or previously unreliable suppliers. In this case, testing would be delayed until the financial evaluation is complete. Testing samples submitted with bids is not appropriate for health-sector goods, such as contraceptives, pharmaceuticals, and vaccines, because it will not ensure the quality of a product batch to be produced in the future.**

d. Substantially Responsive Bids

Based on the technical and commercial examination, the BEC determines whether or not each bid is substantially responsive to the requirements, terms, and conditions stated in the bidding documents. The TEC's report is a critical component of this determination.

6. Bids Accepted for Financial Examination (SBEF Table 5: Column G)

This is a list of bids (in Table 5 or its equivalent summary schedule) with a notation as to whether or not a bid will be accepted for financial evaluation based on the results of the detailed examination described above. If a bid fails acceptance, the reasons must be clearly explained in footnotes or in an attachment.

Note of Caution

This determination requires significant judgment and extreme care. Bids that are judged "substantially nonresponsive" must be rejected without further consideration.

J. Bid Evaluation Stage 2: Financial Evaluation

For each bid accepted for financial evaluation, the BEC must arrive at an evaluated cost. SBEF Tables 6 through 11 were developed by the World Bank to help ensure a fair comparison among all the offers. The following sections of this module show how the relevant tables can be used (SBEF Table 9 is not relevant to goods procurement and therefore will not be discussed). Subject to post-qualification, the bid with the lowest evaluated cost, but not necessarily the lowest submitted price, is chosen for award.

Note of Caution

The evaluated cost is not necessarily the submitted price; it takes corrections, discounts, and other factors into consideration and gives them a value. Bidding documents must list factors to be considered in addition to price and describe the manner in which they will be applied.

1. Corrections and Discounts

SBEF Table 6: Calculating Corrections and Unconditional Discounts

Bidder	Read-Out Bid Price		Corrections		Corrected Bid Price	Unconditional Discount		Corrected/ Discounted Bid Price
	Currency	Amount	Computational Errors	Provisional Sum		%	Amount	
(a)	(b)	(c)	(d)	(e)	(f)=(c)+(d)-(e)	(g)	(h)	(i)=(f)-(h)

The BEC can use Table 6 or an equivalent to incorporate corrections and unconditional discounts into a calculation that establishes the corrected/discounted bid price to be used for the next step of the evaluation.

- **Corrections for computational errors:** For each bid, the unit price is multiplied by the quantity. If the answer does not match the totals or subtotals mentioned in the bid, the difference is tagged as a computational error (entered as a plus or a minus in Column D). In all cases, the stated unit price prevails. If there is a discrepancy between words and figures, the amount in words prevails. Corrections are considered binding on the bidder. Unusual or large corrections that could affect the comparative ranking of the bids should be explained in footnotes.
- **Corrections for provisional sums:** Sometimes the bidding documents ask bidders to include provisional sums for contingencies. These sums are the same for

all bids, and each sum must be entered as a minus in Column E to allow for a proper comparison of bids.

- **Modifications and unconditional discounts:** Bidders are allowed to modify their bids prior to opening as long as the modifications are received in writing before the closing date. These changes often reflect last-minute business decisions to either increase or discount the original bid price. Modifications received in this manner are read out at the bid opening and are entered in Table 6 or its equivalent as a percentage in Column G or a number in Column H.
- **Corrected or discounted bid prices:** Column I shows how to calculate the bid price that will be used as the basis for further calculation. (Domestic preference allowances and cross-discounts are not included yet.)

2. Exchange Rate (SBEF Table 7)

SBEF Table 7: Exchange Rates

Currency used for bid evaluation: _____

Effective date of exchange rate: _____

Authority or publication specified for exchange rate: _____

Note: Attach a copy of the exchange rates provided by the specified authority or publication.

The BEC can use SBEF Table 7 or an equivalent to establish facts of the exchange rate that will be used for converting bids into a single currency for comparison purposes. The BEC:

- Checks the original bidding documents and enters the currency specified for the purpose of comparison.
- Attaches to Table 7 or its equivalent a copy of the exchange rates provided by the specified authority or publication.

The corrected/discounted bid prices will be converted to a common evaluation currency in the next step.

3. Currency Conversion (SBEF Table 8)

SBEF Table 8: Currency Conversion—Multiple Currencies

Bidder	Currency (ies)	Corrected/ Discounted Bid Price	Applicable Exchange Rate	Evaluation Currency	
				Bid Prices	Total Bid Price
(a)	(b)	(c)	(d)	(e)=(c)x(d)	(f)

The BEC can use this table or an equivalent to calculate a total bid price in the specified evaluation currency using the exchange rates in Table 7. The calculations shown in the table are self-explanatory.

4. Additions, Adjustments, and Priced Deviations (SBEF Table 10)

SBEF Table 10: Calculating Additions, Adjustments, and Priced Deviations

Bidder	Corrected/ Discounted Bid Price	Additions	Adjustments	Priced Deviations	Total Price
(a)	(b)	(c)	(d)	(e)	(f)=(b)+(c)+(d)+(e)

The total bid price from Column F of Table 8 is entered in Column B of Table 10. The BEC can then use Table 10 or its equivalent as follows:

- **Additions:** Omissions to the bid—if accepted—may then be compensated for in Column C by adding an estimated price. Where items missing in some bids are present in others, an average of quoted prices can be used. External sources, such as published price lists and freight tariff schedules, are also appropriate. The addition should be expressed in the evaluation currency.
- **Adjustments:** The original bidding documents may specify performance or service factors (costs or savings) that will be taken into account in the evaluation by assigning cash value to a noncash factor. In practice, this is seldom seen in contraceptive and pharmaceutical procurement. However, if these factors are going to be used, they will be explained in the bidding documents. The methods used to evaluate these factors must be consistent with the bidding documents and must be described in the Bid Evaluation Report. Adjustment values are expressed in the evaluation currency and shown in Column D.

- **Priced deviations:** Bids with minor deviations may be considered substantially responsive if a monetary cost or penalty is assigned to the bid for the purpose of bid comparison. Vague statements by the bidder, such as "we wish to discuss changes in the delivery schedule," should be ignored for price deviations. However, an explicit statement by a bidder, such as "we wish to extend the delivery date by 30 days," is treated as a deviation. In this case, the time difference can be assigned a monetary value based on the rate of liquidated damages specified in the bidding documents. The penalty amount is entered in Column E in the evaluation currency.
- **Total price:** The new total price is entered in Column F. Table 10 calculates a sum of Columns B, C, D, and E. Extra care in the calculation is necessary if any amounts in Column D (or E) should be subtracted rather than added.

5. Domestic Preference for Goods (SBEF Table 11)

SBEF Table 11: Calculating Domestic Preference for Goods

Bidder	Domestic Preference Group	Total Price	Exclusion for Preference	Revised Total	Prevailing Tariff %	Domestic Preference %	Preference Price	Total Comparison Price
(a)	(b)	(c)	(d)	(e)=(c)-(d)	(f)	(g)	(h)	(i)=(c)+(h)

Some countries encourage bids offering domestically produced goods by calculating a margin of preference and applying it to the bid price of foreign offers to arrive at a comparison price. When this preference calculation will be used in evaluation of bids, it must be explained in the bidding documents.

6. Ranking of Evaluated Bids

As a matter of clarity and convenience, a schedule should be developed from Table 10 that lists the bidders and their total bid prices (or the comparison price from Table 11) in order of the lowest to the highest. A revised schedule may be needed if domestic preference or cross-discounts change the ranking.

7. Cross-Discounts

A conditional discount or cross-discount might be offered when more than one contract or lot could be awarded to the same bidder. Some procuring entities encourage this practice, while others disregard it. Bid evaluation can be complicated, with many variations when cross-discounts are part of the picture. In general, the BEC must determine the best

combination of awards on the basis of least overall cost of the total contract package. The cross-discount worksheet provided in Exhibit 7-12 shows an example of basic information and calculations needed to determine whether it would be less expensive to purchase a group of bid packages individually from each of the lowest evaluated cost bidders, or as a group of bid packages from one bidder that offers a discount applied to the total.

K. Bid Evaluation Stage 3: Verifying Qualifications of Lowest Evaluated Cost Bidder

The objective of bidder qualification is to ensure that:

- The manufacturer has adequate production capacity.
- The bidder has verifiable business and financial stability.
- The manufacturer has verifiable technical capability.
- The bidder has a verifiable history of successful performance.

Qualification may take place either before the bidding starts (prequalification) or after an apparent lowest evaluated cost bidder has been identified (post-qualification).[3]

Prequalification

In a system using prequalification, potential bidders submit their credentials to a procuring entity in advance of any specific bidding opportunity and are either accepted or rejected for future bidding. In a system using prequalification, the bidder whose bid is the lowest evaluated cost is recommended for the award, unless:

- The bidder's qualifications have since materially deteriorated.
- The bidder has since received additional work that overstresses its capacity.

The purchaser must satisfy itself fully on both accounts and document where these conditions result in the selection of another bidder.

Post-qualification

In a system using post-qualification, all bidders submit their credentials with their bids based on requirements mentioned in the bidding documents, but only the lowest evaluated cost bidder and (sometimes) one alternate are reviewed against the qualification criteria.

[3] **For additional information, see Module 6, Section D.2.i: Description of Model Bidding Documents, Qualification Criteria; Section E.3.e: Drafting the Bidding Documents, Qualification Criteria and Documents; and Section G: Prequalification: Issues and Documents.**

1. Examination of Documents and Statements

The sample qualification worksheet appearing as Exhibit 7-13 provides a general guide to qualification issues that are relevant for contraceptive and pharmaceutical procurement. The BEC:

- Notes or confirms precise requirements for items to be checked in this category. For example, in assessing whether or not the bidder/manufacturer has adequate capacity (Exhibit 7-13, item A.1), the BEC would calculate a number that is three times the quantity specified in the Schedule of Requirements.
- Carefully examines the bidder's documents and statements provided by the bidder and compares to qualification criteria announced in the bidding documents. Findings are recorded on a worksheet or another permanent record.

2. Reference Check

In addition to documents and statements, bidders are required to provide a list of business and commercial references, as well as contact information. One of the critical jobs of the BEC is to contact at least some of the reference persons and institutions provided to verify statements and obtain information on past performance and financial standing.

3. Determination of Qualification Status

After checking references, the BEC decides if the lowest evaluated cost bidder satisfies all qualification criteria.

- If the lowest evaluated cost bidder fails post-qualification, the BEC rejects its bid and subjects the next-ranked bidder to the same post-qualification scrutiny. If successful, this bidder is recommended for award. If not, the process continues.
- Post-qualification failure must be clearly explained and documented in attachments to the Bid Evaluation Report. A history of poor performance may be considered adequate justification.

Some countries and organizations address post-qualification earlier in the evaluation process. The advantage of waiting until the end of the process is a substantial reduction in work: only the lowest evaluated cost bidder and perhaps one alternate need to be investigated.

L. Award Recommendation

Once the BEC has identified and qualified the winning bidder, it makes a recommendation to the contracting authority for award. It may only need to fill out and sign a simple form, but in many countries and organizations, the BEC also develops a summary record of the pertinent facts leading to its decision and a description of the decision-making process itself. This Bid Evaluation Report not only informs and assists the higher-level approving authority, it also establishes and documents pertinent facts that would help to defend against any protest from an unsuccessful bidder.

1. Bid Evaluation Report

The Bid Evaluation Report is a narrative summary record of the bid evaluation:

- Identifying the procurement by name, accounting designations, and significant dates (such as the date of the Invitation for Bids [advertisement], the date of bid opening, and the expiry date of bid validity).
- Showing—in ascending order—the evaluated costs of all responsive bids. Many countries do not require a minimum number of responsive bids. Even when only one bid is submitted, the bidding process may be considered valid if the bid was satisfactorily advertised and prices are reasonable in comparison to market values.
- Stating the name of the recommended bidder plus the amount to be awarded. It also provides basic information about that bidder.
- Providing a clear, detailed explanation if the lowest evaluated cost bid is not being recommended.
- Explaining any extraordinary factors associated with the competition (prices higher than estimated, lower than expected, only one bid submitted, etc.).

2. Collective Recommendation

The BEC collectively makes a recommendation for award; generally, the lowest evaluated cost qualified bidder. In many countries and organizations:

- Each BEC member signs the official recommendation document with his or her name and designation, clearly stating that the examination and evaluation have followed the requirements of the regulations, procedures, and bidding documents;

that all facts and information have been correctly reflected in the evaluation report; and that no substantial or important information has been omitted.

- If any member of the BEC disagrees with the collective recommendation, the member may provide a detailed note of dissent.

M. Approvals, Delays, and Extension of Bid Validity

In most cases, the recommendation of the BEC will need to be approved or endorsed by a higher authority before a contract can be awarded.

In good public-sector systems, this is an opportunity to make sure the selection process has been fair and equitable, that all required procedures have been followed, and that an adequate record has been generated. If irregularities are uncovered, the BEC may be asked to repeat and correct its evaluation, bringing into play the possibility of expired bid validities.

In some cases, the approval process has been known to provide an opportunity for ministerial privilege that often subverts an otherwise fair process. Delays and the possibility of expired bid validities are common in this circumstance.

If justified by exceptional or unfortunate circumstances such as protest or delayed approval, a procuring entity may need to request bidders to extend the validity period of their bids. Bidders are not obliged to agree to such requests. However, if a bidder agrees, the agreement must be in writing and confirm the new date for the expiry of bids. If the bidder has submitted a bid security, the bid security must be extended as well.

N. Reference Material

1. Checklists and Forms

Exhibit 7-1

Sample Record of Bid Opening

Name of Project/Contract _____

Invitation for Bid No. _____

Date _____

Time _____

	Bidder's Name and Address	Local Agent's Name and Address	Bid Currency	Total Bid Price	Modifications or Comments (Discounts, Withdrawals, Missing Bid Security, etc.)
1.					
2.					
3.					
Etc.					

Bidders Present

	Name	Company	Signature
1.			
2.			
Etc.			

Members of Bid Opening Committee

	Name	Signature
1.		
2.		
Etc.		

Exhibit 7-2

Sample Format for Confirmation of Bid Security

Confirmation of Bid Security

Date:

Manager, Issuing Bank:
[Fill in the name and address of the bank branch as evident from the bid security]

Subject: Bank Guarantee/Pay Order *[number and date]*

You are requested to kindly confirm issuance of the above-mentioned Bank Guarantee/Pay Order *[number and date]* submitted to us by *[bidder's name and address]* against bid package number *[insert number]*.

Salient information about the instrument is given below:

Type of Guarantee	Issued in Favor of	Amount and Currency	Validity
Bank guarantee or pay order or otherwise	*Bidder's name*	*Amount and currency*	*Time period*

Your early response will be highly appreciated.

[Insert name and address of the procuring entity]

Exhibit 7-3

Sample Procurement Identification Form (SBEF Table 1)

1.1	Name of borrower	_____		
1.2	Loan/credit number	_____		
1.3	Date of effectiveness	_____		
1.4	Closing date			
	(a) original	_____		
	(b) revised	_____		
1.5	Name of project	_____		
1.6	Purchaser (or employer)			
	(a) name	_____		
	(b) address	_____		
1.7	Contract number (identification)	_____		
1.8	Contract description	_____		
1.9	Cost estimate[1]	_____		
1.10	Procurement method (check one)	ICB[3] _____	LIB[4] _____	Other _____
1.11	Prior review required[2]	Yes _____	No _____	
1.12	Domestic preference allowed	Yes _____	No _____	
1.13	Fixed-price contract	Yes _____	No _____	
1.14	Co-financing, if any:			
	(a) agency name	_____		
	(b) percentage financed by agency	_____		

[1] *Cite source and date if other than staff appraisal report.*
[2] *If response is "no," items 2.2(b), 2.4(b), and 2.6(b) in Table 2 may be left blank, unless the Bank's prior review was specifically requested.*
[3] *International competitive bidding.*
[4] *Limited international bidding.*

Exhibit 7-4

Sample Bidding Process Form (SBEF Table 2)

2.1	General procurement notice			
	(a) first issue date	_____		
	(b) latest update	_____		
2.2	Prequalification, if required			
	(a) number of firms prequalified	_____		
	(b) date of Bank's no-objection	_____		
2.3	Specific procurement notice			
	(a) name of national newspaper	_____		
	(b) issue date	_____		
	(c) name of international publication	_____		
	(d) issue date	_____		
	(e) number of firms notified	_____		
2.4	Standard bidding document			
	(a) title, publication date	_____		
	(b) date of Bank's no-objection	_____		
	(c) date of issue to bidders	_____		
2.5	Number of firms issued documents	_____		
2.6	Amendments to documents, if any			
	(a) list all issue dates	1. _____	2. _____	3. _____
	(b) date(s) of Bank's no-objection	1. _____	2. _____	3. _____
2.7	Date of pre-bid conference, if any	_____		
2.8	Date and minutes of conference sent to bidders and Bank	_____		

Exhibit 7-5

Sample Bid Submission and Opening Form (SBEF Table 3)

3.1	Bid submission deadline	
	(a) original date, time	_____
	(b) extensions, if any	_____
3.2	Bid opening date, time	_____
3.3	Record of Bid Opening, date sent to Bank	_____
3.4	Number of bids submitted	_____
3.5	Bid validity period (days or weeks)	
	(a) originally specified	_____
	(b) extensions, if any	_____
	(c) date of Bank's no-objection, if required[1]	_____

Note: Contracts under two-stage bidding will require the information requested for each stage to be filled out. Refer to Guidelines, para. 2.6, and SBD for Supply and Installation of Plant and Equipment.
[1] Refer to Annex I, para. 3 herein.

Exhibit 7-6

Sample Verification Checklist for SBEF Table 5 (Column B)

Verification Checklist for SBEF Table 5 (Column B)

Bidder's Name _____ **Contract Number** _____

1. Bid form and price schedule filled in and duly signed? (yes/no)

2. Bid validity period conforms to the requirement in the bidding documents? (yes/no)

3. If the bidder is a joint venture, joint venture agreement provided? (yes/no/not applicable)

4. If the bidder is not the manufacturer, did the bidder provide manufacturer's confirmation to warranty obligations? (yes/no/not applicable)

5. If the bid has been submitted by an agent, is the manufacturer's authorization to submit the bid provided? (yes/no/not applicable)

Exhibit 7-7

Sample Eligibility Checklist for SBEF Table 5 (Column C)

Eligibility Checklist for SBEF Table 5 (Column C)

Bidder's Name _____ **Contract Number** _____

1. Has this bidder been prequalified? (yes/no/not applicable)

2. Is bidder a national of an eligible source country? (yes/no)

3. If bid is from a joint venture, are all partners nationals of an eligible source country? (yes/no/ not applicable)

4. If bid is from a joint venture, is the joint venture registered in an eligible source country? (yes/no/not applicable)

5. Do the goods and/or services offered originate from eligible source countries? (yes/no)

6. Is the bidder affiliated with a firm that has provided related consulting services on the project? (yes/no)

7. If the bidder is a publicly owned enterprise, is the bidder legally and financially autonomous and operating under commercial law? (yes/no/not applicable)

Exhibit 7-8

Sample Bid Security Checklist for SBEF Table 5 (Column D)

Bid Security Checklist for SBEF Table 5 (Column D)

Bidder's Name _____ **Contract Number** _____

1. Is bid accompanied by bid security? (yes/no)

2. Does the amount of the bid security conform to the amount required in the bidding documents? (yes/no)

3. Does the period of the bid security conform to the period required in the bidding documents? (yes/no)

4. If bid security is issued as a bank guarantee, is it consistent with the wording of the bid security form provided in the bidding documents? (yes/no/not applicable)

5. If the bid is submitted by a joint venture, is the bid security in the name of all the partners of the joint venture? (yes/no/not applicable)

Exhibit 7-9

Sample Completeness of Bid Checklist for SBEF Table 5 (Column E)

Completeness of Bid Checklist for SBEF Table 5 (Column E)

Bidder's Name _____ **Contract Number** _____

1. Does the bidder offer all of the required items? (yes/no)

2. Does the bidder offer full quantities of the required items? (yes/no)

3. Has the bidder made any additions, deletions, or other changes to the original bidding documents? (yes/no)

4. Has the bidder initialed any erasures, additions, deletions, or other changes to the original bidding documents? (yes/no)

5. Are all pages of the bidding documents and the bid included in the submission? (yes/no)
If no, list missing items.

6. Are all of the required documents and attachments included with the bid? (yes/no)
If no, list missing items.

Exhibit 7-10

Sample Technical Evaluation Report

Technical Evaluation Report

Name of Bidder: _____

Name of Item: _____

	Specification per Bidding Documents	Remarks (acceptable, unacceptable; if unacceptable, provide reasons)
1		
2		
3		
4		
5		

Offered Product's Brand Name: _____

Offered Product's Model No.: _____

Overall Comments: *[If product mentioned above is other than what was specified in the bidding documents, please state whether or not the substituted product offers substantial equivalence in critical performance parameters or in other requirements.]*

Signature of Technical Expert: _____

Date: _____

Exhibit 7-11

Sample Commercial Responsiveness Subschedule for SBEF Table 5 (Column F)

Commercial Responsiveness Subschedule for SBEF Table 5 (Column F)

Bidder's Name _____ **Contract Number** _____

1. Does the bidder ask for price adjustments when a fixed-price bid was invited? (yes/no)

2. Does the bidder offer an alternative design in the bid? (yes/no)

3. What is the completion/delivery time offered in the bid?

4. Does the completion/delivery time offered in the bid conform to the Schedule of Requirements in the bidding documents? (yes/no)

5. Is any subcontracting mentioned in the bid? (yes/no)

6. Does the bidder agree to bear the responsibilities and liabilities allocated in the bidding documents, such as performance securities, insurance coverage, etc.? (yes/no)
If no, provide details.

7. Does the bidder agree to applicable law, taxes and duties, and dispute resolution procedures specified in the bidding documents? (yes/no)
If no, provide details.

Exhibit 7-12

Example Cross-Discount Worksheet

In our example, three bidders responded to our bid: ABC Pharma, Medco, and Pharmatech. The bid has 30 items listed, and bidders have been allowed to identify packages of items on which they would offer a discount if awarded together. ABC Pharma has offered three such groupings of items. The worksheet below details the cross-discount evaluation of the bids. Upon evaluation, two of the discounted offerings from ABC Pharma have lower prices than the bids from the other bidders, and one does not. Therefore, it would be in the best interest of the purchaser to select ABC Pharma for items 1 through 7, as well as items 24, 26, and 29, and Pharmatech for items 14 through 22.

Cross-Discount Worksheet (US dollars)							
A. Bidder	**B. Bid Packages Grouped by Bidder for Discount**	**C. % Discount Offered**	**D. Discounted Total Price of Bid Packages**	**E. Prices Offered by the Lowest Evaluated Cost Bidder(s) for Column (B) Packages**	**F. Lowest Evaluated Cost Bidder(s) Without Discounts for Column (B) Packages**	**G. Comparison: Column (D) Total and Column (E) Total**	**H. Lowest Evaluated Cost Bidder With Discounts Applied**
ABC Pharma	1. Items 1–7 ($650,000)	1. 10%	1. $585,000	1. $615,000	Medco	$30,000 Savings	ABC Pharma
	2. Items 14–22 ($600,000)	2. 15%	2. $510,000	2. $490,000	Pharmatech	$20,000 **Cost**	Parmatech
	3. Items 24, 26, 29 ($1,200,000)	3. 10%	3. $1,080,000	3. $1,150,000	Pharmatech	$170,000 Savings	ABC Pharma

Column (A): Enter the name of bidder offering a conditional discount.
Column (B): List the items that have been offered a discount if all items in the group were awarded to that bidder. Include the original price without the discount.
Column (C): Enter the discount offered by the bidder (usually a percentage).
Column (D): Apply the discount in Column (C) to each bid package price noted in Column (B) to find a discounted price for each bid package, and enter that amount in Column (D).
Column (E): List the sum of the lowest evaluated price for each separate item in Column (A).
Column (F): Indicate the bidder(s) with the lowest evaluated total price.
Column (G): Compare the discounted total price (D) to the lowest evaluated price (E) and enter the result as a savings or cost to take the discount.
Column (H): Enter the new lowest evaluated cost bidder with the cross-discounts applied, or list the original evaluated bidder if the discounts do not propose a benefit.

Exhibit 7-13

Sample Qualification Worksheet

Bidder's Qualification Criteria

A. Manufacturer has adequate production capability

1. Annual capacity for production of subject goods is at least three times the quantity specified in the Schedule of Requirements for this bid. *(reference TN)*
2. Installed manufacturing capacity for subject goods less existing contracts for delivery of subject goods exceeds quantities specified in the Schedule of Requirements for the same period.

B. Bidder has verifiable business and financial stability

1. Manufacturer's average annual sales value over the past three (3) years is at least five times the estimated contract value. *(reference TN)* (requires calculation)
2. Manufacturer has produced the specific goods that are the subject of bidding for at least two (2) years, and for similar goods, for at least five (5) years. *(reference TN)*
3. Agent, if applicable, has marketed specific or similar goods for at least three (3) years.
4. Manufacturer is licensed or otherwise registered with tax authorities for doing business in the country of domicile. *(reference WB ITB)*
5. Agent, if applicable, is licensed or otherwise registered with tax authorities for doing business in [COUNTRY NAME].
6. Manufacturer has maintained a business bank account for at least five (5) years.
   Agent, if applicable, has maintained a business bank account for at least three (3) years.

C. Manufacturer has verifiable technical capability

1. Manufacturer of goods has a valid license issued by the competent regulatory authority in the country of manufacture. *(TN)*
2. Manufacturer of goods has received satisfactory current good manufacturing practices inspection in line with the World Health Organization Certification Scheme on the Quality of Pharmaceutical Products Moving in International Commerce[4] from the regulatory authority in the country of manufacture within the two (2) years prior to bid.
   or…
3. Manufacturer has been certified by the competent authority of a member country of the Pharmaceutical Inspection Convention and has demonstrated compliance with quality standards during the two (2) years prior to bid. *(TN)*
4. Manufacturer has onsite quality control/quality assurance testing facilities.

D. Bidder has verifiable history of successful performance

1. Number of similar contracts completed by bidder is not less than three and not more than five (normally four) within the last five (5) years, depending on the size and complexity of the subject contract. *(TN)*
2. Reference check reveals satisfactory business dealings with at least five similar customers.
3. Reference check with at least five similar customers reveals satisfactory quality of products supplied.

TN: *Technical Note* (found in World Bank *Standard Bidding Document: Procurement of Health Sector Goods*)
WB: World Bank
ITB: Instructions to Bidders

[4] **Available at: http://www.who.int/medicines/areas/quality_safety/regulation_legislation/certification/en/index.html.**

2. Websites

World Bank Standard Bid Evaluation Form: Procurement of Goods or Works

http://go.worldbank.org/K51NBXRVV0

World Bank *Standard Bidding Document: Procurement of Health Sector Goods* (revised August 2008)

This standard bidding document is intended for purchasers to use in soliciting bids for supply of pharmaceuticals, vaccines, condoms, nutritional supplements, and oral and injectable hormonal forms of contraception through international competitive bidding. It includes clauses needed to ensure product quality and safety, and addresses requirements for licensing by the national regulatory authority.

http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,contentMDK:21890171~menuPK:84284~pagePK:84269~piPK:60001558~theSitePK:84266~isCURL:Y,00.html

Technical Note

This technical note was appended to an earlier version of the health-sector bidding document. It was designed to help World Bank personnel and borrowers understand some of the unique aspects of purchasing health-sector goods. It is still useful, and still available on the World Bank's website at http://siteresources.worldbank.org/PROCUREMENT/Resources/health-tn-ev2.doc.

O. Learning Evaluation

1. Why is it important to evaluate bids according to the evaluation criteria identified in the bidding documents?
2. What are the major responsibilities of the BEC?
3. What are the key activities a BOC is responsible for?
4. What are the key steps that should be followed for verifying bid securities?
5. What is the purpose of SBEF Table 5?
6. When is a bid considered substantially responsive?
7. In evaluating bids, what is considered a major (or material) deviation?
8. What are the key steps in the financial evaluation of bids?
9. What are the key steps a purchaser should follow for qualifying the lowest evaluated cost bidder?

Learning Evaluation Answers

1. When winning bids are not chosen fairly and in accordance with the criteria mentioned in the bidding documents, quality, timeliness, and cost may suffer:

   - Reputable suppliers of high-quality products will not be inclined to bid on future contracts, judging it a waste of their time and resources; thus, a market for questionable and poor-quality products will open.
   - Unsuccessful bidders will have valid grounds to file protests, which almost always delays the procurement process and contract award (and subsequently, the delivery of products).

   See Section A.

2. The BEC has responsibility for reviewing and comparing bids and recommending one to the contracting authority based on its comparative merits (including, but not limited to, price). The BEC is convened promptly after the bid opening and must complete its tasks within the time periods indicated in the bidding documents. See Section D.2.

3. At the stated time, the BOC opens each bid that was received before the deadline and reads aloud the following information:

   - Bidder's name and local agent's name (if different).
   - Bidder's city/state or province/country.
   - Withdrawal or modification (if any).
   - Currency (or currencies) of the bid.
   - Bid price.
   - Discounts (if any).
   - Presence or absence of any required bid security.

   As each bid is being read out, a member of the BOC records the details on a Record of Bid Opening. Upon conclusion of the bid opening, all members of the BOC and the attending bidders or their representatives sign the Record of Bid Opening. The BOC distributes copies of the Record of Bid Opening as required and may also provide copies of the Record of Bid Opening to bidders upon their request. See Sections E.3 and E.4.

4. The validity of each bid security is confirmed with its originator shortly after the bid opening, generally within 5 to 15 days. Bid securities issued by international banks or other outside institutions may be confirmed by email, fax, telegram, telex, letter, etc. Bid securities issued by local or international banks with local correspondent affiliations may be confirmed by visiting the correspondent bank and speaking with an officer. See Section F.2.

5. Table 5 of the SBEF provides a summary record indicating how each bid for a goods contract is substantially responsive or nonresponsive to the bidding documents. It includes columns for recording each bidder's name, verification status, eligibility status, bid security status, completeness of bid, substantial responsiveness, and acceptance for detailed examination. The objective of this examination is to identify and reject bids that are incomplete, invalid, or substantially nonresponsive to the bidding documents. See Section I.

6. A bid is considered substantially responsive when it is presented in the required manner and includes all required information, samples, statements, securities, signatures, forms, and supporting documents, and when it contains no material deviations from or reservations to the terms, conditions, and specifications in the bidding documents. See Section I.5.

7. A major (or material) deviation is a significant and unacceptable difference from the requirements stated in the bidding documents. As a general rule, major deviations are those that, if accepted, would not fulfill the purposes for which the bid is required, or would prevent a fair comparison with bids that are properly compliant with the bidding documents. A major deviation affects the price, quantity, quality, or delivery of the goods as required in the bidding documents; limits the responsibilities, duties, or liabilities of the bidder; or limits any rights of the purchaser. See Section I.5.

8. The evaluated cost is not necessarily the submitted price; it takes corrections, discounts, and other factors, such as exchange rates, additions adjustments, priced deviations, and domestic preference for goods into consideration and gives them a value. Bidding documents must list factors to be considered in addition to price, and describe the manner in which they will be applied. SBEF Tables 6 through 11 were developed by the World Bank to help ensure a fair comparison among all the offers. See Section J.

9. The key steps a purchaser should follow for qualifying the lowest evaluated cost bidder include ensuring:

- The manufacturer has adequate production capacity.
- The bidder has verifiable business and financial stability.
- The manufacturer has verifiable technical capability.
- The bidder has a verifiable history of successful performance.

Qualification may take place either before the bidding starts (prequalification) or after an apparent lowest evaluated cost bidder has been identified (post-qualification). See Section K.

P. Performance Indicators

Performance indicators measure and evaluate success against a specific goal. The process begins by selecting performance indicators that are relevant for the procurement environment. This is followed by identifying and collecting appropriate data for each performance indicator to establish a baseline on the level of performance in the country. After training and corrective actions have been implemented, the same performance indicators are evaluated to determine the revised level of performance. Further information on conducting an assessment can be found in the Procurement Assessment Guide.

The following performance indicators can be used for monitoring and evaluating key aspects of this module:

1. A bid opening committee is established to implement bid opening procedures.
2. Percentage of supplier selections that adhere to the written evaluation criteria identified in the bidding documents.
3. Percentage of supplier selections completed within the original bid validity period.
4. Percentage of contracts awarded without a bidder's protest for the RH commodities selected.

Q. Glossary and Acronyms

Agent	A supply term for an independent contractor authorized by a manufacturer to promote and sell the manufacturer's products within a designated geographic area. Often, an agent will contract to represent several manufacturers of noncompeting products.
BEC	Bid evaluation committee: A committee of ministry and program representatives, often including the Ministry of Finance, that oversees, guides, and approves key steps in the procurement process, including final selection. Also known as a bid review committee.
Beneficiary	A legal term used in banking to describe the party entitled to collect funds guaranteed by a commercial letter of credit upon presentation of stipulated documents (usually shipping and quality assurance documents). Also known as the seller.
Bid	A procurement term describing a written offer for a quantity of goods, works, or services at a stated price based on a technical specification and specific terms and conditions. Bids are submitted to an intending purchaser by an intending seller in response to an Invitation for Bids.
Bidder	An intending seller or supplier that submits a bid offering goods or services in response to an invitation or request for bids and offers.
Bidding documents	The written description and set of terms and conditions of an intended purchase that is circulated by the intending buyer to prospective sellers.
Bid security	A financial instrument used to guarantee compensation to the prospective buyer for inconvenience and expense if a winning bidder rescinds its offer after the bid is closed and an award is made to the bidder. Each bidder provides an amount stated in the bidding documents with its bid submission.

BOC	Bid opening committee: Committee of a minimum of three members that administers and oversees the opening of sealed bids.
Brand/Brand name	The registered trademark name given to a specific product by its manufacturer.
Commodity	Any piece of tangible property, supplies, or equipment that is the subject of a procurement activity.
Component	An important function or process that occurs within an element of the reproductive health supply process. Each module of the *Toolkit* focuses on one element.
Contract	An agreement entered into by two parties for the execution of a certain activity (e.g., sale and purchase, construction, service provision, etc.).
Cost	What the purchaser ultimately pays for an item, delivered to its facility. Cost, not price, is used for budgeting.
Criteria	Specific points, standards, qualities, and/or requirements against which something is judged.
Current good manufacturing practice(s)	Manufacturers must employ technologies and systems which are up to date to the performance standards for pharmaceutical and medical device manufacturers established by the World Health Organization and many national governments. Includes criteria for personnel, facilities, equipment, materials, manufacturing operations, labeling, packaging, quality control, and in most cases, stability testing.
Debarred	Denied opportunity to compete for contracts of a purchasing authority.
Discrepancy	Used in banking and trade to indicate lack of agreement with stated requirements and/or documents.
Documentary evidence	Being, consisting of, or contained exclusively in documents.

Domestic preference	A term used in World Bank procurement documents to describe a competitive advantage, expressed in a percentage, that is sometimes given to local manufacturers of goods competing for contracts against international sources.
Element	One of the ten key operational, broad-based activities in the reproductive health supply process.
Eligibility (criteria)	Not excluded from competing for contracts in general by reason of nationality, debarment, lack of regulatory approval, etc.
Entity	A business and legal term to describe something that exists and functions as a separate and distinct body (e.g., a corporation, Ministry of Health, or committee).
Evaluated cost	An offered price adjusted for corrections, discounts, domestic preference, and usage factors.
Evaluation criteria	Basis for judgment (announced in bidding documents) that will be used to select the winning bidder.
Expiration (Expiry) date	The date beyond which the manufacturer will not guarantee the product.
Funder	Organization (or person) providing funds for a specific project, program, or purpose.
General Conditions of Contract	Mandatory contract wording for issues such as payments, obligations, risks, rights, and performance.
ICB	International competitive bidding.
Interlineations	Notations written between the lines of the original bidding documents.
Invitation for Bids	An invitation to manufacturers or contractors, through a bidding process, to submit a proposal on a specific product or service to be furnished.
Joint venture	A business enterprise in which two or more companies enter a temporary partnership.

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 (backed by a 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 its performance.
LIB	Limited international bidding.
Lot (Batch)	In manufacturing, a single, uniform, and homogeneous quantity produced from one compounding formulation, in one manufacturing and production operation, and that has received entirely the same processing treatment.
Major (or material) deviation	Used in evaluating bids to describe a significant and unacceptable difference from the requirements stated in the 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 bidding documents, or limits in any way the responsibilities, duties, or liabilities of the bidder or any rights of the purchaser.
Manufacturer's (Bidder's) representative	A direct employee of a manufacturer with responsibility to promote the use of, provide information on, and sell the manufacturer's products. In some cases, the representative also facilitates importation. Sometimes the term "agent" is used to convey the same relationship.
National regulatory authority	Same as drug regulatory authority: An independent government entity responsible for establishing procedures to ensure that medicines intended for use in the country are safe, potent, and effective.

Nonresponsive	A procurement term used to describe an offer that does not comply with the most basic instructions and requirements stated in the bidding documents provided by the purchasing organization. For example, an unresponsive bid may be one that is not signed, is bid in the wrong language, or does not offer the required products.
Offer	Used interchangeably with "bid," "tender," and "proposal."
Performance indicator	Measures and evaluates success against a specific goal.
Pharmaceutical Inspection Convention	One of two international instruments (Pharmaceutical Inspection Co-operation Scheme is the other) between countries and pharmaceutical inspection authorities dedicated to standardizing and ensuring current good manufacturing practices and inspections. Currently, it has 31 member countries, with the European Medicines Agency, the United Nations Population Fund, and the World Health Organization as partners/observers.
Phase	A natural division of the ten elements of the supply process into three sequential parts: program planning, procurement process, and contract performance.
Prequalification (of manufacturer/ supplier/bidder)	A process of preapproving suppliers for participation in bids based on a judgment of reliability, technical competence, and financial stability.
Preshipment inspection	An inspection of manufactured goods ready for shipment undertaken by an internationally recognized inspection agency (such as Societe Generale de Surveillance).
Price	What the seller asks for an item.
Procurement method	Process a purchaser uses to reach an agreement with a seller.
Procurement unit	Individuals organized around procurement duties within a larger entity.

Qualification (criteria)	An attribute that must be met or complied with that makes a competing firm fit to perform a specific contract.
Quality assurance	See Supplementary Topics, Section H: Product Quality Assurance.
Registration	A term used in regulating medicines, pharmaceuticals, and vaccines; exact usage varies from country to country. It is often synonymous with licensing, but it can mean simply that the particulars about a shipment are recorded as it enters a country.
Request for Quotation	A procurement method without sealed bidding or formal bidding procedures in which potential suppliers are contacted and asked to provide a price for specified goods.
RH	Reproductive health: A state of complete physical, mental, and social well-being—not merely the absence of disease or infirmity—in all matters relating to the functions and processes of the reproductive system. Reproductive health implies that people are able to have a satisfying and safe sex life and that they have the capability to reproduce and the freedom to decide if, when, and how often to do so; implicit in this last condition is the right of men and women to be informed and to have access to safe, effective, affordable, and acceptable methods of family planning of their choice, as well as other methods of their choice, for regulation of fertility.
SBEF	Standard Bid Evaluation Form: A World Bank document that outlines a step-by-step procedure for examining and evaluating bids.
Schedule of Requirements	Part of bidding documents that describes the quantity of goods and expected delivery time.
Special Conditions of Contract	Modifies or adds to General Conditions of Contract to suit specific goods and situations.
Specification	A definitive description of the commodity to be procured.

Substantially responsive	A bid that contains no material deviations from or reservations to the terms, conditions, and specifications in the bidding documents.
Supplier	The party that transfers goods out of its own control to a named recipient.
Supply	Goods and services of a specific kind that are provided to businesses, public agencies, or directly to consumers.
Surety	A person or firm that is legally responsible for the debt, default, or delinquency of another.
TEC	Technical evaluation subcommittee to the bid evaluation committee: A committee of technical experts that reviews bids for responsiveness to technical specifications.
United Nations	An international organization founded in 1945 after the Second World War by 51 countries committed to maintaining international peace and security; developing friendly relations among nations; and promoting social progress, better living standards, and human rights.
Warranty	A written guarantee given to the purchaser of health-sector goods by the manufacturer or dealer, usually specifying that the manufacturer will replace poor-quality goods free of charge for a stated period of time.
World Bank	The World Bank Group offers loans, advice, and an array of customized resources to more than 100 developing countries and countries in transition.
World Health Organization	The directing and coordinating authority for health within the United Nations system.