

## Consultancy Services

- Consultancy Services
- Different Methods
- Process
- Preparation of Terms of Reference
- Cost Estimate / Budget
- Short Listing
- RFP

## Procurement of Consultancy Services

January 2011

## Consultancy Services

### It is important to bear in mind the confusion that often occurs between technical services and consulting services

**Technical services** are services that solicit proposals and are bid for on the basis of a **measurable physical output**—such as surveys, exploratory drilling, aerial photography, satellite imagery, laboratory tests, mapping, and similar operations.

**Consulting services**, on the other hand, are **intellectual and advisory in nature**.

Another point to remember is that consultants include a wide variety of private and public entities, including consulting firms, engineering firms, management firms, procurement agents, inspection agents, auditors, UN agencies, merchant banks, universities, research institutions, NGOs, and individuals.

## Consultancy Services

### Selecting a Firm versus an Individual

- Often Borrowers like to hire individual consultants, as the selection process is fast. However, individual consultants are not suitable for all assignments. Individual consultants are preferred on assignments for which teams of personnel are not required, no additional outside (home office) professional support is required, and the experience and qualifications of the individual are the paramount requirement.

**When coordination, administration, or collective responsibility may become difficult because of the number of individuals - advisable to employ a firm.**

## QUALITY CUM COST BASED SELECTION (QCBS)

- COST INCLUDES REIMBURSIBLE EXPENSES SUCH AS TRAVEL, TRANSLATION, REPORT WRITING OR SECRETARIAL EXPENSES;
- PROPOSAL WITH LOWEST COST GIVEN A FINANCIAL SCORE OF 100 AND OTHER PROPOSALS GIVEN FINANCIAL SCORES THAT ARE INVERSELY PROPORTIONAL TO THEIR PRICES;
- TOTAL SCORE IS OBTAINED BY WEIGHTING QUALITY AND COST SCORES AND ADDING THEM;
- WEIGHT FOR COST SHALL BE CHOSEN TAKING INTO ACCOUNT THE COMPLEXITY OF ASSIGNMENT AND RELATIVE IMPORTANCE OF QUALITY
- WEIGHT FOR COST GENERALLY 10 TO 20 %
- FIRM OBTAINING THE HIGHEST TOTAL SCORE WILL BE INVITED FOR NEGOTIATIONS.

## QUALITY BASED SELECTION (QBS)

- QBS IS APPROPRIATE FOR:
  - COMPLEX OR HIGHLY SPECIALIZED ASSIGNMENTS FOR WHICH DEFINITE PRECISE TOR IS NOT POSSIBLE AND INNOVATIONS ARE EXPECTED;
  - ASSIGNMENTS THAT HAVE A HIGH DOWNSTREAM IMPACT;
  - ASSIGNMENTS THAT CAN BE CARRIED OUT IN SUBSTANTIALLY DIFFERENT WAYS SUCH THAT THE PROPOSALS WILL NOT BE COMPARABLE.

## FIXED BUDGET SELECTION (FBS)

- APPROPRIATE WHEN THE ASSIGNMENT IS SIMPLE AND CAN BE PRECISELY DEFINED AND THE BUDGET IS FIXED;
- TOR SHOULD BE WELL PREPARED TO MAKE SURE THAT THE BUDGET IS SUFFICIENT FOR THE CONSULTANTS TO PERFORM THE EXPECTED TASKS
- EVALUATION OF ALL TECHNICAL PROPOSALS SHALL BE CARRIED OUT FIRST AS IN QCBS, PRICE PROPOSALS ARE OPENED IN PUBLIC;
- PROPOSALS THAT EXCEED THE INDICATED BUDGET SHALL BE REJECTED;
- HIGHEST RANKED TECHNICAL PROPOSAL IS SELECTED AND INVITED TO NEGOTIATE THE CONTRACT.

## LEAST-COST SELECTION (LCS)

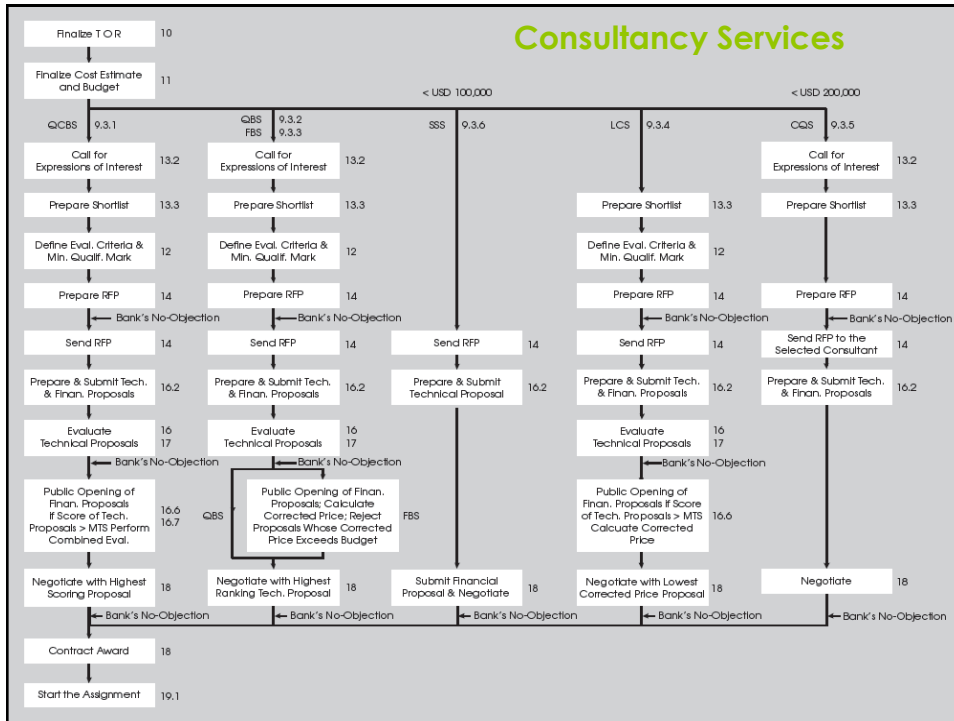
- APPROPRIATE FOR ASSIGNMENTS OF A STANDARD OR ROUTINE NATURE
- AUDITS,
- ENGINEERING,
- DESIGN OF NONCOMPLEX WORKS AND SO FORTH

## Selection based on Consultant's Qualification (CQS)

- Suitable for small and routine assignments
- Consultants are provided with the TOR and are requested to submit the expressions of interest and information on the consultants' experience and competence relevant to the assignment
- Based on the evaluation of the EOI, a short list is established and the firm with the most appropriate qualifications and references is selected for submission of combined technical-financial proposal and then is invited to negotiate the contract

## Single Source Selection

- Single-source selection shall be **used only in exceptional cases**.
- The justification for single-source selection shall be examined in the context of the overall interests of the client and the project, and the Bank's responsibility to ensure economy and efficiency and provide equal opportunity to all qualified consultants
- **Single-source selection may be appropriate only if it presents a clear advantage over competition:**
  - (a) for tasks that represent a **natural continuation**
  - (b) in **emergency cases**, such as in response to disasters
  - (c) for **very small assignments**, or
  - (d) when **only one firm is qualified** or has experience of exceptional worth for the assignment



## Consultancy Services

### Contracts types for Consulting Services

The criteria for selecting the appropriate type of contract include: clarity of the definition of the work (output) to be performed; risk involved; and commercial practices

**Lump-sum (firm-fixed-price) contracts:** lump-sum contracts are used for assignments in which the content and the duration of the work are clearly defined. Payment is made upon delivery of outputs. The main advantage of this type of contract is that it is easy to administer.

**Time-based contracts:** time-based contracts are used for assignments in which it is **difficult to define the scope and the duration** of the work to be performed. Payment is based upon an hourly, daily, or monthly rate, plus reimbursable expenses using actual expenses or agreed-upon unit prices. This contract type provides for a maximum total payable amount (ceiling) that includes a contingency for unforeseen work and duration, price adjustments, etc

## Contracts types for Consulting Services

- **Retainer- and/or Contingency-fee (success-fee) Contracts:** Retainer- and/or contingency-fee (success-fee) contracts are used to remunerate consultants or banks, for example, for privatization of public companies
- **Percentage Contracts:** Percentage contracts relate to the fee paid to the Consultant based upon the estimated or actual project construction cost or the cost of the goods to be procured or inspected. Percentage is established based upon market norm or standard practice in the industry
- **Indefinite-delivery Contracts (Price Agreement):** Indefinite-delivery contracts are used for on-call specialized services. The Borrower and the Consultant agree upon the unit rates to be paid to the experts, and payments are made on the basis of the time actually used

## Request for Proposal (RFP)

The Borrower is responsible for the preparation and issuance of the RFP. The content of the RFP includes the following components: Letter of Invitation, Terms of Reference (TOR), and the Proposed Contract.

**Terms of Reference (TOR):** The Terms of Reference (TOR) outline the Borrower's description of the outputs required from the Consultants and the manner by which they will be delivered. It should be detailed enough so that the Consultants can provide a realistic Proposal.

**Proposed Contract:** The Borrower is strongly advised to use standard contract documents developed by the Bank. Any deviation should be outlined in special conditions that are reviewed by the Bank.



**WHY DEVELOP  
TERMS OF REFERENCES**



- Requirement of Project.....

June 2011



## Consultancy Services



- What your initial RFP asked for

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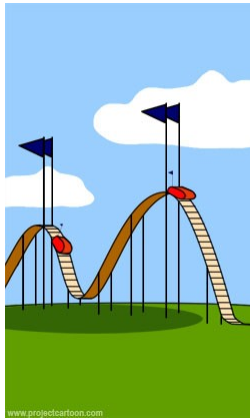
## Consultancy Services



How the short listed firms saw your requirement in the RFP

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## Consultancy Services



What Firm  
#1 proposed



What Firm  
#2 proposed



What Firm  
#3 proposed

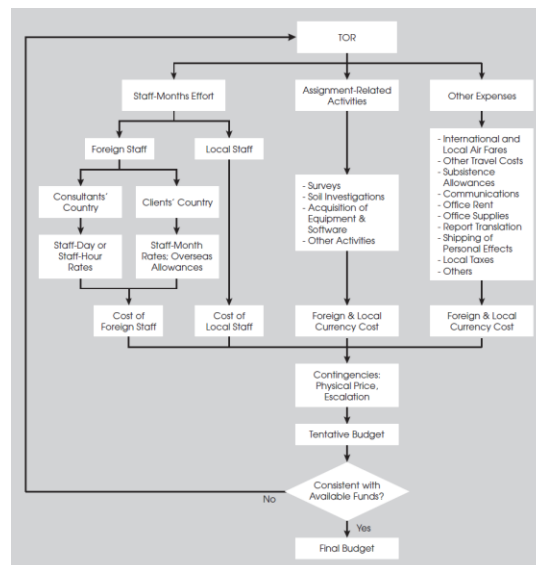
## Consultancy Services

### Terms of Reference (TOR)

- The Terms of Reference should include:
  - A precise statement of objectives;
  - An out line of the tasks to be carried out;
  - A schedule for completion of tasks;
  - Training and Skills Transfer (if required)
  - The support/ inputs provided by the client;
  - The final outputs that will be required of the Consultant
  - Composition of Review Committee (not more than three members) to monitor the Consultant's works
  - List of key positions whose CV and experience would be evaluated. 1 to 6 people, exceptionally 8.
- The TOR should not include evaluation criteria, budget etc.

## Cost Estimate / Budget

- The cost estimate of a consulting assignment is prepared by adding the remuneration of consultant staff and the **direct expenses to be incurred by consultants for the execution of that assignment (Reimbursable)**.
- Those amounts are based on an estimate of staff time (expert per unit of time, hour, month) required to carry out the services and an estimate of each of their related cost components. Estimate of the required staff time is derived from the TOR, **the more exhaustive and accurate the TOR, the more precise the estimate.**



## Technical Evaluation Criteria

(i)	Specific experience of the consultants related to the Assignment.	5 to 10
(ii)	Adequacy of the proposed work plan and methodology in responding to the TOR. [Sub-criteria – not more than 3]	20 to 50
(iii)	Qualifications and competence of the key staff for the Assignment. [Weightage for various key staff]	30 to 60
(iv)	Suitability of the transfer of knowledge program (training). [Sub-criteria – not more than 3]	0 to 10
(v)	Local participation (As reflected by nationals among key staff presented by foreign and local firms).	0 to 10
Total		100

## Key steps in selection process

This involves preparing a short list of qualified consultants and send them the request for proposals, receive the proposals, evaluate the proposals and negotiate a contract with the firm which submitted the and award the contract.

**Short Listing** : The Borrower is responsible for preparation of the short list. A short list contains the names of five to seven firms with a wide geographic spread and with no more than two firms from any one country.

## Short-listing

- Borrowers are responsible for preparation of the shortlist
- First consideration to those firms expressing interest which possess the relevant qualifications
- Shortlists shall comprise of six firms (no more) with a wide geographic spread, with no more than two firms from any one country and at least one firm from a developing country, unless qualified firms from developing countries are not identifiable.
- The shortlist can comprise of entirely national consultants if the value of assignment is less than US\$ XXXXXX and there are qualified local firms. However, if foreign firms have expressed interest, they will also be considered
- For assignments above prior review threshold, Bank's No Objection is required for proposed shortlist

## Eligibility

- Government-owned enterprises in the Borrower's country may participate only if they can establish that they are legally and financially autonomous; and operate under commercial law
- No dependent agency of the borrower or Sub-borrower of the project or their employees shall be permitted to submit or participate in a proposal for the provision of consulting services under the project
- Universities or research centers of unique and exceptional nature, if their participation is critical can be allowed. Similar is the case for university professors or scientists from research Institutes
- Government officials and civil servants can be permitted as individuals or as members of teams if they are on leave of absence without pay and are not being hired by the same employing agency and if there is no conflict of interest

## Evaluation of Proposals



## Evaluation of Proposals

### Steps in Evaluation of proposals and contract award

- ❖ Evaluation of Technical proposals, and preparation of Technical Evaluation Report (TER)
- ❖ Review of the TER by the Bank and no objection in case of prior review contracts
- ❖ Informing Consultants about the result of Technical Evaluation of Proposals
- ❖ Public Opening of Financial Proposals
- ❖ Evaluation of Financial Proposals
- ❖ Combined Evaluation and Selection of highest ranked Consultant
- ❖ Negotiations & initialed negotiated Contract
- ❖ Bank's review/no objection to the negotiated contract in case of prior review contract.
- ❖ Signing of Contract

## Evaluation of Proposals

- Appoint evaluation committee of at least three and maximum Seven
- EC members should be appointed shortly before the deadline for submission of proposals
- Criteria (Qualifications) for EC members
  - Professional Experience
  - Familiarity with Evaluation Procedure
  - Impartiality - highest standards of integrity; should preclude any questionable affiliation with the short-listed consultants, like business or family relationship with the short listed consultants (and their experts/personnel).

## Evaluation of Proposals

- Each member of the Evaluation Committee should certify, before participating in the evaluation, that he/she does not have any perceived, potential, or actual conflict of interest that can affect his/her objectivity in evaluation of proposals.
- The EC members should familiarize themselves with the requirements of the assignment, the selection procedures, and the evaluation criteria and sub-criteria.
- EC members shall not have access to the financial proposals until the technical evaluation, including any Bank review and no objection, is concluded
- The EC should meet to define the system to be adopted for scoring the technical proposals, according to the criteria and sub-criteria set out in the Data Sheet.
- Apply only the technical evaluation criteria and assigned points specified in the request for proposals
- The EC members should be provided with evaluation worksheets for the undertaking individual evaluations.

## Evaluation of Proposals

- The EC members should not engage in any communication with short-listed firms from the date of their appointment to the date on which the contract is awarded.
- EC shall conduct the evaluation solely on the basis of the submitted proposals, and shall not ask consultants for clarifications
- Calculate the technical score as evaluated by each individual committee member clearly stating the strengths and weakness of each proposals
- Prepare evaluation spreadsheet aggregating individual score sheets of each committee members
- Prepare technical evaluation report with comments on strengths and weakness of each proposal.

## Technical Evaluation

- Technical proposals for consulting services are an intellectual product; their evaluation must be based on the individual professional judgment of competent evaluators and should not be reduced to a purely arithmetical exercise.
- Evaluators may, either consciously or unconsciously, manipulate the points awarded to specific aspects in the evaluation for a number of reasons, including inadequate experience in the field of the assignment or in evaluating proposals of this nature
- it is important that subjectivity implicit to any individual professional judgment be complemented by transparency, consistency, and fairness



## Consultancy Services

- ❖ EC shall evaluate proposals in accordance with the evaluation criteria specified in the RFP, **independently of each other**, and without any external influence from any person or entity

## Consultancy Services

### Financial Opening

- Public Opening
- Read out Technical Scores of all the participating firms
- Open financial proposals of only firms which meet the min qualifying marks (QCBS/ FBS/ QBS)
- Open financial proposal of the top ranked technical firm (QBS)
- Return Unopened the financial proposals of non qualifying firms
- Combined Evaluation

## Negotiation

Negotiations are usual for consulting services. In most cases, prior to the signing of a contractual agreement, the Borrower invites the selected Consultant to discuss the TOR, staffing, the Borrower's inputs, and special conditions to the contract.

The objective of negotiations is to arrive at a mutually satisfactory contract between the Borrower and the selected consultants. The parties will **discuss the technical proposal submitted**, agree on the detailed scope of work of the consultant assignment and all related arrangements, **negotiate financial terms, and discuss and finalize contract conditions**. A good contract should protect the interests of both parties in a balanced way.

