NATO
Consultation, Command and Control Agency

Best Value Evaluation Methodology as Applied in NC3A

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What is Best Value (BV) Evaluation?

- Best Value is an evaluation method that seeks to mitigate the risks in project implementation by weighting technical quality of the proposal against the price offered.
- The lowest priced offer may not always win.
- On 24 July 2009, the Infrastructure Committee (IC) agreed to BV with the aim of:
  - Improving contract award process through evaluation of several factors:
    - ✓ Overall value of offer
    - ✓ Quality of offer
  - Risk mitigation in the implementation of complex projects mainly in the C4ISR field

BEST VALUE REFERENCE DOCUMENTS

- Policy and Procedures:

Annex X to AC/4-D2261 (1996 Edition) - Procedures for Conducting International Competitive Bidding Using Best Value Bid Evaluation Methodology

- Implementation Guidance:

AC/4-D(2008)0002-REV1 dated 23 July 2009 – Procedure and Practices for Conducting NSIP International Competitive Bidding Using Best Value Evaluation Methodology

WHEN TO USE BEST VALUE

Appropriate but not limited to the following cases:

- Complex system acquisition with extensive system integration and/or software development & significant risk;
- Less overall complex acquisitions but at least one significant risk for SW development and integration;
- Procurements based on performance and/or functional specifications with innovative technical solutions with differing solutions in bids;
- Services Acquisition based on complex/advance technology depth and quality of company and individual staff experience/expertise;
- Acquisitions based on life cycle capability

WHEN NOT TO USE BEST VALUE

- **Best Value procedures are NOT suggested for:**
  - procurement of standard goods and services
  - available generally in the marketplace and
  - non-complex
  - low risk

Sample Projects on which NC3A has applied Best Value Evaluation Methodology

- **Systems Engineering and Integration Contract for Active Layered Theatre Ballistic Missile Defence Programme (€79m)**
- **Land Command and Control Information System Functional Area Services (€ 13.3m)**
- **Deployable Communications and Information Systems for Rapid Reaction Force (€53m)**
- **Intelligence Functional Services (€12m)**
- **Air Command and Control Information Services (€33.7m)**
- **SILK Afghanistan for NATO Public Diplomacy Division (€5m)**

High Level Benefits of the Best Value Bid

- **Larger, high end players returning to some procurements**
- **Smaller, low price "specialists" not bidding.**
- **Increased Quality of Technical Proposals**
- **Proposals received provide innovative solutions.**
- **Experience indicates that low price is important in winning.**
- **Non-Compliance determinations are more quickly and successfully adjudicated due to numerical basis.**
- **Initial indications show that selected contractors are performing well, but insufficient time for true conclusions.**

BASIC CONCEPTS AND PRINCIPLES

- **Weighted formula for Technical Merit versus Price**
  - Top Level - Normally 50% Technical – 50% Price
  - 2nd Level - Technical Criteria divided into several major categories
  - 3rd Level - Major Categories subdivided into discreet factors.
- **Bid prices limited to 125% of unadjusted authorized amount**
- **Non-Compliance may occur if bidder fails to reach scoring threshold.**
- **Revised Disputes Procedure for BV Evaluation**
- **Life cycle investment and operational costs may be included in evaluation subject to IC authorization**
  - **IC advises to use Optional Bidding Procedure called Request for Bidders' Views and/or Market Survey**

2nd Level Evaluation Criteria

- Cover as an average three to five major areas of identified risk out of the following (non restrictive):
  - Project Management
  - Corporate Experience
  - Technical Approach/Proposed
  - Supportability
  - Life Cycle Considerations
  - Intellectual Property Rights
  - Overall Evaluated Risk
- Elements of evaluation criteria logically support result of Risk Analysis
  - Risk elements rated as high have associated evaluation criteria of significant value
  - Medium risk elements have lesser weights and so forth

Price Formula for BV

As per AC 4D(2008)0002 Rev 1, the IC has agreed for all BV the following price formula:

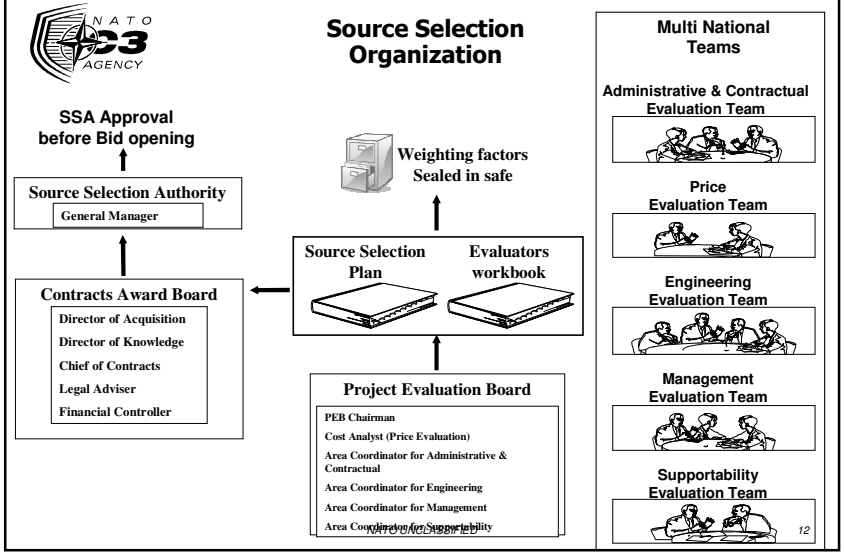
PRICE SCORE = 100* (1-(Bid Price/2XAverage Bid Price)

where BID PRICE and AVERAGE BID PRICE will be the investment cost or the Present Value of the system life cycle cost as per the authorisation

BV in the Solicitation Documents

- **Notification of Intent to Call for Bids**
  - announces evaluation method
  - states ratio of price to technical merit if BV
- **Invitation For Bid (IFB)**
  - Provides instructions for preparation of Bid
  - States BV Criteria:
    - ✓Top Level ratio of Technical versus Price (50%-50% default)
    - ✓2nd Level breakout of major technical categories with weights
    - ✓3rd Level breakout of technical factors in descending order of importance.
  - Brief description of steps
  - Description of Price evaluation basis and formula
  - Statement of Non-Compliance criteria
  - Description of disputes process.
  - Requirements stated in functional/performance terms.

Source Selection Organization



Example Composition of an Evaluation team

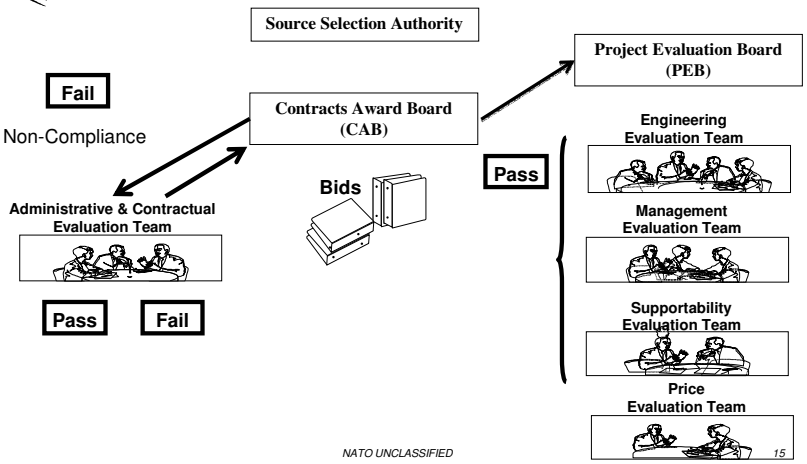
- **Management**
  - French, Italian, US
- **Engineering**
  - Dane, Turk, French
- **Supportability**
  - German, British, Italian
- **Contract**
  - Italian
- **Price**
  - US French

Evaluation Steps

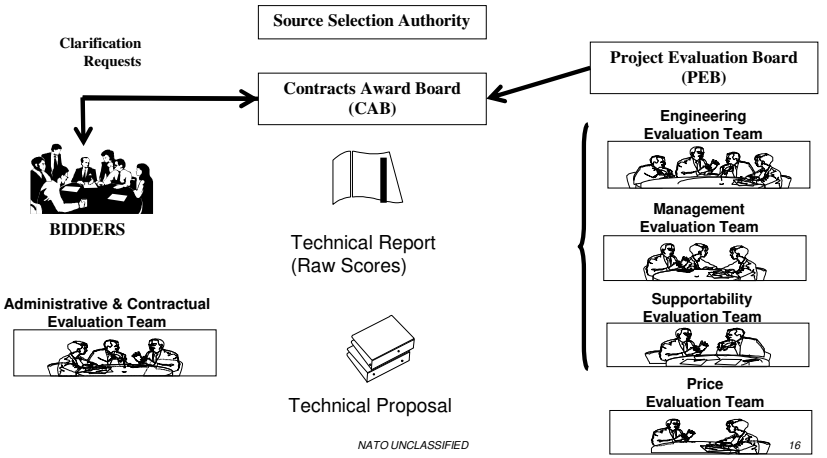
- **Step 1: Bid Administration Packages of bids evaluated against mandatory compliance requirements.**
- **Step 2: Evaluation of all bids which passed Step 1:**
  - Management
  - Engineering
  - Supportability

  evaluated and scored against predetermined top/sub criteria (Raw Score)
- **Step 3: Opening and evaluation of Price Proposal of the Bids evaluated at Step 2.**
- **Step 4: Calculation of Best Values Scores.**
  - **pre-determined weighting factors will be applied to the Raw Scores assigned** (The weighting factors are part of the Source Selection Plan & only known to CAB Chair and originator).

Administrative evaluation



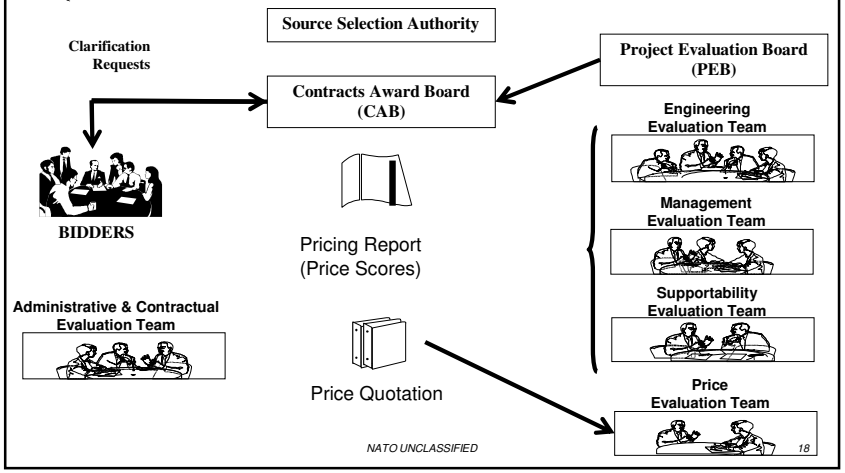
Technical Evaluation



A note on Technical Evaluation

- Technical Evaluation results at this stage are “raw” scores, that is, un-weighted.
- Reported raw scores are only the factors with the numerical assignment on a scale normally of 0-10, but can be a 0-5 or 0-4 scale.
- Proposals whose score fails to achieve 20% of the possible points for a 3rd level Criterion may be determined to be non-compliant.

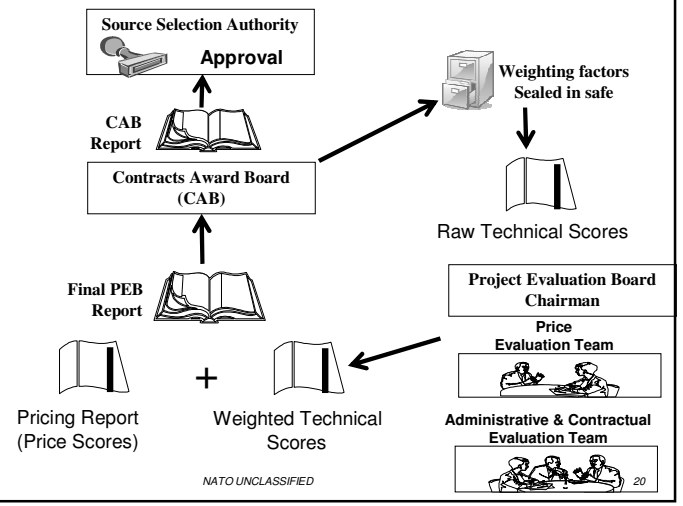
Price Evaluation



A note on Price Evaluation

- The IFB must clearly set forth what items constitute the “evaluated price”, for example, included options and life cycle considerations (i.e., Contractor Logistics Support).
- The Purchaser may question the realism of the price offered if it does not appear to have a logical foundation versus the technical proposal.
- Can be a basis for a determination of non-compliance.

Wrapping it all up



Technical Score Formula

As per Document AC/4-D(2008)0002 –Rev 1 –AS1 [1]

- **TS = a%*TS1 + b%*TS2 + c%*TS3 +…TS**
- TS1, TS2, TS3, …≤ 100 are the technical score of each of the authorised second-level technical criteria or published third-level sub-criteria; and
- a%, b%, c%, …are the related weighting factors for each of the second-level or third-level sub-criteria adding to 100

Best Value Final Score

Best Value Final Score (FS)

- Will be the sum of weighted Technical Score (TS) plus Price Score (PS)

  FS=PS*z% + TS*(1-z%) ≤ 100

- Where z% is the authorised weighting factor for the Price Criterion
- **The compliant bid with the highest score shall be the successful bid**

Statistical Ties

- **A statistical tie exists when final highest scores are within one point.**
- **Where price exceeds technical in the top level criteria, lowest price wins.**
- **Where technical exceeds or is equal to price, tie is broken by the best cost/technical ratio, defined by the lowest cost per technical score.**
- **Procedure is included in Bidding Instructions for full transparency.**

DO YOU HAVE ANY

QUESTIONS

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