Somaliland Development Fund Phase 3

Procurement Manual

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List of Abbreviations

BAFO	Best and Final Offer
CDD	Community Driven Development
CIP	Carriage and Insurance Paid (place of destination)
CQS	Consultant's Qualifications Based Selection
DANIDA	Ministry of Foreign Affairs of Denmark
EOI	Expression of Interest
EXW	Ex-works, ex-factory, or off-the-shelf
FA	Framework Agreement
FBS	Fixed Budget Based Selection
GoSL	Government of Somaliland
GPN	General Procurement Notice
ICB	International Competitive Bidding
IDC	Indefinite Delivery Contract
IS	Initial Selection
ITC	Instructions to Consultants
JSC	Joint Steering Committee
KPI	Key Performance Indicator
LCS	Least Cost Selection
LIB	Limited International Bidding
LOI	Letter of Invitation
NCB	National Competitive Bidding
NDP	National Development Plan
NGOs	Nongovernmental organizations
NTB	National Tender Board
QBS	Consultants Quality-Based Selection
QCBS	Consultants Quality and Cost-Based Selection.
REOI	Request for Expression of Interest
RFB	Request for Bids as a selection method
RFP	Request for Proposals as a selection method
RFQ	Request for Quotations as a selection method
SDF	Somaliland Development Fund
SOEs	State-owned Enterprise or institution
SPDs	Standard Procurement Documents
SPN	Specific Procurement Notice
SSS	Single Source Selection
TOR	Terms of Reference
UN	United Nations
VFM	Value for Money

1. Introduction

1.1 Somaliland Development Fund

The Somaliland Development Fund (SDF) was established in 2012 to provide a single vehicle through which development partners could support Somaliland's development goals. The SDF supports the Government of Somaliland (GoSL) fill critical infrastructure gaps through funding projects that are aligned to the National Development Plan (NDP).

Phase 1 of SDF (2013-2018) provided USD 60m for the funding of 12 projects throughout Somaliland which focussed on rebuilding key infrastructure and public services and strengthening government capacity. The funding was provided by the United Kingdom, Denmark, the Netherlands and Norway.

Phase 2 (2018-2025) provided USD 58M to deliver 10 projects throughout Somaliland with a shift towards sustainable investments, job creation, and resilience-building, particularly in response to climate shocks like droughts. The funding was provided by the United Kingdom, Denmark, the Netherlands and Norway.

Phase 3 (SDF3) covers the period 2025-2028, with the possibility of a two-year extension. Under this new phase, the SDF aims to strengthen the climate resilience of vulnerable communities in Somaliland while creating increased income and job opportunities, thereby helping to reduce poverty. It will focus on three key strategic objectives:

1. Increasing climate resilience in integrated water resources management and food systems to recover from or mitigate vulnerability to climate-related shocks such as droughts;
2. Increasing economic and employment opportunities for women, young people, internally displaced people, and rural communities; and
3. Increasing opportunities for private sector investment in green, climate-smart solutions (i.e. technologies, business, and production models) through linkages to SDF projects or SDF-supported policy changes.

Funding is currently provided by Denmark, while the United Kingdom (UK), Norway, and the Netherlands remain engaged partners, pending further clarification on their potential to rejoin the Fund at a later stage.

The SDF Joint Steering Committee (JSC) provides oversight and strategic guidance to the operations of SDF. The JSC is composed of representatives from the Government of Somaliland and Development Partners. The JSC is chaired by the Minister of Planning and National Development.

Euroconsult Mott MacDonald has been contracted as the Fund Manager and will provide the SDF Secretariat responsible for the day-to-day management and administration of the Fund. Specific responsibilities include Project Development, Procurement, Financial and Fiduciary Risk Management, Monitoring and Evaluation, and Communication.

1.2 About this Procurement Manual

This Procurement Manual for SDF3 provides the overall policy, procedures and guidance required to manage the procurement activities of the Somaliland Development Fund. The Procurement Manual is fully informed by the lessons learned during SDF1 and SDF2 and is based on updated World Bank Procurement regulations (sixth edition, February 2025) thereby providing a robust procurement system to safeguard the fiduciary risks of the SDF.

2. Procurement in the SDF

The overall objective of this manual is to provide the SDF with a robust procurement framework to conduct procurement guided by core principles of value for money, economy, integrity, fit for purpose, efficiency, transparency and fairness.

This objective is best achieved through transparent and formal competitive procurement processes supported by a series of Standard Procurement Documents (SPDs) all with the aim of achieving value for money (VfM) whilst delivering sustainable development with integrity.

Therefore, open competitive bidding will be the default procurement approach in SDF as this maximizes fairness of opportunity to bid.

In the procurement of goods, works and non-consulting services, International Competitive Bidding (ICB) is the procurement method encouraged for use in most cases. Under ICB, the evaluation criteria set in the bidding document is the primary factor in determining a winning bid. Other main methods for procuring goods, works and non-consulting services include National Competitive Bidding, Restricted National Competitive Bid, and Shopping. The chosen method will depend on the relevant Procurement strategy for each project.

For the selection of consultants, Quality and Cost-Based Selection (QCBS) is the method encouraged for use in most cases. Under QCBS, proposals are evaluated based on both their technical merit and price. The other methods for selecting consultants include Quality-Based Selection (QBS), Consultants' Qualifications, Individual Consultants, Single Source Selection, and Least-Cost Selection. Again, the chosen method will depend on the procurement strategy for a particular project.

In very rare circumstances where it is not practical to follow competitive procurement procedures, the Fund Manager will request for a waiver from the Joint Steering Committee to adopt a suitable alternative or method. Request for any waiver will be supported by a sound verifiable justification to ensure the value for money is achieved.

Standard Procurement Documents (SPDs) are templates that shall be used to procure goods, works, services and consultancies for competitively tendered or negotiated contracts. In contrast to the procurement guidelines, SPDs set out provisions for a particular bid or request for proposal. These SPDs are sourced from the World Bank's procurement framework[1] which was updated in early 2025. These SPDs are publicly available and therefore adhere to the guiding principle of transparency. Companies, firms and individual intending to participate should consider reviewing these documents.

The Fund Manager may proceed with initial procurement activities such as advertising in accordance with the guidelines to ensure eligibility upon approval of the SDF-funded projects.

[1] Procurement Framework | World Bank Project Procurement

3. Roles and responsibilities in procurement

3.1 Responsibilities of the Fund Manager

The Fund Manager is responsible for planning, strategizing, seeking and evaluating applications, and awarding and managing contracts with close collaboration with the Project Holder. More specifically, the Fund Manager will be responsible for:

- Overseeing the procurement activities of the SDF;
- Establishing Procurement and Evaluation Committees;
- Endorsing award recommendations;
- Reviewing complaints by suppliers, contractors, consultants and stakeholders, and reporting the complaints and findings;
- Acting as a Contracting Authority to sign contracts on behalf of the Somaliland Development Fund prior to endorsement by the Project Holder and witnessed by Ministry of National Planning and Development and Ministry of Finance and execution by the contractor/consultant.

3.2 Procurement and Evaluation Committees

The Fund Manager shall establish a High-Value Procurement and Evaluation Committee for all procurement activities valued above USD 20,000.

The High-Value Procurement and Evaluation Committee will consist of five (5) members constituted as follows:

- Chairperson, non-voting, from the Fund Manager;
- Secretary, non-voting, from the Fund Manager;
- 3 Voting members, of which two (2) will be nominated from the Fund Manager and one (1) from the Project Holder.

In case one of the voting members is not present during the session, the Chairperson may be a voting member or the Chairperson may adjourn the session.

A representative of the National Tender Board (NTB) as well as the SDF Focal Point will be invited as Observer to the Procurement and Evaluation Committee.

The Procurement Committee may engage the services of consultants, advisers, or other persons with specialized expertise as may be required for the proper and efficient discharge of its functions.

The Procurement and Evaluation Committee is responsible for the proper conduct of the bid openings and bid evaluations based on the principles of efficiency, economy and transparency.

All members of the Procurement and Evaluation Committee shall sign a declaration that they do not have a conflict of interest in the procurement requirement.

The meetings of the Procurement and Evaluation Committee, the conduct of the evaluation, and the evaluation methodologies shall be executed in accordance with the criteria defined in the standard procurement documents establishing the procurement under evaluation.

The Procurement and Evaluation Committee submits its recommendation for award to the Fund Manager.

The Fund Manager shall establish a Low-Value Procurement and Evaluation Committee for all procurement activities valued below USD 20,000. The functioning of the Committee will be determined on a case-by-case basis by the Fund Manager.

3.3 Functions of the Procurement Manager

The Fund Manager has a designated procurement team, led by the Deputy Team Leader for Procurement, who will ensure the proper conduct of all procurement activities of the SDF in line with all provisions of this Procurement Manual. The responsibilities shall include:

- Procurement planning;
- Keeping procurement records;
- Preparation, publication, and distribution of invitations to bid/proposal and procurement documents;
- Receiving and safeguarding of bids/proposals;
- Conducting bid and proposal opening;
- Coordination and provision of guidance in the evaluation process of bids and proposals;
- Providing secretarial services to the Procurement and Evaluation Committees, including organizing its meetings and providing bid and evaluation reports, and all other materials necessary for adjudication by the Procurement Committee;
- Contract management and follow up the status of implementation of contracts;
- Handling communication with contractors, suppliers, consultants and service providers;
- Profiling of suppliers, contractors, and consultants, and the maintenance of a database for use under limited competitive bidding and restricted bidding procedures; and
- Providing advice on all procurement-related matters to the Fund Manager.

4. Main procurement processes

The table below summarises the general sequence of procurement activities to be followed under SDF.

Stage	Activity	Features
1	Procurement Planning	Every Project will have an overall Procurement Plan included in the Project Proposal. Procurement Plans include: a. brief description of the goods, works and services, b. selection methods to be applied c. evaluation approach and methodology d. estimated costs, e. provisional time schedule f. JSC review requirements (if applicable). Procurement Plan will be updated annually or earlier if required by the relevant Project Holder with support of the Fund Manager In urgent situations due to unforeseen issues on a project, a simplified procurement plan may be prepared provided that arrangements are consistent with the core principles of this Procurement Manual.
2	Preparation of bidding documents	For goods and works the bidding documents shall furnish all information necessary for a prospective bidder to prepare a bid for the goods, works, and non-consulting services to be provided. While the detail and complexity of these documents may vary with the size and nature of the proposed bid package and contract, they generally include: invitation to bid; instructions to bidders and bid data sheet; form or letter of bid; form of contract; conditions of contract, both general and particular; specifications and drawings; relevant technical data (including of geological and environmental nature); list of goods or bill of quantities; delivery time or schedule of completion; or terms of references, and necessary appendices, such as formats for various securities. In the selection of consultants, the request for expression of interest and proposal shall include all necessary information that would help consultants express interest and prepare responsive proposals. The shortlisting and selection procedure will clearly include the evaluation process, criteria and factors with their respective weights, and the minimum passing quality score. In all cases, the bidding documents shall be based on the World Bank Procurement Framework, updated in February 2025.
3	Publication of Procurement Notices	Timely notification of procurement is essential in competitive procurement. Timing of notifications shall be determined based needs of the project activity but and shall be included in the Procurement Plans. Invitations to prequalify or to bid, requests for expression of interest, as the case may be, shall be advertised as Specific Procurement Notices in at least one newspaper of national circulation and the SDF Website.

Stage	Activity	Features
4	Bid Opening, Examination and Evaluation	The Openings of Bids and Proposals will be conducted in Public Session. The Procurement and Evaluation Committee will examine whether the bids (a) meet the eligibility requirements established in the tender documents and in these guidelines, (b) have been properly signed, (c) are accompanied by the required securities or required declaration signed (d) are substantially responsive to the bidding documents, and (e) are otherwise generally in order. Only responsive bids will be considered for evaluation. Evaluation of bids is conducted to determine the costs of each to permit comparison. In selection of consultants, all technical proposals received by the deadline will be opened in the presence of consultants wishing to attend. The submitted proposals shall be read out aloud by names of the consultants together with the presence or absence of duly sealed financial envelopes, and any other information deemed appropriate. The financial proposals shall remain sealed until they are opened as appropriate. The default is to adopt a single stage procurement approach whereby one Public Opening session is arranged after which the technical and financial offers are evaluated simultaneously. This will streamline the process, avoid programme delays, reduce stakeholder administration and allow multiple procurements to occur in a shorter time period. Two-stage approaches may be considered if deemed necessary by the JSC. Bid evaluations for the technical components
5	Contract Award	The Fund Manager shall award the contract, within the period of the validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (i) to meet the evaluation criteria set in the respective Standards Procurement Documents (SPDs). A bidder shall neither be required nor permitted, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

5. Procurement thresholds

The SDF shall follow monetary thresholds for deciding on the appropriate selection method:

Procurement Category	Procurement Threshold USD	Procurement or Selection Method
Goods and non-consulting services	Above 1,000,000	International Competitive Bid
	150,000 to 1,000,000	National Competitive Bid
	Above 10,000 to 150,000	Shopping
	<10,000	Direct purchase
Works	Above 3,000,000	International Competitive Bid
	Above 200,000 to 3,000,000	National Competitive Bid
	<200,000	Shopping (RfQ)
Consultancies – Firms	Above 200,000	QCBS / QBS
	Above 20,000 to 200,000	CQS
	<20,000	Comparison of Qualifications
Consultancies – Individuals	Any Value	Comparison of Qualifications

6. Governance

6.1 Conflict of Interest

The SDF requires that firms or individuals involved SDF-procurement shall not have a conflict of interest.

Goods, Works, and Non-consulting Services

A firm shall be considered to have a conflict of interest if the firm:

- is providing Goods, Works, or Non-consulting Services resulting from, or directly related to, Consulting Services that it provided for the preparation or implementation of a project, or where such services were provided by an affiliate that it directly or indirectly controls or is under common control with that firm. This provision does not apply to the various firms (Consultants, contractors, or suppliers), which together are performing the contractor's obligations under a turnkey or design and built contract; or

- including its personnel, has a close business or family relationship with a professional staff of the Fund Manager, Project Holder, or any other party representing or acting on behalf of the Contracting Authority directly involved in the preparation of the procurement documents or contract specifications, and/or the evaluation process of such contract; or would be involved in the execution or supervision of such contract, unless the conflict stemming from such relationship has been resolved in a manner acceptable to the Fund Manager throughout the procurement process and execution of the contract; or

- does not comply with any other conflict of interest situation as specified in the SDF's Standard procurement documents relevant to the specific procurement process

Consulting Services

The SDF requires that Consultants should provide professional, objective and impartial advice whilst holding SDF's interest without considering future assignments and avoid any conflict.

Consultants shall not be hired for any assignment that would be in conflict with their prior or current obligations or where they are unable to carry out the assignment in the best interests of the SDF. Generally, if a firm was engaged by the SDF to provide Goods, Works, or Non-consulting Services for a project, it shall be disqualified from providing consulting services resulting from, or directly related to those Goods, Works, or Non-consulting Services. This provision does not apply to the various firms which together are performing the contractor's obligations under a turnkey or design and build contract.

Vice versa, a firm engaged by the SDF to provide consulting services for the preparation or implementation of a project, shall be disqualified from subsequently providing Goods, Works, or Non-consulting Services resulting from those Consulting Services. This provision does not apply to the various firms which together are performing the contractor's obligations under a turnkey or design and build contract.

Also, a consultant shall not be hired for any assignment that creates a conflict of interest with another assignment of the consultant. Or where consultants have a close business or family relationship with a professional staff of the Fund Manager, Project Holder or recipient of the funds or any party involved in the preparation of the TOR for the assignment, selection process for the contract; or supervision of the contract, may not be awarded a contract unless the conflict stemming from this relationship has been resolved in a manner acceptable to the Fund Manager throughout the selection process and the execution of the contract.

6.2 Unfair Competitive Advantage

To avoid uncompetitive advantage that would accrue from having provided consulting services and ensure fairness and transparency in the selection process, the Fund Manager shall make available to all short-listed consultants, together with the request for proposals document, all information that would give a Consultant a competitive advantage.

6.3 One Bid/Proposal per Bidder/Proposer/Consultant

For goods, works, and non-consulting services, an individual, firm or a joint venture shall only submit one bid/proposal, except when alternative bids/proposals is allowed. Submitting or participating in more than one bid/proposal results in the disqualification of all bids/proposals in which the firm is involved. This does not limit the inclusion of a firm as a subcontractor in more than one bid/proposal if permitted by SDF's Standard Procurement Documents applicable to such types of procurement.

In consulting services, a consultant shall not submit more than one proposal, either individually or as a joint venture partner in another proposal. Participation in more than one proposal shall lead to disqualification. This provision does not preclude a firm's participation as a sub-consultant, or an individual's participation as a team member, in more than one proposal when circumstances justify and if permitted by the request for proposals document

6.4 Eligibility

Firms and individuals from all countries are considered eligible to offer Goods, Works, Non-consulting Services, and Consulting Services so long as they are capable, have resources to successfully perform the contract and do not have conflict of interest. Exceptions to this are:

- If a firm or individual from a country is excluded for the following reasons: (1) Somaliland prohibits commercial relations with the firm or individual's country. However, this is only permitted if the SDF is satisfied that this exclusion does not constrain effective competition; or (2) through a United Nations Security Council decision taken under Chapter VII of the Charter of the United Nations, Somaliland is prohibited from importing goods or facilitating payments to the firm or individual's country.

- State-owned enterprises or institutions of the Somaliland may be eligible to compete and be awarded contracts if established that they are legally and financially autonomous, operate under commercial law and are not under supervision by the agency contracting them. Exception is given to state-owned universities, or research centres, or institutions because they provide unique and exceptional nature of services in the absence of suitable private sector alternatives on a case by-case basis.

- On a case-by-case basis, the Fund Manager may agree to hire government officials and civil servants of the Somaliland Government under consulting contracts if members of the team of experts is proposed by a Consulting firm and only when:

    i. the services of the government officials and civil servants are of a unique and exceptional nature, or their participation is critical to project implementation, or
    ii. their hiring would not create a conflict of interest; and
    iii. their hiring does not conflict with any laws, regulations, or policies of the Fund Manager.

  In such instances, they shall be hired competitively as provided in this procurement manual. When hired they will relinquish their position in GoSL with the caveat to take back their roles upon end of the assignment.

- A firm or individual is declared ineligible if sanctioned pursuant to the DANIDA's Anti-Corruption Policies or is determined to have engaged in Fraud and Corruption in connection with the procurement process.

- If requested by the Project Holder, the SDF may agree that certain firms or individuals be declared ineligible if sanctioned by the proper judicial or administrative authorities in Somaliland. This is only permitted if the SDF is satisfied that the sanction relates to Fraud and Corruption and follows fair judicial proceedings that affords the individual or firm adequate due process.

6.5 Non-Compliance

If the Fund Manager determines that a Project Holder has not complied with the procurement requirements set out in the approved Project Proposal and Approval Letter, it shall take appropriate actions, including declaring misprocurement.

Even after the contract is awarded, the Fund Manager may still take appropriate actions and, regardless of whether the project is completed or not, if the Fund Manager concludes that approval notice of satisfactory resolution was issued on the basis of incomplete, inaccurate, or misleading information furnished by the Project Implementor, or the terms and conditions of the contract had been substantially modified without the Fund Manager's no objection.

6.6 Procurement-related Complaints

Procurement-related complaints should be submitted to the Fund Manager in a timely manner, at the appropriate stage of the procurement process, and when so submitted, the Fund Manager shall address them promptly and fairly. Timeliness, in both the submission of Complaints and their resolution, is of critical importance in order to avoid undue delay and disruption in the project of which the procurement is a part of.

All complaints shall be recorded by the Fund Manager in the appropriate tracking and monitoring system. Complaints arising in connection with contracts for which the Standard Procurement Documents (SPDs) are required to be used, shall be administered and handled in accordance with Annex 1, Procurement-related Complaints.

Where the complaints are other than those covered under Annex 1, Procurement-Related Complaints, the complaints will be reviewed in accordance with the applicable complaint review rules and procedures as agreed by the Fund Manager. A complaint including allegations of Fraud or Corruption may require special treatment and should be reported through the provided anonymous number for appropriate handling and required Confidentiality.

6.7 Fraud and Corruption

The SDF requires all Fund Manager's and Project Holder's staff involved in the procurement process, the bidders and project implementors; any sub-contractors' sub-consultants, service providers or suppliers, any agents declared or not and any of their personnel, to observe the highest standard of ethics during the procurement process, selection and contract execution of SDF Funded contracts and refrain from Fraud and Corruption as detailed in Annex 2.

7. Special Provisions

7.1 Advance Contracting and Retroactive Financing

If the Fund Manager wishes to proceed with a procurement process prior to funding approval, it may do so with approval of the JSC. For such eventual contracts to be eligible for funding they must have followed approved procurement procedures.

7.2 Electronic Procurement Systems

SDF may use electronic procurement systems for aspects of the procurement process such as: issuing procurement documents, addenda, receiving applications/quotations/bids/proposals, and carrying out other procurement actions, provided it is satisfied with the adequacy of the system, including its accessibility, security and integrity, confidentiality, and audit trail features. However, this will be on case by case as specified in the issued procurement documents.

7.3 Procurement of Second-hand Goods

SDF may procurement second-hand Goods if doing so would provide an economic and efficient means of achieving a project's objectives. The following requirements shall apply:

i. any risk mitigation measures that may be necessary shall be reflected in the procurement plan,
ii. the procurement of second-hand Goods shall not be combined with the procurement of new Goods
iii. the technical requirements/specifications shall describe the minimum characteristics of the second-hand Goods, including the age and condition; and
iv. appropriate warranty provisions shall be specified

7.4 Sustainability Procurement

SDF may include sustainability requirements in the Procurement Process if consistent with the SDF Operational Guidelines. Sustainability requirements are normally evaluated by applying non-price/qualitative criteria which are stated in the Procurement Documents

7.5 Value Engineering

Value engineering is a systematic and organized approach to provide the necessary functions in a contract at the optimal cost. It promotes the reduction of time or the substitution of materials, methods, or less expensive alternatives, all without sacrificing needed functionality, longevity, or reliability. Value engineering should normally enhance performance, reliability, quality, safety, durability, effectiveness, or other desirable characteristics. Request for bids/request for proposals documents may allow the application of value engineering. The mechanism for application of value engineering during contract execution shall be as specified in the contract documents

7.6 Language

Procurement documents shall be in English. Contract signed shall always be written in the language in which the bid/proposal was submitted and shall be the language that governs the contractual relations between the parties. A contract shall not be signed in more than one language.

7.7 Confidential Information

During publication of contract award notice and debriefing of unsuccessful bidders / proposers / consultants, the Fund Manager shall not disclose information provided by participants marked as confidential in order to protect proprietary information, trade secrets and commercial or financially sensitive information. The Fund

Manager shall treat information relating to examination, clarification, and evaluation of Applications/ Proposals in a manner to avoid disclosure of their contents to any other participant in the selection process

7.8 Release of Evaluation Information

Information relating to the examination, clarification and evaluation shall not be released to any party not authorized to have access until the Fund Manager notifies the outcome of evaluation in accordance with the procedures in the applicable procurement documents.

7.9 Communications

Communications between Fund Manager and the applicants/bidders/proposers/consultants shall be in writing with proof of receipt. Written record of meetings, early engagement, competitive dialogue, and exploratory/clarification meetings must be kept.

7.10 Publication of Procurement Opportunities

The Fund Manager will issue timely notification of procurement opportunities to ensure competitive procurement. The notifications will include General Procurement Notice (GPN) for open international competitive procurement and Specific Procurement Notice (SPN). GPN will include name of the fund, funding amount, expected timing, contact address and freely open sources where SPN will be placed. SPN shall be advertised on SDF free-access website (www.somalilanddevelopmentfund.org), Somali jobs, and at least one newspaper of national circulation.

7.11 Standard Procurement Documents

All procurements will be based on standard procurement documents developed and prepared by the Fund Manager. These are based in the updated World Bank SPDs (February 2025).

7.12 Standards and Technical Specifications

SDF procurement documents shall include applicable standards and technical specifications. In ICB, internationally accepted standards (e.g. technical, environmental, social information/cyber security, quality etc) for equipment, materials or workmanship shall apply. If absent or inappropriate, national standards may be specified if substantially equivalent.

7.13 Use of Brand Names

Specifications shall be based on relevant technical characteristics and /or performance requirements. References to brand names, catalogue numbers, or similar classifications shall be avoided. When brand name or catalogue number of a particular manufacturer is used to clarify an incomplete specification, the words **'or equivalent'** shall be added after such a reference to permit the acceptance of offers for Goods that have similar characteristics and performance at least substantially equivalent to those specified.

7.14 Contract Types and Arrangements

Selection of contract types takes into account the nature, risk and complexity of the procurement as well as VfM considerations. The arrangements may include: lump sum, turnkey, performance-based, unit price, time-based and framework agreements among others. Refer to Annex 3, Contract Types.

7.15 Contract Conditions

The conditions of contract provide an appropriate allocation of rights, obligations, risks and liabilities, of the parties based on costs and incentives of risk allocation. For details refer **Annex 4**, **Contract Conditions** for **International Competitive Procurement**. The contract documents shall clearly define scope of works to be performed, goods, non-consulting Services and consulting Services to be provided, rights and obligations of the contracting parties and among other appropriate conditions.

7.16 Incoterms

Incoterms shall apply to the procurement of Goods and applicable version specified in the procurement documents used.

7.17 Clarification of Procurement Documents

Potential participants may, in writing request for clarifications of issued procurement documents. Clarifications shall not divulge information giving unfair advantage. All clarifications and addenda shall be in writing and sent out simultaneously to each recipient of the original documents and all potential participants in sufficient time to enable them to take appropriate action. Any modification shall be in writing and where it affects the bid or proposal, submission time will be extended.

7.18 Bid/Proposal Security

When bid/proposal security is required, the security shall be in the amount and form specified in the procurement request documents and shall remain valid for a period sufficient for action generally four (4) weeks beyond the validity period in the bid/proposal. The securities of unsuccessful bidders/proposers shall be released once the contract is signed with the successful bidder/proposer.

The securities shall be issued by a reputable bank or a non-bank financial institution located in any eligible country selected by the Fund Manager. In place of a Bid/Proposal security, a bidder/proposer may be required to sign Bid/Proposal securing declaration accepting that if they withdraw or modify their bids/proposals during the period of validity, or if awarded the contract but fail to sign the contract, or submit a performance security before the deadline, then they will be suspended for the period of time specified in the request for bids/proposals document.

7.19 Bid/Proposal Preparation Period and Submission

The time allowed for the preparation and submission of Bids/Proposals are determined with consideration of the project magnitude, risk, and complexity of the procurement. The minimum period allowed for preparation of Bids/Proposals shall be thirty (30) Business Days for open international competitive procurement, unless otherwise agreed. In complex procurement, the Fund Manager may arrange a pre-bid/pre-proposal conference with representatives of prospective participants to seek clarifications including access to proposed project sites.

Submission time and place shall be specified in the SPN for each request for bid/proposal document. When provided for, potential bidders/consultants may submit bids/proposals by mail or in person.

7.20 Joint Ventures (JV)

Firms may form joint ventures with domestic or foreign firms to enhance their qualifications and capabilities. A joint venture may be for a long term or for a specific procurement. All the partners in a joint venture shall be jointly and severally liable for the entire contract. SDF does not accept conditions for mandatory joint ventures or other forms of mandatory association between firms.

7.21 Bid/Proposal Validity

The validity period shall be as specified in the request for bids/request for proposal document and sufficient to enable completion of evaluation, obtain necessary approvals, allow for reviews and award the contract.

7.22 Bid/Proposal Opening

The date and time for opening shall be as per the deadline or promptly thereafter at the place specified in the request for bids/proposals document in SPN. Opening shall be public. At the opening, neither merits nor rejection of any bid/proposal received on time shall be discussed.

In a **single stage, one-envelope process**, received bids/proposals shall be opened in public by the submission deadline, read aloud with names, total amounts, discount, security or where alternative is allowed recorded.

In **single stage, two-envelope process** where best and final offer (BAFO) or negotiations is used, but not in a process for competitive dialogue, the first envelope (technical Bid/Proposal), shall be opened in public the by the submission deadline while financial proposals submitted shall be kept unopened in a secure place.

At this stage, the name, the presence or absence of sealed envelopes with the price, the presence or absence of a Bid security/Bid securing declaration if required, shall be recorded.

In single stage, two-envelope process the second envelope with financial proposal shall be opened in public for proposals that meet the requirements set in the technical criteria, read aloud, name / price recorded and technical score of each. After contract signature, financial proposal of the proposal that did not meet set technical requirements shall be returned unopened.

In a **multistage process** in which the first-stage submission does not include prices, the information to be read out is the same as in a single stage, two-envelope process. A copy of the record of bid/proposal opening shall be promptly sent to all participants whose proposals were opened. Bids or proposals not opened and read out at the opening shall not be considered.

A copy of the record of Bid/Proposal opening shall be promptly sent by the Fund Manager to all applicants whose Bids/Proposals were opened.

7.23 Late Bids/Proposals

Bids or proposals received after the deadline date and time shall not be considered.

7.24 Evaluation Criteria

Evaluation criteria and methodology shall be specified in detail in the request for bids/proposals document. The evaluation criteria and methodology shall be appropriate to the type, nature, market conditions, and complexity of what is being procured. Where possible, a Rated Criteria shall apply with the weightings determined based on the procurement risk and cost. For further details refer to Annex 5, Evaluation Criteria.

7.25 Domestic Preference

Domestic preference shall not apply.

7.26 Currency

Bids/proposals under SDF will be in US Dollars. Payments will be made in the currencies specified in the bid/proposal.

7.27 Price Adjustments

The request for bids/proposals document shall state price as fixed or adjustable based on specified labour or materials provision.

7.28 Rejection of Bids/Proposals

Goods, Works, and Non-consulting Services,

Rejection of all bids/proposals may be justified by lack of:

i. effective competition,
ii. bids not substantially responsive to requirements of the bid documents,
iii. prices are substantially higher than updated cost estimate or available budget; and
iv. when none of technical proposals meets the minimum technical qualifying score.

However, lack of competition shall not be determined solely on the basis of the number of bidders/proposers. Sole bid/proposal submitted may be sufficient if the procurement was satisfactorily advertised, the qualification criteria were not unduly restrictive, and prices are reasonable in comparison to market values.

When all the bids/proposals are rejected, the Fund Manager shall review the causes justifying the rejection and make appropriate revisions to the request for bids or proposals document before requesting new ones.

The Fund Manager shall not reject all bids/proposals and invite new ones using the same request for bids/proposals document solely to obtain lower prices. If the Most Advantageous bid/proposal exceeds the updated cost estimates by a substantial margin, the causes for the discrepancy shall be analysed and consideration made to requesting new bids/proposals. Alternatively, the Fund Manager may negotiate with the Most Advantageous bidder/proposer to try to obtain a satisfactory contract through a reduction in the scope and/or a reallocation of risk and responsibilities that can be reflected in a reduced contract price. Note, substantial reduction in the scope or a modification to the contract documents may require rebidding.

Consulting Services

Rejection of all proposals is justified if:

i. all fail to respond to important aspects of the TOR or present major deficiencies in complying with the TOR,
ii. all fail to achieve the minimum technical score; or
iii. the offered price of the successful proposal is substantially higher than the available budget or a recently updated cost estimate.

Regarding (iii), instead of re-inviting proposals, possibility of increasing the budget or scaling down the scope of services will be discussed with the proposer. However, substantial reduction in the scope of services requires a re-invitation. If cost is a factor in the evaluation of a time-based contract, the number of person-months proposed by the proposer may be negotiated, provided that a change does not compromise quality or adversely affect the assignment.

7.29 Unbalanced or Front-loaded Bids/Proposals

In works, if the results of the lowest evaluated cost/best evaluated proposal, in the opinion of Fund Manager is unbalanced or front-loaded, the bidder/proposer will be required to provide written clarifications including detailed price analyses to demonstrate the consistency of the prices with the scope of works, proposed methodology and schedule. After evaluating the detailed price analysis, the Fund Manager may where appropriate accept:

i. the bid/proposal,
ii. require that the total amount of the performance security be increased, and at the expense of the bidder/proposer to a level not exceeding twenty percent (20%) of the contract price; or
iii. reject the bid/proposal depending on the outcome.

7.30 Abnormally Low Bids/Proposals

An abnormally low bid/proposal is one that raises material concerns as to the capability of the bidder / proposer to perform the contract for the offered price.

When identified, the Fund Manager will seek written clarifications including its detailed price analyses of its Bid/Proposal price in relation to the subject matter of the contract, scope, proposed methodology, schedule, allocation of risks and responsibilities, and any other requirements. If the bidder/proposer fails to demonstrate its capability to deliver the contract for the offered price, it shall be rejected.

7.31 Most Advantageous Bid/Proposal

Goods, Works and Non-Consulting Services

The basis of award a contract shall be the Most Advantageous bid/proposal in accordance with the applicable selection method.

When rated criteria are used, the Most Advantageous bid/proposal is the one that meets the qualification criteria and further determined to be substantially responsive to the request for bids/proposals document; and the highest ranked.

When rated criteria are not used, the Most Advantageous bid/proposal is the bid that meets the qualification criteria and has been determined to be substantially responsive to the request for bids/proposals document; and the lowest evaluated cost. This option should be avoided as it is no longer considered Best Practice. Where possible a rated criteria should be adopted.

Consulting Services

The Most Advantageous proposal is the best evaluated proposal

7.32 Notification of the Intention to Award

Goods, works and non-consulting services

Upon reaching the decision to award the contract, SDF shall promptly and simultaneously provide written notification of the intention to award the contract to the successful bidder/proposer and to each participant that submitted a bid/proposal unless previously notified of exclusion from the process at an interim stage of the procurement process.

The Notification of Intention to Award shall provide to each recipient the following information as applicable to the selection method, and as specified in the relevant request for bids/proposals document:

i. the name and address of the bidder submitting the successful bid/proposal,
ii. the contract price or where the successful bid/proposal was determined on the basis of rated criteria (where price and technical factors are rated), also:
    a. the overall technical score for each Bidder/Proposer
    b. final total combined score and final ranking of Bidders/Proposers.
    c. a statement of the reason(s) why the recipient's Bid/Proposal was unsuccessful, unless the combined score under 7.32 ii.b already reveals the reason. Note, the Fund Manager shall not divulge any other bidder's/proposer's confidential or proprietary information such as cost breakdown, trade secrets, manufacturing processes and techniques, or other confidential business or financial information,
iii. instructions on how to request a debriefing and/or submit a complaint during the Standstill Period, as set out in the request for bids/proposals document and in accordance with the requirements of Annex 1, Procurement-related Complaints and
iv. the date the Standstill Period is due to end.

Consulting Services

Upon agreement on draft negotiated contract by the successful consultant, the Fund Manager shall promptly and simultaneously provide each consultant whose financial proposal was opened, the Notification of Intention to Award to the successful consultant whom it has successfully negotiated the contract.

Notification of Intention to Award shall provide to each recipient with information relevant to the selection method as specified in the request for proposals document and may include:

i. Name and address of the consultant selected, contract price,
ii. names of all short listed consultants and indicating those that submitted proposals,
iii. where the selection method requires, the price offered by each consultant as read out and as evaluated,
iv. overall technical scores and scores assigned for each criterion and sub-criterion to each consultant,
v. the final combined scores and the final ranking of the consultants,
vi. statement of the reasons why the recipient's proposal was unsuccessful, unless already revealed. The Fund Manager shall not divulge any consultant's confidential or proprietary information such as: cost breakdown, trade secrets, methodology or other confidential business or financial information,
vii. instructions on how to request a debriefing and/or submit a complaint during the Standstill Period, as set out in the request for proposals document and in accordance with the requirements of Annex 1, Procurement-related Complaints; and
viii. the date the Standstill Period is due to end.

7.33 Standstill Period

Standstill Period is time given to bidders/consultants to examine the Notification of Intention to Award to assess whether it is appropriate to submit a complaint. It starts from Notification of Intention to Award transmission and lasts ten (10) business days after such transmission date unless extended. The contract shall not be awarded before or during the Standstill Period.

Standstill Period shall not be required when only one bid/proposal was submitted in an open competitive process, in direct selection, call-off from firms holding framework agreements and certified emergency situations.

7.34 Debriefing

Three days after Notification of Intention to Award for Goods, Works and Non-consulting Services, an unsuccessful bidder can make a written request for a debriefing and the Fund Manager will provide debriefing.

Upon request for debriefing, the Fund Manager will provide a debriefing within five (5) business days, unless justified to provide the debriefing outside this timeframe in which case the Standstill Period shall automatically be extended until five (5) business days after such debriefing is provided and the Fund Manager will promptly inform the participants of the extended Standstill Period.

Where a request for debriefing is received later than the three (3) business days deadline, the debriefing should be provided as soon as practicable, and normally no later than fifteen (15) business days from the date of publication of Contract Award Notice. Requests for debriefing received outside the three (3) business day deadline shall not lead to an extension of the Standstill Period.

Debriefings of unsuccessful bidders/consultants may be done in writing or verbally and the bidder will bear their own cost.

At minimum, the debriefing shall repeat the information contained in the notification of intention to award and respond to any related question from the unsuccessful bidder/consultant. It shall not include point-by-point comparisons with another bid/proposal/consultant or confidential /commercially sensitive information. A written summary of each debriefing shall be included in the official procurement records.

7.35 Conclusion of the Standstill Period and Contract Award

If no complaint is received at the end of the Standstill Period, the Fund Manager shall proceed to award the contract in accordance with its decision to award, as previously communicated through the Notification of Intention to Award.

The notification of award shall be transmitted to the successful bidder/proposer/consultant along with other documents as specified in the request for bids/proposals document for the contract.

If a complaint is received from an unsuccessful bidder/consultant within the Standstill Period, the contract award shall not proceed until the complaint has been addressed, as set forth in Annex 1, Procurement-related Complaints, to the satisfaction of the Joint Steering Committee.

7.36 Contract Award Notice

The Fund Manager shall publish a public notice of award of contract capturing:

i. name and address of fund,
ii. contracting authority, project holder, package reference number,
iii. selection method, bidders/consultants that submitted bids/proposals,
iv. prices as read out at opening and evaluated,
v. rejected bids/proposals for being nonresponsive or not meeting qualification criteria,
vi. name of successful bidder/proposer/consultant,
vii. final total contract price, contract duration, summary of scope; and
viii. owners where required by bid/proposal documents.

For framework agreements (FA), publication requirement applies only to the conclusion agreement and not the call-off contract under the FA. The Contract Award Notice shall be published on the SDF website.

7.37 Contract Management

The contract management ensures that all parties meet their obligations. Contracts shall be actively managed by the Fund Manager and Project Holder throughout their life to ensure that contractor performance is satisfactory, appropriate stakeholders are informed and all contract requirements are met.

7.38 Records

The Fund Manager shall keep records of all proceedings of the procurement Process in accordance with the requirements of the agreement establishing the SDF and the legal agreement between DANIDA and Mott MacDonald.

8. Selection Methods for Goods, Works and Non-consulting Services

8.1 Summary Tabel of Selection Methods and Marketing Approaches

Market Approach Options	Selection Methods	Request for Proposal	Request for Bids	Request for Quotations	Direct Selection	Selection Arrangements	Competitive Dialogue	Public-Private Partnerships	UN Agencies	Community Driven Development	Force Account	Service Delivery
Open		Y	Y	Y	X		Y	Y		Y	X	
Limited		Y	Y	Y	X		Y	Y		Y	X	
Direct		X	X	X	Y		X	Y		Y	Y	
International		Y	Y	Y	Y		Y	Y		X	X	
National		Y	Y	Y	Y		Y	Y		Y	Y	
Pre-Qualification		X	O	X	X		X	Y		X	X	
Initial Selection		Y	X	X	X		R	X		X	X	
Single-Stage		Y	Y	Y	Y		X	Y		Y	X	
Multi-Stage		Y	X	X	X		Y	Y		X	X	
BAFO		Y	Y	X	X		X	Y		X	X	
Negotiation		Y*	Y*	X	Y		X	Y		X	X	
Rated Criteria		Y**	Y**	X	X		Y	Y		X	X	

Y = Market Approach is feasible
N = Market Approach is not feasible
O = Optional
R = Required
* This refers to negotiations after a competitive process as per Paragraphs
** See section 7.24 on mandatory application of Rated Criteria and minimum weightings

8.2 Market Approach Options

The SDF will apply the following market approach options:

Market Approach Options	Features
Open Competition	An open competitive approach to market is the preferred approach as it provides all eligible prospective participants with timely and adequate advertisement of requirements and an equal opportunity to bid/propose for the required Goods, Works, or Non-consulting Services. Any approach, other than open competition, shall be justified and stated in the Procurement Plan.
Limited Competition	This approach is by invitation only without advertisement and may be an appropriate method of selection where only a limited number of firms or exceptional reasons justify departure from open competitive procurement approaches.
Approaching the International Market (ICB)	International competitive procurement is appropriate when the participation of foreign firms will increase competition and may assure the achievement of best VfM and fit for purpose results. Open international competitive procurement is the preferred approach for complex, high risk, and/or high-value contracts as per thresholds (see Section 5).
Approaching the National Market	Approaching the national market may be appropriate when the procurement is unlikely to attract foreign competition due to: size and conditions of the market, value of the contract, activities that are scattered geographically, spread over time and are labour intensive, or the Goods, Works, or Non-consulting Services are available locally at prices below the international market or where ICB cost outweigh the benefits. Foreign firms wishing to participate in open national competitive procurement, are allowed to do so on the terms and conditions that apply to national firms.
Prequalification and Initial Selection	Prequalification and Initial Selection are processes used to shortlist applicants. These processes ensure that only those with appropriate and adequate capacity, capability and resources are invited to submit bids/proposals. Prequalification or Initial Selection shall be based on standard prequalification document/Initial Selection document. Prequalification/Initial Selection is appropriate for large or complex contracts, where there is need for custom-designed equipment, Plant, specialized services, some complex information and technology, procurement under turnkey, design and build, or management contracting in which the high costs of preparing detailed bids/proposals could discourage competition. The assessment of an applicant'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 prequalification/initial selection document), or any other firm different from the firm that submitted the Prequalification/Initial Selection Application. When the time elapses before decision on the list of prequalified/initially selected applicants and the issuance of request for bids/request for proposals documents longer than twelve (12) months, then a new Prequalification/Initial Selection process is conducted through re-advertisement.

Market Approach Options	Features
Prequalification	Prequalification can be used with Requests for Bids and is optional depending on the nature and complexity of the Goods, Works or Non-consulting Services. In Prequalification, minimum requirements are normally assessed on a pass/fail basis against such criteria as: eligibility, experience, technical capability and financial resources. Objective and measurable factors checked are: experience, satisfactory past performance, successful completion of similar contracts over a given period, capability of construction and/or manufacturing facilities, financial situation, and eligibility. All Applicants that substantially meet the minimum qualification requirements are invited to submit a Bid. At the end of prequalification process, the Fund Manager shall inform all Applicants of the results and invitation to submit a bid shall include the names of all prequalified Applicants.
Initial Selection	Normally used with Request for Proposals and shall be used for all Competitive Dialogue processes with only the highest ranked applicants requested to submit Proposals. Initial selection involves a two-step process. The first step is similar to the prequalification process described above. This establishes the long list of applicants. Long-listed applicants are then evaluated against rated criteria. After ranking the combined rated criteria scores, the highest ranked Applicants is selected to submit proposals. In the initial selection, the range of applicants that may be Initially Selected may be stated. At the end of the Initial Selection the results of the Initial Selection will be shared with all applicants and the invitation to submit proposal shall include the names of all initially selected applicants.
Post-Qualification	If there have not been prequalified/initially selected bidder/proposer, the Fund Manager shall specify appropriate qualification requirements in the request for bids/proposals document to verify that a contractor recommended for contract award has the capability and resources to effectively carry out the contract. The assessment of a firm's qualifications shall not take into consideration the qualifications of other firms such as its subsidiaries, parent entities, affiliates, subcontractors except for specialized subcontractors if permitted in the request for bids/proposals document.
Single Stage One-Envelope	Appropriate when the specifications and requirements are sufficient to enable submissions of complete bids/proposals and requires submission of both technical and financial bids/proposals in one envelope.
Single Stage Two-Envelope	May be used in single-stage procurement where the first envelope contains the qualifications and technical part and the second envelope the financial (price) and the two-envelopes are opened and evaluated sequentially.
Multistage Procurement	It may not be practical to prepare complete technical specifications in advance for the procurement i.e. Large complex facilities such as design and build, special or complex works or for information/communication technology bids involving rapid technological advances. 1st stage-Proposals are invited on the basis of a conceptual design or performance or functional specification subject to conducting confidential discovery and clarification meetings to learn about possible solutions. 2nd Stage-The request for bids/proposals amended to reflect the discoveries made in the confidential meetings and issued to the qualified bidders/proposers, requesting them to submit final Proposals. This stage may be submitted in one

Market Approach Options	Features
	envelope, or two envelopes for the technical and financial parts respectively where the two envelopes are opened and evaluated sequentially.
Best and Final Offer (BAFO)	In ICB, BAFO is an option where bidders/proposers that have submitted substantially responsive bids/proposals are invited to submit their best and final offer. Such a process may be appropriate if there is benefit from having a final opportunity to improve their bids/proposals such as reducing prices, clarifying or modifying or providing additional information. The Fund Manager shall inform Bidders in the RFP: if a BAFO is to be used; that bidders not obliged to submit a BAFO; and that there will be no negotiation after the BAFO. BAFO can only be used if Probity Assurance Provider is provided for.
Negotiations	In ICB, negotiations may be provided for after evaluations before final contract award. Any negotiation shall be in accordance with the requirements of the request for bids/proposals document in the presence of probity assurance provider. Negotiations may involve terms and conditions, price, social, environmental, and innovative aspects as long as they do not change the minimum requirements of the bid/proposal Negotiation will first be with the Most Advantageous bid/proposal. If no agreement is reached, negotiate with the next Most Advantageous bid/proposal & continue until a satisfactory outcome is achieved,
Use of Rated-type Evaluation Criteria	Rated-type criteria are criteria that are evaluated on merit points as they cannot be fully assessed in monetary terms. The merit points assigned are normally based on the degree to which the proposal meets or exceeds the requirements detailed in the request for bids/proposals document. See Annex 5, Evaluation Criteria.

8.3 Approved Selection Methods

The Table below provides an overview of the approved selection methods, particular types of approved selection arrangements, and market approach options available for the procurement of Goods, Works, and Non-consulting Services.

Selection Methods	Features
Request for Proposals (RFP)	RFP is a competitive method for the solicitation of proposals used when the nature and complexity of the Goods, Works, or Non-consulting Services is better met by allowing proposers to offer customized solutions or proposals that may vary in the manner in which they meet or exceed the requirement of the request for proposals document. RFP is normally conducted in a multi-stage process. To allow an evaluation of the degree to which Proposals meet or exceed the requirements of the Request for Proposals document, the evaluation is conducted using Rated Criteria, weightings with an evaluation methodology.
Request for Bids (RFB)	RFB is a competitive method for the solicitation of bids used when the nature of the Goods, Works, or Non-consulting Services to be provided can be specified in detailed requirements for bidders to respond in offering bids. It is normally conducted in a **single-stage** process with qualifying criteria of minimum requirements evaluated on a pass/fail basis. Rated type evaluation criteria are normally not used with RFB.

Selection Methods	Features
Request for Quotations (RFQ)	RFQ is a competitive method that is based on comparing price quotations from firms. It is suitable for procuring quantities of readily available off-the-shelf Goods or Non-consulting Services with standard specification commodities or simple civil Works of small value.
Direct Selection	Proportional, fit-for-purpose and VfM considerations may require a direct selection approach which is approaching and negotiating with only one firm. This method may be appropriate when there is only one suitable firm or there is justification to use a preferred firm under the following circumstances: • If extension of existing contract is justified, no advantage could be obtained through competition, and the prices on the extended contract are reasonable. • If justified to re-engage a firm that has previously completed a contract within the last 12 months, with the Fund Manager to perform a similar type of contract. The justification shall show that the firm performed satisfactorily in the previous contract, no advantage may be obtained by competition, and the prices for the direct contracting are reasonable; • Procurement is of very low value and low risk, as agreed in the PP, • The case is exceptional such as response to Emergency Situations. • Standardization of Goods that need to be compatible with existing Goods may justify additional purchases from the original firm, if the advantages and disadvantages of another brand or source of equipment have been considered and grounds is acceptable, • The required equipment is proprietary and obtainable from only 1 source. • The procurement of certain Goods from a particular firm is essential to achieve the required performance or functional guarantee of an equipment, Plant, or facility. • Are unique and exceptional nature such as university or research center • Direct selection of UN Agencies when provided for. In all instances of direct selection, the Fund Manager shall ensure that prices are reasonable & consistent with the market rates for items of a similar nature and not split into smaller sized procurement to avoid competitive processes

8.4 Particular types of selection arrangements

Type	Features
Competitive dialogue	Interactive multistage selection arrangement allowing engagement with proposers and only used for complex or innovative procurement if provided for in project proposal strategy. Competitive Dialogue may be appropriate if: i. there are several possible solutions where the technical and commercial arrangements require discussion and development by the parties; or ii. the Fund Manager is not objectively able to adequately define the technical or performance specifications and scope, or adequately specify the legal and financial arrangements of the procurement.
Public private partnerships	Public Private Partnerships - a long-term contract between a private party and a government entity for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance. This is **Not Applicable** under SDF.

UN Agencies	When agreed may be selected directly in situations where their expertise or rapid mobilization on the ground is critical, in particular urgent circumstances or capacity constraints.
Community-Driven Development	Procurement arrangements, specifications, and contract packaging may be suitably adapted, when, in the interest of project sustainability, or to achieve certain specific social objectives, it is desirable to: i. call for the participation of local communities and/or NGOs in civil Works and the delivery of Non-consulting Services ii. increase the use of local know-how, Goods, or materials; or iii. employ labor-intensive and other appropriate technologies
Force Accounts	A government-owned construction unit that is not managerially, legally, or financially autonomous is considered a Force Account unit. This selection refers to works or non-consulting services carried out by a government department using its own personnel and equipment. Under certain circumstances, it may be the only practical method of procurement. Force Accounts requires rigorous quality checks and inspection as used for third party contract award is employed. It may be considered if quantities cannot be defined, works are scattered all over the country or should be done without disrupting operations. Examples may be national security and specialized services such as aerial surveys and mapping only carried out by specialized branches of the government. May also be used in urgent repairs to prevent further damages or works in conflict-affected areas where private firms may not be interested.
Service Delivery Contractors	Involves contracting individuals and carried as per personnel hiring procedures. Used when individuals deliver such services and not the firms normally selected using appropriate selection methods specified in the procurement regulations.

8.5 Particular types of contractual arrangements

Type	Features
Framework Agreements	An agreement with firms that establishes a call-off contract award. Terms include fee rate, charge rate or pricing mechanism fixed over a specified period of time. Suitable for frequent reordering items of similar requirements and specifications, where aggregating the demand could lead to volume discounts, planning for emergency situations; or when no single firm is considered to have sufficient capacity.
Performance-based Contracts	Contractual relationships in which payments are made for measured outputs satisfying functional needs in terms of quality, quantity, and reliability. Reductions from payments or retentions may be made for lower quality level of outputs. May cover contracts paid on the basis of outputs, for design, supply, construction & commissioning of a facility contracts.

9. Selection methods for Consulting Services

9.1 Summary Tabel of Selection Methods and Marketing Approaches

Market Approach Options	Selection Methods	Quality Cost-Based Selection	Quality Based Selection	Fixed Budget Based Selection	Least Cost Based Selection	Consultants Qualification Based Selection	Direct Selection	Selection Arrangements	Individual Consultant Selection
Open		Y	Y	Y	Y	Y	X		Y
Limited		X	X	X	X	X	X		Y
Direct		X	X	X	X	X	Y		Y
International		Y	Y	Y	Y	Y	X		Y
National		Y	Y	Y	Y	Y	X		Y
Shortlist		Y	Y	Y	Y	X	X		Y

9.2 Methods of Selection and Employment of Consultants

The following methods are used in selection and employment of consultants as follows:

- Quality and cost based selection (QCBS);
- Quality based selection (QBS);
- Fixed budget based selection (FBS);
- Least cost selection (LCS);
- Consultants qualification selection (CQS);
- Individual consultant selection (IC):
- Direct Selection

Method	Features
Quality- and Cost Based Selection (QCBS)	QCBS uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. RFP shall specify the minimum score for the technical Proposals. The relative weight to be given to the quality and

Method	Features
	cost shall be determined for each case depending on the nature of the assignment. (Normally 80% quality and 20% cost)
Quality Based Selection (QBS)	Proposal quality is evaluated without using cost as an evaluation criterion. If RFP include technical and financial proposals, then only the financial proposal of the highest technically qualified firm is opened and evaluated to determine the Most Advantageous Proposal. If the RFP only requests technical proposals then the firm with the highest-ranked technical proposal is invited to submit its financial proposals for negotiations. QBS is used for complex and highly specialized assignments which can be implemented in different ways, require innovation and TOR is difficult to define and have high downstream impact.
Consultants' Qualifications (CQS)	CQS involve request for expressions of interest (REOI) via TOR to at least three qualified firms to provide information of their relevant experience and qualifications. Among submitted EoI, the firm with the best qualifications and relevant experience is selected and invited to submit technical and financial proposals for negotiations. Advertisement of REoIs is not mandatory CQS is appropriate for small assignments or emergency situations for which organizing full QCBS is not justified.
Fixed Budget Selection (FBS)	Used for simple assignments that can be precisely defined, budget is reasonably estimated and set, and is sufficient for the firm to perform the assignment. The Proposal with the highest technical score that meets the fixed budget requirement is considered the Most Advantageous Proposal. In the RFP, the cost of services is specified as a fixed budget that shall not be exceeded
Least Cost Selection (LCS)	Similar to QCBS, LCS is a competitive process among Shortlisted consulting firms under which the selection of the successful firm takes into account the quality of the Proposal and the cost of services. Appropriate for assignments of a standard or routine nature for which well-established practices and standards exist. The RFP document specifies the minimum score for the technical proposals. Proposals that score higher than the minimum technical score and has the lowest evaluated cost is considered the Most Advantageous Proposal.
Single Source Selection (SSS) or Direct Selection or Sole source Selection	May be appropriate only when one firm is qualified and fitness of purpose and value for money is justified. Justifications may include extension of existing contract for consulting services which was appropriately awarded and is of a similar nature, no benefit will be gained from competition and prices are reasonable. Continuation of previous consultancy carried out within the last 12 months where continuity in the technical approach, experience and professional liability are required and the performance has been satisfactory in the previous assignment.

Method	Features
	Can exceptionally be used for very low value and low risk items, in response to emergency situations, where only one firm is qualified, or uniquely qualified state-owned enterprise (SOE), university, research center or UN Agencies when provided for. Direct selection shall ensure fairness, equity and that prices are reasonable and consistent with the market rates for services of a similar nature and consulting services are not split into smaller-size procurements to avoid competitive processes.
Individual Consultants	Individual consultants are employed on assignments for which a team of experts is not required and no additional home office support is required. Selection is based on qualifications followed by negotiations with most experienced and best qualified consultant.

9.3 Selection Procedures for Consulting Firms

Activity	Process
Shortlist	Shortlist is required for all selection methods except CQS and Direct Selection. Shortlist is prepared from firms that expressed interest, have relevant experience and have managerial and organizational capabilities for the assignment. The Shortlist shall include not fewer than five (5) and not more than eight (8) eligible firms. Smaller shortlist may be used when not enough qualified firms have expressed interest in the assignment or the nature of the assignment does not justify wider competition UN Agencies, SOEs, NGOs and universities will not be in a short list with private firms unless they operate as commercial entities that meet the requirements. Also individual consultants shall not be in the short list.
Request for Proposals	Shortlisted firms are requested for proposals using one of the approved selection methods with emphasis on quality aspects because using only lowest price basis may not deliver the best VfM.

9.4 Market Approach Options

Approach	Description
Open Competition	This approach provides all eligible prospective firms or individual consultants with timely and adequate advertisement and an equal opportunity to provide the required consulting services through open competitive procurement approaches with advertisement for EoI as the preferred approach for selection of Consultants
Limited Competition	Limited competition is competitive selection among a prepared shortlist without advertisement. Appropriate only if a limited number of qualified consultants that can carry out the subject assignment or other justifiable

	exceptional reasons. Request for EoIs from a list of potential consultants should be broad enough to ensure adequate competition.
Approaching the International Market	Involve international advertisement and used when the participation of foreign firms is most likely to achieve the best fit-for purpose and VfM
Approaching the National Market	Advertisement is made in the national media / press and may be used when the nature, scope and value of the consultancy is unlikely to attract foreign competition and there are adequate qualified national consultants to carry out the assignments. If foreign consultants wish to participate in national selection, they may do so.

9.5 Particular Types of Selection Arrangements

Selection Arrangement	When Appropriate
UN Agencies	When a UN Agency is uniquely or exceptionally qualified to provide technical assistance, advisory or technical services in their area of expertise. In such instances, a standard form of agreement or a case specific approved template will be used. It may involve seeking to benefit from an existing FA which the UN Agency hold.
Non-profit Organizations	Used when NGOs are uniquely qualified to assist in the preparation, management and implementation of projects or carrying out other project activities because of their involvement in and knowledge of local issues and community needs, or their participatory approaches. NGOs may be selected if they express interest and shortlist may entirely be made of NGOs but selection will based on QCBS, FBS, LCS, or CQS depending on nature, complexity and size. The Evaluation will reflect the unique qualifications of NGOs such as local knowledge, scale of operation and prior relevant experience.
Procurement Agents	When the Fund Manager lacks the necessary organization, resources or experience to efficiently and effectively conduct a particular procurement it may employ an agent that specializes in handling procurement of that nature. Procurement agents may be selected using QCBS or LCS. When selected, the agent shall conduct the procurement in accordance with all the approved procurement arrangements outlined in the Legal Agreement and Procurement Plan.

9.6 Project Implementation Support Personnel

Project Holders may require staff for their Project Management Teams (PMTs) but are unable to source from within its own organisation. In such instances, the Project implementation personnel shall be selected in accordance with the selection procedure for individual consultant procedures.

9.7 Particular Type of Contractual Arrangements

The SDF may enter into framework agreements established with firms or individual consultants or panel of consultants over a specified period of time on set out terms and conditions under which specific call-off contracts can be provided directly or competitively throughout the term of the agreement. May be appropriate

for the recurring selection of consulting services or to consolidate requirements when different entities need to procure the same types of consulting Services.

9.8 Selection Methods for Individual Consultants

Individual Consultants are selected where a team of experts is not required, no additional home office or professional support is required, and the experience and qualifications of the individual are of paramount requirement.

When coordination, administration or collective responsibility will be difficult then a firm will be hired. When qualified individual consultants are unavailable or cannot sign a contract directly with the Fund Manager because of a prior agreement with a firm, the Fund Manager may invite firms to provide qualified individual consultants for the assignment. In all cases, the individual consultants selected shall be the most experienced and best qualified among the candidates, and shall be fully capable of carrying out the assignment. The evaluation shall be based on the relevant qualifications and experience of the individual Consultant.

The SDF has three main selection methods for individual consultants:

- Open Competitive Selection of Individual Consultants: Advertisement made through REoIs when the SDF does not have knowledge of experienced and qualified individuals or of their availability for complex consultancies and when there is no potential benefit from wider advertising. REoIs shall include complete TOR and selection made from consultant that expressed interest in response to a REoI.

- Limited Competitive Selection of Individual Consultants: When SDF has knowledge of experienced and qualified individuals and their availability. Instead of issuing a REoI, it may invite those individual Consultants that it deems qualified to provide the required consulting services. In this case, complete TOR shall be sent with the invitation. Individual consultants shall be selected from those that expressed interest in response to the invitation.

- Direct Selection of Individual Consultants: Individual consultants may be selected on direct selection basis, with due justifications under the following circumstances: tasks are a continuation of previous work that the individual Consultant has carried out after being selected competitively, total expected duration of assignment is less than six (6) months, urgent situations or when an individual consultant has relevant experience and qualifications of exceptional worth to the assignment.

Annex 1 - Procurement-related Complaints

Procedure

When a candidate, tenderer or applicant believes to have been adversely affected by an error or irregularity allegedly committed as part of a selection procedure or procurement, or that the procedure was violated by any misadministration, they may file a complaint to the Fund Manager clearly stating the complaint. This procedure shows administration and handling of procurement-related complaints.

Generally, a procurement complaint may challenge: selection documents such as prequalification, initial selection, request for bids, request for proposals documents; a decision to exclude an applicant/bidder/ proposer/consultant from a procurement process prior to award; and decision to award the contract following transmission of unsuccessful bidder/proposer/consultant in the Notice of Intention to Award.

Complaints should be submitted by an actual bidder/proposer/consultant seeking to obtain the contract at issue or a potential applicant/bidder/proposer/consultant. Complaints shall be submitted to the Fund Manager timely, in writing and at minimum include: name, contact details and address of the complainant to identify the complainant's interest in the procurement (applicant/bidder/proposer/consultant), specific procurement number, stage of complaint, prior communication relating to the complaint, perceived adverse impact and alleged inconsistency or violation of applicable procurement rules.

The Fund Manager shall provide prompt and fair consideration to each complaint that meets the requirements provided herein. Complaints that meet the requirements of this Annex will following the below timelines and procedures:

Type of Complaint	Timeline and Procedure
Complaints challenging the terms of prequalification/initial selection documents, request for proposals documents & any other document requesting bids, proposals or applications	The complaint must be submitted at least ten (10) business days prior to the deadline for submission of applications/bids/proposals or within five (5) business days after the issuing of any amended terms whichever is later. The Fund Manager shall acknowledge in writing the receipt of the complaint within three (3) business days and shall review the complaint and respond to the complainant not later than seven (7) business days from the date of receipt of the complaint. If review of the complaint is determined to require modification of procurement documents, then an addendum shall be issued and where necessary extend the application/bid/proposal submission deadline.
Complaints challenging the exclusion from a procurement process prior to contract award	Complaint should be submitted within ten (10) business days following the Fund Manager transmission to the interested party of notice of such exclusion. Complaints shall be acknowledged in writing within three (3) business days, review and respond to the complainant not later than seven (7) business days from the date of receipt of complaint. If as a result of the review there are changes to the results of the earlier stage/phase of the procurement process, then the Fund Manager shall promptly transmit a revised notification of evaluation results to all relevant parties advising on the next steps.
Complaints following transmission of the Notification of Intention to Award the contract (or notification of intention to conclude a FA	Complaints shall be submitted to the Fund Manager within the Standstill Period, receipt acknowledged in writing within three (3) business days, review and response shall not be later than fifteen (15) business days from the date of receipt of complaint. If as a result of the complaint, there are changes in the contract award recommendation

Type of Complaint	Timeline and Procedure
	then the revised intent to award shall be notified to all previously notified bidders/proposers/consultants and shall proceed with the contract award.

The Fund Manager shall not proceed with the next stage/phase of the procurement process including the contract award until it has properly addressed such Complaint.

In resolving a complaint, the Fund Manager shall ensure a timely and meaningful review of all the relevant documentation, facts and circumstances related the complaint, provide sufficient information in response to the complainant whilst maintaining the confidentiality of information. A response to a complaint should at a minimum include:

a. **Statement of Issues**: Specify the issues raised by the complainant that need to be addressed
b. **Facts and Evidence**: Specify the facts and evidence that in the Fund Manager's view, are relevant to the resolution of the Complaint. These facts and evidence should be presented as a narrative, organized around the issues.
c. **Decision and reference to the basis for the decision**: State the decision that has been made following the review. Also, include reference to the basis for the decision e.g., Procurement Regulations, SPD for the contract in question, etc. The response should be as precise as possible in referring to the specific decision basis.
d. **Analysis**: Provide an explanation why the basis for the decision applied to the facts/issues raised by the Complaint necessitates this particular decision.
e. **Conclusion**: State clearly the resolution of the Complaint and describe the next steps to be taken.

Roles and Responsibilities of the Fund Manager with respect to complaints:

- Provide timely and sufficient information to participants during notification of intention to award and debriefing so that they understand the basis for the decision and make an informed decision on whether to lodge a complaint challenging that decision or not;
- Promptly acknowledge Complaints received;
- Resolve complaints promptly and fairly;
- Maintain complete records of all debriefings, complaints and their resolution;

Roles and Responsibilities of the Bidders/Proposers/Consultants

- Comply with the minimum content of the complaint and time limits set forth above
- Be familiar with the provisions of the prequalification/initial selection document, request for bids/ proposals document as well as the procurement regulations to understand the rules of procurement process;
- Timely request for debriefing, if one is desired;
- Submit complaint within the permitted timeframe and to the entity/official designated for that purpose in the prequalification/initial selection/request for bids/request for proposals document;
- Ensure the complaint submitted is specific to issues or concerns, point the alleged violation of the applicable procurement rules in procurement regulations and request for bids/proposals document.

Roles and Responsibilities of the JSC

- Follow up to ensure any complaint raised is promptly addressed, reviewed and resolved;
- Approve complaint closure after review of resolution or denial of a complaint or action taken to correct the impropriety identified in the Complaint; and
- Monitor the process until the publication of notice of award

Reporting other Complaints

The channel for reporting of other complaints outside the requirements of this Annex shall be a written submission to the Fund Manager through info@sdf-secretariat.org. The Fund Manager shall investigate the

complaint and respond within 15 working days. If the candidate, tenderer or applicant is not satisfied with the answer received, they may refer the issue to the attention of Joint Steering Committee for further consideration.

Transparency being one of the key pillars of procurement at SDF, each complaint shall receive due attention and prompt resolution. In the procurement section of the quarterly report to JSC, the Fund Manager shall include a report of complaints raised, how they were resolved or measures taken, time taken to resolve complaints and any pending complaints or issues.

Annex 2 - Fraud and Corruption

The SDF requires all Fund Manager's and Project Holder's staff involved in the procurement process, the applicants/proposers, consultants, contractors and suppliers; any sub-contractors, sub-consultants, service providers or suppliers, any agents declared or not and any of their personnel to observe the highest standard of ethics during the procurement process, selection and contract execution of SDF Funded contracts and refrain from Fraud and Corruption

In pursuance of this requirement, the SDF:

a. Defines fraud and corruption provision using the following terms:
   i. "Corrupt practice" is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
   ii. "Fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead a party to obtain a financial or other benefit or to avoid an obligation;
   iii. "Collusive practice" is an arrangement between two or more parties designed to achieve an improper purpose including to influence improperly the actions of another party;
   iv. "Coercive practice" is impairing or harming or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
   v. "Obstructive practice" is:
      - deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation or
      - acts intended to materially impede the exercise of the Fund Manager inspection and audit rights provided for under the contracts;
   vi. All other provisions contained within DANIDA's Anti-Corruption Policy[2] shall also apply to the procedures outlined in this Annex:

b. Will reject a proposal for award if it determines that the bidder recommended for award, or any of its personnel, or its agents, or its sub-consultants, sub-contractors, service providers, suppliers and/or their employees, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question;

c. Declare misprocurement and cancel the contract if it determines at any time that representatives of the recipient of any part of the proceeds of the fund engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices during the procurement process or the implementation of the contract in question, without the recipient having taken timely and appropriate action to satisfactorily address such practices when they occur, including by failing to inform the Fund Manager a timely manner at the time they knew of the practices. Also, the Fund Manager may take appropriate legal remedies;

d. Sanction a firm or individual at any time, in accordance with the prevailing sanctions conditions, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated

[2] https://um.dk/en/danida/anti-corruption

period of time: (i) to be awarded SDF-financed contract; and (ii) to be a nominated; sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded a contract;

e. Will require that a clause be included in bidding documents and in contracts financed by SDF, requiring bidders, suppliers and contractors, and their sub-contractors, agents, personnel, consultants, service providers, or suppliers, to permit the Fund Manager to inspect[3] all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Fund Manager; and sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded a SDF-financed contract;

f. Requires that, bidders and consultants submitting bids/proposals:

vii. accept the application of and agree to comply with DANIDA's Anti-Corruption Guidelines during the procurement process, selection and contract execution as well as sanction guidelines,

viii. accept inspection and audit rights and that firms and individuals suspended or debarred will not be accepted to contract or funded;

g. Require that, when the Fund Manager procures goods, works or non-consulting services directly from a United Nations (UN) agency, the provisions regarding sanctions on fraud or corruption shall apply in their entirety to all suppliers, contractors, service providers, consultants, sub-contractors or sub-consultants, and their employees that signed contracts with the UN agency.

An exception to provision (d) and (e) on fraud and corruption will apply to the UN agency and its employees, and paragraph (e) will not apply to the contracts between the UN agency and its suppliers and service providers. In such cases, the UN agencies will apply their own rules and regulations for investigating allegations of fraud or corruption subject to such terms and conditions as the Fund Manager and the UN agency may agree, including an obligation to periodically inform the Fund Manager of the decisions and actions taken.

When conducting the evaluation of bids, the committee shall check the eligibility of bidders from the lists of firms and individuals debarred and suspended by other international organizations such as the World Bank. For contracts signed prior to debarment, the Fund Manager shall apply additional due diligence, in accordance with the SDF Operations Manual, by closely supervising and monitoring any on-going contract executed by a firm or individual which has been sanctioned.

[3] Inspections in this context usually are investigative in nature. They involve fact finding activities undertaken by the Bank or persons appointed by the Bank to address specific matters related to investigations/audits, such as evaluating the veracity of an allegation of possible Fraud and Corruption, through the appropriate mechanisms

Annex 3 - Contract Types

Determination of contract types and arrangements shall be based on VfM and fit-for purpose considerations.

Contract Types	When Applicable
Lump-Sum Contracts	Here, the contractor/consultant agrees to perform the scope of services for a fixed contract amount. Payment percentages or amounts may be linked to the completion of contractual milestones or determined as a percentage of the value of the work to be done. May be appropriate when: ix. the scope of the procurement activity can be clearly and accurately specified and can be linked to milestone payments at the time of selection such as simple civil Works, and consulting services with clearly identifiable deliverables, x. the contractor is responsible for delivering the completed works, plant, or pre-built information technology solutions, as in turnkey contracts and can be paid on a lump-sum basis per contractual milestones.
Performance-based Contracts	The payments are not made for inputs but for measured outputs aimed at satisfying functional needs in terms of quality, quantity, and reliability. Appropriate in rehabilitation of roads and operation and maintenance of the roads by a contractor for specified periods; provision of non-consulting services to be paid on the basis of outputs; and operation of a facility to be paid on the basis of functional performance.
Admeasurement - Contract based on Unit Prices	This contract is based on estimated quantities of items and contractual unit prices for each of these items and is paid on the actual quantities and contractual unit prices. This type is appropriate for Works, when the nature of the work is well defined but the quantities of construction cannot be determined with reasonable accuracy in advance such as for roads or dams. For Goods and Non-consulting Services, this type of contract is appropriate when the required quantities are known and unit prices are sought from bidders.
Time-based Contracts	Here, the payment is made on the basis of agreed rates and time spent, plus reasonable incurred reimbursable expenses. Used in emergency situations, repairs and maintenance work or in consulting services when it is difficult to define or fix the scope and duration of the services e.g., complex studies, supervision of construction, advisory services. This type of contract is not appropriate for Goods or Plant.
Reimbursable-cost Contracts	Used when payments cover all actual costs, plus an agreed fee to cover overhead and profit. May be appropriate in emergency repairs and maintenance work. To manage risks, the contractor shall make all records and accounts available for inspection by the employer or agreed neutral third party and the contract should include appropriate incentives to limit costs.

Annex 4 - Contract Conditions in International Competitive Procurement

This Annex lists the minimum contract conditions required for international competitive procurement for Goods, Works, and Non-consulting Services. The contract conditions provide an appropriate allocation of responsibilities, risks and liabilities informed by an analysis of which party is best placed to manage the risks, taking into account the costs and incentives of risk allocation. It uses standard bid documents for request for bids/proposals documents amended to address project-specific conditions.

At minimum, the document must include the following:

Performance Security
Performance Security - Contracts for Works and Plant shall require security in an amount sufficient to protect the employer in case of breach of contract by the contractor. Normally, the guarantees should not exceed ten percent (10%). 5% portion shall extend sufficiently beyond the date of completion of the Works or facilities to cover the defects liability or maintenance period up to final acceptance by the employer.

In the supply of Goods, the need for performance security shall depend on the conditions to protect against non-performance of the contract in such situation firms may be required to provide a security in an appropriate and reasonable amount as specified in the request for bids/request for proposals document. In an appropriate and acceptable form,

Defaults
To manage defaults, the contract shall provide for suspension and termination and addressing contractual defaults by either party.

Force Majeure
The conditions of contract shall stipulate that failure on the part of the parties to perform their obligations under the contract shall not be considered a default if such failure is the result of an event of force majeure as defined in the conditions of contract.

Liquidated Damages
Liquidated damages in an appropriate amount shall be included in the conditions of contract when delays in the delivery of Goods, completion of Works, or failure of the Goods, Works, and Non-consulting Services to meet performance requirements would result in extra cost or loss of revenue.

Value Engineering
Complex or high-value contracts may include provisions that allow for value engineering, that is, proposals by the contractor to reduce costs, increase performance, improve completion times, or create other benefits to the employer at the contractor's cost with the decision of whether to or not to adopt the proposal resting with the employer. In such instance, the contract shall specify how any benefits arising from the proposal shall be shared between the parties.

Contract Change Management
The contract shall clearly indicate the procedures to address change orders or contract variations through contract change management.

Payments

Payment contract provisions shall be in accordance with the international commercial practices applicable to the specific Goods, Works and Non-consulting Services.

Contracts for Goods provide for full payment on the delivery and inspection (if required), of the contracted Goods, except for contracts involving installation and commissioning; for such contracts, a portion of the payment may be made after the contractor has complied with all its obligations under the contract. The Letters of credit may be used when the banking system can execute. In major contracts for equipment and Plants, provisions shall be made for suitable advances and, in contracts of long duration, for progress payments during the period of manufacture or assembly.

If appropriate, contracts for Works shall provide for mobilization advances, advances on contractor's equipment and materials against guarantees, regular progress payments, and reasonable retention amounts to be released upon the contractor's compliance with its obligations under the contract.

Any advance payment for mobilization and similar expenses, made upon signature of a contract for Goods, Works, and Non-consulting Services, shall be related to the estimated amount of these expenses and be specified in the request for bids/proposals document. Amounts and timing of other advances to be made, such as for materials delivered to the site for incorporation in the Goods or Works, shall also be specified. The request for bids/proposals document shall specify the arrangements for any security required for advance payments.

Taxes, Price Adjustments, Incoterms, Insurance and Copyright
The contracts shall provide for treatment of taxes, duties and levies, including the responsibilities of the contracting parties. The contracts will state whether price adjustments are allowed or not. Generally price adjustments is not allowed for contracts to be completed in 18 months. In other contracts where price adjustment is provided for, a formula, applicable price indices and the base date for application shall be clearly defined in the contract. The contract shall also have appropriate provisions for treatment of the impact on a contract change in laws and regulations in the country after 28 days prior to the date of bid/proposal submission, that subsequently affects the contract completion period/delivery date and/or the contract price.

The applicable version of Incoterms shall be used in the contract for Goods. The contracts shall include types and terms of insurance to be provided by contractors. For Goods and for single responsibility contracts, the indemnity payable under transportation insurance shall be at least 110% of the CIP price of the Goods to be imported.to enable prompt replacement of lost or damaged Goods. The essence is to ensure risks are adequately covered. The conditions of contract shall include appropriate provisions on copy rights and patent indemnity.

Applicable Law and Settlement of Disputes
The conditions of contract for international competitive procurement shall include provisions dealing with the applicable law and the forum for the settlement of disputes. All international competitive procurement contracts are required to include appropriate mechanisms for independent dispute resolution either, Dispute Review Experts or Dispute Review Boards.

International commercial arbitration in a neutral venue shall also be required unless the national regulations and arbitration procedures are acceptable in terms of the contract.

Fraud and Corruption
The contracts shall provide compliance with DANIDA's Anti-Corruption Guidelines without limitation, right to apply sanction and the inspection and audit rights. See Annex 2, Fraud and Corruption.

Annex 5 - Evaluation Criteria

Requirements

The evaluation criteria should be established in the early stages of procurement. It should also be appropriate to the nature and complexity of the procurement to enable achievement of VfM. Evaluation is governed by the following:

- the evaluation criteria shall be proportionate and appropriate to the type, nature, market conditions, complexity, risk, value and objective of what is being procured;
- bidding documents shall detail the complete Evaluation Criteria, including the specific way Rated Criteria and their sub-criteria shall be applied, their prioritization and weighting;
- only the evaluation criteria, and all the evaluation criteria, indicated in the request for bids/request for proposals document shall be applied
- once the request for bids/request for proposals document have been issued, any change to the evaluation criteria shall be made only through addenda; and
- the evaluation criteria shall be applied consistently to all bids/proposals submitted

Generally, Evaluation Criteria should include technical aspects (e.g., quality, sustainability, environmental, social, innovation, and so on) that are considered when assessing Bids/Proposals to determine the final award recommendation. Examples of different types of Evaluation Criteria and the increasing steps of Application are shown in the table below.

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
Step 2: Qualification	Qualification Criteria	Pass / Fail	Must meet the mandatory or minimum qualification standard set
Step 3: Minimum Requirements	Min. 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

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

- Cost: the evaluation of cost covers price adjustment or price adjustment and running/recurrent cost over the life time of the asset on net present cost basis (Life Cycle Cost);
- Quality: evaluation of quality using a methodology to determine the degree to which the Goods, Works, Non-consulting Services or Consulting Services meet or exceed the requirements;
- Risk: criteria that mitigate the relevant assessed risk;
- Sustainability: criteria that take into account stated economic, environmental, and social benefits in support of the project objectives, and may include the flexibility of the Proposal to adapt to possible changes over the life-cycle;

- Innovation: criteria that allow assessment of innovation in the design and/or delivery of the Goods, Works, Non-consulting Services, or Consulting Services and that give bidders/ proposers the opportunity to include, when appropriate, in their bids/proposals, solutions that exceed the requirements or alternative solutions that could deliver better VfM.

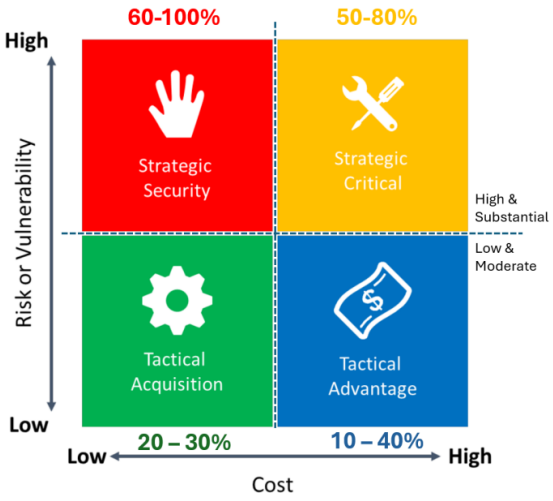
Goods, Works, and Non-consulting Services

Qualifying criteria:
Qualifying criteria are the minimum requirements in the request for bids/proposals document normally evaluated on pass/fail basis.

Rated Criteria and Weightings:
Rated Criteria and Weightings should be considered the default approach for qualitative evaluations of procurements. This aligns with international best practice as it is considered to provide greater flexibility to procure Goods, Works and Non-Consulting Services best suited to their specific situation and provide a more fit-for-purpose approach.

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

The Fund Manager shall determine the specific Rated Criteria weightings for each Contract based in its placement within the matrix indicated below.



Under SDF, most projects would be considered High Risk, Low Value (<10M USD). i.e. If supply fails, impact on SDF's success would be significant. Typically, these types of Procurements have a much higher weighting to technical aspects rather than financial cost. E.g. TECHNICAL: FINANCIAL = 80:20.

The Fund Manager may propose different weightings between Technical and Financial based on the nature and complexity of the procurement in question.

Rated Criteria for Technical Aspects
The Rated Criteria, and sub-criteria as applicable, shall be prioritized, scored, and weighted according to their relative importance. The number of Rated Criteria should be kept to the minimum and clearly indicated on the bidding documents.

To help prioritize and focus the Rated Criteria for technical aspects, the Fund Manager may propose a simple prioritisation matrix for the approval of the evaluation committee as outlined below.

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

Total Count	Priority	Weightings*
A = 0	4th	10%
B = 2	2nd	30%
C = 1	3rd	20%
D = 3	1st	40%
	TOTAL	**100%**

1. Define a short list of criteria (A-D) and create a comparison matrix (see above)
2. Compare each criterium and agree which takes priority.
3. Order by number of criteria selected (as shown above)
4. Agree appropriate weightings to each criterium. Total must equal 100%

The Technical Scoring Methodology against the weightings (e.g. 0-4) should be approved by the Evaluation Committee, be appropriate to the Procurement, and be detailed in the Bidding Documents.

The Bidder/Proposer with the highest evaluated technical scores is assigned the total percentage available from the Technical: Financial ratio, defined in the Bidding Documents. E.g. If the TECHNICAL: FINANCIAL ratio is 80:20, the bidder would achieve the full 80%.

A Comparative Scoring Methodology is then applied to other Bidders' technical scores to calculate a percentage that is proportional to the highest scoring Bidder as demonstrated in the example below

$$\frac{\text{Weighted Score} = 190}{\text{Highest Technical Score} = 240} \times 100 = 79.19 \times \text{Technical Wighting } (80\%) = 63.33\%$$

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

i. The reasoning for the criteria and how it has been considered
ii. How the scoring methodology has been developed and applied
iii. The final Criteria and reasons for the evaluator's decision

Evaluation of Costs

Costs are evaluated on the basis of adjusted bid price or life-cycle costs.

Adjustments of Bid price include arithmetic correction, any discounts, and other adjustments specified in the request for bids/proposals document for evaluation purposes, including adjustments for deviation in the delivery/implementation schedule and/or payment terms and corrections for minor deviations or missions.

Life-cycle costing should be used whenever possible, particularly 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. It is evaluated on a net present cost basis.

When using life-cycle costing, the procurement document shall specify the following information in the request for bids/request for proposals document:

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

The Bidder/Proposer with the lowest evaluated financial cost is assigned the maximum Financial Score (e.g. 20% in a 80:20 TECHNICAL: FINANCIAL); other Bidders' evaluated financial costs are then divided into the lowest evaluated financial cost score to arrive at a comparative score (ratio/percentage).

Combined Rated-type Criteria and Cost

Bids/proposals are given a financial score that is inversely proportional to their prices. The weighting to be used to combine the rated and financial scores to determine the Most Advantageous bid/proposal shall be specified in the request for bids/request for proposals document.

Consulting Services

Technical Evaluation

Technical proposal of consulting services is evaluated through a scoring system that uses the following criteria:

- adequacy of methodology and work plan;
- relevant experience and qualifications of key staff; and
- relevant experience of the firm

In addition, transfer of knowledge and participation of nationals among key staff may be included as criteria, depending on the nature and needs of the assignment.

The criteria are assigned scores within the indicative range of scores set out in the table below. Ranges may be adjusted as necessary. For example, for transfer of knowledge if it is the main objective of an assignment, it may be given a higher weight to reflect its importance. Within the specified range, the score to be assigned to a criterion depends on the nature and complexity of an assignment. As an example, when VfM is to be achieved through innovative Proposals, the scores to be assigned to the methodology criteria could be on the higher end of the range.

The criteria may be divided into sub-criteria with assigned score on the basis total points assigned to its sub-criteria. The number of sub-criteria should be kept to the minimum essential.

Rated criteria	Merit point range
Methodology	20 – 50%
Relevant experience and qualification of key staff	30 – 60%
Relevant experience of firm	0 – 10%
Transfer of knowledge	0 – 10%
Nationals among key staff. Reflected by the participation of nationals among key experts (whether presented by foreign or national firms), and calculated as the ratio of key national experts' time (in person months), to the total number of key experts' time (in person months), in the Proposal.	0 – 10%

The request for proposals document shall specify the overall minimum technical score. The minimum technical score shall normally be in the range of 70-85% depending on the nature and complexity of the assignment.

Financial Evaluation

The offered total price includes all the consultant's remuneration and other reimbursable and miscellaneous expenses.

For a time-based contract, any arithmetical errors are corrected, and prices are adjusted if they fail to reflect all inputs that are included in the technical Proposals. For a lump-sum contract, the Consultant is deemed to have included all prices in its financial Proposal, so neither arithmetical corrections nor price adjustments shall be made; the total price, net of taxes, included in the financial Proposal is considered the offered price.

For QCBS, the Proposal with the lowest offered total price is given a financial score of 100% (one hundred percent), and other Proposals given financial scores that are inversely proportional to their prices. The methodology to be used is specified in the request for proposals document

Combined Quality and Cost Scores

When using QCBS, the scores of the quality and the cost scores are weighted appropriately and added to determine the Most Advantageous Proposal The weighting of quality and cost scores depends on the nature and complexity of the consulting assignment. The range of quality and cost score weighting is normally as shown in the following table except for other approved justifiable reasons.

Description	Quality/Cost Score Weighting (%)
High complex / downstream consequences / specialized assignments (or may use QBS method)	90 / 10
Moderate complexity	70-80 / 30-20
Assignments of a standard or routine nature (or may use LCS method)	60-50 / 40-50

-/-