PROCUREMENT GUIDANCE

Value for Money

Achieving VfM in Investment Projects Financed by the World Bank

July 2016

THE WORLD BANK
IBRD • IDA

Published July 1, 2016 – First Edition

Disclaimer

This work is a product of the staff of The World Bank. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

Common Abbreviations and Defined Terms

This section explains the common abbreviations and defined terms that are used in this guidance. Defined terms are written using capital letters.

Abbreviation / term	Full terminology / definition
Applicant	A firm, joint venture or Consultant that submits an Application in response to an invitation for Prequalification, Initial Selection or Shortlisting.
Application	A document submitted by an Applicant in response to an invitation for prequalification or Initial Selection.
BAFO	Best and final offer.
Bank	IBRD and/or IDA (whether acting on its own account or in its capacity as administrator of trust funds provided by other donors).
Bid	An offer, by a firm or joint venture, in response to a Request for Bids to provide the required Goods, Works or Non-consulting Services.
Bidder	A firm or joint venture that submits a Bid for Goods, Works, or Non-consulting Services in response to a Request for Bids.
Borrower	A borrower or recipient of Investment Project Financing (IPF) and any other entity involved in the implementation of a project financed by IPF.
Consultant	A variety of private entities, joint ventures, or individuals that provide services of an advisory or professional nature. Where the Consultant is an individual they are not engaged as an employee.
Consulting Services	Covers a range of services that are of an advisory or professional nature and are provided by Consultants. These Services typically involve providing expert or strategic advice e.g. management consultants, policy consultants or communications consultants. Advisory and project related Consulting Services include, for example: feasibility studies, project management, engineering services, finance and accounting services, training and development.
Fraud and Corruption	The sanctionable practices of corruption, fraud, collusion, coercion and obstruction defined in the Anti-Corruption

Abbreviation / term	Full terminology / definition
	Guidelines and reflected in Annex IV, World Bank Procurement Regulations for Borrowers.
Goods	A category of Procurement that includes: commodities, raw material, machinery, equipment, vehicles, Plant, and related services such as transportation, insurance, installation, commissioning, training, and initial maintenance,
Initial Selection (IS)	The shortlisting process used prior to inviting request for Proposals in the Procurement of Goods, Works or Non-consulting Services.
Investment Project Financing (IPF)	The Bank's financing of investment projects that aims to promote poverty reduction and sustainable development. IPF supports projects with defined development objectives, activities, and results, and disburses the proceeds of Bank financing against specific eligible expenditures.
Most Advantageous Bid/Proposal	The Bid/Proposal that meets the qualification criteria and has been determined to be substantially responsive to the request for bids/request for proposals document; and is also the highest ranked Bid/Proposal.
Non-consulting Services	Services which are not Consulting Services. Non-consulting Services are normally Bid and contracted on the basis of performance of measurable outputs, and for which performance standards can be clearly identified and consistently applied. Examples include: drilling, aerial photography, satellite imagery, mapping, and similar operations.
Probity Assurance Provider	A third party that provides specialist probity services for concurrent monitoring of the Procurement Process.
Procurement	The function of planning for, and sourcing Goods, Works, Non-consulting Services, and/or Consulting Services to meet required objectives.
Procurement Documents	A generic term used in the Procurement Regulations to cover all Procurement Documents issued by the Borrower. It includes: GPN, SPN, EOI, REOI, Prequalification document, Initial Selection document, RFB and RFP, including any addenda.
Procurement Process	The whole Procurement lifecycle that starts with the identification of a need and continues through planning, preparation of specifications/ requirements, budget considerations, selection, contract award, and contract management. It ends on the last day of the warranty period.

Abbreviation / term	Full terminology / definition
Project Procurement Strategy for Development (PPSD)	A project-level strategy document, prepared by the Borrower, that describes how Procurement in IPF operations will support the development objectives of the project and deliver VfM.
Proposal	An offer, in response to a Request for Proposals, which may or may not include price, by one party to provide Goods, Works, Non-consulting Services or Consulting Services to another party.
Proposer	An individual entity or joint venture that submits a Proposal for Goods, Works, and Non-consulting Services in response to a Request for Proposals.
RFB	Request for Bids as a selection method.
RFP	Request for Proposals as a selection method.
RFQ	Request for Quotations as a selection method.
Standard Procurement Documents (SPDs)	Procurement documents issued by the Bank to be used by Borrowers for IPF financed projects. These include, GPN, SPN, EOI, REOI, Prequalification document, Initial Selection documents, RFB and RFP documents.
Substantially Responsive Bid	A Bid that is assessed to be complete and without major deviations from the eligibility, technical and commercial requirements in the Procurement Documents.
VfM	Value for Money.
Works	A category of Procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training.

Contents

Section I. Introduction

The purpose of this guidance is to provide an introduction to the concept of achieving Value for Money (VfM) throughout the procurement process in Investment Projects financed by the World Bank.

More detailed explanation of the concepts introduced in this guide are contained in separate guidance for each of the following topics:

a) Guidance note - Project Procurement Strategy for Development
b) Guidance note - Evaluation Criteria
c) Guidance note - Abnormally low Bids
d) Guidance note - Contract Management
e) World Bank Standard Procurement Documents and their associated User's Guides

The World Bank Procurement Regulations for IPF Borrowers (and in particular Annex I., VfM) contain the requirements for implementing the concepts outlined in this guidance.

The Bank defines VfM as the effective, efficient, and economic use of resources, which requires the evaluation of relevant costs and benefits, along with an assessment of risks, and of non-price attributes and/or life cycle costs, as appropriate. Price alone may not necessarily represent VfM.

The Procurement Process is defined as the process that starts with the identification of a need and continues through planning, preparation of specifications/requirements, budget considerations, selection process, contract award, and contract management.

There are opportunities throughout the procurement process to more effectively, efficiently, and economically use the resources available to a project, in other words, to achieve VfM. For example by ensuring:

a) integrity throughout the Procurement Process;
b) that end-user's and other stakeholders' needs are appropriately identified and factored into the procurement arrangements;
c) that risks to achieving the required objectives are appropriately identified and mitigated through design of the procurement arrangements;
d) the procurement arrangements are fit for purpose relative to the risk, value, and complexity of the procurement and also to the operating context and nature of the supply market;
e) where appropriate, providers are given the opportunity to offer cost-effective and innovative solutions to meet identified needs;
f) contract award decisions are based on suitable evaluation criteria and an appropriate assessment of cost over the life of the asset; and
g) contracts are managed effectively to ensure that value for money is achieved throughout delivery.

Whenever procurement decisions are made throughout the Procurement Process, there will be a tradeoff between the benefit gained and the cost of the approach relative to the benefits and costs of alternative arrangements.

For example, if an RFB is chosen as the selection method with a conformance based specification then the procurement selection process may be faster than an RFP but more upfront effort will need to be put into defining the conformance specification and the RFB will limit the ability of Bidders to offer innovative solutions.

Equally, for example, if a decision is made not to carry out early market engagement, there may be a time saving, but a tradeoff in terms of less information being made available to suppliers or less market interest in the contract opportunity. Equally if there is low capability on the part of the Borrower to carry out the market engagement, or if the market is already competitive, well informed and motivated to compete, then the market engagement may add too much cost early in the process without enough corresponding benefit.

Achieving VfM means that the Borrower weighs the cost and benefit of the different options for methods and approaches, and for risk mitigation measures, and decides on the combination that meets the procurement objectives and provides the greatest benefit relative to the cost. In some circumstances, the difference in value for money between one approach and another will be small, in other cases it will be an obvious choice due to the circumstances of the contract opportunity. Whatever the decision, the procurement arrangements for a contract need to be appropriately justified in the Project Procurement Strategy for Development (PPSD).

The design of fit for purpose procurement arrangements, appropriate specification setting and use of evaluation criteria, and appropriate contract management are very much integrated and need to be considered as part of the overall procurement approach in order to maximize VfM.

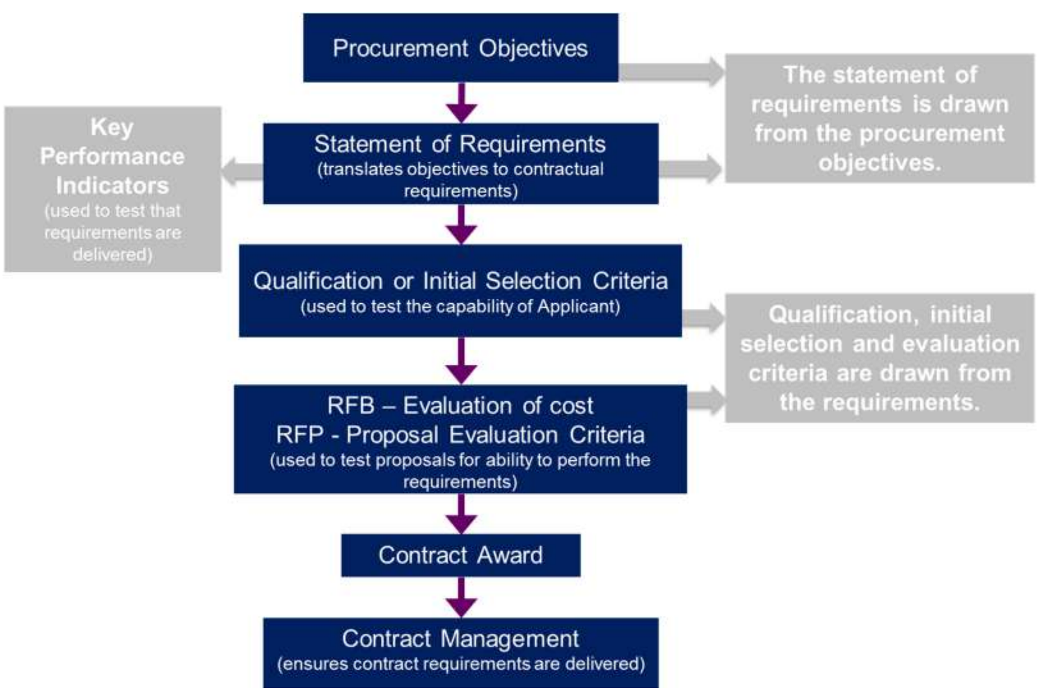

Figure I - Delivering procurement objectives through the Procurement Process

This guidance introduces options to achieve VfM at five key stages of the Procurement Process:

a) appropriate levels of procurement planning through the PPSD aligned to the Procurement Objectives;
b) specifying the requirements to be delivered through the contract;
c) appropriate use of evaluation criteria;
d) design of the procurement arrangements (selection methods and market approach options); and
e) management of the contract.

Section II. Procurement Planning

The best opportunity for achieving VfM is at the planning stage of the procurement process. The PPSD is the cornerstone for ensuring that the procurement is properly planned and designed and it is structured to ensure that consideration is given to the specific operating context, market conditions, client capability and all of the appropriate procurement tools, techniques and methods at this planning stage.

The preparation of the PPSD should begin as early as possible in the project cycle, which normally will be at the project concept stage, once the main contracts in the project are understood.

The PPSD should cover all contract requirements for at least the first 18 months of the project and should be updated when additional important information becomes known. The PPSD asks the Borrower to consider, among other things, the market situation, the operational context, previous experience and the risks present – then from these, determine the right procurement approach.

In order to choose the best combination of procurement arrangements, appropriate levels of research and analysis are undertaken to identify risks and opportunities in the specific market situation, the operational context and previous experience. The significant procurement risks can then be factored into the procurement arrangements.

For example:

a) past experience implementing similar contracts can be factored in to speed up implementation such as resettlement or licensing requirements that delay contractor mobilization;

b) identified security concerns of Bidders may be addressed through early market engagement to encourage Bidder participation by highlighting measures put in place to mitigate that concern; and

c) low capability to manage the contract can be reinforced through additional support; Complex procurements that would benefit from innovation and solutions known by Providers may better suit an RFP than an RFB.

A "fit for purpose" procurement approach should be outlined within the eight Sections of the PPSD Template as follows:

a) Project Overview;

b) Strategic Assessment of Operating Context and Borrower Capability;

c) Procurement Risk Analysis;

d) Stakeholder Analysis;

e) Procurement Objectives;

f) Procurement Approach Options and Recommendations;

g) Preferred Arrangement for Low-Value Low-Risk Activities; and

h) Summary of PPSD to Support the Preparation of the PAD by the Bank.

The procurement approach should be designed to ensure that the suppliers (including contractors and consultants) that are most capable of delivering VfM and the PDOs are motivated to Bid, given the best opportunity to demonstrate the value they can offer through the selection process so that the right supplier is ultimately selected for contract award.

For more detailed Guidance on the PPSD, see www.worldbank.org/procurement.

Section III. Procurement Arrangements

By designing the right procurement arrangements, there is far more likelihood of the right Bidders participating, better Bids being received, and overall there will be an increased chance of achieving optimal value for money.

There are numerous options for different combinations of procurement arrangements that Borrowers can choose from to determine the most fit-for-purpose approach to run a particular procurement including:

a) the selection method (RFP, RFB, etc.); and
b) the market approach option (Open, Limited, National, International, PQ or Initial Selection, number of stages, use of negotiations etc.).

The decision on the type of selection method is primarily driven by the level of competition in the market, the number of capable suppliers available, the specificity and nature of the requirements, and the inherent risks involved in delivery. Each combination of options will present a different tradeoff between cost and benefit.

For example when choosing the Selection Method consider the benefits and costs trade-off between different options i.e. what is fit for purpose and will give best value for money:

a) time and resources to carry out the procurement process;
b) transaction costs for firms that are inherent in the procurement arrangements that might affect the willingness and ability of firms to participate; and
c) risk of not achieving the desired outcome due to ability to manage the risk of fraud and corruption or the capability of the client to manage the procurement process.

Table I lists some of the options for procurement arrangements and provides an indication of the circumstances where each method is best suited for use.

Procurement arrangement	Characteristics	Usage
Open Competition	Openly advertised so any eligible firm may participate Bank's preferred approach	Widespread use
Limited Competition	Limited number of firms invited without advertisement Exceptional reasons	Limited pool of capable firms Justified departure from open competition
Direct Selection	Invitation to one firm only	Only one suitable firm Justified invitation to sole or single firm
Pre-qualification	Use of qualifying criteria to rule out firms not capable of delivering the requirement	Large and complex projects where Bid costs are likely to limit market interest Optionally Used for RFB
Initial Selection	Limiting the number of applicants to be invited to submit a proposal or participate in dialogue	Normally used with RFP
Negotiations	Firstly with first placed Bidder and, if unsatisfactory, with second place Bidder Cannot change specified minimum requirements and subject to probity audit	Limited to international competition with prior agreement of the Bank
Competitive Dialogue	Initial conceptual design or performance proposal Commercial confidence must be maintained, and participants must be treated fairly	Where requirements cannot be specified with sufficient certainty to allow use of a competitive process without the use of dialogue Used to shape subsequent RFP using 1 or 2 envelopes (note 2 envelope used in goods)

Table I - Example options for procurement arrangements

Depending on the nature and complexity of the procurement or the need for customized solutions, the Borrower may want to use procurement arrangements that make use of the Providers' expertise in their field, such as requests for proposals, value engineering, or competitive dialogue.

The choice of selection method may also influence the type of specification that would normally be used. The following section deals with specifications.

For more detail guidance on the appropriate use of procurement arrangements, see www.worldbank.org/procurement.

Section IV. Specifications

By specifying the requirements, the Borrower is setting the minimum and/or maximum characteristics of the goods, works, non-consulting services they require in order to achieve VfM, and providing clarity to Providers as to what they should offer.

By defining the requirements clearly and through promoting the most competitive and innovative response from Providers, Borrowers will maximize the VfM that is achieved through this stage of the procurement process.

Generally, there are two broad categories of specifications.

- **Conformance** based specifications describe in detail the technical requirements of the design, method of production, construction and/or delivery.
- **Performance** based specifications describe the outcomes or results required in terms of business or functional performance requirements. The evaluation of performance specifications can use a mixture of qualifying and rated criteria.

When deciding between a conformance based or a performance based specification, obtaining best VfM involves a tradeoff between the cost and time to create the specification; who will bear the risk due to a poor specification; ability for the suppliers to innovate in their response; and the complexity of the evaluation.

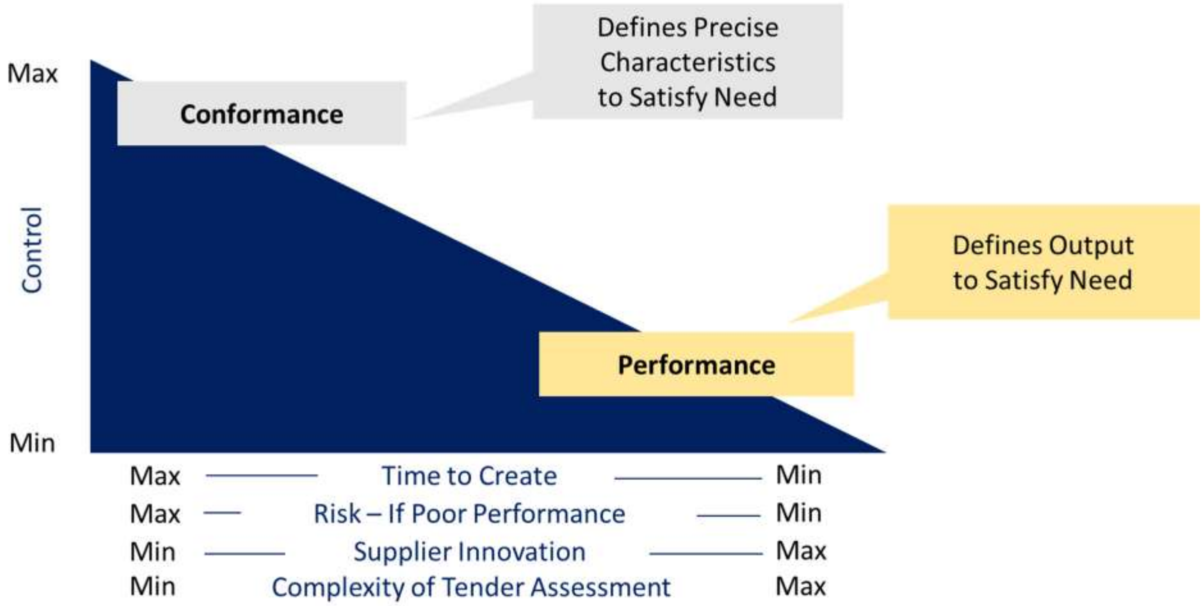

Figure II - Conformance and Performance Specifications

Conformance Specification

Conformance specifications are used where a thorough understanding of the requirements already exists, and there is little/no need for the supplier to innovate. In these circumstances and where Borrower wants to retain higher levels of control over design and delivery the Borrower normally has a comprehensive understanding of the requirement and is able to describe it in detail. This includes its technical, design, and functional requirements as well as being able to describe exactly how the supplier must perform and deliver the requirements.

Conformance specifications work best for simple purchases of goods, services, and works, where there is a focus on defining specific quantities and specifications for the requirements, unit price costing, and specifics around the time, place, and manner for delivery and acceptance.

The main risk of a conformance specification is that the specification does not accurately meet the need or is technically incorrect, such as the design does not function as intended or is obsolete, then all the upfront cost of developing the specification and the risk and cost to rectify lies with the Borrower because they have specified exactly what they want.

Performance Specification

Performance specifications are used where the understanding of what is required in terms of outcomes can be described, the Borrower is uncertain of the best process or method to deliver the requirements, or suppliers are known to have the capability to design fit for purpose solutions.

Performance based specifications focus on outcomes or results rather than detailing the process of production, construction, and delivery. They are particularly effective at allowing suppliers to bring their own expertise, creativity, innovation and resources to the Bidding process without restricting them to predetermined methods or detailed processes. This approach allows suppliers to reduce cost, and passes the risk of both cost and performance (supplying something that works) to the supplier.

As a general rule, performance based specifications focus on achieving results, whereas conformance specifications focus on meeting specified design and resource requirements.

Performance based specifications should be drafted such that suppliers are allowed appropriate flexibility when meeting the requirements, whereas conformance specifications exclude flexibility, unless alternative Bids or Value Engineering are permitted.

Additional Sustainable Procurement Requirements

The inclusion of sustainable procurement requirements in a procurement process, beyond those required by the Bank is non-mandatory for Borrowers. Borrowers can determine the extent to which they implement further sustainable procurement requirements-provided these practices are applied in ways that are consistent with the Bank's Core Procurement Principles, and agreed to by the Bank.

The intention to adopt additional sustainable procurement requirements in the procurement process should be identified at the planning stage of the PPSD.

Early consideration of additional sustainable procurement requirements ensures they are included in the overall procurement approach. The procurement approach can be designed to consider additional sustainable procurement requirements at a number of stages. These are:

a) Prequalification/ Initial Selection of firms;
b) functional and/or detailed technical specifications;
c) evaluation criteria;
d) contract terms and conditions; and
e) contract performance monitoring.

The requirements may arise from either Borrower sustainability policies or from risks and opportunities identified through analysis of the market or the business and operating environment. Sustainability risks and opportunities that could to be managed through the Procurement Process may also be identified through the environmental and social impact assessments. For example protection of local ecosystems near a work site, health and safety requirements or minimizing impact on project affected people.

The sustainable procurement requirements should be based on evidence (i.e., with supporting data), and on existing social-label criteria, eco-label criteria, or information collected from stakeholders in industry, civil society, and international development agencies. In whatever format the requirements are described, they should promote the broadest possible competitive response from the market in order to achieve VfM. The Borrower should ensure that the specification is the right type; that the basic elements are defined clearly to inform the evaluation criteria; and that risks are appropriately allocated between the contracting parties.

The World Bank Procurement Regulations for Borrowers states the requirements for appropriately setting specifications. See www.worldbank.org/procurement

Section V. Evaluation Criteria

Evaluation criteria are a standard or test used in the evaluation of Bids/Proposals to select the Most Advantageous Bid/Proposal which best meets the requirements and offers the best value for money (VFM).

The following requirements govern the Bid/Proposal evaluation criteria:

a) the evaluation criteria shall be proportionate and appropriate to the type, nature, market conditions, complexity, risk, value and objective of what is being procured;
b) to the extent practicable, evaluation criteria should be quantifiable (such as convertible to monetary terms);
c) the SPD shall include the complete evaluation criteria and the specific manner in which they shall be applied;
d) only the evaluation criteria, and all the evaluation criteria, indicated in the SPD shall be applied;
e) once the SPD has been issued, any change to the evaluation criteria shall be made only through addenda; and
f) the evaluation criteria shall be applied consistently to all Bids/Proposals submitted.

To achieve VfM, the evaluation criteria may take into account such factors as the following:

a) Cost: evaluation of cost using a methodology that is appropriate to the nature of the procurement including:
   i. adjusted Bid/Proposal price; or
   ii. adjusted Bid/Proposal price plus the running/recurrent cost over the useful life time of the asset on a net present cost basis (life-cycle costs);
b) Quality: evaluation of quality using a methodology to determine the degree to which the Goods, Works, Non-consulting Services or Consulting Services meet or exceed the requirements;
c) Risk: criteria that mitigate the relevant assessed risk;
d) Sustainability: criteria that take into account stated economic, environmental, and social benefits in support of the project objectives, and may include the flexibility of the Proposal to adapt to possible changes over the life-cycle; and/or
e) Innovation: criteria that allow assessment of innovation in the design and/or delivery of the Goods, Works, Non-consulting Services, or Consulting Services and that give Bidders/Proposers the opportunity to include, when appropriate, in their Bids/Proposals, solutions that exceed the requirements or alternative solutions that could deliver better VfM.

Application of different types of Evaluation Criteria

Depending on the selection method that is chosen, for example RFB with or without Pre-qualification, or RFP with Initial Selection, there are different approaches or processes that can be used to initially select/qualify firms, and to evaluate their Bids/Proposals in order to select the Most Advantageous Bid/Proposal. See Figure III.

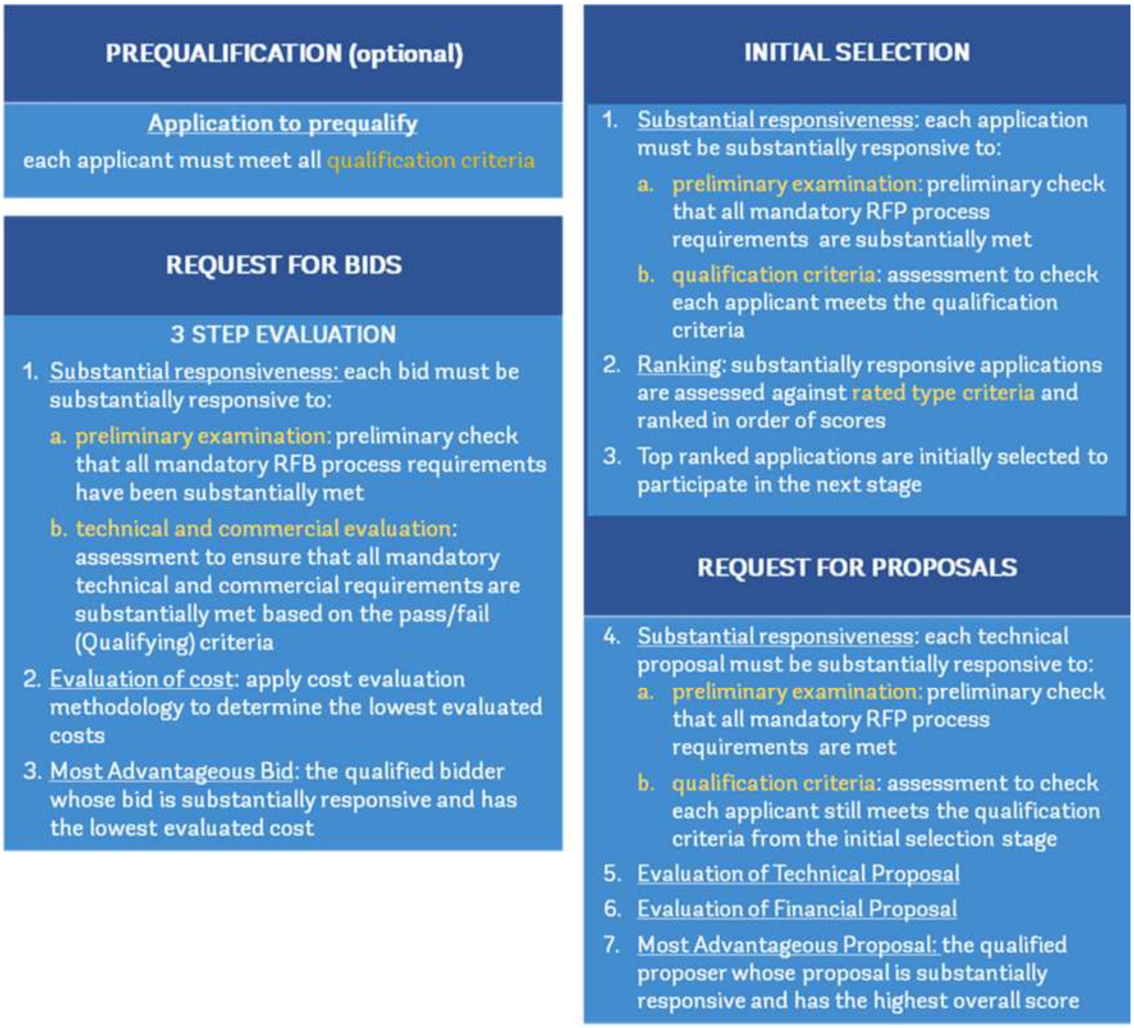

Figure III - Application of evaluation criteria RFB v RFP

Prequalification and Initial Selection

Prequalification and Initial Selection are processes used to shortlist Applicants in the procurement of Goods, Works and Non-consulting Services. These processes ensure that only those with appropriate and adequate capacity, capability and resources as assessed against the qualification criteria in the SPD, are invited to submit Bids/Proposals.

The assessment of an Applicant's qualifications only assess the firm that submitted the Prequalification/Initial Selection Application. The assessment does not take into consideration the qualifications of other firms such as its subsidiaries, parent entities, affiliates, subcontractors (other than specialized subcontractors if permitted in the Prequalification/Initial Selection document), or any other firm different from the firm that submitted the Prequalification/Initial Selection Application.

The use of qualification criteria for Initial Selection or with RFB with pre-qualification or post qualification is summarized in Figure III and is covered in detail in each of the respective SPDs and if applicable, User Guides.

Rated Criteria for Bid/Proposal Evaluation

Rated criteria are assessed using a scoring system. Each criterion is weighted according to its relative importance. Weightings are then applied to the scores. This facilitates the evaluation of technical merit, quality, risk, price and other relevant factors, and objectively compares one solution against another.

Once the total weighted scores are known, proposals can be ranked in order of merit based on the highest to lowest scores. The higher the score the better the proposal meets the rated criteria and offers VfM.

Rated criteria can be used:

a) in conjunction with pass/fail criteria in order to rank and initially select Applicants; and
b) in the evaluation of proposals (and exceptionally of bids) to identify the most advantageous proposal (bid).

Rated criteria may include, but are not limited to, the following features as relevant:

a) quality of methodology and work plan;
b) performance, capacity, or functionality features; and
c) sustainable procurement.

Rated criteria can be used:

- Where price is not the key determining factor
- To support ranking of Proposals
- To assess alternative approaches and innovation - rated criteria reward proposals that exceed minimum requirements and demonstrate best VfM
- Where criteria cannot be expressed in monetary terms.

Potential benefits of using rated criteria

- Allows Borrower to rank proposals in order of merit
- The Borrower can set a minimum score which proposers must meet – this supports selecting only the best quality proposals
- Rewards proposals that exceed minimum requirements
- Enables consideration of non-price attributes where price is not the key determining factor
- Requirements are based on performance and outputs, not functions or inputs
- Where the Borrower wishes to compare the merits of alternative proposals
- For sustainable procurement such as ability to offer products or services with low environmental impact or ability to reduce over life of contract e.g. fuel efficiency, reduction in waste, avoiding hazardous substances

Figure IV - Application and benefits of Rated-type criteria

Evaluation of Bid/Proposal Cost

As specified in the SPD, quoted costs are evaluated against monetarily quantifiable criteria. This allows the Borrower to compare and evaluate costs of each Bidder/Proposer.

Borrower's selection of method for the evaluation of Bid/Proposals cost shall be guided by the factors that will be considered for the purpose of evaluation besides the quoted costs. If factors selected can be quantified in monetary terms, then an RFB approach that uses monetarily quantifiable criteria should be selected. If factors cannot be monetized, then an RFP approach using Rated Type criteria should be selected.

When setting monetarily quantifiable evaluation criteria, the SPD shall specify the relevant factors, in addition to price, that are to be considered in Bid/Proposal cost evaluation, and the manner in which they will be applied for the purpose of determining the evaluated cost of each Bid/Proposal.

Examples of where monetarily quantifiable methodology can apply, include:

a) domestic margin of preference;
b) time schedule adjustment;
c) payment schedule adjustment
d) life cycle costing;
e) functional guarantees min/max adjustment; and
f) discounts for multiple lots.

Due diligence and Identification of Abnormally Low Bids

Achieving VFM requires that the contractor delivers what they are being paid to deliver under the contract. Due diligence is about independently verifying the ability of the contractor to fully deliver against the contract, over the term of the contract. It is a matter of prudence and good business practice.

Abnormally Low Bids are a potential risk to the contractor being able to meet their obligations under the contract. Where a Bidder intentionally or inadvertently, submits an ALB and an abnormally low Bid is identified, the Borrower should undertake due diligence in accordance with the procedure outlined in the ALB Guidance note.

For more information on the identification and treatment of Abnormally Low Bids see www.worldbank.org/procurement.

Section VI. Contract Management

Contract management is critical for ensuring both the supplier and the Borrower meet their contractual commitments to time, cost, and quality, and deliver the expected VfM. It requires systematic and efficient planning, execution, monitoring, and evaluation to ensure that both parties fulfil their contractual obligations with the ultimate goal of achieving VfM and contractual results. It involves:

a) tracking and monitoring of delivery and costs, time and quality;
b) supplier development to collaboratively improve performance and promote opportunities for ongoing innovation e.g. value engineering in appropriate contracts;
c) being clear on roles and responsibilities of both Borrower and supplier;
d) managing relationships with both the supplier and key stakeholders;
e) managing payments;
f) being proactive throughout the contract to anticipate problems and issues before they arise; and
g) managing problems and issues as they arise, quickly, effectively, fairly, and in a transparent manner.

From the Borrower's perspective contract management:

a) ensures the supplier delivers upon its commitments;
b) obtains best VfM during the life of the contract;
c) manages supply risks for the duration of the contract;
d) continually challenges to drive best value in its contracts;
e) ensures effective contracts that continue to deliver the requirements;
f) demonstrates best procurement practice in the management of contracts; and
g) provides evidence to support any audits.

KPIs are measures of contract performance that are aligned to the key outcomes that the procurement approach has been designed to deliver. The KPIs should be "SMART" indicators (Specific, Measurable, Attributable, Relevant, and Time-bound). They should also be directly linked to the Project Development Objectives and the Procurement Objectives and this will help ensure contract delivery is fully aligned with the desired outcome.

The KPIs should be included in the contract management plan, and if they link to incentive mechanisms/payment decisions, they will need to be agreed and included as part of the contract before it is signed.

To effectively manage a contract, it is best practice for the Borrower to develop a Contract Management Plan with KPIs and milestone events. The Borrower should monitor the performance and progress of contracts, in accordance with the Contract Management Plan, and provide timely reports to the Bank.

Normally the Contract Management Plan should at least include:

a) key roles and responsibilities;

b) key contractual dates and delivery milestones;
c) key performance indicators;
d) budget and payment milestones; and
e) record keeping requirements.

For more detail on contract management, see www.worldbank.org/procurement.

For additional information, such as Standard Procurement Documents (SPDs),
Guidance, briefing, training and e-learning materials see
www.worldbank.org/procurement

THE WORLD BANK
IBRD • IDA