



**North American Development Bank**

## **Bid Evaluation Procedures**

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# **BID EVALUATION PROCEDURES**

## **TABLE OF CONTENTS**

The Bidding Process

Introduction

Preliminary Actions and General Concerns

- Contract data sheet

- Responsible staff

- Receipt of bids

- Confidentiality of the evaluation process

- Contacts with bidders or their agents

Opening of Bids

Preliminary Examination of Bids

Requests for Clarification

Evaluation and Comparison of Bids

Postqualification

Award Recommendation

Bid Evaluation Report

Notification of Award

The Employer's Obligation to Follow the Rules

Extension of Bid Validity

Cancellation of Bids

Bidders' Appeals and Complaints

# BID EVALUATION PROCEDURE

*This Procurement Note has been prepared by the North American Development Bank (the Bank) for guidance of staff and borrowers in the implementation of procurement for Bank-financed contracts.*

*This Note is consistent with the Bank's Procurement Policies and Procedures (the Policies).*

***This Procurement Note - Bid Evaluation Procedures should be used in conjunction with the Bank's Model Document - Bid Evaluation Report. Cross references in this document to Forms and Annexes refer to the Forms and Annexes of the Bid Evaluation Report.***

## Introduction

1. This note outlines how bids are received, opened and evaluated under "open bidding" procedures for contracts financed by the North American Development Bank ("the Bank"). The procedures conform to the Bank's Procurement Policies and Procedures ("the Policies") and are consistent with the Bank's Model Bidding Documents ("the Bidding Documents").
2. The purpose of bid evaluation is to determine the lowest evaluated responsive bid from amongst the substantially responsive bids received. In order to determine the lowest evaluated responsive bid, a systematic evaluation process that follows a logical sequence should be followed.
3. The Bank's Model Document - Bid Evaluation Report complements this note and specifies the format of the evaluation report which has to be prepared for the Bank's review. The report should reflect the logical stages of the process and should be prepared in parallel with the process.
4. The process outlined in this note covers:
  - receipt and opening of bids
  - examination of bids
  - seeking clarifications from bidders
  - evaluation and comparison of bids
  - postqualification of the lowest evaluated bid
  - award recommendation
  - evaluation report

- notification of award

## **Preliminary Actions and General Concerns**

5. **Contract data sheet:** In order to keep a record of critical data for every contract, the Employer should maintain a contract data sheet substantially in accordance with the format in Annex 1. Some of this information will be required by the Bank for routine monitoring and as part of the evaluation report and the conformed copy of the signed contract which have to be submitted to the Bank.
6. **Responsible staff:** Prior to the receipt of bids, the Employer should appoint an evaluation committee which would be responsible for carrying out the evaluation and making an award recommendation. Where the Employer's staff do not have the necessary experience or expertise to carry out the evaluation on their own, the Employer should retain competent independent consultants to assist the committee.
7. **Receipt of bids:** The Employer must make adequate provision for the receipt of bids as follows:
  - specify a clear address for submission of bids [ *including a contact name and room number* ];
  - bids received prior to the submission deadline should be issued with a numbered receipt recording the date and time the bid was received and the receipt number should be written on the outside of the bid envelope;
  - bids received prior to the submission deadline should be stored in a secure place.
8. **Confidentiality of the evaluation process:** All members of the evaluation committee and other personnel involved in any way with the bid evaluation must be fully aware that the bid evaluation process up to the award of a contract is confidential, and this confidentiality must be respected and fully adhered to.
9. **Contacts with the bidders or their agents:** Contacts between the Employer's officials, including the evaluation committee, and bidders or their agents, should be restricted to essential official communications only, such as the request for and receipt of clarification. All such communication must be in writing. Employer's officials should not entertain calls or informal communication, meetings, or other contact with any bidder or its agents.
10. Any effort by a bidder or its agents to influence the Employer's evaluation of bids or award decisions, including the offering or giving of bribes, gifts or other inducement, should be reported to the evaluation committee. Such action by a bidder or its agents could result in the invalidation of its bid and the forfeiture of its bid security.



## Opening of Bids

11. The opening of bids should take place immediately after the deadline for submission in the presence of bidders' representatives who wish to attend. The following should be addressed:
  - A suitable accessible room, specified in the bidding documents, must be reserved for the opening of bids.
  - All bidders' representatives present at the opening should sign a register of attendance.
  - The envelopes received should be grouped into the following categories:
    - \* bids received prior to the submission deadline;
    - \* modifications received prior to the deadline;
    - \* withdrawals received prior to the deadline;
    - \* bids, modifications and withdrawals received after the deadline.
  - A checklist of the items to be inspected in each bid as it is opened should be recorded. A typical checklist is outline in Annex 2.
  - Bids, modifications and withdrawals received after the deadline must not be opened. The outer envelope of these late bids and modifications should be opened first and the names of the bidders submitting late bids or modifications read out and recorded. The inner envelopes of all late submissions must be returned **unopened** to the respective bidders.
  - Withdrawal notices received prior to the deadline should be opened next and read out and recorded. Bids which are the subject of a withdrawal notice must not be opened and must be returned unopened to the respective bidders.
  - All bids and modifications received prior to the deadline must be opened next.
  - For each bid opened the items on the checklist should be checked and read out aloud. The bidders' names, bid withdrawal or modification, bid price, discounts (Annex 1), the presence or absence of the requisite bid security and such other details as the Employer, at its discretion, may consider appropriate, should be announced and recorded at the opening. It is important for all discounts and alternatives to be read out. Bid prices, discounts and alternatives which are not read out at bid openings should not be considered in the subsequent evaluation.
  - No bid shall be rejected or an opinion/judgment voiced as to its responsiveness at the bid opening, except for late bids.
  - The Employer must prepare minutes of the bid opening. The minutes should be in the format outlined in Annex 3.

Immediately after the opening of bids, all bids which were opened must be stored safely and confidentially and be made available only to those directly involved in the evaluation process.

## **Preliminary Examination of Bids**

12. Each bid will be examined to determine if it:
  - is properly signed and accompanied by a power of attorney;
  - is accompanied by the required bid security;
  - is complete and generally in order (if not, any omission must be noted);
  - is substantially responsive to the bidding documents (if not, any deviations, omissions or variations must be noted);
  - is free of computational errors (any such errors must be noted); and
  - requires any clarifications (any such clarification must be noted).
13. The bidding documents will have specified how the above should be carried out. It is important that the relevant provisions in the instructions to bidders be applied in a consistent manner for each of the above.
14. The evaluation committee must decide which deviations (including omissions and variations) or reservations identified at this point are material and therefore the relevant bids should be declared as not substantially responsive (Form 2). If a bid is not substantially responsive, it should be rejected and cannot be made responsive by correction or withdrawal of the nonconforming deviation or reservation.
15. At the end of this stage, the committee should be agreed on:
  - those bids which are substantially nonresponsive and should not be considered further; and
  - any clarification which should be requested from bidders.
16. The outcome of the examination should be summarized in Forms 2 and 3.

## **Requests for Clarification:**

17. All requests for clarification must be made in writing, and the response must also be given in writing. A log of all requests for clarification and responses (Annex 7) must be kept. Requests for clarification can be sought at any time, up to the contract award decision.

## **Evaluation and Comparison of Bids**

18. Bids which have not been declared substantially nonresponsive will then have to be evaluated in depth. Before a bid can be evaluated the following must be done:
  - computational errors must be corrected in accordance with the relevant provision in the instructions to bidders (Form 4);
  - bid prices must be converted to a common currency in accordance with the relevant provision in the instructions to bidders (Form 4);
  - adjustments should be made for any obvious omissions, deviations or variations which are not considered to be material and which can be quantified (Form 4);
  - the adjusted bid price resulting from the above would constitute the basis for the subsequent evaluation and comparison of bids.
19. The detailed evaluation of a bid involves first checking that the technical characteristics, functional performance and commercial conditions of the bid are in accordance with the bid requirements.
20. The next step is to apply the evaluation criteria specified in the bidding documents and adjust each bid as appropriate using the evaluation criteria. Only the criteria specified in the bid document can be applied. No new criteria must be introduced at evaluation, and the specified criteria must be applied wherever appropriate. Specified criteria cannot be waived during evaluation.
21. Where there are a large number of bids to be evaluated (over six) and the spread of bid prices is relatively wide, it is not necessary, in the first instance, to evaluate all bids in detail. One can usually determine, from the specified evaluation criteria, the range of bid prices relative to the lowest bid price which stand a reliable chance of being the lowest evaluated bid. In such cases it is recommended that, in the first instance, only those bids within this range should be subjected to a detailed evaluation. If the lowest priced bid is rejected during evaluation, the range must be predetermined, and all bids in the revised range must be subject to a detailed evaluation.
22. The adjusted bid price of each bidder will require adjustment in accordance with the evaluation criteria in the bidding documents, in the manner and details specified therein, to arrive at the evaluated bid price (Form 6).
23. The evaluated bid prices are compared and ranked in ascending order to determine the bidder with the lowest evaluated price (Form 7).



## **Postqualification**

24. A successful bidder must be qualified to satisfactorily perform the contract. Therefore, it must be determined whether the bidder offering the lowest evaluated bid is so qualified (Form 8).
25. If bidders were prequalified prior to bidding, then a simple check should be made to determine that the lowest evaluated bidder still satisfies the qualifying requirements specified for prequalification.
26. If no prequalification was done, then it must be determined that the lowest evaluated bidder has the relevant previous experience, and financial, technical and production capability and capacity to perform the contract. This must be based on the qualifying criteria specified in the bidding documents.
27. A positive determination is a prerequisite for the award of the contract to the bidder. A negative determination must result in rejection of the bid; in which event, the committee must proceed to the next lowest evaluated bid to make a similar determination of the bidder's capabilities to perform the contract satisfactorily.

## **Award Recommendation**

28. The successful bidder whose bid has been determined to be substantially responsive and has been determined to be the lowest evaluated bidder and who has been determined to be qualified to perform the contract satisfactorily, must be recommended for award of the contract.

## **Bid Evaluation Report**

29. A bid evaluation report with the award recommendation must be prepared.
30. The bid evaluation report should reflect the logical sequence of the bid evaluation process in the following manner:
  - receipt and opening of bids
  - examination of bids
  - substantially nonresponsive bids
  - correction of arithmetic errors
  - currency conversion
  - adjustment for nonmaterial deviations
  - bids subject to detailed evaluation

- evaluation of bids
- comparison of bids
- lowest evaluated responsive bid
- postqualification
- award recommendation

31. The bid evaluation should be prepared in the format outlined in the Model Bid Evaluation Report in the manner and detail outlined therein, including all forms and annexes.

### **Notification of Award**

32. When the award recommendation has been approved, a notification of award (letter of acceptance) should be sent out immediately to the successful bidder.

33. Negotiations must not be held with the successful bidder with the intention of getting a reduction in price or a change in the scope of the contract.

34. Negotiations are only allowed under exceptional circumstances and with the Bank's prior concurrence.

### **The Employer's Obligations to Follow the Rules**

35. The bidding documents give the Employer the right to accept any bid or to reject any or all bids. The Bank recognizes that the Employer must have this right relative to the bidders, however, the Employer's award decision must be consistent with the Rules. If the Employer carries out procurement or makes a procurement decision that is, in the Bank's opinion, not in accordance with the Rules, the contract would not be eligible for financing with the proceeds of the loan, and the outstanding portion of the loan allocated to the contract would be canceled.

36. For contracts which are subject to Bank review, the Employer is responsible for ensuring that the documentation submitted is complete, conforms to the Rules and is submitted in a timely manner. Decisions or actions taken by the Employer prior to the Bank giving its "no objection" to such decision or action, can lead to the contract not being eligible for financing with the proceeds of the Bank's loan, if the Bank finds it cannot concur with the Employer's decision or actions.

### **Extension of Bid Validity**

37. The bid evaluations, reviews and award decision should be completed so that the award can be made within the original period of bid validity.
38. In exceptional cases, it may turn out that the evaluation and award decision is unavoidably delayed. In such cases it would be necessary to seek an extension of the validity of bids as follows:
- The request to extend bids must be sent to all bidders who submitted bids within the submission deadline.
  - The request for extension must specify a reasonable period for the extension which would allow adequate time for completing the evaluation and arriving at an award decision.
  - Bidders should be free to turn down the request and not extend the validity of their bid and not lose their bid security if they turn down the request for extension.
  - The Bank should be informed about any such requests for extension of validity.
  - Bidders extending the validity of their bids must arrange to extend the period of their bid security for the relevant period and submit the revised bid security with their notice of extension of validity.
  - In fixed price contracts, the adjustment factor specified in the bidding documents for such extension of bid validity must be followed.
  - The request for extension must clearly specify:
    - (1) the period of extension requested;
    - (2) the deadline for responses to the request for extension (a minimum of fourteen (14) days should be allowed; for large contracts a longer period, say twenty-one (21) days, would be more appropriate);
    - (3) in the case of a fixed price contract, the adjustment for the period of extension should be highlighted;
    - (4) the request should be sent to the bidder's official address with a request for a confirmation of receipt by return; and
    - (5) bidders agreeing to such an extension cannot be required or permitted to otherwise change the price, scope or any other aspect of their bid as a condition of the extension.

### **Cancellation of the Bids**

39. The Employer should only reject all bids and cancel a bid if:
- there is evidence of collusion;
  - there has been unsatisfactory competition;
  - bid prices substantially exceed the cost estimates or available funds;

- the specifications or other conditions inadvertently failed to reflect the client's requirements, reduced competition, generated substantially non-responsive bids or very high prices.

Before canceling a bid, the Employer should consult the Bank and agree on the cancellation and procedures for procuring the contract.

### **Bidders' Appeals and Complaints**

40. The Employer is responsible for addressing all complaints relating to the conduct or outcome of a bid, including those submitted to the Bank. When a complaint regarding any aspect of a bid procedure is received by the Bank, the Bank will immediately send a copy to the Employer. The Bank will ensure that the complaint is fully reviewed to its satisfaction and, pending the outcome of such review, no decisions are made or approvals given which could prejudice the outcome of the review.
41. All complaints or appeals received by the Employer must be logged and attached to the evaluation report (Annex 8). The evaluation committee must ensure that the evaluation report addresses all such complaints and appeals in a satisfactory manner. Failure to do this will invariably lead to the Bank seeking clarification on the complaint and appeal, with delays in the Bank's review process.
42. In exceptional cases, the Bank may require an independent review or audit of the bid and/or evaluation process, in order to address bidders' complaints and appeals which are of a serious nature, in the most transparent and fair manner.