IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

GUIDANCE NOTE
ON EVALUATION OF BIDS AND PROPOSALS INCLUDING USE OF RATED CRITERIA FOR PROCUREMENT OF GOODS, WORKS, AND RELATED SERVICES

2025 APRIL

Project Procurement & Financial Management (PPFM)

This Guidance Note is intended to complement the Guidelines for the Procurement of Goods, Works and Related Services under Islamic Development Bank Project Financing, approved by the Board of Executive Directors (BED) of the Islamic Development Bank, and published in February 2023. This document may be used and reproduced for non-commercial purposes. Any commercial use, including without limitation reselling, charging to access, redistribute, or for derivative Works such as unofficial translations based on these documents is not allowed.

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Disclaimer

Abbreviations

ALB	Abnormally Low Bid
BAFO	Best and Final Offer
EOI	Expression of Interest
FSC	Forest Stewardship Council
IsDB	The Islamic Development Bank.
MDBs	Multilateral Development Banks
PEFC	Program for the Endorsement of Forest Certification
PP	Procurement Plan
PS	Procurement Strategy
RFB	Request for Bids
RFP	Request for Proposals
REOI	Request for Expression of Interest.
SPDs	Standard Procurement Documents
VfM	Value for Money

Common Abbreviations and Defined Terms

Common abbreviations and defined terms that are used in this Guidance Note. Defined terms are written using capital letters.

Abbreviation/Term	Full Terminology/Definition
ALB	Abnormally Low Bid/Proposal. An ALB is one in which the Bid/Proposal price, in combination with other elements of the Bid/Proposal, appears so low that it raises material concerns with the Beneficiary as to the capability of the Bidder/Proposer to perform the contract for the offered price.
Applicant	A firm or joint venture that submits an application in response to an invitation for Prequalification or Initial Selection.
Application	A document submitted by an Applicant in response to an invitation for Prequalification or Initial Selection.
BAFO	Best and Final Offer
Bank (or IsDB)	The Islamic Development Bank.
MDBs	Multilateral Development Banks
Bid	An offer by a firm or joint venture in response to a Request for Bids (RFB) to provide the required Goods, Works, or Related Services.
Bidder	A firm or joint venture that submits a Bid for Goods, Works, or Related Services in response to a Request for Bids.
Beneficiary	Beneficiary or recipient of Bank Project Financing (PF) and any other entity involved in the implementation of a project financed by PF.
Comparative Scoring Methodology	A mathematical method to enable a fair comparison between a set of numerical results.
Conflict of Interest	A Conflict of Interest arises where a stakeholder member has some other interest that could materially interfere with their duty to act impartially in the evaluation process.
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.

Abbreviation/Term	Full Terminology/Definition
Consulting Services	It 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, and training and development.
Sub-criteria	A subsection of Evaluation Criteria to which a Bidder is required to respond.
Evaluation Criteria	Price and non-price criteria (including Rated Criteria when used) define how the Beneficiary assesses which Bid or Proposal provides the Most Value for Money.
Fraud and Corruption	The sanctionable practices of corruption, fraud, collusion, coercion, and obstruction defined in IsDB's Guidelines on Combating Fraud and Corruption and in IsDB Group Anti-Corruption Guidelines on Preventing and Combating Fraud and Corruption in IsDB Group-Financed Projects.
Goods	A category of Procurement that includes commodities, raw material, machinery, equipment, plant, and related services such as transportation, insurance, installation, commissioning, training, and initial maintenance.
Initial Selection (IS)	The shortlisting process used prior to issuing a Request for Proposals (RFP) in the Procurement of Goods, Works, or Related Services.
Related Services	Services that are not Consulting Services. Related 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.
Prequalification	The shortlisting process that can be used prior to inviting RFB in the Procurement of Goods, Works, or Related Services.
Probity Assurance Provider	An independent third party that provides specialist probity services for concurrent monitoring of the Procurement Process.

Abbreviation/Term	Full Terminology/Definition
Procurement	The function of planning for, and sourcing Goods, Works, Related Services, and/or Consulting Services to meet required objectives.
Procurement Documents	A generic term used in the Procurement Guidelines to cover all Procurement Documents issued by the Beneficiary. It includes: GPN, SPN, EOI, REOI, Prequalification documents, Initial Selection documents, and RFB and RFP documents, including any addenda.
Procurement Process	The whole Procurement life cycle that starts with the identification of a need and continues through planning, preparation of specifications/ requirements, budget considerations, selection, contract award, and contract management.
Procurement Strategy (PS)	The Beneficiary's project-level strategy document that describes how the procurement will deliver the development objectives. The PS supports Beneficiaries to develop procurement procedures that are Fit-for-Purpose and reflect VfM through the Application of IsDB's core procurement principles.
Proposal	An offer, in response to an RFP, that may or may not include price, by one party to provide Goods, Works, or Related Services to another party.
Proposer	An individual, entity, or joint venture that submits a Proposal for Goods, Works, and Related Services in response to a Request for Proposals.
Rated Criteria	Rated Criteria are used to evaluate nonprice attributes of Bids/Proposals, including quality, risks/mitigations, opportunities, sustainability, and other technical aspects. Specific references in the Procurement Guidelines include: ■ Paragraph 1.7.1 of the Procurement Procedures: Initial Selection ■ Annex H—Evaluation Criteria including Rated Criteria.
Standard Procurement Documents (SPDs)	Procurement Documents issued by the IsDB to be used by Beneficiaries for IsDB-financed projects. These include: GPN, SPN, EOI, REOI, Prequalification documents, Initial Selection documents, and RFB and RFP documents.
VfM	Value for Money. VfM represents the optimum combination of total cost of ownership and quality (or fitness for purpose) to meet the Beneficiary's requirements specified in the Procurement Documents.

Abbreviation/Term	Full Terminology/Definition
Works	A category of Procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and so on, and related services such as transportation, insurance, installation, commissioning, training, operation, and maintenance.

Contents

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PART

1

Overview and Determining the Evaluation Approach

PART 1 - Overview and Determining the Evaluation Approach

Section I - Overview

Context

This Guidance should be read with reference to the Islamic Development Bank Procurement Guidelines for Procurement of Goods, Works and Related Services and the applicable Standard Procurement Documents (SPDs) for the type of Procurement planned (Goods, Works, Related Services, and so on).

The details of specific Applications of Evaluation Criteria are detailed in each of the Bank's SPDs.[1] Further, given the variety of Procurement Processes, options, and approaches such as single-stage versus two-stage Procurement Processes, BAFO/negotiations, and so on, this Guide does not go into the unique details and specific treatment of these varied processes, which, again, shall be carried out in accordance with the applicable Procurement Documents.

To assist the reader, this Guidance Note uses a chronological approach based on the typical sequence of Procurement stages to illustrate creation and Application of Evaluation Criteria broadly and Rated Criteria specifically. Starting from determining the overall evaluation approach, considering the general Evaluation Criteria to be applied and then the specific Rated Criteria to be used, the Guidance Note also explains applying qualification criteria during Prequalification/Initial Selection, prioritizing Rated Criteria, and assigning weightings. The Guidance Note also describes the process of preliminary examination to determine substantial responsiveness, including the process of applying Evaluation Criteria to evaluate overall compliance and acceptable minimum standards. It then addresses, for compliant Bids/Proposals, the evaluation of technical aspects using qualitative Rated Criteria as well as the separate process to evaluate the Bid/Proposal's financial cost and finally combining both the technical evaluation and financial cost evaluation together with weightings to determine the best overall Bidder/ Proposer for final award recommendation.

This Guidance Note is intended to be relatively easy to read, and as such, the processes have been simplified as far as possible to facilitate initial understanding. Overall, the Guidance Note is presented in two parts:

Part 1: Overview and determining the evaluation approach. This part explains all the preparatory

[1] This Guide does not replace the Evaluation Criteria and mechanisms specified in the applicable Procurement Documents.

work needed to develop the evaluation approach, how Procurement objectives, risks, opportunities outlined by the Beneficiary in the Project Procurement Strategy (PS) may be used to inform Rated Criteria, how to prioritize criteria, considering use of minimum quality thresholds, how to organize the evaluation panel, and so on.

Part 2: Open and complete the evaluation of Bids/Proposals by applying the agreed evaluation approach. This part explains the process of preliminary examination, determining substantial responsiveness, applying the Evaluation Criteria, Rated Criteria, and so on to assess and score Bids/Proposals, as well as applying weightings to technical aspects and financial cost to determine the proposed Bidder/Proposer for final award recommendation.

Specific evaluation approaches for more complex Procurements should be considered by the Beneficiary in the PS and discussed with the Bank's Project Team. Where applicable, this Guidance Note includes illustrative examples to further assist understanding.

Enabling Use of Rated Criteria

Since 2023, the IsDB Procurement Guidelines has enabled Beneficiaries to use Rated Criteria to evaluate nonprice factors such as technical matters, quality, sustainability, environmental, social, innovative aspects of Bids, and so on, when determining an award decision.

A key objective of the Procurement Guidelines is to enable Beneficiaries to adopt a more strategic approach to Procurement, including the use of Rated Criteria that prioritize fit-for-purpose solutions rather than only the lowest-evaluated price.

Rationale for Use of Rated Criteria

Using Rated Criteria in public Procurement is not a new concept and has been good practice in many countries for over 30 years. In many MDB and IsDB-financed projects, Rated Criteria are already used by Beneficiaries for Selection of Consultants, plant (e.g., water treatment plants, power plants, and so on), information technology activities, textbooks, and generally when Request for Proposals (RFP) are sought. Therefore, Beneficiaries should be able to leverage their prior experience when determining and applying Rated Criteria in Goods, Works and Related Services.

Using Rated Criteria more widely will increase Beneficiaries' flexibility to procure Goods, Works, and Related Services best suited to their specific situation and provide a more fit-for-purpose approach. Rated Criteria will also increase the willingness of the best Bidders/Proposers to Bid and participate in Bank-financed Procurements—with the knowledge that their added value will be duly considered as part of the evaluation process,

thereby increasing different supply options, global competition, and effective market solutions to solve the Beneficiary's Procurement challenges.

Increasing the use of Rated Criteria further contributes to successful contract outcomes and effective risk management, including managing such issues as sustainability, environmental, social, supply chain disruption, cybersecurity, global health emergencies, and so on.

Combined with financial cost (and where appropriate, life-cycle cost formulas), applying Rated Criteria provides a better assessment of value that focuses on quality, sustainability, and other key criteria.

Section II – Determine Evaluation Approach

Determine Evaluation Criteria

Overall, different types of Evaluation Criteria are used in varied types of Procurement at varying stages in the assessment of Bids/Proposals. Generically, these are referred to as 'Evaluation Criteria' that are part of the Beneficiary's overall evaluation approach. The Beneficiary's evaluation approach should be developed and outlined as part of the PS.[2] The Beneficiary's evaluation approach should outline the overall methodology they intend to apply to evaluate Bids/Proposals, the various stages of evaluation planned, and where possible, the envisaged actual Evaluation Criteria to be applied with proposed weightings—e.g., technical such as quality, sustainability, environmental, social, innovation, and so on. The Beneficiary's evaluation approach will also need to detail how they intend to assess financial cost as well as their proposed final weightings for both technical and financial cost to determine the final award recommendation.

Evaluation Criteria should be established in the early stages of the Procurement to support transparency, VfM and integrity in the Procurement Process. Measures to be taken to ensure VfM, transparency and integrity of the Process include:

a. Evaluation Criteria to be proportionate and appropriate to the type, nature, market conditions, complexity, risk, value, and objective of what is being procured.
b. Procurement Documents shall include complete Evaluation Criteria, weightings, and the specific manner in which they will be applied.
c. Only Evaluation Criteria specified in the Procurement Documents shall be applied.
d. Once a Procurement Document has been issued, any change to the Evaluation Criteria shall be made only through addenda.
e. Evaluation Criteria shall be applied consistently to all Bids/Proposals submitted; and
f. An appropriate evaluation team(s) is put in place.

Generally, Evaluation Criteria should include technical aspects (e.g., quality, sustainability, environmental, social, innovation, and so on) that are taken into account when assessing Bids/Proposals to determine the final award recommendation. See Figure-I below.

FIGURE-I: Examples of different types of Evaluation Criteria and the increasing steps of application

Type	Criteria	Test	When
Step 1. Substantially responsive	Process criteria	Meets requirements without material deviation, reservation, or omission	A preliminary check undertaken when Bids/Proposals are opened to establish their compliance with required procedures and processes prescribed in the Procurement Document.

[2] Guidance Steps on Procurement Strategy during Project Preparation/Appraisal.

Step 2. Qualification	Qualification criteria	Pass / Fail	Must meet the mandatory or minimum qualification standard set
Step 3. Minimum requirements	Minimum technical/ performance requirements	Pass / Fail	Must meet the specified minimum technical/performance requirements and standards
Step 4. Qualitative	Rated Criteria	Weighted and scored	Criteria that assess and compare qualitative aspects of the technical aspects, such as technical, quality, risk, and innovation.

The evaluation approach and setting of different Evaluation Criteria that increasingly apply (and/or include detailed technical aspects more appropriate as Rated Criteria), as outlined in Figure-I, should be informed by the different analyses and conclusions outlined in the Beneficiary's PS. Figure-II below details a simple logic flow to develop the evaluation approach and Evaluation Criteria by considering the Beneficiary's Procurement objectives, Procurement-related risks, mitigations, and market dynamics outlined in the PS.

Figure III is an example of increasing/targeted Evaluation Criteria that could be used to continually refine the evaluation of a simple Works Bid/Proposal (as should be outlined in the Beneficiary's PS evaluation approach).

FIGURE-II: Delivering Procurement objectives through the Procurement Process

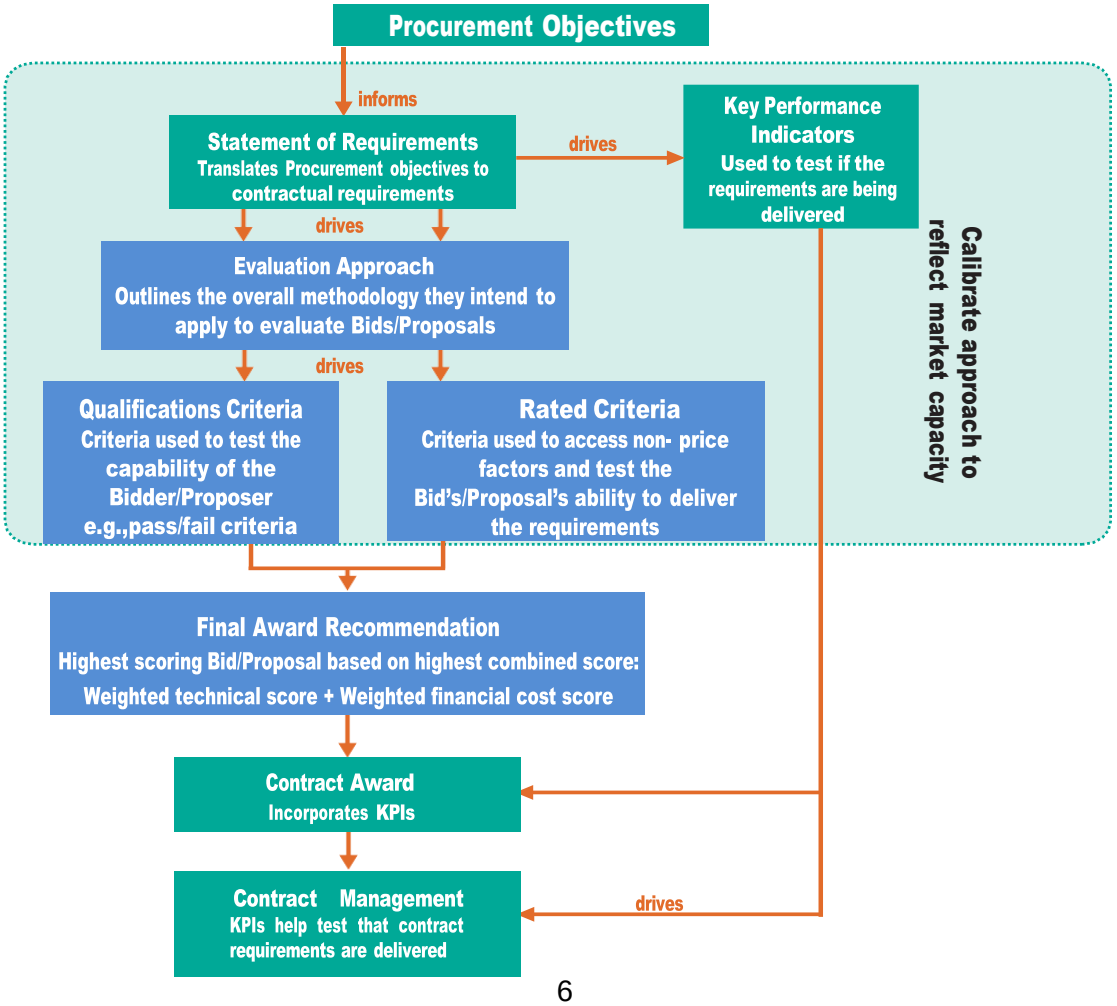


FIGURE-III: Illustrative example of Works Evaluation Criteria increasingly applied or targeted to a specific step

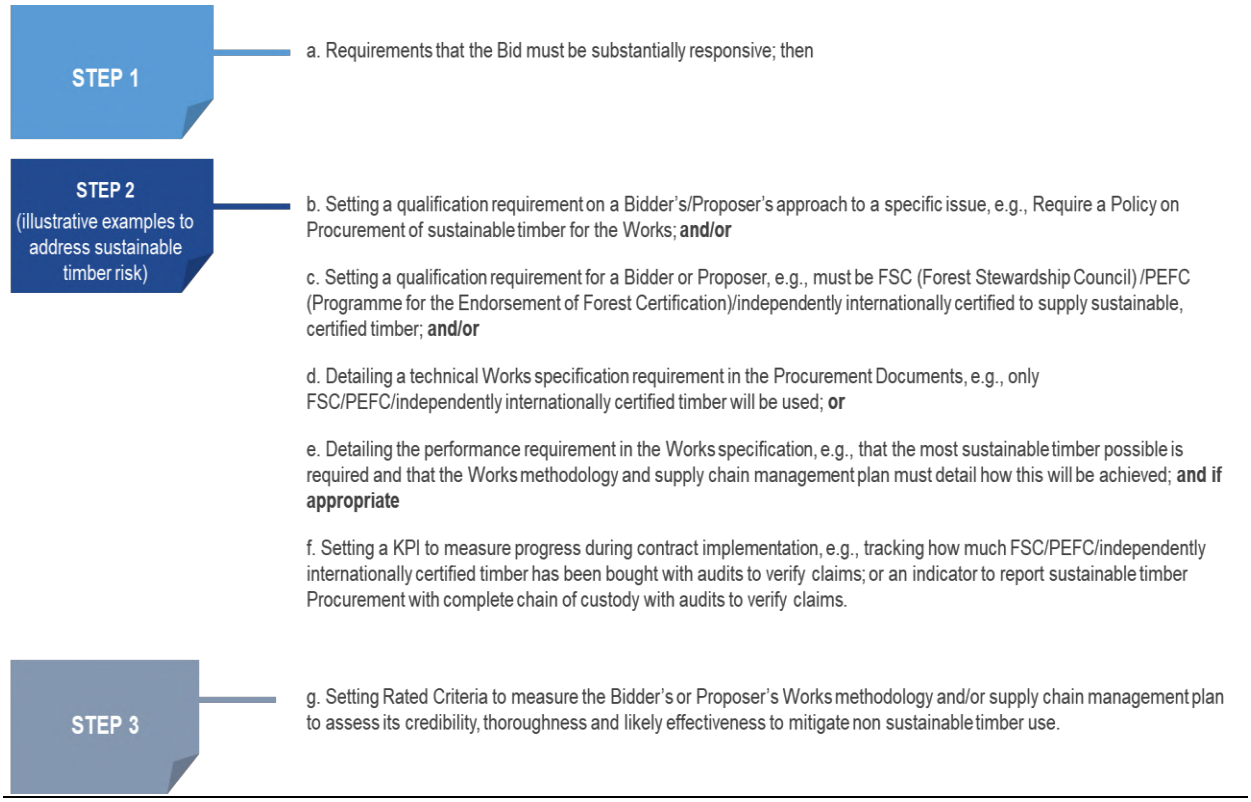
Type/Criteria	Example Evaluation Criteria applied at different steps
Step 1 Substantially responsive (use Process Criteria)	Following preliminary examination, Bids/Proposals that are determined complete with no material deviations are then evaluated for substantial responsiveness, inter alia: ▪ Detailed works methodologies for evaluation ▪ Detailed Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) management plan (if high risk of SEA/SH) ▪ Detailed Code of Conduct
Step 2 Qualification (apply Mandatory Criteria)	Inter alia: ▪ Has relevant regional/global experience similar to the project requirements ▪ Has demonstrated financial capabilities ▪ Has related construction experience and relevant track record ▪ Has specific experience in managing environmental and social aspects in related works projects
Step 3 Minimum technical/performance requirements	▪ Must meet the specified minimum/essential technical/ performance/functional requirements and standards
Step 4 Qualitative (Rated Criteria)	Inter alia: ▪ Thorough design that is fit for purpose and is appropriate for the site's conditions (may include opportunities for added value) ▪ Works methodology for delivery/performance, that provides a full explanation of processes, systems approach that is credible, realistic and thorough ▪ Proposed approach to manage and control costs during implementation, that is thorough, credible, and shows integrity ▪ Overall innovation in the Bid/Proposal ▪ Appropriate site team structure and composition ▪ Highly experienced Project Manager, qualified experts, and appropriate personnel (technical depth and appropriate number/resource allocated) ▪ Clear works risk analysis and appropriate mitigation measures ▪ Code of conduct that includes relevant additional actions that show credibility in identifying and addressing social aspects ▪ Effective supply chain management plans ▪ Comprehensive environmental and social management strategies and implementation plans ▪ Appropriate plans to manage safety and prevent accidents ▪ Appropriate plans to manage infrastructure cyber security risks

Consider Procurement-related Risks when Defining Evaluation Criteria

The setting of Evaluation Criteria as part of the overall evaluation approach, and in particular when setting qualitative, Rated Criteria may also be usefully informed by the project and Procurement- related risks identified in the PS or as detailed in the Beneficiary's Procurement Plan.

Mitigating certain risks may require one or a combination of Procurement-related actions, use of Evaluation Criteria and Rated Criteria. Figure-IV is a simple illustrative example that considers different options to address the risk of nonrenewable timber use in a Works project.

FIGURE-IV: Illustrative example of options to address the risk of nonrenewable timber in a Works project



The example in Figure-IV illustrates that there is not necessarily a right or wrong way of mitigating a risk through the use of Evaluation Criteria and Rated Criteria. However, what should guide the approach taken is consideration of the market's capacity and the Beneficiary's influence in the market. For highly competitive Procurement, where there is high market capacity and when Beneficiary has a high influence, then requirements may be many and be more demanding. Whereas if the market is constrained, market capacity is mixed/low and/or the Beneficiary has a low influence, then the number of Evaluation Criteria and Rated Criteria and the level of demand will need to be much more focused. If the

market dynamic is not considered, then there is a danger that the Beneficiary will receive no Bids/Proposals, or that many Bids/Proposals will not pass the minimum acceptable thresholds for consideration. Therefore, setting an optimum number of Evaluation Criteria and Rated Criteria, and being realistic on the depth of requirement for each criterion and any Sub-criterion (how demanding the Beneficiary is on a given technical aspect) is critical.

Section III -Determine Use of Prequalification/Initial Selection and/or Qualification Criteria

Prequalification

Prequalification is normally used with Requests for Bids, depending on the nature and complexity of the Goods, Works, or Related Services, as detailed in the PS. During Prequalification, the qualifications of Applicants are normally assessed against such criteria as, inter alia:

a. Eligibility
   i. Nationality
   ii. Conflict of Interest
   iii. Bank eligibility
   iv. Beneficiary's country law or Boycott Regulations of the Organization of the Islamic Cooperation, the League of Arab States and the African Union

b. Historical Contract Non-Performance
   i. History of nonperforming contracts
   ii. Suspension based on execution of Bid/Proposal Securing Declaration by the Employer
   iii. Pending litigation
   iv. Litigation history
   v. Environmental and social past performance
   vi. Bank's Sexual Exploitation and Abuse/Sexual Harassment disqualification

c. Financial Situation and Performance
   i. Financial capabilities
   ii. Average annual turnover

d. Experience
   i. General experience
   ii. Specific experience

e. Past Performance
   i. Number of similar contracts
   ii. Timeliness of delivery

All Applicants for a Prequalification that substantially meet the qualification requirements

are invited to submit a Bid/Proposal.

Initial Selection

Initial Selection is normally used with Request for Proposals. It enables the Beneficiary to invite only the highest-ranked Applicants to submit Proposals.

Initial Selection involves a two-step process. See example at Figure V.

Step 1

The first step is similar to the Prequalification process. All Applicants to an Initial Selection are assessed against minimum qualification requirements.

Step 2

Applicants that substantially meet the qualification requirements are then assessed against the Rated Criteria in the Initial Selection document in order to be ranked on merit. Rated Criteria for this assessment may include aspects such as:

a. Management capability (policy, systems, practice)
   i. Management capabilities
   ii. Financial management
   iii. Risk management
   iv. Health and safety management
   v. Innovation
   vi. Sustainable business

b. Contract/Project Management Capability (policy, systems, practice)
   i. Contract/project management
   ii. Scope of human resources and structure assigned to contract/project management
   iii. Budget and financial management
   iv. Risk processes to mitigate/ manage
   v. Value engineering, continuous improvement

c. Beneficiary's requirements
   i. Understanding of the Beneficiary's requirements
   ii. Practical and realistic preliminary approach and methodology
   iii. Realistic preliminary timeline/delivery schedule
   iv. Effective risk identification
d. Sustainable Procurement

i. Sustainable Procurement (policy and systems)
ii. Track record of delivering successful sustainable Procurement results in similar projects (actual, similar project examples to be provided)

FIGURE-V: Example of Initial Selection process

STEP 1: 20 Applications are received and evaluated against Table 1: Qualification Criteria and Requirements.

NOTE: The Beneficiary states in the ISDS:
X=4=minimum number
Y=8=maximum number

STEP 2: 9 Applications are not substantially responsive to Table 1 and are eliminated.

STEP 3: 9 Applications are substantially responsive to Table 1 and are long listed.

STEP 4 – Table 2 Evaluation: the 11 long listed Applicants are evaluated based on Table 2: Rated Criteria and Requirements.

STEP 5 – Rank Applications: the Beneficiary calculates the total score (i.e. the total score for each Application). The Beneficiary ranks the Applications in order of the highest total score to the lowest total score.

Ranking	Application	Total scores	Beneficiary's actions
1st	Firm A	89	x=4 The first 4 ranked Applications are Initially Selected
2nd	Firm B	85	
3rd	Firm C	80	
4th	Firm D	76	
5th=	Firm E	75	The Beneficiary has discretion to Initially Select a firm from this group of Applications. Initial Selection is controlled by ranking
5th=	Firm F	75	
7th	Firm G	34	
8th	Firm H	**30**	
9th	Firm I	28	y=8 All Applications ranked from y+1 and beyond are eliminated (i.e. the 9th, 10th, and 11th Applications).
10th	Firm J	26	
11th	Firm K	23	

STEP 6 – Initial Selection up to x=4: The Beneficiairy Initially Selects the top four ranked Applications .

STEP 7 – Eliminate y+1 (y=8) Applications: The Beneficiary eliminates the 9th, 10th ans 11th ranked Applications.

STEP 8 – Optional: Firm D is only one point higher than the next ranked firm(s). Firms E and F are tied at 5th place, and only one point lower than Firm D. Firms G and H are substantially lower than Firms E and F. The Beneficiary decides that this situation justifies also Initially Selecting Firms E and F. Firms G and H are not Initialy Selected.

After ranking the Applicants based on their scores, the list of initially selected Applicants is established in accordance with the number (range) specified in the Initial Selection Document.

Qualification Criteria

If Bidders/Proposers have not been through Prequalification/Initial Selection, the Beneficiary shall specify appropriate qualification requirements in the RFBs or RFPs.

The assessment of a Bidder's/Proposer's qualifications shall 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 Procurement Documents), or any other firm different from the Bidder/Proposer that submitted the Bid/Proposal. See also more details in Section VI.

Section IV - Prioritize Technical Rated Criteria and Assign weightings to Criteria and Any Sub-criteria

Overview

Earlier this Guidance Note explained how Beneficiaries can use their analysis in the PS, including inter alia Procurement objectives, risk assessment and market appraisal to inform setting the overall evaluation approach, Evaluation Criteria and Rated Criteria. As part of the evaluation approach, when identifying Rated Criteria, Beneficiaries should ensure such criteria focus on the most essential qualitative technical aspects of the Procurement so that they achieve the appropriate impact in the final award decision. To be transparent the relevant details of the evaluation approach, and the detailed explanation of the Evaluation Criteria and Rated Criteria (technical aspects, including any Sub-criteria) as well as the method to evaluate financial cost, and all the weightings that will be applied must be specified in detail in the Procurement Documents.

Prioritize Rated Criteria and Assign Technical Weightings

Rated Criteria are prioritized and weighted according to their relative importance to the Beneficiary in meeting its requirements. It may be useful at this stage to refer to the Procurement-related risks identified in the PS and/or the Procurement Plan. One way of managing/mitigating Procurement- related risks is to ask Bidders/Proposers in the RFB/RFP how they will mitigate those risks and whether they anticipate other applicable risks and mitigations not yet identified by the Beneficiary. Rated Criteria can then be included in the RFB/RFP to allocate points to the Bid/Proposal, depending on how well the Bidder/Proposer has proposed to mitigate the risk, with additional points for identifying other anticipated relevant risks and effective mitigations.

Generally, the overall number of Rated Criteria should be kept to the essential minimum. Having too many Rated Criteria often serves to dilute the important characteristics of Bid/Proposals and makes identification of the optimal Bidder/Proposer more difficult.

To enable evaluation of overall technical factors (e.g., quality, sustainability, environmental, social, and so on), specific technical Sub-criteria with corresponding weights may also be included if appropriate. It is important to ensure that the level of technical weighting is appropriate, both for the general technical aspects (and Sub-criteria as applicable) and then for the final evaluation when total technical scores are combined with financial cost scores by applying an overall weighting to financial cost versus technical aspects.

To help prioritize and focus the Rated Criteria for technical aspects, the Beneficiary may use a simple prioritization matrix. See Figure-VI.

FIGURE-VI: Example prioritization matrix for Evaluation Criteria

	Criteria A	Criteria B	Criteria C	Criteria D
Criteria A				
Criteria B	B			
Criteria C	C	B		
Criteria D	D	D	D	

TOTAL COUNT	PRIORITY	WEIGHTINGS
A = 0	4th	10%
B = 2	2nd	30%
C = 1	3rd	20%
D = 3	1st	40%

Start by creating a simple table as per Figure-VI, with each Rated Criteria being identified as a letter in alphabetical order.

a. Insert the Rated Criteria into the matrix twice — once in the horizontal rows and once in the vertical columns.

b. Take each pairing in turn. The Beneficiary's team should determine which of the two compared against each other is more important to this Procurement, e.g., compare Rated Criteria A against B, and so on. If the team decides that B is most important, then insert the letter 'B' in the box. If the evaluation team decides that both criteria are equal, then insert 'A' and 'B'.

c. Count the total number of 'A's, 'B's 'C's, and so on.

d. The letter with the highest count is the most important and the letter with the lowest count is the least important.

e. Prioritize as 1st, 2nd, 3rd, and so on, on the basis of the highest count so that each Criteria is ranked against the others; and

f. Discuss and agree percentage weightings. The weighting reflects the relevant of the Evaluation Criteria to the successful delivery of the Project/Procurement.

Construct a list of Rated Criteria in the agreed priority order and finalize how important each criteria is compared to the others. The Procurement team must decide how much more important, say, Criteria D is than Criteria B, how much more important Criteria B is than Criteria C, and so on.

Starting a conversation among the Beneficiary's team about the relative importance of each

Rated Criteria begins the process to agree on their final weighting. The weightings of all Rated Criteria should add up to 100% in total.

In the example above, it was found that Rated Criteria D was most important, with Rated Criteria A much less important. If one Rated Criteria was vastly more important than any of the others, this Rated Criteria might receive perhaps 50% of the total technical weight (half the total technical points available). In the example below, where, apart from Criteria A, there is a more equal spread of importance, the technical weightings might be split, e.g., 40%, 30%, 20%, and 10.

Section V – Determine Any Minimum Quality Thresholds

Overview

Normally, the Procurement Documents would specify the minimum/essential technical/performance/ functional requirements and standards that shall be met prior to application of Rated Criteria.

In certain circumstances, Beneficiaries may also consider setting a minimum quality threshold. This mechanism is designed to ensure that only Bids/Proposals that demonstrate their ability to deliver the minimum quality are considered for contract award. The process involves the following steps:

a. Identify the Evaluation Criteria that constitute the minimum quality that is required.
b. Set a minimum quality threshold score in relation to the Evaluation Criteria.
c. Reject Bids/Proposals that do not meet the minimum quality threshold score from further consideration. Only Bids/Proposals that meet, or exceed, the minimum quality threshold score proceed to financial cost evaluation.

A minimum quality threshold may apply to:

Total combined score of all Rated Criteria	This protects the Beneficiary from a Bid/Proposal that is the lowest cost but falls short of the overall minimum quality required.
Combined score of selected Rated Criteria/Sub-criteria	This approach prevents Bidders/Proposers from ignoring certain Rated Criteria, even if they have relatively low weight associated with them in the overall technical assessment.
Score for an individual Rated Criteria/Sub-criteria	This may be helpful where the specific Rated Criterion/Sub-criterion carries relatively low weight, but it is important or critical to the Procurement outcomes.

Where this approach is adopted the Procurement Documents must specify that a minimum quality threshold applies and describe the minimum quality threshold method, specify what constitutes the minimum quality threshold score and, where the score applies to only some Rated Criteria/Sub-criteria, or an individual Rated Criterion/Sub-criterion these need to be specifically stated. It is essential that the Procurement Documents clearly stipulate the consequences of failure to meet the minimum quality threshold, that is, it will lead to rejection of the Bid/Proposal.

It is essential to make sure that the minimum quality threshold/s is not anticompetitive or discriminatory. It is also critical that minimum quality thresholds are set at a realistic level

considering the markets capacity to respond. Setting the level too high may result in most or all Bids being rejected. An illustrative example showing the use of minimum quality thresholds is outlined in Annex 2.

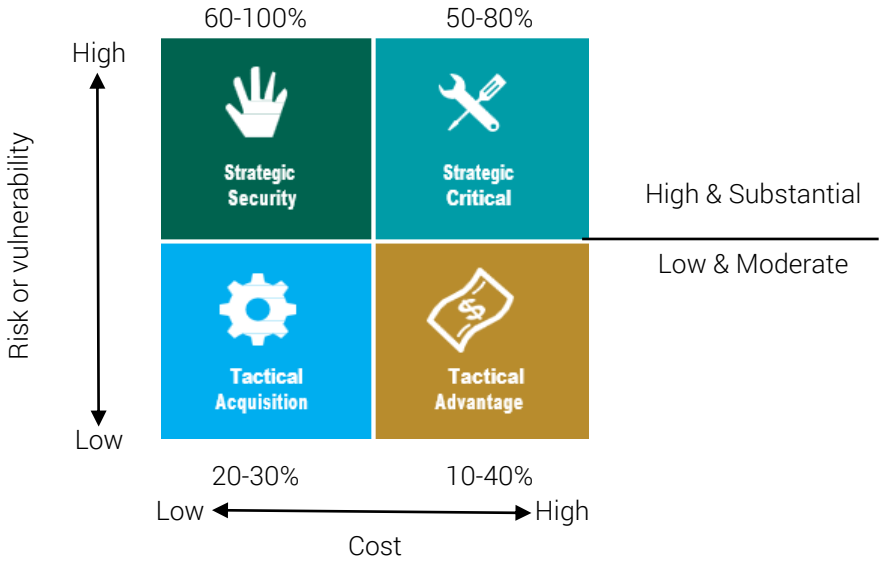
Section VI – Final Weightings to be Applied to the Overall Technical Evaluation Versus the Financial Cost Evaluation to Determine the Award Recommendation

Overview

The overall technical versus financial cost weighting (for example: Technical 40% / Financial 60%) denotes the determined optimum balance of quality factors and cost in a Procurement and drives the assessment of best VfM. The percentage split in the overall weightings is determined on a case-by-case basis, taking into account the specific risks, opportunities, issues, and quality factors present in the Procurement and as outlined in the Beneficiary's PS and/or Procurement plan.

The technical versus financial cost weighting is determined based on a number of factors specific to individual Procurement. There are no 'prescribed' weightings for different categories of Procurement. However, the Beneficiary's placement of a specific Procurement within the supply positioning model (see Figure VII) detailed within their PS can usefully help to guide determination of overall technical versus financial cost weightings.

FIGURE-VII: Supply positioning model, considered as part of the Beneficiary's PS



Minimum quality weighting to be informed by risk level and value of procurement. Beneficiary country and Bank staff to set appropriate quality rating. High value and substantial risk contracts will have a minimum of 50% quality rating. A strong oversight on quality and risk rating.

Figure VIII below provides an illustrative example of indicative technical aspects versus financial cost weightings informed by the placement of Procurements in a supply positioning model in a PS (Figure-VII).

FIGURE-VIII: Example indicative technical–financial weighting

Placement of a Procurement in the Supply Positioning Model in the Beneficiary's PS	Characteristics	Indicative Illustrative Technical versus Financial Cost Weightings
High risk and high value Strategic critical Procurements in a project. Approach: Consider weightings very carefully, given how critically important these Procurements are from both a technical and financial cost basis, weightings need to address both aspects. Typically, these types of Procurements are often a 50:50 weighting given equal levels of risk/cost importance. However, Beneficiaries should adjust the weighting balance if either technical or financial cost aspects are more important.	• The few, most important Procurements that are essential to get right • The strategically critical Procurements, that if they fail would have severe and/or ongoing consequences to the project/ Beneficiary • Typically, fewer sources of supply • Suppliers may have more power/leverage in the Procurement • Specification is often complex • Procurement approach much more in-depth due to complexities	Circa 60: 40 to 40: 60
High risk and low value Strategic security Procurements in a project. Approach: Consider weightings to technical aspects carefully, given how high risk the Procurement is and that it is relatively low value. Increased costs to offset reduced supply risk and/or better technical performance is usually a price well worth paying. Typically, these types of Procurements have a much higher weighting to technical aspects rather than financial cost.	• If supply fails, impact on the Beneficiary and/or project would be significant • The few, critical, but low-cost Procurements that are essential to get right due to the high level of risk • Few sources of supply or oligopoly, duopoly, single • Few product/service/Works alternatives available • Specialized/niche equipment, services, Works • Suppliers may have more power/ leverage in the Procurement • Complex specification	Circa 90: 10 to 60: 40

(*continues*)

FIGURE-VIII: Example indicative technical–financial weighting (continued)

Placement of a Procurement in the Supply Positioning Model in the Beneficiary's PS	Characteristics	Indicative Illustrative Technical versus Financial Cost Weightings
Low risk and high value Tactical advantage Procurements in a project. Approach: Consider weightings to financial cost aspects carefully, given how high value this Procurement is and that it is relatively low risk. Due to the higher levels of spend managing financial cost impacts will usually be more important than detailed technical aspects because these risks are overall much lower. Typically, these types of Procurements have a much higher weight to financial cost than technical aspects.	• High expenditure area, so managing financial cost is important • Minimal to no impact if the supply fails (it is not critical to the project or can be easily fixed if there is a problem) • Many sources of supply • Many product/services/works alternatives available • More competition • Beneficiary may have more power/leverage in the Procurement	Circa 10: 90 to 40: 60
Low risk and low value Tactical acquisition Procurements in a project. Approach: Consider weightings to financial cost aspects carefully and ensuring efficiency in the Procurement Process, given how low value and low risk this Procurement is. These Procurements should be the lowest priority for attention and should be procured in the most efficient manner possible (e.g., shopping or simple quotations, framework agreements, and so on). The strategy should be to minimize the time spent on these Procurements, which can mean paying a little more if it releases staff time to focus on high-risk Procurements. Typically, these Procurements have a slightly higher weight to financial cost than technical aspects.	• Low risk and low expenditure area, so minimizing valuable staff time to procure them is most important • Avoid nuisance Procurement problems that could absorb staff time because the impact is so low • Minimal to no impact if the supply fails (it is not critical to the project or can be easily fixed if there is a problem) • Many sources of supply • Many product/services/works alternatives available • More competition • Beneficiary may have more power/leverage in the Procurement	Circa 20: 80 to 30: 70

Other factors that could impact the technical–financial weighting could include:

a. Extent of risks associated with the Procurement (the greater the risk, the higher the technical weighting).

b. Degree of opportunity for Procurement to contribute to broader social, economic and environmental objectives (the greater the opportunity, the higher the technical weight).

c. Potential for market led innovation (the greater the potential for innovation, the higher the technical weighting).

d. Complexity of the supply chain (the greater the supply chain complexity, the higher the technical weighting).

Section VII - Maintaining Integrity of the Evaluation Approach

Preventing Conflict of Interest

The IsDB's Procurement Policy[3] requires that all parties involved in the Procurement do not have a Conflict of Interest. This applies to all members of the Beneficiary's Procurement team, all specialists and technical advisors who are asked to advise on the Procurement, all members of the Evaluation Committee and anyone involved in making a recommendation, approving a recommendation, or making an important decision in the Procurement. To assist Beneficiaries the Bank has published specifically a Guidance Note on Conflict of Interest.

A Conflict of Interest affects, or can be perceived to affect, a person's independence, objectivity, or impartiality. It occurs when an individual is subject to two coexisting interests that are in direct conflict with each other. For example, a person may derive some form of personal benefit or advantage or avoid a personal disadvantage if a decision made in their official capacity has a particular outcome.

It is essential to take measures to preclude a Conflict of Interest impacting a procurement process. This means having systems and processes in place to:

a. Check for conflicts of interest.
b. Identify and report any actual, potential, or perceived conflict; and
c. Resolve any Conflict of Interest in a manner acceptable to the IsDB.

The evaluation of Bids/Proposals will usually be completed by an Evaluation Committee comprising an appropriate range of technical evaluators as opposed to just one individual person. Evaluation Committees help to ensure that Bids/Proposals are given a broad, balanced, objective, and fair evaluation as opposed to relying on the views of just one person.

Use of Independent Probity Auditors

In situations where there are integrity risks, and/or where there are likely to be many Bidder/Proposer challenges or complaints, and/or where a Beneficiary wishes to seek additional independent process assurance, the Beneficiary may engage an independent Probity Assurance Auditor to support/witness/document Bid/Proposal evaluation processes. Probity Assurance Auditors may be present during different stages of the

[3] Guidelines for the Procurement of Goods, Works and Related Services Part 1 Procurement Policy

Procurement Process, including:

a. Early market engagement.
b. Bid/Proposal opening.
c. Bid/Proposal evaluation.
d. Negotiations; and
e. Contract award decisions.

The Bank may require a Beneficiary to appoint a Probity Assurance Auditor. In this case, the Beneficiary needs to obtain the Bank's agreement as to the selection and appointment.

Confidentiality

Information relating to the evaluation of technical proposals shall not be disclosed to Bidders/ Proposers or any other persons not officially concerned with the Procurement Process until Bidders/ Proposers are notified of the outcome of the technical evaluation. Similarly, information relating to the evaluation of financial proposals, the evaluation of combined technical and financial proposals and recommendation of contract award shall not be disclosed to Bidders/Proposers or any other persons not officially concerned with the RFB/RFP process until the notification of intention to award the contract is provided.

IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

PART

2

Open and Complete the Evaluation of Bids/Proposals by Applying the Agreed Evaluation Approach

PART 2 – Open and Complete the Evaluation of Bids/Proposals by Applying the Agreed Evaluation Approach

(Including Use of Qualitative Rated Criteria)

Section VIII – Complete Preliminary Evaluation

Overview

The evaluation should begin immediately after the opening of the Application/Bid/Proposal with a preliminary examination as required by the Procurement Documents before undertaking a more detailed evaluation. This action enables the evaluation committee to save time and resources by identifying and rejecting Applications/Bids/Proposals that are incomplete or invalid.

The results of the preliminary examination should be presented in the Bid/Proposal Evaluation Report. If the Application/Bid/Proposal fails preliminary examination, the reasons should be clearly explained in the Bid/Proposal Evaluation Report. Since rejection at this stage puts the Application/Bid/Proposal out of any further considerations, it should be ensured that the decision to reject is justifiable.

Rarely is an Application/Bid/Proposal perfect in all respects. In the preliminary examination, attention should be directed towards material deficiencies that, if accepted, would provide unfair advantages to the Applicant/Bidder/Proposer (e.g., accepting lower quality may mean an Applicant/Bidder/Proposer can then get the advantage of being able to offer a very low financial cost that may distort the overall evaluation process). Sound judgment should be used so that rejection and acceptance decisions can be fully justified in accordance with the Procurement Documents.

The justification to reject must therefore be based on the existence of one or more major deficiencies or deviations that cannot be permitted to be rectified or accepted in any case, and rejection would be justified and sustainable. As a rule, major deviations, omissions or reservations are those that, if accepted, would not fulfill the purposes for which the Application/Bid/Proposal is requested, or would prevent a fair comparison with Applications/Bids/Proposals that are properly compliant with the Procurement Documents.

Checks to be applied at this stage may include, but are not limited to, and in all cases, as specified in the Procurement Documents:

Verification

The validity of the Application/Bid/Proposal requires that all relevant forms be signed by authorized person or persons. If the Applicant/Bidder/Proposer is a joint venture, the joint venture agreement or a letter of intent to execute a Joint Venture Agreement must be submitted, as applicable; if the Bidder/ Proposer is not a manufacturer, an authorization from the manufacturer must be provided in addition to any documentation required from the Bidder/Proposer itself.

Eligibility and Qualification Requirements

The Bidders/Proposers shall meet the eligibility requirements and substantially meet the qualification requirements. All Goods, Works and/or Related Services shall also meet the eligibility requirements.

Bid/Proposal Security

The Procurement Documents may require submission of a Bid/Proposal security. If so, the Bid/Proposal security should conform to the requirements of the Procurement Documents, and it must accompany the Bid/Proposal.

Completeness of Application/Bid/Proposal

Unless the Procurement Documents has allowed partial Bids/Proposals, failure to Bid/propose for the required scope is cause for rejection.

Only Bids/Proposals from eligible and qualified Bidders/Proposers that have passed the preliminary examination will proceed to the detailed technical evaluation stage.

Section IX - Complete Technical Evaluation and Apply Technical Weightings

Bids/Proposals from eligible and qualified Bidders/Proposers that have passed the preliminary examination should then be evaluated to ensure that the specified minimum/essential technical requirements are substantially met. Such essential requirements depend on the nature, complexity, and risk of the contract.

- As an example, for a design, build and operate of a sewage treatment plant and associated infrastructure, such minimum requirements may include (illustrative only, based on real case scenario): Treatment Capacity: The sewage treatment plant (STP) shall be designed for an average daily flow of minimum "x" million liters per day, to treat raw wastewater influent having Baseline wastewater influent characteristics as stipulated in the Procurement Document, *Section* . . .
- Treated effluent discharge standards: must meet the requirements specified in *Schedule* . . .
- Dried sludge standards: must meet the requirements specified in the *Schedule of Performance Standards* . . .
- Land availability: The STP shall be constructed within the boundaries shown in *Drawing No.*. . . .
- Maintaining the baseline for flow and quality: The Works shall be carried out without deteriorating the Baseline flow and quality as stipulated in the *Employers' Requirements*.

Bids/Proposals that have been determined to qualify and meet the minimum/essential technical requirements as applicable are then evaluated by applying the Rated Criteria specified in the Procurement Documents.

The final technical score assigned to each Bid/Proposal in the Evaluated Bid/Proposal Formula will be determined by first weighing the technical scores assigned by an evaluation committee to each Rated Criterion. These scores shall then be added together to give the overall technical score. See Annex 3 for a more detailed example of the use of comparative scoring for Bid/Proposal evaluation.

The Rated Criteria should be specific and be clearly identified in the Procurement Documents. For example, Beneficiaries may consider inter alia:

a. How well the performance, capacity, or functionality features meet or exceed the levels specified in the Procurement Documents and/or influence the life-cycle cost and effectiveness of the Procurement.

b. The quality of technical Bid/Proposal in terms of the criteria spelled out in the RFB/ RFP. These could include, inter alia:

   i. Method statement
   ii. Risk assessment and proposed mitigation actions
   iii. Key personnel
   iv. Access to key equipment
   v. Site organization
   vi. Code of Conduct proposed by the contractor
   vii. Safety
   viii. Environmental
   ix. Social
   x. Sustainability
   xi. Supply chain management
   xii. Cybersecurity
   xiii. Quality assurance
   xiv. Mobilization schedule
   xv. Implementation schedule and;
   xvi. Any other activities as specified by the employer and based on the Bidder/Proposer's experience.

c. Any suitable Procurement requirement if specified in the Beneficiary's requirements.

The weightings to be given to each technical feature must be specified in the Procurement Documents.

Technical Scoring Methodology

The technical scoring methodology should be appropriate to the Procurement and be detailed in the Procurement Documents. For some illustrative examples, please see below:

Illustrative Scoring Example 1

A Beneficiary could choose to apply a score from 0 to 4, where:

0 = means that the feature is absent; no relevant information to demonstrate how the requirement is met.

1 = for the feature being present but showing deficiencies such as insufficient or information that lacks clarity.

2 = for meeting the requirements; sufficient information to demonstrate how the requirement will be met.

3 = for marginally exceeding the requirements; sufficient information to demonstrate that the requirement will be marginally exceeded; and

4 = for significantly exceeding the requirements; sufficient information that significantly exceeds the requirements and/or contributes to significant value addition.

Illustrative Scoring Example 2

Alternatively, instead of a 0 to 4 scoring approach, the Procurement Documents may also have chosen to evaluate the above scenario example with scoring based on percentages up to a total of 100%: for example: 0%–15% (instead of 0 above); 16%–49% (instead of 1); 50%–79% (instead of 2); 80%–89% (instead of 3); 90%–100% (instead of 4).

When the evaluation committee has agreed the score to be allocated to each Rated Criteria, the scores for each Bid/Proposal are multiplied by the weighting allocated to that Rated Criteria, and these scores are totaled to calculate the overall technical score for that Bid/Proposal.

Bid/Proposal Example (using the 0 to 4 scale example above)

Overall effectiveness of proposed project in delivering requirements	g 50%	Score	3	150
Methodology for delivering project	25%		2	50
Quality of team proposed	15%		2	30
Sustainability	10%		1	10
Overall Technical Score				240

Scoring by Individual Evaluators

In providing a robust, transparent, and defendable evaluation process, the Beneficiary should establish and use practices that ensure all Bids/Proposals are scored accurately and fairly.

Initial scoring of technical Bids/Proposals is undertaken by each panel member independently. This involves reading and scoring the quality/technical aspects of the Bids/Proposals using the predefined Evaluation Criteria, weightings, and scoring methodology (see illustrative examples above).

Scoring Bids/Proposals can involve a sequential process of 'absolute' and 'relative' assessments to determine the ultimate score. That means that each Bid/Proposal can be initially scored against the Rated Criteria (absolute). Following an initial assessment, the panel member can review and grade scores across all Bids/Proposals to differentiate and distinguish Bids/Proposals based on a comparison of their relative merits and deficiencies.

Determining an Overall Evaluation Panel Score

A key consideration in the scoring process is to determine, from individual scores, the overall, or final panel score. There are two approaches:

1. Mathematical average score

This simple method applies a cumulative calculation to the scores of all evaluators, such as the average value, to achieve the overall panel score.

2 . Panel moderated score

Individual evaluators may come to different scoring conclusions. The purpose of the moderation process is to agree a single consensus score.

At the moderation meeting, evaluators explain their scores and their reasons for giving those scores. Any apparent errors or discrepancies that have been identified should be discussed. Any adjustments that need to be made to scores should be recorded. The chair leads evaluators in the discussion to agree a single, justifiable consensus score, which should not simply be an average. A clear and consistent record of all discussions and decisions taken in moderation should be made. If, as a result of the consensus discussions, any scoring changes, the record should note the exact reasons for those changes.

3 . Focused moderation plus mathematical average

This approach may be appropriate where there is a significant divergence in the individual panelists' initial scores.

a. Focused moderation

A moderation is held that focusses discussion on scores that represent outliers. These can be scores that fall outside a predetermined range of variation tolerance (e.g., ± 2 points). This focuses the panel's efforts on the areas with the largest divergence in initial scoring since those areas are most likely to contain skewed or unbalanced scoring, or deviations from the scoring methodology (e.g., the fair, consistent application of the scoring scale) that could impact the ultimate rankings and undermine the fairness of the process.

b. Mathematical average

Once outliers are addressed through moderation, a mathematical average score is calculated based to achieve the overall panel score.

Documenting the Justification for a Score

Throughout the evaluation process, evaluators should keep a thorough and well-documented evidence trail. The records should provide clear evidence for the following topics:

- The reasoning for the criteria and how it has been considered
- How the scoring methodology has been developed and applied
- The final criteria scores and the reasons for the evaluator's decision

Documenting the process will allow the evaluators to have a transparent justification for awarding the contract to a Bidder. Once the technical evaluation is completed, the justifications, i.e., key strengths and weaknesses of the evaluated Bid/Proposal against the evaluated criteria should be clearly detailed in the Bid/Proposal Evaluation Report. The documented evidence trail will be able to assist in future audits of the Procurements, as well as also helping to provide a full debrief to the unsuccessful Bidders. The evidence trail is important as it will demonstrate integrity within the process, enable the panel to be ready for an audit or scrutiny of the process, and inform any debriefing required for unsuccessful Bidders/Proposers.

Determining the Weighted Technical Score

The Bidder/Proposer with the highest evaluated technical scores is assigned a total score of 100 points (e.g., 100%), other Bidders' evaluated technical scores are then divided by the highest technical score to arrive at a comparative score (ratio/percentage).

Using the Comparative Scoring Methodology, each Bid/Proposal's total technical score is divided by the highest technical score and then multiplied by the weighting available for technical criteria. See the example in Figure-IX:

Initial Technical Score

FIGURE-IX: Example technical–financial weighting Evaluation of Company A's Bid/Proposal

Criteria	Weighting	Score	Weighted Score (weighting × score)
Overall effectiveness of proposed project in delivering requirements	50%	2	100
Methodology for delivering project	25%	2	50
Quality of team proposed	15%	2	30
Sustainability	10%	1	10
		TOTAL	190

Calculate the Final Technical Weighted Score

Using a Comparative Scoring Methodology, the final technical score is divided by the highest technical score. In this example, Bidder/Proposer A has an initial technical score of 190. The highest technical score was achieved by Bidder/Proposer D, which scored 240. The technical versus financial cost weighting to be applied is 80% / 20%, respectively.

Calculation of Final Technical Score

$$\frac{\textit{Weighted Score}\ 190}{\textit{Highest Technical Score}\ 240} \times 100 = 79.16 \times \text{Technical Weighting (80\%)} = \mathbf{63.33\ points}$$

Figure X is an illustrative example of the application of the overall technical weighting to each Bidder/ Proposer's technical score:

FIGURE-X: Example technical score matrix

Bidder/ Proposer	Total Evaluated Technical Score	Comparative Technical Score	Weighted Technical Score (80%)
A	190	79.16	63.33
B	200	83.33	66.66
C	205	85.42	68.33
D	240	100 .00	80.00
E	145	60.42	48.33

Section X - Complete Financial Cost Evaluation

Overview

The Bids/Proposals that have passed the technical evaluation (including any minimum quality thresholds) now proceed to the financial cost evaluation. As specified in the Procurement Documents, the Beneficiary evaluates and compares the costs of each Bid/Proposal.

Price Adjustments

When setting monetarily quantifiable Evaluation Criteria, the Procurement Documents shall specify the relevant factors that may be considered in Bid/Proposal evaluation, and the manner in which they will be applied for the purpose of determining the evaluated financial cost of each Bid/Proposal.

Examples of where monetarily quantifiable criteria may be applied (to determine the total evaluated Bid/Proposal financial cost) could include, inter alia:

a. margin of preference (if agreed with the IsDB).
b. time schedule adjustment.
c. payment schedule adjustment.
d. life-cycle costing (see below).
e. functional guarantees min/max adjustment.
f. adjustments for nonmaterial nonconformities; and
g. any discounts.

Life-cycle Costs

Evaluation of Bid/Proposal cost may include an assessment of life-cycle costs. The principal of VfM means assessing both technical aspects and financial costs; the latter may include the total cost of ownership or life-cycle cost over a specified period, generally the useful life of an asset. Considering VfM represents the optimum combination of total cost of ownership and technical aspects such as quality, fitness for purpose, sustainability, environmental, social, and so on to meet the Beneficiary's requirements.

The financial cost evaluation allows Beneficiaries to assess the relative benefits of different Bids/ Proposals to be measured by taking into account all costs, including for example, inter alia:

a. Purchase price or upfront costs of acquisition.

b. Installation and commissioning costs.
c. Cost of operation and maintenance including costs of materials, servicing, spare parts, and so on, over the useful life.
d. New products or technology that may become available.
e. Sustainability savings, e.g., lower fuel consumption; and/or
f. decommissioning and disposal costs.

Life-cycle costing may be used when the costs of operation and/or maintenance over the specified life of the Goods or Works are estimated to be considerable in comparison with the initial cost and may vary among different Bids/Proposals. This is usually evaluated on a net present value (NPV) basis.

When using life-cycle costing, the Beneficiary shall specify the following information in the RFB/RFP:

a. Number of years used in the life-cycle cost determination.
b. The discount rate, in percentage, to be used to calculate the net present value of future costs over the specified life-cycle period; and
c. The factors and methodology to be used for calculating the operation and maintenance, costs and residual value, including the information and functional guarantees to be provided by the Bidder/Proposer in the Bid/Proposal.

Note: Beneficiaries should ensure the discount rate, and the number of years applied, are suitable for the specific contract.

Unbalanced, Front-Loaded, and Abnormally Low Bids/Proposals

When the evaluation of costs is carried out, then the Beneficiary shall assess if the evaluated costs are reasonable for the subject Procurement. The financial evaluation includes, in accordance with the Procurement Documents, assessment of unbalanced, front-loaded, or ALB. If an ALB is detected, then the Bank requires specific examination to determine if the Bid/Proposal should be rejected, this is important as an ALB can negatively impact the financial cost evaluation and distort the final scoring when technical aspects and financial cost score are weighted and combined.

Determining the Weighted Financial Cost Score

The Bidder/Proposer, with the lowest evaluated financial cost is assigned a score of 100 points (e.g., 100%); other Bidders evaluated financial costs are then divided into the lowest evaluated financial cost score to arrive at a comparative score (ratio/percentage).

In this illustrative example (Figure XI) Bidder/Proposer A's price is $5,200,000, whereas the Bid/Proposal with the lowest financial cost was $4,400,000. The financial cost score is therefore calculated as follows, example for Company A:

$$\frac{\textit{Lowest cost: } \$4,400,000}{\textit{Company A: } \$5,200,000} \quad 100 \quad 84.6 \quad \text{Financial Cost Weighting } 20\% \quad 16.92 \text{ points}$$

FIGURE-XI: Example financial cost score matrix

Bidder/ Proposer	Total Evaluated Financial Cost	Comparative Financial Cost Score	Weighted Financial Cost Score (20%)
A	$5,200,000	84.6	16.92
B	$4,999,999	88.0	17.6 0
C	$4,400,000	100.0	20.00
D	$4,800,000	91 .7	18.3 4
E	$1,100,000	Nil, rejected as ALB	Nil, rejected as ALB

Section XI - Combine Technical Evaluation and Financial Cost Evaluation by Applying Overall Weightings to Determine Award Recommendation

Following the separate technical and financial cost evaluations, the technical and financial scores are combined by applying the relative weightings specified in the Procurement Documents. See Figure XII below, which is an illustrative example of a combination of technical and financial cost scores.

Combined Technical & Financial Cost Score for Bidder/Proposer A

Final Technical score	63.33
Final Financial Cost score	16.92
Total	**80 25 combined points for Bidder/Proposer A**

Figure XII illustrates an example where Bidder/Proposer D with a total combined score of 98.34 is the first-ranked Bid/Proposal and is therefore recommended for award of contract.

FIGURE-XII: Example combined technical and financial cost score matrix

Bidder/ Proposer	Weighted Technical Score	Weighted Financial Cost Score	Combined Score	Rank
A	63.33	16.92	80.25	# 4
B	66.66	17.60	84.26	# 3
C	68.34	20.00	88.34	# 2
D	80.00	18.34	98.34	# 1
E	48.33	Nil, rejected as ALB	Nil, rejected as ALB	Not Applicable

The Bidder/Proposer with the highest combined total score is the one recommended for award of contract. The detailed evaluation approach, the scorings given, and application of weightings must be detailed in the Beneficiary's Bid Evaluation Report (which may be subject to Bank prior review, if so, this will be detailed in the Procurement plan). See also Annex 3 for a more detailed example of the use of comparative scoring for Bid/Proposal evaluation.

Annex 1 – Example Airport Project

Project

Aviation Project Terminal Design and Build in an Island state

Contract value: $7,250,420

Procurement Process: Design and Build – RFP for Works, Lump-sum

Sustainability Criteria

Rated Criteria were used to incorporate value engineering, and social, economic and environmental requirements.

Specifically, technical Rated Criteria (30%) were set in relation to:

1. Use of local sustainably sourced materials to be used in the terminal (10%).
2. Engagement and management of suitably skilled/experienced local subcontractors and trades- people as well as unskilled tradespeople who shall receive skills/trade training during the project (10%).
3. Percentage of construction waste that will be removed from the island state or recycled/ reused in the same island state (5%).
4. Value-added architectural and other design Proposals; sustainability, performance, efficiency, functionality; easy to clean, maintain, and operate (5%).

Beneficiary Support

Bank implementation support was used to train the Beneficiary team in the use of Rated Criteria and to review and supervise the Rated Criteria approach.

The Bank team also facilitated the early market engagement to inform potential Bidders of the upcoming opportunity.

The Beneficiary was assisted with consultant support with appropriate technical expertise on the evaluation panel, not just general practitioners. Technical expertise was particularly important when evaluating the evidence proposed by Bidders in relation to value engineering solutions and sustainability.

Sustainability Outcomes

In terms of sustainability outcomes:

1. Approximately 23% of the contract sum was for the local registered subcontractors

and trades people.

2. Approximately 15% of the contract sum included materials that were sustainably sourced locally.
3. The contractor identified 24% of the contract value as prefabricated elements generating zero waste, and 8% of remaining waste that could be recycled or removed from the island.
4. Value engineering contributed to the goals of performance and efficiency, functionality, and ease of cleaning, maintaining, and operating the control tower. The Island state cultural context was included in the design, safety, ease of maintenance, and energy efficiency were also included as value engineered aspects.

Lessons Learned

The following 'lessons learned' were noted:

1. Sustainability requirements and criteria: Articulating and applying clearly defined sustainability requirements that fit the Beneficiary's priorities, require the Beneficiary to be well trained and supervised, and require the evaluation committee to have the necessary expertise.
2. Learning from the market: Bidders/Proposers can be more familiar with including sustainability aspects and value engineering than Beneficiaries, and structured, early engagement with the market can assist with conditioning the market that clients value such inputs.
3. Financial–Technical Weighting: The financial–technical weighting was 70% financial/30% technical. It was felt that this weighting ratio would be the very minimum technical weighting.
4. Market Engagement: Early market engagement is essential to translate pre-Bid/Proposal interest into Bids/Proposals that meaningfully respond to the sustainability requirements. For example, Bidders/Proposers need time to understand the availability of local materials, capacity of local SMEs, and so on. Business outreach should include Beneficiaries presenting upcoming contracts, if possible, with other development partners, to provide advance notice of upcoming Procurement opportunities along with the general areas of focus and contextual information. The project team in this case ran business engagement seminars with regional contractors. The seminars presented upcoming opportunities to the market to encourage participation and promote improved understanding of the operating context for the project.

Annex 2 - Example Evaluation: Minimum Quality Threshold and Maximum Target Cost

Project

This example is based on an urban mobility project in West Africa. It is the design and build of a number of pedestrian foot bridges. It is relatively low value; however, quality is critical, as it impacts safety, and it must be prioritized.

Quality Threshold and Maximum Target Cost

The Beneficiary has predetermined the following:

Minimum Quality Threshold

A Minimum Quality Threshold score has been set at 80 out of 100. Proposals scoring below this threshold will be rejected

Maximum Target Cost

A Maximum Target Cost has been set at $180k. This is the maximum the Beneficiary is willing to pay for a high-quality solution.

Rated Criteria

Technical Criteria and Weightings

Technical Assessment	Weight (%)
Proposed Works – to what extent the proposed Works meet the employer's requirement	**15**
Value addition – to what extent the Proposal adds value in terms of performance, functionality, and/or operating and maintenance (O&M) costs	**15**
Approach and Methodology	**70**
Breakdown of Approach & Methodology Sub-criteria Weightings	
Design Methodology	*15*
Construction Management Strategy	*10*
Method Statement for Key Construction Activities	*5*

(*continues*)

Technical Assessment	Weight (%)
Code of Conduct	*5*
Work Program	*10*
Contract Personnel Organization Chart	*5*
Key Personnel Qualifications and Resource Schedule	*10*
Risk Assessment	*5*
Key Equipment Strategy	*5*

Scores

The following scores were recorded:

Criteria	Maximum Score	Company A	Company B	Company C
To what extent the proposed Works meet the requirement	*15*	7	12	13
To what extent the Proposal adds value in terms of performance, functionality and/or O&M costs	*15*	4	11	11
Approach and Methodology	*70*	48	54	67
	100	**59**	**82**	91

Outcome

1. Contractor A did not meet the Minimum Quality Threshold score of 80 and was rejected.
2. Contractor C met the Minimum Quality Threshold and was ranked first, as the highest-scoring Proposal. So long as Contractor C's Proposal is within the Maximum Target Cost of $180k, it will be awarded the contract.

Annex 3 – Example Evaluation: Comparative Scoring

Methodology

The following example illustrates evaluation of an RFP for the design and building of a public government building, using comparative scoring of Rated Criteria.

Criteria and Weightings

The overall weighting for Technical Criteria and Financial Criteria in evaluation of Bid/Proposals for this project was 40% for Technical Criteria and 60% for Financial Criteria.

Technical Criteria were scored according to how well each Bid/Proposal met the technical requirements outlined in the RFP, with the weighting for each Rated Criteria as outlined below:

Criteria	Weighting
Overall effectiveness of proposed design in delivering requirements	50%
Methodology for delivering project	25%
Quality of team proposed	15%
Sustainability	10%

Financial Criteria were calculated as a fixed cost for delivery of the project.

Evaluation of Proposals

Two Proposals have been received, one from Company A and one from Company B.

Company A Proposal

Company A's Proposal quoted a total price of $8,000,000.

Company A's Proposal was scored using the Rated Criteria in the RFP as shown below.

Criteria	Weighting	Score	Weighted Score
Overall effectiveness of proposed project in delivering requirements	50%	3	150
Methodology for delivering project	25%	2	50
Quality of team proposed	15%	2	30
Sustainability	10%	1	10
		TOTAL	240

Company B Proposal

Company B's Proposal quoted a total price of $7,250,000.

Company B's Proposal was scored using the Rated Criteria in the RFP as shown below:

Criteria	Weighting	Score	Weighted Score
Overall effectiveness of proposed project in delivering requirements	50%	2	100
Methodology for delivering project	25%	2	50
Quality of team proposed	15%	2	30
Sustainability	10%	1	10
		TOTAL	190

In this illustration, Company A had the highest technical score (240), but Company B had the lowest price ($7,250,000).

In order to calculate which Proposal wins, using the Comparative Scoring Methodology, the following calculation is performed:

Scoring

Final Weighted Technical Score

The technical scores for each Proposal are divided by the highest technical score:

Company A	240 × Overall Technical Weighting (40%) = 40
Highest Technical Score	240
Company B	190 × Overall Technical Weighting (40%) = 31.66
Highest Technical Score	240

Therefore, the final weighted technical score for Company A is 40, and for Company B is 31.66.

Final Weighted Financial Score

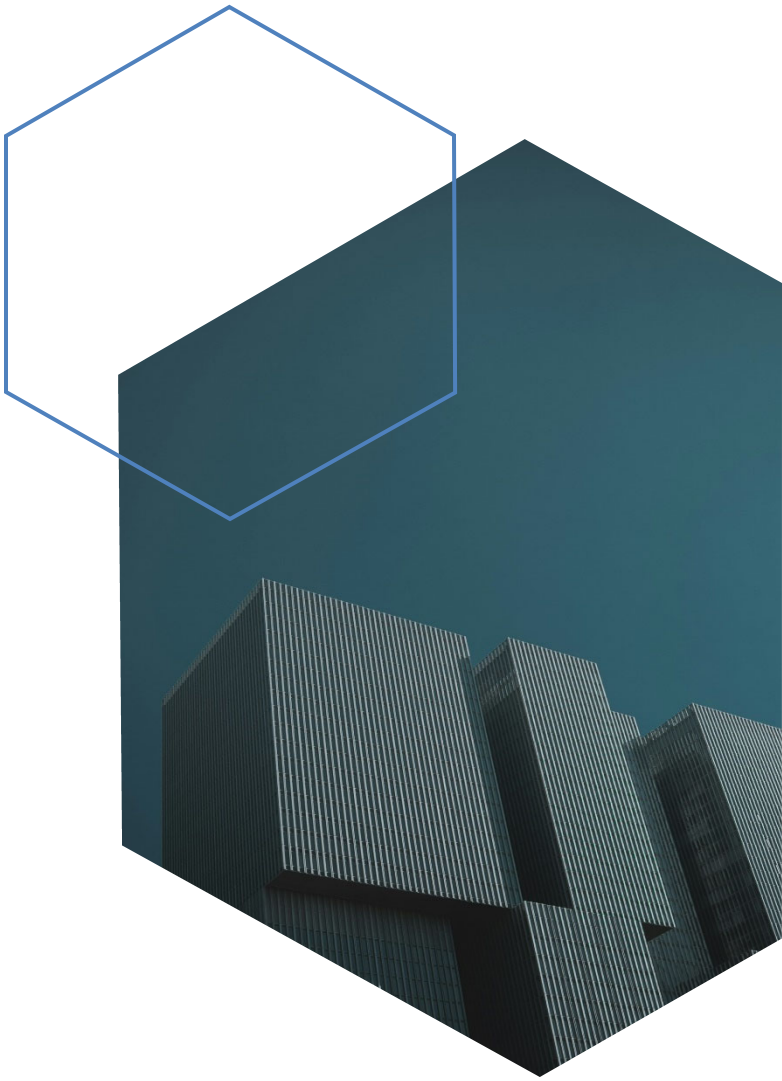
The price (as defined in the RFP) for each Proposal is compared with the lowest-priced Proposal to determine the final weighted financial score for each Proposal:

Lowest Price	$7,250,000 × Overall Financial Weighting (60%) = 54.37
Company A	$8,000,000
Lowest Price	$7,250,000 × Overall Financial Weighting (60%) = 60
Company B	$7,250,000

The determination as to which Bidder/Proposer is recommended for award of contract is made by adding the final weighted technical score and final weighted financial score together.

	Final Weighted Technical Score	Final Weighted Financial Score	Final Combined Score
Company A	40	54.37	94.37
Company B	31.66	60	91.66

Company A's Proposal achieves the highest combined score and is recommended for the award of the contract.



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For additional information, such as Procurement Guidelines, Standard Procurement Documents and Guidance Notes, Please visit https://www.isdb.org/project-procurement/documents