



GUIDANCE NOTE ON PROCUREMENT PLANNING AND STRATEGY DEVELOPMENT

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Prepared by The Caribbean Development Bank



COMMON ABBREVIATIONS AND DEFINED TERMS

Common abbreviations and defined terms that are used in these Guidelines. Defined terms are written using capital letters.

Abbreviation / term	Full terminology / definition
APA	Alternative Procurement Arrangements
BOO	Build, own, operate
BOT	Build, own, operate, transfer
BOOT	Build, operate, transfer
Bid	An offer, by a Bidder, in response to a Request for Bids, to provide the required Goods, and/or Works and/or related services.
Bidder	A Firm that submits a Bid for the provision of Goods and/or Works and/or related Services.
CDB	Caribbean Development Bank
Consultant	A Consultant Firm or Individual Consultant that provides Consultant Services. A Consultant is independent of both the Recipient and CDB.
Consultant Service(s)	Consultant Services are those intellectual services delivered by a Consultant Firm or an Individual Consultant. Consultant Services are normally of a professional, expert, or advisory nature. Consultant Services are governed by these Guidelines.
CQS	Consultant Qualifications Selection
EPC	Engineering, Procurement and Construction
EPCM	Engineering, Procurement, Construction Management
FBS	Fixed Budget Selection
Goods	A category of Procurement that includes, for example: consumables, equipment, machinery, vehicles commodities, raw materials, or industrial plant. The term may also include related services, such as: transportation, insurance, installation, commissioning, training, or initial maintenance.
ITB	Invitation to Bid
KPI	Key Performance Indicator
LCS	Least Cost Selection
MDB	Multi-Lateral Development Bank
Member Country	CDB's Member Countries are those that are described in Annex II, as updated from time to time
Non-Consulting Services	Services which are not Consulting Services. Non-Consulting Services are normally Bid and contracted based on 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.
PIA	Project Implementing Unit



Abbreviation / term	Full terminology / definition
Policy	The Procurement Policy for Projects Financed by CDB, as amended from time to time.
PPP	Public Private Partnership
Prequalification	The shortlisting process, which can be used prior to inviting Request for Bids in the Procurement of Goods, Works, and related services.
Procedures	The Procurement Procedures for Projects Financed by CDB, as amended from time to time.
Procurement	The function of planning for, and sourcing Goods, Works, Non-Consulting Services, and/or Consulting Services to meet required objectives.
Procurement Cycle	The Procurement cycle is the cyclical process of key steps when procuring goods or services.
Procurement Documents	A generic term used in this Guidance Note to cover all Procurement Documents issued by the Recipient. It includes: GPN, SPN, EOI, REOI, Prequalification document, ITB and RFP, including any addenda.
Procurement Framework	The Policy and the Procedures, as amended from time to time.
Procurement Plan	The Recipient's Procurement Plan for a CDB financed Project, as detailed in Paragraphs 5.09 – 5.14, and incorporated in the Financing Agreement.
Procurement Strategy	The Recipient's Project-level Procurement Strategy document that describes how the procurement will deliver the intended development objectives and provide VfM through the application of CDB's Core Procurement Principles.
QBS	Quality Based Selection
QCBS	Quality Cost Based Selection
RFP	Request for Proposals
SBD	Standard Bidding Documents
UN	United Nations
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.



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SECTION 1 – INTRODUCTION & BACKGROUND

Overview

This Guidance Note is intended to assist Recipients by expanding on and explaining CDB's Procurement Procedures for Projects financed by the Caribbean Development Bank (CDB).

This note identifies additional information for the reader to consider when applying CDB's Procurement Procedures when conducting procurement planning and strategy development, when required by CDB.

Introduction & Background

The Caribbean Development Bank's new Procurement Framework places greater emphasis on VfM throughout the full Procurement Cycle. Procurement planning is a critical part of the procurement cycle to help achieve VfM and involves the development of Procurement Plans but also for high risk or sensitive Procurements the development of a more detailed Procurement Strategy document. The requirement to prepare a Procurement Strategy is determined by CDB during project appraisal.

The Procurement Planning/Strategy stage of CDB's Procurement Cycle is detailed below.

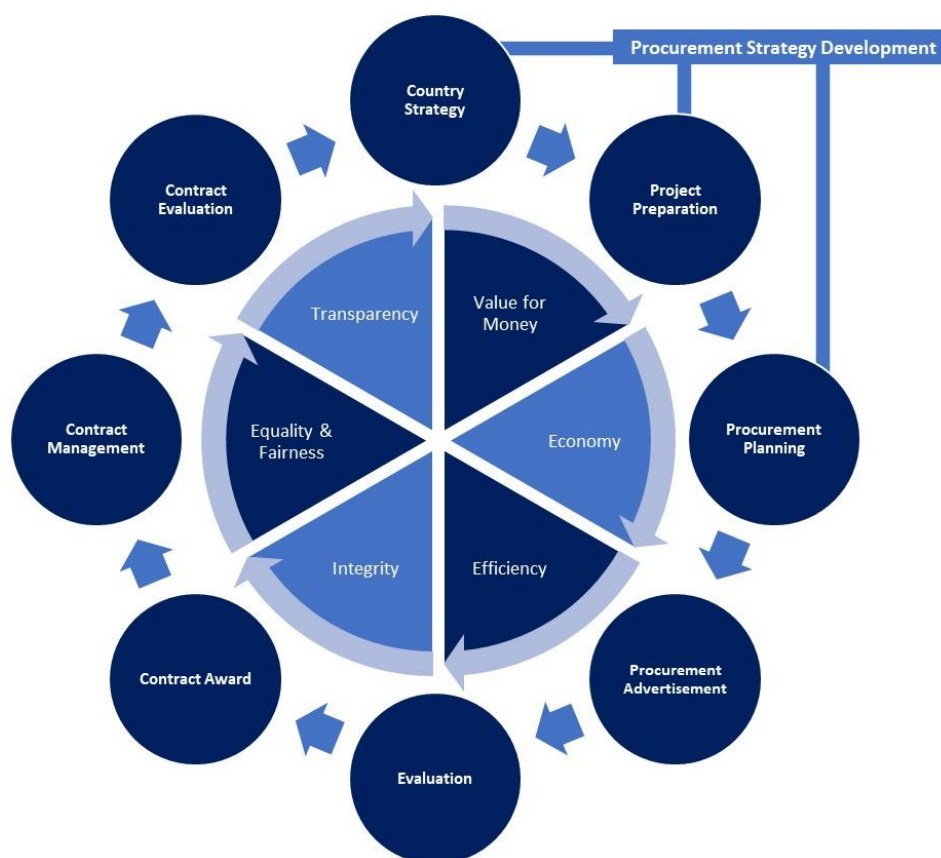


Figure 1 – Procurement Strategy Development

The Procurement Plan and Procurement Strategy, when required, are documents that the Recipient prepares as part of the Project preparation process. A Procurement Plan must always be completed for the project by the Recipient for all Procurements under the project. In certain circumstances and for high risk and/or high value projects CDB may request that a Procurement Strategy be produced as well as the Procurement Plan. Both documents require CDB's no objection.



SECTION 2 – PROCUREMENT PLANNING AND STRATEGY

Procurement Planning

The Recipient is required to prepare a Procurement Plan for CDB's review and no-objection during Project appraisal in accordance with CDB's Procurement Plan template (Annex I) or an alternative acceptable to CDB. The Procurement Plan forms part of the Financing Agreement.

At a minimum, the Recipient shall prepare a detailed and comprehensive Procurement Plan including:

- All contracts for which the selection of Firms and individuals is to take place at least during the first twelve (12) months of Project implementation.
- Estimated costs for each contract.
- The proposed selection method for each contract.
- Time schedules.
- The related CDB review procedures.
- Any other relevant Procurement information.

Procurement Plans and their updates or modifications shall be subject to CDB's prior review and no-objection before implementation. CDB shall arrange, before commencement of procurement, the publication on CDB's website¹ of the initial Procurement Plan and all subsequent updates once it has provided a no-objection. The Recipient must implement the Procurement Plan in the manner which has been approved by CDB and the Procurement Plan must be updated as needed throughout the duration of the Project but at a minimum at least annually. This update includes contracts previously awarded and to be procured at least during the next twelve (12) months.

For Projects, or their components, that are demand-driven in nature such as community-driven development, etc. where specific contracts, or their time-schedules, cannot be identified in advance, a suitable template of Procurement Plan shall be agreed with CDB.

In emergency situations or post-disasters situations, it is not always possible for the Recipient to prepare a Procurement Plan, and subject to CDB's approval, this requirement may be waived or deferred to the implementation phase of the Project.

Procurement Strategy Development

Assessment of Operating Environment and Context

Under the previous Procurement Guidelines, a Procurement Plan was required to be completed for each project by the Recipient. The 2019 Procurement Framework introduced the requirement that in certain circumstances a Procurement Strategy be produced as well as the mandatory Procurement Plan.

Where CDB determines Projects to have higher risk or sensitive Procurement the Recipient shall prepare a more detailed Procurement Strategy during Project appraisal for CDB's no-objection. If a Procurement Strategy is required by CDB it must detail the rationale for the proposed Procurement approach and explain how the Procurement Strategy will support the socio-economic and development objectives of the Project and deliver VfM. The level of detail and analysis shall be proportional to the risk, value, and complexity of the Project.

¹ <https://www.caribank.org/work-with-us/procurement>



The Recipient prepares the Procurement Strategy, if required by CDB, during project preparation, and CDB reviews the Procurement Strategy and provides a no objection to the Strategy and the Procurement Plan before the completion of the project appraisal process.

The Recipient shall implement the Procurement Strategy in the manner which has been approved by CDB. The Recipient shall update the Procurement Strategy as needed throughout the duration of the Project but at a minimum at least annually.

The Procurement Strategy helps Recipients to inform the procurement approach by using different Procurement and management tools to provide adequate justification for the selected selection methods and approaches in the Procurement Plan. The Procurement Strategy the Recipient is required to produce should cover the following areas.

- Identification of the specific project needs.
- Assessment of the operating context and its potential impact on the Procurement.
- Assessment of the implementing agency's capacity, resources, and previous experience related to the specific procurement.
- Assessment of the adequacy, behaviour, and capabilities of the market to respond to the Procurement.
- Justification of the proposed Procurement arrangements based on market analysis, risk and operating context and the project's circumstances.

Assessment of Operating Environment

When completing the Procurement Strategy Document an assessment of the Operating Environment and Recipients Capacity to deliver the project and the stated development objectives should be completed that considers the following.

- **Operational Context**
The Procurement Strategy should analyse and take into consideration the factors that establish the operational context that may affect the procurement approach, the motivation of Bidders or Proposers to participate, and the success of any subsequent contracts. Most of this information is available through research and analysis undertaken by CDB and presented in the Project Preparation Documents for the Project and in other similar Projects.
- **Governance Aspects**
Considerations such as fragile or conflict-affected situations that may raise security concerns; state involvement in the specific economic sector (such as state-owned enterprises receiving government subsidies), legislative processes that may regulate the market / Bidders / Proposers; the overall legal framework, and disaster or emergency situations.
- **Economic Aspects**
Considerations such as a small economy that may result in a lack of competition or difficulty attracting international Bidders or Proposers, high inflation that may require the use of another currency or inflation protection terms that protect a Bidder so they are motivated to participate, any domestic preference that may motivate local businesses, but endanger international competition, track record of on-time payment, and exchange rate volatility.
- **Sustainability Aspects**
Sustainable procurement requirements, such as use of government environmental standards (e.g., energy/water efficiency targets), social impacts associated with working in sensitive environments, importing of labour and labour standards.



- **Technological Aspects**

Speed of technological change; need for information transfer and security so there is not a continued dependency on the Bidders or Proposer, internet access and restrictions, cell phone access and coverage, opportunity for, and dependency on, the use of technology for Project delivery.

Capacity, Resources and Previous Experience

The objective of the Assessment of Recipients Capability is to identify any known factors, both enablers and constraints, which may have an impact on both the delivery of the Project and the procurement approach being developed. This assessment should help identify any targeted early interventions such as training or enhanced support that the Recipient may benefit from, whether from CDB, or other sources.

The Recipient should consider the following factors in assessing their capability and resource needs to plan and design the procurement approach and the subsequent implementation:

- Previous experience/track record in implementing similar Projects/Procurements and implementing CDB Projects.
- Existing procurement framework and systems.
- Recipient experience of executing under other (MDB) procurement guidelines and procedures.
- Procurement and technical capacity to undertake fit for purpose procurement planning, including contract packaging, the development of specifications and bidding documents, the management of tender processes, Bid/Proposal evaluation, supplier selection, and contract award.
- Contract Management capacity and capability to supervise the implementation of contracts.
- Track-record and market reputation for making contractual payments on-time.
- Complaints Management and dispute resolution systems that are credible, independent, and engender trust in all parties, through prompt/fair dealing of complaints.
- Administrative arrangements, including delegated authority levels to facilitate timely decision making.
- Inspection arrangements.
- System for lessons learned from the implementation of other similar Projects.
- The need for support by Consultants or experts from other agencies to undertake a fit for purpose procurement, from planning, contractor/consultant selection, and contract award.

The Recipient should work with CDB to understand how Projects of a similar nature have been delivered in the past. This analysis should focus on what went well and why, and what did not go well and could have been improved.

Areas to be considered as part of this assessment include:

- What was the marketplace?
- What was the level of interest from the market in the procurement opportunity?
- Which Firms or Consultants submitted a Bid or Proposal?
- Was the Project delivered to time, cost, and quality?
- Were there any complaints or disputes and what was the cause?
- Overall was there a good marketplace and supplier participation levels and why?



- What type of specification was used, did it deliver the right result and are there any elements of that specification that may be relevant to this Project/procurement?
- What type of procurement approach was used, did it deliver the right result, and are there any elements of the specification that may be relevant to this contract?
- What was the approach to contract management and how effective was this at ensuring that the contractual requirements were met, and the wider development objectives realised?

More information is provided on assessing the Operating Environment and Recipients Capacity in CBD's Procurement Risk Assessment Guidance Note. If a risk assessment has previously been prepared for the Recipient and the project this information should be reviewed and included. Risk rating should be determined as detailed in the Risk Categorization Table (Annex III).

Stakeholder Analysis

When completing a Procurement Strategy, it may add value to complete a Stakeholder Analysis for the project. In the development of a Procurement Strategy, key stakeholders with an interest in or impact on the Project should be identified so that their respective views can be appropriately considered in the design of the procurement approach. The Recipient should produce a Stakeholder Management Plan as outlined in the following table.

Stakeholder		Interest (Responsible, Accountable, Consulted, Informed)	Stakeholder Objectives from the Procurement	Stakeholder Management Approach
Name	Role			

Table 1 – Stakeholder Management Plan

The Stakeholder Management Plan outlines how each stakeholder will be engaged throughout the procurement process to ensure their expectations and objectives are appropriately met and managed.

Identifying and managing stakeholder relationships is a critical part of managing a Project. Stakeholders are a good source of information and can influence the ease with which a Project is delivered. Stakeholder analysis should be focused on each individual stakeholder's needs (from a Project perspective), as well as what their on-going involvement should be post contract award.

Stakeholder analysis can be undertaken in three stages:

- Stakeholder Identification.
- Stakeholders Interest and Objectives.
- Stakeholder Categorisation.

Procurement Objectives

The Procurement Objectives are important as they are used to test Alternative Procurement Approaches (APA) that a Recipient could use to deliver the Project objectives. Defining the right Procurement Objectives is critical and the Recipient should use these objectives to enable it to:

- Refine specifications and incentives.
- Establish the right risk allocation between the Recipient and the Firms or Individual.



- Develop the right evaluation criteria used to select the Firm or Individual who can deliver the contract.
- Document the Key Performance Indicators (KPIs) that will be used to monitor contract delivery to ensure that the contract continues to meet Project requirements.

The development of the Procurement Approach should be carried out using the information gathered when completing the Procurement Strategy. The Key Procurement Objectives should be detailed enough that if achieved will support the delivery of the Project's Development Objectives and achieve Value for Money for the Recipient and CDB.

Market Research and Analysis

When completing a Procurement Strategy detailed market research and analysis using some of the tips and tools explained below should be completed. Market analysis is important to allow the Recipient to develop a good understanding of the structure of the market and its sector, and how they operate. The procurement plan should be tailored to ensure that Bidders or Proposers find the contract packages attractive and are motivated to provide innovative solutions within their Bid or Proposals. Market analysis will often require more than just office-based research, and the Recipient may need to undertake early supplier engagement to gain the necessary data and intelligence. If a Procurement Risk Assessment has been conducted following CDB's Procurement Risk Assessment Guidance Note for the Recipient or the Project this information should be reviewed and included as part of the market research and analysis.

Market analysis information can be obtained by using the following strategic procurement tools, more detail on how to use these tools is provided in Annex IV and Annex V.

- Supplier Positioning Matrix (Annex IV).
- Supplier Preferencing Matrix (Annex I).

Other sources of information can be used to gain valuable information on the market and the suppliers that operate such as:

- Company annual reports
- Internet searches
- Commodity indexes
- Trade journals and associations
- Market Engagement Events²
- Pre-Procurement Conferences
- The use of Request for Information³
- Contract award publications by CDB⁴, World Bank⁵, other MDBs and national public procurement systems.
- Stakeholder knowledge and experience
- Collaboration with other Multi-Lateral Development Banks

² For example, as private sector engagement meetings, feedback sessions on specifications and general procurement fairs.

³ The use of Request for Information would need to be agreed with the CBD.

⁴ <https://www.caribank.org/work-with-us/procurement/contract-awards>

⁵ <https://datacatalog.worldbank.org/dataset/world-bank-contract-awards>



Procurement Approach and Oversight

Approach

The evaluation of the right procurement approach should be considered to ensure that the appropriate criteria are used to select the Firm or Individual that offers the best VfM, while being suitably qualified to deliver the requirements. This evaluation should be done using the following stages:

- Requirements (specification type and sustainable procurement requirements).
- Contracting Strategy (contract type, pricing/costing mechanism, and conditions of contract).
- Selection Methods (approved selection methods and market approach options).
- Evaluation Methods (rated criteria or lowest evaluated cost).

Technical Requirements/Specifications/Terms of Reference

There are two main types of specification that can be used for procurements financed by CDB.

- **Conformance Specifications (Technical, Detailed, Input or Design Specifications)⁶**
 - Conformance specifications are used where a thorough understanding of the requirements already exists, and there is little/no desire for the supplier to innovate. 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.
- **Performance Specifications (Outcome Based Specifications)⁷**
 - Performance specifications are used where the understanding of what is required in terms of outcomes can be described, the Recipient 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. 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.

Generally, performance specifications focus on achieving results, whereas conformance specifications focus on meeting specified design and resource requirements.

Contract Strategy and Type

A Contract Strategy determines the contract type, the price and cost model, and the desired on-going supplier relationship to achieve the desired outputs over the term of the contract.

The contract type is the selection of the appropriate contract form, and terms and conditions. The selection of contract type should be informed by the type of specification, the procurement risk assessment, and the market analysis. It should also consider the market’s capability, the Recipient’s capacity, and the operational environment in which delivery will be taking place.

Typically, the contract type for Goods and Services is normally based on supply or supply and ongoing support, while for Works there are more options available including the traditional Design and Build

⁶ Examples of conformance specification are: Engineering drawing, A chemical formula, Model name, number or brand etc.

⁷ For example, a performance specification may be used in the construction of an industrial pumping system. The specification would provide a required pumping rate (say 500 gallons per minute), a required pressure (20 psi) and the difference in height between the pump and the final destination (+40 feet).



separated, Design and Build (Turnkey or Prime Contractor approach), Engineering, Procurement and Construction (EPC), Engineering, Procurement, Construction (EPC), Design, Build and Operate, Design, Build, Operate, and Maintain, Design, Build, Own and Operate and Design, Build Operate and Transfer.

Procurement Documents

Once the Contract Strategy and contract type has been determined this informs what procurement documents should be used for the procurement. The appropriate Standard Bidding Documents (SBD's) provided by CBD, if available, would usually be utilised. If not available an alternative SBD could be used with CBD's prior approval.

Price and Costing Mechanism

At the same time as when the Contract Type and suitable SBDs are selected the price and costing mechanism should also be determined.

The different price and cost mechanisms will determine the risk allocation between the Recipient and the Firm, Supplier, Contractor (including sub-Contractors) or Individual. Therefore, when selecting the suitable price and price mechanism, the Recipient should consider.

- **Specification Type**
 - Conformance or performance based and how well the requirements can be scoped at the contract outset and how quickly the work needs to start.
- **Contract Type**
 - Certain types of contracts look to pass more risk to the supplier (such as design, build, operate, and maintain) therefore, the price mechanism needs to be one that is consistent with that approach.
- **Required Allocation of Risk**
 - Risk is allocated to the party best able to manage the risk.
- **Operational Environment**
 - Includes events that are difficult to predict and known issues such as high inflation, and delivery and insurance arrangements (covered using INCOTERMS for Goods procurement).
- **Capacity of the Recipient**
 - Familiarity with the pricing mechanism and availability of resources to manage the contract.
- **Type of Market**
 - What will likely motivate suppliers to bid and deliver.

There are five main pricing and costing models whose use is determined by the SBD selected.

Lump Sum - A Lump Sum Contract (or Fixed Price Contract) is a contract with a single lump sum price for all the Works, and the contractor is responsible for completing the project within the agreed fixed cost set forth in the contract, with Payment percentages or amounts linked to the completion of contractual milestones.

Lump Sum Contracts may be appropriate when the scope can be clearly and accurately specified and can be linked to apparent milestones and payments at the time of selection (e.g., simple civil works or consulting services with clearly identifiable deliverables). They are also appropriate when the Contractor is responsible for delivering the completed works, (e.g., Water Treatment Plant, such as in turnkey contracts).



Performance Based Contracts - Performance Based Contracting is a results-oriented contracting method that focuses on the outputs, quality, or outcomes that may tie at least a portion of a contractor's payment, contract extensions, or contract renewals to the achievement of specific, measurable performance standards and requirements.

Performance Based Contracting may be appropriate for the rehabilitation of a Water Treatment Plant and its operation and maintenance by a contractor for specified periods or for non-consulting services to be paid based on outputs.

Schedule of Rates/Admeasurement - Schedule of Rates/Admeasurement is a contract that is based on estimated quantities of items and contractual unit prices for each of these items. Payment is made based on the actual quantities and contractual unit prices.

This type of contract is appropriate for works, when the nature of the work is well defined, but the quantities cannot be determined with reasonable accuracy in advance of construction, such as in roads or dams. For goods and non-consulting services, it may be appropriate when the required quantities are known, and unit prices are sought from Bidders.

Time and Materials – Time Based Contracts - Time and Materials is a contract when the Recipient agrees to pay the contractor based upon the time spent to perform the work, and for materials used, no matter how much work is required to complete construction. Time and Materials is generally used in projects in which it is not possible to accurately estimate the size of the project, or when it is expected that the project requirements would most likely change. It can also be used for Consulting Services, when it is difficult to define or fix the scope and duration of the services (e.g., complex studies, supervision of construction, and advisory services).

Cost Plus – Reimbursable Cost Contracts - A cost-plus contract, also termed a cost reimbursement contract, is a contract where a contractor is paid for all its allowed expenses, plus additional payment to allow for a profit. These types of contracts may be appropriate for exceptional fit-for-purpose circumstances such as emergency repairs and maintenance work. To minimize risk to the Recipient, suppliers under these contracts must make all their records and accounts available for inspection by the Recipient or by some agreed neutral third party. The contract should also include appropriate incentives to limit costs.

In the following table the various benefits and risks of each different pricing methodology and under which circumstances they are best used are summarized.

Type	Requirements	Advantages	Disadvantages
Lump Sum/Firm Price	<ul style="list-style-type: none"> • Work can be accurately specified • Access date and programme duration are known • Risk can be reasonably identified. 	<ul style="list-style-type: none"> • Full extent of cost & liability known before work commences • Cost control responsibility of the contractor • Supervision minimal 	<ul style="list-style-type: none"> • Contractor may include excessive contingency to cover risks • Contract basis may be undermined by significant variations • Contractor may seek to “cut corners”
Schedule Rates/ Admeasurement (Bill of Quantities & Schedule of Rates)	<ul style="list-style-type: none"> • Work can be accurately foreseen but not accurately measured at outset • There is an indication of the extent of the work at tender stage 	<ul style="list-style-type: none"> • Permits appointment of contractor before full extent of work is known • Offers opportunity of assessing the cost of work during the contract 	<ul style="list-style-type: none"> • Contractor may price the bill to his commercial advantage by increasing/decreasing the rate for work judged to be under/over estimated • Work supervision and QS Services required



Time & Materials	<ul style="list-style-type: none"> • Minimum specification • High confidence and trust in the contractor • Used where the work cannot be foreseen accurately enough to estimate cost 	<ul style="list-style-type: none"> • Allows early appointment of contractor • Minimal specification required at outset 	<ul style="list-style-type: none"> • Cost control difficult • High supervision • No incentive to improve productivity • No incentive for completion
Cost Plus Fixed Fee	<ul style="list-style-type: none"> • Minimal specification • Sufficient detail of work to enable contractor to estimate managerial resources and profit • High confidence and trust in the contractor 	<ul style="list-style-type: none"> • Incentive to complete early and economically as fee is fixed • Allows early appointment of contractor • Tendering time reduced 	<ul style="list-style-type: none"> • If varied or delayed contractor will try to revise fee • No incentive to productivity • High supervision • Difficult to accurately assess costs to set fee
Cost Plus Percentage	<ul style="list-style-type: none"> • Minimal specification • High confidence and trust in the contractor 	<ul style="list-style-type: none"> • Allows early appointment of contractor • Tendering time reduced 	<ul style="list-style-type: none"> • Cost control difficult – the higher the cost the higher the % return • No incentive to productivity • High supervision

Table II – Pricing and Costing Models

Form of Contract (Terms and Conditions)

The final part of the Contract Strategy is selecting the terms and conditions of contract. In many instances, the decisions made on the approved selection methods and SBD (or as agreed with CDB, the Recipient's own national procurement arrangements) will determine the conditions of contract. However, as a check and balance, the Recipient should establish a determination that is consistent with the overall procurement approach.

Decisions on the most appropriate form of contract are driven by the value and complexity of the procurement, procurement risk, uncertainties in contract performance, allocation of risks between the Recipient and supplier and the desired supplier relationship.

Selection and Evaluation Methods

Having determined the contract type and pricing mechanism the selection method and market approach should be determined which include the:

- Selection Method
- Selection Arrangement
- Market Approach

There are numerous combinations of these three options, however, some are mutually exclusive. In determining the right combination of the procurement arrangements to design the approach to market, the decision on the type of selection method is mainly driven by the level of competition in the market and the number of capable interested suppliers available (sub-national, national, regional, and international), the specificity of the requirements, and the inherent risks involved in delivery. This information should come from the market analysis including the cost and complexity of the contract as determined by the supply positioning model, the market engagement approach, and the procurement risk analysis.

Applying this information to each contract and then to the chosen combination should help keep the activities that make this element of the procurement approach consistent.



The following table lists some of the alternative market approaches and provides an indication of the circumstances where each method is best suited for use.

Market Approach ⁸	Characteristics	Usage
Open Competition	<ul style="list-style-type: none"> Openly advertised for all to compete CDB's preferred approach 	<ul style="list-style-type: none"> Widespread use
Limited Competition	<ul style="list-style-type: none"> Competition between invited Firms or Individuals 	<ul style="list-style-type: none"> Limited pool of capable Firm or Individuals Justified departure from open process
Direct Selection	<ul style="list-style-type: none"> Negotiation with one selected Firm or Individual 	<ul style="list-style-type: none"> Only one suitable Firm or Individual Justified invitation to preferred Firm or Individual
Pre-Qualification (Restricted)	<ul style="list-style-type: none"> Openly advertised but competition limited to the most competent firms meeting minimum standards 	<ul style="list-style-type: none"> Large & complex projects where Bid costs are likely to limit market interest
Two Stage Process	<ul style="list-style-type: none"> Increased levels of collaboration and early contractor involvement. 	<ul style="list-style-type: none"> Projects where there is a greater need for innovation
Negotiations	<ul style="list-style-type: none"> Post competition negotiation with first placed Firm or Individual, moving to next best if negotiations cannot be concluded For Consulting Services, the results of the quality and cost evaluations determine the selection of the Firm that shall be invited for negotiations 	<ul style="list-style-type: none"> Limited to international competition subject to prior review Consultant Services

Table III – Alternative Market Approaches

Selecting the right evaluation method by which Firms or Individuals Bids or Proposals are assessed to determine the Firm or Individual that offers the best VfM while demonstrating the ability to deliver the project. The evaluation criteria must be designed to enable the Recipient to achieve best VfM in procurements financed by CDB.

There are two methods for selecting a Firm or Individual based on identifying the most advantageous Bid/Proposal:

- If rated criteria are used, typically the weighting for Goods, Works and Non-consulting Services should not exceed 30%, the substantially responsive Bidder or Proposer that meets the qualification criteria, and has submitted the best evaluated Bid/Proposal is selected; and
- If not used, the Bidder/Proposer that meets the qualification criteria and whose Bid/Proposal has been determined to be (i) substantially responsive to the Procurement Documents, and (ii) the lowest evaluated cost (lowest evaluated bid/proposal) is selected.

Evaluation criteria's need to be appropriate to the type, nature, market conditions, and complexity of what is being procured and must be clearly specified in detail in the Procurement Documents.

⁸ Each market approach can be used can be used for national, regional, or international participation.



CDB Approach to Supervision

The approach that CBD should take to supervision of the procurement process is determined as part of the Risk Assessment conducted by CDB drawing on CDB's Guidance Note - Procurement Risk Assessment⁹. The Risk Assessment framework helps CDB in identifying and managing procurement and market related risks as well as informing CDB's oversight arrangements including post and prior review throughout the CDB's procurement cycle.

Contract Management Plan

Contract management is a formal process that focuses on ensuring the contractual commitments of both parties, as defined in the contract are delivered. Contract Management requires systematic and efficient planning, execution, monitoring, and evaluation to optimize performance while managing risks to ensure that both parties fulfil their contractual obligations with the goal of achieving VfM.

Contracts that are managed effectively with the aid of a contract management plan can assist the Recipient to obtain the best VfM during the life of the contract, ensures that the supplier delivers upon their commitments, manages supply risks for the duration of the contract, ensures effective contracts that continue to deliver and provides evidence to support any audits.

When defining the contract management strategy and approach, it is important to understand the level of influence the Recipient may have over the Firm or Individual, which is informed by the supplier preferencing model detailed in Annex V. It is also important to understand how much influence the Recipient needs over the Firm and Individual which is informed by the supplier position model and procurement risk analysis.

The Recipient should also consider how the Firm or Individual will be managed through review meetings, progress reports, risk logs, action plans, the key milestones and when they should be reviewed, the level of resources required to manage the contract effectively; and how performance will be assessed against pre-agreed measures, including key performance indicators.

The approach to contract management should be proportionate to the value, risk, length, type, and complexity of the contract and the type of market/suppliers who will be fulfilling the contract. Depending on the nature of the relationship with the Firm or Individual, the level of effort may change for the Recipient.

For simple and low value contracts, the contract management plan should include, as a minimum, the key roles and responsibilities, the key contractual dates and delivery milestones, payment milestones; and the record keeping requirements.

For high value, high risk, or complex contracts identified in the Procurement Plan, the contract management plan shall typically contain a summary of contract details such as:

- Identified potential risks (such as delays in the contractor's right of access to site, payment delays and other defaults in the Recipients contractual obligations that could potentially lead to contractual disputes) and its mitigation.
- Key contacts, roles, and responsibilities of the parties.
 - The names and contact details of the key contacts for each party shall be clearly identified in the contract.
 - Ensuring that each party has established the necessary authorizations and delegations for its personnel at the beginning of the contract to ensure all contracting decisions are valid and enforceable.

⁹ <https://www.caribank.org/work-with-us/procurement/resources>



- Communication and reporting procedures.
- Key contractual terms and conditions that relate to delivery.
- Contractual milestones including critical path (identified to ensure early detection and mitigation of issues) and payment procedures consistent with contractual provisions.
- Key contract deliverables.
 - Contract deliverables shall be identified and accurately described for easily monitoring.
 - Key contract deliverables shall be updated to account for change orders during the execution of the contract.
- KPIs and measurement process.
- Contract variation/change control mechanisms.
- Record keeping requirements.
- Issues management and escalation plan.

The approach to managing each contract needs to be determined in advance and where described in the Procurement Documents to ensure the Firm or Individual allocates adequate resources to supporting effective contract management. The Firm or Individuals bid response, along with the Recipients contract management requirements, need to be combined into a Contract Management Plan. The Contract Management Plan should be developed during contract creation and ideally completed at the time the contract is signed. The plan should be developed in consultation with the successful Bidder/Proposer.

ANNEX I – CBD’S PROCUREMENT PLAN TEMPLATE

(This is only a sample with the minimum content that is required for disclosure on the Bank’s website in accordance with the CDB Procurement Framework. The Project Team will agree with the Recipient on a Procurement Plans which may contain additional information and may be prepared in a different format as desired by the Recipient of CDB Financing. The initial Procurement Plan will cover at least the first 12 months of the project and then updated annually or earlier as necessary. Note the published version shall replace budgetary figures with “NP” i.e., not published and this should be reflected accordingly in the abbreviations)

I. General

1. **Project Information:** *[add to this section as necessary]*

Country:

Borrower:

Project Name

Project Implementing Unit (PIU):

2. **Bank’s Approval Date of the Procurement Plan** *[Original; Revision]*

3. **Period Covered by This Procurement Plan:**

II. Goods and Works and Non-Consulting Services

- Prior Review Threshold:** Procurement decision subject to Prior Review by the Bank as stated in the Procurement Procedures: *[Thresholds for applicable procurement methods (not limited to the list below) will be determined by the Portfolio Manager, Procurement based on the assessment of the implementing agency's capacity.]*

	Procurement Method	Prior Review Threshold	Comments
1.	ICB and LIB (Goods)		
2.	NCB (Goods)		
3.	ICB (Works)		
4.	NCB (Works)		
5.	ICB (Non-Consultant Services)		
	<i>[Add other methods if necessary]</i>		

- Prequalification.** Bidders for _____ shall be qualified in accordance with the provision of paragraphs 7.12 and 7.13 of the Procurement Procedures.
- Reference to (if any) Project Operational/Procurement Manual:** *[Procurement Policy for Projects Financed by CDB insert date and the Procurement Procedures for Projects Financed by CDB insert date]*
- Any Other Special Procurement Arrangements:** *[including advance procurement and retroactive financing, if applicable]*
- Procurement Packages with Methods and Time Schedule** *[List the Packages which require Bank's prior review first and then the other packages]*

1	2	3	4	5	6	7	8	9
Ref No.	Contract (Description)	Estimated Cost (insert currency)	Procurement Method	Prequal (Y/N)	Regional Preference (Yes/No)	Review by Bank (Prior/ Post)	Expected Bid-Opening Date	Comments
1.								
2.								
3.								
4.								

III. Consulting Services

- Prior Review Threshold:** Procurement decision subject to prior review by the Bank as stated in Annex 2 to the Procurement Procedures: *[Thresholds for applicable procurement selection methods (not limited to the list below) will be determined by the Portfolio Manager, Procurement based on the assessment of the implementing agency's capacity.]*

	Selection Method	Prior Review Threshold	Comments
1.	Firms: QCBS		
2.	Firms: Direct Selection		
3.	Individual Consultant Selection		

- Short list comprising entirely of national consultants:** Short list of Consultants for services, estimated to cost less than *[insert value]* or equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 6.17 of the Procurement Procedures. *[delete this point if not relevant]*
- Reference to (if any) Project Operational/Procurement Manual:**
[Procurement Policy for Projects Financed by CDB insert date and the Procurement Procedures for Projects Financed by CDB insert date]
- Any Other Special Procurement Arrangements:** *[including retroactive financing, if applicable]*
- Procurement Packages with Selection Methods and Time Schedule:** *[List the Packages which require Bank's Prior Review first and then the other packages]*

1	2	3	4	5	6	7
Ref No.	Assignment (Description)	Estimated Cost (<i>Insert Currency</i>)	Selection Method	Review by Bank (Prior/Post)	Expected Proposal Submission Date	Comments
1.						
2.						
3.						
4.						
5.						

III. Implementing Agency Procurement Capacity Building Activities with Time Schedule

In this section the agreed Procurement Capacity Building Activities are listed with time schedule.

No.	Expected Outcome/ Activity Description	Estimated Cost	Estimated Duration	Start Date	Comments



IV. Summary of Proposed Procurement Arrangement

Project Component	CDB (USD'000)									NBF (USD'000)		Total Cost (USD'000)
	Primary	Secondary			Other					Country	Institution	
	ICB	LIB	RCB	NCB	Shopping	DS	FA	QCBS	QBS			
1.												
2.												
3.												
4.												
5.												
6.												
7.												
8.												
Sub total												
9. Physical Contingency												
10. Price Contingency												
11. Finance Charges												
Total Project Costs												

DS	Direct Selection	NCB	National Competitive Bidding
FA	Force Account	QBS	Quality Based Selection
ICB	International Competitive Bidding	QCBS	Quality and Cost-Based Selection
LIB	Limited International Bidding	FBS	Fixed Budget Selection
NBF	Non-Bank Financed		

[amend abbreviations above as necessary]

ANNEX II – CBD'S S PROCUREMENT STRATEGY TEMPLATE

PROJECT OVERVIEW	
Country	<i>Insert the Country of the Project</i>
Sector	<i>Insert Sectors Covered by the Project</i>
Project Name	<i>Insert Project Name</i>
Project Number	<i>Insert Project Number</i>
Total Financing	<i>Add Total Financing Amount</i>
Project Description	<i>For each contract/sub-contract, there should be a short description of what is required from the Firm, Supplier, Contractor (including sub-Contractors) or Individual including the cost estimate.</i>
Project Outcomes	<i>The Project Outcomes should be consistent with the Project Outcomes identified in the Project Appraisal Report.</i>
Proposed Procurement Contract Summary	<i>A summary of the proposed contracts within the Project including a Supply Positioning model for identified contracts.</i>
Legal/Policy Requirements	<i>A statement of any legal or policy requirements such as waivers to the Procurement Framework, the application of Alternative Procurement Arrangements, use of Stated Owned Enterprises for restricted contracts such as aerial mapping, and any policy requirements.</i>

ASSESSMENT OF OPERATING AND RECIPIENTS CAPACITY	
Operational Context	
Governance Aspects	<i>Summary of the Governance Aspects of the Project</i>
Economic Aspects	<i>Summary of the Economic Aspects of the Project</i>
Sustainability Aspects	<i>Summary of the Sustainability Aspects of the Project</i>
Technological Aspects	<i>Summary of the Technological Aspects of the Project</i>
Conclusions on Operational context to be addressed through the procurement approach	

Assessment of Recipients Capability and Project Implementation Unit (PIU)

This subsection should describe features of the PIU that need to be addressed to ensure that VfM is achieved. This subsection should address the following topics, as relevant to the Project:

- A. Experience implementing similar Projects and implementing CDB Projects.
- B. The need for hands-on support to support procurements.
- C. Contract management capacity and capability.
- D. Complaints management and dispute resolution systems.
- E. Procurement capacity (previous experience, availability of resources and track record) to undertake successful fit for purpose procurement planning, procurement process, bid/proposal evaluation, supplier selection and contract award.
- F. Number of qualified and experienced procurement staff.
- G. In house resources such as IT systems and infrastructure.
- H. The reliance on and use of professional advisors such as consultants to augment Recipients capability.
- I. Lessons learned from the implementation of other similar Projects.

At the end of the Recipients capability assessment, a Resourcing Plan should be created.

Conclusions on Client Capability and PIU Assessment to be addressed.

STAKEHOLDER ANALYSIS

Identify the main stakeholders who have an interest or impact on the Project and whether their interest is one of responsibility, accountability, to be consulted or informed. The identified Stakeholders will need to be engaged to understand what objectives they have from the procurement.

Stakeholder		Interest (Responsible, Accountable, Consulted, Informed)	Stakeholder Objectives from the Procurement	Stakeholder Management Approach
Name	Role			

PROCUREMENT RISK ASSESSMENT

This subsection analyses and prioritizes the risks identified from Section 2 that relate to the Operational Context, Market Analysis and PIU Assessment that could be mitigated through the procurement approach. The risk rating should be determined as detailed in Annex III – Risk Categorization Table.

Risk Description	A	A	Overall Risk Score (A*B)	Description of Proposed Mitigation	Risk Owner	Procurement Stage
	Likelihood Rating	Impact Rating				

PROCUREMENT OBJECTIVES

Based upon the Strategic Analysis, Risk Assessment and Stakeholder Analysis, detail the key Procurement Objectives that if achieved will support the delivery of the Project’s outcomes and achieve value for money. The Procurement Objectives need to be SMART — Specific, Measurable, Achievable, Realistic and Time-bound. The procurement objectives should be tested with the identified Stakeholders to ensure agreement on the prioritized list of Procurement Objectives.

Prioritized Procurement Objectives

1	
2	
3	
4	
5	

MARKET RESEARCH AND ANALYSIS

This subsection should identify the specific contracts to be procured and include a market analysis of each of the target market segments that is proportional in detail to the relative risk and value of the contract within the Project conducted through a Supply Positioning Model. If different markets fulfil different contracts within the Project, the market analysis should research each market.

For all other contracts, the level of analysis to support the justification for the preferred procurement arrangement should be proportional to the procurement risk and value of the contract.

This subsection should address the following topics, as relevant to the Project:

A. Research

- i. Supply Positioning Model — Identify the risk and value thresholds of the project.
- ii. Segmentation of the market by geography (local, national, international), specialisation or differentiation.
- iii. Market sector dynamics — Nature and extent of competition, levels of experience, capability and innovation, external influences and factors, Supplier Preferencing.
- iv. Market trends — Technology, new services, ownership structures and alliances, market growth, new entrants.
- v. Financial — Sources of cost and value, cost stability, pricing strategies and mechanisms, cost, and financial benchmarks.
- vi. Procurement trends — Procurement s of other entities procuring similar contracts, typical contract terms, common issues that inhibit or contribute to achieving value for money, typical responses and lessons learned.

B. Analysis and Action

At the end of the Market Research stage, Recipients should develop a range of Procurement Approach Options and a Market Engagement Plan.

Conclusions on the Market Analysis to be addressed through the procurement approach.

PROCUREMENT APPROACH OPTIONS AND RECOMMENDATIONS

Please detail the options and the recommended procurement arrangement for the contracts detailed in the Project description and the justification for the recommended procurement arrangements based on the analysis. This Section should be completed for each contract required following the Procurement Procedures for Projects financed by CDB¹⁰. Items are identified in previous sections of the Procurement Strategy and should be included. After the options analysis, please detail your recommended procurement approach/arrangement.

Contract Description

**Contract Category
(Works, Goods,
Consultancy Firms
and Individuals, and
Non-Consultancy
Services)**

Estimated Cost**Contract Approach**

The output of this section will be a:

- Procurement Approach stating how the Recipient is going to approach the market, select the supplier, and finalize the contract.
- Set of selection methods and market approaches.
- Procurement Plan that summarizes how each contract within the Project will be procured.

The following table should be completed.

	Attribute	Selected Approach	Justification
	Specifications	Conformance/Performance	
Contract Strategy	Contract Type (Paragraph 5.16) ¹¹	A. Traditional B. Design and Build C. Design, Build, Operate and Maintain D. Design and Build – Turnkey or Prime Contractor E. EPC and EPCM	
	Pricing and Costing Mechanism (Paragraph 8.31 – 8.35) ¹¹	A. Lump Sum B. Performance based contracts C. Schedule of Rates/Admeasurement D. Time and Materials E. Cost Plus	
	Supplier Relationship	Adversarial/Collaborative	
	Price Adjustments (Paragraph 6.79) ¹¹ ANNEX 6. - Contract Conditions for Regional	A. None, Fixed Price B. Negotiated C. Percentage	

¹⁰ <https://www.caribank.org/work-with-us/procurement/resources>

¹¹ Procurement Procedures for Projects Financed by CDB - November 2019
<https://www.caribank.org/work-with-us/procurement/resources>

	and International Procurement ⁸		
	Form of Contract (Terms and Conditions)		
Selection Methods	Selection Method SECTION 7 – Approved Selection Methods for Goods, Works, and Non-Consulting Services ¹¹ SECTION 8 - Approved Selection Methods for Consulting Services ¹¹	A. Invitation to Bid (ITB) B. Request for Proposals (RFP) C. Direct Selection	
	Selection Arrangement (Paragraph 8.23 – 8.30) ¹¹	A. Public Private Partnerships (PPP) B. Commercial Practices C. United Nations (UN) Agencies D. Imports E. Commodities F. Community Driven Development G. Framework Agreements	
	Market Approach SECTION 7 – Approved Selection Methods for Goods, Works, and Non-Consulting Services ¹¹	A. Type of Competition 1. Open 2. Limited 3. International 4. Regional 5. National 6. No Competition (Direct Selections) B. Number of Envelopes/Stages 1. Single Envelope 2. Two Envelope 3. Single Stage 4. Two Stage C. Negotiations (Yes/No)	
	Pre / Post Qualification (Paragraph 7.12 – 7.14) ¹¹	A. Pre-Qualification B. Post-Qualification	
Evaluation Methods	Evaluation Selection Method for Consulting Services (Paragraph 8.10 – 8.18) ¹¹	A. Quality Cost Based Selection (QCBS) B. Fixed Budget Based Selection (FBS) C. Least Cost Based Selection (LCS) D. Quality Based Selection (QBS) E. Consultant’s Qualifications Based Selection (CQS) F. Direct Selection	
	Evaluation of Costs ANNEX 5 – Evaluation Criteria ¹¹	A. Adjusted Bid Price B. Life-Cycle Costs	
	Regional Preference (Paragraph 6.52 – 6.53) ¹¹	Yes/No	

	<p>Rated Criteria ANNEX 5 – Evaluation Criteria¹¹</p>	<p>List the type of Criteria to be used (Mandatory/Desired)</p>	
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SUMMARY OF THE PROCUREMENT STRATEGY

Empty box for the summary of the procurement strategy.

ANNEX III – RISK CATEGORISATION TABLE

Risk Rating	Description
High	Risk is expected to occur in most circumstances with high impact (in terms of time and cost) on the project
Medium High	Risk will probably occur in most circumstances with medium to high impact (in terms of time and cost) on the project
Medium	Risk may occur with medium impact (in terms of time and cost) on project
Medium Low	Risk may occur occasionally with low to medium impact (in terms of time and cost) on the project
Low	Risk may never occur only in exceptional circumstances with low impact (in terms of time and cost) on the project

ANNEX IV – SUPPLIER POSITIONING MATRIX

Supply Positioning Matrix is a procurement technique that can be used to determine where research and analysis should be focused in preparing the Procurement Strategy. It simply categorizes specific procurements based on their relative supply risk and value.

Each contract should have an assessment of its supply risk and relative value to position the contract on the Supply Positioning Matrix as detailed in the following figure.

Identifying how important the Goods, Works and Services are to the project will help inform.

- The approach you take with Firms and/or Individuals; and
- The amount of time and resources needed.

Using supplier positioning helps to get a better understanding of how the market functions. It is also important to determine how Firms and/or Individuals view doing business with your organization and government and how they behave as a result.

Many Firms and/or Individuals evaluate their customers' value to determine the amount of effort they will exert to maintain the account or to keep and win future business. This can help an organization to identify changes that may need to be made to be a more attractive customer which in turn can create more competition among Firms and/or Individuals.

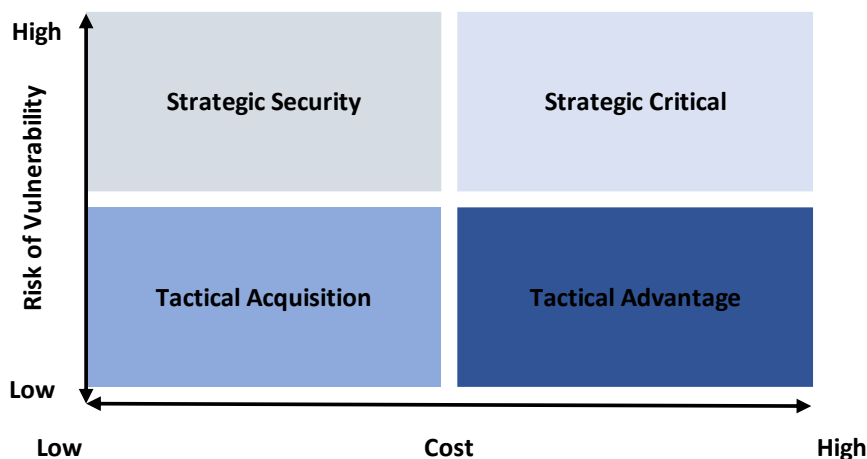


Figure II – Supplier Positioning Matrix

Supply Positioning should be carried out at a Project level. Each contract within the Project should then be assessed in terms of the following supply risk factors:

- The Recipients skills and previous experience in procuring and managing this type of contract;
- The difficulty of specifying, or the uniqueness of the Project/contract requirements;
- The competitiveness of the market and the number of potential Firms and/or Individuals in the market;
- Contract implementation risks; and
- The criticality of the contract.

The combined assessment of these supply risk factors should be categorized, rated, and ranked and then each contract should be plotted on the Supply Positioning Model. The relative cost estimate of each contract should be plotted on the x-axis. Relative cost in Supply Positioning is a relative value and

is calculated based on the relative cost of the contract when compared to the estimated total Project procurement cost.

Mapping contracts in the Supply Positioning Model will place the contract in one of the four named quadrants. Contracts should not be artificially broken down into smaller lots at this stage (although that could be appropriate once the Procurement Strategy is complete and determines that this is required as part of the procurement approach), while the opportunity to package similar contracts together should also be considered in the preparation of the Procurement Strategy.

If any contract in a Project is categorized as Tactical Acquisition, this indicates a relatively low level of supply risk and therefore requires proportionately less research and analysis. If any of the contracts are categorized as Strategic Security or Strategic Critical, this indicates a relatively high level of supply risk and therefore requires a greater level of analysis, due diligence, and effort to be applied.

Supply Positioning should be used as a guide to determine the level of effort required. Under normal circumstances, contracts that are Tactical Acquisition or Tactical Advantage can have the procurement approach summarized in the Procurement Strategy. The main exception to this, is where the preferred procurement approach is either not fully competitive or is inherently risky, such as PPP's. In these circumstances a more robust analysis and justification is required.

On completion of the Supply Positioning assessment, the Recipient should use its judgement to make sure the contract placement on the model is realistic. The use of Supply Positioning at this stage of the Procurement Strategy preparation is designed to help Recipients identify where effort needs to be focused. Where data or information is not available, the Recipient should state their "assumptions" and use their best judgement. These "assumptions" and judgements should be reviewed as the Procurement Strategy is being prepared and if necessary, the Recipient should revisit the Supply Positioning assessment, if there are any material changes to the assumptions and / or judgements made.

Aligning the needs of the Recipient and the likely behaviours of Firms and/or Individuals who may Bid for CDB financed Projects is one of the more fundamental parts of the procurement approach design. Supply Positioning is a procurement tool that is used to assess the criticality of the goods, services, and works to the Recipient by evaluating Project risk and value.

Supply Positioning also provides an overview of the procurement arrangements and mitigation measures, segmented by the Supply Positioning categorization that a Recipient should consider in developing its procurement approach. The following table outlines the typical procurement approaches applicable to each Supply Positioning segment.

Recipients Priority	Description	Approach	Arrangement
Strategic Security	<ul style="list-style-type: none"> • Low-cost goods/services or works • Strategically important Shortage of reliable suppliers	Ensure Supply	<ul style="list-style-type: none"> • Longer term contract / relationship • Build reserve of stock Consider alternative products
Strategic Critical	<ul style="list-style-type: none"> • High costs specialist goods / services / works • Limited number of suppliers 	Manage Suppliers	<ul style="list-style-type: none"> • Med / long term contract Contingency planning
Technical Acquisition	<ul style="list-style-type: none"> • Routine purchases • Low-value / low-risk goods / services / works Many potential suppliers	Minimum Attention	<ul style="list-style-type: none"> • One-off contracts/purchase orders • E-purchasing Procurement cards

Tactical Advantage	<ul style="list-style-type: none"> • High-cost/low-risk goods/services Many potential suppliers 	Drive Tactical Advantage	<ul style="list-style-type: none"> • Short term contracts • Ongoing active sourcing for competitive price
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Table IV - Supplier Positioning Table

Equally, using Supplier Preferencing, it is possible to identify and describe the typical approach Firms and/or Individuals may take when working with Recipients based on the segmentation.

ANNEX V – SUPPLIER PREFERENCING MATRIX

Supplier Preferencing is a strategic tool that enables Recipients to identify how a Firm and/or Individual may view them as a customer and how likely they are to respond during a procurement process. The matrix helps to consider how attractive the project and contract may be to potential a Firm or Individual and, therefore, how likely they will contribute to fulfilling the project’s development objectives. Supplier Preferencing can help to determine the level of willingness or reluctance the Firm or Individual will exhibit in wanting to Bid for work and the corresponding level of effort the Firm or Individual will make in meeting the Recipient’s requirements.

Supplier Preferencing helps determine the extent that the Recipient can influence a market, through its procurement approach, to achieve the project objectives using the following matrix.

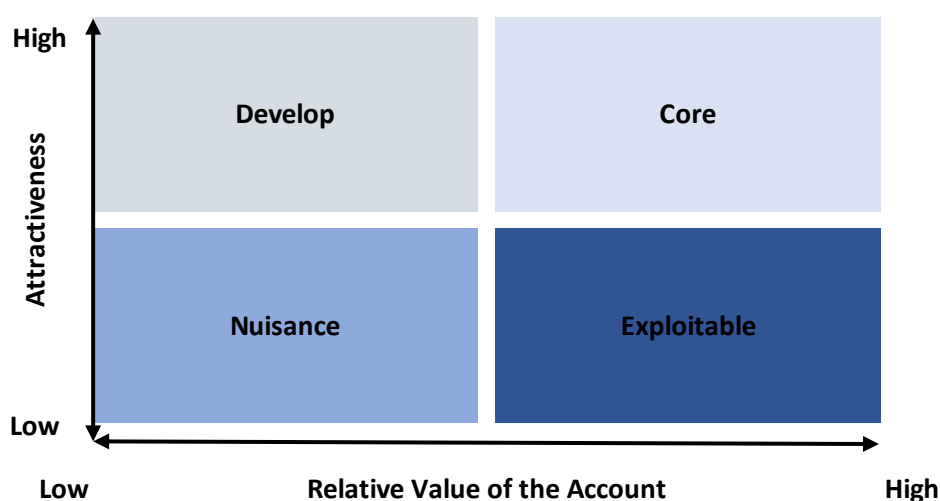


Figure III – Supplier Preferencing Matrix

A Firm or Individual see customers as either development, core, nuisance or exploitable dependant on the attractiveness and relative value of the account. Detailed in the following table are the types of approach and arrangement that might be taken dependant on how a Firm or Individual view a customer (Recipient).

Suppliers Priority	Description	Approach	Arrangement
Development	<ul style="list-style-type: none"> Customer has potential Customer highly sought after Work hard to exceed Customer’s expectations Exceptional service levels 	High Attention	<ul style="list-style-type: none"> Nurture the Customer Secure further business Price using ‘special deals’ and marginal costing
Core	<ul style="list-style-type: none"> Supplier core business Give high level of service and response Increase profitability in low key manner Ensure ongoing profitability 	Proactive Customer Management	<ul style="list-style-type: none"> Look after the Customer through excellent service and delivery Retain and expand business Receptive to ‘strategic alliances’ Seek to ‘lock in’ Customer through long term contracts

Nuisance	<ul style="list-style-type: none"> • Little profit made • Customer difficult and/or expensive to service • Poor at paying bills • Provide poor service Supplier's overall objectives	No Attention	<ul style="list-style-type: none"> • Give it low attention • Short term contracts • Withdraw from business
Exploitable	<ul style="list-style-type: none"> • In unique position of strength • Increase prices – reduce service costs • Seek short-term advantage • Prepared to risk losing Customer 	Minimal Attention	<ul style="list-style-type: none"> • Drive for best price • Maximise profit in the short-term

Table V – Supplier Preferencing Table

Supply Positioning also provides an overview of the procurement arrangements and mitigation measures, segmented by the Supply Positioning categorization that a Recipient should consider in developing its procurement approach. The following table outlines the typical procurement approaches applicable to each Supply Positioning segment.

Type of Relationship	Priority	Description	Approach	Arrangement
Low value strategic	Security of service	<ul style="list-style-type: none"> • Low-cost services • Strategically important • Shortage of providers 	Ensure supply	<ul style="list-style-type: none"> • Long term contracts support security of supply • Consider developing additional capacity in the supplier community • Maintain a closer relationship to manage problems proactively
High value strategic	Security of service at a good price	<ul style="list-style-type: none"> • High-cost services • Limited number of suppliers, maybe a single supplier scenario 	Manage providers	<ul style="list-style-type: none"> • Med/long term contract to support security of supply • Contingency planning • Maintain a closer, more collaborative relationship
Low value non-strategic	Maximise efficiency in sourcing services	<ul style="list-style-type: none"> • Low-value/low-risk services • Many potential suppliers 	Less attention	<ul style="list-style-type: none"> • Standard outcome agreements of shorter term • Standard measures, monitoring and reporting • Closer monitoring of those suppliers falling below average standards, volumes or outcomes

<p>High value non-strategic</p>	<p>Improving value through actively working with suppliers to seek efficiencies</p>	<ul style="list-style-type: none"> • High-cost/low-risk services • Many potential suppliers 	<p>Ensure value</p>	<ul style="list-style-type: none"> • Shorter term contracts enable change to achieve better value • On-going active sourcing for competitive price • Less common for contracts for social services
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Table VI – Types of Contractual Relationships

Equally, using Supplier Preferencing, it is possible to identify and describe the typical approach Firms or Individuals will take to working with Recipients based on the segmentation. The table above provides an overview of a Firms or Individuals likely approach to the Recipient in each category.

Comparing the findings of both the Supplier Preferencing and Supply Positioning allows Recipients to identify and assess whether the typical procurement approach of a Recipient based on the Supply Positioning segmentation is aligned with the typical approach of individual Firms or Individuals as determined by the Supplier Preferencing.

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