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# Consulting Services Manual 2006

A Comprehensive Guide to  
the Selection of Consultants



THE WORLD BANK

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**Consulting  
Services  
Manual  
2006**



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the Selection of Consultants



**THE WORLD BANK**  
Washington, D.C.

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# Introduction

*Not everything that counts can be counted and not everything that can be counted counts.*

A. EINSTEIN

The World Bank (the Bank)<sup>1</sup> finances consulting assignments over a wide spectrum of sectors, from infrastructure and the environment to public sector reform and financial sector modernization, from privatization to change management and system integration, from regulation to capacity building. When engaging consultants financed by the Bank, Borrowers must follow procedures outlined in the applicable *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* (Consultant Guidelines), as updated from time to time by the Bank.<sup>2</sup>

Since it issued the first Handbook on Consulting Services in 1985, the Bank has expanded the scope of its lending and technical assistance to Borrowers. As in the past, consultants continue to be instrumental in the successful preparation and implementation of Bank-assisted projects. Borrower requests from consultants have gradually expanded from traditional design services of physical works to advisory services in all fields encompassed by the comprehensive development approach that most Bank Borrowers have adopted.

Although the quality of consulting services remains the key consideration in selecting consultants, the Bank places particular emphasis on the independence of the consultants to ensure their objectivity and their freedom from conflicts of interest. The cost of consulting services remains a factor of selection to be used with measured prudence according to the features and complexity of the assignment, its potential downstream effects, and the Borrower's appreciation of

risk. Users of consulting services should always be aware that the services given by professional consultants represent a small proportion of the project cost and that most project failures or deficiencies happen or originate in the study-and-design phase or can be traced to faulty supervision during project implementation.

Along with quality, a renewed demand for integrity increasingly pervades all activities involving the public sector and its consultants. It has become obvious to all stakeholders that sustained investment in institutional reform and capacity building makes sense as long as the parties involved (which include consultants, suppliers, contractors, public sector employees, and the political sphere) abstain from corrupt practices.

Governments, multilateral financial institutions, and donors have become increasingly aware that suitable institutional design must take into account national circumstances, as well as the need for higher capacity and accountability standards of public sector employees responsible for conducting procurement, including professional consulting services.

The adoption of results-oriented approaches to public sector activities and projects increases the use of professional skills in the public administration and brings renewed attention to the best-practice-oriented use of consultants, which in turn highlights the need for strengthening national consulting capacity in all professional fields. It is a desire of all governments to put in place procurement regulations that ensure the hiring of the most suitable consultants for their projects and at the same time help bring about the sustainable development of national consulting capacities in all professional fields.

This new *Consulting Services Manual* (the Manual) takes all the above aspects into consideration, provid-

1. In this Manual, "the Bank" signifies the World Bank, including the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

2. *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*. World Bank, May 2004.

ing a more comprehensive guidance to Borrowers and Bank staff on how to select and use consultants.

In recent years, the World Bank, together with the Asian Development Bank, the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), and the African Development Bank, put forward an extensive harmonization effort, with the aim to provide Borrowers and consultants with a nearly common set of procedures for the selection of consultants. Because of this effort, in May 2004 a new, harmonized edition of the World Bank Standard Request for Proposals (SRFP)<sup>3</sup> was issued. This new edition of the Manual takes into account the changes appearing in the May 2004 edition of the Guidelines and the harmonized SRFP, among which were the introduction of the Simplified Technical Proposal for the selection of consultants; the revised policies on conflict of interest and on fraud and corruption; the new, easy-to-use technical and financial proposal submission forms; and the harmonized versions of the time-based and lump-sum forms of contract. At the beginning of 2005, IADB adopted consultant guidelines that differ from the World Bank Guidelines and the SRFP only in the provisions related to consultant eligibility and to fraud and corruption.

This Manual provides detailed guidance to Borrowers, Bank staff, and consultants on the application of mandatory provisions of the Consultant Guidelines, the SRFP, and related Bank policies, and it provides advice on the application of professional best practices on aspects of a nonmandatory nature.<sup>4</sup> In addition, appendix 10 contains a Guidance Note that should be considered mandatory. For more detailed assistance on consulting services matters, users of this Manual may seek advice from the appropriate Bank procurement specialists; the Consulting Services Adviser; and the Legal Department, Procurement and Consultant Services (LEGPR).

Chapters 1–8 provide an overview and information on the different types of consulting services currently financed by the Bank, the main characteristics of consultants' organizations, and general Bank policy and procedures for use of consultants. These chapters also illustrate and explain Bank policies on conflict of in-

terest, prevention of fraud and corruption, the transfer of knowledge from consultants to Borrower staff, sources of financing available to Borrowers, the role of Borrowers in the process of consultant selection and use of consulting services, and assistance provided by the Bank.

Chapter 9 introduces the process and the accepted methods for selection of consultants, depending on the nature of the assignment, its complexity, the size of the project, and its downstream effects.

Chapters 10–11 and 13–15 give guidance on the preparation of the consultants' short list and the different sections that make up the Request for Proposals. Chapter 12 illustrates the differences between the Full and the Simplified Technical Proposals and provides guidance on the selection of evaluation criteria and subcriteria for both of them. Chapters 16–18 give advice on the evaluation and selection of proposals and negotiation of contracts with consultants.

Chapter 19 provides guidance on the supervision of consultants' work until the assignment is completed.

Finally, chapter 20 concludes with advice on the employment of individual consultants.

An overly restrictive or rigid interpretation of the Bank's Consultant Guidelines can lead to failure in achieving an effective selection process; adoption of too lax or informal relationships between Borrower and consultant may reduce transparency or compromise propriety; and excessive weight assigned to price in the selection may affect the quality of the services and put the entire project at risk. In light of the above, the Manual's chief intent is to help Borrowers make a balanced and sensible use of the Guidelines and of the harmonized SRFP, which, if properly applied, should help obtain the consulting services that best suit Borrowers' needs.

This 2006 edition of the Manual has been produced by the Procurement Policy and Services Group (OPCPR) under the responsibility of Gian Enrico Casartelli, Consulting Services Adviser, with the assistance of many who share similar professional interests, both inside the Bank and around the world. Consultants Franco de Siervo and Piero Ravetta provided extensive technical advice. Alfonso Sanchez, Robert Hunja, and Kjell Nordlander reviewed and commented on the text. Teia Thompson-Brown, Nancy Bikondo, and Francis Speltz contributed to its editing.

3. "Standard Request for Proposals—Selection of Consultants." World Bank, May 2004.

4. OP/BP 11, "Procurement under Bank-Financed Operations." World Bank, July 2001.

# Abbreviations and Acronyms

<b>AMS</b>	Administrative Manual Statement
<b>BB</b>	Administrative Budget
<b>COI</b>	Conflict of Interest
<b>CP</b>	Commercial Practices
<b>CPAR</b>	Country Procurement Assessment Report
<b>CQS</b>	Selection Based on Consultant's Qualifications
<b>CSM</b>	Consulting Services Manual
<b>CTF</b>	Consultant Trust Fund
<b>CV</b>	Curriculum Vitae
<b>DC</b>	Design Contest
<b>dgMarket</b>	Development Gateway Market
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EC</b>	Evaluation Committee
<b>ED</b>	Bank Executive Director
<b>EOI</b>	Expression of Interest
<b>ESMAP</b>	Energy Sector Management Assistance Program
<b>FBS</b>	Selection under a Fixed Budget
<b>FC</b>	Foreign Currency
<b>FIDIC</b>	Fédération Internationale des Ingénieurs Conseils (International Federation of Consulting Engineers)
<b>FTP</b>	Full Technical Proposal
<b>GCC</b>	General Conditions of Contract
<b>GEF</b>	Global Environment Facility
<b>GPN</b>	General Procurement Notice
<b>GPP</b>	Global Programs and Partnerships
<b>IDB</b>	Inter-American Development Bank
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>ICT</b>	Information and Communication Technology
<b>IDA</b>	International Development Association
<b>INT</b>	Department of Institutional Integrity
<b>IPO</b>	Initial Public Offering
<b>ISO</b>	International Organization for Standardization
<b>IT</b>	Information Technology
<b>ITC</b>	Instructions To Consultants
<b>LC</b>	Local Currency
<b>LCS</b>	Least-Cost Selection
<b>LEGPR</b>	Legal Department, Procurement and Consultant Services Unit
<b>LOI</b>	Letter of Invitation
<b>MC</b>	Management Contract
<b>METAP</b>	Mediterranean Environment Technical Assistance Program
<b>NGO</b>	Nongovernmental Organization

<b>OPCPR</b>	Procurement Policy and Services Group
<b>OPRC</b>	Operational Procurement Review Committee
<b>PA</b>	Procurement Agent
<b>PAD</b>	Project Appraisal Document
<b>PHRD</b>	Policy and Human Resources Development
<b>PID</b>	Project Information Document
<b>PIU</b>	Project Implementation Unit
<b>PPF</b>	Project Preparation Facility
<b>QBS</b>	Quality-Based Selection
<b>QCBS</b>	Quality- and Cost-Based Selection
<b>QM</b>	Quality Management
<b>RFP</b>	Request for Proposals
<b>RPM</b>	Regional Procurement Manager
<b>SBD</b>	Standard Bidding Document
<b>SCC</b>	Special Conditions of Contract
<b>SOE</b>	Statement of Expenditures
<b>SRFP</b>	Standard Request for Proposals
<b>SSS</b>	Single-Source Selection
<b>STP</b>	Simplified Technical Proposal
<b>TAL</b>	Technical Assistance Loan
<b>TF</b>	Trust Fund
<b>TOR</b>	Terms of Reference
<b>UN</b>	United Nations
<b>UNDB</b>	United Nations Development Business
<b>UNDP</b>	United Nations Development Programme
<b>VAT</b>	Value Added Tax

All dollar amounts are U.S. dollars unless otherwise indicated.



# 1 Consulting Services

## 1.1 Background

“Consulting services” refers to services of a professional nature provided by consultants using their skills to study, design, organize, and manage projects; advise Borrowers; and, when required, build their capacity. Consultants offer Borrowers the possibility of a more effective and efficient allocation of their resources by providing specialized services for limited amounts of time without any obligation of permanent employment.

Consulting services engaged by Borrowers in Bank-funded projects encompass multiple activities and disciplines, including the crafting of sector policies and institutional reforms, specialist advice and integrated solutions, change management and financial advisory services, planning and engineering studies, and architectural design services. Consultants also provide project supervision, social and environmental assessments, technical assistance, and program implementation. Consulting services may vary from simple routine tasks to highly specialized and complex assignments.

Consulting services in Bank-funded projects should satisfy the following requirements:

- Meet high standards of quality
- Be impartial (that is, delivered by a consultant acting independently from any affiliation, economic or otherwise, that may lead to conflicts of interest)
- Be proposed, awarded, administered, and executed according to the highest ethical standards

Impartiality, together with creativity, is the most important asset offered by consultants. It allows consultants to study alternatives and recommend solutions, technologies, and products from a range of possible suppliers and contractors in the best interest of the Borrower. Consultant impartiality results from the consultants’ independence and freedom from ties

or affiliations that could lead them to bias their judgment and advice.

## 1.2 Types of Consulting Services

For this *Manual*, one must distinguish between professional consulting services and other types of services in which the physical component of the activity is crucial, although the boundary between them blurs in some cases. The latter often involve equipment-intensive assignments using established technologies and methodologies that have measurable physical outputs—for example, field investigations and surveys such as cartography, aerial surveys, satellite mapping, drilling, computer services and installation of information systems, and plant operation and maintenance. These services are procured under the Bank’s guidelines for procurement of goods and works, also called “Procurement Guidelines.”<sup>1</sup>

In some fields, such as information and communication technology (ICT), utility management, and complex plant operation, where the contracts include services of varying degrees of complexity as well as hardware, an accurate analysis may be necessary to determine the predominant features of the assignment and decide whether to award the contract following the Bank’s *Guidelines for the Selection and Employment of Consultants* (hereafter, *Consultant Guidelines*) or in accordance with the “Procurement Guidelines.” The specialist in the field of the assignment and the relevant procurement specialist in the Bank should be consulted if any uncertainty arises as to which Guidelines are to be followed.

Appendix 12 of this *Manual* provides guidance on current Bank approaches and standard documents on ICT procurement.

Current consulting services used in Bank projects may be grouped (see table 1.1).

**Table 1.1 Types of Consulting Services**

Project services		Advisory services
Preparation services	Implementation services	
Sector studies	Tender documents	Strategy and policy
Master plans	Procurement assistance	Regulation
Feasibility studies	Construction supervision	Institutional reform
Design studies	Project management	Capacity building
Specialist studies	Integrated solutions	Management and leadership
	Training	Information technology

### 1.3 The Quality of Consulting Services

#### 1.3.1 The Consulting Services Quality Cycle

The primary objective of this *Manual* is to assist Borrowers in obtaining high-quality consulting services that allow a more effective, efficient, and economic use of their resources. Through consulting services, Borrowers can adopt innovations and best practices that add value to their activity and enhance growth and welfare in their societies.

For a consulting organization to thrive, first at an individual and subsequently at a firm level, it is necessary for the consultant to persuade the Borrower and society that high-quality consulting services are major factors in helping them achieve their objectives with the best possible use of their resources.

To help their countries achieve higher and sustainable socioeconomic growth, governments must adopt policies that raise the productivity of investment through the adoption and dissemination of innovative processes and products. These policies would create a suitable environment that encourages and sustains the creation and growth of independent consulting professions in the technical and managerial fields, as well as sound demand for the services of such professions. The role of the government in the professional knowledge sector is particularly important for all developing countries (see figure 1.1, box 2), particularly in instances where the private sector is not yet aware of the valuable contributions that consultants can offer. Government should assume this role also because in many developing countries, public administrations are the most important clients of consultants in variety, complexity, and number of problems faced.

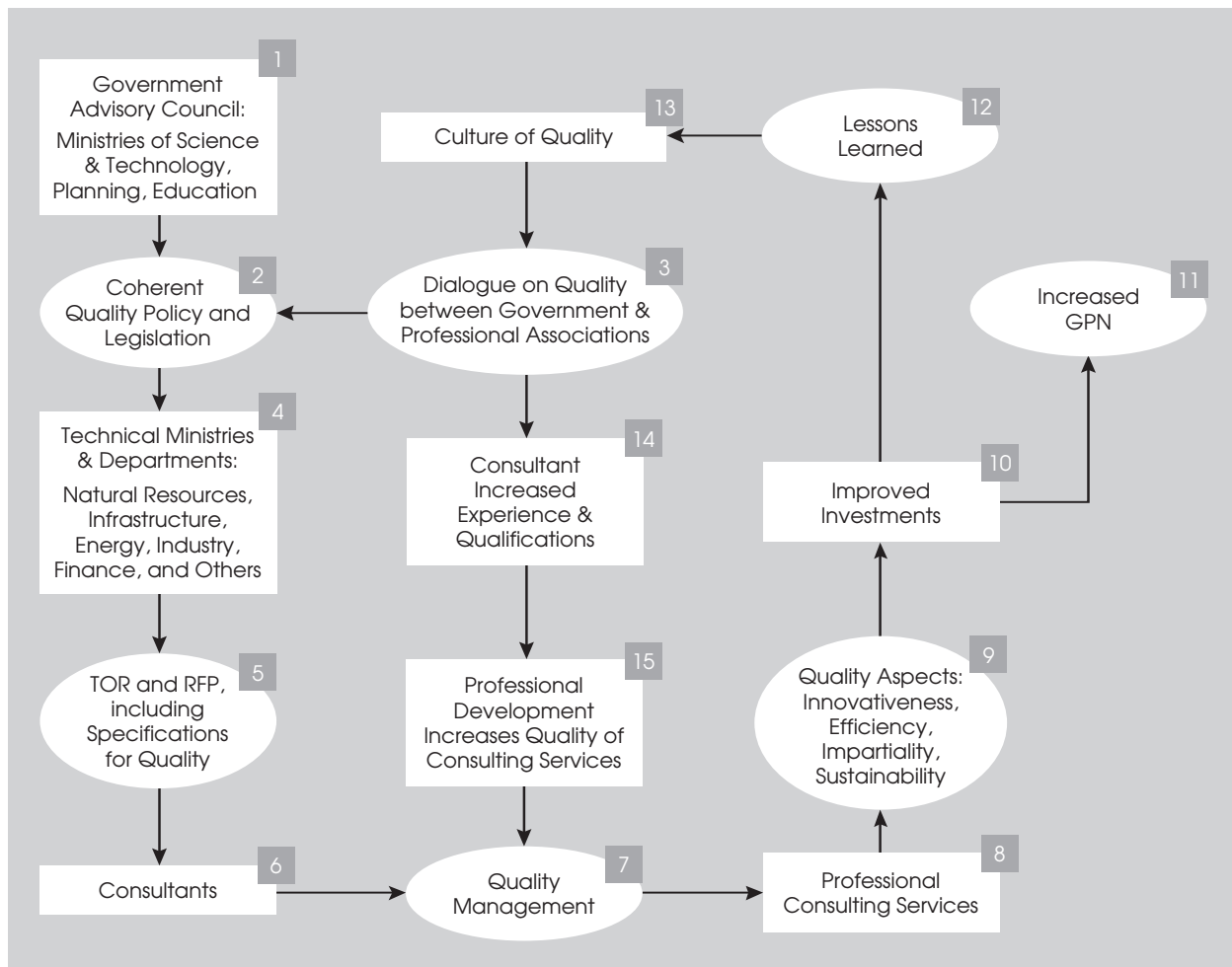
As box 1 of figure 1.1 shows, government policies regarding professional consulting services as part of the knowledge economy may be formulated by a high-level advisory body (for example, a state council) comprising policy-making ministries such as planning, science and technology, and education. Policy making is fed and fine-tuned by the continuous dialog that should be promoted between this advisory body and the country’s professional associations (box 3).

The legislation on public sector procurement (that is, selection and employment) of consultants should result from the policy mentioned above, from evolving best practices from the private sector, from international lending institutions, and from countries with well-established professional economies.

Public sector demand for professional consulting services is primarily generated by technical ministry departments—natural resources, infrastructure, energy, industry, finance, executing agencies, and so forth—that require specialized services of an intellectual nature (box 4).

The demand for services is conveyed to consultants through requests for proposals (RFPs) for professional assignments (box 5). RFPs should be structured and worded in accordance with the procurement regulations of the public sector institutions of the country, or as agreed on with the funding agency, such as those of the World Bank that are explained later in this *Manual*. Shortlisted consultants compete for the contract by offering services that meet or surpass the quality criteria set out in the Terms of Reference (TOR).

If the RFP, including the contract conditions, is attractive and the Borrower has a good reputation for valuing quality services and for treating consultants fairly, good consultants will be keen to respond to the

**Figure 1.1 Consulting Services Quality Cycle**

Borrower's call and serve to the best of their capacity (see boxes 6–8 of figure 1.1, and para. 1.3.2). The many quality aspects of services provided by consultants (box 9) will eventually find their way into Borrowers' strategies, plans, decisions, and projects. Investments will embody innovations and efficiencies derived from the consultant's advice (box 10) and will directly benefit the business of the Borrower, as well as the well-being of the stakeholders in many different ways (box 11).

The lessons learned by consultants and Borrowers in their projects (box 12) will contribute to the culture of quality in the country (box 13) and to the experience (that is, the knowledge capital) of the consultants themselves (boxes 14–15). This culture of quality will, in turn, sustain the dialog between the government and professional associations (box 3). At the same time, benefits realized by high-quality services to

Borrowers and the country will provide validation of, and consensus to, government policy on quality, thereby stimulating, expanding, and deepening government demand for high-quality services.

Based on the above-described quality cycle, developed and developing countries achieve higher and sustainable rates of growth. Bank policy on the selection and use of consultants laid out in the *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* and in the Bank's Standard Request for Proposals are designed to help set the quality cycle in motion within Borrower countries and ensure its sustainability.

### 1.3.2 Quality Management

Quality management (QM), or quality assurance, designates all planning, preparation, work, checking,

and measuring activities necessary to achieve desired standards of service. These activities should not be considered additional or optional, but rather an integral part of doing the job properly. QM is based largely on common sense and good business and management practices.

The requirements of an effective QM system are set out in, for example, the International Organization for Standardization (ISO) 9000 standards, which define the technical and administrative procedures and systems that a well-run organization should use to provide a consistent standard of service and meet the Borrower's needs. Evidence that a satisfactory QM system is in place is based on certification by an accredited independent body that confirms that an organization has a QM system that conforms to all established standards and is appropriate for the services it provides.

Consulting organizations working according to a QM system offer Borrowers a greater assurance that the consultant will perform as required. More important, QM is an effective tool to identify defects and errors, as well as their origins and authors.

QM is also an effective tool for mitigating the negative effects resulting from some consulting firms' excessive hiring of technical and professional staff under term contracts. Although the hiring of free-lancers reduces the firm's fixed costs, it can create a situation in which the key staff being used for a specific assignment predominantly comprise outside individuals possessing the required expertise but having no experience working as a team. When QM is applied to a specific assignment through a Quality Plan,<sup>2</sup> it helps neutralize

the effects of a possible lack of joint work experience among the project team members.

The number of consulting firms of medium to large size working under a certified QM system is increasing in developing countries. Bank policy does not ask Borrowers to require consultants to provide quality certification in Bank-financed assignments. However, because the presence of an effective QM system is beneficial for the assignment, a requirement to work under an effective QM, even if not certified, should be provided for in the TOR for large or complex assignments (see para. 17.2.2). In such a case, consultants should be asked to provide in their proposals either the Quality Plan they intend to adopt or simply a detailed list of its contents. The proposed Quality Plan or its list of contents could be factored into the evaluation of proposals (see para. 17.3.2). Where proposals include only the detailed list of the Quality Plan, the winning consultant will be required to prepare the Quality Plan at the start of the assignment.

## Notes

1. *Guidelines: Procurement under IBRD Loans and IDA Credits*. World Bank, May 2004.
2. Quality Plan: the document defining the specific quality practices, resources, and sequence of activities relevant to a particular assignment (ISO 10005: Quality management—Guidelines for quality plans). The Quality Plan tailors the specific assignment to the standard QM procedures in place with the consultant.

# 2 Consultants

## 2.1 Main Considerations

In this *Manual*, the term “consultant” or “consultants” refers to any organization or individual providing professional consulting services to a Borrower (or client) under a contract funded by the Bank. This chapter describes the main characteristics of the most common types of consultant organization engaged by Borrowers in Bank-funded activities.

When hiring consultants through a competition, Borrowers should be aware of the distinction between organizations whose core business is exclusively the provision of professional consulting services (that is, consulting firms) and other organizations with a different mission or core business and cost structure that occasionally provide consulting services and may enjoy subsidies and other privileges from third parties, under varying degrees of independence. This distinction is important because it can affect fairness of competition, especially when price is a factor for selection. The degree of independence of the consultants is also to be considered, because it constitutes an important indicator of the impartiality required of the consultants in delivering their services. These “other organizations” may include state-owned organizations, universities, research institutes, UN agencies, and nongovernmental organizations (NGOs) (para. 13.3.1). Consulting firms affiliated to these “other organizations,” private or public, that because of their affiliation cannot be considered fully independent, belong also this group.

## 2.2 Consulting Organizations

The most common arrangements under which consultants engaged in Bank projects are legally organized are

- individual professional practices,
- general partnerships,
- limited-liability companies,

- for-profit corporations,
- state-owned enterprises, and
- foundations and nonprofit organizations.

### 2.2.1 Individual Professional Practices

The individual professional practice (sole proprietorship) is the oldest, most common, and simplest form of consultant organization. A sole proprietorship is a business entity owned and managed by a single professional, can be organized rather informally, and is relatively simple to manage and control. The prevalent characteristic of a sole proprietorship is that the owner is inseparable from the business and is financially and legally responsible for it.

An individual professional practice is a good organizational format for an individual starting a professional activity that will remain small, does not have great exposure to liability, and does not justify the expenses of incorporating and other recurring corporate formalities.

### 2.2.2 General Partnerships

A general partnership is a traditional form of consulting firm in which two or more individuals practice their profession as co-owners. Some consulting partnerships have been in business for more than 150 years and may range in size from small firms with a few partners and associates to large partnerships with a staff of thousands. Because senior professionals employed in a private partnership may embody substantial knowledge capital and often possess a long-term personal relationship with clients, it is relatively easy for them to resign and start a new firm. For this reason, key employees in these consulting firms are often offered a partnership in the firm.

Under this organizational model, partners share the risk of managing and participating in the profits,

but they also share personal unlimited liability for the losses and debts accrued by the business. Each partner can take actions that legally bind the partnership even though not all partners are consulted. The partners share the profits of the firm, and the partnership protects itself against professional risks by seeking adequate professional liability insurance.

Management consultants and law firms often operate as limited partnerships, with (a) general partners, who have all rights, duties, and obligations, as in a general partnership, and (b) limited partners, whose liability is limited to the amount they have initially contributed to the partnership, who generally do not take part in the management of the partnership, and who may not contribute services to the partnership, but only money or property.

### 2.2.3 Limited-Liability Companies

Over the past few decades, consultants have been increasingly incorporated as limited-liability private companies because of the advantages to be gained from operating as a company, rather than as a partnership. Such organizations have two fundamental characteristics: they are legal entities that exist separately from their members, and these members have no personal liability for the firm's obligations, including debt and any negligent act of the company's staff or its shareholders. Most consulting engineering and architectural firms are limited-liability companies.

### 2.2.4 For-Profit Corporations

Although partnerships have a tendency to become limited-liability companies, only a few of the latter become for-profit corporations. These corporations are usually large consulting firms with stable income flows and can therefore be organized as stock companies, with shares held in part or wholly by the public and (in some instances) traded on stock exchanges. Liability of shareholders is limited to the amount of their investment in the company's stock.

There are two types of for-profit corporation. In a closely held corporation, a small number of shareholders own the corporation's shares. Share transfer restrictions are likely, and the owners are usually the board members, managers, and employees of the corporation. In a publicly held corporation, in which shareholders are part of the general public, no share-transfer restrictions are usually provided. In addition,

shareholders are not exclusively board members and officers. Capital needed for expanding corporate activities, such as the acquisition of other organizations, may be raised by selling shares and corporate securities.

In publicly held corporations, management has no control over the potential—and sometimes radical—change in ownership that may result from share trading even when such changes affect the business, unless the management owns a controlling fraction of the company's shares. Moreover, key employees can use the threat of resignation to obtain pay increases and other benefits at the expense of shareholders. Consequently, individuals who are not employed in the company are often reluctant to own its shares.

### 2.2.5 State-Owned Consulting Organizations

Some consulting organizations may be directly or indirectly owned by, or affiliated with, the state and are government controlled. Examples of such organizations include offshoots of the public sector such as national electricity authorities, water and public transportation companies, and assorted ad hoc consulting arms of a government. These organizations can usually call on a wide range of experts from within government staff to provide consulting services domestically and abroad.

In former socialist economies, the government usually, though not exclusively, provides these organizations with subsidies or protection (or both), thus giving them an unfair advantage when competing with private and independent consultants. The subsidies can range from free office space and technical facilities to a professional staff made available at nominal costs permanently or when needed. These subsidies allow the state-owned consultants many sorts of unfair practices, such as predatory pricing, when competing against private consultants.

State-owned consulting organizations may also receive preferential treatment when allowed to compete against private consulting firms because some of their staff retain close ties with the public administration to which they are affiliated and (by extension) also with the government. Under such circumstances, good private consulting firms are often intimidated and thus avoid seeking participation. Furthermore, in countries where consulting is just emerging, good professionals are too often discouraged from taking the risk of start-



ing their own independent consulting firms or even decide to leave their profession.

To reduce or mitigate the effects of these poor practices in Bank-funded projects, state-owned consulting organizations and design-and-research institutes are deemed ineligible to compete when the contracting agency has a material tie or any other form of control over them.

## 2.3 Particular Types of Consultant

### 2.3.1 UN Agencies

UN agencies may be hired under Bank-funded projects to provide technical assistance and advice in preparing and implementing activities or projects. Their participation may include professional services, recruitment of individual staff, execution of service contracts, administration of fellowships, management services (including procurement), and so forth. While UN agencies are frequently appointed on a single-source basis because of an emergency or because of their unique knowledge and experience, there are instances where Bank Borrowers invite them to compete with other types of consultant. In a competitive selection process for a Bank-funded assignment, UN agencies should not receive any preferential treatment compared with other consultants, except for privileges and immunities and certain payment arrangements where acceptable to the Bank. These privileges, as well as other advantages such as tax exemptions and special payment provisions, shall be neutralized by adopting the selection method based only on quality (QBS).

### 2.3.2 Consulting Marketing Groups

Consulting firms may form marketing groups and entrust them with promoting and marketing their services internationally. These groups often receive their government's backing to advance the potential of national firms. Sometimes, the marketing groups also engage experts from government departments. Some of these groups can compete for consulting contracts under the group name. The comparative advantage of these organizations is their access to vast pools of experts. The disadvantage is that the experts may have little experience with teamwork, limiting their suitability for assignments requiring integrated efforts. These groups often limit their work to marketing and identifying assignments of interest to their affiliates; in some

cases, they may operate an internal selection process and arrange for one of their members, or an association of members, to express interest as a candidate for the competition.

### 2.3.3 Universities and Research Institutes

Universities provide a wide range of expertise and often compete for consulting services contracts. Hiring government-owned universities and research institutes from the Borrower's country as consultants often raises the questions of eligibility mentioned in para. 3.2.3 of this *Manual*. Universities and, to a lesser degree, research institutes often do not meet the requirements set out in para. 1.11 (b) of the *Consultant Guidelines* because they are not legally or financially autonomous, do not operate under commercial law, or are dependent agencies of the Borrower or Sub-Borrower. When considering institutions in this category, the Borrower should verify that the legal status of the organization allows it to enter into binding contractual agreements.

Borrowers should also be aware that the teaching and research priorities of academics from these institutions may conflict with the demanding commitments that complex consulting assignments impose on the experts. Furthermore, for the sake of fairness, when comparing proposals from universities and research institutes with those from independent consultants, the proposed price of the services should not be used as a factor of selection, unless it can be clearly established that the academics do not receive any subsidies from the organization to which they are affiliated.

### 2.3.4 Nongovernmental Organizations

The *Consultant Guidelines* include nongovernmental organizations (NGOs) under the term "particular types of consultant." NGOs are voluntary, nonprofit organizations that can be uniquely qualified to assist in preparing, managing, and implementing certain projects because of their involvement in complex social environments, knowledge of local issues and community needs, and work approach based on participation and (as with professional consultants) mutual trust.

NGOs may include large, international nonprofit and welfare organizations that often possess impressive track records of work in development projects, rigorous management systems, formal administrative procedures, strong rosters of dedicated expert staff, up-to-date knowledge infrastructures, and autonomous

capabilities to raise funds. At the local level, NGOs are often community-based, grassroots organizations that may be loosely structured, yet have strong ties and in-depth knowledge of their communities. Partners of NGOs range from central governments and local communities to churches, foundations, and international financial institutions.

NGOs frequently provide consulting services in Bank projects, undertaking the roles of project managers, community advisers, and providers of technical assistance. The Bank considers NGOs among its best partners in the social sector and in community-based projects, because NGOs generally have unparalleled local knowledge and a close rapport with disadvantaged communities. Most international NGOs also offer many years of experience in particular countries and employ predominantly local staff.

### 2.3.5 Financial Institutions

Investment and commercial banks, financial services firms, and fund managers often provide Bank Borrowers with consulting services such as restructuring, evaluation, and sale of assets; privatization; and various other financial transactions. Large financial institutions often have, as an integral part of their organization, well-established and experienced research departments. Some of them have created separate groups or incorporated them as companies that market their services with varying degrees of independence. What makes all of these affiliates a particular type of consultant is the relationship that they maintain with the institution

sponsoring them, because this determines the degree of independence—and hence of impartiality—that can be expected from them by the client. When these institutions wish to be considered for Bank-funded assignments, Borrowers must be aware of how the affiliation of these institutions may affect the impartiality of their advice for the specific assignment and for any other that may be generated from the initial one.

### 2.3.6 Procurement Agents and Inspection Agents

Agents specializing in procurement sometimes provide assistance to Bank Borrowers who either lack the institutional capacity to carry out procurement or are faced with emergency situations. Procurement agents can either carry out the procurement on behalf of the Borrower or provide procurement advice and training to the Borrower's staff. In the first instance, the agents assume full responsibility in carrying out the procurement process, including the decision to award payments to suppliers and the follow-up of claims. For these services, procurement agents are paid a percentage of the value of the goods procured or a combination of a percentage and a fixed fee.

Inspection agents specialize in inspecting goods before shipment or upon arrival in the Borrower's country. They also certify that the goods fulfill the required specifications of quality and quantity and are appropriately priced. Inspection agents receive a percentage of the value of the goods inspected and certified or a predetermined amount for each inspection.



# General Policies and Principles in the Use of Consultants

## 3.1 Main Considerations in the Selection of Consultants

The Bank's fiduciary responsibility as laid out in its Articles of Agreement requires the Bank to "ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations."<sup>1</sup> The procurement arrangements required under a specific Bank-funded project for at least an initial 18 months are set forth in the project Procurement Plan. These arrangements include consulting services contracts, proposed selection methods, and Bank review procedures.

Bank policy on the selection of consultants, as indicated in the *Consultant Guidelines*, is guided by the following principles:

- High quality of services
- Efficiency and economy
- Competition among qualified consultants from all eligible countries
- Participation of national consultants
- Transparency

In practice, each of these principles may be stressed more or less, depending on the circumstances of the Borrower, and to a certain extent they compete with each other. Increasing the quality of services may affect economy, or increasing transparency and competition may require detailed and time-consuming procedures that can impact upon short-term process efficiency and cost. Tension may develop between the two competing policies of hiring qualified consultants from all eligible countries on one hand and promoting the development of national consultants on the other. Depending on the objectives and characteristics of the assignment, the Bank and the Borrower determine in the Procurement Plan the selection method

and procedures that are likely to provide the best possible balance between these principles, whereby the quality of the services remains the primary objective of any selection.

The Loan Agreement governs the legal relationship between the Borrower and the Bank. The rights and obligations of the Borrower and the consultant are governed by the Request for Proposals (RFP) issued by the Borrower and by the contract signed by the Borrower with the consultant, and not by the *Consultant Guidelines* or the Loan Agreement.

The Borrower is responsible for selecting, evaluating, awarding, and supervising the consultant under the assignment and for complying with the rules laid down in the Procurement Plan. The Bank reviews the hiring of consultants by the Borrower to verify that the selection process is carried out in accordance with the provisions of the *Guidelines*, and it monitors the work of consultants during execution to make sure that it is being carried out according to appropriate standards and is based on acceptable data.

## 3.2 Eligibility

### 3.2.1 General

The term "eligibility" refers to the authorization to compete for a Bank-funded project. To foster competition, the Bank permits firms and individuals from all countries to offer consulting services for Bank-financed projects.

Consultants may be ineligible and hence excluded from participating in Bank-financed assignments in the following circumstances (see para. 1.11 of the *Consultant Guidelines*):

- Legislation in the Borrower's country prohibits commercial relations with the consultant's country

of origin, and the Bank is satisfied that the exclusion does not preclude effective competition.

- By an act of compliance with a decision of the UN Security Council, the Borrower's country has imposed economic sanctions against the consultant's country of origin.
- The Bank has declared the consultant ineligible to take part in Bank-financed projects because of fraudulent or corrupt practices on the part of the consultant.

### 3.2.2 State-Owned Consulting Organizations

State-owned organizations, government-controlled agencies, and the like are eligible to take part in Bank-financed consulting assignments in their country of origin only if they can establish that they (a) are legally and financially autonomous, (b) operate under commercial law, and (c) are not a dependent agency of the Borrower or Sub-Borrower (see para. 1.11 (b) of the *Consultant Guidelines*). For example, under this policy, the Bank does not finance a consulting contract between the government agency that oversees the project implementation and a consultant that is owned by, or is under the administrative control of, that same government agency. Government-owned agencies are eligible to take part as consultants in Bank-financed projects in other countries if they meet the eligibility requirements listed under para. 3.2.1.

### 3.2.3 Universities and Research Institutes

These same principles (see paras. 3.2.1 and 3.2.2) apply to universities and research institutes in the Borrower's country, but they are applied more flexibly. Government-owned universities, research institutes, and training institutions that do not meet the criteria set forth under para. 3.2.2 above, may be hired either directly or as subconsultants only when the services required are of a unique and exceptional nature; when their participation is critical to project implementation; and when no suitable alternatives are available, provided they are not under the Borrower's or Sub-Borrower's direct supervision or administrative control.

In a competitive selection process, they may take part only as subconsultants. Their engagement should be agreed on by the Borrower and the Bank during project preparation and indicated in the project Pro-

curement Plan, with a full justification given. If the need arises to hire consultants from such institutions during the implementation of a project, Bank approval should be obtained from the Regional Procurement Manager.

### 3.2.4 Government Officials and Civil Servants

Government officials and civil servants may be hired under consulting contracts, either as individuals or as members of the team of a consulting firm, only if

- they are on leave of absence without pay,
- they are not being hired by the agency they were working for immediately before taking leave, and
- their employment would not give rise to any conflict of interest (COI) (see para. 1.9 of the *Consultant Guidelines*).

When the consultant nominates any government official or civil servant as personnel in its technical proposal, the consultant shall attach to its proposal a written certification from the government or the employer of such personnel confirming that he or she is on leave without pay from his or her official position and allowed to work full-time outside of his or her previous official position (see para. 1.6.3 of the Instructions to Consultants (ITC) attached to the RFP).

## 3.3 Use of National Consultants

The primary responsibility for the development of national consulting professions lies with the consultants themselves and with the government policies on the provision of consulting services and the use of national consultants. For projects to be successful, the participation of national consultants who have unique knowledge of the local context and its particular conditions is very often necessary. According to para. 2.7 of the *Consultant Guidelines*, national consultants include all those consulting organizations that are registered or incorporated in the country of the Borrower independent from the nationality of their owners and of their professional staff. The Bank supports Borrower policies aiming to develop and strengthen the national consulting professions in Borrower countries by promoting the use of qualified national professionals as consultants.

The *Consultant Guidelines* (paras. 2.6, 2.7, and 2.15) contain the following provisions to foster participation of national consultants:

- At least one firm from a developing country should be included in the short list, unless no qualified firms from developing countries are available.
- Short lists may comprise only consultants who are nationals of the Borrower country when the estimated cost of the assignment is small (below the ceiling[s] established in the Procurement Plan approved by the Bank), competition including foreign consultants is prima facie unjustified (for example, because the assignment is not suitably complex), or if foreign consultants have not expressed interest and a sufficient number of qualified national firms are available. However, if foreign firms express interest, they shall also be considered for shortlisting.
- Borrowers may encourage foreign consultants to associate with qualified national firms; the *Consultant Guidelines* allow for up to 10 points out of 100 to be allocated in the technical evaluation to the participation of nationals. However, the Bank does not accept as a condition for participation the requirement of mandatory association with national firms.

Country Procurement Assessment Reviews (CPARs) for specific Borrower countries, prepared periodically by the Bank, may include a component dedicated to consultants, with special attention to issues on the sustainable development of independent national consulting professions, to identify and evaluate the capabilities, potential, and strengths of national consultants.

## 3.4 Associations between Consultants

### 3.4.1 General

Bank policy requires that consultants be free to associate and complement their respective areas of expertise; to increase the technical responsiveness of their proposals and make larger pools of experts available; to provide better approaches and methodologies; and, in some cases, to offer lower prices. Consequently, the Bank does not accept mandatory associations with national firms; however, Borrowers may encourage association with them.

An association of consultants can take either the form of a joint venture or a subcontract (subconsultancy). Under a joint venture, all members, if awarded the contract, shall individually sign and be jointly and severally liable for the entire assignment. In some countries, terms such as “consortium” and “association” are used as synonyms for “joint venture.” If this is the case, the Borrower and Bank staff must ensure that the firms are jointly and severally liable for the assignment. The firm providing the core expertise is usually designated the leading firm in the joint venture. Under this arrangement, each partner has to be reasonably qualified to take over the responsibilities and role of any of the partners in case one of them fails to perform or withdraws. The Borrower should retain the right to approve any change in the composition of the joint venture and the revised work plan proposed by the remaining partner(s).

If the structure of the consulting firms that wish to associate (diversity of size, purpose, and objectives) does not naturally point to a joint venture, but their collaboration appears advantageous, they can decide that one (the leading consultant) will subcontract work to the other firm(s). The Borrower expects the leading consultant to play the main role in the provision of the services; however, the Bank does not establish limits for the percentage of services that can be subcontracted or for the specific technical and managerial roles that may be assigned to the subconsultant. The consultant’s own appreciation and need of the subconsultant’s capabilities should determine the scope and size of the participation of subconsultants to be proposed to the Borrower under the assignment. To limit the quality risks related to subcontracting, the Borrower may consider the homogeneity of the proposed work team when evaluating the “organization and staffing” of technical proposals (see para. 17.3.3).

When expressing interest in Bank-funded assignments, consultants shall indicate whether they are expressing such interest alone or in association (for example, joint venture or subconsultancy). The RFP will indicate whether shortlisted firms are allowed to associate among themselves, either as a joint venture or within a subconsultancy agreement. Normally this is not allowed because it reduces competition among an already restricted number of shortlisted firms.

A shortlisted consultant must first obtain the approval of the Borrower if it wishes to enter into a

joint venture with either a shortlisted or a nonshortlisted consultant. When several shortlisted firms express the intention to associate among themselves, thus reducing competition, the Borrower may, with the approval of the Bank, extend the time for submitting proposals and invite additional consultants. In case of association with nonshortlisted consultant(s), the shortlisted consultant shall be the lead consultant.

A shortlisted firm shall submit only one proposal in the same selection process, either individually as a proponent or as a partner in a joint venture. No shortlisted firm can be a subconsultant while submitting a proposal individually or as partner in a joint venture in the same selection process. A shortlisted firm that takes part in more than one proposal will lead to the disqualification of all the proposals in which the firm participates.

However, nonshortlisted consultants may take part as subconsultants in more than one proposal. The leading consultant will inquire with the subconsultant to see whether it is available on an exclusive basis; depending on the response, the leading consultant will decide the extent of the subconsultant's participation in the preparation of the proposal.

Consultants who have established subsidiaries with different juridical personalities in countries other than their country of origin can be included in the short list only once, either individually or in association with those subsidiaries.

When consulting firms offer services under the umbrella of a marketing group (see para. 2.3.2), the group may be shortlisted. The marketing group submits a proposal in which it specifies the firm or firms that would be undertaking the assignment. In evaluating the proposal, the Borrower should consider only the experience of those firms. The group signs the contract with the Borrower under the group name. The marketing group and a specific firm member of the group cannot compete separately for the same assignment.

Whenever there is only one qualified national firm available for an assignment, the Borrower may select the firm as nominated subconsultant for all invited consultants (see following para. 3.4.2). In this case, the Borrower should provide specific information relating to the firm in the letter of invitation.

Firms entering into a joint venture are not required to provide their joint venture agreement when they submit their expressions of interest and the pro-

posal, but must have a letter of intent indicating their intent to form a joint venture if awarded the contract.

### 3.4.2 Specialized National Consultants

In preparing their proposals, consultants are free to choose their subconsultant(s), as well as distribute the tasks of the assignment between themselves and the subconsultants as they deem fit. Unlike joint ventures, subconsultants do not need to be declared when the expression of interest is submitted.

However, in some cases, only one qualified local consulting firm may exist in a particular field. This is often the case, for example, in countries with former state-directed economies in which state-owned consulting firms have become independent. Some of these firms specialize in only one discipline, and they may be the only firm in the country with the minimum required qualifications and experience in a specific sector. In these cases, a problem arises when there is a need for association between the local and foreign consultants.

Two options are acceptable to alleviate such situations:

- Require the national consulting firm to offer its services as subconsultant to all foreign firms, giving it complete discretion with regard to the sharing of activities between foreign and local consultants and to the price of subcontracted services.
- Define in the Terms of Reference (TOR) the services that will be carried out by the national consulting firm and require the firm to indicate its price for these services before issuing the RFP to shortlisted consultants. The national consultant should then be required to offer the same services as a nominated subconsultant and at the same price to all competing consultants.

The first option gives flexibility to both foreign and national consultants to set up the most efficient arrangement, but the possibility remains that the national consultant may unduly favor a particular foreign firm by offering it different services or more-favorable conditions. The second alternative requires additional effort by the Borrower in preparing the TOR and eliminates flexibility. Because the winning foreign consultant will be responsible for the execution of the assignment, it is the shortlisted consultants' duty to assess the capabilities of the national consultant before presenting their proposals. Bank staff should assist

the Borrower in adopting the most appropriate procedure in each individual case. The selected procedure must then be clearly set out in the RFP.

### 3.5 Property

Contracts for consulting services usually state that all documents prepared by the consultant shall become and remain the property of the Borrower who hires the consultant. The consultant may retain a copy of such documents and software. Any restrictions on the future use of these documents and software by either the Borrower or the consultant should be specified in the conditions of the contract.

### 3.6 Misprocurement

During its review of the selection process, the Bank may discover that the Borrower has not selected or engaged the consultants in accordance with the procedures set out in the Loan Agreement and further elaborated in the Procurement Plan approved by the Bank. For example, the consultants may have insufficient qualifications, or the terms of the contract to be signed or already signed are not satisfactory to the Bank. The Bank also may find that its “no objection” was given based on incomplete, inaccurate, or misleading information. In all these cases, the Bank will bring this to the attention of the Borrower. The Bank will withhold or withdraw its “no objection” and request the Borrower to amend the situation. If the Borrower fails to do so, the Bank will declare misprocurement.

When misprocurement is declared, barring exceptional cases, the loan amount allocated for the consulting contract, including the appropriate portion of the various physical and price contingencies, will be cancelled. If any amounts related to the misprocured contract have been withdrawn from the loan, the Bank will take appropriate action with the Borrower to recover amounts already disbursed.

The Borrower should be aware that if it arranges for the financing of the misprocured assignment in question from sources other than from funds made available by the Bank, the consultants must possess the necessary technical quality to not adversely affect the Bank project. Selection of consultants must in no way interfere with the satisfactory implementation of the project with regard to cost, quality, and timing.

### 3.7 Handling of Complaints

After directing themselves to the Borrower and having received no satisfactory answer, consultants may decide to complain to the Bank about the proper application of selection methods and procedures adopted by Borrowers.<sup>2</sup>

No discussion or correspondence with a consultant should take place during the selection process, other than acknowledgment of receipt of the complaint itself. Bank staff receiving complaints and allegations must base their response, if any, on the information they obtain from the Borrower.

If, in the judgment of the Bank, a complaint is justified, the Bank will ask or advise the Borrower to remedy the situation or settle the complaint directly with the complainant. For contracts subject to prior review, the Bank shall examine the communication, in consultation with the Borrower, and if it needs additional information, shall request it from the Borrower. The Bank shall not enter into discussion or correspondence with any consultant during the selection and review process, until award of the contract is notified. For post-review contracts, any complaint shall be sent to the Borrower for due consideration and appropriate action. The Borrower’s response shall be reviewed during subsequent supervision of the project by the Bank staff.

### 3.8 Instructions to Consultants

Dissemination of relevant information is the cornerstone of a transparent and fair consultant selection process. Bank policy requires the Borrower to ensure that all consultants have equal access to the same information so that interested consultants can make informed decisions on how best to apply their efforts.

Consulting opportunities in Bank-financed projects are advertised as follows:

- “General Procurement Notice (GPN)” for Bank projects is published in *United Nations Development Business online (UNDB online)* and in the *Development Gateway Market (dgMarket)*. This announcement shall include a list of expected consulting assignments, with a description of the required consulting services, the name of the Borrower agency, and the budgeted cost.
- Borrowers shall advertise a request for expressions of interest for each contract for consulting firms in



the national gazette, a national newspaper, or an electronic portal of free access.

- In addition, contracts expected to cost more than US\$200,000 shall be advertised in *UNDB online* and in *dgMarket*.
- Borrowers may also advertise requests for expressions of interest in an international newspaper or a technical magazine.
- “Monthly Operational Summary” is issued by the Corporate Secretariat of the Bank and published by *UNDB*. This publication contains a summary of all projects under consideration by the Bank.
- “Project Information Document (PID)” is available to the public through the Bank’s InfoShop. This document includes a brief description of the nature of the services, timing, estimated cost, and staff-months, and it allows consultants to establish the degree of interest they may have in the assignments included in the project.
- “Project Appraisal Document (PAD)” is also available through the InfoShop after approval by the board of directors of the Bank. It contains the procurement plan of the project, including the proposed consulting assignments.

The above sources of information are accessible through the Bank or the *UNDB* Web site or from the Bank’s InfoShop. Although the Bank encourages consultants to direct requests for information on prospective assignments to Borrowers in the first instance, consultants can also obtain the information from the Bank.

The RFP, and specifically its second section, Instructions to Consultants (ITC), provides detailed information on the evaluation process, including evaluation criteria and their respective weights, the minimum qualifying mark, and the estimated number of professional staff-months required for the assignment or the available budget. Shortlisted consultants are encouraged to visit the Borrower implementing agency to become familiar with local conditions and to obtain firsthand information on the assignment. During the proposal phase, shortlisted consultants are allowed to seek clarifications of the RFP in writing. For large or complex assignments, the Bank encourages the Borrower to hold a preproposal conference. The *Consultant Guidelines* provide for the disclosure of the quality scores and, under certain selection methods, the public opening of financial proposals.

For invited consultants who have not been selected, the *Consultant Guidelines* foresee the possibility,

upon the consultant’s request, of receiving a debriefing from the Borrower after the contract award, wherein the consultant will be informed about the strengths and weaknesses of its own proposal.

### 3.9 Consultants Selected and Engaged by the Bank

The Bank engages consultants (firms or individuals) using its administrative budget (BB) and Consultant Trust Funds (CTFs). The CTFs are made available to the Bank by donor country governments to fund consulting services from the donor’s country to exclusively support the Bank’s own operational work, such as project appraisal and monitoring, supervision, operations evaluation, and specific Bank studies to benefit borrowing members.

A second category of trust funds, such as the Policy and Human Resources Development (PHRD) Fund, is made available to the Bank by donors for use by Borrowers to support the Borrower’s project preparation and implementation activities, such as feasibility studies or designs. Consultants from all Bank member countries can express interest for assignments under these trust funds. The Bank normally expects Borrowers to execute the contracts funded by these trust funds. When a Borrower lacks the necessary institutional capability, managerial strength, or experience to execute the contracts financed under the trust fund, the Bank may agree to execute a trust fund–financed contract on the Borrower’s behalf, at the Borrower’s expressed request.

In all cases in which the Bank engages consultants (under its own budget or as executing agency under a trust fund [TF]), the policies and procedures that are to be followed by the Bank in engaging consultants are set out under Statement 15.00 of the *Bank Administrative Manual* (AMS 15.00),<sup>3</sup> which is tailored in strict accordance with the *Consultant Guidelines* to be used by Bank Borrowers. The only exception concerns CTFs, for which the applicable rules and procedures are laid out in the specific “Trust Fund Agreement” between the Bank and the donor, which prevails over AMS 15.00, but in general deviates from it only as far as the eligibility of consultants. Eligibility is restricted to consultants from the donor country and, in a limited extent, to consultants from the country of the beneficiary. Table 3.1 briefly describes the present arrangements.

**Table 3.1 Applicable Selection Procedures**

Contract execution	Funding	Applicable procedures
Bank	Bank	AMS 15.00
Bank	CTFs	CTF Agreement and AMS 15.00
Bank for Borrower	TFs	AMS 15.00 and TF Agreement
Borrower	TFs	<i>Consultant Guidelines</i>

**Notes**

1. Article III, Section 5(b), IBRD Articles of Agreement; Article V, Section 1(g), IDA Articles of Agreement.
2. See appendix 3, paras. 11–14, of the *Consultant Guidelines*.
3. AMS 15.00, “Selection and Use of Consultants by the World Bank for Operational Purposes,” December 2002.

# 4 Conflicts of Interest

## 4.1 Main Considerations

A consultant conflict of interest (COI) is a situation in which consultants provide, could provide, or could be perceived as providing biased professional advice to a Borrower to obtain from that Borrower or from others an undue benefit for themselves or their affiliates. Although COI is an easily understood concept, to identify and prevent it or address its consequences (that is, the potential or actual prejudice to the Borrower's interests) requires in practice the exercise of common sense, sound judgment, and expertise. Conflicts of interest must be avoided because they affect the consultants' impartiality and spoil the quality of their advice.

## 4.2 Bank Policy

Paragraph 1.9 of the *Consultant Guidelines* requires consultants to provide “professional, objective, and impartial advice and at all times hold the Client's interests paramount, without any consideration for future work, and that in providing advice they avoid conflicts with other assignments and their own corporate interests. Consultants shall not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of being unable to carry out the assignment in the best interest of the Borrower.”<sup>1</sup>

Paragraph 1.10 of the *Consultant Guidelines* requires that “consultants or their affiliates competing for a specific assignment do not derive a competitive advantage from having provided consulting services related to the assignment in question. To that end, the Borrower shall make available to all the shortlisted consultants together with the request for proposals all information that would in that respect give a consultant a competitive advantage over competing consultants.”

## 4.3 Categories of Conflicts of Interest

The *Consultant Guidelines* identify four main categories of conflict of interest that may bias the consultants' advice and lead to their disqualification:

- Activities by the consultants and their affiliates that conflict with their assignment for the Borrower (para. 1.9 (a) of the *Consultant Guidelines*)
- Consulting assignments that, by their nature, are or may be in conflict with each other (para. 1.9 (b) of the *Consultant Guidelines*)
- Relationships between the consultants and the Borrower's staff (para. 1.9 (c) of the *Consultant Guidelines*)
- Consultants serving different clients with conflicting interests on closely related assignments (paras. 1.9 and 1.9 (b) of the *Consultant Guidelines*)

### 4.3.1 First Category of Conflict: Conflicting Activities

The first category of a consultant's conflict of interest (that is, conflicting activities) includes the following:

- (a) Downstream procurement of goods, works, and services, other than consulting services, related to the consultants' professional assignment.

For example:

- While under contract on a consulting assignment for the preparation or implementation of a project, consultants specify equipment or design works in such a way as to create favorable competing conditions for themselves or their affiliates in the procurement process of such equipment or works.
- While under contract on a specific assignment, consultants are perceived to be suggesting or



actually suggest to the Borrower that works or equipment be obtained from their affiliates.

- A financial consultant advising a client in a leveraged buyout invests its own funds in the same project.

(b) Downstream provision of consulting services related to works executed or equipment supplied by an affiliate of the consultants.

For example:

- The consultants supervise the contract implementation of works executed by a firm with which they are affiliated.
- The consultants are called to certify the financial statements of an affiliated firm or parent company.

### 4.3.2 Second Category of Conflict: Conflicting Assignments

The second category of conflict (that is, conflicting assignments) includes the following:

(a) Conflicting assignments by nature, in which the consultants could bias their advice to be consistent with findings of another of their assignments or those of their affiliates.

For example:

- Consultants carry out the environmental audit of a project designed by them or their affiliates.
- Accountants audit a client's financial statements and set up its accounting or financial information system.
- An investment bank finances the buyer in a sales transaction after advising the seller on the same transaction.
- A consultant who has advised a Borrower on the privatization of a state-owned enterprise advises the potential purchasers of such enterprise.

(b) Conflicting downstream assignments in which incumbent consultants create conditions under which they attain or are perceived to attain an undue advantage over other consultants who may apply for consideration in a downstream assignment, thus depriving the client of the benefits of full competition.

For example:

- Consultants propose their services for, or accept, an assignment for which they have pre-

pared the Terms of Reference (TOR) under a prior assignment.

- Consultants intentionally prepare the initial study such that the next phase assignment requires skills that only they can provide and deprive the Borrower of the benefits of competition.
- While conducting an assignment, the consultants create favorable conditions for being awarded an extension or a directly related assignment that is unnecessary for the client.

### 4.3.3 Third Category of Conflict: Conflicting Relationships

The third category of conflict (that is, relating to the consultant's relationship with the Borrower's staff) may be illustrated with the following examples:

- The consultant competing for an assignment has a family or a business relation with a member of the client's staff involved in the selection process for that assignment.
- A consultant nominates a client employee as key staff in its technical proposal.

### 4.3.4 Fourth Category of Conflict: Conflicting Clients

The fourth category of conflict (that is, "conflicting clients") includes consultants working simultaneously for two or more clients whose interests are in conflict.

For example:

- Financial consultants work for the government in privatizing assets and for potential purchasers of the same assets, or the financial consultants advise the government on the sale of an asset and subsequently become an investor or an adviser of investors for these same assets.
- Consultants work for a public water authority and an electricity company, both of whom are competing for the use of the same water resources.

The above-described COIs tend to become more problematic and complex for large, multifunctional consulting organizations that are likely to serve the same client with different types of service or that may have interests in common with third parties serving the same client. These conflicting interests can be difficult to identify and control, especially when the client does not have previous experience in dealing

with them or when the consultant is not ready to be open about them.

Table 4.1 lists situations that may place consultants in a COI, the associated risks for the Borrower, and the way the COI may be addressed.

## 4.4 Prevention of Conflicts of Interest

Independence is the condition that allows consultants to perform their assignment in an objective manner. The potential effects of consultants' COIs on Bank-funded projects must be addressed early and monitored at every stage of the consultant selection process and contract execution. If it cannot make a fully informed decision about a consultant COI, the Borrower should seek advice from the Bank, which also has an interest in preserving the impartiality of consultants to achieve the highest possible project quality for its Borrowers.

To assess its materiality (that is, the relevance of its consequences for the Borrower), a COI has to be analyzed, taking into consideration the source, nature, and potential impact of a conflict and the circumstances under which it arises.

The most common situations of COI in Bank-funded consulting assignments and the related provisions for the avoidance or mitigation of COIs are identified in para. 1.6 of the ITC and in the Standard Forms of Contract attached to the RFP.

Because the safeguards put in place by the Borrower may not be sufficient to eliminate or acceptably mitigate the COI, consultants have an obligation to disclose any potential COIs that they consider could affect their services (also see para. 1.6.2 of the ITC attached to the RFP). This is particularly important if the Borrower lacks the capacity to thoroughly assess consultant qualifications and performance or if the Borrower's regulatory framework about COIs is not sufficiently robust.

### 4.4.1 Request for Expressions of Interest

In some situations, the Borrower can identify a potential COI very early and adopt appropriate safeguards. One example is when a Borrower intends to appoint consultants for two related assignments: the first is to carry out an evaluation of assets to be auctioned to private investors while the second is to assist the Borrower with the auction of those assets. In such

a case, the Borrower's invitation to submit expressions of interest should alert potential candidates of the impossibility of being appointed to both assignments. Consultants could be asked to indicate their preference for either of the two assignments.

### 4.4.2 Terms of Reference

When preparing the Terms of Reference, the Borrower should carefully consider whether the assignment could create a COI and address or correct situations such as those outlined under para. 4.3.2. An agreement may be entered into that defines a satisfactory compromise (for example, a water authority and a power company may agree in a multipurpose project to share the water from the same river for their respective uses before the Terms of Reference are issued). In this manner, the design consultants will know how much water they have to allocate to each purpose.

To prevent COIs from affecting the independence of the consultant's work and the quality of the downstream competition, the consultant under assignment should not be asked to prepare the TOR for the downstream assignment if the Borrower wishes to include this consultant in the short list.

### 4.4.3 Shortlisting

When preparing the short list, Borrowers must review the qualifications of each of the consultants, determine any conflict of interest that may afflict the consultant, and make an informed decision about its eligibility for the short list. If a qualified consultant is found conflicted, before deciding for its exclusion, the Borrower should thoroughly analyze the conflict, its nature, and the possible extent of damage that this COI could do to the Borrower itself. At the same time, the qualified consultant, if it believes that it is or may be in a COI situation, has a duty to disclose the conflict and explain to the Borrower in a straightforward manner how it plans to deal with the COI. The final decision on whether to exclude or admit the consultant to the short list remains with the Borrower.

A Borrower in doubt about the materiality of a consultant COI should inform the Bank before asking for its "no objection" to the RFP in which the short list is included. The Bank will provide or withhold its "no objection" based on the rules explained in the *Consultant Guidelines* and of its experience in dealing with similar cases.

**Table 4.1 Consultant Conflicts of Interest: Range of Possible Cases**

Category of conflict of interest	Example	Is the consultant allowed to take part?	Risk for borrower: consultant may	Mitigation of risk
Supply of goods and works whose specifications were prepared by the consultants	Equipment, computers	No	Favor its associates	Disqualification of consultant and affiliates
Continuation assignments	Detailed design after feasibility study	Yes	Influence TOR, bias feasibility study recommendations	TOR of continuation drafted by third party who validates feasibility
Conflicting assignments	Environmental audit of consultants' project design by the same consultants	No	Apply partiality in assessing its own designs	Disqualify the consultant
Related assignment other than continuation	Restructured study of a public asset after preparing privatization plan	Yes (permissible upon conditions)	Unduly influence TOR of related assignment	Have third party draft TOR, or disqualify the consultant
Related assignment for competing clients	Study of a project competing with another client's project	No (permissible upon conditions)	Advice to client(s) may be biased	Disqualify the consultant, or both clients agree on scope of work
Related unnecessary assignments	Study of superfluous alternatives	No	"Featherbedding"	Disqualify the consultant
Unrelated useful assignments	Study of future projects	Yes	n.a.	n.a.
Conflicting relationships	A consultant's staff has a family relationship with a client's staff involved in the selection process	No (permissible upon conditions)	Be unduly favored in the proposal evaluation process	Exclude the client's staff from the selection process, or disqualify the consultant
Conflicting relationships	The consultant includes a client employee in its technical proposal	No (permissible upon conditions)	Be unduly favored in the proposal evaluation process	The consultant shall attach to its proposal a client's certification stating that the involved client's employee is on leave without pay

Note: n.a. = not applicable

#### 4.4.4 Single-Source Selection

The Borrower may retain consultants on a single-source basis when the conditions set forth in paras 3.10, 3.11, and 3.12 of the *Consultant Guidelines* are met. To prevent a COI, the TOR of the continuation assignment shall not be prepared by the incumbent.

#### 4.4.5 Evaluation of Technical Proposals

During the evaluation of technical proposals, the Borrower should ascertain that no new COI situations have arisen since the consultant was shortlisted (for example, that staff proposed by the consultant does not include any Borrower's personnel or subconsultants and others already under contract with the Borrower for related services, works, or supplies).

If the Borrower identifies a COI at this stage, it should determine whether the specific conflict is substantive and take action. This can be accomplished by reducing the scope of work of the assignment, asking the consultant to remove the conflict, or (if the COI cannot be mitigated) by declaring the consultant not eligible for the assignment. If unable to make a fully informed decision, the Borrower could seek advice from the Bank.

If a consultant has misled the Borrower by neglecting to provide information or by denying the existence of a major COI situation, the consultant's proposal should be rejected, and the opportunity for further sanctioning by the Borrower and the Bank could be considered.

#### 4.4.6 Contract Negotiations

Before completing the contract negotiation, the Borrower should review the draft contract to identify COI situations that may not have been disclosed or may have arisen after the proposal was submitted. For example, in a change-of-ownership situation, a winning consultant could have been absorbed by a financial institution interested in participating in the Borrower's project. In such a case, the Borrower would have to disregard proposals from that institution or disqualify the consultant or both (if it is found that the two had been conniving at the expense of the Borrower).

#### 4.4.7 Implementation of the Assignment

During implementation of the assignment, while monitoring or reviewing a consultant's work, the Borrower

should check for any new circumstances that could create downstream COIs. The most common COI during this phase of a project stems from affiliates of the consultant showing an interest in offering goods, works, or services (other than consulting services) related to the services given by the consultant to the Borrower.

When a substantive COI situation emerges (or is discovered) during execution of an assignment, the matter should be referred to the Bank to examine possible corrective action.

#### 4.4.8 A Special Case: Multifunctional Consultants

COI tends to be a more complex issue for large multi-service consultants because those consultants offer integrated services that appear attractive to clients not only in economies of scope (that is, one consultant costs less than two) but also in consistency of advice (that is, one consultant is more likely to provide consistent advice than two). These COIs can be difficult to identify and neutralize, but recent experience shows that they should neither be underestimated nor ignored. A striking example has been brought up by large consulting organizations simultaneously offering management and auditing services and by the damaging consequences that their COIs have caused to their clients, to the consultants themselves, and to the public.

One precaution often adopted by multiservice consultants (that is, accountants and financial and management consultants) to address a COI is the use of "Chinese walls"<sup>2</sup> to prevent interaction between parts of a firm or between affiliated firms. Although in theory Chinese walls may reduce the risk of COIs, their use in Bank-financed projects is of little help because the Bank's current policies address conflicts of interest by reference to an existing company, not by reference to a department or a business entity within that company.

### 4.5 Utility Management Contracts

Many borrowing countries, particularly economies in transition, are adopting a two-phase approach to privatizing public utilities. In the first phase, they may invite private firms to compete for a management contract (MC) wherein the firm will be selected in accordance with the Bank's *Consultant Guidelines*. In the second phase, which usually occurs a few years later,

bids are invited for a lease or concession contract, including the sale of assets. The participation of an MC incumbent in bidding for a lease or concession contract raises two issues: (a) the potential COI situation and (b) the competitive advantages gained by the MC incumbent in the first phase. (A guidance note on these issues is included in appendix 10 of this *Manual*.)

## 4.6 Consultants Engaged by the Bank

The Bank often employs consultants (firms or individuals) to carry out specific assignments for its operational work. To prevent consultants from using their Bank employment to obtain additional work from the Borrower, the Bank's standard contract for firms and letters of appointment for individuals include clauses on COI. These clauses preclude consultants from seeking or accepting work from Borrowers directly related to the original assignment within three years (two for individuals) after termination of the Bank contract.

Consultants previously retained by the Bank that are offered a consulting contract by the Borrower for a closely related assignment before the time limits expire must obtain the Bank's consent in writing to waive the COI clause of their original contract. The Bank shall review the request, taking into consideration the materiality of the COI, the possibility of its mitigation, and Bank policy in similar cases. The decision to grant a waiver is issued in writing by the designated Bank staff and cleared by the Regional Procurement Manager.<sup>3</sup> Consultants who are working for, or have worked for, the Bank in the past three years are prohibited from

representing or advising bidders, firms, or entities that are participating in Bank-financed contracts and that have pending investigations on allegations of fraud and corruption or that have any other dispute with the Bank (such as complaints on procurement), unless the Bank explicitly consents.

## Notes

1. See also para. 4.12 of the *Consultant Guidelines*:  
4.12 *Conflict of Interest*. The consultant shall not receive any remuneration in connection with the assignment except as provided in the contract. The consultant and its affiliates shall not engage in consulting or other activities that conflict with the interest of the client under the contract. The contract shall include provisions limiting future engagement of the consultant for other services resulting from or directly related to the firm's consulting services in accordance with the requirements of paragraphs 1.9 and 1.10 of the *Guidelines*.
2. This system has two essential elements:
  - Restriction of the flow of Borrower's confidential information from one part of the consulting firm to another (for example, by adoption of "confidentiality guidelines")
  - Acceptance that decisions within the area bound by a Chinese wall must be taken in the interest of the clients of that business area, regardless of the impact on clients in other business areas
3. It should be noted that while the Bank, in its client capacity, may grant such a waiver, the same mechanism is *not* available when the client for both the first and the second assignments is a Borrower.

# 5 Fraud and Corruption

## 5.1 General Considerations

The Bank considers corruption a barrier to development and is committed to ensure that all its projects are free of fraud and corruption. Bank policy also requires that all parties involved in Bank-supported activities maintain the highest standard of integrity throughout the process of hiring and employing consultants.

Under this policy, the Bank's *Consultant Guidelines* define corrupt and fraudulent practices as follows:<sup>1</sup>

- “Corrupt practice” means the offering, giving, receiving, or soliciting of, directly or indirectly, anything of value to influence the actions of a public official (including World Bank staff and employees of other organizations taking or reviewing procurement decisions) in the selection process or in contract execution.
- “Fraudulent practice” means a misrepresentation or omission of facts to influence a selection process or the execution of a contract.
- “Collusive practices” means a scheme or arrangement between two or more consultants, with or without the knowledge of the Borrower, designed to establish prices at artificial, noncompetitive levels.
- “Coercive practice” means harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in a procurement process or affect the execution of a contract.

Corrupt and fraudulent practices can affect the actions of government officials charged with the shortlisting and selection of consultants and with the negotiation, award, and management of consulting contracts. Such practices may also affect the fulfillment of consultants' contractual obligations, as well as their respect for the laws of the country.

## 5.2 Most-Common Corrupt and Fraudulent Practices

Corruption may originate with the client or the consultant. Fraud commonly originates from a deliberate misrepresentation by the consultant of key aspects of its proposal or services given. The most common corrupt and fraudulent practices affecting the processes of selecting, engaging, and administering consultants are listed in the following paragraphs.

### 5.2.1 Selection Stage

During the selection stage, consultants may

- misrepresent their experience in their expressions of interest to be shortlisted;
- bribe the client's officials to be shortlisted;
- collude with each other or with the client to stifle competition (for example, manipulate the requirements of the RFP to exclude other qualified consultants);
- bribe the client's officials to obtain confidential information or undue advantage in the evaluation process, such as obtaining the terms of reference (TOR) in advance or favorable scores in the evaluation;
- exert undue pressure on members of the client's Evaluation Committee by, for example, exerting political, diplomatic, and other coercive pressures;
- misrepresent facts in technical proposals and falsify or forge documents submitted in support of their proposals;
- collude with the client to fraudulently change essential data of the financial proposal after bid submission; or
- withhold information about material conflicts of interest affecting their performance of the proposed assignment and the client's interest.



Experience shows that the client could

- ask for bribes;
- provide unequal access to information by, for example, withholding important information from certain consultants or by advertising inadequately;
- ignore conflicts of interest affecting particular consultants;
- adopt selection methods that unduly favor certain consultants;
- knowingly overlook a consultant's false statement, misrepresentation of experience, forged signatures, and so forth;
- hire consultants by the single-source selection method (SSS), although competitive selection would be expected to elicit better results; or
- violate the confidentiality of the selection process by, for example, disclosing the status of proposal evaluation to a consultant or a third party.

### 5.2.2 Implementation Stage

To take advantage of an inexperienced Borrower or in collusion with the Borrower itself, during the implementation stage of the assignment, consultants may

- seek unjustified contract extensions, addenda, or payments;
- make unjustified changes in the assigned team members;
- overcharge the client (for example, in a time-based contract, billing more staff-months than actually worked);
- provide fewer services than agreed on under the contract without informing the client;
- seek unjustified increases of consulting staff to work on the assignment;
- misrepresent work delays or the need for extension of time;
- engage in unauthorized use of project property and services by, for example, using the client's transportation and telecommunication facilities inappropriately; or
- alter accounting records of their assignment to misappropriate project funds.

### 5.3 Sources of Allegations

Allegations of fraud and corruption may be based on, or originate from

- a losing proponent;
- a consultant's disgruntled employee;
- a government employee, the press, an NGO, or the public;
- an inquiry by the Bank initiated by a Bank review; or
- procurement audits carried out by the Bank.

### 5.4 Investigations and Sanctions by the Bank

All allegations should be reported to the Department of Institutional Integrity (INT). Sanctions are applied to consultants when fraud and corruption have been seen to occur. Sanctions include the Bank's rejection of the proposal of award, a public letter of reprimand, or a decision by the president of the Bank making the consultant ineligible to take part in Bank-financed projects for a limited or unlimited period of time. The sanctions are imposed by a decision of the president of the Bank upon recommendation of the Sanction Committee of the World Bank.<sup>2</sup> Consultants under sanction by the Bank are listed on the Bank's Web site, which is accessible to both the public and Bank staff.

## 5.5 Prevention of Corrupt and Fraudulent Practices

### 5.5.1 Main Considerations

Bank strategy is also aimed at the prevention of corrupt and fraudulent practices. To this end, during the project preparation stage, the Bank carries out an evaluation of risks related to all aspects of the procurement process and recommends a strategy and concrete measures to reduce the occurrence of fraud and corruption and mitigate their impact.

Fraud and corruption in Bank-financed projects can be discouraged by

- convincing Borrowers to adopt methods and procedures for consultant selection consistent with professional best practices;
- convincing consultants that behaving in a professional and businesslike manner benefits their firm, their reputation, their client, and all other stakeholders; and
- ensuring that consultants' work is closely monitored and that the agreed-on procedures are diligently applied throughout the course of the assignment.

Effective prevention of fraud and corruption requires the commitment and the honest behavior of the Borrowers and of all consultants involved.

### 5.5.2 Role of the Borrower

During the selection phase, the Borrower should

- allow sufficient time for the submission of expressions of interest<sup>3</sup> and proposals by consultants;
- check on the credibility of the qualifications of a consultant whenever serious doubts arise;
- shortlist only those consultants who are qualified for the assignment;
- consider only consultants with a reputation of professional integrity;
- reject and denounce attempts at corruption by consultants or their intermediaries;
- ensure that all documents forming the RFP are clear and unambiguous;
- clearly describe in the Data Sheet attached to the ITC of the RFP the selection criteria, subcriteria, and relevant points;
- adopt the most suitable selection method for the assignment;
- appoint an Evaluation Committee of impartial and competent officials;
- ensure that the Evaluation Committee agrees on the definition of grades to be used for assessing the level of responsiveness of the technical proposals to the criteria and subcriteria set forth in the Data Sheet;
- ensure that each evaluator first evaluates the proposals independently from other evaluators and that evaluators discuss their scores before reaching final decisions;
- shield the evaluators from all illicit contacts and pressures;
- appoint an independent adviser to the Evaluation Committee whenever it appears that the evaluation process is at risk;
- appoint a negotiation committee with technical and legal experience relevant to consulting assignments;
- provide each negotiation committee member with clear procedures and objectives;
- instruct negotiators to aim for a fair and balanced contract;
- prohibit evaluation and negotiation committee members from unofficial contacts with consultants;

- report, investigate, and sanction cases of attempted or actual corruption;
- set up a credible complaint management system;
- disclose the results of the selection process to those interested after the contract award; and
- provide a debriefing to those consultants who request it after contract award.

To safeguard against corruption during execution of the consulting assignment, the Borrower should

- appoint competent and adequately paid supervisory staff with clear responsibilities;
- adopt an enforceable code of conduct with proper sanctions;
- pay consultant's invoices promptly, holding back only disputed amounts;
- adhere to the provisions of the contract;
- seek Bank approval if a waiver appears to be justified;
- keep orderly records and accounts relating to the project and the consultant's contract;
- undertake periodic and final audits of technical, financial, and administrative records;
- include sessions on integrity in the project launch workshop;
- establish a reporting channel for incidents of alleged fraud and corruption; and
- ensure public oversight of the project.

### 5.5.3 Role of the Bank

To control and manage the risk of fraud and corruption in Bank-financed consulting assignments, Bank staff (that is, task team leaders and procurement specialists assigned to the project), anticipating the Borrowers' decisions and before providing their "no objection," should assist Borrowers, particularly the less experienced, in preventing corruption and fraud by pointing to potential risks at critical points of the selection process and suggest adequate preventive measures.

In particular, Bank staff should

- advise clients on how best to form a short list of consultants, and thoroughly review said short list and the RFP before providing the Bank "no objection";
- thoroughly review all selection decisions and contracts for award before providing the Bank's "no objection";
- adequately assess those contracts requiring post review;
- examine all requests for contract extension;



- deny unjustified waivers of the Bank's procurement rules and procedures;
- review all contract amendments proposed by the Borrower that are above the established threshold;
- make adequate arrangements for project supervision, especially when Borrower institutions are weak; and
- report to the appointed Bank body all allegations of fraud and corruption.

At the same time, Bank staff should not

- offer suggestions on consultants to be longlisted or shortlisted unless the Borrower requests it in writing (upon the Borrower's request, staff should provide the information according to formal Bank procedures);
- make decisions on behalf of the Borrower;
- neglect to perform their fiduciary responsibilities, including failing to carry out prior and post review;
- maintain unnecessary contacts with consultants during the selection process or during the implementation of the assignment, except as permitted in the RFP or agreed on with the Borrower; and
- accept any gift, hospitality, or favor from consultants.

#### 5.5.4 Role of the Consultants

During the selection process, consultants should abide by the law of the country where competition takes place and by the instructions of the RFP. Weak enforcement and lack of Borrower's capacity do not in any way excuse consultants from behaving in accordance with the code of ethics of their profession.

In particular, consultants must always observe the following:

- Submit proposals that reflect their true qualifications and capabilities
- Aim for fair contracts between them and the Borrower
- Abstain from offering or paying bribes
- Report any acts of observed corruption and extortion
- Abstain from colluding with other consultants or the Borrower to win the contract unfairly
- Instruct their intermediaries to behave according to all the above

During the execution of the assignment, consultants must

- act with competence and integrity and solely in the interest of the Borrower;
- exercise impartial professional judgment;
- abstain and resist from entering into arrangements with contractors, suppliers, and the Borrower that will conflict with their assignment; and
- maintain proper administrative records.

Improved selection methods and best-practice-based procedures cannot prevent fraud and corruption, but only make them more difficult. Ethical and professional behavior on the part of both consultants and Borrowers can stop corruption altogether. Both sides must raise their awareness of the severe risks to which institutions, consulting firms, public officers, and consultant staff expose themselves and innocent others when engaging in corrupt practices.

At the level of individual consulting firms, as well as Borrowers, the main responsibility for preventing and stopping corruption lies first and foremost with those who lead these organizations. Other steps in the right direction include improving corporate culture and introducing internal controls, codes of conduct, and structured systems to manage integrity.

To foster honest professional behavior, consultants invited to submit proposals for any Bank-funded assignment could agree by signing a statement of integrity (joint or separate), and include it in their technical proposals as an attachment to the Submission Form. (A possible model is provided in appendix 11.)

#### 5.5.5 Role of Professional Associations in Fighting Corruption

Professional associations have an important role to play in establishing standards and norms from the best practices that develop in their specific fields. Such norms include the code of ethics that their members are called to observe in the execution of all their assignments and whose application the professional associations also have the task to supervise. The oversight role of professional associations is particularly important in those countries where the rule of law or its enforcement is weak or where clients, including Bank Borrowers, have limited experience with the use of consulting professionals.

The Bank maintains close contact and consults often with international professional associations and directly supports their initiatives and policies to

### 5.5.5 Role of Professional Associations in Fighting Corruption

maintain the highest standards of integrity among their members.

#### Notes

1. Para. 1.22 of the *Consultant Guidelines*.
2. See Operational Memorandum, "Fraud and Corruption under Bank-Financed Projects: Pro-

cedures for Dealing with Allegations against Bidders, Suppliers, Contractors, or Consultants," dated January 5, 1998. Internal document of the World Bank.

3. Para. 2.5 of the *Consultant Guidelines*.

# Capacity Building, Transfer of Knowledge, and Training in Consultant Contract Assignments

*If you give a man a fish, he will be hungry again tomorrow.  
If you teach him to fish, he'll never be hungry again.*

ANCIENT PROVERB

## 6.1 Main Considerations

It is not uncommon for consultants to conceive brilliant plans that are handed over to the Borrower on the assumption that it will implement them successfully. On the one hand, this is often done without the consultant helping the Borrower understand what it receives or gain the skills and capabilities necessary to make correct use of the advice. On the other hand, when employing consultant services, Borrowers increasingly wish to build their capacity for those services to be used, mastered, or reproduced successfully.

The quality of the “transfer-of-knowledge program,” often also called the “capacity-building program,” is one of the criteria of selection listed in the Data Sheet of the Bank SRFP. When preparing the RFP, the Borrower can assign to this criterion up to 10 points of the 100 available for the evaluation of the technical proposal.

Not all assignments call for the same level of consultant assistance to the Borrower for capacity building. Certain assignments may not require transfer of knowledge at all, either because of their very particular nature or because the Borrower already has the knowledge or capacity related to the assignment. As professional specialization and result orientation increase, Borrowers prefer to entrust to consultants the execution of those chores that are not specific to the Borrowers’ institutional mission. What matters to Borrower managers is only to be made capable of integrating the consultant’s contribution in the most seamless manner into their tasks, processes, and products. In such cases, the capacity-building component of the consultant assignment may be completely nonexistent or reduced to

the transfer of sets of instructions that can be condensed in simple manuals, demonstrations, and tests.

The different types of capacity-building program, transfer of knowledge, or simply training will require different scopes and depths of engagement from consultants, as well as staff time, effort, and duration. A complex program may require more time and staff resources on both sides to be really effective and meet expectations. A simple program may be limited in scope and duration and easy to deliver. The type and complexity of the program included in the consultant TOR will also influence the choice of the consultant selection method and contract type.

At the other extreme, the capacity-building component needs to be deep and wide for those assignments that directly contribute to the effectiveness, efficiency, and economy in which the Borrower organizes and executes its functions or delivers its output.

The design of the capacity-building components of consulting assignments will depend on the above considerations, while their success depends on factors that are either under the Borrower’s or the consultant’s control and ultimately on their willingness to work together, for which they both are responsible.

## 6.2 Objective and Guiding Principles

It is increasingly obvious to Borrowers, consultants, and donors that for reforms and projects to be sustainable and make a difference, they must be “client-owned” and “results-oriented” as much as possible. Because capacity is at the core of the development paradigm,

the consultant objective that used to be called “transfer of knowledge” has evolved into hands-on “capacity building.” For a capacity-building program to be effective, it must be “locally owned” (that is, it must help empower the Borrower to make better use of the resources it already has—the skills, know-how, and energies that exist locally—but have not been tapped). Because capacity building is a process of change, the program must be “results-oriented,” whereby the results must be set in advance, measurable (as much as possible), and suitable for feedback.

### 6.3 Responsibilities of the Borrower

When preparing the TOR, the Borrower outlines the objectives, scope, and (if possible) approach of the consulting services for the capacity-building program. If possible, the Borrowers should also provide an estimate of the time and effort that the consultant should dedicate to it, including a cost estimate. Because the consultant may be unfamiliar with the Borrower’s institutional framework and organization, it is important for the Borrower to be as specific as possible in explaining what it expects from the consultant under the capacity-building program.<sup>1</sup>

A section on capacity building in the TOR will help guide shortlisted consultants to explain better in the capacity-building section of their proposals the services that they plan to provide to help the Borrower achieve sustainable capacity.

The committed Borrower must make available to the capacity-building program (a) staff with adequate levels of readiness and of motivation, (b) a suitable organization, and (c) sufficient physical facilities. If the level of readiness or of prior experience of the Borrower staff is too low, the program has little chance of success.

Experience has shown that for a capacity-building program to succeed, the following Borrower-controlled factors must be in place:

- Leadership commitment to capacity development
- Visible management promotion and encouragement
- Management availability to organizational innovation
- Tangible individual and systemic incentives for staff to sustain motivation
- Quick wins that deepen commitment

Experience has also shown that the following conditions generally make capacity development impossible:

- Inappropriate institutional and organizational framework
- Corruption (political and administrative) and nepotism
- Lack of effective stakeholders’ voice and of institutional trust
- Lack of human security and presence of armed conflict

### 6.4 Responsibilities of the Consultant

A well-chosen consultant helps the Borrower achieve better results. It is therefore necessary that the consultant seek sufficient information on the Borrower’s vision and objectives to understand the Borrower’s strengths and its capacity to produce and own results.

A Borrower-suited and results-oriented approach to the capacity-building component of the assignment requires the consultant to include the following three activities in the work plan of its engagement:

1. *Conducting a readiness assessment.* This requires discovering the inherent capacity in the Borrower organization to achieve new results. The consultant must ask: What does the Borrower want to accomplish? What human resources are available to the Borrower? What institutional framework and incentive systems are in place that would drive the Borrower organization to tackle the change? What forces would impede the change? The consultant must be expert in asking and answering these questions.
2. *Designing the program for success.* The capacity-building program must be focused on specific and measurable goals. The size and scope of the program must be within reach of the Borrower’s capacity for achievement, yet sufficient to produce the result. The Borrower staff and the resources needed for the execution of the program need be identified and lined up. The Borrower must be educated about the rationale for the change. Risks need to be identified, and strategies for dealing with them created.
3. *Providing implementation support.* Consultant personnel working on the assignment must be able to play dual roles: on the one hand, they must be specialists in their specific field (for example, investiga-

tors, financial analysts, or engineers); on the other hand, they must support the implementation of the capacity-building program. The role of implementation support embraces many aspects. Sometimes it means acting as an advocate for change and as a planner in defining assignments (that is, as an organizer, a coach, and a counselor to the project team). Good consultants often advise on ways to overcome obstacles and help coordinate different strands of capacity-building activities. They can stimulate motivation when energy flags or when diversions intrude. At the same time, they provide expert input as needed.

If the above activities are not part of the consultant plan of work or are underdeveloped, the consultant is not likely to be successful in helping the Borrower achieve the expected results. The most frequently used implementation tools include on-the-job training, formal stand-alone training for individuals, and twinning programs when organizations are involved.

### 6.4.1 On-the-Job Capacity Building

Skills are learned on the job when the Borrower assigns personnel to the consultant to work as members of the consultant's team. Consultants hired for specific project preparation or supervision activities often integrate the Borrower's staff into their teams, retaining responsibility for the quality of the output and sharing responsibility with the Borrower for the capacity-building results achieved by its staff.

For capacity building to be effective, the following factors must be considered:

- The consultant will respect the value system and foster the self-confidence of Borrower staff with whom it works, because these are at the root of capacity building and empowerment.
- When adopting the capacity-building program, the Borrower should allocate sufficient time and financial resources to the program.
- The consultant's inputs must reflect the Borrower's priorities and (to the extent possible) be an integrated part of the Borrower's processes and systems.
- The TOR and scope of work of the capacity-building program should be clearly specified in the consultant's contract and be commensurate with the level of experience of the counterpart and the training goals to be achieved.
- The scope of work should cover the trainees' involvement, their part-time or full-time availabil-

ity, the organizational arrangements, and expected results.

- The consultant and its team should be fully integrated into the project or program team and given specific duties and responsibilities.
- The consultant and Borrower staff should be of the same or similar professions to enable effective communication and transfer of knowledge.
- Commitment to the program should be encouraged through monitoring and evaluation of progress based on simple and measurable indicators. The Borrower or the consultant (or both) should prepare evaluation reports.

### 6.4.2 Stand-Alone Training

Bank-financed operations may include stand-alone training (that is, a specific training component provided to alleviate identified weaknesses in the capabilities of the Borrower's staff, such as training Borrower personnel in the operation and management of infrastructures and utilities). For the training to be effective, it has to match the level of knowledge and prior experience of the trainees.

Stand-alone training can take a variety of forms, including the following:

- Temporary assignment of the Borrower's staff to the consultant's home office. These assignments should set out the specific responsibilities of such staff within the scope of the consultant's assignment.
- Study tours. Tours can be a very useful way of learning, but to reduce the possibility of training programs becoming "paid holidays" for trainees, mechanisms should be provided to limit unjustified absences or other abuses.
- Formal short-term courses and long-term academic courses. This type of training is administered by educational organizations such as universities and professional schools. The involvement of consultants in these cases is usually limited to identification of the institution, planning of the study curricula, and administrative support to the training program.

### 6.4.3 Twinning Agreements

Twinning arrangements between an organization or entity in a Borrower country (recipient) and an entity involved in the same activities from a developed country (supplier) are sometimes used to build capacity.

Twining differs from normal consulting assignments both in approach and in the nature of the services provided. The recipient agency learns by observing concrete examples and practical applications of principles and procedures that it will adopt for its own operations. The supplier taps into a large reservoir of operational experience and in-house resources to address the recipient problems in a manner rarely possible with traditional consultants.

Twining can be deeper and broader in scope than regular consulting services. The nature of twinning implies a relationship of trust and a shared culture between organizations that go beyond the normal Borrower-consultant relationship. Before entering into a twinning agreement, the parties must be clear and sincere about the actual objectives of the agreement: this may involve, for instance, the transfer or sharing of managerial, financial, and technical skills to or with the recipient's organization, or perhaps even a merger of the two organizations. The TOR should clearly establish the objectives and scope of work of the agreement, the activities to be executed, and the cooperation arrangements needed to ensure the success of the relationship.

Under twinning arrangements, capacity building or transfer of skills can be undertaken with flexibility in a variety of ways. Specialists from the supplier twin may work within the recipient's organization as advisers or in-line positions for short- or long-term assignments or make periodic visits to the recipient twin according to an agreed-on schedule. The recipient's management and staff may also visit the supplier's offices and installations. The training offered can be formal or on-the-

job and can be carried out locally or in the supplier's country, usually available at various skill and technical levels.

For the selection of a twinning partner, given the unique and complex characteristics of twins and of most twinning arrangements, SSS or CQS (see chapter 9) may be the most appropriate methods of selection. Justification for the choice includes existing close affinities, relations, or strong cultural similarities of the twins in the type of institutional framework and organization, method of operation, and activity. Formal competitive selection methods may in most instances be ill suited or misleading for the identification of a twinning partner.

Twining arrangement contracts can be prepared by adapting Bank standard consultant contracts to the specific case. Twining contracts are generally time-based, but can vary considerably, depending on whether the organizations are public or private, utilities or research institutions. Some organizations sign agreements that can lead to long-term cooperation, under which services are provided at or near cost. Other organizations provide a choice of administrative and cost arrangements, depending on the nature of the task. When twinning projects succeed and the initial contractual assignment is successfully completed, organizations frequently maintain informal links with each other, establishing long-term relationships with the potential for follow-up, including additional contracts.

## Note

1. Para. 1.19 of the *Consultant Guidelines*.



# 7 Financing Consulting Services

## 7.1 Introduction

Borrowers and the Bank often need to engage the services of consultants before the approval of a loan and during project implementation. These services may include the usual ones under the Project Cycle,<sup>1</sup> such as feasibility studies, project design, and supervision, as well as consulting services related to adjustment lending operations or self-standing assignments. Borrowers should plan the nature, scope, and timing of the services needed; estimate their cost; and secure the necessary financing. Common sources of financing for consulting services in Bank projects are discussed below.

## 7.2 Reimbursable Funds

Several options are available to Bank Borrowers to finance consulting services with reimbursable funds. In all cases, consultants are selected and hired in accordance with the *Consultant Guidelines*.

### 7.2.1 IBRD Loans or IDA Credits

IBRD loans and IDA credits are the main sources of financing for consulting services by the Bank. The Borrower and the Bank may agree to finance consulting services needed under a project by including them in the Loan Agreement and in its Procurement Plan. Financing for consulting services directly related to a downstream or a complementary project can also be “piggybacked” (that is, the services can be funded under the loan for the upstream project).

### 7.2.2 Project Preparation Facility (PPF)

If a Borrower needs funding to hire consultants for studies and designs to complete the preparation of a project and no other sources of funds are available, the

Bank may be requested to establish a Project Preparation Facility (PPF) to provide an advance against the forthcoming loan. The establishment of the PPF requires a formal application from the Borrower and approval from the Bank.<sup>2</sup> A PPF is established only if there is a strong probability that a Bank loan will be provided for the project under consideration. If the loan is not made, the Borrower and the Bank should make arrangements for the repayment of the advance. The PPF primarily finances foreign exchange costs for studies and designs.

### 7.2.3 Technical Assistance Loan (TAL)

The Borrower may request the Bank to provide a Technical Assistance Loan (TAL) in fields ranging from the preparation of infrastructure to institutional development and capacity-building projects. TALs can also be used to fund consultant contracts to carry out studies in sectors that have in the past received scarce or insufficient attention. The financial terms applicable to this type of loan are, in principle, similar to those for other lending instruments.<sup>3</sup>

### 7.2.4 Advance Contracting with Retroactive Financing

In certain circumstances, the Bank and the Borrower may agree to advance contracting of consulting services (that is, the Borrower contracts consultants before a loan is approved, with an understanding to subsequently finance the relevant services under the loan). In such cases, the Borrower must hire the consultant in accordance with the *Consultant Guidelines*. Advance contracting is carried out by the Borrower, who bears the risk without Bank commitment to approve the loan.<sup>4</sup> The expenditures related to the contract are reimbursed retroactively when the loan becomes effective. Only expenditures valued up to a specified



amount and incurred within 12 months before the expected date of loan signature are eligible for retroactive financing.

### 7.3 Grants and Trust Funds

Borrowers sometimes prefer grants rather than loans to finance consulting services. The Bank has grant facilities of its own, such as Institutional Development Funds, and acts as a trustee to a large number of donors under its Trust Fund Program. When beneficiaries use such facilities, the Bank requires adherence to the provisions of the *Consultant Guidelines*, unless the Trust Fund Agreement varies from these provisions, in which case the Trust Fund Agreement prevails. The types of trust fund available to fund consulting services are listed in the following paragraphs.

Except for the funds under para. 7.3.3, all funds entrusted to the Bank are executed by the beneficiary and are untied, and consultants are selected and employed in accordance with the *Consultant Guidelines*. If the Bank executes trust fund activities on behalf of Borrowers, the Bank is responsible for hiring the consultants, and Bank internal procedures for hiring consultants (that is, the *Administrative Manual* Statement No. 15.00 (AMS 15.00)) apply.

#### 7.3.1 Global and Regional Trust Funds

Major donor-supported trust funds of this type include, for example, the Global Environmental Facility (GEF), which finances the hiring of consultants to conduct research and studies on global environmental issues such as biodiversity, global warming, and greenhouse effects; the Mediterranean Environment Technical Assistance Program (METAP), which finances environmental studies; and the Energy Sector Management Assistance Program (ESMAP), which finances energy sector studies in Borrower countries.

#### 7.3.2 Trust Funds That Support Specific Recipient Activities

These funds are used to support consulting services involving Borrower activities such as preinvestment and feasibility studies, capacity building, sector studies, and training programs. Trust funds of this type include, for instance, Japan's Policy and Human Resources Development (PHRD) Fund.

#### 7.3.3 Trust Funds That Support Specific Bank Activities

These funds include the Consultant Trust Funds (CTFs), which are used to finance consulting services (mainly individual consultants) in Bank operational work; research, program, and policy analysis; economic and sector work; and training. CTFs are tied to the financing of individual experts or firms from the donor country and, up to 25 percent of the estimated contract amount, of nationals from the beneficiary country. The consultant selection is carried out in accordance with the Bank's AMS 15.00, complemented by the provisions of the CTF agreement between the donor and the Bank, which prevails over the *Consultant Guidelines* and AMS 15.00 in case of discrepancies between the documents.

### 7.4 Disbursements and Suspension of Disbursements

The responsibility for the implementation and, therefore, for the payment of consulting services under any project rests solely with the Borrower. The Bank, on its part, is required to ensure that funds are paid from a Bank loan or credit only as expenditures are incurred and upon request from the Borrower.

The Bank makes disbursements of the proceeds of a loan or a grant for payments to consultants in one of the following ways:

- (a) The Bank directly pays the consultant based on an invoice that has been approved by the Borrower.
- (b) The Borrower pays the consultant directly. The Bank then reimburses the Borrower upon presentation of a properly documented withdrawal application.
- (c) The Bank pays for expenditures against a World Bank special commitment (unconditional agreement to reimburse) covering a commercial bank's letter of credit. This procedure is generally inappropriate for the payment of consulting services, but it may be used in exceptional cases when the Borrower is incapacitated or is unable to follow standard payment procedures.

The Loan Agreement and the disbursement letter outline the procedures to be followed for the loan, including retroactive financing provisions. The Bank normally finances the full amount of the foreign and

local cost of consultant service contracts, net of local indirect taxes (as far as these can be identified). The tax amounts payable under the contract should thus be clearly shown separately in the contract and are excluded from reimbursement by the Bank.

The Bank may suspend disbursements if the Borrower fails to comply with its obligations under the Loan Agreement. Where possible, the Bank may give the Borrower a specified period of time to correct such failure, and if the Borrower fails to do so, the Bank may cancel the loan. A complete description of the Bank's disbursement procedures is provided in the *Disbursement Handbook*.<sup>5</sup>

## 7.5 Cofinancing of Consulting Services

A project may include cofinancing (either in parallel or jointly) of consulting services by the Bank and a cofinancier. If "parallel cofinancing" is adopted, the selection and use of consultants is carried out in accordance

with the procedures of the cofinance agreement, which could be the procedures of a bilateral or multilateral donor cofinancing the project. The TOR of the consulting services need to be satisfactory to the Bank to safeguard project quality for the Borrower. If joint financing, the Bank's *Consultant Guidelines* apply.

### Notes

1. For the Project Cycle, refer to Warren Baum, *The Project Cycle* (World Bank, 1982) and *The Task Manager Handbook* (World Bank, 1995a, Operation Policy Department, Operation Policy Group).
2. OP/BP 8.10, "Project Preparation Facility," World Bank, May 1994.
3. OP/BP 8.40, "Technical Assistance," World Bank, October 1994.
4. OP 12.10, "Retroactive Financing," World Bank, January 1995.
5. *Disbursement Handbook*, World Bank, 2nd ed., July 1992.

# 8 The Role of the Bank

## 8.1 Main Considerations

In Bank-funded consulting assignments, the Borrower is responsible for conducting the selection and engagement of the consultant. The Bank's role in the selection process is to review and provide its clearance—also called the “no objection”—of the RFP (including the short list), the evaluation of proposals, award recommendation, and contract to satisfy itself that the process is carried out in accordance with the agreed-on procedures, as required in the Loan Agreement and further elaborated in the Procurement Plan. Bank staff may assist the Borrower during the process of selection and, after contract award, may provide guidance to the Borrower in addressing specific issues relating to the assignment, if so requested.

In assisting the Borrower, Bank staff should bear in mind the following:

- (a) The Borrower is responsible for the evaluation of proposals, selection, award, and execution of the consultant's contract.
- (b) The Bank's supervision of all the steps from preparation to implementation of the project should, as far as Bank-funded consulting assignments are concerned, be undertaken in accordance with the *Consultant Guidelines*.
- (c) Bank staff must refrain from participating in the decision-making processes involving the selection and engagement of consultants, except in fulfilling the Bank's supervisory function as described above. In particular, Bank staff should not
  - informally recommend consultants to the Borrower;
  - take part in the evaluation of proposals; or
  - put themselves in the position where they are—or could be perceived as being—party to, or “arbitrators” of, any conflicts between consultants and Borrowers.

All consultant contracts are subject to either the Bank's prior review or post review, as set forth in the Procurement Plan (see appendix 1 of the *Consultant Guidelines*).

## 8.2 Prior Review

The following steps or stages in the review process are subject to the Bank's prior review and “no objection”:

- (a) Proposed assignment cost estimate, RFP, and short list<sup>1</sup>
- (b) Technical evaluation report
- (c) Draft final contract, as negotiated and initialed

Once Bank staff have reviewed the documents relating to each stage of the selection process and found them to be satisfactory, or suggested amendments have been effected, the Bank issues its “no objection.” The task team leader and the procurement specialists assigned to the project carry out the reviews. The Regional Procurement Manager (RPM); the Procurement Policy and Services Group (OPCPR); or the Chief Counsel, Legal Department, Procurement and Consultant Services Unit (LEGPR), become involved as necessary (see OP/BP 11.00<sup>2</sup>). If the Bank refuses to issue a “no objection” to a proposed contract award, but the Borrower decides to go ahead with the award, the Bank will declare misprocurement, and its policy will be to cancel that portion of the loan allocated to the consulting services in question. Examples of Bank's “no objection” are given in appendix 1.

### 8.2.1 Short List and Request for Proposals

In reviewing a proposed short list, the Bank will withhold its “no objection” if it determines that the proposed short list includes consultants who lack the

qualifications to undertake the assignment. The “no objection” to the short list will also be denied if it includes consultants who are ineligible to take part in accordance with the provisions on consultant ineligibility spelled out in the *Consultant Guidelines*. Once the Bank has issued its “no objection” to a short list, the Borrower cannot add or delete names without agreement from the Bank. Normally, the Bank does not accept the inclusion of additional firms on a short list that has already received the Bank’s “no objection.”

The documents that constitute the RFP provide consultants with information relating to the assignment and instructions on what the Borrower expects of consultants who accept the invitation to submit their proposals. If, in reviewing the RFP, the Bank determines that the RFP documents do not provide adequate information or clear enough instructions to enable consultants to submit responsive proposals, or are otherwise inconsistent with the *Consultant Guidelines*, the Borrower will be asked to amend them as necessary. When conducting its review, Bank staff must also check that the criteria to be used for the evaluation are appropriate for evaluating the consultants’ technical proposals to be submitted.

The RFP is issued to the invited consultants once the Bank has given its “no objection” to the RFP, including the short list and the cost estimate.

## 8.2.2 Proposal Evaluation

On completion of the technical evaluation, the Borrower prepares a technical evaluation report and submits it to the Bank for its review and “no objection.” The Bank may also ask to receive copies of the proposals. In reviewing the evaluation report, Bank staff should check that no errors or improprieties leading to questionable outcomes were made during the evaluation on the part of the Borrower’s Evaluation Committee.

Before giving its “no objection,” the Bank may

- (a) seek clarifications on the technical or financial evaluation reports (or both) from the Borrower;
- (b) require the Borrower to review certain aspects of the evaluation that appear unclear or questionable;
- (c) request the reevaluation of the proposals; and/or
- (d) proceed with its own evaluation (for instance, using an independent consultant) if it detects major flaws in the Borrower evaluation or receives a justified complaint from a consultant to which the Borrower has not provided an adequate explanation.

Ultimately, the Bank may declare misprocurement if matters of contention cannot be resolved in a reasonable period of time.

If the technical evaluation report recommends the rejection of all proposals, the Borrower shall notify the Bank of the reasons for such rejection, but shall obtain the Bank’s “no objection” before proceeding with the rejection and the new selection process. This new process may include a revised RFP, short list, and budget. The revised documents shall require the Bank’s “no objection” before being issued.

## 8.2.3 The Contract

After contract negotiations and before the parties sign the contract, the final, initialed draft of the negotiated contract has to be forwarded to the Bank for its review and “no objection.” In reviewing the negotiated contract, Bank staff should ensure that its provisions, the scope of services, and the key experts are the same as those in the RFP, and that:

- (a) no modifications have been made to the contract general conditions; and
- (b) special conditions outlined in the contract are consistent with the requirements of the RFP (that is, they do not present material deviations or changes to the terms and conditions upon which proposals were invited).

If any material changes were made concerning, for example, the scope of services, contract amount, liability, or conflict-of-interest provisions of the contract, the Borrower has to provide justification for such changes and obtain the Bank’s clearance before they are effected.

Once the final contract is signed and before submitting the first application for disbursement under the contract, the Borrower shall send the Bank a copy of the signed act.

## 8.2.4 Modifications after Signing the Contract

After the contract is signed, any substantial modification, extension, or amendment proposed and agreed on between the Borrower and the consultant must be reviewed and cleared by the Bank before it is made.<sup>3</sup> If, for example, during an assignment, the consultant and the Borrower agree that because of unforeseen events, there is a need to increase the contractual amount by more than 15 percent initially, and by any percentage

subsequently, in each case the Borrower must provide the Bank with a detailed justification and obtain the Bank's clearance before proceeding with amending the contract. The Bank will not provide its clearance (that is, "no objection") if it determines that the proposed modifications would be inconsistent with the *Consultant Guidelines* and the Loan Agreement.

### 8.3 Post Review

For contracts not subject to prior review, the Borrower shall retain all documentation about each contract, including the signed contract original, the evaluation report, and the recommendation for award, for review by the Bank or its consultants. The Borrower shall send such documentation to the Bank, upon request. The Bank may declare misprocurement if it determines that the contract was not awarded in accordance with the agreed-on procedures (as reflected in the Loan Agreement and the Procurement Plan) or that the contract itself is not consistent with such procedures.

### 8.4 Assistance to Borrowers

Bank staff, in particular the task team leader, are frequently asked to provide guidance in the selection process. In addition to their review function and upon Borrower's request, Bank staff shall assist Borrowers during the preparation of the various documents constituting the RFP, specifically the TOR, choice of selection method, determination of selection procedures, and the type of contract to be used. In providing its assistance, Bank staff must not unduly influence the Borrower's decisions and must ensure that the choice of consultants to be shortlisted remains exclusively the Borrower's prerogative.

### Notes

1. To provide a single "no objection" for the RFP and the short list simplifies the process; however, in practice, separate "no objections" are often issued.
2. OP/BP 11.00, "Procurement under Bank-Financed Operations," World Bank, July 2001.
3. Appendix 1, para. 3, of the *Consultant Guidelines*.

# The Selection Process and Selection Methods

## 9.1 Steps in the Selection Process

When in need of specialized professional and independent advice or when the permanent hiring of professional staff is not justified, a Borrower may engage consultants over defined periods of time to complement its in-house capabilities.

Once a project or a program is identified, the Borrower and the Bank agree on the nature and scope of the consulting services needed for preparing the project and for assisting the Borrower supervising its implementation. The number and the scope of the consulting services assignments needed will depend largely on the level and quality of prior preparation work, the level of institutional readiness, and the strength and technical knowledge of the Borrower for undertaking the project. Bank staff may also help the Borrower plan the sequence and the contents of the different consulting assignments, adopt the most appropriate methods for selecting consultants, and correctly apply the relevant procedures. Before issuance of any specific RFP under the project, this shall be sent to the Bank for its review and clearance.<sup>1</sup>

Depending on the selection method adopted, the process carried out by the Borrower includes the following steps:

- (a) Preparation of the TOR of the assignment
- (b) Preparation of the cost estimate or budget of the assignment
- (c) Public invitation of consultants' expressions of interest (EOIs)
- (d) Shortlisting of consultants
- (e) Preparation and issuance of the RFP to shortlisted consultants
- (f) Preparation and submission of proposals by consultants
- (g) Evaluation of technical proposals—quality evaluation
- (h) Opening and evaluation of financial proposals—cost evaluation
- (i) Combined quality and cost evaluation to select the winning proposal (under QCBS)
- (j) Negotiations and signing of the contract between the Borrower and the consultants

Each step is discussed in various chapters of this *Manual*. Figure 9.1 contains a flow chart outlining the steps for each of the selection methods included in the *Consultant Guidelines*. It also indicates the various points at which the Bank's "no objection" is required when the contract is subject to prior review (see chapter 8). (Numbers that appear at the side of the different boxes of the flow chart and the selection method acronyms refer to the specific chapters or paragraphs of this *Manual* that deal with that particular subject.)

## 9.2 Main Considerations about Selection Procedures

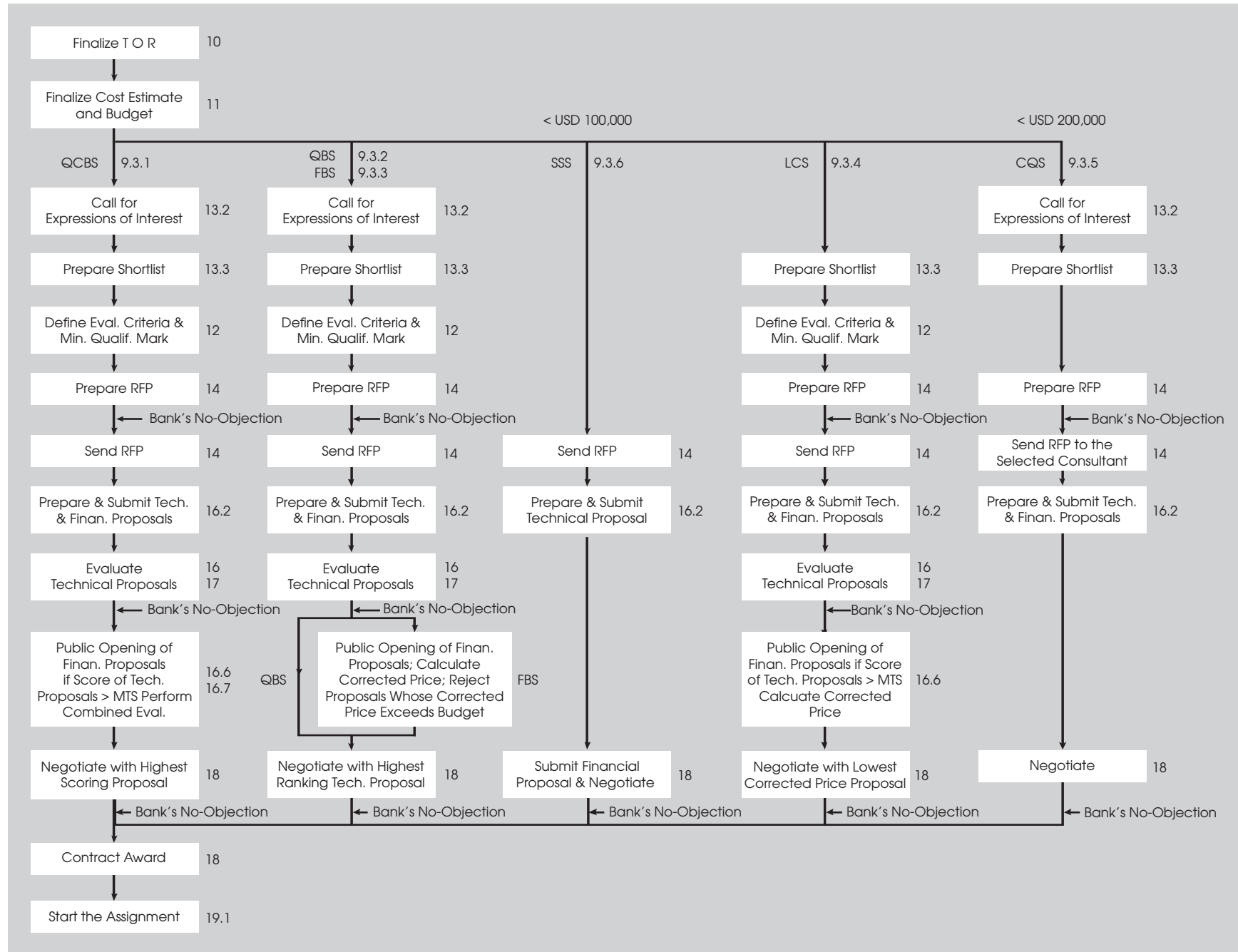
Bank policy requires that consultants be selected following competitive processes based on evaluation and comparison of technical and financial proposals, or (in some cases) only of technical proposals, submitted by shortlisted consultants (see para. 13.1). The selection methods described in the *Consultant Guidelines* have been devised to achieve the objectives of quality, efficiency and economy, fairness, and transparency and to foster the participation of national consultants.

### 9.2.1 Quality, Efficiency, and Economy

The quality of consulting services, comprising technical quality and impartiality, is the main objective of any selection process under Bank policy. Quality of services is driven by the need to provide for the best possible use of Borrowers' resources and Bank funds.



Figure 9.1 The Steps of the Selection Process



Consultants provide Borrowers with the best possible advice, by translating creativity and knowledge advances into innovative, efficient, and cost-effective services. Consultants must select from their available professional staff those best suited for the success of their assignment and adopt efficient team organization and work plans to balance the quality and the cost of their services.

### 9.2.2 Fair Competition

Once the Borrower and the Bank have agreed on a selection method and on the specific provisions of the procedures to be included in the RFP—such as evaluation subcriteria and related weights, scoring methodology, and weighting of technical versus price scores—the evaluation must be carried out strictly in accordance with them.

For each selection method, the procedure set out in the RFP should be fair; that is, it should not

- provide unfair advantages to any particular consultants or
- make onerous demands on consultants, such as denying sufficient time to prepare proposals or requesting unduly large proposals and drawn out proposal validity periods.

Competition should take place for any assignment whenever it can add value to the outcome of the selection process, and all eligible consultants should be allowed to have their EOIs considered. If this is not the case, as it may be under particular circumstances, the Borrower will proceed to hire the consultant already identified, whose qualifications for the assignment cannot demonstrably be matched.

### 9.2.3 Transparency

How the result of the process is perceived to have been reached is as important as the result itself. A transparent selection process increases the quality of competition by creating an environment of trust between the parties involved, reducing perceived and actual business risks for consultants, and minimizing the occurrence of complaints and claims. Transparency dispels the suspicion of unfairness in the selection process.

RFP documents should be clear so that invited consultants understand them correctly. During the preparation of their proposals, consultants may ask the Borrower in writing to clarify any of the information

and instructions contained in the RFP. Borrowers should distribute the questions received, along with their written responses, to all shortlisted consultants without disclosing the source of the questions. Experience shows that often consultants do not review the RFP in sufficient detail, particularly the Instructions to Consultants and the proposed Form of Contract. Although this may lead to misinterpretations and mistakes, consultants tend not to ask for clarifications because they fear that they may disclose significant aspects of their proposal, even if the Borrower circulates questions and answers anonymously. For these reasons, it is good practice for the Borrower, for complex assignments, to hold a preproposal conference where consultants are encouraged to ask for clarifications on the RFP. Minutes of the meeting are then sent to all shortlisted consultants. If, because of the conference, the RFP needs to be amended, the Borrower should send the amendments to all shortlisted consultants and extend the submission deadline, if necessary.

A credible selection process must also be confidential. Its integrity would become questionable if consultants or unauthorized others were given access to confidential information related to the selection process itself. Except as otherwise permitted under the *Consultant Guidelines*, no information relating to the evaluation of proposals and recommendation of award should be disclosed to the consultants or other persons not officially involved in the process until the successful consultant is informed of the award of contract. However, once the winning firm is notified of the award of contract, any other firm participating in the selection process may ask for, and shall receive from the Borrower, an explanation as to why its proposal was not ranked first.

### 9.2.4 Participation of National Consultants

Experience shows that the participation of national consultants is very valuable and increasingly needed because more and more Bank-funded projects require thorough and in-depth knowledge of the local conditions to be successful. The Bank encourages the participation of national consultants from borrowing countries by requiring that the short list comprise at least one firm from a developing country (unless qualified firms from developing countries are not identified) and by including a specific selection criterion for the participation of national consultants from the

Borrower's country in the RFP. In certain circumstances, Borrowers may further encourage the use of national consultants by preparing short lists entirely or mainly comprising national consultants (also see para. 12.9 of the *Manual*).

### 9.3 Selection Methods

Seven methods for the selection of consultants are provided under the Bank's *Consultant Guidelines*. They include the following methods:

- Quality- and Cost-Based Selection (QCBS)
- Quality-Based Selection (QBS)
- Selection under a Fixed Budget (FBS)
- Least-Cost Selection (LCS)
- Selection Based on Consultant's Qualifications (CQS)
- Single-Source Selection (SSS)
- Commercial Practices (CP)

The choice of the appropriate method will depend on the nature, size, and complexity of the assignment; the likely downstream impact of the assignment; and technical and financial considerations. In addition, the particular circumstances or preferences of the Borrower, such as its own degree of quality risk aversion, should be considered. Borrowers with quality risk aversion tend to adopt selection methods that promote quality (for example, QBS over QCBS, and QCBS over LCS). It is therefore necessary to carefully define the assignment, particularly the scope and possible consequences of the services, the nature of the project, and the Borrower characteristics, before deciding on the appropriate selection method.

#### 9.3.1 Quality- and Cost-Based Selection

Quality- and Cost-Based Selection (QCBS) is a method based on the quality of the proposals and the cost of the services offered. It is the method most frequently used to select consultants under Bank-funded assignments.

Because under QCBS the cost of the proposed services is a factor of selection, this method is appropriate when

- the type of service required is common and not too complex;
- the scope of work of the assignment can be precisely defined and the TOR are clear and well specified;

- the Borrower and the consultants can estimate with reasonable precision the staff time, the assignment duration, and the other inputs and costs required of the consultants;
- the risk of undesired downstream impacts is quantifiable and manageable; and
- the capacity-building program is not too ambitious and easy to estimate in duration and staff time effort.

QCBS is appropriate for assignments such as the following:

- Feasibility studies and designs wherein the project is simple and well defined, known technical solutions are being considered, and the evaluation of the impacts from the services or from design mistakes are not substantial and not difficult to estimate
- Preparation of bidding documents and detailed designs
- Supervision of the construction of works and installation of equipment
- Technical, financial, or administrative services of a noncomplex nature to Borrower agencies
- Procurement and inspection services

To increase the likelihood of receiving responsive proposals, the RFP under QCBS shall indicate the level of key staff inputs (in staff time) estimated by the Borrower to carry out the assignment or the estimated cost of the services, but not both. However, consultants shall be free to determine their own estimates of staff time to carry out the assignment and to offer the corresponding cost in their proposals.

Under QCBS, the technical and financial proposals are submitted simultaneously in separate, sealed envelopes (two-envelope system). Proposals received after the submission deadline should be rejected. Evaluation of proposals is carried out in two stages: quality and cost. The technical envelopes are opened by a committee of officials of the Borrower immediately after the closing time for submission; the financial proposal envelopes remain sealed and are deposited with a reputable public auditor until the technical evaluation and the evaluation report are completed (and cleared by the Bank, if required) and the technical scores are disclosed publicly (also see paras. 16.6 and 16.7). The financial envelopes of those consultants who submitted responsive technical proposals over the minimum qualifying mark are opened in the presence of the consultants or their representatives wishing to attend. Following the evaluation of the financial proposals (see para. 16.6), the scores of the technical and financial

proposals are combined according to the weights indicated in the Data Sheet. The consultant obtaining the highest combined score is proposed for award and invited for negotiations. Because price is a factor of selection, staff rates and other unit rates shall not be negotiated (see chapter 18).

QCBS allows the Borrower to select a preferred trade-off between cost and quality and to benefit from price competition, even if only to a limited extent. Nevertheless, the Borrower should always keep in mind that the achieved cost savings may represent an insignificant portion of the project life cost. Transparency is increased under QCBS with a public opening of the financial proposals. Another advantage is the possibility that contract negotiations will be easier because of the limited scope for financial negotiations.

The main disadvantage of QCBS is its rigidity. Because with QCBS consultants are required to compete based on price in addition to quality, barring exceptional reasons, discussion of the proposed remuneration rates for staff-months and for reimbursable expenses during contract negotiations is not permitted, even if those costs turn out to be above the Borrower's expectations and budget.

QCBS may be inappropriately used for complex or specialized assignments in which the scope of work is not precisely defined and staff-months are difficult to estimate. Because price is a factor of selection under QCBS, when this occurs, competitors tend to propose more-conventional approaches and tested methodologies to keep the cost of their services low. This may ultimately affect the quality of the project, especially if the downstream impacts are complex, large, or unknown.

### 9.3.2 Quality-Based Selection

Quality-Based Selection (QBS) is based on the evaluation of the proposal quality without any initial consideration for cost. The consultant that submitted the highest-ranked technical proposal is then invited to negotiate its financial proposal and the contract.

QBS is appropriate when

- the downstream impact of the assignment can be so large that the quality of the services is of overriding importance for the success of the project as a whole;
- the scope of work, the duration of the assignment, and the TOR require a degree of flexibility because of the novelty or complexity of the assignment, the need to select among innovative solutions, or the particu-

- lar physical, environmental, social, or political circumstances of the project and of the Borrower;
- the assignment itself can be carried out in substantially different ways such that cost proposals may not be easily or necessarily comparable;
- the introduction of cost as a factor of selection makes competition unfair; or
- the need exists for an extensive and complex capacity-building program.

QBS should be adopted for assignments such as the following:

- Complex sector and multidisciplinary studies of a complex nature
- Important and far-reaching strategy studies
- Complex master plans, prefeasibility and feasibility studies, or design of large and complex projects
- Assignments in which consultant organizations with different cost structures (for example, traditional consultants, nongovernmental organizations, or UN agencies) are required to compete

In some cases, the choice between QBS and QCBS may be difficult. In situations of strong uncertainty or risk for the project, QBS should be adopted, because quality is the key element.

A possibility under QBS is for the Borrower to request submission of only the technical proposals first. After receiving the Bank's "no objection" to the technical evaluation report, the consultant with the highest-ranked technical proposal is invited to present the financial proposal. However, the Borrower may ask that the financial proposals be submitted at the same time as the technical proposals, but in separate envelopes (two-envelope system). In this case, the financial proposals should be kept unopened until the Bank's "no objection" to the technical evaluation (if required) is received. Only the financial proposal of the first-ranked consultant is opened; the others are returned unopened after negotiations with the winning firm are concluded. The RFP shall provide either the key staff-months estimated by the Borrower or the estimated cost of the services, but not both. The staff effort indicated by the consultants or the proposed cost may differ considerably from the Borrower's estimates, depending on the particular methodology adopted by the consultant. Such differences shall not constitute a reason for rejection.

Because the TOR of assignments under QBS are generally more complex and less defined than under QCBS, contract negotiations with the winning consultants may be lengthy and complicated. For large

assignments, the Borrower may decide to hire an independent adviser to assist in the most critical aspects of the technical evaluation (for example, discussion of the plan of work, staff rates and reimbursable expenses, and the definition of the consultants' staff-months).

Occasionally, the Bank funds projects, such as hospitals, schools and colleges, and research centers, that have an aesthetic component that has to be taken into account when the consultant or architect firm is selected. Design Contest (DC) is a selection method with procedures very similar to those of QBS, under which a Borrower invites consultants to present a plan or design for a project based on a concept or criteria provided by the Borrower. The winner is selected by an Evaluation Committee based on the quality of the presentation. The procedure may also provide the winner with an award. DC procedures are a tool for selecting the best available architects, engineers, and planners for projects with important aesthetic contents.

The following consulting assignments for major projects can be awarded through DC:

- Railway stations, ports, and airport terminals
- Public buildings such as hospitals, theaters, concert halls, university campuses, art and sports centers, exposition and fair complexes, and government buildings
- Rehabilitation of large, obsolete, or abandoned structures and areas to create multipurpose centers for public use

Appendix 9 of this *Manual* provides a description of the peculiarities of a DC and lists the modifications needed to adapt the Bank SRFP to a DC.

### 9.3.3 Selection under a Fixed Budget

Selection under a Fixed Budget (FBS) is based on the disclosure in the RFP of the available budget to invited consultants and selecting the consultant with the highest-ranking technical proposal within that budget. Because consultants are subject to a cost constraint, they must adapt the scope and quality of their services to that budget. The Borrower must therefore ensure that the budget is (as much as possible) compatible with the TOR and that consultants will be able to perform the tasks within the budget.

FBS is appropriate only when

- the budget cannot be exceeded;
- the objective and the TOR, including the scope of work, are very precisely defined;

- the time and staff-month effort required from the consultants can be assessed with precision; and
- capacity building is limited to a simple transfer of knowledge that can be very easily estimated.

To reduce the financial risk for consultants and avoid receiving unacceptable technical proposals (or none at all), FBS must be used only for well-defined and simple assignments. FBS is frequently used by Bank Borrowers when there is a lack of flexibility in the allocation of funds, and by the Bank itself when funding is available only in fixed amounts from preestablished allocations such as trust funds.

Typical assignments awarded under FBS include the following:

- Studies and surveys of limited scope
- Not-too-complex prefeasibility studies and reviews of existing feasibility studies
- Reviews of existing technical designs and bidding documents
- Project identification activities for which the level of detail can be matched with the available funds

Under FBS, consultants are requested to submit their technical and financial proposals in separate envelopes. Technical proposals are evaluated first, using the same procedures followed for both QCBS and QBS, and then the financial envelopes are opened in public. Because the Lump-Sum Form of Contract is often used for assignments awarded under FBS, no corrections may be made to the financial proposals. Activities and items described in the technical proposals but not priced, or quantified differently in the financial proposal from the technical proposal, shall be assumed to be included in the prices of other activities or items. Proposals that exceed the indicated budget are discarded. The consultant who has submitted the highest-ranked technical proposal among the remaining proposals is selected.

Because the budget is fixed, the consultant's TOR cannot change substantially, and technical negotiations cover only minor aspects. Financial negotiations will not include discussion of remuneration rates and of other unit rates, but only of minor rearrangements of activities and staff for compatibility with the work plan and clarification of any tax liability.

FBS allows Borrowers to plan a budget early on, rather than waiting for the uncertain outcome of negotiations. Furthermore, it allows Borrowers to receive better-quality proposals than under QCBS, because it is



easier for consultants to maximize quality under a fixed budget than under simultaneous quality and cost competition. FBS also requires a shorter time than QBS for negotiations. FBS is convenient for consultants because the preestablished budget allows them to determine in advance whether they are interested in competing for the proposed assignment and to develop the best proposal consistent with that budget.

More so than with QBS and QCBS, FBS requires the TOR to be consistent with the established budget and to contain a well-specified scope of work for consultants to present clear and responsive proposals. The main risk of using the FBS is underbudgeting the TOR and, in doing so, discourage good consultants from participating, and then receiving poor performances from the awarded consultant.

### 9.3.4 Least-Cost Selection

Under Least-Cost Selection (LCS), a minimum qualifying mark for quality is established and indicated in the RFP. Shortlisted consultants must submit their proposals in two envelopes. The technical proposals are opened first and evaluated. Proposals scoring less than the minimum technical qualifying mark are rejected, and the financial envelopes of the rest are opened in public. Activities and items described in the technical proposals but not priced, or quantified differently in the financial proposal from the technical proposal, shall be assumed to be included in the prices of other activities or items. The consultant with the lowest price is selected.

The LCS method is appropriate only for small assignments of a standard or routine nature wherein the intellectual component is minor, well-established practices and standards exist, and from which a well-defined outcome that can be executed at different costs is expected, as in the following examples:

- Standard accounting or simple audits
- Engineering designs or supervision of very simple projects
- Repetitive operations, maintenance work, and routine inspections
- Simple surveys

LCS shall not be used as a substitute for QCBS. Borrowers may adopt this selection method when they wish to capture cost reductions from simple technologies or new methods for which quality risks for

the final output are negligible. For example, modern broadband telecommunications and the Internet allow accountants in geographically remote locations to compete for standard accounting services to be produced at low cost.

Because quality is set as the minimum qualifying mark, the Borrower should set a mark that is higher than usual (for example, 75 or 80 percent) to ensure quality and avoid the risk of selecting low-cost proposals of poor or marginally acceptable quality. This method may be abused by tampering with the technical evaluation to select a specific consultant by pushing its proposal above the minimum mark and by actually selecting based on its cost only.

### 9.3.5 Selection Based on Consultant's Qualifications

The Selection Based on Consultant's Qualifications (CQS) method applies to small assignments for which the cost of a full-fledged selection process would not be justified. Under CQS, the Borrower first requests expressions of interest and qualified information relating to the experience and competence of the consultants relevant to the assignment. The Borrower evaluates the information, establishes a short list, and then selects the firm with the best qualifications and references among those who confirm to be willing to submit a proposal if selected. The selected firm is sent the RFP (including the TOR), asked to submit technical and financial proposals, and invited to negotiate the contract if the technical proposal proves acceptable.

The CQS method can substantially reduce the process cost for the Borrower and the consultants, as well as the time needed to hire a consultant. This selection method is particularly suitable when the past qualifications and experience of the consultant are crucial to the choice while the technical proposal itself is not likely to reveal much additional or decisive information on the suitability of the consultant for the proposed assignment.

CQS may be considered for assignments such as the following:

- Evaluation studies at critical decision points in the project cycle (review of alternative solutions with large downstream effects)
- Executive assessments of strategies and programs
- High level, short-term, expert advice
- Participation in project review panels



### 9.3.6 Single-Source Selection

Single-Source Selection (SSS) is to be considered when competition appears unlikely to add significant value to the choice of the consultant. Under this election method, the Borrower requests that an already-identified candidate prepare technical and financial proposals, which are then negotiated. Because there is no competition, this method is acceptable to the Bank only in exceptional cases and should be adopted only when it offers obvious advantages over a competitive method.

This is the case when

- the assignment represents a natural or direct continuation of a previous one awarded competitively and the performance of the incumbent consultant has been good or excellent;
- the consultant's prompt availability is essential (for instance, in emergency operations following a natural disaster, a financial crisis, and so forth);
- the contract is very small in value; or
- only one consulting organization has the qualifications or experience required to carry out the assignment.

If continuity of work by the incumbent for a downstream assignment is essential to the project and is in the interest of the Borrower, the RFP for the original assignment should indicate this possibility (para. 3.11 of the *Consultant Guidelines*). Good or excellent performance in the first assignment has to be a precondition for contract continuation. In these cases, the Borrower should weigh the importance of continuing with the same technical approach, the experience acquired, and the continued professional liability of the incumbent against the benefits of competition, such as fresh technical approaches and competitive remuneration rates. In these cases, consideration of the time and cost of a competitive round has to be fully accounted for, because it may weigh considerably on the Borrower's decision.

Once the Bank agrees to an SSS for a continuation, the Borrower should ask the consultant to prepare technical and financial proposals based on the TOR prepared by the Borrower or by an independent expert with no relation to the incumbent. This is the basis for negotiating a continuation contract.

Normally, the Bank will not agree to award a continuation contract on an SSS basis if the initial assignment was not awarded competitively, it was awarded

under tied financing or reserved procurement, or the downstream assignment is substantially larger in value than the initial one. In these cases, a competitive process acceptable to the Bank should be adopted, and normally the incumbent consultant should not be excluded from consideration if it expresses interest, unless its previous performance has been unsatisfactory. The Bank makes exceptions to this rule only in special cases and if a new competitive process is not practical. (Appendix 2 provides the form used by Bank staff to request management approval on the adoption of SSS.)

### 9.3.7 Commercial Practices

In some cases, the Bank provides a loan to a public sector financial intermediary that finances private enterprises or state-owned autonomous commercial enterprises. Such Sub-Borrowers may follow established private sector commercial practices to hire consultants. These practices should respect Bank principles for the selection of consultants in a form acceptable to the Bank. However, the Bank recommends that consideration also be given to using one of the competitive methods described in the previous paragraphs, particularly for large assignments.

## 9.4 Selection of Particular Types of Consultant

### 9.4.1 UN Agencies as Consultants

UN agencies (also see para. 2.3.1) may be hired as consultants under Bank financing when they are qualified to provide technical assistance and advice in their area of expertise (for example, a sector study carried out by the World Health Organization). The privileges, immunities, and exemptions enjoyed by UN agencies while under contract with Bank Borrowers<sup>2</sup> give them a cost advantage when competing with private consultants. Because this cost advantage is in general difficult to quantify, Borrowers shall adopt QBS (or FBS) as the method of selection to neutralize any preferential treatment. Some special UN agencies have a policy of not competing against private firms or consultants for contracts. Such agencies may be hired on an SSS basis in Bank-funded operations if the required criteria are met, as established in the *Consultant Guidelines*, para. 3.10.

## 9.4.2 Nongovernmental Organizations

Nongovernmental organizations (NGOs) (see also para. 2.3.4) may be included in a consultant short list if they express interest, if the Borrower and the Bank find their qualifications satisfactory.

Short lists for assignments typically attributed to NGOs because they, for example, emphasize experience in community participation and in-depth local knowledge may comprise NGOs entirely. In this case, QCBS should be followed, and the evaluation criteria of proposals should reflect the NGO-unique qualifications, such as the following:

- History of work with grassroots communities and evidence of satisfactory performance
- Familiarity with participatory development approaches and low-cost technologies
- Experienced staff conversant with the cultural and socioeconomic dimensions of beneficiaries
- Committed leadership and adequate management
- Capacity to co-opt beneficiary participation

Borrowers may select NGOs using SSS, provided the criteria outlined in paragraph 3.10 of the *Consultant Guidelines* are fulfilled (also see para. 9.3.6 of this *Manual*). For example, SSS may be adopted to hire a local NGO for a very small assignment in a remote area where only one NGO is available and competition is impractical. On the other hand, if the short list comprises both NGOs and consulting firms (see para. 2.1 and para. 13.3.1), selection should be based on QBS or FBS because the cost structure of NGOs and consulting firms are different, and therefore cost items may not be comparable.

The Bank's standard documents for the selection and use of consultants—the *Consultant Guidelines*, the SRFP (including the standard contract), and the Sample Evaluation Report—should be used.

In some instances, the Bank enters into grant agreements with international NGOs when the Bank and the Borrower government have agreed that it is the most efficient way to manage and implement a project. Provisions for such agreements recognize the special nature and role of NGOs, including their capability to raise funds. In these cases, the selection and hiring must follow Bank procedures.

## 9.4.3 Procurement Agents

Procurement agents (PAs) may be hired by the Borrower to assist in carrying out procurement, to pro-

vide advice, or a combination of both (see also para. 2.3.6).

When PAs are specifically used as “agents” handling the procurement of specific items and generally working from their own offices, they are paid a percentage (either fixed or inversely proportional) of the value of the procurements handled or a combination of a percentage and a fixed fee. In such cases, they are selected under QCBS, with cost being given a weight of up to 50 percent. If the weight of the cost element adopted were as high as 50 percent, financial considerations would dominate the selection, creating the risk of an unacceptably lower service quality. In such cases, it is essential to ensure that the quality threshold in the evaluation is set sufficiently high.

When PAs provide only advisory services for procurement or act as “agents” for a whole project in a specific office for a project, they are usually paid based on the staff-months of effort provided, and they shall be selected following the appropriate procedures for other consulting assignments using QCBS and time-based contracts, as specified in the *Guidelines*.

## 9.4.4 Inspection Agents

Borrowers may hire inspection agents to inspect and certify goods before shipment or on arrival in the Borrower country. The inspection by such agents usually covers the quality and quantity of the goods concerned and the reasonableness of the price. Inspection agents are selected using QCBS, with cost being allocated a weight of up to 50 percent. Payment is usually based on a percentage of the value of goods inspected and certified.

## 9.4.5 Financial Institutions

Borrowers may hire financial institutions (also see para. 2.3.5) to implement two main types of assignment: (a) in the preparation of studies and financial consulting or (b) as advisers on privatization involving the sale of assets. In the first case, the advisers can be selected under any of the methods described in this chapter (that is, whichever is considered most suitable, depending on the scope of work of the assignment). In the second case, QCBS shall be adopted, whereby the RFP specifies technical evaluation criteria similar to those relevant to standard consulting assignments.

The financial proposal would include two distinct forms of remuneration: (a) a lump-sum retainer fee to

reimburse the consultants for services made available and (b) a success fee, which is either fixed or preferably expressed as a percentage of the value of the privatization transaction. Depending on the type of sale (such as auction or initial public offering [IPO]) and the circumstances of the Borrower, the RFP specifies the relative weights assigned in the financial evaluation to the retainer and to the success fee, respectively.

In some cases, the Borrower offers a fixed retainer fee, and the consultants must compete only on the success fee as a percentage of the value of the privatization transaction. For combined evaluations of quality and cost (notably for large contracts), cost may be given a weight higher than recommended for standard assignments (such as 30 percent), or the selection may be based on cost alone for those who secure a minimum passing mark for the technical proposal.

The RFP shall specify clearly how proposals will be presented and how they will be compared.

Success fees are most appropriate when it is relatively easy to measure results in meeting the Borrower's objective (successful sale of assets) and when the success is at least partly related to the efforts of the consultants involved. Therefore, success fees are more likely to be adopted at the transaction stage, because by that time the Borrower's objective is to maximize revenue. Success fees should not be introduced before the broad structure of sector reform has been determined.

### 9.4.6 Auditors

Auditors should be selected under QCBS, with cost as a substantial selection factor, or, if appropriate, LCS may be adopted. For very small assignments, CQS may also be used.

## 9.5 Effectiveness and Efficiency of the Selection Process

The main drawbacks of competitive selection methods are their complexity, the time and costs involved in the preparation, and the evaluation of proposals. To manage the selection process well, it is important to plan each stage of the process, to establish realistic deadlines, and to stick to the timetable. Figure 9.2 shows a typical time schedule of the selection process for a large assignment using QCBS, wherein consultants are re-

quested to provide a Full Technical Proposal (FTP). For the purposes of this figure, it has been assumed that the issuance of each Bank "no objection" would take two weeks. This period of time, as well as the duration indicated for the other activities in Figure 9.2, may vary significantly in practice, depending on the characteristics of the assignment and the Borrower's capacity for conducting the selection process smoothly and to the satisfaction of all participants.

Borrowers are always advised to delegate the selection process to those among their staff who have the following capabilities needed to drive the process:

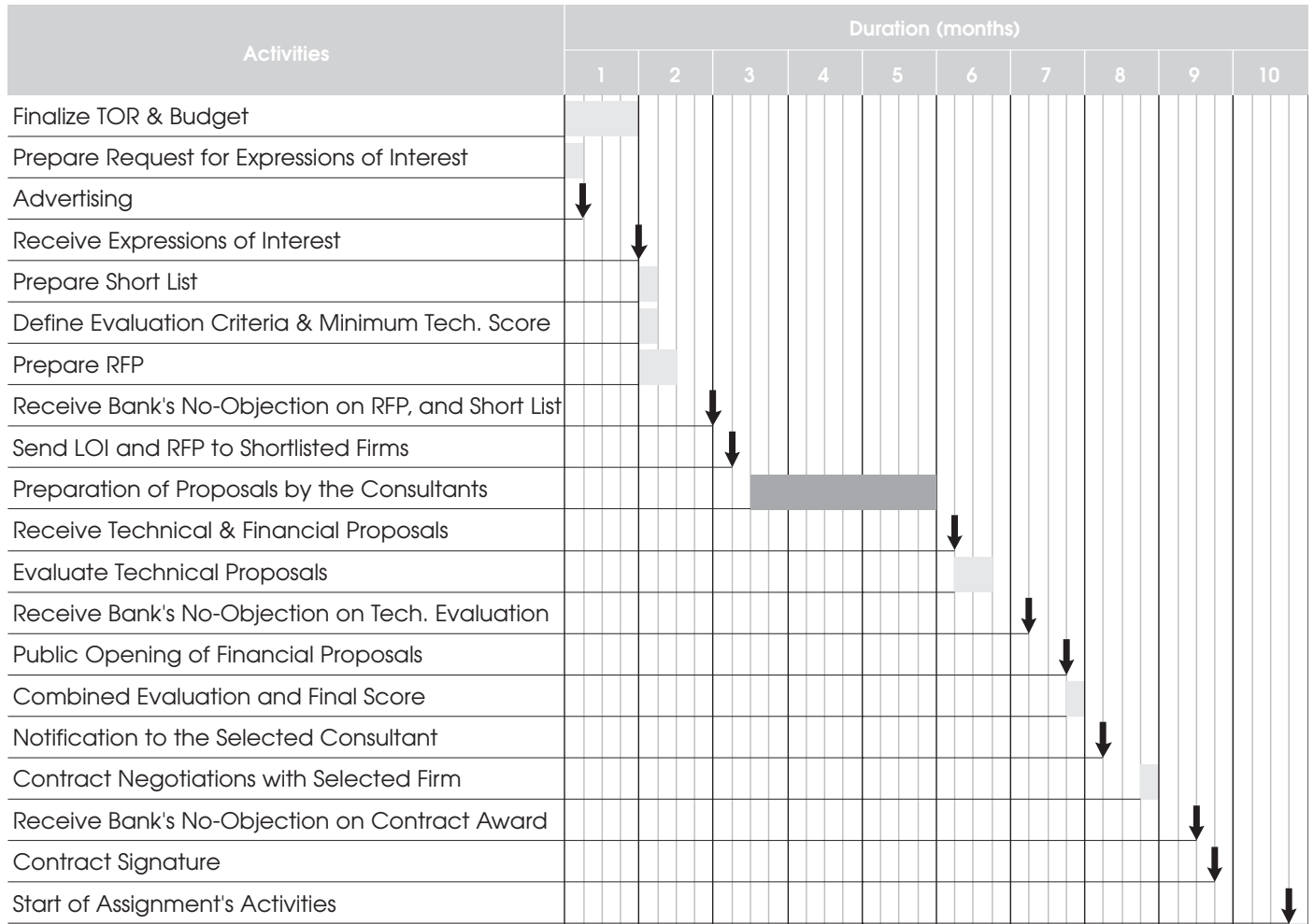
- Professional experience in the field of the consultant assignment: this capability allows them to establish relatively quickly whether and to what degree a proponent appears to be suitable for executing the services. These are mainly staff covering senior professional or managerial positions directly related to the project and to the consultants' assignment and having direct access to the Borrower.
- Experience with the selection methods and engagement procedures: this capability is acquired through exercise in application of procedures under the various selection methods, in comparing selection outcomes, and in actually employing consultants.
- Reputation of integrity: if the members of the Evaluation Committee lack this quality, the time needed for completing the selection can be slowed down intentionally for many reasons. Evaluators must enjoy the trust of the Borrower's upper management and be kept free from any external pressure trying to delay or derail the due selection process.

Should the Borrower need to gain the capacity to conduct selection processes with all necessary skills, it should engage the services of an impartial expert who assists the Evaluation Committee over the duration of the selection process or reviews the process before sending the technical evaluation report to the Borrower's decision-making authority and to the Bank for its "no objection."

### Notes

1. Appendix 1, paragraph 2 (a) of the *Consultant Guidelines*.
2. "Standard Form of Agreement between a Bank Borrower and a UN Agency," World Bank.

**Figure 9.2 Time Schedule of the Selection Process (Large Assignment with QCBS; Full Technical Proposal)**



# 10

## Developing the Terms of Reference

### 10.1 Main Considerations

The key document in the RFP is the Terms of Reference (TOR). It explains the objectives of the assignment, scope of work, activities, tasks to be performed, respective responsibilities of the Borrower and the consultant, expected results, and deliverables of the assignment. A comprehensive and clear TOR is important for the understanding of the assignment and its correct execution. It reduces the risk of unnecessary extra work, delays, and additional expenses for the Borrower. In addition, it helps reduce the risk of ambiguities during the preparation of consultant proposals, contract negotiation, and execution of the services.

Drafting the TOR requires expertise in the field of the assignment, as well as familiarity with the project background, knowledge of the terrain, the country, and the Borrower's organization. If the capacity to craft a good TOR is not available in-house, the Borrower should hire a specialist, keeping in mind that if he or she is from a firm, the firm may become ineligible for executing the services if the assignment is funded by the Bank. The TOR must be written by experts with only the interest of the Borrower in mind and who can understand its circumstances and level of readiness to conduct the assignment. Often a Borrower asks Bank staff to assist with information and ideas in drafting the TOR. When assisting a Borrower, Bank staff may consult the TOR database available in the Bank intranet and only with great caution adapt an existing TOR to the specific requirements of the assignment being considered, keeping in mind that this TOR may have had very different staff time and cost estimates and may have been prepared for a completely different Borrower.

The Bank reviews the TOR proposed by the Borrower as part of the RFP and, if satisfied, releases its "no objection." A consultant employed by the Bank or the Borrower to prepare a TOR should not nominate

itself as a consultant for the resulting assignment (para. 4.3.2 [b]).

### 10.2 Drafting the Terms of Reference

The following considerations should guide preparation of the TOR:

- The TOR should contain sufficient background information on both the assignment and the project to enable invited consultants to present responsive proposals.
- The scope of work should be consistent with the available staff-month estimate or the estimated cost of the services (if this is given ex ante).
- The TOR should take into account the organization of the Borrower and its level of readiness, including its staff capabilities, institutional strength, and organization.

The level of detail and quality of information that can be contained in the TOR influence the selection method to be adopted (see chapter 9). For example, if the TOR for a complex assignment cannot be defined with adequate precision and detail, QBS may be more appropriate than QCBS, whereas the latter is preferable when both a defined scope of work and a reliable staff-month or cost estimate is available.

The authors of the TOR should be experts in consulting services similar to those of the TOR. This is important to ensure that the description of the objectives and scope of work of the assignment is realistic, the background information provided is adequate, consultants are not burdened with unnecessarily demanding requirements, and the time schedule is consistent with the objective of the assignment and the output required of the consultants.

The authors of the TOR should also be familiar with main local conditions, such as climate, environ-



ment, institutions, laws, customs, holidays, remuneration levels, transportation systems, and so forth. Seasonal variations, together with the peculiarities of the region where the assignment will take place, should be considered if they are likely to affect the execution of field activities. Aspects related to the logistics of the project should also be considered. If a field visit by the consultants is necessary, but not feasible, then an aerial trip may be arranged to enable them to form an overall impression of the area.

If capacity-building activities are required as part of the assignment, the Borrower should include them in the TOR, for which additional time and budget should be allocated (see chapter 6).

The TOR should clearly identify and define the output and deliverables required of the consultants, such as reports, data, maps, drawings, or software, and should include all inputs that the Borrower will send to the consultants. These may include past preparation studies, databases, aerial photographs, maps, and records of existing surveys. The TOR should also identify the Borrower's executing agency and explain institutional and organizational arrangements for the supervision of consultant work. In addition, the TOR should list and specify the facilities and counterpart staff to be provided or designated by the Borrower.

## 10.3 Outline of the Terms of Reference

The TOR normally comprise the following sections:

- Project background
- Objectives of the assignment
- Scope of work
- Capacity-building program
- List of reports, schedule of deliveries, and period of performance
- Data, local services, personnel, and facilities to be provided by the Borrower
- Institutional and organization arrangements

### 10.3.1 Project Background

The background summarizes the main features of the project and describes the assignment's key objectives and general purpose. In particular, it should include the following:

- Name of the Borrower
- Project location

- Rationale for the project
- Project history (what has been done so far and by whom)
- List of relevant studies and basic data
- Need for consultants in the project and issues to be resolved
- Activities to be carried out by the consultants
- Source of financing for the assignment
- Supervision arrangements

### 10.3.2 Objectives of the Consulting Assignment

To avoid misleading consultants, the TOR should precisely describe the objectives and expected results of the assignment. Typical objectives of an assignment in Bank-financed projects may include the following:

- Sector and strategy studies or assessments
- Studies on public sector reform, institutional and regulatory reforms, or leadership and management change
- Master plans or project feasibility before investment
- Preparation of bidding documents and project-detailed design
- Project management and implementation supervision
- Capacity building and training
- Collection and analysis of data
- Evaluation of Borrower assets for sale (such as in privatization projects)

### 10.3.3 Scope of Work

This section of the TOR details all the main activities (or tasks)<sup>1</sup> to be conducted by consultants and the expected results of those activities (or tasks). The TOR should describe only the activities, not the approach or methodology by which the results are to be achieved, because the latter are the responsibility of those preparing the proposals. Nevertheless, in certain cases, the TOR may provide strong suggestions on the approach and indications on the methodology that consultants could or should use to execute the assignment. Under certain selection methods, the Borrower can disclose its own estimated staff-months or its estimated cost of the services, but not both.

Often the project may require a phased consultant assignment. In such cases, the TOR should be more detailed for the first phase and less detailed for



the subsequent ones. The TOR for the subsequent phases will be refined based on outcomes of the earlier phases.

In a TOR, the scope of work of the assignment is usually defined by addressing the following issues (depending on the project features and objectives of the assignment, some of these issues may not be relevant, while others may have to be added):

- Relevance of the assignment for the implementation of the project
- Definition, scope, and limits of the assignment
- Desired level of detail (level of design, accuracy, composition of cost estimates, and so forth)
- Span of projections (time horizon, life span of project components, and so forth)
- Necessary comparison of the assignment with similar projects
- Main issues to be addressed
- Alternatives to be considered, and the main criteria to be used to compare them
- Required surveys, special analyses, and models
- Special equipment requirements
- Borrower's institutional framework, organization, and legal setting
- Transfer of knowledge, objectives, and scope
- Language requirements
- Units of measurement to be used
- Need for continuity, such as data gathering
- Quality management requirements (if needed)

Phased assignments are likely to require that the scope of work be modified, depending on intermediate results. For instance, the scope of work for a feasibility study originally covering a number of alternatives will be reduced if, during execution of the assignment, some alternatives prove not viable. Similarly, the scope of work can be expanded if more-accurate studies than initially anticipated become necessary. In such cases, the TOR should clearly indicate the circumstances under which a decision will be made by the Borrower to modify the scope of work.

### 10.3.4 Capacity Building and Transfer of Knowledge

If capacity building and transfer of knowledge are a specific objective of the assignment, the TOR should provide specific details on the characteristics of the required services and ask consultants to propose approach and methodology (as discussed in chapter 6 of the *Manual*).

### 10.3.5 Reports and Schedule of Deliveries

The TOR should indicate the estimated duration of the assignment, from the date of commencement<sup>2</sup> to the date the Borrower receives and accepts the consultant's final report or a specified completion date. Other dates may be considered (for example, the date of effectiveness of the contract). The assignment's reporting requirements should be clearly specified. In particular, for inception and progress reports, there should be a balance between keeping the Borrower well informed and not forcing consultants to spend an excessive amount of time preparing minor reports. The TOR should indicate the format, frequency, and content of reports, as well as the number of copies, the language, and the names of the prospective recipients of the reports. For all major reports, an executive summary is recommended as a separate volume.

Depending on the assignment, the following reports are usually required:

- (a) Inception Report. This report should be submitted shortly after the commencement date. Any major inconsistency in the TOR, deficiency in Borrower assistance, or staffing problems that have become apparent during this period should be included. The inception report is designed to give the Borrower confidence that the assignment can be carried out as planned and as agreed on in the contract, and it should bring to the Borrower's attention major problems that might affect the direction and progress of the work.
- (b) Progress Reports. These reports keep the Borrower and Bank regularly informed about the progress of the assignment. They may also provide warnings of anticipated problems or serve as a reminder for payment of invoices due. Depending on the needs of the assignment, progress reports may be delivered monthly or bimonthly. For feasibility studies and design assignments, delivery of progress reports at two-month intervals is generally satisfactory. For technical assistance and implementation supervision (in construction, for instance) progress reports are best submitted monthly. Progress reports may include a bar chart showing details of progress and any changes in the assignment schedule. Photographs are a quick and easy way of conveying the status of a project, and their use in progress reports is encouraged. For technical assistance services, progress reports also serve to set out

the work program for the following months. Each team member usually contributes to the preparation of the monthly report.

- (c) **Interim Reports.** If the assignment is phased, interim reports are required to inform the Borrower of preliminary results, alternative solutions, and major decisions that need to be made. Because the recommendations of an interim report may affect later phases of the assignment (and even influence the results of the project), both the Bank and the Borrower should discuss the draft interim reports with consultants in the field. The Borrower should not take more than 15 days to review and approve draft interim reports.
- (d) **Final Report.** The final report is due at the completion of the assignment. The Borrower, Bank, and consultants should discuss the report while it is still in draft form. The consultants alone are responsible for their findings; although changes may be suggested during the discussions, consultants should not be forced to make such changes. If the consultants do not accept comments or recommendations from the Borrower, these should be noted in the report. The consultants should include in the report the reasons for not accepting such changes.

### 10.3.6 Data, Services, Personnel, and Facilities to Be Provided by the Borrower

The RFP indicates the inputs provided by the Borrower to the consultants in section 2, Instructions to Consultants (ITC). The TOR should complement the ITC by listing in detail all the information and services that will be made available by the Borrower. The TOR should also describe the Borrower's available software and computer models to be used by the consultants, if any. Facilities to be provided by the Borrower may include office space, vehicles, survey equipment, office and computer equipment, and telecommunication systems.

When possible, the Borrower may provide vehicles for use by consultants during the course of their assignment. Otherwise, these should be provided for under the consultants' contract and turned over to the Borrower at completion. The same can apply to items such as office and computer equipment. The Borrower should request compatibility with its own equipment.

To avoid difficulties caused by delays in allocating Borrower counterpart staff to the project, the TOR should be provided for such staff before the assignment begins (para. 10.2). During the initial drafting of the TOR, the Borrower should, with assistance from Bank staff, determine which of the Borrower's staff can act as counterpart. If the Borrower provides support staff who will work under the consultants' responsibility, the TOR should clearly indicate that the said staff will work the same hours as consultants, will be under the consultants' supervision, and will not be remunerated under the consultants' contract.

The Borrower's inputs, if not well defined in advance, are often a matter of contention for the duration of the assignment. Consultants tend to overestimate the Borrower's contribution, and as a result, they reduce their proposal price, particularly if the method of selection takes price into account. Borrowers also tend to promise more than they can actually deliver. It is therefore important that the Borrower's inputs are defined in the TOR as precisely and realistically as possible.

### 10.3.7 Institutional and Organization Arrangements

The TOR should define the institutional setup and the organization surrounding the assignment and indicate the role and responsibilities of all those involved, specifying the type, timing, and relevance of participation. The TOR should define the hierarchy and level of authority of counterpart personnel, as well as the requested level of experience of the Borrower's personnel who will be integrated into the consultants' team.

#### Notes

1. In TOR covering self-contained assignments such as feasibility studies and project designs, consultants are generally required to describe the "activities" that they propose to carry out. In TOR of assignments consisting mainly of the provision of specialized staff to assist the Borrower in certain functions, consultants are required to describe the "tasks" for which they will be responsible.
2. Date on which the consultants are expected to start the services.

# Estimating Costs and Setting the Budget

## 11.1 Main Considerations

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. 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. Because the estimate of the required staff time is derived from the TOR, the more exhaustive and accurate the TOR, the more precise the estimate. Sometimes the scope of work of the services is difficult to define and quantify because the output, extent, or exact duration of the services cannot be easily specified in advance. In such cases, Bank staff should assist the Borrower by having an expert review or prepare the TOR, staff time, and cost estimate and in adopting a selection method that takes these difficulties into account.

A mismatch between the cost estimate and the TOR is likely to mislead consultants on the desired scope, depth, and detail of the service required and may eventually generate serious problems during contract negotiations or (worse) during the implementation of the assignment. Preparing a staff-month and cost estimate for a consulting assignment is an interactive process necessary to clarify to the Borrower whether the assignment can be carried out in a manner compatible with the project objectives and the resources available. The preparation of the cost estimate can lead to the revision of the TOR, including the scope of work of the services and the organization arrangements of the Borrower.

In general, a cost estimate includes items relating to the following:

- Consultant staff remuneration
- Travel and transport
- Mobilization and demobilization
- Staff allowances
- Information systems

- Communications
- Office rent, supplies, equipment, shipping, and insurance
- Surveys
- Capacity building and training programs
- Report translation and printing
- Taxes and duties
- Contingencies

The cost estimate of an assignment is based on an estimate of the personnel time (staff-months or staff-hours) required for carrying out the services, taking into account the time required by each expert, his or her billing rate, and the related direct cost components. When preparing a cost estimate, it is useful to draft a bar chart indicating the duration of each main activity (work schedule) and the time to be spent by the consultant staff (staffing schedule). Examples of such schedules are given in appendixes 3 and 4, and examples of detailed cost estimates are given in appendix 5.

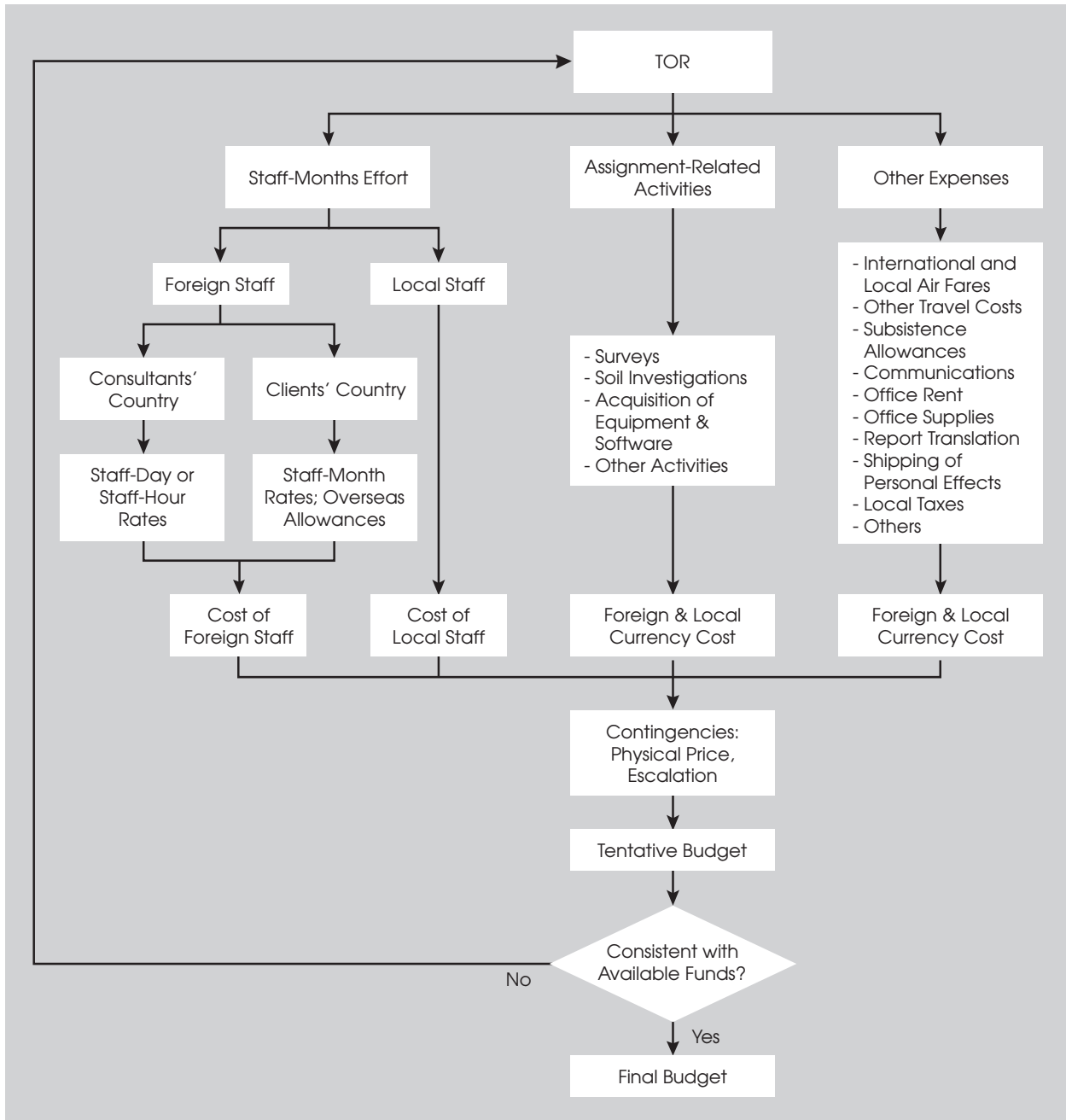
When the consulting services are to be carried out by a mix of foreign and national consultants, the cost estimate should identify those portions to be paid in foreign and national currency, such as monthly rates for professional staff, imported equipment, international travel and domestic travel, and all support services. Under Bank rules, the Borrower may require consultants to accept reimbursement of local expenses in local currency. Cost estimates include a breakdown of the total costs of the assignment in foreign and local currency. (Figure 11.1 shows a flow chart for preparing a cost estimate.)

## 11.2 Estimating Cost Components

### 11.2.1 Consultant Staff Remuneration

Staff remuneration is generally broken down into foreign and national staff, who may be further subdivided

Figure 11.1 Estimating Cost and Budget



into key staff and support staff. Foreign personnel may be split into field and home office staff. Remuneration rates for staff vary according to the sector of specialization, depending on their experience, qualifications, and nationality. Adopting realistic remuneration rates when drafting estimates is difficult when proposals from different nationalities are expected. The estimated staff-months should not be priced based on either the

highest or the lowest international rates, but using reasonable rates that allow for quality work in the field of the assignment. To allow Borrowers the benefits of widespread competition and flexibility in the type and origin of consultants, the Bank considers that ceilings on remuneration rates are not acceptable. However, consultants should not take advantage of this and of the lack of experience or information of some Borrowers to

propose unreasonable rates. Rates of NGOs and non-profit organizations are generally lower than those of private consulting firms. Rates charged by international consultants may also vary from case to case, depending on factors such as Borrower-country risk, technical difficulty of the assignment, and the location of the services (either in the home office, in the Borrower offices, or at the project site).

In general, staff remuneration rates include different proportions of the following components, depending on company- and sector-specific factors and consultant country laws:

- Basic salary
- Social charges
- Overheads
- Fees or profit
- Allowances

Knowledge of the breakdown of staff remuneration rates may be necessary during the evaluation of certain financial proposals and during negotiations of time-based contracts when price is not a factor of selection or when consultant rates appear to differ substantially from those normally charged in the specific market segment.

### 11.2.2 Travel and Transport

To estimate travel and transportation expenses, it should be assumed that all foreign consultant staff will originate from the farthest eligible country. For assignments expected to last more than six months, a good rule is to assume that two-thirds of the team members have dependents and to allow three round-trip airfares per year for each of the families and one such trip for the remaining one-third of team members. Local travel and transport costs should be based on local rates. The number and type(s) of vehicles, as well as their operation and maintenance costs, should also be included in the estimate.

### 11.2.3 Mobilization and Demobilization

Each staff member shall be allowed reasonable travel time, a medical checkup, hotel costs, local transportation, and miscellaneous items. Costs for shipping personal effects should also be estimated. For more details, Bank staff may consult the staff relocation policies of the UN Development Program (UNDP) or the Bank itself.<sup>1</sup>

### 11.2.4 Staff Allowances

Expatriate staff normally are paid overseas and subsistence allowances. The overseas allowance is part of the monthly rate and is meant to represent an incentive for consultant personnel to accept work overseas. The subsistence allowance is paid separately and generally in local currency to cover out-of-pocket expenses such as hotel and living expenses. Staff allowances also cover the costs of children's education and are normally paid on a monthly basis for long-term assignments and on a calendar-day basis for short-term assignments.

### 11.2.5 Communications

Reasonable monthly allocations for international and local telecommunications should be included. Modern telecommunications, such as teleconferencing and the Internet, often can represent a cost-effective substitute for travel.

### 11.2.6 Office Rent, Supplies, Equipment, Shipping, and Insurance

Depending on the assignment, local costs for office rent and supply of local equipment (including hardware) should be estimated separately, according to local rates. Foreign currency costs for supplies and equipment (including specific software, when needed) should also be included in the estimate, together with related shipping and insurance costs.

### 11.2.7 Surveys

The cost of surveys (such as topography, cartography, subsurface investigations, and satellite imaging) related to the assignment, as well as any other services to be subcontracted, should be estimated.

### 11.2.8 Report Translation and Printing

The cost of printing or translating reports is substantial and should be included in the cost estimate.

### 11.2.9 Taxes and Duties

When preparing cost estimates, it is important to be aware of the local indirect taxes (for example, value added or sales taxes), levies, and duties that foreign and domestic consultants may have to pay and then be reimbursed for by the executing agency in the Borrower

country. Local indirect tax items are transfers that are not to be taken into account in the evaluation of financial proposals (para. 2.22 of the *Consultant Guidelines*).<sup>2</sup> Nevertheless, local taxes and duties may represent a cash-flow burden for the executing agency, especially if reimbursements from the central administration of the Borrower are slow. (Taxation of consulting services is discussed in more detail in appendix 8 of this *Manual*.)

### 11.2.10 Contingencies

The contingency amount, which completes the cost estimate, should cover physical and price items. Physical contingencies provide for unforeseen work that may be needed, while price contingencies account for monetary inflation and other price increases (subparas. 18.6.7 [a] and [b]).

Physical contingencies are usually set at 10 to 15 percent of the estimated cost of the assignment. A higher percentage may be appropriate for assignments in which the scope of work cannot be accurately specified in advance and the amount of work required from the consultant is uncertain (such as emergency assignments). Price contingencies for foreign and local costs should be considered only when the impact of inflation or of other cost increases is expected to be substantial. These contingencies should apply not only to the period of the assignment but also to the period between the drafting of the estimate and the start of the assignment if this is likely to be delayed.

## 11.3 When Estimating Cost Components Is Not Possible

There may be assignments whose exact scope of work cannot be clearly defined. In some cases, the need for consulting services originates from expected or unexpected emergency situations for which the scope of work of the consultant assignment cannot be predetermined. In such cases, a reliable cost estimate is impossible, and a budget may have to be established based on funds availability, and the consultant will be selected based on its past qualifications in similar assignments.

When the assignment to be entrusted to consultants is new or very unfamiliar to the Borrower and to the consultants themselves, the best advice is to let consultants prepare a cost estimate based on their experience and the conditions of the assignment. In such cases, the Borrower should invite proposals from consultants with a high reputation of capacity and integrity and conduct the selection based on quality only (QBS), followed by financial negotiations with the first-ranked consultant.

### Notes

1. *World Bank Staff Manual*, rules 4.03, 6.13, and 6.17.
2. Local taxes, levies, and duties do not represent a cost for the Borrower and are not financed by the Bank.



## 12.1 Introduction

The assignment objectives and the underlying TOR determine the qualifications and experience required of the selected consultants. In adopting the evaluation criteria of technical proposals, the Borrower wants to ensure that the selected consultant is the most likely to provide the best quality for the services given. Present World Bank rules offer two types of technical proposal that may be used for the selection of consultants: the Full Technical Proposal (FTP) and the Simplified Technical Proposal (STP). Because the FTP and STP, to some extent, differ in structure and content, criteria that Borrowers shall use for their evaluation should reflect these differences.

Para. 12.2 briefly describes the structure and content of the FTP and STP and provides guidance for choosing the proposal type best fitted to the characteristics of the assignment. Paras. 12.3 through 12.10 provide guidance for the definition of the relevant evaluation criteria and subcriteria.

## 12.2 Types of Technical Proposal

### 12.2.1 The Full Technical Proposal (FTP)

The FTP is the most detailed format of technical proposal; it was the only format used for the selection of consultants under Bank-financed projects up to the issue of the May 2004 edition of the Bank Standard Request for Proposals (SRFP). The FTP comprises the following seven sections:

- Brief description of the consultants' organization and experience (see para. 3.4 [a][i] of the Instructions to Consultants [ITC] of the SRFP)
- Consultants' comments on the TOR and on counterpart staff and facilities (see para. 3.4 [b][i] of the ITC)

- Description of the technical approach and methodology, work plan, and organization and staffing proposed by the consultants to perform the assignment (see para. 3.4 [c][i] of the ITC)
- Proposed professional staff (see para. 3.4 [d] of the ITC)
- Estimates of the staff input needed to carry out the assignment (see para. 3.4 [e] of the ITC)
- Curricula vitae (CVs) of the proposed professional staff (see para. 3.4 [f] of the ITC)
- Description of the proposed methodology and staffing for training, if the training is a specific component of the assignment (see para. 3.4 [g] of the ITC)

The FTP is recommended when

- (a) the assignment is likely to have significant downstream impacts;
- (b) the assignment is large and complex and the TOR require consultants to carry out activities that differ substantially from each other or activities whose contents may vary, depending on the results of other previous activities to be carried out under the same assignment (as may be the case, for example, with a phased assignment or an assignment requiring the comparison of different alternatives);
- (c) the assignment is new and unusual, making it difficult to specify, in the TOR, the tasks that the consultants will have to complete, or alternative methods can be used to achieve the assignment objectives and required outputs;
- (d) the characteristics of the assignment require the evaluation of specific aspects of the consultants' experience, in addition to those already considered by the Borrower during the preparation of the short list (the FTP [and not the STP] provides a specific section in which consultants are requested to outline their organization and re-

cent experience on assignments similar to the one under consideration); and

- (e) the capacity-building program is a specific component of the assignment, because the FTP (and not the STP) provides not only a specific section in which consultants are requested to lay out their proposed methodology and staffing for capacity building, transfer of knowledge, and training but also a specific criterion (and subcriteria, if needed) for the Borrower to evaluate the suitability of the proposed program.

The FTP offers consultants the possibility of describing their proposed methodology without limit to the number of pages, while the STP recommends limiting it to 10 pages (see para. 12.2.2). The FTP also allows the Borrower to use subcriteria to evaluate (a) the adequacy of the proposed methodology and work plan (see para. 12.3.1) and (b) the capacity-building program, if requested by the TOR.

### 12.2.2 The Simplified Technical Proposal (STP)

The STP is a new, less-detailed format of technical proposal introduced in the May 2004 edition of the Bank SRFP. Different from the FTP, the STP comprises the following four sections:

- A description of the proposed technical approach and methodology, work plan, organization, and staffing by the consultants undertaking the assignment (this section could also include consultants' comments on the TOR and counterpart staff and facilities and should normally comprise 10 pages, including, if needed, charts and diagrams) (see para. 3.4 [c][i] and 3.4 [c] [ii] of the ITC)
- The proposed professional staff (see para. 3.4 [d] of the ITC)
- Estimates of the staff input needed to carry out the assignment (see para. 3.4 [e] of the ITC)
- Curricula vitae (CVs) of the proposed professional staff (see para. 3.4 [f] of the ITC)

The STP should be used when

- (a) the assignment is unlikely to have significant downstream impacts;
- (b) the assignment is of a routine, straightforward, or simple nature and when the TOR already define in detail the tasks the consultants will have to complete, the assignment objectives, and required outputs (therefore, [i] the description of

the proposed technical approach and methodology, work plan, organization, and staffing are relatively uncomplicated and may be reasonably limited to 10 pages, and [ii] the Borrower can evaluate the technical proposals without using subcriteria);

- (c) the characteristics of the assignment do not require the evaluation of specific aspects of the consultants' previous work experience, in addition to those already considered by the Borrower for the short list; and
- (d) capacity building is not a specific component of the assignment, and consequently it does not require a separate evaluation.

When one or more of the above conditions are not fulfilled, the FTP should be used instead of the STP.

The STP reduces the time and cost required not only by the consultants to prepare their proposals but also by the Evaluation Committee to evaluate them.

## 12.3 Evaluation Criteria of Technical Proposals

### 12.3.1 Evaluation Criteria for the FTP

The following criteria shall be used as a basis for evaluation of the FTP:

- Specific experience of the consultants relevant to the assignment
- Adequacy of the proposed methodology and work plan in responding to the TOR
- Key professional staff qualifications and competence for the assignment

Depending on the particular objectives of the assignment, two additional criteria may be required:

- Suitability of the transfer-of-knowledge (capacity-building) program
- Participation by national consultants among proposed key staff

The first of these two optional criteria should be included and the capacity-building program should be clearly mentioned in the TOR when a transfer-of-knowledge (capacity-building) program is required by the nature of the assignment (see chapter 6). The second optional criterion, participation of national consultants, should be included when necessary for the assignment or desirable because the Borrower wants to encourage the participation of national consultants in its activities as a matter of policy.

The Data Sheet contained in the ITC of the actual RFP will indicate the points allocated to each of the criteria and subcriteria (see Paragraph Reference 5.2 (a) of the Data Sheet). Table 12.1 shows the range of points that may be allocated to each criterion on a scale of 1 to 100 in accordance with Bank *Guidelines*. The actual points must be adjusted to the specific characteristics and circumstances of the assignment, including the relative importance of each criterion or the Borrower’s preferences. A very good practice is to have those who prepared the TOR advise on the choice of criteria and, if needed, subcriteria and the points given to each.

The criterion “adequacy of the proposed methodology and work plan in responding to the TOR” is divided into the following three subcriteria (see Paragraph Reference 5.2 [a][ii] of the Data Sheet of the ITC):

- Technical approach and methodology
- Work plan
- Organization and staffing

The criterion “key professional staff qualifications and competence for the assignment” is divided into the following three subcriteria (see para. 2.17 of the *Consultant Guidelines* and Paragraph Reference 5.2 [a][iii] of the Data Sheet of the ITC):

- General qualifications
- Adequacy for the assignment
- Experience in region and language

**Table 12.1 Point Distribution of Evaluation Criteria for the FTP**

Evaluation criteria	Points
Specific experience of the consultants	0–10
Adequacy of the proposed methodology and work plan	20–50
Key professional staff qualifications and competence	30–60
Suitability of the transfer-of-knowledge (training) program—optional	Normally 0–10
Participation by national consultants among proposed key staff—optional	0–10
<b>Total</b>	<b>100</b>

The other three evaluation criteria,

- specific experience of the consultants relevant to the assignment,
- suitability of the transfer-of-knowledge (capacity-building) program, and
- participation by national consultants among proposed key staff

might also be divided into subcriteria. However, given their relatively small assigned weights (in most cases, a maximum of 10 points each out of 100), adoption of subcriteria is not recommended, and the suggested approach for evaluating an FTP under these three criteria is to assess the substantial responsiveness of the proposal to the aspects listed for each of them in chapter 17.

When the capacity-building program is a particularly important component of the assignment, or even its main objective, this fact should be indicated in the TOR; in such case, subject to the Bank’s prior clearance, more than 10 points may be allocated to this criterion and subcriteria may be provided (see para. 12.8).

Because subcriteria and their weighting often determine the outcome of the evaluation, they must be derived from the aspects that are critical to the success of the assignment. Evaluation criteria and subcriteria, associated points, and the rating system form a numeric model to assess the technical merit of each proposal. The more accurate the model, the more reliable the evaluation and the greater the likelihood that the Borrower will select the proposal of the consultants best suited for the assignment.

All adopted subcriteria should be specified in the RFP as follows (see Paragraph Reference 5.2 (a) of the Data Sheet):

- Under the criterion “adequacy of the proposed technical approach, methodology, and work plan in responding to the TOR,” Borrowers must indicate the points assigned to each one of the three subcriteria: “technical approach and methodology,” “work plan,” and “organization and staffing.”
- Under the criterion “key professional staff qualifications and competence for the assignment,” Borrowers must indicate the percentage weights assigned to each one of the three subcriteria: “general qualifications,” “adequacy for the assignment,” and “experience in region and language.” Under this criterion, Borrowers should also indicate, in addition to the team leader, whose position is mandatory, each one of the key experts responsible for the main activ-

- ities or technical disciplines of the assignment and the points assigned to each of them.
- When more than 10 points are allocated to “suitability of the transfer-of-knowledge program,” it is recommended that the points allocated to the three subcriteria spelled out in the Paragraph Reference 5.2 (a)(iv) of the Data Sheet be disclosed in the RFP, because it increases the transparency of the evaluation. The Borrower may adopt subcriteria that differ from those indicated in the Data Sheet if they do not adequately meet the characteristics of the capacity-building program. If points allocated to subcriteria are not disclosed in the RFP, the Evaluation Committee should allocate them shortly before proposal submission to reduce the risk of manipulation during the evaluation process.
  - The points allocated to each subcriterion should vary according to its relative importance for the consultant assignment. It is recommended that no fewer than 3 points be allocated to each subcriterion. Allocation of fewer than 3 points would imply that the subcriterion is of only minor importance to the overall evaluation.

Defining whether the methodology and work plan or the quality of staff is more important depends on the stage of the project, the nature of the assignment, and the preferences of the Borrower. On the one hand, because the methodology and work plan are usually less important in the final stages of the project (such as construction supervision) and deserve fewer points, weight given to key staff may be higher. On the other hand, because the methodology and work plan are more important in the initial stages of a project (such as master plans and feasibility studies) and deserve more points, fewer points are left to key staff (see table 12.6). A Borrower with a strong sense of ownership over the intellectual work requested of the consultant may dictate its own approach in the TOR and even in the methodology, in which case it may value the key staff of the consultants more than their firm’s experience or methodology.

(Paras. 12.4 to 12.8 suggest proven practices for selecting subcriteria and allocating points [weights] to criteria and subcriteria for the evaluation of quality.)

### 12.3.2 Evaluation Criteria for the STP

The following criteria shall be used as a basis for evaluation of the STP:

- Adequacy of the proposed technical approach, methodology, and work plan in responding to the TOR
- Key professional staff qualifications and competence for the assignment

The Data Sheet contained in the ITC of the RFP discloses the points allocated to each of the evaluation criteria and subcriteria (see Paragraph Reference 5.2 [b] of the Data Sheet). Table 12.2 shows the range of points that may be allocated to each of the two criteria on a scale of 1 to 100, in accordance with Bank *Guidelines*. The actual distribution should depend on the type of assignment, the relative importance of the two criteria for the success of the assignment, and the preferences of the Borrower. A very good practice is to have those who prepared the TOR advise on the selection of subcriteria and related points.

The criterion “key professional staff qualifications and competence” is divided into the following three subcriteria (see para. 2.17 of the *Consultant Guidelines* and Paragraph Reference 5.2 [b][ii] of the Data Sheet of the ITC):

- General qualifications
- Adequacy for the assignment
- Experience in the region

Because the rationale of the STP is to provide a format that is less time-consuming, less costly to prepare, and simpler to evaluate than the FTP, it is suggested that no subcriteria for the criterion “adequacy of the proposed technical approach, methodology, and work plan in responding to the TOR” be adopted, but that the criterion be evaluated as a whole (see para. 17.3.4 of this *Manual*).

Under the criterion “key professional staff qualifications and competence for the assignment,” Borrowers must indicate the percentage weights assigned to each one of the three subcriteria “general qualifications,”

**Table 12.2 Point Distribution of Evaluation Criteria for the STP**

Evaluation criteria	Points
Adequacy of the proposed methodology and work plan	20–40
Key professional staff qualifications and competence	60–80
<b>Total</b>	<b>100</b>

“adequacy for the assignment,” and “experience in region and language.” Under this criterion, Borrowers should also indicate, in addition to the team leader, whose position is mandatory, each key staff responsible for the main activities or technical disciplines of the assignment and the points assigned.

(Para. 12.7 recommends “best” practices for allocating points (weights) to criteria and subcriteria for quality evaluation of the proposed key professional staff.)

### 12.3.3 Relative Weight of Technical and Financial Proposals; Minimum Technical Score

For both the FTP and STP, when cost is a factor of selection, the RFP has to indicate the relative weight assigned to the technical and financial proposals. The weight for quality is normally 80 percent, with 20 percent for cost. Allocating more than 20 percent to the cost of the services is justified only for the selection of procurement agents and inspection agents, which may be weighted up to 50 percent (see *Consultant Guidelines*, paras. 3.17 and 3.18). Bank policy requires that the cost not be weighted less than 20 percent; otherwise, the benefits of price competition would be minimal for the Borrower compared with the disadvantage of not being allowed to negotiate remuneration rates. However, when quality is of primary importance, a minimum weight of 10 percent may be allocated to cost.

It is not mandatory to apply a pass-or-fail threshold when evaluating technical proposals. However, if cost is a factor of selection, a minimum technical qualifying mark may be provided in the RFP to reduce the risk of accepting low-quality proposals at a very low cost. A minimum technical qualifying mark in the range of 70 to 80 percent is normal. Any technical proposal with a score below this mark is rejected, and the financial envelope is returned unopened at the end of the selection process. Setting the threshold too high increases the risk that most proposals will be rejected. (A nonresponsive technical proposal will be rejected regardless of whether there is a minimum mark or not.)

### 12.4 Specific Experience (for the FTP only)

In the Bank SRFP, a maximum of 10 points is assigned to the specific experience of consultants in the field of

the assignment because the Borrower has already short-listed them based on their capabilities (that is, relevant qualifications and experience in assignments of a similar nature). Ideally, there should be little difference between short-listed competitors from the point of view of their specific experience. However, the experience of short-listed consultants is evaluated to identify more-specific aspects of their qualifications that make them more-suitable candidates for the proposed assignment. Depending on the importance of such specific aspects, the Borrower will decide how many points to allocate to this criterion. It is recommended that no fewer than 5 points be allocated; otherwise, the evaluation of the specific experience of consultants in the field of the assignment would become practically irrelevant. (Aspects most frequently considered for evaluating specific experience are listed in para. 17.2.2 of this *Manual*.)

### 12.5 Methodology and Work Plan (for the FTP only)

The methodology and work plan for performing the assignment is a key component of the technical proposal and should be evaluated carefully. This may require the selection of evaluation subcriteria well suited to the specific aspects of the methodology and work plan proposed by the consultants.

A thorough methodology and work plan should generally outline the following three main aspects of the assignment:

- **Technical Approach and Methodology.** In this section, consultants are expected to highlight their understanding of the objectives of the assignment, the issues and their importance, and the approach they would adopt to address them. They should then outline the methodologies they propose to adopt and show the compatibility of those methodologies with the proposed approach (for instance, the methods of interpreting available data; carrying out investigations, analyses, and studies; and comparing alternative solutions). If the TOR requires the consultant to provide a Quality Plan and carry out the assignment according to its provisions, an outline of the Quality Plan (its list of contents, for example) should be included in this section of the proposal.
- **Work Plan.** The consultants will also outline the main activities of the assignment and their content and duration, phasing and interrelations, and milestones (including interim approvals by the Borrower), as



well as delivery dates of the most important outputs. The consistency of the technical approach and methodology with the proposed work plan is a good indication that consultants are able to translate their understanding of the TOR into a working plan. A list of the documents, including reports, drawings, and tables to be delivered as the final output, should be included here. The work plan will enable the consultants to prepare the Work Schedule, following Form TECH-8 of the RFP.

- **Organization and Staffing.** In this section, the consultants outline the proposed structure and composition of their team. It will list the main activities involved, the key experts responsible, and proposed technical and support staff. The roles and responsibilities of key experts should be set out in brief job descriptions. In case of association, this section will indicate how the duties and responsibilities will be shared among its members. Completion of the organization and staffing section will allow consultants to summarize the team composition and task assignments in Form TECH-5 of the RFP and prepare the staffing schedule following Form TECH-7. An organization chart illustrating the structure of the work team and the proposed links to the Borrower and institutions involved in the project should also be provided.

The approach and methodology, work plan, and organization and staffing are integrated aspects. The work plan depends on the technical approach and methodology adopted, and those in turn determine the required organization.

To facilitate its understanding and evaluation of the technical proposals, Borrowers are advised to invite consultants to illustrate in separate sections of their proposals, in a concise manner, each of the three aspects (see Form TECH-4 in section 3 of the ITC; also para. 14.4.2).

Consistent with this recommendation, the following subcriteria for the evaluation of “adequacy of the proposed methodology and work plan in responding to the TOR” are provided for under Paragraph Reference 5.2 (a)(ii) of the Data Sheet of the ITC:

- Technical approach and methodology
- Work plan
- Organization and staffing

In very complex assignments, when the TOR require consultants to carry out activities that differ substantially from each other, additional evaluation

subcriteria may be inserted. A feasibility study of a new seaport is an example in which the TOR assign major importance to traffic forecast, comparison of different layout alternatives, and design of large maritime structures.

In this case, the subcriterion “technical approach and methodology” might be split into four subcriteria, increasing the total number of subcriteria to six, as follows:

- Traffic forecast
- Analysis of alternative layouts
- Geotechnical studies
- Other aspects of technical approach and methodology
- Work plan
- Organization and staffing

This breakdown helps the Evaluation Committee better focus on the different levels of detail in its evaluation.

A phased assignment in which there is a need to evaluate the different phases separately (see para. 10.3.3) is another example. In this case, the subcriterion “technical approach and methodology” might be split into two subcriteria, increasing the total number of subcriteria to four, as follows:

- Approach and methodology of the first phase
- Approach and methodology of the subsequent phases
- Work plan
- Organization and staffing

The total points allocated to methodology and work plan (20 to 50 for the FTP) should be split among the subcriteria, depending on the relative importance of each for the assignment. Even in these cases, the number of subcriteria should be kept to a minimum. Otherwise, the features being evaluated may become individually irrelevant and make the evaluation a mechanical exercise, rather than an informed professional assessment of quality.

## 12.6 Methodology and Work Plan (for the STP only)

For assignments requiring an STP, technical proposals are clearer when consultants outline in three separate chapters, even briefly, their technical approach and methodology, work plan, and organization and staffing. Only for small or very simple assignments can such subdivisions be omitted without diminishing the clarity



of the proposal (also see the note in italics provided under the Form TECH-4 of the RFP).

Between 20 and 40 points may be allocated by the Borrower under Paragraph Reference 5.2 (b)(i) of the Data Sheet of the ITC for the criterion “adequacy of the proposed methodology and work plan in responding to the TOR.” Because no subcriteria are provided, the Borrower shall evaluate the proposed methodology and work plan as a whole, taking into consideration the aspects listed under para. 17.3.2 and preferably using the grades indicated under para. 17.3.4.

### 12.7 Key Professional Staff Qualifications and Competence for the Assignment (for both the FTP and STP)

Key staff refers to the consultant staff who have management responsibilities or the key qualifications required for the assignment. The RFP (see Paragraph Reference 5.2 [a][iii] of the Data Sheet for the FTP and Paragraph Reference 5.2 [b][ii] of the Data Sheet for the STP) shall indicate the distribution of points among the key staff members who will cover the positions that the Borrower considers most important for the success of the assignment. Because the success of the assignment depends to a large extent on the performance of the team leader, in no circumstances should he or she be given less weight than any other staff member. In small teams, the team leader may be given more than 50 percent of the total points allocated to this criterion.

An example of such distribution for an agricultural development project is outlined below (it is assumed that the total points allocated to the criterion “key professional staff qualification and competence for the assignment” is 60):

- Team leader: 25 points
- Chief agronomist: 10 points
- Chief pedologist: 9 points
- Chief socioeconomist: 8 points
- Chief hydraulic engineer: 8 points
- Total 60 points**

Some assignments (more specifically, those involving large teams) may require interdisciplinary weighting. In these cases, Borrowers may indicate the points allocated to the most significant technical disciplines in the RFP, instead of those relating to staff members covering the most important positions. In this case, the eval-

uation shall consider the combined qualifications and experience of all the proposed key professional staff in each of the technical disciplines (also see para. 16.5.2 of this *Manual*). However, the team leader shall be evaluated separately because of his or her relevance for the success of the assignment.

An example of such distribution for the same agricultural development project outlined above is as follows:

- Team leader: 25 points
- Agronomy: 10 points
- Pedology: 9 points
- Socioeconomics: 8 points
- Hydraulic engineering: 8 points
- Total 60 points**

The actual number of points (score) to be assigned to each of the above positions (or technical disciplines) shall be determined taking into consideration the qualifications and experience of the relevant key staff shown in their curricula vitae (CVs). The evaluation is carried out using the following three subcriteria indicated in the ITC:<sup>1</sup>

- General Qualifications. This subcriterion covers the general experience of the candidate (total duration of professional activity), level of education and training, positions held by the candidate, time spent with the consultant as staff, experience in the region where the assignment is to be carried out, and so forth.
- Adequacy for the Assignment. This subcriterion relates to the education, training, and experience of the candidate in the specific sector, field, subject, and so forth directly relevant to the assignment and the proposed position. This factor is critical and should be given the greatest weight among the three subcriteria.
- Experience in the Region and Language. This subcriterion illustrates the candidate’s knowledge of local conditions, including culture, administrative systems, and government organizations, as well as his or her ability to communicate in the local language.

Borrowers shall indicate in the Data Sheet of the RFP (see Paragraph Reference 5.2 [a][iii] of the Data Sheet for the FTP, and Paragraph Reference 5.2 [b][ii] of the Data Sheet for the STP) the percentage weight assigned to each of the above three subcriteria, based on the weight ranges set out in table 12.3:

The following example illustrates the combined weighting scheme that may be applied to the criterion “key professional staff qualifications and competence

**Table 12.3 Range of Percentage in Point Distribution of Key Professional Staff Qualifications and Competence Subcriteria**

Subcriteria	Range of percentage
General qualifications	20–30
Adequacy for the assignment	50–60
Experience in region and language	10–20
<b>Total</b>	<b>100</b>

for the assignment.” The following example refers to the agricultural development project mentioned above.

It is assumed that the Borrower has indicated in Paragraph Reference 5.2 of the Data Sheet the following distribution of points:

• Team leader:	25 points
• Chief agronomist:	10 points
• Chief pedologist:	9 points
• Chief socioeconomist:	8 points
• Chief hydraulic engineer:	<u>8 points</u>
<b>Total</b>	<b>60 points</b>

It is also assumed that the Borrower has assigned in Paragraph Reference 5.2 of the Data Sheet the percentage weight to the three subcriteria as follows:

• General qualifications:	30
• Adequacy for the assignment:	50
• Experience in region and language:	<u>20</u>
<b>Total:</b>	<b>100</b>

The detailed point allocation resulting from the breakdown above is summarized in table 12.4.

According to table 12.4, the team leader can be given a maximum of 7.5, 12.5, and 5 points, respectively, under “general qualifications,” “adequacy for the assignment,” and “experience in region and language.” Similarly, the chief agronomist (that is, the expert indicated by the consultants as responsible for agronomical studies) can be assigned a maximum of 3, 5, and 2 points, respectively.

For the same agricultural development project, should the Borrower allocate points to the most significant technical disciplines, the detailed point allocation would be the one summarized in table 12.5.

In this case, when more than one expert is proposed by a consultant for the same discipline, the relevant points are evenly distributed among them. For instance, in the above example, if a consultant proposes three agronomists, each of the three is evaluated according to the table, and then the total score obtained by them is divided by three to obtain the score of “agronomy.”

## 12.8 Capacity-Building Program and Training (for the FTP only)

When capacity building is an important component of the assignment, more than 10 points can be allocated to this area, subject to the Bank’s prior approval. This area could be divided into the following subcriteria:

- Relevance of Program. Capacity building should cover in sufficient depth important issues in a given sector that will benefit the Borrower.

**Table 12.4 Distribution of Points between the Team Leader and Remaining Key Professional Staff**

Position	Points	Subcriteria		
		General qualifications (30%)	Adequacy for the assignment (50%)	Experience in region and language (20%)
Team leader	25	30% of 25 = 7.5	50% of 25 = 12.5	20% of 25 = 5.0
Chief agronomist	10	30% of 10 = 3.0	50% of 10 = 5.0	20% of 10 = 2.0
Chief pedologist	9	30% of 9 = 2.7	50% of 9 = 4.5	20% of 9 = 1.8
Chief socioeconomist	8	30% of 8 = 2.4	50% of 8 = 4.0	20% of 8 = 1.6
Chief hydraulic engineer	8	30% of 8 = 2.4	50% of 8 = 4.0	20% of 8 = 1.6

**Table 12.5 Distribution of Points between the Team Leader and Technical Disciplines**

Position	Points	Subcriteria		
		General qualifications (30%)	Adequacy for the assignment (50%)	Experience in region and language (20%)
Team leader	25	30% of 25 = 7.5	50% of 25 = 12.5	20% of 25 = 5.0
Agronomy	10	30% of 10 = 3.0	50% of 10 = 5.0	20% of 10 = 2.0
Pedology	9	30% of 9 = 2.7	50% of 9 = 4.5	20% of 9 = 1.8
Socioeconomics	8	30% of 8 = 2.4	50% of 8 = 4.0	20% of 8 = 1.6
Hydraulic engineering	8	30% of 8 = 2.4	50% of 8 = 4.0	20% of 8 = 1.6

- Approach and Methodology. This refers to the methodology and work program proposed to achieve the objectives specified in the TOR and ensure lasting benefits for the Borrower.
- Qualifications of Experts and Trainers. This covers the technical qualifications of the proposed specialists, as well as their specific experience in providing capacity building and training similar to the one requested by the TOR.

## 12.9 National Participation (for the FTP only)

The *Consultant Guidelines* encourage consultants to optimize the use of national consultants by establishing

that short lists contain at least one firm from a developing country (unless qualified firms from developing countries are not identified) and by factoring the participation of nationals into the evaluation of proposals by introducing a specific criterion. Depending on the importance given to the participation of national consultants and the characteristics of the assignment, a maximum of 10 points may be given for this criterion. National participation is assessed based on the percentage share of national consultants covering key staff positions in staff-months over the total staff-months of key staff proposed for the assignment. Foreign consultants may satisfy national participation requirements either by associating (joint venture or subcontract) with their local branch, if one exists, or with other national firms, or by incorporating national individual experts

**Table 12.6 Allocation of Points to Main Criteria for the FTP**

	Specific experience	Adequacy of methodology work plan	Key staff qualifications	Transfer of knowledge (if required)	National participation (if required)	Total points
<b>Guidelines</b>	<b>0-10</b>	<b>20-50</b>	<b>30-60</b>	<b>0-10</b>	<b>0-10</b>	<b>100</b>
Type of assignment						
Technical assistance/training	5-10	20-35	50-60	0-10 <sup>a</sup>	0-10	100
Preinvestment studies	5-10	35-50	40-50	0-10	0-10	100
Design	5-10	30-45	40-50	0-10	0-10	100
Implementation/supervision	5-10	20-35	50-60	0-10	0-10	100

a. When training is an important component of the assignment, subject to the Bank's prior approval, more points can be given to this criterion, and points of the other criteria are therefore reduced.

**Table 12.7 Allocation of Points to Main Criteria for the STP**

	Adequacy of methodology work plan	Key staff qualifications	Total points
<b>Data Sheet of the RFP</b>	<b>20–40</b>	<b>60–80</b>	<b>100</b>
Type of assignment			
Technical assistance	20–30	70–80	100
Preinvestment studies	30–40	65–75	100
Design	30–35	65–75	100
Implementation/supervision	20–30	70–80	100

into their work team. In all cases, for national participation to be rewarded in the evaluation of proposals, national experts should be part of the key staff, not just support staff.

In special circumstances, Borrowers may further require the use of national consultants by preparing short lists entirely composed of national consultants. This may apply to assignments below the ceiling(s) established in the Project Procurement Plan, when either competition including foreign consultants is prima

facie not justified or foreign consultants have not expressed interest and a sufficient number of qualified national consultants is available.

## 12.10 The Point System

The allocation of points to the main evaluation criteria might fall within the ranges indicated in table 12.6 and table 12.7, respectively, for the FTP or STP, de-

**Table 12.8 Evaluation Criteria and Sample Subcriteria**

Evaluation criteria (as defined in the <i>Consultant Guidelines</i> )	Evaluation subcriteria (select a maximum of three)
Specific experience of the consultants relevant to the assignment	
Adequacy of the proposed methodology and work plan in responding to the TOR	<ul style="list-style-type: none"> <li>• Technical approach and methodology</li> <li>• Work plan</li> <li>• Organization and staffing</li> </ul> <p><i>Note:</i> The number of subcriteria may be increased, depending on the characteristics of the assignment (see para. 12.5).</p>
Key professional staff qualifications and competence for the assignment	<ul style="list-style-type: none"> <li>• General qualifications</li> <li>• Adequacy for the assignment</li> <li>• Experience in the region and language</li> </ul> <p><i>Note:</i> These three subcriteria are defined by the RFP and cannot be changed.</p>
Suitability of the transfer-of-knowledge (training) program	<ul style="list-style-type: none"> <li>• Relevance of program</li> <li>• Training approach and methodology</li> <li>• Qualifications of training specialists</li> </ul>
Participation by nationals among proposed key staff	

## 12.10 The Point System

pending on the specifics of different assignment types (see also paras. 12.1, 12.2, and 12.3).

### 12.11 Evaluation Criteria and Subcriteria

Table 12.8 summarizes the five evaluation criteria provided for by the FTP in the Standard Request for Proposals (SRFP) and gives examples of subcriteria

that could be adopted by the Borrower when preparing the RFP. (Subcriteria indicated in table 12.8 for the criterion “key professional staff qualifications and competence for the assignment” also apply to the STP.)

#### Note

1. See *Consultant Guidelines*, clause 2.17.

### 13.1 Main Considerations

Unlike in procurement of goods and works in which all interested bidders are publicly invited to present their bids, the consultant selection process is based on obtaining a few proposals from a short list prepared by the Borrower. Because it is too time-consuming and expensive for Borrowers to invite and evaluate proposals from all consultants who want to compete, selection is based on limited competition among qualified firms that, in the Borrower's view or experience, are capable and can be trusted to deliver the required services at the desired level of quality.

From the consultant's point of view, the use of a short list reduces the number of proposals and therefore increases the chances of the consultant to be selected. For the Borrower, it is an effective way of attracting the best candidates for the assignment.

Bank procedures for hiring consultants provide that consultant opportunities are first advertised by the Borrower. Then, based on those consultants who submitted expressions of interest in response to the advertisement and from any other sources of reliable information, the Borrower prepares a short list of consultants who will be invited to present proposals. (Figure 13.1 is a flow chart illustrating the steps in the short-listing process.)

### 13.2 Advertising

The main objective of advertising is to inform as many eligible consultants as possible about a consulting opportunity under a Bank-financed operation. Advertising promotes transparency and fairness and facilitates the participation of smaller firms that otherwise might not have easy access to information or to local contacts.

Under the *Consultant Guidelines*, the Borrower is required to issue a General Procurement Notice (GPN)<sup>1</sup> for all projects financed by the Bank, including a list

of expected consulting assignments, and shall advertise a request for expressions of interest (EOIs) for consulting firms for each contract in the national gazette, in a national newspaper, or in a freely accessible electronic portal. In addition, the Borrower shall advertise in the *UN Development Business online (UNDB online)* and in the *Development Gateway Market (dgMarket)* each individual contract expected to cost more than US\$200,000. Borrowers may also advertise requests for EOIs in an international newspaper or in a technical journal.

For unusual or very large assignments, the request for EOIs may also be sent to consulting and professional associations, embassies, or reputed consultants that are known to the Borrower. Borrowers should send a copy of the request for EOIs to all the consultants who have initially responded to the GPN. (A sample request for EOIs can be found in appendix 6.)

The request for EOIs should ask for sufficient information so that the Borrower may evaluate the consultant's capabilities and eligibility to undertake the assignment. Information should include the following:

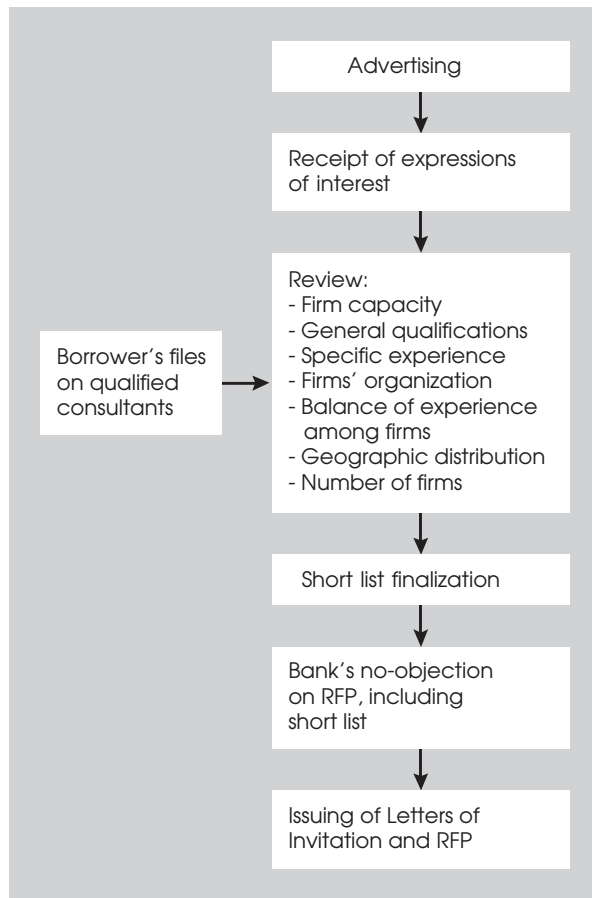
- Core business and years in business
- Qualifications in the field of the assignment
- Technical and managerial organization of the firm
- General qualifications and number of key staff

In addition to the information asked for by the request for EOIs, consultants should call the Borrower's attention to any conflicts of interest that they know about that may affect the objective performance of their services for the Borrower.

Given the often-large number of submissions, the advertisement should stress the importance of brevity of the information to be sent. The request for EOIs shall not include the assignment TOR, nor shall it ask the consultants for their approach to the services or to submit the curricula vitae, because these documents will be dealt with in the RFP. No legal documents such



**Figure 13.1 Steps in the Short-Listing Process**



as certificates of incorporation of the firm, powers of attorney, financial statements, or translations of standard brochures should be requested. The *Guidelines* indicate that no less than 14 days from the date of posting on *UNDB online* shall be provided for responses before preparation of the short list.

## 13.3 Preparation of Short Lists

### 13.3.1 General Considerations

The Borrower prepares a short list comprising not more than six firms. The Bank may agree to short lists comprising a smaller number of firms in special circumstances (for example, when only a few qualified firms in the field exist or have expressed interest for the specific assignment, or when the contract amount does not justify the cost of wider competition).

The Borrower reviews the qualifications of consultants who submitted expressions of interest and gives

first consideration to those possessing the best qualifications for the proposed assignment. When a short list meeting the diversity requirements set out in the *Consultant Guidelines* (para. 2.6) cannot be drawn up from the expressions of interest or the firms expressing interest do not meet the Borrower's quality expectations, the Borrower may add reputable firms or ask the Bank in writing to supply a long list of capable firms. The Borrower may also invite qualified consultants that may not be aware that a request for EOIs was issued, but are known to the Borrower for their good reputation or record of past work for the same Borrower.

Because preparation of the short list should be the responsibility of the Borrower, Bank staff are advised not to recommend specific firms to the Borrower unless officially requested to do so, but can be helpful providing guidance on how to prepare a short list of capable consultants, especially if the Borrower lacks the necessary experience.

The Bank *Guidelines* do not allow formal prequalification procedures, but recommend that in preparing the short list the Borrower consider, in addition to the information asked for in the request for EOIs, key factors such as a consultant's reputation of integrity and impartiality rooted in independence from third parties. Also, the experience of the Borrower with a consultant and the existence of a relationship of healthy trust are important considerations for the short list.

The Bank is concerned about possible abuses that may affect preparation of the short list (para. 5.2.1) and therefore considers the integrity of a professional consultant a necessary condition for eligibility to take part in Bank-funded assignments. Borrowers are advised to observe this requirement and consultants to stick to the norms of their profession, which require them to always be honest and straightforward in dealing with the Borrower. Allegations of corruption that come to the Bank's attention will be examined carefully, and the sanctions set forth in the *Consultant Guidelines* will be applied when the Bank determines that the firm has been engaged in fraudulent or corrupt practices (para. 5.4).

The following are other considerations related to the preparation of the short list:

- Short-listed consultants should be allowed to associate with each other or with non-short-listed consultants only with the permission of the Borrower.
- Consultants should be required to confirm their intention to submit proposals shortly after the invitation to submit proposals is issued.

- The Borrower should identify one or two additional firms to include in the short list in case (a) any of the short-listed firms decides not to submit its proposal or (b) some of the short-listed consultants associate with each other, after obtaining the Borrower's permission (this possibility should be indicated by the Borrower in the Data Sheet attached to the ITC of the RFP). The Borrower shall obtain the prior approval of the Bank before adding a firm to the short list.

Under QCBS, the Borrower should not include in the same short list both consultants whose core business is to provide consulting services and other organizations that have a different mission and cost structure (such as NGOs, universities, government institutes, and UN agencies) (see para. 2.1). The latter group has a different cost structure from consulting firms, and some organizations may enjoy privileges or subsidies that make price comparisons unfair. When a wide mix of experience is necessary, QBS, FBS, or CQS should be adopted.

### 13.3.2 Geographic Origins of Invited Firms

The short list should reflect a wide geographic area to provide opportunities for all eligible consultants (see para. 3.2); therefore, the list should not include more than two firms from any one country, and it should include at least one firm from a developing country unless there are no qualified firms.<sup>2</sup> However, in Borrower countries where local consultancies are well developed, the short list may comprise only national consultants (firms legally registered or incorporated in the country) if the assignment is below the ceiling (or ceilings) established in the Procurement Plan approved by the Bank, a sufficient number of qualified national firms is available,<sup>3</sup> and foreign consultants have not expressed interest. However, if foreign firms express interest, they shall be considered for short-listing.

## 13.4 Associations between Consultants

Bank policy related to associations between consultants is detailed under para. 3.4 of this *Manual*. Consultants expressing interest in a Bank-funded assignment and Borrowers preparing the short list for that assignment are advised to take into account the considerations expressed in para. 3.4.

## 13.5 Review and Approval of the Short List

Borrowers provide the Bank with the short list, together with the RFP and a memo explaining the reasons for choosing the proposed firms. The Bank reviews the eligibility and qualifications of the consultants to ensure that they meet the required qualifications. If the Bank finds the information provided by the Borrower insufficient, it may request the Borrower to provide additional information on the consultants.

In reviewing the short list, the Bank should ensure that

- the short list comprises six consultants, unless circumstances lead the Bank to agree to a smaller number of firms (see para. 2.6 of the *Guidelines*);
- the short-listed consultants are eligible and capable of carrying out the assignment;
- at least one of the consultants is a firm from a developing country, unless qualified firms from developing countries are not available or interested; and
- no more than two consultants from any one country are short-listed (except in those special cases in which the list comprises only local consultants).

After the Bank issues its “no objection” to the RFP package, including the short list (para. 8.2.1), the names of the short-listed firms should not be changed without Bank approval. A short list that has received the Bank's “no objection” is public and should be accessible to other consultants (for example, to potential subconsultants who wish to propose associating with short-listed firms and to anyone requesting the information). The Bank may arrange for the publication of approved short lists for assignments it finances. Firms that expressed interest, as well as any other firm that so desires, can obtain a copy of the final short list.

## Notes

1. The General Procurement Notice is prepared by the Borrower and sent to the Bank, which will arrange for its publication in *United Nations Development Business online (UNDB online)* and in the *Development Gateway Market (dgMarket)*.
2. See clause 2.6 of the *Consultant Guidelines*.
3. See clause 2.7 of the *Consultant Guidelines*.

# 14 Request for Proposals

## 14.1 Introduction

The Request for Proposals (RFP) provides all the instructions and information necessary for the short-listed consultants to prepare their proposals. The RFP also includes the assignment Terms of Reference (TOR) and the draft contract. The Bank's Standard Request for Proposals (SRFP) for Borrowers<sup>1</sup> is the mandatory format for the preparation of the actual RFP. The SRFP can be adapted to apply to any of the selection methods described in the *Consultant Guidelines*.

The SRFP includes the following sections:

- Section 1: Letter of Invitation (LOI)
- Section 2: Instructions to Consultants (ITC) (including the Data Sheet)
- Section 3: Technical Proposal—Standard Forms
- Section 4: Financial Proposal—Standard Forms (including the appendix on breakdown of remuneration rates)<sup>2</sup>
- Section 5: Terms of Reference
- Section 6: Standard Form of Contract (including General Conditions of Contract [GCC], Special Conditions of Contract [SCC], and Appendixes)

The SRFP includes two Bank Standard Forms of Contract: one for complex, time-based consulting assignments and the other for assignments remunerated on a lump-sum basis. The SRFP also includes two samples that may be used for smaller contracts under time-based or lump-sum payment.

The SRFP is a standard document and can be used under many different conditions. It has been designed in such a way that some of its parts (for example, the ITC and GCC) cannot be modified by the Borrower. Other parts (for example, the Data Sheet, TOR, and SCC) are assignment-specific and are used by the Borrower to reflect country and assignment conditions (see paras. 14.3, 14.4, and 14.5).

The RFP must be prepared in one of the following three internationally used languages, at the Borrower's discretion: English, French, or Spanish. In addition to being prepared in one of these three languages, the Borrower may also prepare the RFP in the national language of the Borrower's country or in the language used nationwide in the country for commercial transactions. If the RFP is prepared in two languages, consultants shall be permitted to submit their proposals in either of these two languages. In such cases, the contract signed with the successful consultant shall be written in the language in which its proposal was submitted, and this language shall govern the contractual relations between the Borrower and the successful consultant.

If the contract is signed in a language other than English, French, or Spanish and the contract is subject to the Bank's prior review, the Borrower shall provide the Bank with a translation of the contract in the internationally used language in which the RFP was prepared (the translation requested by the Bank should not be signed; the version in the national language prevails over the translation).

Consultants may request clarifications of the RFP up to a certain number of days (indicated in the Data Sheet) before the deadline for submission of their proposals. At any time before the submission of proposals, the Borrower may amend the RFP, in which case the deadline for submission may need to be extended. (The following paragraphs describe the different sections of the RFP.)

## 14.2 Letter of Invitation

The Letter of Invitation (LOI) states the intention of the Borrower to enter into a contract for a given assignment and informs the short-listed consultants that they are invited to submit a proposal for the assignment.

It provides the following basic information:

- Name of the Borrower and the sources of funds to finance the consulting services
- Names of the short-listed consultants
- Name of the consulting services assignment
- Method of selection

The LOI also instructs consultants to indicate whether they intend to submit their proposal alone or in association with other consultants, either short-listed or not (the possibility to associate with short-listed consultants should be indicated in the Data Sheet). This information is necessary to allow the Borrower to invite other consultants (see para. 13.3.1), in case one or more short-listed consultants decline the invitation or ask to associate with other short-listed consultants, thus reducing competition. In these cases, the deadline for submission of proposals may have to be extended.

## 14.3 Instructions to Consultants

### 14.3.1 Introduction

The Instructions to Consultants (ITC) section contains all the information and instructions that consultants need to prepare responsive proposals (see appendix 2 of the *Consultant Guidelines*). Among other things, it informs consultants about not only the type of technical proposal to be submitted but also the evaluation process (including the evaluation criteria and sub-criteria, their respective weights, and the minimum qualifying mark) to provide for a fair and transparent selection process. The ITC should not be modified (see para. 14.1) other than through the Data Sheet with the Bank's prior approval.

### 14.3.2 Data Sheet

The Data Sheet is the part of the ITC that contains specific information relating to the Borrower and the assignment. The column marked "Paragraph Reference" refers to the paragraph of the ITC under which the Borrower provides assignment-specific information to the consultants. The Data Sheet can be modified for specific country or project conditions that are not addressed by the ITC standard text by, for example, adding new paragraphs not provided for in the ITC. (The following text provides clarifications to some of the references to the paragraphs included in the Data Sheet.)

#### Paragraph Reference

- 1.3 *Preproposal conference.* A preproposal conference is recommended for complex assignments when the proposal preparation benefits from field visits and the collection of documents. The conference should be convened after consultants have had sufficient time to examine the RFP. However, the conference should leave enough time for consultants to prepare their proposals, taking into account the clarifications obtained during the conference. Minutes of the conference should be made available to all short-listed consultants. Attendance at the preproposal conference is optional.
- 1.4 *Inputs and facilities provided by the Borrower.* A detailed list of the Borrower's inputs is usually included in the TOR or in the draft contract. Under this heading, the Borrower should provide all additional information needed for consultants to understand the form and the extent of the Borrower's contribution. Consultants may seek clarifications as necessary on such inputs because any ambiguity in what the Borrower will provide may become an issue during technical and financial evaluation of the proposals.
- 1.1.6 (a) *Continuation.* The Borrower shall indicate under this Paragraph Reference whether the consultant might be expected to provide additional consulting services as a continuation of the assignment. If this is a possibility, the Borrower shall briefly outline in the TOR the scope and nature of the future work envisaged.
- 1.12 *Validity period of the proposal.* The validity period should allow for an adequate period to negotiate the contract with the successful consultant. It should also allow for negotiations with the consultant ranked second if the negotiations with the first are unsuccessful. However, an excessive proposal validity period poses a strain on consultants, who must retain their staff for an indefinite period. If the validity period is too long, the risk of staff substitution increases considerably. A reasonable period is estimated to be between 60 and 90 days after the proposal submission date.
- 2.1 *Request for clarifications.* The deadline for requesting clarifications should allow the Borrower sufficient time to prepare responses

- and allow the consultants enough time to take them into account before submitting their proposals. Therefore, no less than 10 to 15 days should be provided for.
- 3.1 *Language(s) of proposals.* The Borrower must indicate the language that the proposals shall be submitted in: English, Spanish, or French. If the Borrower, in addition to having issued the RFP in one of those three languages, has also issued the RFP in the national language of the country or in the language used nationwide for commercial transactions, the Paragraph Reference 3.1 shall include the optional text provided for in the Data Sheet, and the second language shall be indicated in the text.
- 3.3 (b) *Estimated number of professional staff-months required for the assignment, and the available budget.* Only the estimated total of professional staff-months (not the individual staff-months) or the available budget should be indicated, but not both. For FBS, only the available budget shall be given, and not the staff-months required.
- 3.4 *Format of the Technical Proposal.* The Borrower should select the most appropriate format, considering the information given in para. 12.2 of this *Manual*.
- 3.4 (g) *Capacity Building (Training).* When training is a specific component of the assignment, the Borrower should provide consultants with appropriate information on the nature, extent, goals, and depth of such activity, either under this Paragraph Reference of the Data Sheet or (preferably) in a specific section of the TOR (see also chapter 6 of this *Manual*).
- 3.7 *Taxes.* Local taxation includes all identifiable local indirect taxes levied on the contract (for example, value added or sales taxes; social charges; or income taxes on nonresident foreign personnel, duties, fees, and levies) at national, state, provincial, and municipal levels (see para. 2.22 of the *Consultant Guidelines*).
- 4.5 *Proposal submission date.* Borrowers should allow consultants a reasonable time for the preparation of proposals. For small and simple assignments, four weeks between the invitation and submission should suffice. For large and complex assignments, however, for which the consultants must associate, or visit

the site, or attend the preproposal conference, periods of up to three months are needed (see also para. 16.2 of this *Manual*).

- 5.2 (a) *Evaluation criteria, subcriteria, and relevant points for the FTP.* For the FTP, the following five criteria are provided in the Data Sheet:

- Specific experience of the consultants relevant to the assignment
- Adequacy of the proposed methodology and work plan in responding to the TOR
- Key professional staff qualification and competence for the assignment
- Suitability of the transfer-of-knowledge program
- Participation by national consultants among proposed key staff

Because the last two criteria are optional (see para. 12.3 of this *Manual*), the Borrower should first decide whether to adopt them: if it does not, zero points shall be assigned to both criteria; if it does, the Borrower should indicate the points assigned to each of them.<sup>3</sup>

When capacity building is a particularly important component of the assignment, the Borrower may allocate, subject to the Bank's prior approval, more than 10 points, to be distributed among the three subcriteria: "relevance of training program," "training approach and methodology," and "qualifications of experts, and trainers."

The Borrower should also indicate the points allocated to the three subcriteria specified under the criterion "adequacy of the proposed methodology and work plan in responding to the TOR": "technical approach and methodology," "work plan," and "organization and staffing."<sup>4</sup>

With regard to the criterion "key professional staff qualifications and competence for the assignment," the Borrower should indicate, in addition to the team leader, each expert responsible for the most significant activities (or each of the most important technical disciplines) of the assignment and the points assigned to each of them. The Borrower should also indicate the percentage weights assigned to the three subcriteria to be used to evaluate each of the above experts (or disciplines). Chapter 12 of this *Manual* provides suggestions (based on best practices)



on how to select such experts (or disciplines), how to distribute the relevant points, and how to assign the percentage weights to the three subcriteria.

The Borrower should also indicate points allocated to the criterion “specific experience of the Consultants relevant to the assignment.”

The minimum technical score (“St”) shall also be indicated (see para. 12.3.3).

5.2 (b) *Evaluation subcriteria and relevant points for the STP.* For the STP, only the following two criteria are provided:

- Adequacy of the proposed methodology and work plan in responding to the TOR
- Key professional staff qualification and competence for the assignment

The Borrower should indicate the points allocated to the criterion “adequacy of the proposed methodology and work plan in responding to the TOR”; no subcriteria should be provided for the STP. Consistent with the rationale of the STP format (a simpler and shorter technical proposal than the FTP), para. 3.4 (c)(ii) of the ITC indicates that the description of approach, methodology, and work plan should normally consist of 10 pages, including charts, diagrams, and comments and suggestions on the TOR and counterpart staff and facilities. To motivate adherence to the 10-pages recommendation, the Borrower may establish and indicate under this Paragraph Reference a penalty to be applied in case such limit is exceeded. For example, a reduction by 10 percent of the score obtained under the criterion “adequacy of the proposed methodology and work plan in responding to the TOR” in case the 10-pages limit is exceeded by more than 2 pages may be indicated.

As far as the criterion “key professional staff qualifications and competence for the assignment” is concerned, the same information provided under Paragraph Reference 5.2 (a) applies.

The minimum technical score (“St”) shall also be indicated (see para. 12.3.3 of this *Manual*).

5.6 *Source of the official exchange rate.* This should be an official source, such as the central

bank, a commercial bank, or an internationally circulated publication.

*Date of exchange rate.* This date should not be earlier than four weeks before the deadline for submission of proposals.

5.7 *Formula for determining the financial score.* The Data Sheet proposes the following inversely proportional formula:  $S_f = 100 \times F_m/F$ , in which

- “Sf” means financial score,
- “Fm” means lowest price offered, and
- “F” means the price of the proposal under consideration.

The Data Sheet allows for the adoption of other formulas. A Borrower willing to propose a formula different from the one suggested in the Data Sheet should consider that such a formula needs the Bank’s “no objection” and may be accepted by the Bank only if it reflects the real financial standing of the proposals and does not distort the financial evaluation.

*Weights given to the technical and financial proposals.* The best practice on how to select these weights under QCBS is given in para. 12.3.3 of this *Manual*.

## 14.4 Technical Proposal Standard Forms

Section 3 of the SRFP includes the following eight Standard Forms:

- TECH-1 Technical Proposal Submission Form
- TECH-2 Consultant’s Organization and Experience:
  - A. Consultant’s Organization
  - B. Consultant’s Experience
- TECH-3 Comments and Suggestions on the Terms of Reference and on Counterpart Staff and Facilities to Be Provided by the Borrower:
  - A. On the Terms of Reference
  - B. On the Counterpart Staff and Facilities
- TECH-4 Description of the Approach, Methodology, and Work Plan for Performing the Assignment
- TECH-5 Team Composition and Task Assignments
- TECH-6 Curricula Vitae (CVs) of Proposed Professional Staff
- TECH-7 Staffing Schedule
- TECH-8 Work Schedule



When the FTP is requested, all eight Standard Forms shall be included in the RFP. When the STP is requested, only the Forms TECH-1, TECH-4, TECH-5, TECH-6, TECH-7, and TECH-8 shall be included in the RFP.

Borrowers should not modify standard technical or financial proposal forms of the RFP. The objective of these forms is to allow the required information to be presented in a clear and readily comparable manner and to allow Borrowers to easily understand and evaluate proposals in accordance with the established criteria. Some of the Standard Forms are discussed in the following paragraphs.

#### **14.4.1 Form TECH-3: Comments and Suggestions on the TOR and on Counterpart Staff and Facilities to Be Provided by the Borrower**

This Form shall be used when the FTP is required.

An objective of the Borrower engaging consultants is to access or explore new approaches, methods, and solutions, some of which it may not have considered when drafting the TOR. In the RFP, Borrowers invite consultants to express their comments on the TOR and suggest improvements. However, consultants tend to limit their comments on the TOR because they assume that the TOR were prepared by experts and reviewed and approved by the Bank and also because they fear that their proposal may be classified as nonresponsive.

Consultants willing to propose modifications or improvements to the TOR, such as deleting an activity they consider unnecessary, or adding another, or proposing a different phasing of the activities, should present and justify such suggestions in section A of Form TECH-3 and incorporate them in their proposal. This will allow the Borrower to correctly evaluate their technical proposals on their own merits. Consultants are also invited to comment in section B of Form TECH-3 on the counterpart staff and facilities, if any, to be provided by the Borrower.

#### **14.4.2 Form TECH-4: Description of the Approach, Methodology, and Work Plan for Performing the Assignment**

The text in italics provided in Form TECH-4 of the SRFP requires consultants to present their methodol-

ogy and work plan divided into the following three sections:

- Technical approach and methodology
- Work plan
- Organization and staffing

This will help the Evaluation Committee to better focus the evaluation of the proposals because the three subcriteria spelled out under Paragraph Reference 5.2 (a) of the Data Sheet for the criterion “adequacy of the proposed methodology and work plan in responding to the TOR” coincide with the titles of the above three sections.

For small or simple assignments for which subcriteria are not provided under “adequacy of the proposed methodology and work plan in responding to the TOR,” Borrowers should omit the italicized text in Form TECH-4.

#### **14.4.3 Form TECH-7: Staffing Schedule**

Consultants shall provide the following in this form:

- A bar chart indicating the involvement over time of their foreign and local staff for the whole duration of the assignment. For each staff, the bar chart should distinguish between full time or part time and between home or field involvement. Both foreign and local staff shall be considered as “home” staff when working at their respective home offices and as “field” staff when working on-site. For professional staff, the involvement should be indicated individually; for support staff, by category.
- The staff-months input of each staff, total foreign staff input, total local staff input, and overall input for the entire assignment. Monthly staff-month input is not required.

#### **14.4.5 Form TECH-8: Work Schedule**

Consultants shall provide in this form a bar chart indicating the duration of each main activity of the assignment, including delivery of reports, client approvals, and other events. If the TOR indicate that the assignment is phased, consultants shall provide a separate bar chart for each phase. Consultants should bear in mind that the activities indicated in Form TECH-8 must be consistent with the activities (or groups of activities, or phases) that they will record when filling in Form FIN-3 of their financial proposal (see note 2 of Form FIN-3).

## 14.5 Financial Proposal Standard Forms

Section 4 of the SRFP includes the following five standard forms:

- FIN-1 Financial Proposal Submission Form
- FIN-2 Summary of Costs
- FIN-3 Breakdown of Costs by Activity
- FIN-4 Breakdown of Remuneration
- FIN-5 Reimbursable Expenses

Section 4 also includes the appendix “Financial Negotiations: Breakdown of Remuneration Rates.”

All of the five Standard Forms above and the appendix shall be used for both the FTP and STP.

Borrowers should not modify financial proposal Standard Forms of the SRFP. The objective of these forms is to allow the consultants to present information in a clear and readily comparable manner and to allow Borrowers to easily understand and evaluate proposals.

### 14.5.1 Appendix “Financial Negotiations: Breakdown of Remuneration Rates”

The appendix to section 4 of the SRFP is used under QBS, and SSS. It provides self-explanatory information on the breakdown of remuneration rates, with a Sample Form that is intended to assist consultants in preparing for financial negotiations.

## 14.6 Standard Forms of Contract

The Form of Contract should be prepared by the Borrower based on one of the Standard Forms of Contract annexed to the SRFP or on another form agreed on with the Bank when Bank Standard Forms

are not suitable for the specific assignment (also see chapter 15). Although the General Conditions of Contract (GCC) of the Standard Forms cannot be modified, the Special Conditions of Contract (SCC) may be modified by the Borrower before issuing the RFP to adapt them to the specific requirements of the assignment or to add new clauses that the Borrower considers necessary (for example, a penalty clause for failure on the part of the consultant to submit contractual deliveries when due).

The notes in italics included in the SCC provide important clarifications of particular paragraphs. Clauses in brackets are optional. All notes should be deleted in the final text.

### Notes

1. There is also a SRFP used by the Bank when it hires consultants directly, under its own budget or as executing agency of a trust fund, which is similar to the one that is mandatory for Borrowers.
2. The appendix on Breakdown of Remuneration Rates is to be used only in Quality-Based Selection (QBS), and Single-Source Selection (SSS) (that is, when cost is not a factor of selection).
3. In most cases, subcriteria are not provided for “specific experience” and “participation by nationals”; for “suitability of the training program,” subcriteria are provided when transfer of knowledge is a particularly important component of the assignment (see para. 12.7).
4. In most cases, these three subcriteria are fully adequate to allow the Evaluation Committee to carry out a satisfactory evaluation; however, in very complex assignments, the subcriterion “technical approach and methodology” might be split into additional sections, increasing the total number of subcriteria (see para. 12.5 of this *Manual*).

# 15 Types and Forms of Contract

## 15.1 Types of Consultant Contract

Borrowers spend substantial funds on consulting services and therefore need to consider how best to structure the contracts for those services. Three main considerations determine what type of contract to adopt in a Bank-funded consultant assignment: (a) the nature of the assignment, (b) the distribution of risks and rewards between the Borrower and the consultant, and (c) the circumstances of the Borrower and of the consultant. The level of capacity in contract management and consulting services supervision that the Borrower will be able to provide may also be a factor in the choice.

The *Consultant Guidelines* refer to the following types of contract:

- Lump-sum
- Time-based
- Retainer or contingency (success) fee
- Percentage
- Indefinite-delivery

Each type of contract is described briefly in the following paragraphs, as well as the criteria that are suggested for their adoption and correct application. For large assignments (above US\$200,000), the type of contract to be adopted by the Borrower has to be agreed on with the Bank during loan negotiations.

### 15.1.1 Lump-Sum Contracts

Lump-sum contracts are used mainly for assignments in which the content and duration of the services and the expected output of the consultant are clearly defined. Under a lump-sum contract, the Borrower agrees to pay the consultant a fixed sum of money for services given with up-front specified technical characteristics, such as a study report, project design, and tender document (the quality of which can usually be

readily assessed) to be delivered within a specified deadline. Lump-sum contracts leave the risk of assignment cost overruns with the consultant.

Lump-sum contracts are often used in relatively simple and clearly defined assignments such as planning and feasibility studies, environmental studies, detailed design of infrastructures, preparation of databases, and surveys. Lump-sum contracts are also adopted in cases of sophisticated and clear-cut assignments of short duration in which external factors generally are not expected to influence (delay or substantially change) the outcome of the advice or study being provided.

Remuneration is fixed for the duration of the contract, and no physical or price contingencies are normally provided. Payments are made in accordance with a contractually agreed-on schedule at the delivery of an agreed-on product. If payments are made against a schedule of percentage of work completed, then, as a minimum, a progress report and supporting evidence that the planned work has been completed satisfactorily should be submitted.

The lump-sum contract is easy for the Borrower to administer and requires little technical supervision, because no matching of inputs to payments is required. This type of contract is also indicated for clients with relatively small or weak administrative and managerial structures, but with capacity for appreciating the quality of the consultants' advice or services.

A lump-sum contract transfers cost risk to the consultants and gives Borrowers certainty about the costs involved in procuring consulting services. However, it can increase the risks for the Borrower with regard to the quality of the advice. Because fees are fixed, after the contract is awarded consultants may internalize efficiency gains. Their incentives are to reduce outputs compared with those they had originally planned so as to increase profit margins.

These incentives can be offset by the Borrower's ability to assess and enforce quality standards. The

Borrower can engage peer reviewers to monitor the quality of advice and ensure that important issues are completely covered. This activity requires relatively little time or expense. If quality is not easy to assess, the timely delivery of the agreed-on output may be one proxy.

Before committing to a lump-sum contract, consultants should evaluate the main technical, institutional, and (where necessary) political risks that may affect their capacity to manage these parameters, and they should make sufficient provision for them in the contract.

### 15.1.2 Time-Based Contracts

Under this type of contract, the consultant provides its services on a timed basis according to quality specifications, and the consultant's remuneration is based on (a) agreed-on unit rates for consultant staff multiplied by the actual time spent by the staff in executing the assignment and (b) reimbursable expenses using actual expenses or agreed-on unit prices. Time-based contracts transfer cost risk to the Borrower. They require a system to monitor and control assignment progress and costs because the incentives of consulting firms are to assign more resources on the job, including more senior resources.

Time-based contracts are recommended in the following cases:

- The nature and scope of the services are such that the TOR cannot be established with sufficient precision, as may be the case for complex or unusual assignments that are difficult to define (such as management of complex institutions or studies of new approaches).
- The duration and quantity of services (that is, the amount of staff-months) depend on variables that are beyond the control of the consultants, or the services are related to activities undertaken by third parties (for instance, supervision of implementation assignments).
- The output required of the consultants is difficult to assess in advance (for instance, for technical assistance, institutional development, or emergency situations, in which the Borrower's requirements for assistance may evolve during the execution of the assignment).
- A capacity-building program (transfer of knowledge) forms part of the assignment.

Time-based contracts normally include a ceiling on the payments to consultants, and consultants will suspend work until a change in the scope of work is authorized or the deadline for the completion of the services is extended. This ceiling should include a contingency allowance for unforeseen work and its duration, as well as a provision for price adjustments, where appropriate. An allowance for price adjustment should normally be included if the contract lasts for more than 18 months, or if foreign and local inflation are estimated to exceed a certain rate (for example, 5 percent per year). Another option includes an agreement to reduce unit fee rates if the volume of work exceeds an agreed-on level.

This type of contract requires the Borrower to supervise consultants closely and to be more involved in the execution of the assignment. The Borrower is usually aware of who is working on the job and the nature of each expert's task. Key staff are usually named in the contract, and their tasks outlined. Administration of this type of contract may require significant administrative efforts and contract management capacity on the part of the Borrower.

Time-based contracts are particularly suitable for long-term assignments (one or more years) wherein the project can be subject to variations and delays that may change the duration and modify the scope of the consultant's services. Bank-funded projects, because of their nature and complexity, very often require consultants to be offered time-based contracts.

### 15.1.3 Retainer or Contingency (Success) Fee Contracts

This type of contract is often adopted to remunerate financial advisers who assist Bank Borrowers in privatization operations that require the sale of assets. In these cases, the QCBS method, in which consultants are asked to quote a retainer fee or a success fee (or both), is generally recommended for the selection of consultants.

The proportion of retainer and success fees is often fixed in advance and is not subject to negotiation. The retainer fee proportion tends to be set higher if the consultant's role contributes more to the planning and design of privatization activities rather than to the effort of successfully selling assets. The retainer fee is paid as a lump sum if the scope of work of the assignment and its duration can be clearly defined; otherwise, a time-based remuneration should be adopted.

Success fees are appropriate when success is related to the efforts of the firms involved and is relatively easy to quantify. Success fees should be retained for the transaction (sale) stage and should be reserved for those advisers whose efforts can have a significant impact on sale price. Consultants can affect the asset sale price by attracting a large number of bidders; by providing transparent, appropriate, and timely information to bidders; and by structuring the sale to ensure strong interest.

The success fee is generally structured by taking two parameters into account: (a) the value of the asset against which advisers will be rewarded and (b) the structure of the fee itself. One approach for establishing a value basis to adopt is to have independent experts prepare an estimate. The adviser has an incentive to exceed that estimate.

The incentive can be structured as a lump sum or as a share of the proceeds above the target value. Alternatively, advisers can be given a sliding scale, which is often preferred over other options because it associates the incentive more directly with the outcome of the transaction. Common estimates for the size of success fees are in the range of 0.2 to 3 percent of the transaction value, depending on the country concerned, size of the transaction, and market conditions.

In certain contracts, the retainer fee is subtracted from the success fee when the latter is paid at the end of the transaction. In crafting success fee contracts, attention should be given to the possibility of termination of the contract before the success fee is earned.

The Bank does not finance success fees; they are normally paid out of the revenues generated by the sale of the asset.

### 15.1.4 Percentage Contracts

In a percentage contract, consultants receive an agreed-on percentage of the actual project cost or of the transaction sale price. This type of contract, which is still used by consultants and architects in some countries, is discouraged by the Bank for consulting services because it offers no incentive to lower the cost of the services. On the contrary, it may induce consultants to adopt more-expensive design solutions to increase the absolute value of their remuneration. The percentage contract is mainly used in Bank-financed projects for procurement or inspection agents for services that are

directly related to the quantity and cost of the goods or works procured or inspected.

### 15.1.5 Indefinite-Delivery Contracts (Price Agreement or Standing Offers)

Indefinite-delivery contracts refer to contracts in which an individual consulting firm or an association of firms is hired for a specified time period (usually three to five years) to undertake tasks as and when the need arises. The specific workload is unknown at the outset; all that is known is that advice is likely to be needed in a particular area.

Indefinite-delivery contracts are usually agreed on because it is anticipated that the services will have two particular characteristics:

- Borrowers will need access to immediately available or on-call services for urgent assignments, and a lengthy competitive bidding process is impossible because of external circumstances. These services could include experts for urgent remedial actions in emergency situations caused by natural calamities, wars, or epidemic outbreaks.
- Each individual consultancy will be quite small, making an expensive competitive selection process inefficient, although, when added together, the amount of advice is substantial.

These combined factors make it worthwhile to appoint suitable consultants who can be on standby and are called upon when needed. However, locking in one set of advisers over a considerable period of time raises a number of issues related to the selection of the consultants; therefore, the quality and price of the services proposed must be addressed. Because it is not known how often or for what specific tasks the consultants will be called upon, they may not be able to submit a plan of work or a fixed total price. At the same time, the long contract period and the unknown activation dates mean that consultants may always credibly claim that the requested expert is not available.

Evaluation of proposals is typically based on the capabilities of companies in the area under consideration, including their depth and breadth of experience, area of expertise, and available staff.

The awarded consultant is required, within a framework contract, to provide its services based on separate delivery orders issued by the Borrower during the contract period. The consultant is expected to



**Table 15.1 Correlation between Type of Assignment, Selection Method, and Type of Contract**

Type of assignment/scope of work	Selection method	Type of contract
Critical studies in the field of policy, strategy, and management of Borrower's institutions	QBS	Time-based
Country economic, sector, or investment studies		
Master plans		
Prefeasibility studies		
Complex feasibility studies		
Studies or design of complex projects		
Studies in new technology or human and social sciences		
Simple planning studies	QCBS	Lump-sum
Simple feasibility studies		
Environmental studies		
Contract and detailed design of infrastructures		
Preparation of bidding documents		
Data processing	QBS or QCBS	Time-based or indefinite-delivery
Clearly defined strategy and management studies		
Technical assistance for institutional development	QCBS	Time-based
Technical assistance for privatization programs		
Construction supervision	QCBS	Time-based
Privatization operations	QCBS	Retainer and/or success fee
Financial sector reforms	QBS	Retainer and/or success fee
Procurement/inspection	QCBS	Percentage
Simple, precisely defined assignment with fixed budget	FBS	Lump-sum
Standard or routine assignments costing less than US\$200,000	LCS	Lump-sum



carry out any such delivery order with the agreed-on specifications and within the required time frame. Remuneration is based on agreed-on unit rates for staff plus reimbursable expenses; payments can be made based either on the time actually spent or on a lump-sum basis.

Administering an indefinite-delivery contract requires considerable capacity in the Borrower, who must negotiate and administer each delivery order.

## 15.2 Selection of the Appropriate Contract Form

The type of contract to be chosen usually correlates with both the scope of work of the assignment and the method adopted for the selection of the consultants. When the assignment is simple, the scope of work of the services is clearly defined, and the estimates of both staff-month effort and cost of the assignment are considered accurate, the selection of consultants is usually based on QCBS. In these cases, the lump-sum contract may be adopted. When these conditions are not met, QBS and time-based contracts are more appropriate. When the nature of the assignment requires the use of FBS or the LCS, the lump-sum contract should normally be used.

The type of contract may also depend on the interest of the Borrower in directly supervising consultant activities and on the desire that capacity building take place through a close interaction between Borrower and consultant staff. For control and learning purposes, a time-based contract is more appropriate, assuming that the Borrower enjoys a sufficiently strong staff and institutional setup that allow for efficient supervision of the assignment. If this is not the case, a lump-sum contract may be preferable.

Table 15.1 indicates the correlations just outlined. They should be applied with a good degree of

flexibility, depending on the size and characteristics of the assignment.

## 15.3 Bank Standard Contract Forms

Contract forms used in Bank-financed assignments vary from a simple letter of agreement to detailed contracts. Two Standard Forms of Contract (whose use is mandatory for contracts exceeding US\$200,000) and two Sample Forms of Contract for small assignments are annexed to the SRFP and are available in English, French, and Spanish.

They are recommended for the following:

- Time-based assignments
- Lump-sum assignments
- Small assignments with time-based payments
- Small assignments with lump-sum payments

Small assignments are generally those costing less than US\$200,000.

The Bank's Standard Forms of Contract for assignments exceeding US\$200,000 comprise four parts:

- Form of Contract, to be signed by the Borrower and the consultant
- General Conditions of Contract (GCC), which must be kept unchanged
- Special Conditions of Contract (SCC), which are specific to the assignment
- Appendixes

Borrowers should be aware that the text of the Form of Contract and of the GCC cannot be changed. The SCC enable the Borrower to amend or supplement the clauses of the general conditions to reflect local conditions and the specific characteristics of the assignment (also see para. 14.6).

# Preparation, Submission, and Evaluation of Proposals

## 16.1 Introduction

This chapter explains the procedures for Bank Borrowers to follow, from the issuance of the Letter of Invitation to the selection of the consultant who is invited to negotiate the contract. (Detailed recommendations on best practices for rating evaluation criteria and scoring the various sections of the technical proposal are given in chapter 17.)

The procedures for evaluating technical proposals outlined in the following paragraphs apply to QCBS and also (with a few modifications) to QBS, FBS, and LCS. The procedures for evaluating financial proposals apply to QCBS, FBS, and LCS. The procedures set out in this chapter do not apply to CQS and SSS, wherein the Borrower asks the selected consultant to submit technical and financial proposals; nevertheless, they provide general guidance to the Borrower for the review of such proposals.

The flow chart in figure 16.1 illustrates the steps to be carried out during the preparation, submission, and evaluation of proposals for an assignment awarded under QCBS.

## 16.2 Preparation of Proposals

Two types of technical proposal may be used for the selection of consultants: the Full Technical Proposal (FTP) or the Simplified Technical Proposal (STP). (Structure and contents of the FTP and STP are detailed in para. 12.2 of this *Manual*.)

The Borrower should give consultants enough time to prepare their proposals. For the FTP, depending on the nature, size, and complexity of the assignment, six weeks for relatively simple assignments and up to three months for complex assignments should be allowed. For the STP, three to four weeks should usually suffice. These periods refer to the actual preparation time, and additional time (sometimes not neg-

ligible) should be allowed to include deliveries of the RFP and the proposals. During this period, consultants may seek clarifications on the information contained in the RFP. Consultants must submit their requests for clarifications to the Borrower in writing or by standard electronic means (including facsimile [fax] or e-mail). Borrowers must respond promptly, also in writing or electronically, and send a copy of the query and its response to all short-listed consultants who have confirmed their intention to submit proposals. The Borrower should not reveal the source of the query. When the clarification results in important changes to any part or provision of the RFP, the Borrower must extend the deadline for the submission of proposals (see para. 14.1) to enable consultants to take into account the responses to their questions.

If the RFP provides for a preproposal conference, clarifications should be recorded in the minutes and sent to all attendees. Because attendance is not mandatory, the Borrower should fax or e-mail the conference minutes to those consultants who did not attend the conference, but who confirmed their intention to submit proposals (see para. 14.3.2, para. ref. 1.3).

Consultants should prepare their proposals using the Standard Forms contained in the RFP and should provide all information and documentation requested.

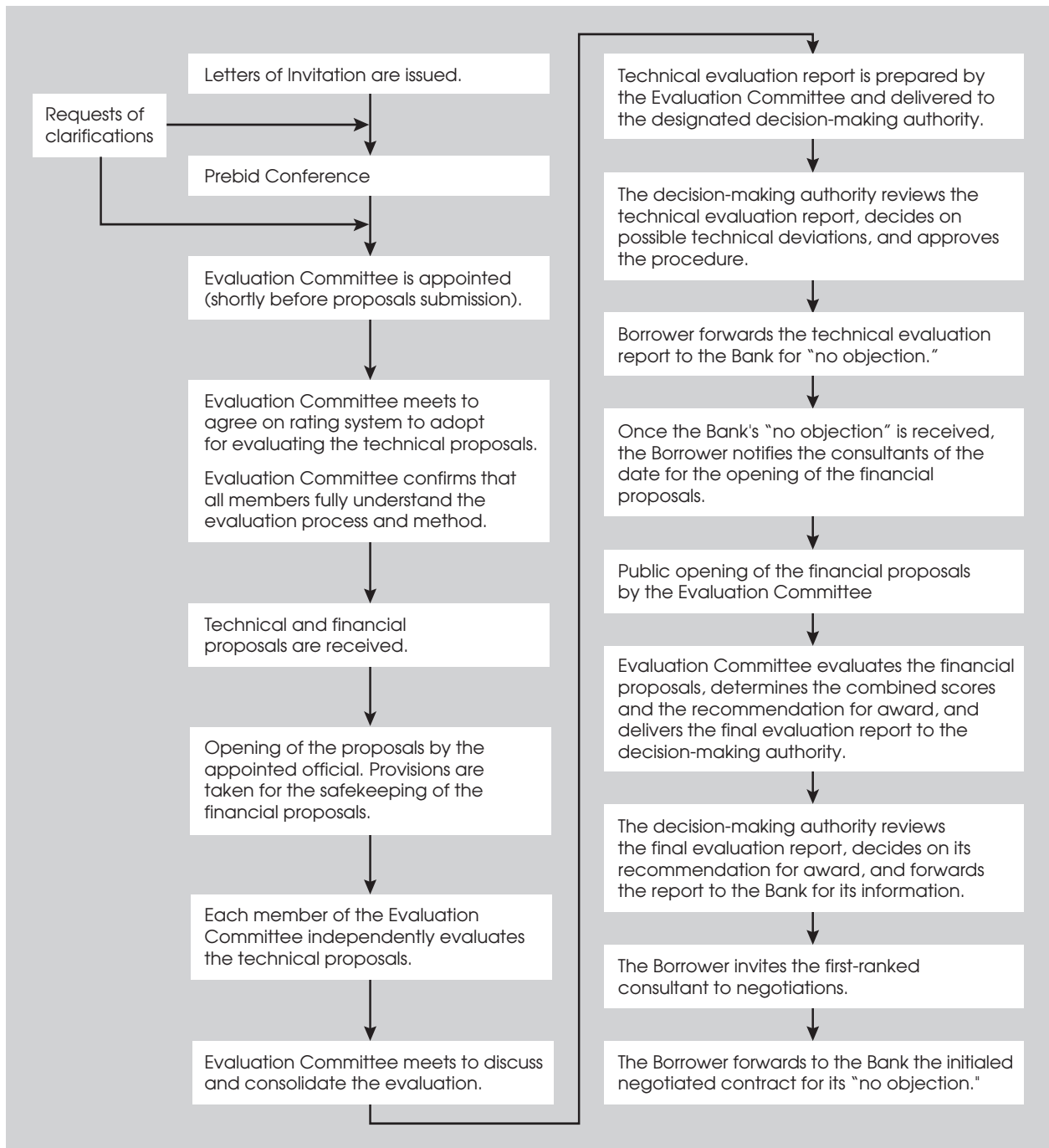
## 16.3 Evaluation Committee

### 16.3.1 General Considerations

The Evaluation Committee (EC) is a committee of experts appointed by the Borrower to carry out the evaluation of technical and financial proposals. The EC uses the evaluation criteria and subcriteria set out in the Data Sheet attached to the RFP.

The EC is not authorized to change, amend, or modify the TOR. Consultants prepare their proposals based on the TOR included in the RFP, and proposal

**Figure 16.1 Preparation, Submission, and Evaluation of Proposals (QCBS Method)**



responsiveness must be assessed against these TOR. TOR should not be modified after submission of the proposals; such changes could affect the fairness and transparency of the selection process.

The EC cannot modify the evaluation criteria and subcriteria set out in the Data Sheet. Borrowers, when preparing the Data Sheet, establish evaluation criteria

and subcriteria and assign points to them relating to aspects of the assignment that best fit Borrowers' objectives and circumstances. For this reason, evaluation criteria, subcriteria, and associated points should not be modified.

The authority to award the contract lies with the Borrower and is subject to the Bank's "no objection,"

when required. The task of the EC is to evaluate the proposals and submit the Evaluation Report and recommendations for award to the Borrower. The Borrower may accept or (under special circumstances) reject the recommendation of the EC (for example, if an important aspect of the evaluation was overlooked). In that instance, the Borrower may (a) ask the EC to revise its evaluation and recommendation or (b) (in extreme cases) even dismiss the EC, appoint a new Committee, and repeat the evaluation.

### 16.3.2 Recommended Criteria for the Selection of the EC Members

#### (a) Introduction

Consultants' technical proposals are an intellectual product; their evaluation must be based on the professional judgment of competent and impartial evaluators. The judgment has to be technically sound and objective, strictly complying with the procedures and evaluation criteria indicated in the RFP, and capable of providing an adequate explanation for each evaluation and the points assigned to it.

The fulfillment of these conditions ensures consultants a professional and fair evaluation of their proposals and the Borrower a better chance to select the consultant who is best suited for the assignment. It also increases consultants' confidence in the selection process and reduces the likelihood of complaints from consultants.

The experience of EC members in the disciplines related to the assignment and their familiarity with evaluation techniques of consultants' proposals are both important. The EC should comprise individuals of comparable hierarchical levels and from the institution responsible for the outcome of the project. When appointing the EC, the Borrower should seek the advice of the team who drafted the TOR, who may indicate those qualification requirements of the EC members that best fit the characteristics of the assignment. Whenever possible, the EC should include one or more members of the team who drafted the TOR (or at least be able to consult with them at any time during the evaluation).

#### (b) Professional experience

Because the EC will assess the quality of the proposed technical approach, methodology, work plan, and competence of the proposed key staff, its members should be familiar with assignments

similar to the one described in the TOR, experienced in the main disciplines of the assignment, and possess sound professional judgment.

The following qualifications for EC membership are suggested:

- Ten years of professional experience (very complex assignments may require more)
- Three to five years of experience in the specialized field or discipline required by the assignment
- A good command of the language in which the proposals are written

#### (c) Familiarity with selection and evaluation

Familiarity of the EC members with selection methods and evaluation procedures for consultant proposals is important to ensure a correct evaluation of not only the level of responsiveness of each proposal to the evaluation criteria established in the RFP but also compliance with the RFP instructions.

#### (d) Impartiality

Evaluators' impartiality is as important as their professional expertise and mastery of evaluation techniques. Consultants and other stakeholders must be persuaded that the evaluation process is objective, fair, and conducted strictly by the rules and procedures set out by the RFP.

EC members must exhibit the highest standards of integrity, which preclude any questionable affiliation with the short-listed consultants, including as an employee, consultant, relative, or political or business affiliate. Failure to comply should disqualify the EC candidate. All candidates should disclose in advance any perceived, potential, or actual conflict of interest that can affect their objectivity, even if doing so could lead to exclusion from the EC. All EC members should sign a written agreement to abide by restrictions on transactions with invited consultants to ensure that the credibility of the evaluation process is preserved and confidence in the Borrower is maintained.

Well-designed complaint procedures reinforce confidence in the Borrower institutions and provide disincentives for the EC to engage in any unfair practices.

#### (e) Timing

EC members should be appointed shortly before the deadline for submission of proposals to reduce the risk of questionable contacts with short-listed firms before the submission of proposals.

#### (f) Steps in appointing the EC

First, the Borrower decides on the number of members. Three members are adequate when the

RFP requires consultants to submit a Simplified Technical Proposal (STP), while five are recommended when a Full Technical Proposal (FTP) is called for. A higher number of members allows for the inclusion of EC members experienced in the most relevant disciplines for the assignment.

Second, the Borrower decides whether to select EC members from its own staff or to employ independent consultants. Whenever possible, the first option should be preferred because it allows the Borrower to better assess (i) the integrity of the candidates, (ii) their professional background and competence, and (iii) their familiarity with proposal evaluation techniques.

### 16.3.3 Assistance to the Evaluation Committee

If the Borrower cannot form a sufficiently competent and reliable EC, it should appoint an independent consultant to assist the EC in the process of understanding the selection procedures; defining the grades of the rating system (see chapter 17); and carrying out the evaluation, including drafting of the technical evaluation report. If requested with sufficient lead time, the Bank can assist the Borrower in identifying suitable independent experts.

## 16.4 Receipt and Opening of Proposals

Under QCBS, FBS, LCS, CQS, and SSS, both technical and financial proposals must be submitted at the same time. Under QBS, financial proposals may be submitted together with technical proposals, but the more-common practice is to require submission of the technical proposal first, followed by submission of the financial proposal by the consultant whose technical proposal is ranked the highest (two-envelope system; see chapter 9).

Proposals must be submitted to a designated place (exact address, office, and room number, to avoid any ambiguity) no later than the date and time indicated in the RFP. Under QCBS, FBS, and LCS, because price is a factor of selection, proposals received after the deadline for submission are rejected and must be returned to the consultants unopened (any delay in submitting a proposal could be used to tamper with other proposals or to allow the firm to modify its proposal price). Under CQS and SSS, wherein technical and financial propos-

als are requested from only one consultant, a degree of flexibility is acceptable when a minor delay occurs for reasons beyond the control of the consultant.

When submission of both technical and financial proposals is required, officials appointed by the Borrower open the technical proposals immediately after the deadline. They verify that the financial envelopes are sealed and deposit them in a safe place under the custody of a designated officer (auditor, legal counsel). The Borrower should record the date and time that each technical proposal was received and the date on which the technical proposals were made available to the Evaluation Committee. Minutes of the technical-proposal-opening event are kept, including lists of the firms that submitted proposals. The technical proposals are handed over to the Evaluation Committee for evaluation.

## 16.5 Evaluation Procedure for Technical Proposals

### 16.5.1 Main Considerations

After the Evaluation Committee has been appointed, the Borrower shall distribute the RFP to the EC members and instruct them to familiarize themselves with the characteristics and requirements of the assignment, the selection procedures, and the evaluation criteria and subcriteria. The head of the EC (and the Borrower's project manager) should meet with all EC members to review any questions they may have on the evaluation principles, procedures, and objectives. Usually familiarization with the RFP takes one to two days, and the review meeting takes three to six hours, depending on the complexity of the assignment. Borrower staff who drafted the TOR may assist EC members.

After the review meeting, the EC meets again to define the grades of the rating system to be adopted for scoring the technical proposals, according to the criteria and subcriteria set out in the Data Sheet. The grading system must be defined before the technical proposals are opened to prevent bias (or perceived bias) occurring because of the EC's knowledge of the opened proposal contents. (Chapter 17 of this *Manual* provides guidance on the definition of the grading system.) It is recommended that the evaluation and scoring of technical proposals be carried out after defining the grading system. Otherwise, EC members would have to assign a level of responsiveness of the proposals to each of the different criteria and subcriteria without guidance and support from predefined grades.



This could easily distort the evaluation for the following main reasons:

- Evaluators may differ, even widely, in their definition, understanding, or interpretation of the same criterion and also because of their subjective experience and understanding of the TOR.
- Disparities in evaluators' relative generosity or severity in judgment and ratings can easily be magnified by the lack of common definitions of the requirements to be considered for each criterion and sub-criterion. Large differences in scores caused by inadequate understanding of the TOR or improper use of the evaluation criteria and subcriteria are difficult to reconcile and explain.

Before starting the evaluation, the EC members should ensure that they

- have no conflicts of interest,
- understand the rating and scoring system,
- have been provided with evaluation worksheets, and
- agree on how to evaluate the proposals.

## 16.5.2 Evaluation of Proposals

After the rating system has been defined and proposals have been opened, the evaluation process can begin. Members of the EC 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. Each member of the EC should first read all proposals, without scoring them. This first review helps determine whether the proposals are free of significant omissions or deviations from the TOR or other key requirements of the RFP; it also allows EC members to assess the overall clarity of the proposals and identify elements that will require special attention in the evaluation.

Next, EC members shall begin their evaluation process by applying the criteria and subcriteria set forth in the Data Sheet. Each proposal should be judged on its own merits and assigned an absolute—not comparative—grade. A comparative evaluation would single out the best proposal on a relative scale, but still could leave the Borrower with a poor proposal. Instead, the evaluation should measure absolute quality scored against predefined criteria and subcriteria (see chapter 17 of this *Manual*).

The EC must conform to the evaluation process, based on RFP instructions and the predetermined rating system. To discourage subjectivity and avoid the

use of points and fractions of points, the rating system provides a few grades (from three to four) for each criterion and subcriterion (see chapter 17). The EC evaluation should be based on the proposal as submitted. Under no circumstances can the EC request information or clarifications that may change the proposals. Issues to be clarified with the selected consultant will have to be discussed during negotiations.

After each member has independently rated all criteria and subcriteria, it is good practice to read each proposal again to ensure that scores reliably reflect the quality of the proposal.

Next, the EC should conduct a joint review and discuss the merits of individual evaluations and scores. Some evaluators tend to be generous while others will be rigid in their judgment and ratings. Such disparity does not matter, provided each evaluator is consistent and differences in scores are not too large. Large differences should be reviewed and explained, because they often are caused by improper or inaccurate use of the rating system.<sup>1</sup> Reconciling differences that are considered too large by the EC may result in members revising some of their ratings and scores. As such, any changes should be recorded. If a discussion is needed to reach a final decision, an independent party should prepare minutes.

During the meeting, the EC should also comment on the strengths and weaknesses of all proposals that have met the minimum technical score indicated in the RFP. This will help identify any elements in the winning proposal that should be clarified during negotiations.

Eventually, for each of the technical proposals, the EC should calculate the average of the scores allocated to each criterion by all members, establish the technical ranking of the proposals, identify the best, and propose it for award.

The evaluation also establishes whether a proposal passes the minimum qualifying mark (or technical score) provided for in the RFP. If one or more proposals fail to meet the minimum qualifying mark, both individual and joint assessments must be carefully reviewed and justified. Short-listed consultants are usually discouraged when their proposals are rejected, particularly when they are only a few points below the minimum mark; therefore, the Borrower should be prepared to debrief consultants to explain the evaluation of their proposals.

Individual evaluators' results are recorded on preestablished worksheets. Depending on the type of proposal submitted (either the FTP or the STP),



a period from half a day to two days should be allowed for the evaluation of each proposal (see appendix 7 for proposal evaluation examples).

### 16.5.3 Technical Evaluation Report

The EC prepares a technical evaluation report that shall record the scores given to each criterion and subcriterion, as well as explain the decisions. For each proposal, the report also should indicate technical weaknesses or deviations from the terms set out in the RFP and comment on their acceptability. The Bank recommends the use of its Sample Form of Evaluation Report,<sup>2</sup> which contains templates for the preparation of both technical and financial evaluation reports. It is suggested that the EC appoint one of its members to draft the technical evaluation report.

The technical evaluation report is submitted by the EC to the designated decision-making authority for review and approval.

This decision-making authority may ask the EC to explain the report, but should not request that scores be changed. It should review the EC's evaluation of each proposal (on technical, contractual, and other aspects). If the EC finds a proposal nonresponsive, the decision maker may reject it at this stage. An example of deviation that could lead to rejection of a proposal may include the omission of a component of the services, reflecting a poor understanding of the assignment. The decision maker must also be satisfied itself that no proposal is inconsistent with the Bank's rules (for example, a proposal that includes civil servants who are employees of the Borrower).

The decision-making authority should decide how any acceptable deviation in each proposal should be handled during negotiations, in case that proposal is ranked first.

For contracts subject to prior review, the Borrower sends the technical evaluation report to the Bank for review and "no objection." The financial proposals should not be opened until the Bank's "no objection" to the report is received. The technical evaluation report is a confidential document, and its contents shall not be disclosed.

### 16.5.4 Notification to Consultants

After receiving the Bank's "no objection" to the technical evaluation report, the Borrower notifies consultants whose proposals did not meet the minimum technical score specified in the RFP or were found to

be nonresponsive, indicating that the consultants' financial proposals will be returned unopened at the end of the selection process. The Borrower simultaneously notifies consultants whose technical proposals were above the minimum technical score and informs them of the date, time, and place set for opening the financial envelopes. The opening date should be defined to allow sufficient time for consultants to make arrangements to attend the opening.

If consultants were initially requested to submit financial proposals under QBS, the Borrower notifies the consultant with the highest-ranked technical proposal and indicates the date, time, and place set for negotiating the financial proposal and the contract. If only technical proposals have been received, the Borrower will request the highest-ranked consultant to submit a financial proposal. (One or two weeks is considered a sufficient time period in which to receive this financial proposal.)

## 16.6 Evaluation Procedure for Financial Proposals

On the date, time, and place set for opening the financial proposals, the appointed Borrower's official delivers them to the Evaluation Committee. The opening is public; consultants' representatives may choose to attend in person or online. The Evaluation Committee verifies that the financial proposals have remained sealed and then opens them. The name of the consultant, the technical points, and the proposed prices are read aloud and recorded as each financial proposal is opened. When electronic submission of proposals is used, this information shall be posted online. No modification to financial proposals is permitted. The Borrower prepares the minutes of the public opening, which should be attached to the Financial Evaluation Report.

The Evaluation Committee should first review the financial proposals for arithmetical errors and inconsistencies between the financial and technical proposals. Arithmetical errors should be corrected; in case of a discrepancy between a partial amount and the total amount or between the wording and figures, the former will prevail in both cases. Omissions and inconsistencies should also be corrected. Activities and items described in the technical proposals, but not priced, shall be assumed to be included in the prices of other activities or items.

If an activity or line item is quantified differently in the financial proposal than in the technical proposal

and the Time-Based Form of Contract has been included in the RFP, the EC shall correct the quantification indicated in the financial proposal so as to make it consistent with that indicated in the technical proposal, apply the relevant unit price included in the financial proposal to the corrected quantity, and correct the total proposal cost. If the Lump-Sum Form of Contract has been included in the RFP, no corrections are applied to the financial proposal in this respect. For example, if a technical proposal indicates the presence of the team leader at the assignment site for 12 months (but the financial proposal indicates only 8 months) and the Time-Based Form of Contract has been included in the RFP, an adjustment should be calculated by adding the corresponding amount of staff remuneration to the proposed amount.

To compare proposals, evaluated prices should be converted to a single currency using the exchange rate, date, and source indicated by the Borrower in the RFP. The scores of the evaluated prices should then be calculated according to the formula provided in the RFP (see para. 14.3.2, Paragraph Reference 5.7).

When FBS is adopted, adjustments made by the Evaluation Committee to correct omissions or inconsistencies detected during the evaluation of the financial proposal could raise the evaluated price of a proposal over the available budget indicated in the RFP. This could lead to the rejection of the proposal (see para. 9.3.3).

## 16.7 Combined Quality and Cost Evaluation

If QCBS is the method of selection, the Evaluation Committee weighs and combines the scores of the technical and financial proposals to obtain a final ranking of the proposals and recommendation for award. The data are then recorded in the final evaluation report, which is delivered to the decision-making authority. The authority reviews the report, confirms the recommendation for award, obtains any additional clearance that may be required under local regulations, and forwards the report to the Bank for its information.

The Borrower invites the consultant whose proposal has obtained the highest combined score to negotiate, informs the other consultants that they were unsuccessful, and releases the name of the selected firm. If the Borrower believes that negotiations could fail or could go beyond the proposal validity period, it

should ask the consultants to extend the validity of their proposals.

After technical and financial negotiations are completed, the Borrower shall provide the Bank, in sufficient time for its review and “no objection,” with a copy of the initialed negotiated contract. If the negotiated contract resulted in a substitution of key staff or any changes in the TOR and in the originally proposed contract, the Borrower shall highlight the changes and provide an explanation of the changes.

Once the contract is awarded, the Borrower shall publish in *UNDB online* and in *dgMarket* the following information: (a) the names of all consultants who submitted proposals; (b) the total technical points assigned to each consultant proposal; (c) the evaluated prices of each proposal; (d) the final point ranking of the consultants; and (e) the name of the successful consultant and the price, duration, and summary scope of the contract. The Borrower shall also send the same information to all consultants who have submitted proposals.

Consultants may wish to be informed of the reasons why they were not selected. The Borrower should provide reasonable, prompt, and satisfactory replies to all such requests, either in writing or in a debriefing meeting, at the consultant’s discretion. The Borrower should not discuss the details of any other proposal except that of the inquiring consultant. If the consultant is not satisfied with the Borrower’s explanation, it can request the Bank to organize a debriefing meeting with concerned Bank staff. The Regional Procurement Manager coordinates this meeting. The debriefing process is intended to help losing firms understand why they lost and encourage them to submit improved-quality proposals in the future.

## 16.8 Rejection of All Proposals

If all proposals are found to be nonresponsive, the Borrower may be justified in rejecting all of them. The grounds for rejecting all proposals are as follows:

- The proposals present major deficiencies in complying with the RFP and specifically the TOR.
- All proposals fail to achieve the minimum qualifying mark (technical score) indicated in the RFP.
- The proposal prices are substantially higher than the Borrower’s estimated budget.

In the first case, there may be technical reasons for the deficiencies. Most frequently, the Borrower and

consultants disagree on which contractual party should be responsible for executing specific assignment activities or on the exact content and feasibility of specific deadlines affecting the implementation schedule of the Borrower's project. In other instances, consultants may find the estimated staff-months and the distribution of risks unacceptable.

In the third case, the Borrower may not know the ongoing remuneration levels of consultants for the type of service being considered, consultants may misinterpret the TOR, or the Borrower's plans may be too ambitious for the available budget.

In all cases, good TOR, accurate budget, and review of the RFP before the Bank issues its "no objection" can reduce the risks of nonresponsive proposals. In the third case, before rejecting all proposals, the Borrower, in consultation with the Bank, should investigate the feasibility of increasing the budget or scaling down the scope of services to meet the original budget.

Before all proposals are rejected and a new request for proposals is issued, the Borrower shall notify the Bank, indicating the reasons for such rejection, and shall obtain the Bank's "no objection" before proceeding with a new selection process. The new process may include revising the RFP (including the short list) and the budget. These revisions shall be agreed on with the Bank. Calling for new proposals creates obvious delays and should remain the last resort.

## 16.9 Role of the Bank in the Evaluation Process

Selecting consultants is the Borrower's responsibility. The Bank does not take part in the evaluation of proposals, but upon request of the Borrower, may provide advice on methodology and selection procedures before the actual evaluation takes place.

In prior review assignments, the Bank reviews the technical evaluation report and, if satisfied, sends its "no objection" to the Borrower (see para 8.2). The Bank may request additional explanations or information about the report's content from the Borrower, when necessary. In exceptional cases, the Bank may ask the Borrower to submit one or more proposals for its review. The Borrower may proceed with the opening of the financial proposals only after receiving the

Bank's "no objection" to the technical evaluation. When price is a factor of selection, the Borrower may then proceed with the financial evaluation.

If the Borrower receives a complaint from a consultant, copies of the complaint and the Borrower's response shall be sent to the Bank for information. If, because of analysis of a complaint, the Borrower changes its contract award recommendation, the reason for the decision and a revised evaluation report shall be submitted to the Bank for "no objection." The Borrower shall publish once again the contract award, as provided for in the *Guidelines*.

If the Bank determines that the final evaluation report, recommendation for award, or negotiated contract is inconsistent with the provisions of the RFP, it shall promptly inform the Borrower and state the reason for its determination. Otherwise, the Bank shall provide its final "no objection" to the contract award. The Borrower shall confirm the award of the contract only after receiving the "no objection" from the Bank. The description and amount of the contract, together with the name and address of the firm, shall be subject to public disclosure by the Borrower after contract signing. (see para. 16.7).

## Notes

1. For example, if there are 6 proposals and 5 EC members, there will be a total of 30 ratings for each aspect subject to evaluation. Comparing the 30 ratings will allow the EC to (a) identify those members who have been systematically too generous or too severe and (b) correct ratings that are obviously wrong. The highest rating ("very good") and the lowest ("poor") are usually easier to assign and more difficult to dispute. In fact, in most cases, it is quite evident to all EC members that an aspect of a proposal is of either outstanding technical quality, thus deserving a "very good" rating, or largely unsatisfactory, thus deserving a "poor" rating. However, most ratings fall in the middle ("good" and "satisfactory") and reaching a consensus may be difficult. Comparing the ratings assigned to each element of the proposals by the EC members may be helpful in this context.
2. "Sample Form of Evaluation Report: Selection of Consultants," World Bank, 2004, Washington, DC.

# Evaluation Practices of Technical Proposals

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. The difficulty is to ensure that this judgment is not exercised in an unreasonable or arbitrary manner. 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. Therefore, it is important that subjectivity implicit to any individual professional judgment be complemented by transparency, consistency, and fairness. The individual evaluator entrusted with evaluation should, when required, be able to explain to the satisfaction of a qualified reviewer from the higher authority, the public, or the Bank the reason for his or her recommendation.

One way of helping to achieve the above is by adopting a suitable rating system for the evaluation of technical proposals under the criteria and subcriteria (if provided) established in the RFP.

This chapter complements chapter 16 because it provides detailed practical recommendations for rating evaluation criteria (and subcriteria) and scoring various parts of the technical proposal. (Appendix 7 of this *Manual* provides examples of complex technical evaluations.)

## 17.1 Rating System

The World Bank Standard RFP (SRFP) specifies the criteria used to evaluate technical proposals and the points (or weights) given to each. The responsiveness of a proposal to the TOR is determined by its responsiveness to the adopted evaluation criteria (and subcriteria) indicated in the Data Sheet of the RFP.

For the Full Technical Proposal (FTP), the criteria include the following:

- Specific experience of the consultants relevant to the assignment
- Adequacy of the proposed methodology and work plan in responding to the TOR
- Key professional staff qualifications and competence for the assignment
- Suitability of the transfer-of-knowledge (capacity-building) program
- Participation by national consultants among proposed key staff

The “transfer-of-knowledge” (capacity-building) criterion is included wherever it forms an explicit aspect of the assignment. The “participation by national consultants” criterion is optional for the Borrower.

For the Simplified Technical Proposal (STP), the criteria include the following:

- Adequacy of the proposed methodology and work plan in responding to the TOR
- Key professional staff qualifications and competence for the assignment

For both the FTP and STP, the RFP should specify the subcriteria for the “key professional staff qualifications and competence,” as indicated in the SRFP. For the FTP, the RFP should also indicate subcriteria for the “adequacy of the proposed methodology and work plan,” and those, if any, adopted for the other criteria. For all criteria and subcriteria, the RFP should always indicate the points to be allocated to each of them.

In the RFP, the points assigned to a particular criterion (or subcriterion) indicate the maximum score (maximum number of points) that can be allocated to it. The actual score given by the evaluator indicates the degree to which the proposal being evaluated under that particular criterion (or subcriterion) meets the requirements (that is, its level of responsiveness). The

level of responsiveness for each criterion (and subcriterion) is rated on a scale of 1 to 100.

Each EC member scores the technical proposals in two steps. First, the level of responsiveness of the proposals to each of the criteria or subcriteria is estimated on a percentage scale. Second, each percentage rating is multiplied by the maximum number of points assigned to the relevant criterion (or subcriterion) in the RFP to obtain the score (percentage rating  $\times$  maximum number of points = score). For example, the criterion “specific experience of the consultant relevant to the assignment” may have been allocated a maximum of 10 points in the RFP. A proposal with a good level of responsiveness to this criterion is given a 90 percent rating and therefore receives a score of 9 points.

To make the scoring easier and more transparent, the rating scale of the level of responsiveness is usually divided into a number of discrete grades. It is a good practice to give scores based on the following grades: poor, satisfactory, good, and very good. Before opening the technical proposals, the EC should agree on the definition of a grade for each criterion (or subcriterion). That is, the committee should establish what will be considered poor, satisfactory, good, and very good. Because each of the criteria (or subcriteria) refers to a different aspect of the proposal, the definition of grades will differ from one criterion to the next.

Scoring technical proposals by this method offers the following advantages:

- It provides the EC members with a shared definition of the grades, making the evaluation easier and comparable (this is particularly helpful for less-experienced evaluators).
- It reduces the risk of scoring inconsistencies and discretion.
- It binds each committee member to justify his or her individual evaluation, based on a common definition of grades, discouraging intentionally biased evaluations.
- It adds transparency and fairness to the evaluation process.

Defining the grades is a difficult exercise that requires a thorough knowledge of the TOR, the main technical issues to be covered by the consultant assignment, and the qualifications expected from the consultants. It is worth allocating time and effort to this exercise because it may substantially improve the quality of the evaluation. Rating proposals without

using agreed-on, predefined grades of responsiveness leaves the definition of the grades up to each evaluator, making the scoring more likely to be subjective and more difficult to compare.

(The following paragraphs illustrate how to select the rating grades and their definitions. Figure 17.1 illustrates a sample evaluation for one of the five main criteria specified in the RFP.)

## 17.2 Specific Experience of Consultants Relevant to the Assignment (for the FTP only)

### 17.2.1 Rating Scale

The *Consultant Guidelines* allow a maximum of 10 points to be allocated to the specific experience of the firm (see table 12.1). Because consultants have been short-listed based on their experience, they are all capable of undertaking the assignment; nevertheless, some specific aspects of the qualifications may make a consultant more suitable than others. Under this criterion, Borrowers identify and evaluate those specific aspects.

The grades indicated in table 17.1 are recommended as percentage ratings related to the evaluation of this criterion. Because consultants have already been short-listed based on their experience, their level of responsiveness to this criterion should not normally be rated less than satisfactory (that is, not under 40 percent).

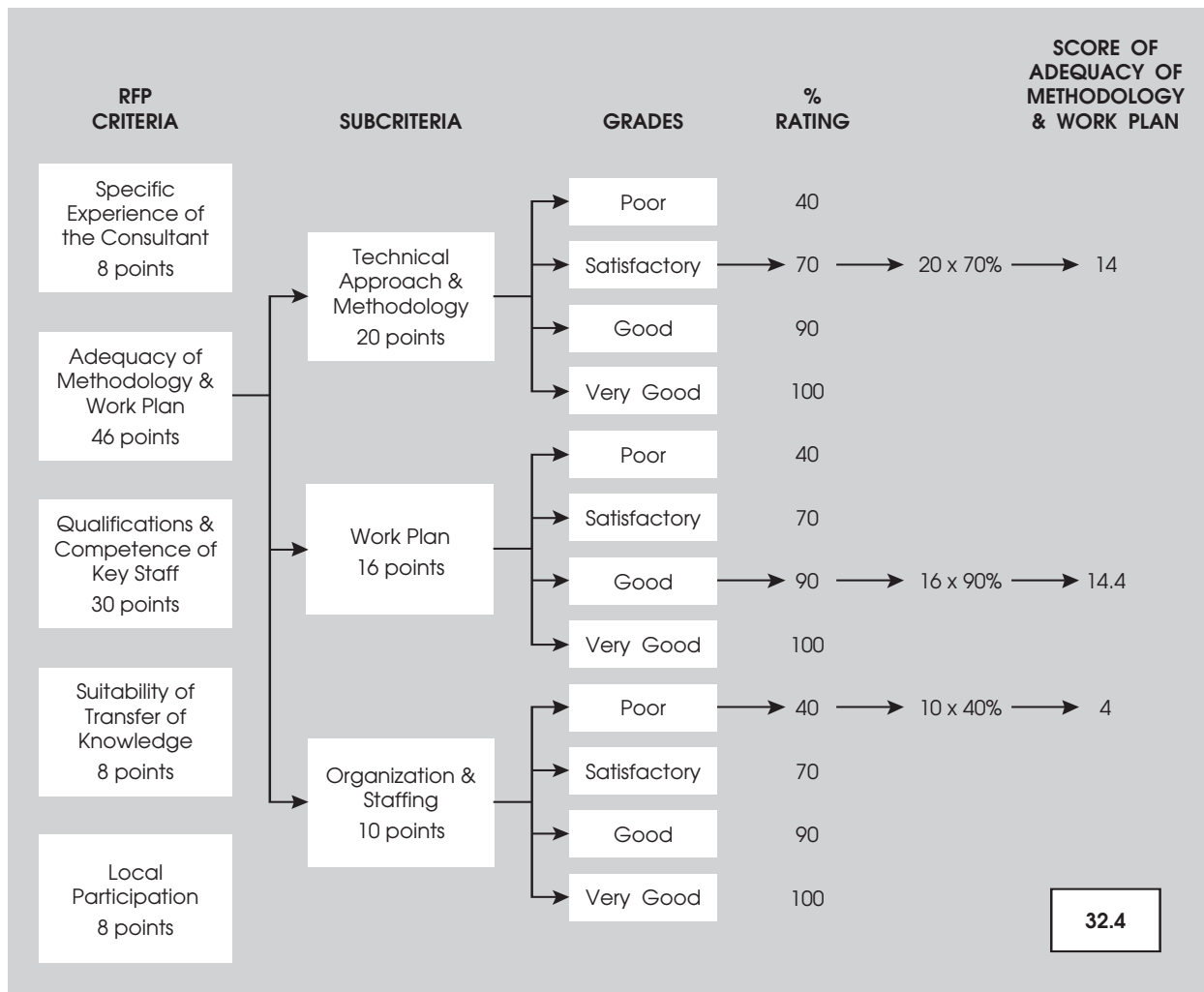
### 17.2.2 Aspects to Consider for the Evaluation

The EC should consider the following aspects in evaluating the specific experience of the consultants:

- *Experience in Similar Projects.* Evidence of having successfully carried out similar assignments.
- *Experience in Similar Areas and Conditions.* The consultants have worked in regions or countries with physical, cultural, social, and institutional characteristics comparable to those of the country in which the assignment is to be carried out.
- *Size, Organization, and Management.* The consultants have the capacity (for example, staff, organization, and managerial skills) to carry out the assignment. For some assignments, how long the consultants have been established is to be considered.



Figure 17.1 Rating System



- *Specialization.* For some assignments, it may be important to evaluate the consultants’ specialized skills and access to particular technologies related to the assignment.
- *Experience in Capacity Building.* The consultants’ experience in capacity building and transfer of knowledge of previous clients’ personnel (if relevant).
- *Quality Management (QM).* The availability of a well-established QM system may be taken into account for large and complex assignments.

17.2.3 Defining the Grades

Because subcriteria are usually not provided for this criterion (see para. 12.3), the specific experience will be evaluated as a whole, using the grades set out in table 17.1. An example of the definition of these

grades (based on the aspects listed in para. 17.2.2) is given below (definitions may differ from case to case, depending on the characteristics of the assignment):

- *Satisfactory.* The consultants have experience in the field of assignments similar to the one being

Table 17.1 Recommended Grades and Percentage Rating for Specific Experience

Grade (level of responsiveness)	Percentage rating
Satisfactory	40
Good	70
Very good	100



considered, but have not dealt with critical issues specific to it (such as, for instance, delicate social or environmental issues). The consultants are experienced in the use of standard approaches and methodologies required for the assignment. The consultants' permanent staff are adequate.

- *Good.* The consultants have extensive experience in the field of the assignment and have worked in countries with similar physical and institutional conditions, including similar critical issues. Permanent staff are adequate and highly qualified to cover the requirements of the assignment. The consultants have experience with advanced approaches and methodologies for dealing with the specific requirements of the assignment.
- *Very Good.* The consultants have outstanding, advanced expertise in specific problem areas of the assignment that can promise an excellent execution of the assignment. The consultants' staff include top experts in the field of the assignment. The consultants are considered world-class specialists in the approaches and methodologies dealing with specific issues in the assignment. The consultants operate according to well-established QM procedures.

Ratings should not be too rigid. If a firm does not satisfy all the conditions set forth by the definition of one of the grades, but the grade under consideration appears to reflect the overall specific experience of the firm better than the lower grade, the upper grade should be awarded.

### 17.3 Adequacy of Proposed Methodology and Work Plan (for both the FTP and STP)

#### 17.3.1 Rating Scale

For the FTP, the *Consultant Guidelines* allocate between 20 and 50 points to the “adequacy of methodology and work plan” criterion (see para. 12.3.1); for the STP, the Data Sheet contained in the ITC of the RFP (Paragraph Reference 5.2 (b)) indicates the range between 20 and 40 points (see para. 12.3.2). The grades indicated in table 17.2 are recommended for the percentage ratings relating to the evaluation of this criterion:

The lowest grade is 40 percent, instead of zero, because

- a zero rating is not realistic (it would imply that the consultant has not responded at all to the TOR under this criterion) and

**Table 17.2 Recommended Grades and Percentage Rating for Methodology and Work Plan**

Grade (level of responsiveness)	Percentage rating
Poor	40
Satisfactory	70
Good	90
Very Good	100

- a zero rating in response to poor methodology may not be compensated by high scores in all remaining criteria (this could lead to the rejection of a proposal that is attractive in all other aspects).

If a proposal appears to be unacceptable under this criterion (it does not deserve to be rated even “poor”), it may be considered nonresponsive (see para. 16.5.3).

#### 17.3.2 Aspects to Consider for the Evaluation

The EC evaluates the quality and the adequacy of the proposed methodology and work plan by considering such aspects as the following:

- *Understanding the Objectives of the Assignment.* The extent to which the consultants' technical approach and work plan respond to the objectives indicated in the TOR.
- *Completeness and Responsiveness.* Does the proposal respond in an exhaustive manner to all the requirements of the TOR?
- *Clarity.* Are the various elements coherent and the decision points well defined?
- *Creativity and Innovation.* Does the proposal suggest any new approaches to the assignment or new methodologies that help achieve better outcomes?
- *Timeliness of Output.* Is the proposed activity schedule realistic? Are the requested outputs provided on time?
- *Quality of Resource Utilization.* Is the staffing schedule appropriate, with neither too many short-term experts nor too many generalists? Is the proposed staff permanent or composed of external consultants? In the latter case, it should be clarified whether the external consultants have worked on previous

assignments with the consultants' permanent staff. This aspect should always be considered.

- *Flexibility and Adaptability.* Are the methodology and work plan flexible and easy to adapt to changes that might occur during implementation of the assignment? This aspect is especially relevant when the assignment takes place in potentially changing environments.
- *Technology Level.* Does the methodology propose the use of state-of-the-art technologies and the adoption of innovative solutions?
- *Logistics.* If the consultants must work at remote sites, the consultants' approach to logistics could also be considered.
- *Quality Management.* Especially for large and complex assignments, the TOR may include a requirement to provide a Quality Plan or its detailed list of contents (see para. 1.3.2).

### 17.3.3 Evaluation When Subcriteria Are Provided (for the FTP only)

The quality and adequacy of the proposed methodology and work plan are evaluated by the following three subcriteria:

- Technical approach and methodology
- Work plan
- Organization and staffing

Additional subcriteria may be specified in the RFP when there is a need to focus on particularly important aspects of the assignment (see para. 12.5).

First, the EC shall define, for each of the three subcriteria outlined above, the definition of the grades indicated in table 17.2. Such grade definitions should be based on the specific aspects listed in para. 17.3.2. An example of the definition of the four grades in table 17.2 for the three subcriteria listed above may include the following (definitions may differ from case to case, depending on the characteristics of the assignment):

(a) Technical Approach and Methodology:

- *Poor.* The technical approach or the methodology (or both) envisaged to carry out important activities indicated in the TOR is inappropriate or very poorly presented, indicating that the consultant has misunderstood important aspects of the scope of work. The list of contents of the Quality Plan (if required in the TOR) is missing.

- *Satisfactory.* The way to carry out the different activities of the TOR is discussed generically. The approach is standard and not specifically tailored to the assignment. Although the approach and methodology are suitable, they do not include a discussion on how the consultant proposes to deal with critical characteristics of the assignment. The list of contents of the Quality Plan (if required in the TOR) is provided, but it is generic and does not reflect the specific features of the assignment.
  - *Good.* The proposed approach is discussed in detail, and the methodology is specifically tailored to the characteristics of the assignment and flexible enough to allow it to adapt to changes that may occur during execution of the services. The list of contents of the Quality Plan (if required in the TOR) is tailored to the specific characteristics of the assignment.
  - *Very Good.* In addition to the requirements listed above under "good," important issues are approached in an innovative and efficient way, indicating that the consultants have understood the main issues of the assignment and have outstanding knowledge of new solutions. The proposal details ways to improve the results and the quality of the assignment by using advanced approaches, methodologies, and knowledge. A detailed description of the Quality Plan is provided in addition to its list of contents (if required).
- (b) Work Plan:
- *Poor.* The activity schedule omits important tasks; the timing of activities and correlation among them are inconsistent with the approach or methodology proposed. There is a lack of clarity and logic in the sequencing.
  - *Satisfactory.* All key activities are included in the activity schedule, but they are not detailed. There are minor inconsistencies between timing, assignment outputs, and proposed approach.
  - *Good.* The work plan responds well to the TOR; all important activities are indicated in the activity schedule, and their timing is appropriate and consistent with the assignment outputs. Moreover, the interrelation between the various activities is realistic and consistent with the proposed approach. There is a fair degree of detail that facilitates understanding of the proposed work plan.

- *Very Good.* In addition to the requirements listed above under “good,” decision points and the sequence and timing of activities are very well defined, indicating that the consultants have optimized the use of resources. A specific chapter of the proposal explains the work plan in relation to the proposed approach. The work plan allows flexibility to accommodate contingencies.
- (c) Organization and Staffing:
- *Poor.* The organization chart is perfunctory, the staffing plan is weak in important areas, and the staffing schedule is inconsistent with the timing of the most important outputs of the assignment. There is no clarity in allocation of tasks and responsibilities. The proposed specialists have never worked together as a team.
  - *Satisfactory.* The organization chart is complete and detailed, the technical level and composition of the staffing arrangements are adequate, and staffing is consistent with both timing and assignment outputs.
  - *Good.* In addition to the definition above in “satisfactory,” the staff is very well balanced (that is, they show good coordination, clear and detailed definition of duties and responsibilities, not too many short-term experts, not too many generalists, staff skills and needs are matched precisely, and they enjoy good logistical support). Some members of the project team have worked together before to some extent.
  - *Very Good.* Besides meeting all the requirements for a “good” rating, the proposed team is integrated, and several members have worked together extensively in the past; a detailed explanation of the Borrower’s role and integration in the assignment is provided. The proposal contains a detailed discussion showing that the consultants have optimized the use and deployment of staff with efficiency and economy, based on the proposed logistics.
- of the proposed methodology and work plan.” The proposed methodology and work plan are evaluated as a whole, using the four grades of table 17.2. An example of how these grades could be defined, based on the aspects listed in para. 17.3.2, is detailed below (definitions may differ from case to case, depending on the characteristics of the assignment):
- *Poor.* The methodology for important activities in the TOR is inadequate, indicating that the consultants may have misunderstood important aspects of the scope of work; the schedule of activities is incomplete; staffing is inadequate; and the staffing schedule is not fully consistent with the timing of the outputs. The proposed specialists have never worked together as a team.
  - *Satisfactory.* Proposed methodologies are standard and generally suitable for the assignment, but no detailed discussion of the specific aspects of the assignment is provided; the activity schedule is complete and clear; composition of the staff is adequate; and staff levels are consistent with timing and outputs.
  - *Good.* Approach and methodology are well defined and respond to the assignment’s requirements. The work plan is detailed and addresses the TOR well; all important activities are indicated in the activity schedule, and their timing is realistic and consistent with the assignment outputs; and staffing is well balanced (good coordination; clear, detailed definition of duties and responsibilities). Some members of the proposed team have worked together on a few occasions.
  - *Very Good.* Besides meeting the requirements listed above under “good,” the proposal includes important innovations in approach relevant to the Borrower and makes practical suggestions on how to improve the overall quality and efficiency of the assignment, indicating clearly how they would be implemented. The implementation of key activities is explained in detail. The proposed team is well integrated, and several of its members have previously worked together.

If the consultants’ approach and methodology do not fully satisfy all the conditions set forth by the definition of one of the grades, but the grade under consideration appears to reflect the overall adequacy of approach and methodology better than the lower one, the upper grade should be assigned.

### 17.3.4 Evaluation When Subcriteria Are Not Provided (for the STP only)

For the Simplified Technical Proposal (STP), subcriteria are not provided under the criterion “adequacy

## 17.4 Qualifications and Competence of Proposed Key Staff (for both the FTP and STP)

### 17.4.1 Rating Scale

For the FTP, the *Consultant Guidelines* allocate between 30 and 60 points to “key professional staff qualifications and competence for the assignment” (see table 12.1 in chapter 12). For the STP, the Data Sheet contained in the ITC of the RFP allocates, under Paragraph Reference 5.2 (b) (ii), between 60 and 80 points to this criterion (see table 12.2). For both the FTP and STP, the grades indicated in table 17.3 are recommended as percentage ratings relating to the evaluation of the proposed key professional staff. The lowest grade is 40 percent instead of zero (for reasons similar to those described in para. 17.3.1).

Grades in table 17.3 apply to both individual staff members and to members grouped by discipline (or activity) when interdisciplinary weighting is required (see para. 12.7). When evaluating staff, it is recommended that only those proposed for key positions should be considered. Junior or clerical staff shall not be evaluated.

### 17.4.2 Aspects to Consider for the Evaluation

The committee should evaluate key staff by considering the following aspects:

- *General Qualifications.* It is important to consider the number of years of professional experience of the consultants in the technical field in which they will work under the assignment. For evaluation purposes, the value of prior university education diminishes with age. Experts with more than 10 years of experience should be evaluated on their

**Table 17.3 Recommended Grades and Percentage Rating for Qualifications and Competence of Key Staff**

Grade (level of responsiveness)	Percentage rating
Poor	40
Satisfactory	70
Good	90
Very Good	100

current position and the level of responsibility entrusted to them in previous projects, rather than on their acquired university degrees. Because experience accumulates with age, staff members who are 60 years or older are often satisfactorily employed on complex or sensitive assignments. Long-term experience in consulting assignments may be advantageous, but evaluators should not give points to older candidates when age is not especially relevant for the assignment. When knowledge of recent approaches, methodologies, and technologies is critical, younger experts may be preferable.

- *Adequacy for the Assignment.* This is the most important aspect and should be carefully evaluated. Appropriate capabilities, adequate professional skills, and experience should always be the key evaluation aspects. While the previous aspect, “general qualifications,” evaluates the general experience of the staff in the technical field in which they will work under the assignment, “adequacy for the assignment” is meant to assess their capability to execute the specific functions entrusted to them. Has the expert recently held similar positions? If yes, were such positions relevant to assignments similar to the one under consideration? Has the proposed team leader held such a position before? If yes, has he or she managed a team similar to the one proposed (size, technical disciplines involved, similar mix of home and expatriate personnel, and so forth)? How well do the knowledge and skills of the staff offered meet the needs of the assignment?
- *Experience in the Region and Language.* When evaluating experience in the region, consider factors such as the number of assignments carried out in the country or in countries with similar cultures, administrative systems, and government organizations. For expatriate staff, the RFP should specify, in addition to capabilities in one of the official languages of the Bank, local language requirements for adequate communication in the country of the assignment, if needed. Scores should be given only for the local language. In scoring national consultant staff, their knowledge of the language of the contract should be evaluated, instead of the local language.

Key staff should be evaluated on their skills and suitability for the job, irrespective of their nationality. The qualifications of the team leader should be carefully evaluated because this position plays a crucial role in the assignment. If the team leader is acting as



both project manager and expert, his or her qualifications must be evaluated for each function, and the scores are assigned to each function proportional to the time effort dedicated to each of them (if the two functions overlap). Full marks for each function are assigned only if the functions can be clearly separated without affecting the quality of the services.

### 17.4.3 Evaluation Using the Three Subcriteria Specified in the RFP

The qualifications and competence of key staff shall be evaluated using the following three subcriteria specified in the RFP (see para. 12.7):

- General Qualifications
- Adequacy for the Assignment
- Experience in the Region and Language

Under each of these subcriteria, individual staff members are evaluated, using the grades in table 17.3. The EC shall determine for each of the three subcriteria the definition of each of the grades indicated. Such definitions should be based on the qualifications listed in para. 17.4.2.

An example of the definition of the four grades in table 17.3 for each of the three subcriteria listed above may include the following:

(a) General Qualifications:

- *Poor*. The proposed expert has less than 10 years of relevant experience.
- *Satisfactory*. The proposed expert has 10 years or more of overall working experience relevant to the assignment, with relevant academic education and training.
- *Good*. The proposed expert has more than 15 years of overall working experience; a substantial part of that experience relates to consulting assignments similar to the one under consideration; the expert's professional achievements, such as position within the firm and level of responsibility, have steadily increased over time.
- *Very Good*. The proposed specialist has more than 20 years of specialized experience in the field of the assignment and is recognized as a top expert in his or her field. The specialist is fully up to date on the state of the art of the discipline.

(b) Adequacy for the Assignment:

- *Poor*. The proposed expert has never or only occasionally worked in a position similar to

the one required under the assignment. His or her qualifications do not match closely the assigned position. (For instance, the position requires a highly experienced project manager, while a relatively junior professional with brief experience is proposed.)

- *Satisfactory*. The experience of the proposed expert fits the assigned position; in the past 10 years or more, he or she has successfully held positions similar to the one proposed for the assignment in at least one project of a similar nature. The proposed expert's skills (either professional or managerial, as the proposed position may require) are adequate for the job.
  - *Good*. The qualifications of the expert are suitable for the proposed position; over the past 10 years, he or she has held several similar positions in similar assignments; the expert's skills (either professional or managerial) are fully consistent with the position and characteristics of the assignment.
  - *Very Good*. In addition to the criteria under "good," the expert has qualifications and experience that substantially exceed the requirements for positions similar to the one being considered.
- (c) Experience in the Region and Language (this example refers to expatriate staff):
- *Poor*. The proposed expert has never or only occasionally worked in countries similar to the one of the assignment, and his or her knowledge of one of the official languages of the Bank and the local language is insufficient to properly communicate orally and in writing.
  - *Satisfactory*. The expert has worked in countries with cultural, administrative, and governmental organizations similar to the ones of the country of the assignment; his or her knowledge of one of the official languages of the Bank is adequate.
  - *Good*. In recent years, the expert has worked in the region of the assignment for at least one year; and he or she is fluent in one of the official languages of the Bank, as well as in the local language.
  - *Very Good*. In addition to meeting the above definition of "good," the expert has detailed, direct knowledge of the country and the language resulting from years of professional experience in the country.

If the key staff proposed by the consultants do not fully satisfy all the conditions set forth by the definition of one of the grades, but the grade under consideration appears to reflect the overall adequacy of the key staff better than the lower grade, the upper grade may be assigned.

## 17.5 Suitability of the Transfer-of-Knowledge (Capacity-Building) Program (for the FTP only)

### 17.5.1 Rating Scale

The *Consultant Guidelines* allow for a maximum of 10 points to be allocated to “suitability of the transfer-of-knowledge (capacity-building) program,” except when training is an important component of the assignment (see para. 12.3 and 12.8). The grades indicated in table 17.4 are recommended for percentage ratings related to the evaluation of transfer of knowledge:

The lowest grade is 40 percent instead of zero (for reasons similar to those described in para. 17.3.1). If capacity building and training represent a particularly important component of the assignment, more than 10 points may be given to this criterion. In such cases, subcriteria, grades, and definitions will have to be determined along lines similar to those indicated in paras. 17.3 and 17.4.

### 17.5.2 Aspects to Consider for the Evaluation

The EC should evaluate the proposed transfer-of-knowledge (capacity-building) program by considering the following or similar qualifications:

**Table 17.4 Recommended Grades and Percentage Rating for Suitability of the Transfer-of-Knowledge (Training) Program**

Grade (level of responsiveness)	Percentage rating
Poor	40
Satisfactory	70
Good	90
Very good	100

- *Methodology and Expected Results of the Program.* Definition of results in agreement with the objectives of the TOR; approach to capacity building (for example, program based on on-the-job training, or stand-alone training, or a combination) and methodology proposed to attain the objectives are clearly explained and appropriate for the target audience; quality of learning materials proposed.
- *Organization of the Program.* Degree of definition of the program (that is, the activities that will be carried out under the assignment); definition of roles, duties, output, and organizational arrangements of the Borrower’s personnel; level of skill and effort required from such personnel; consultant personnel involved and the expected level of effort; and allocation of responsibilities between the consultants and the Borrower.
- *Experience in Capacity Building, Transfer of Knowledge, and Training.* The level of previous experience and qualifications of the consultant experts involved.
- *Supervision and Evaluation.* Arrangements for supervision, implementation of the assignment, and impact of the program (for example, progress reports, progress evaluation, and evaluation of the results attained).

### 17.5.3 Evaluation When No Subcriteria Are Provided

When no subcriteria are provided for transfer of knowledge (capacity building) (see para. 12.3), the program proposed by the consultants should be evaluated as a whole, using the four grades in table 17.4. An example of their definitions, based on the aspects listed in para. 17.5.2, is given below (definitions may differ from case to case, depending on the characteristics of the program):

- *Poor.* Approach and methodology of the capacity-building and training program respond only partially to the objectives indicated in the TOR, and resources allocated are insufficient.
- *Satisfactory.* Program objectives and the approach are generally consistent with the requirements of the TOR; the proposed methodology seems suitable, but there is no discussion of its most important aspects; the capacity-building program is complete and well defined; allocated resources are commensurate with the objectives; the functions and responsibilities are only broadly defined; and the measures to supervise the program are only generally indicated.



### 17.5.3 Evaluation When No Subcriteria Are Provided

- *Good.* The methodology is specifically tailored to the objectives of the program and is discussed exhaustively. Timing of training activities is well defined and fully consistent with the time schedule of the activities on which the training is based. The quality and composition of consultant personnel involved are very well thought out and balanced. The duties and responsibilities of consultant and Borrower personnel involved are clear and defined in detail. Measures to supervise the program and reduce risks of abuses are clearly indicated.
- *Very Good.* In addition to the definition under “good,” approaches and methods proposed represent new best practices.

If the capacity-building program does not fully satisfy all the conditions set forth by the definition of one of the grades, but the grade under consideration appears to reflect the overall adequacy of the training program better than the lower grade, the upper grade should be assigned.

### 17.5.4 Evaluation When Subcriteria Are Provided

There may be cases where capacity building and training are an important component of the assignment, and the RFP has allocated more than 10 points to “suitability of the transfer-of-knowledge program.” In these

cases, subcriteria may be established (see para. 12.8), and points are allocated in the RFP to each of them. The EC should establish grade definitions for each one of the subcriteria, taking into consideration the aspects indicated in para. 17.5.2.

## 17.6 Participation by National Consultants among Proposed Key Staff (for the FTP only)

The *Consultant Guidelines* allow a maximum of 10 points to be allocated to this criterion (see para. 12.3). In the evaluation, these points will be allocated to each proposal in a proportion equal to the percentage share of national key staff in the total key staff time effort proposed. (If, for example, 8 points are attributed to this criterion, and 50 percent of total staff-months or staff-hours of key staff is allocated by the consultants to national experts, the proposal will receive 4 points.) This criterion covers only the quantitative aspect of participation by nationals; qualitative aspects such as experience of national key staff are captured by the criterion “key professional staff qualifications and competence for the assignment” (see para. 17.4). The participation of national consultants as domestic consultants, as local branches of foreign consultants, or as individual experts equally satisfies the Bank’s recommendation on participation by nationals.

# Negotiations and Award of Contract

*The common law of business balance prohibits paying a little and getting a lot—it can't be done."*

JOHN RUSKIN (1819–1900)

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. The Bank's Standard Forms of Contract (discussed in chapter 15 of this *Manual*) are designed to ensure that this is indeed the case.

## 18.1 Preparations for Negotiation

Under QCBS, the Borrower notifies in writing the consultant whose proposal has obtained the highest combined score (see para. 16.7) and invites the selected firm for negotiations. The Borrower indicates in the notification letter the date and time set for negotiations and any issues or comments on the consultant's proposal to enable it to prepare a response and make any necessary arrangements. The Borrower also informs consultants whose proposals were not chosen which firm was selected and that negotiations will begin with that firm.

Under QBS, the Borrower notifies the consultant with the highest technical score in writing and requests that the firm submit its financial proposal, if it was not submitted together with the technical proposal.

The Borrower appoints a negotiating team whose members should be fully familiar with the TOR, the consultant's proposal, the comments and suggestions of the Evaluation Committee relating to the technical and financial evaluation reports, and recommendations of the decision-making authority (at least one member of the Evaluation Committee should take part in the negotiations). For QBS and SSS, wherein the fi-

ancial conditions of the proposal can be negotiated, the team should have independent information on market rates and salaries of consultant staff. Both parties should appoint a chief negotiator, and, if required, the consultant's representative should submit a power of attorney.

Negotiations are based on a mutually agreed-on agenda comprising the main items to be negotiated (that is, methodology, work plan, proposed staff, inputs, financial terms, and special conditions of the contract).

## 18.2 Items Subject to Negotiation

Depending on the selection method and proposed type of contract, technical and financial items that may be negotiated within the limits indicated under paras. 18.4–18.7 include the following:

- Scope of work
- Technical approach and methodology
- Work plan and activity schedule
- Organization and staffing, plus time schedule for key staff
- Deliverables
- Counterpart staff
- Counterpart facilities and equipment
- Contract special conditions
- Staff unit rates
- Reimbursable expenses
- Proposed contract price

Unless the consultant contract is tax-exempt, during negotiations local tax liabilities on the contract or on contract items are a subject of clarification between the Borrower and the consultant, and adequate provisions must be made for them in the contract. The

contract should indicate the remuneration of the consultant separately from all identified local taxes payable under the contract. If the consultant is to be reimbursed by the Borrower for such taxes, the contract should specify the way this should be done.

If amounts payable by the Borrower to the consultant under the contract are subject to local taxation, it is the responsibility of the selected consultant, before starting financial negotiations, to contact the local tax authorities to determine the tax amount (see para. 6.3 of the ITC). The Borrower with experience from previous contracts may assist the consultant in obtaining the necessary contacts.

### 18.3 Outline of Negotiation Procedures

Contract negotiations for small assignments are usually completed within one or two days; however, for large or complex assignments, at least one full week should be allowed. Negotiations may be also carried out in phases, when decisions are needed from other authorities.

The Borrower should prepare minutes of the negotiations. If the issues to be negotiated are many and complex, significant points can be initialed by the counterparts as negotiations progress. When cost is not a factor of selection and the Borrower has reason to believe that the staff rates proposed by the consultants are significantly higher than market rates, the Borrower may request that the consultants provide financial or administrative records that justify such rates.

During the course of negotiations, the Borrower and the consultants may initially disagree on some important issues. In rare cases, agreement between the Borrower and the consultants may not be possible. If any issue remains unresolved after being referred to the decision-making authority, the only recourse may be to call off negotiations. The Borrower then notifies the Bank, indicating the reasons for the decision. The letter of notification is copied to the consultants. Once the Bank's "no objection" to the notification is obtained, the Borrower invites the second-ranked consultant for negotiations.

If the validity period of the proposals is about to expire, the Borrower should ask all consultants for an extension. In that case, the consultants may propose staff modifications without changing the proposed fee or may withdraw their proposal. However, the staff can only be replaced with those who are equally or bet-

ter qualified (that is, the new staff should be evaluated using the criteria and points specified in the RFP and must receive equal or higher scores).

### 18.4 Limits of Negotiations

Negotiations should begin by considering the comments, suggestions, and requests made by the EC on both the technical and financial evaluation reports and the recommendations of the decision-making authority.

The technical aspects (approach, methodology, work plan, and staffing) are discussed to reconcile the consultant's proposal and the circumstances of the Borrower. Technical negotiations may affect the quality of the offered services, thus impacting upon the technical score of the proposal. The financial proposal (including remuneration rates when price has not been a factor of selection) may also be negotiated, thus affecting the financial score of the proposal.

Because the quality of the technical proposal is the main factor in the ranking of consultants, Borrowers willing to reduce the scope of work or downgrade the proposed staff to cut the proposed price should keep in mind that the overall quality of the proposal shall not be substantially altered, because doing so may affect the basis of the technical evaluation on which the ranking was determined.

Sometimes, a consultant intentionally proposes a methodology and key staff with qualifications above the requirements of the assignment to secure higher scores in the technical evaluation and increase its chances of being selected and called to negotiate ("high-balling"). Although this strategy of increasing quality also implies an increase in the offered price, the chances of being selected would remain high because either the price is not a factor of selection (QBS) or it is allocated a limited weight (QCBS). During negotiations, the consultant could propose or try to trim the scope of work or the quality of its proposal if the offered price exceeds the budget. This practice should not be accepted and may require the disqualification of the consultant.

There are also limits to financial negotiations. They should be used by the Borrower to achieve consistency between the quality and the price of the services offered and not just to induce a price reduction. For instance, if staff rates proposed by a consultant are consistent with market rates for similar services, the only negotiable item would be the fee component of the rate, and this cannot be cut unreasonably.

Borrowers’ negotiating teams may want to extract arbitrary reductions of price from consultants, or force them to accept extensions of the scope of work without price adjustments. These practices are unacceptable.

Under FBS, the cost of the services is indirectly taken into account, given that the best technical proposal within the established budget is selected. Therefore, as with QCBS, negotiations should include discussion only of technical aspects.

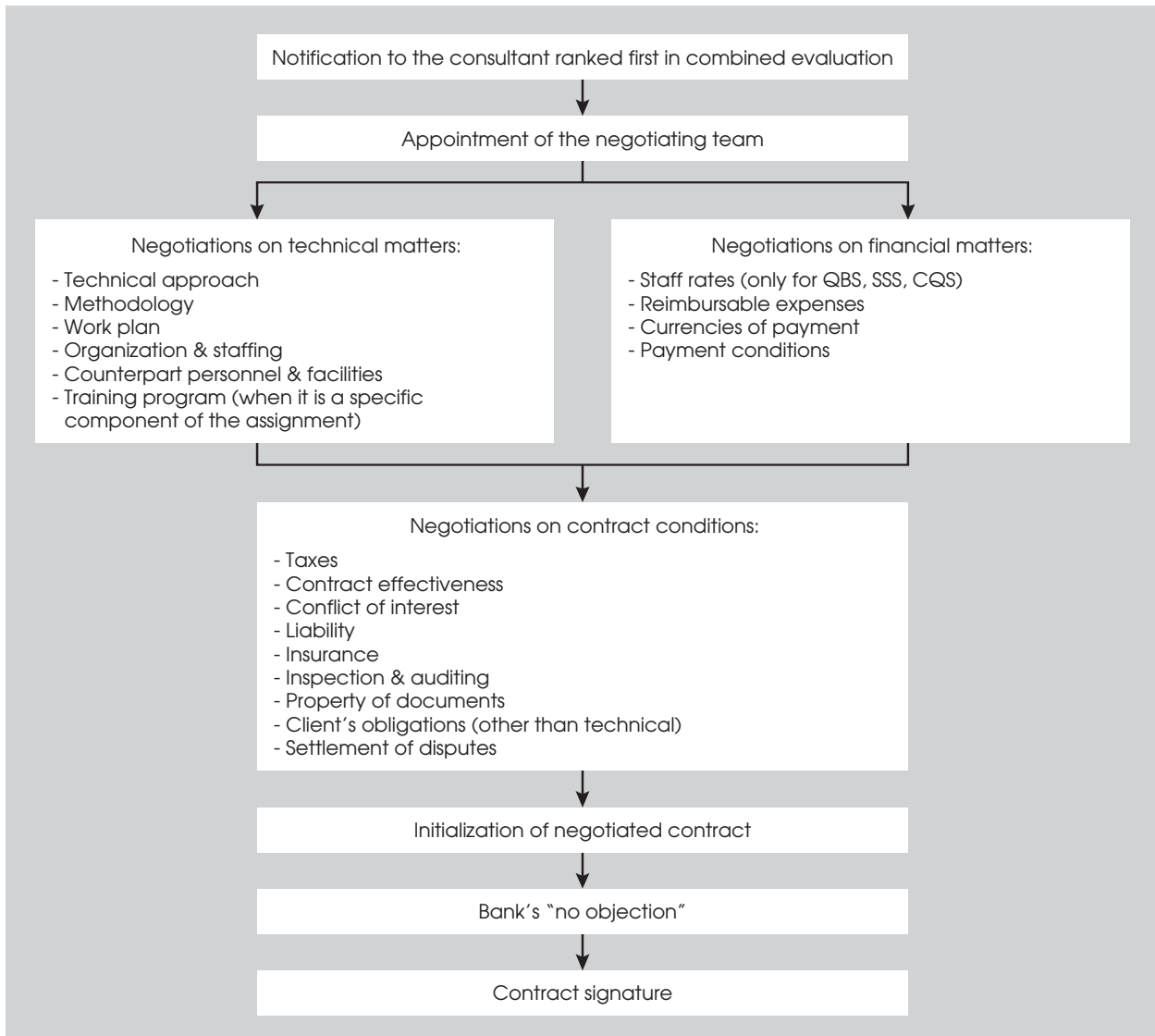
Similarly, under LCS, negotiations should also focus only on technical aspects. However, a price increase related to technical improvements can be negotiated on condition that the proposal remains the least costly.

The following paragraphs discuss in more detail the main items to address during negotiations and offer examples of best practices to consider in different cases. (The flowchart in Figure 18.1 indicates the main steps in the negotiations process.)

### 18.5 Negotiations of Technical Aspects

Technical negotiations can, within the limits imposed by the selection method, lead to the reduction of the proposal price without affecting the quality or the scope of the services by seeking a more efficient use of

**Figure 18.1 Negotiations (both technical and financial proposals received)**



the proposed staff to reduce the staff-months effort (for example, a better allocation of tasks to key experts in the work plan or a more efficient schedule of activities) or by simplifying the proposed methodology, or through a combination of both.

When the offered price exceeds the available budget and negotiations fail to bring the price within the budget, the Borrower may negotiate a reduction in the scope of work (para. 18.4). In some cases, reductions in the scope of work may not be possible without affecting the outcome or quality of the assignment. In such cases, the Borrower may need to seek additional financing, or (as a last resort) new proposals may be invited, with the Bank's "no objection," after revision of the TOR or the budget (or both).

### 18.5.1 Technical Approach, Methodology, and Work Plan

The technical approach, methodology, and work plan proposed by the consultant should be discussed, taking into consideration observations of the EC on the technical evaluation report and the consultant's comments on the TOR. Any differences between the consultant's understanding of the TOR and the position of the Borrower should be examined in detail with a view toward reconciliation.

The consultant's technical proposal is not a part of the contract. Therefore, once discussions are completed, the TOR should be revised to include any modification of the scope of work agreed on between the Borrower and the consultant. The final TOR is included in the contract under Description of the Services and shall supersede both the original TOR and the RFP. The methodology and work plan agreed on, including the work schedule with the list of documents to be delivered by the consultant and the staffing schedule, are annexed to the final TOR and also form part of the contract. If needed, the Borrower may suggest improvements of the work plan based on ideas developed by competitors. However, it is not permitted to disclose the proposals of competitors to the selected consultant.

When a capacity-building program is a specific component of the assignment, it should also be discussed in all necessary detail, as is the case with any other component of the technical proposal.

### 18.5.2 Organization and Staffing

In the discussion of organization and staffing, clarifications should be obtained on the role of each key staff of

the consultant's team. Key staff substitutions should not be allowed except where justified by circumstances beyond the control of the consultant (including, for example, unforeseen delays in the selection process).

A practice that the Borrower should not allow is sometimes referred to as "bait and switch": the consultant proposes high-quality key staff in the technical proposal to be awarded the contract and subsequently seeks to replace them with other, less-qualified staff during negotiations or in the early implementation stage of the assignment. Evidence of such practices would be grounds for contract termination.

If substitutions are unavoidable (an expert resigned from the firm or became ill, for instance), each replacement should be evaluated to ensure that the qualifications of the proposed candidate are at least equal to, or better than, those of the staff being replaced. Individual qualifications shall be evaluated according to the provisions of para. 17.4, and the remuneration rate charged by the consultant for the replacement shall not exceed the rate set forth in the proposal or agreed on during negotiations. The adequacy of each candidate for teamwork shall be evaluated under the aspect "quality of resource utilization" of para. 17.3.2.

The composition of the consultant's team, the assignment of tasks, and the time schedule should be reviewed. Agreement should be reached on the period of time that each key member is expected to work in the field and at the home office.

### 18.5.3 Counterpart Staff, Facilities, and Equipment

Special attention shall be paid to clearly defining the extent and timing of inputs, facilities, and counterpart staff to be provided by the Borrower. All equipment and supplies required for carrying out the services and all necessary surveys should be identified, agreed on, and included in the contract. All too frequently, counterpart staff and facilities are not clearly specified during negotiations and are later interpreted differently by the consultant and the Borrower, with serious consequences for the smooth and timely execution of the services.

## 18.6 Negotiation of Financial Conditions

The financial proposal is negotiated based on the list of deliverables, scope and plan of work, and staff-



months effort proposed by the consultant, including the agreed-on modifications.

Items to discuss during financial negotiations will vary according to the selection method adopted (that is, whether price is a factor of selection) and the payment provisions provided for in the contract (whether the contract is time-based or lump-sum). When price is a factor of selection (QCBS, FBS, or LCS), negotiation of unit rates is not allowed, nor is negotiation of unit rates for reimbursable expenses. However, total costs can sometimes be reduced by adopting more-efficient solutions (for example, having teleconferences instead of meetings). When price is not a factor of selection (QBS or SSS), negotiation of all financial conditions is allowed.

### 18.6.1 Time-Based Contracts

Under a time-based contract, the assignment must be completed within the time and the budget ceiling specified in the contract. These amounts are based on schedules that form part of the contract and provide details on the inputs (staff, vehicles, and so forth) and the cost of these inputs. A list of such schedules is given in the appendixes to the Form of Contract attached to the RFP. With some limited flexibility, the contract requires the consultant to adhere to these schedules. Fieldwork is billed at monthly, daily, or hourly staff rates, which need to be clearly indicated in the contract to avoid any misunderstanding during implementation. Home-office work is billed at staff-hour or staff-daily rates calculated based on hours worked.

If the selection method did not include price as a factor of selection, financial negotiations include staff unit rates and begin with a discussion of the billing rates in foreign currency for expatriate staff and in the local currency for national staff.

If the selection method included price as a factor of selection, negotiations of staff unit rates should not take place, except for exceptional conditions such as, for example, when staff rates offered are much higher than rates usually charged by consultants for similar contracts. Consequently, the inability to negotiate staff rates does not preclude the right of the Borrower to ask for clarifications and, if offered rates are very high, to ask for changes in the rates, after consultation with the Bank.

Reimbursables are to be paid upon presentation of receipts on actual expenses incurred and therefore are not subject to negotiations.

### 18.6.2 Lump-Sum Contracts

Under a lump-sum contract, the consultant is paid an agreed-on lump-sum price based on a schedule of payments linked to the delivery of outputs. To arrive at the lump-sum amount, the unit rates for personnel and reimbursable expenses used by the consultant are included in appendixes D and E of the contract. This is used solely to determine the remuneration due for any additional services beyond the agreed-on scope of work (for example, an extension). The consultant is paid according to the schedule specified in the contract, which outlines the assignment's specific outputs.

In case of delayed payments, the terms of payment and interest rate to be applied by the Borrower should also be defined during negotiations and included in the SCC.

If the selection method included price as a factor of selection, financial negotiations are not allowed. The Borrower can negotiate only the unit rates for personnel and reimbursables to be used for additional services.

### 18.6.3 Staff Billing Rates

When price is a factor of selection (QCBS, FBS, or LCS), negotiation of staff rates is not permitted, except for exceptional cases (for example, staff rates are far above market rates and above the rates usually charged by consultants for similar contracts).

Billing rates offered by a consultant typically depend on three factors: the internal structure of the rates; the ongoing market rates in the country of the consultant; and the level of the technical, institutional, and country risk that the consultant can bear when working for a certain Borrower. Consultant market rates in the country or region of the consultant may provide a valid reference point to help the Borrower understand the consultant's requested rates.

Borrowers generally may use the appendix, "Financial Negotiations, Breakdown of Remuneration Rates," (provided in section 4 of the RFP) as a guide when negotiating consultant billing rates. Use of this appendix may not be relevant or may need adaptations when considering organizations with cost structures different from those of conventional consultants (such as financial intermediaries, NGOs, and universities).

Although the parties may first try to reach an agreement based on the breakdown of rates proposed, such breakdowns should be considered with caution because they are generally based on past statistics or on

circumstances different from those prevailing in the country of the Borrower.

A breakdown of staff rates includes the following elements (which are also described in the appendix of section 4 of the RFP):

- (a) **Basic Salary:**  
Basic salary is the gross monthly salary paid to staff. Any overseas allowances should be identified separately and not included in the basic salary. It shall not contain any premium or bonus, except where required by law or where it can be shown that the bonus is part of the regular salary. The salaries of permanent staff are usually not negotiable.
- (b) **Social Charges:**  
Social charges are the costs to the firm of nonmonetary benefits paid to staff under legislation in the consultant's home country or under the consultant's own policies. They include such items as vacation, official holidays, sick leave, pension, social security, and medical and life insurance. These costs vary from country to country and, to a lesser extent, from consultant to consultant within the same country. Because most of the payments are required by law or by the consultant's personnel policies, they are nonnegotiable.
- (c) **Overhead:**  
Overhead expenses relate to the firm's costs incurred following general expenses that are not directly related to the execution of the assignment and cannot be reimbursed as separate items under the contract. Overhead includes such items as home-office costs, the cost of staff not currently employed on revenue-earning projects, rent, support staff, marketing, and business development costs, including the preparation of proposals.  
Overhead varies from firm to firm and depends on the size, type of organization, and core business of the firm. Some consultants charge different overheads for home-office and for field work, and distinguish between short- or long-term assignments. The Borrower should not accept an add-on margin for social charges and overhead expenses for staff who are not permanent employees of the firm. In such cases, the consultant is entitled only to reasonable administrative and technical backup costs, as well as fees on the monthly payments charged for subcontracted staff. Overhead is nonnegotiable, except for nonpermanent staff (individual consultants) and where double counting of overhead items in foreign or national reimbursable

expenses appear (for instance, office rent, paid leave, and equipment).

- (d) **Fee or Profit:**  
This is the consultant's fee, expressed as a percentage of the sum of salary, social costs, and overhead. It usually ranges between 5 and 20 percent, depending on the nature and duration of the services and on the level of specialization and the risks involved in the assignment. Fees or profit shall not be awarded on international travel and living allowances or other reimbursable expenses (except if an unusually large amount of equipment shall have to be procured under the contract).
- (e) **Away-from-Headquarters and Overseas Allowance:**  
This amount is added to the salary paid to staff on overseas assignments or assigned to projects away from the home office. The allowance is normally calculated as a percentage of the basic salary and depends on the location of the assignment. Within certain limits, overseas allowances are negotiable. In exceptional cases, a consultant could be asked to substantiate the level of each cost element.

#### 18.6.4 Billing Time

Time spent in the country of the assignment is generally billed monthly or as a fraction of a month, while home-office time is generally measured and billed in working days or hours. For billing purposes, a day worked is usually equal to 1/22 of a month and an hour is equal to 1/176 of a month, but it can vary between countries, depending on labor regulations. The "unit of account" (month, day, or hour) used for payment purposes should be clearly mentioned for each key staff in the contract. Overtime for professional staff is not billed, whereas overtime of support staff at the home office and in the field is generally billable.

#### 18.6.5 Reimbursable Expenses

A list of reimbursable expenses payable in foreign and local currencies is provided in the Data Sheet attached to the ITC.

The Borrower usually reimburses expenses at cost upon presentation of receipts, invoices, and so on. In certain cases, such as for the acquisition and import of equipment needed for the execution of services and where the consultant incurs additional administrative costs, the consultant may be paid a fee or "handling charge" of 5 to 10 percent above the specified invoice.

Often Borrowers prefer to negotiate and pay fixed rates to cover certain costs such as living expenses, international travel of the consultant's staff and their family members from the country of origin to the country of the assignment and back, and shipment of personal items. Board and lodging and the education of children of consultant staff are the most expensive items when employing a consultant in the country of the assignment.

For short-term assignments (usually less than six months), the daily allowance for board and lodging may be based on the UNDP Daily Subsistence Allowances or estimated, based on reasonable costs for hotels, meals, and local transportation. Some Borrowers may choose to reimburse a consultant's staff living expenses at cost. When local practices require the consultant's staff to pay several months' rent in advance, suitable advance arrangements should be included in the contract. Living expenses are generally paid for in the currency of the Borrower.

### 18.6.6 Payment Provisions

Borrowers should avoid delaying payments without due cause to ensure that the consultant does not delay its assignment for lack of funds. In general, a consultant will seek to be paid up front as much as possible to make sure that the necessary cash flow is always available to the assignment without having to resort to external financing. A consultant may also prefer up-front payment if there is a possibility that the Borrower will delay payments, forcing the consultant to finance the services. On the other hand, it is in the interest of the Borrower to retain a final payment (usually not more than 10 to 20 percent) until the final outputs have been delivered to the requisite standards.

Payment provisions, including amounts to be paid, schedule of payments, and payment procedures, shall be agreed on during negotiations. In a Bank-funded assignment, the consultant is paid either at regular intervals, upon presentation of invoices under a time-based contract, or in line with agreed-on outputs, according to a contractual payment schedule under a lump-sum contract.

The Borrower and the consultant should agree on the amount of the advance payments (for example, mobilization costs). Such payments normally do not exceed 20 percent of the contract value. Normally, if the advance exceeds 10 percent of the contract amount, it must be backed by an advance payment security, gen-

erally a commercial bank guarantee or other suitable guarantee issued by a reputable financial institution acceptable to the Borrower. When payment is on a lump-sum basis, payment against progress targets can be made when the consultant's output is produced at reasonable intervals and is easy to identify. The Bank suggests that the bank guarantee be released when total payments reach 50 percent of the lump-sum amount. Table 18.1 gives an example of a payment schedule for the detailed design of an infrastructure project. For smaller projects, the last payment may take place upon the delivery of final documents.

### 18.6.7 Contingencies

#### (a) Price Contingencies

For contract durations of more than 18 months or when the expected rate of price inflation is more than 5 percent per year, the Bank recommends that the consultant's contract provide for price escalation in foreign and national currency, as appropriate. When taking price escalation into account, the cost-of-living indexes used as a basis for calculation should be those of the countries of the consultant and of the Borrower, taking into consideration the currency of the contract. Price escalation can also be used to adjust the cost of services to account for longer-than-expected administrative delays that occur between submission of the proposal and the date of effectiveness of the contract.

An example of a price escalation formula is contained in the Special Conditions of the Bank's Standard Form, for time-based contracts in which price escalation formulas are applied to staff rates and to reimbursable expenses.

**Table 18.1 Sample Payment Schedule**

Progress target	Payment percentage
Contract signature (mobilization)	15
Definition of design criteria	15
Layout of major works	20
Draft of final documents	40
Approval of final documents	10
<b>Total</b>	<b>100</b>

Lump-sum contracts, which are generally used for assignments of shorter duration, usually do not provide for price escalation.

(b) Physical Contingencies

An amount to cover physical contingencies should be included in all time-based contracts. The amount depends on the degree of definition of the consultant’s scope of work and the type of service required. For example, it may be zero for lump-sum contracts wherein the scope is precisely defined; it may be set at 5 percent for the supervision of site investigations; it may rise to 10 percent for well-defined assignments such as the detailed design of a complex project; and it may rise up to 15 percent or more for master plans and complex feasibility studies. Physical contingencies will generally be low for advisory services assignments.

(c) Calculation of Contingencies

The following example shows how a calculation may be carried out for price and physical contingencies. A contract has been negotiated for US\$900,000 equivalent, of which US\$780,000 covers foreign costs and US\$120,000 equivalent represents local costs. A total of US\$180,000 of the foreign cost component of US\$780,000 is paid toward mobilization and is not subject to price escalation. The contract will run for three years, and it is assumed that both foreign and local costs are evenly distributed over this period. The indexes representing the foreign and local cost inflation have risen by 8 and 10 percent, respectively, in the past three years and are expected to do the same in the next three years.

The calculation of price and physical contingencies might appear as follows:

- Foreign Costs.

Year 1	Year 2	Year 3	Total
\$200,000	\$216,000	\$233,000	\$649,000

- Local Costs. A similar calculation leads to a total of US\$132,400 equivalent.

- Total Price Contingency. The total price variation amounts to (US\$649,000 + US\$132,400 – US\$600,000 – US\$120,000) = US\$61,400 equivalent.

- Physical Contingency. A total of 10 percent of contract value should be allowed (that is, 10 percent of (US\$900,000 + US\$61,400), or US\$96,140.

- Total Contingency Allowance. The total contingency allowance (price and physical) is about (US\$61,400 + US\$96,140) = US\$157,540 equivalent, which brings the total contract value up to US\$1,057,540 equivalent.

## 18.7 Negotiation of Contract Conditions

Before discussing the financial proposal, the parties should discuss the clauses of the draft contract. The General and Special Conditions of Contract should be reviewed to ensure that both parties understand the contract terms and conditions and that they faithfully and clearly reflect the parties’ agreement. Although the GCC cannot be changed, special conditions are subject to negotiation. However, because they have already been adapted to the assignment before issuing the RFP, negotiations should be limited to specific and justified requirements of the consultant.

Contract negotiations should end with both parties initialing a draft contract and its annexes. For contracts for which prior review is required, a copy of the draft contract is forwarded to the Bank for its review and “no objection” before contract execution.

The draft contract should include all appendixes required by the applicable standard contract form, providing the following information:

- Negotiated TOR, including the scope of work of the services, agreed-on methodology, organization chart, and program of activities indicating dates for completion of the various tasks
- List of reports indicating format, frequency, content, submission dates, and approval procedures
- Job descriptions of key personnel and the staffing schedule
- List of services, facilities, and counterpart personnel to be made available by the Borrower; also the timing for the provision of such services, facilities, and counterpart personnel
- Estimated contract amounts in foreign or local currency (or both), indicating monthly rates for foreign and local staff and reimbursable expenses
- Detailed capacity-building program (if this is a specified requirement of the TOR)

## 19.1 Contract Effectiveness

Consultants can seldom begin work immediately after signing the contract. A signed contract that has received a written “no objection” from the Bank may not be effective until certain conditions (such as approval by higher authorities) or compliance with certain prerequisites (such as funding requirements) are met. A consultant is sometimes pressured to start work before its contract is effective. Such practice should be discouraged, particularly when mobilization of consultant staff involves large expenditures.

To enable the consultant to begin work promptly, the Borrower should make arrangements for the supervision of the assignment to be ready, particularly the following:

- Appoint the counterpart manager and staff within the Borrower agency.
- Prepare office space, vehicles, and other supplies.
- Inform all concerned institutional parties.
- Effectuate advance payments.
- Obtain authorizations, data, and background material.

## 19.2 Execution of the Assignment

### 19.2.1 Supervision by the Borrower

The Borrower is responsible for supervising consultant assignments financed with Bank funds. The Borrower must monitor the progress of work, the timely completion of deliverables, the staff-months and money expended (for time-based contracts), and determine where within the contract changes in the scope of work might be appropriate.

The contract usually requires that the consultant submit regular progress reports (see para. 10.3.5) and that the Borrower provide comments promptly.

The Borrower should designate a counterpart project manager with adequate technical qualifications, managerial experience, and power of authority. In certain instances, involving large and complex projects, a steering committee comprising high-level representatives of the Borrower and the consultant may be formed to exercise arm’s length supervision over the assignment. The steering committee shall always act through the counterpart project manager and the consultant’s team leader. It can be particularly useful when the Borrower’s executing agency and the consultant must coordinate their work with other Borrower agencies. The opportunity to regularly report to such a committee can facilitate collaboration and understanding between the Borrower and consultant on disputes over important technical and contractual issues. The steering committee should convene for specific purposes and on important assignment or contractual deadlines.

### 19.2.2 Amendments

The Borrower or the consultant may propose amendments to the contract when either unforeseen events or the Borrower’s decisions make it necessary to modify the TOR or the consultant’s scope of work. In Bank-funded assignments subject to prior review, any deviation resulting in a contract price increase of more than 15 percent or any other substantial modification requires a Bank “no objection” and a contract amendment.

### 19.2.3 Disputes

During execution of the assignment, disputes may arise between the Borrower and consultants. The parties involved should attend to such disputes promptly and constructively. Unresolved disputes relating to technical and administrative matters, such as interpretation of the contract, payment of services, or replacement of



personnel, should be treated in accordance with the provisions of the contract.

### 19.2.4 Unsatisfactory Performance

Poor performance may involve one or more particular staff from the consultant's team, or the whole team. Based on the provisions of the contract, the Borrower will advise the consultant to take the necessary measures to address the situation. Poor performance should not be tolerated; therefore, the consultant should act quickly to comply with a reasonable request to improve the performance of the team or to replace any particular staff member who is not performing adequately. If the consultant fails to take adequate corrective actions, the Borrower may consult with the Bank and, if the contract is subject to prior review, request the Bank's "no objection" to terminate the contract.

### 19.2.5 Delays

Consulting services may be delayed for a variety of reasons. The consultant should notify the Borrower and explain the causes of such delays. If corrective action requires extra work and the delay cannot be attributed to the consultant, the extra work should be reimbursed in accordance with the contract.

## 19.3 Completing the Assignment

The draft final report contains the conclusions of the consultant's work and its recommendations. Given the delay in publishing the formal final report, the final draft is often the document used by the Borrower to inform its decision-making process.

This draft final report is distributed, as indicated in the official distribution list, for review to all counterparts, relevant government departments, local authorities who could be affected by the project, and the Bank.

The consultant collects and reviews the comments made by all parties and, in agreement with the Borrower, addresses these comments in the final report. If additional work is necessary to address important comments, such work may have to be financed (with or without a contract amendment) out of the contingencies provided for in the contract, by government funds, or through additional financing.

Any mistake or incomplete work on the part of the consultant should be remedied at no extra cost to the Borrower. Furthermore, the consultant is responsible for the technical integrity and impartiality of its findings and recommendations. The preferred way to handle significant disagreements on technical matters is to substantiate dissenting views in the report. Before the final payment, the consultant must have completed the services, and the Borrower must have acknowledged completion of the assignment.

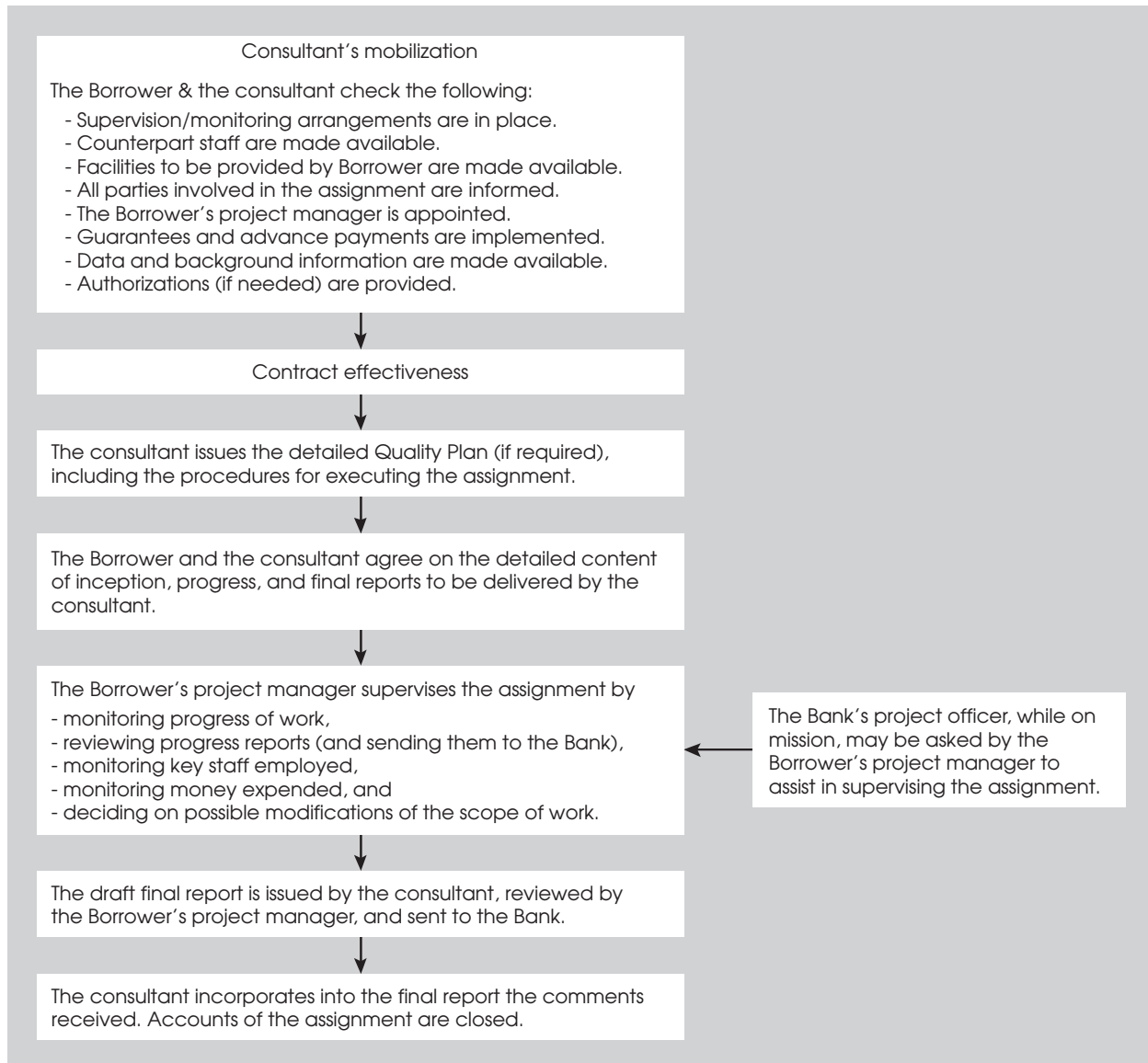
## 19.4 Bank Role in Supervision

In accordance with para. 1.4 of the *Consultant Guidelines*, the Borrower is responsible for preparing and implementing the project and, therefore, for selecting the consultant and awarding and subsequently administering the contract.

Bank staff have no direct supervisory role over the consultant. Any contact with the consultant should occur with the Borrower's permission (and preferably in the Borrower's presence). Bank staff are often asked to help review the consultant's work and may be called upon to bridge differences between the Borrower and the consultant on matters that may range from late payments to major technical issues. Bank staff should assist where possible, exercise impartiality, and encourage a sound Borrower-consultant relationship. (The main steps of consultant supervision are illustrated in the flow chart in figure 19.1.)



**Figure 19.1 Supervising the Consultant**



# Selection of Individual Consultants

## 20.1 Individual Consultants versus Consulting Firms

Borrowers often engage individual consultants on Bank-financed assignments. Individual consultants are also employed extensively by the Bank itself to assist in all areas of Bank operations. The policy covering their selection and management when they are engaged by the Bank is explained in AMS 15.00.

One frequently asked question is: should individual experts or a consulting firm be hired for this particular assignment? The TOR of the consultancy assignment provide the basis for the decision. Individual consultants are engaged on assignments for which (a) the experience and qualifications of the individual are the predominant considerations, (b) no support from a home office is needed, and (c) teamwork or a multi-disciplinary approach is not necessary.

On the other hand, when integrated technical work and collective responsibility for the consultants' output are crucial elements (for example, in preparing a feasibility study), a consulting firm is required. Individuals can be considered for advisory services assignments or technical opinions on specific matters, in which specialized individual knowledge is the key issue.

It is a misconception that employing a group of individual consultants is cheaper than hiring a consulting firm. In fact, the opportunity cost of taking valuable Borrower staff from their assigned duties to supervise and manage teams of individual consultants can be high and is justified only when the task at hand has to be executed under direct Borrower control. The hiring of individual consultants instead of a firm has other hidden costs, including the cost of replacing ill and unsuitable staff and professional liability for the end product.

In addition, the Bank believes that a policy of hiring individual consultants as opposed to a firm may lead to abuse and other undesirable practices such as nepotism. As a practical rule, if three or more individ-

uals are needed for an assignment, it is often better to hire a consulting firm so that the firm can be responsible for (a) identifying the best experts, (b) ensuring cohesiveness and technical solvency, and (c) providing backup and transparent administration.

Nevertheless, when hiring a team of independent individual consultants appears to be the most suitable solution, the Borrower should consider designating one of them as the team leader if the scope of work requires some degree of coordination. The team leader should be assigned clear responsibilities and authority commensurate with the tasks of the team. This responsibility may range from playing the role of the spokesperson on a panel of experts to being the technical leader or coordinator of a team of experts, with or without administrative responsibility. The TOR of each team member should define his or her relationship to the team leader.

## 20.2 Selection of Individual Consultants

The process by which Borrowers select individual consultants under Bank funding does not strictly follow the selection methods used for firms. It is worth describing here the steps that Borrowers are required to take into account in this process. The *Consultant Guidelines* also have applicability for the selection of individual consultants.

### 20.2.1 Terms of Reference

Borrowers should first prepare a TOR for the consultant assignment, including the scope of work and its estimated cost. Bank staff responsible for the project should review the TOR and provide the Bank's "no objection" for any assignment whose cost is estimated to be above the prior review threshold established for individual consultant contracts in the Loan Agreement.<sup>1</sup>

## 20.2.2 Advertising

Advertising is not required; however, in some cases, Borrowers may consider the advantage of advertising (for example, for individual assignments of a long duration—say, 12 months or more). Borrowers may decide to proceed in the same way for shorter assignments if potential suitable candidates are unknown. The request of expressions of interest should include a short description of the task or job description and the criteria for selection.

## 20.2.3 Selection

Individual consultants do not need to submit proposals; they are selected based on their qualifications for the assignment. They shall be selected by comparing the qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower. Individual consultants considered for the comparison of qualifications shall meet the minimum relevant qualifications, and the one selected to be employed by the Borrower shall be the best qualified and shall be fully capable of carrying out the assignment.

An individual consultant may be selected on a single-source basis (with due justification) in exceptional cases such as the following: (a) for a task that is a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively, (b) for an assignment with a total expected duration of less than six months, (c) in an emergency situation resulting from a natural disaster, and (d) when the individual is the only consultant qualified for the assignment. For key assignments, interviews may be set up, and invited candidates should be paid travel and subsistence, as needed.

Capability of the candidates should be evaluated, based on their background, experience, and knowledge of local conditions (such as local language, culture, administrative system, and government organization). The aspects to be considered in the evaluation are similar to those indicated in para. 17.2 of this *Manual*. Contracts normally take the form of a simple letter of appointment with TOR and employment conditions covering remuneration and direct expenses (including

medical, leave, insurance, housing, and so forth). The Sample Contract for Consulting Services: Small Assignments, which appears in the Bank SRFP, can also be used.

From time to time, permanent staff or associates of a consulting firm may be available as individual consultants. In such cases, the conflict-of-interest provision described in the *Consultant Guidelines* will apply to the parent firm.

## 20.3 Hiring of Government Officials and Academics

Government officials and civil servants may be hired under consulting services contracts financed under Bank loans, credits, trust funds, and grants only if they (a) are on leave of absence without pay, (b) are not being hired by the agency they were working for immediately before going on leave, and (c) their employment would not give rise to any conflict of interest.

University professors or scientists employed by research institutes can be contracted individually under Bank financing if they have had full-time employment contracts with their institution and have regularly exercised their function for a year or more before they are contracted under Bank funding.

## 20.4 Nepotism

Cases arise in which individual consultants seek to be engaged by the Borrower agencies where their relatives, associates, or friends are employed in positions of influence. These cases may cause perceived, potential, and real conflict-of-interest situations for the employee, as well as for the consultant, while discouraging deserving candidates with no inside connections. The Bank will not fund such candidates under any circumstances. Also see para. 4.3.3 of this *Manual*.

### Note

1. OP/BP 11.00, Annex A, July 2001.



# 1 Bank's Comments/ No-Objection Forms

## Contents

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## Appendix 1.1 Bank's Comments/ No-Objection to Request for Proposals

[*Heading*]<sup>1</sup>

**SUBJECT:** [Country, Project Name, Loan Credit, Grant #, Services]  
Comments/No-Objection to Request for Proposals (RFP)

**MESSAGE:**

Mr./Messrs./Ms. [Name(s)]:

Regarding your [*form of correspondence*]<sup>2</sup> of [date], we have reviewed the draft Request for Proposals for the above-mentioned services and have . . .

[*Alternative I*]<sup>3</sup>— . . . the following comments:

[*Comments*]

Please review these comments and submit a revised RFP for the Bank's "no objection."

[*Alternative II*]<sup>3</sup>— . . . no comment.

We have no objection to [*Name of Project Authority*] issuing the Request for Proposals to the short-listed consultants.

Yours sincerely,

[*Name and position of Bank's responsible officer*]

- 
1. Heading of the appropriate correspondence: letter, fax, or e-mail.
  2. Letter, fax, or e-mail.
  3. Select appropriate alternative.

## Appendix 1.2 Bank's Comments/ No-Objection to Technical Evaluation

[*Heading*]<sup>1</sup>

**SUBJECT:** [Country, Project Name, Loan Credit/Grant #, Services]  
Comments/No-Objection to Technical Evaluation

**MESSAGE:**

Mr./Messrs./Ms. [*Name(s)*]:

Regarding your [*form of correspondence*]<sup>2</sup> of [*date*], we have reviewed the draft technical evaluation report for the above-mentioned services and have . . .

[*Alternative I*]<sup>3</sup>— . . . the following comments:

[*Comments*]

Please consider these comments and submit a revised technical evaluation report for the Bank's "no objection."

[*Alternative II*]<sup>3</sup>— . . . no comment.

We have no objection to the technical evaluation report. Please inform us about the date, hour, and location of the public opening of the financial proposals of those technical proposals scoring above the minimum qualifying mark of \_\_\_\_\_ points.<sup>4</sup>

Yours sincerely,

[*Name and position of Bank's responsible officer*]

- 
1. Heading of the appropriate correspondence: letter, fax, or e-mail.
  2. Letter, fax, or e-mail.
  3. Select appropriate alternative.
  4. Last sentence applies only when the cost of the services is a factor of selection.

### Appendix 1.3 Bank's Comments/ No-Objection to Contract Award

[*Heading*]<sup>1</sup>

**SUBJECT:** [*Contract, Country, Project Name, Loan Credit #, Services*]  
Comments/No-Objection to Contract Award

**MESSAGE:**

Mr./Messrs./Ms. [*Name(s)*]:

Regarding your [*form of correspondence*]<sup>2</sup> of [*date*], we have reviewed the negotiated consultant's contract for the above-mentioned services and have . . .

[*Alternative I*]<sup>3</sup>— . . .the following comments:

[*Comments*]

Please consider these comments and submit a revised draft final contract for the Bank's "no objection."

[*Alternative II*]<sup>3</sup>— . . .no comment.

Please forward us a copy of the signed contract as soon as possible.

Yours sincerely,

[*Name and function of Bank's responsible officer*]

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1. Heading of the appropriate correspondence: letter, fax, or e-mail.  
2. Letter, fax, or e-mail.  
3. Select appropriate alternative.

# Single-Source Selection Form

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<b>Appendix 2.2</b> Single-Source Selection—Example of Justifications	<b>119</b>

## Appendix 2.1 Single-Source Selection Form

### 1. Description of Proposed Assignment

Country: \_\_\_\_\_  
 Ln./Cr. or Other Source of Funds: \_\_\_\_\_  
 Project Name: \_\_\_\_\_  
 Implementing Agency: \_\_\_\_\_  
 Name of Proposed Consulting Firm: \_\_\_\_\_  
 Nationality: \_\_\_\_\_  
 Estimated Number of Staff-Months: \_\_\_\_\_  
 Estimated Contract Value: \_\_\_\_\_  
 Description of Proposed Assignment: \_\_\_\_\_

### 2. Justification for Proposed Single-Source Selection<sup>1</sup>

Is this a natural continuation of same or previous assignment?  Yes  No

If yes:

(a) Give previous method of selection:  Single Source  Short List

(b) Indicate whether proposed assignment is continuation of:

• Feasibility study to detailed design:  Yes  No

• Detailed design to implementation/supervision:  Yes  No

• Other [*specify*] \_\_\_\_\_

(c) Was a possible follow-up mentioned in the original RFP/LOI?  Yes  No

Why is this appointment urgent? [*explain reasons*<sup>2</sup>]

Why is the proposed consultant uniquely qualified for this assignment? [*explain reasons*<sup>2</sup>] \_\_\_\_\_

Was previous assignment Bank-financed?  Yes  No

Description of Previous Assignment: [*provide description*] \_\_\_\_\_

Contract Value: \_\_\_\_\_

Staff-Months: \_\_\_\_\_

Starting Date: \_\_\_\_\_

Completion Date: \_\_\_\_\_

Consultant's Performance on Previous Assignment:  Excellent  Average  Poor

### 3. Clearance

Regional Procurement Manager:<sup>3</sup> \_\_\_\_\_ Date: \_\_\_\_\_

Operational Procurement Review Committee (OPRC):<sup>4</sup> \_\_\_\_\_ Date: \_\_\_\_\_

Task Team Leader: \_\_\_\_\_ Phone Ext.: \_\_\_\_\_ Dept: \_\_\_\_\_

1. Provide detailed information.

2. See Example of Justifications on following page.

3. Required for contracts above a certain value (currently US\$200,000, BP 11.00, Annex A).

4. Required for contracts above a certain value (currently US\$5,000,000, BP 11.00, Annex A).

## Appendix 2.2 Single-Source Selection—Example of Justifications

1. Because competition is the rule under assignments financed by the Bank, to obtain the Bank's clearance, justifications must always be provided if single sourcing is considered. Acceptance of single sourcing of a consultant is subject to the case meeting the requirements of the *Guidelines*. The justifications must be appropriate for the case to be accepted. The following is an example of a request for single sourcing a consultant that the Bank accepted based on the justifications (highlighted) put forward.
  2. "Washington, DC, January 20th, 2004."
    - (a) The consultant technical assistance on housing policy reform issues given to the Borrower under Project P has for the past two years been funded by a bilateral aid agency B under a parallel financing arrangement. Consultant A has been performing to the full satisfaction of the Borrower. The financing for this component, however, was cut off unexpectedly as of last December because of a donor's decision.
    - (b) In November 2003, the Project Implementation Unit (PIU) and the participating cities agreed with the Bank that this component would be funded from a Bank loan (this contingency was foreseen at project appraisal, and a technical assistance category for housing policy reform was set up in the loan documentation) and awarded following an international competitive process.
    - (c) However, the earliest the Request for Proposals (RFP) for this assignment could be issued is in late February or early March 2004, and it is unlikely that a consultant could be mobilized before June. There will be a mid-term review of the project in June 2004 for which all six participating cities will need considerable technical assistance on housing policy issues because the Bank staying in the project is contingent upon satisfactory progress on housing policy reform. It would be very difficult for the Borrower to be prepared for the upcoming midterm review without access to technical assistance between the months of January and June 2004. For that reason, an interruption at this stage is particularly undesirable.
    - (d) The task team leader has verified that consultant A will be charging the same rates to the PIU under Bank financing as it did under aid agency B financing. The Form of Contract it has chosen for the direct contract is the "Contract for Consulting Services Time-Based (9/29/04)."
3. In light of the above, the PIU has requested approval for a direct contract with consultant A for the interim period from January to June, until the selected consultant from the competed process can be mobilized.
4. The Bank accepted the single-source selection on the main grounds that stopping the services at this stage would seriously jeopardize the project and the Bank's future participation in it (para. 2c). In addition, the cost of the interim assignment was only a fraction of the initial one (para. 2d); the Borrower confirmed that consultant A had performed well initially (para. 2a) and was prepared to continue with the initial remuneration rates (para. 2d). Stoppage of the initial contract was unforeseen. However, it happened beyond the control of the consultant or the Borrower (para. 2a). The Bank considered that it was "in the interest of the Borrower and the project" and consistent with its principles of economy, efficiency, and equal opportunity; therefore, it decided to continue with consultant A.





APPENDIX

# 3

## Sample Work Schedule

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### Appendix 3

The following table is a sample of the Work Schedule for the Contract Design of a New Hospital. It corresponds to the Form TECH-8 (section 3 of the SRFP).

#### Appendix 3.1 Assignment: Contract Design of a New Hospital

Activities	Months						
	1	2	3	4	5	6	7
<b>1 Study Phase</b>							
1.1 Conceptual design							
1.2 Design criteria							
1.3 Medical aspects							
1.4 Architectural aspects							
1.5 Structural solutions							
1.6 Electromechanical equipment							
1.7 Construction technique							
1.8 Preliminary cost estimate							
1.9 Interim report							
1.10 Delivery of the interim report							↓
1.11 Approval of the interim report							↓
<b>2 Design Phase</b>							
2.1 Civil works							
2.2 Electromechanical equipment							
2.3 Technical specifications							
2.4 Tender drawings							
2.5 Contract documents							
2.6 Construction program							
2.7 Maintenance plan							
2.8 Detailed cost estimate							
2.9 Final report							
2.10 Delivery of the contract design							↓

APPENDIX

# 4

## Sample Staffing Schedule

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---------------------------------------	-----

**Appendix 4**

The following table is a sample of the Staffing Schedule for the Contract Design of a New Hospital. It corresponds to the Form TECH-7 (section 3 of the SRFP).

**Appendix 4.1 Sample Staffing Schedule**

No.	Name of staff	Staff input							Total staff-month input			
			1	2	3	4	5	6	7	Home	Field	Total
<b>Foreign personnel</b>												
1	John Major	(Home) (Field)								4	2	6
2	Phil Minor									4	2	6
3	Jean Lower									5		5
4	Francis Upper									3	1	4
5	Donald Right									3.5	1	4.5
6	Pat Left									4		4
7	Susan Center									5		5
8	Draftsmen									14		14
9	Support personnel									15		15
<b>Local personnel</b>												
1	Ted Higher	(Home) (Field)								6		6
2	Todd Middle									3	1.5	4.5
3	Draftsmen									10	0.5	10.5
4	Support personnel									11	1.5	12.5
									Subtotal	87.5	9.5	
									<b>Total</b>			97

# 5 Cost Estimate Forms

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<b>Appendix 5.1</b>	<b>Cost Estimate</b>	<b>126</b>
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## Appendix 5.1 Cost Estimate

[Country]  
[Assignment]

1. The following cost estimate is presented in a generic form: it can be used for most assignments that include a team of experts (nationals or foreigners, or both) working in the Borrower's, the consultant's, or any other country on a long-term or short-term assignment. The consultant is incurring office expenses in the Borrower's country.
2. Should the assignment include surveys (as may be the case in most sectors such as health, education, rural development, and privatization), their cost would need to be assessed separately. (The templates in this appendix do not provide guidance to cost these surveys.)
3. To establish a cost estimate, costs are normally estimated using unit rates (staff remuneration rates, reimbursable expenses) and quantities; exceptionally, some items may be estimated on a lump-sum basis. The method used to establish the cost estimate bears no relation to the type of contract that will be used and the method of remuneration of the consultant (time-based or lump-sum remuneration).
4. The consultant may be a firm or an association. The firm may have subcontracted part of the services. In both situations, the cost estimate does not provide information on the split of work between the association members or between the prime and subconsultants.
5. Costs are estimated in the currency in which they are incurred (that is, in the national currency [currency of the Borrower's country]) and in up to three foreign currencies, as permitted under the *Consultant Guidelines*. The use of different currencies is frequent in assignments that involve associations among consultants of different nationalities.
6. Price contingencies need to be included in the costs to reflect the impact (if significant) of the rate(s) of inflation in the countries in which the assignment takes place. This may be the case because inflation is (or is expected to be) high (say, above 5 percent per annum) or because of the duration of the assignment (say, beyond 18 months). Physical contingencies should also be included to cover uncertainties about the quantities listed in the technical proposal.
7. Assignment costs must be estimated net of local, indirect taxes; nevertheless, for budgeting purposes, the Borrower should also make adequate provision for the tax amount payable under the contract.

## Appendix 5.2 Cost Estimate—Summary

[Country]  
[Assignment]

	Local currency	Foreign currency(ies) <sup>1</sup>		
	LC	FC <sub>1</sub>	FC <sub>2</sub>	FC <sub>3</sub>
1. Staff remuneration				
Key staff				
Other staff				
Subtotal 1				
2. Reimbursables				
Transportation				
Air				
Ground				
Staff accommodation <sup>2</sup>				
Office				
Rent				
Furniture/equipment				
Supplies, utilities				
Reports, documents <sup>3</sup>				
Subtotal 2				
3. Surveys				
(a)				
(b)				
Subtotal 3				
4. Miscellaneous				
Subtotal 4				
<b>Total</b>				

1. A proposal can be expressed in a maximum of three foreign currencies.  
 2. Per diem (short-term consultants) and housing.  
 3. Purchase, translation, editing, printing.

## Appendix 5.3 Cost Estimate—Staff Remuneration<sup>1</sup>

[Country]  
[Assignment]

Position	Name	Remuneration Rate <sup>2</sup>				Year 1		Year 2		Year 3		Year 4		Total				
		LC	FC <sub>1</sub>	FC <sub>2</sub>	FC <sub>3</sub>	SM <sup>3</sup>	Amount	SM <sup>3</sup>	Amount	SM <sup>3</sup>	Amount	SM <sup>3</sup>	Amount	LC	FC <sub>1</sub>	FC <sub>2</sub>	FC <sub>3</sub>	
1. Key staff <sup>4</sup>																		
1.1 .....	.....																	
1.2 .....	.....																	
1.3 .....	.....																	
Subtotal 1																		
2. Other staff <sup>5</sup>																		
2.1 .....	.....																	
2.2 .....	.....																	
2.3 .....	.....																	
Subtotal 2																		
<b>Total</b>																		

1. Includes national and foreign staff.

2. Rate per unit of remuneration (hour, day, or month); expressed in local currency (LC) or a maximum of three foreign currencies (FC), or both; rate increases (if any) over the years to be detailed separately.

3. SM: staff × unit of remuneration (for example, month).

4. Key staff (that is, professional staff [engineers, economists]).

5. For example, bilingual secretary, typist, office assistant.

## Appendix 5.4 Cost Estimate—Reimbursables

[Country]  
[Assignment]

Reimbursables	LC	FC <sub>1</sub>	FC <sub>2</sub>	FC <sub>3</sub>
1. Air transportation				
• Tickets <sup>1</sup>				
• Luggage <sup>2</sup>				
2. Ground transportation				
• Mobilization/demobilization, holidays <sup>3</sup>				
• Operational:				
Vehicles <sup>4</sup>				
Motorcycles <sup>5</sup>				
3. Relocation/storage <sup>6</sup>				
4. Temporary housing <sup>7</sup>				
5. Miscellaneous <sup>8</sup>				
<b>Total</b>				

1.  $N \times \text{Airfare}$  N: number of round trips home/duty station/home for mobilization, holidays, operations, demobilization. for staff and their eligible dependents N: \_\_\_\_\_ [Itinerary]  
A: \_\_\_\_\_ [Itinerary]  
Airfares: usually in economy class
2.  $Kg \times U$  For excess and unaccompanied luggage.  
kg: as provided by the consultant to its staff kg: \_\_\_\_\_ [Country]  
U: unit cost as per airline tariff U: \_\_\_\_\_ [Country]
3.  $Us$  To/from airport in the Borrower's, the consultant's, or a third country, for mobilization, operations, holidays, demobilization.  
Us: unit cost Us: \_\_\_\_\_ [Country]
4.  $km \times U$  Cost to include amortization/rental, driver, operation, maintenance, repairs, insurance.  
km: estimated mileage during assignment km \_\_\_\_\_ [Car]  
U: unit cost per km U: \_\_\_\_\_ [Car]
5.  $n \times u$  n: number of motorcycles to be purchased n: \_\_\_\_\_  
u: unit cost, including purchase, operation, maintenance, repairs, insurance u: \_\_\_\_\_
6.  $S$  S: amount of allowance granted by the firm to its staff S: \_\_\_\_\_
7.  $H$  H: amount of allowance granted by the firm to its staff H: \_\_\_\_\_
8. Lump-sum Travel documents, visas, health certificates, work permits L: \_\_\_\_\_

## Appendix 5.5 Cost Estimate—Office Costs<sup>1</sup>

[Country]  
[Assignment]

	LC	FC <sub>1</sub>	FC <sub>2</sub>	FC <sub>3</sub>
Rent <sup>2</sup>				
Supplies <sup>3</sup>				
Computer operation costs <sup>4</sup>				
Communications <sup>5</sup>				
Equipment, furniture <sup>6</sup>				
<b>Total</b>				

1. Costs to include contingencies (if any), as detailed separately.

2. Including utilities, maintenance, cleaning, repairs.

(n × m) n: cost per month; m: number of months

n: \_\_\_\_\_; m: \_\_\_\_\_

3. Estimated on a monthly basis.

(su × m) su: cost per month; m: number of months

su: \_\_\_\_\_; m: \_\_\_\_\_

4. Estimated on a monthly basis.

(c × m) c: cost per month; m: number of months

c: \_\_\_\_\_; m: \_\_\_\_\_

5. Telephone, fax, estimated on a monthly basis

(t × m) t: cost per month; m: number of months

t: \_\_\_\_\_; m: \_\_\_\_\_

6. See attached indicative list.

### Appendix 5.6 Cost Estimate—Office Furniture and Equipment

[Country]  
[Assignment]

No.	Description	Unit	Quantity	Rate (LC)	Amount (LC)
	<b>Office furniture (purchase)</b>				
1	Large desks and chairs	Set			
2	Medium desks and chairs	Set			
3	Assistant desks and chairs	Set			
4	Double-door cupboard	Unit			
5	Plan filing cabinet	Unit			
6	Filing cabinet	Unit			
7	Desk lamps	Unit			
8	Meeting table with 12 chairs	Set			
9	White board	Unit			
10	Sofa set	Set			
	<b>Office equipment (purchase)</b>				
1	Photocopying machine	Unit			
2	Blueprint machine	Unit			
3	Computer	Set			
4	Facsimile (fax) machine	Unit			
5	Ring binding machine	Unit			
6	Large stapler	Unit			
7	Safe	Unit			
8	Drafting board, chairs, and so forth	Set			
9	Video multisystem	Set			
10	Camera SLR	Unit			
<b>Total</b>					





APPENDIX

# 6

## Form for Request for Expressions of Interest

### Contents

Appendix 6.1 Consulting Services 134

## Appendix 6.1 Consulting Services

[Name of Country]

[Name of Project<sup>1</sup>]

Loan/Credit/Grant No.:

Expressions of Interest

This request for expressions of interest follows the General Procurement Notice for this project that appeared in Development Business No. [insert number] of [insert date<sup>2</sup>].

The [insert name of Borrower/Beneficiary<sup>3</sup>] has [received/applied for/intends to apply for] a [loan/credit/grant] from the [International Bank for Reconstruction and Development (IBRD) /International Development Association (IDA)] and intends to apply part of the proceeds of this [loan/credit/grant] to payments under the contract for [insert name of project/the services<sup>4</sup>].

The services include [brief description, organization, implementation period . . .<sup>5</sup>].

The [insert name of implementing agency/Borrower] now invites eligible consultants to indicate their interest in providing these services. Interested consultants must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, general qualifications and number of key staff, and so forth). Consultants may associate to enhance their qualifications.

A consultant will be selected in accordance with the procedures set out in the World Bank's *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*,<sup>6</sup> May 2004.

Interested consultants may obtain further information at the address below [state address at the end of document] from [insert office hours<sup>7</sup>].

Expressions of interest must be delivered to the address below by [insert date].

[Insert name of office]

[Insert name of officer]

[Insert mailing address]

Phone: [Indicate country and city code]

Facsimile (fax): [Indicate country and city code]

E-mail:

1. If appropriate. In some cases, there may be no project, properly speaking, but only a specific consulting assignment.
2. Day, month, year (for example, 31 January 1998); delete if not appropriate.
3. In case of a grant.
4. Insert title of services.
5. The intent is to enable potentially interested consultants to decide whether to prepare an expression of interest.
6. See *Guidelines* for eligibility requirements.
7. For example, 0900 to 1200 hours.

# 7 Examples of Evaluation of Proposals

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- Appendix 7.1** Project and Construction Management Services for a Water Supply System   **136**
- Appendix 7.2** Technical Assistance Services for an Agricultural Development Program   **144**
- Appendix 7.3** Technical Assistance Services for a Privatization Project   **146**

This appendix refers to three typical, complex assignments to be awarded under QCBS. The appendix highlights the various steps of proposal evaluation by using evaluation worksheets compatible with the Bank's Sample Form of Evaluation Report—Selection of Consultants.

## Appendix 7.1 Project and Construction Management Services for a Water Supply System

The Borrower needs to select a consultant to carry out the project and construction management activities related to the implementation of a municipal water supply system, including a water treatment plant, water distribution network, water tanks and towers, pumping stations, and so forth.

Six qualified consultants are invited to submit proposals to be evaluated with QCBS. Transfer of knowledge is not required, but the participation of local experts during the construction management activities is considered important by the Borrower.

In the RFP, the following points (indicated in table A7.1) are allocated to the evaluation criteria:

**Table A7.1 Points Allocated to Main Criteria**

Criteria	Points
1. Specific experience of the consultants relevant to the assignment	5
2. Adequacy of the proposed methodology and work plan	30
3. Key professional staff qualifications and competence	55
4. Suitability of the transfer of knowledge	0
5. Participation by nationals	10
<b>Total</b>	<b>100</b>

For the criterion “adequacy of the proposed methodology and work plan,” the following three subcriteria and relevant point allocations are indicated in the RFP (see para. 12.5 of this *Manual*):

- Technical approach and methodology 8 points
- Work plan 7 points
- Organization and staffing 15 points

The scope of work of the assignment (as detailed in the TOR) includes the following main tasks: (a) review of the detailed design of the water supply system to be prepared by the selected contractor,

based on the existing contract design, and (b) supervision during the construction of the water supply system. Because the type of organization and staffing required to carry out these two tasks is different, the Borrower considers it important to separately evaluate the organization and staffing proposed by the invited consultants for these two tasks.

Consequently, in the RFP, the subcriterion “organization and staffing” and relevant points are split into the following subcriteria:

- Review of the detailed design 4 points
- Supervision during construction 11 points

Under the criterion “key professional staff qualifications and competence for the assignment” (see para. 12.7 of this *Manual*), the team leader is given 15 points. As for other members of the key staff, the characteristics of the assignment suggest the need to stress the importance of time and cost control specialists, hydraulic engineering, structural engineering, soil mechanics, and electromechanical engineering. Table A7.2A indicates the overall point allocation specified by the Borrower in the RFP for the team leader and the key staff relevant to the five disciplines considered.

**Table A7.2A Key Staff Evaluation**

Key staff members	Points
Team leader	15
Hydraulic engineering	9
Structural engineering	9
Soil mechanics	6
Electromechanical engineering	6
Time & cost control specialists	10
<b>Total</b>	<b>55</b>

The percentage weights assigned by the Borrower in the RFP to the three subcriteria of the criterion “key professional staff qualifications and competence for the assignment” are indicated in table A7.2B.

**Table A7.2B Key Staff Evaluation**

Subcriteria	Percentage Points
General qualifications	20
Adequacy for the assignment	60
Experience in region & language	20
<b>Total</b>	<b>100</b>

The overall setup of the different subcriteria and relevant points for evaluating the technical proposals (provided by the RFP in the Data Sheet of the ITC) is summarized in table A7.3A.

Table A7.3B indicates the points available within “key professional staff qualifications and compe-

tence” for the different members of the key staff, resulting from the total points (55) allocated to this criterion and the weights indicated in the RFP (see previous three tables).

The RFP also indicates the weights given to the technical and financial proposals as follows:

- Weight for the technical proposal 0.8
- Weight for the financial proposal 0.2

Before technical proposals were received, the Evaluation Committee met to define the grades to adopt for the evaluation (see chapter 17 of this *Manual*) and made the following decisions:

- (a) Because no subcriteria were specified in the RFP under the criterion “specific experience of con-

**Table A7.3A Points Allocated to Criteria and Subcriteria**

1 Specific experience of consultants	Points	2 Methodology & work plan	Points	3 Key staff qualifications and competence	Points	4 Participation by nationals	Points
No subcriteria	5	Approach & methodology	8	Team leader	15	No subcriteria	10
		Work plan	7	Hydraulic engin.	9		
		Organization & staffing: Review of detailed design	4	Structural engin.	9		
		Supervision during construction	11	Soil mechanics	6		
				Electromech. engin.	6		
				Time & cost control	10		
<b>Total points</b>	<b>5</b>		<b>30</b>		<b>55</b>		<b>10</b>

Note: Suitability of the transfer of knowledge has no points.

**Table A7.3B Key Staff Evaluation**

Key staff members	General qualifications (20%)	Adequacy for the assignment (60%)	Experience in region & language (20%)	Total points
Team leader	3.0	9.0	3.0	15
Time & cost control specialists	2.0	6.0	2.0	10
Hydraulic engineering	1.8	5.4	1.8	9
Structural engineering	1.8	5.4	1.8	9
Soil mechanics	1.2	3.6	1.2	6
Electromechanical engineering	1.2	3.6	1.2	6
<b>Total points</b>				<b>55</b>



sultants relevant to the assignment,” the committee decided to evaluate the specific experience as a whole, considering the following aspects: (i) experience in similar projects, (ii) experience in similar areas and conditions, and (iii) size and organization (see paras. 17.2.2 and 17.2.3).

- (b) For each one of the four subcriteria of “adequacy of the proposed methodology and work plan,” the committee adopted the four grades suggested in para. 17.3 (Poor, Satisfactory, Good, Very Good) and set the relevant definitions.
- (c) Similarly, for each one of the three subcriteria of the “qualifications and competence of the key staff,” the committee adopted the four grades suggested in para. 17.4 (Poor, Satisfactory, Good, Very Good) and set the relevant definitions.
- (d) For the criterion “local participation,” the committee decided to allocate the available points in a proportion equal to the percentage share of national key staff in the total key staff time effort proposed (see para. 17.6).

The following pages provide samples of the different evaluation worksheets that may be used by the members of the Evaluation Committee when evaluating the proposals, plus a scoring example based on the points indicated for the different criteria and sub-criteria in the preceding tables. (For the sake of simplicity, the samples refer to only one member of the Evaluation Committee and two of the six invited proposals.)

As for the proposed key staff, the following assumptions apply:

- Consultant 1 proposes
  - three hydraulic engineers for the Hydraulic Engineering Group,
  - a civil engineer for the Structural Engineering Group,
  - a soil engineer for the Soil Engineering Group,
  - an electrical engineer and a mechanical engineer for the Electromechanical Engineering Group, and
  - a time and cost control specialist for the Project Control Group.

- Consultant 2 proposes
  - three hydraulic engineers for the Hydraulic Engineering Group,
  - a civil engineer for the Structural Engineering Group,
  - a soil engineer for the Soil Engineering Group,
  - an electrical engineer for the Electromechanical Engineering Group, and
  - a time and cost control specialist for the Project Control Group.

Two of the five groups proposed by consultant 1 and one of the five groups proposed by consultant 2 include more than one expert. For these groups, each expert is separately evaluated and scored, then the scores are averaged to obtain the group score (see para. 12.7).

All scores shown in the different samples are rounded to the third decimal.

The minimum technical score specified in the RFP is 70.

In this example, it is furthermore assumed that the following total prices are offered by the consultants:

Consultant 1:	US\$3,100,000
Consultant 2:	US\$3,400,000
Consultant 3:	US\$2,950,000
Consultant 4:	US\$3,600,000
Consultant 5:	US\$3,220,000
Consultant 6:	US\$3,360,000

The formula indicated in the RFP for determining the financial scoring is:

$$Sf = 100 \times Fm/F$$

where *Sf* is the financial score, *Fm* the lowest price, and *F* the price of the proposal under consideration.

**Table A7.4 Evaluation Worksheet for Specific Experience**


---

Assignment \_\_\_\_\_

---

Country \_\_\_\_\_

---

Project \_\_\_\_\_

---

Date of evaluation \_\_\_\_\_ Evaluation carried out by \_\_\_\_\_

Names of consultants

1 \_\_\_\_\_ 2 \_\_\_\_\_ 3 \_\_\_\_\_

4 \_\_\_\_\_ 5 \_\_\_\_\_ 6 \_\_\_\_\_

Consultant	1		2		3		4		5		6	
	Points (P)	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	
Specific experience (similar projects, similar areas & conditions, specialization)	5	70	3.5	100	5.0							
<b>Total</b>	<b>5</b>		<b>3.5</b>		<b>5.0</b>							

**Table A7.5 Evaluation Worksheet for Methodology and Work Plan**


---

Assignment \_\_\_\_\_

---

Country \_\_\_\_\_

---

Project \_\_\_\_\_

---

Date of evaluation \_\_\_\_\_ Evaluation carried out by \_\_\_\_\_

Names of consultants

1 \_\_\_\_\_ 2 \_\_\_\_\_ 3 \_\_\_\_\_

4 \_\_\_\_\_ 5 \_\_\_\_\_ 6 \_\_\_\_\_

Consultant	1		2		3		4		5		6	
	Points (P)	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	
Approach & methodology	8	70	5.6	70	5.6							
Work plan	7	90	6.3	40	2.8							
Organization & staffing												
Review of detailed design	4	70	2.8	90	3.6							
Supervis. during construction	11	90	9.9	100	11.0							
<b>Total</b>	<b>30</b>		<b>24.6</b>		<b>23.0</b>							

**Table A7.6A Evaluation Worksheet for Key Staff Qualifications and Competence (Group Scoring)**

Assignment		
Country		
Project		
Date of evaluation	Evaluation carried out by	
Names of consultants		
1 _____	2 _____	3 _____
4 _____	5 _____	6 _____

Consultants: No.1			General qualifications 20%			Adequacy for the project 60%			Experience in region & language 20%		
Group	Name	Total points	Points (P)	Rating (R) %	Score P x R	Points (P)	Rating (R) %	Score P x R	Points (P)	Rating (R) %	Score P x R
1. Hydraulic Engineering Group		9									
Hydraulic Engineer 1			1.8	70	1.26	5.4	90	4.86	1.8	90	1.62
Hydraulic Engineer 2			1.8	70	1.26	5.4	90	4.86	1.8	40	0.72
Hydraulic Engineer 3			1.8	90	1.62	5.4	70	3.78	1.8	90	1.62
<b>Averaged subtotal</b>					<b>1.38</b>			<b>4.50</b>			<b>1.32</b>
2. Electromech. Engineer. Group		6									
Electrical Engineer			1.2	40	0.48	3.6	40	1.44	1.2	90	1.08
Mechanical Engineer			1.2	90	1.08	3.6	90	3.24	1.2	100	1.20
<b>Averaged subtotal</b>					<b>0.78</b>			<b>2.34</b>			<b>1.14</b>

**Table A7.6B Evaluation Worksheet for Key Staff Qualifications and Competence (Group Scoring)**

Assignment		
Country		
Project		
Date of evaluation	Evaluation carried out by	
Names of consultants		
1 _____	2 _____	3 _____
4 _____	5 _____	6 _____

Consultants: No.2			General qualifications 20%			Adequacy for the project 60%			Experience in region & language 20%		
Group	Name	Total points	Points (P)	Rating (R) %	Score P x R	Points (P)	Rating (R) %	Score P x R	Points (P)	Rating (R) %	Score P x R
1. Hydraulic Engineering Group		9									
Hydraulic Engineer 1			1.8	90	1.62	5.4	70	3.78	1.8	70	1.26
Hydraulic Engineer 2			1.8	70	1.26	5.4	70	3.78	1.8	40	0.72
Hydraulic Engineer 3			1.8	90	1.62	5.4	90	4.86	1.8	90	1.62
<b>Averaged subtotal</b>					<b>1.50</b>			<b>4.14</b>			<b>1.20</b>

*Note:* This table may be used for scoring groups. If the key staff include only one expert per each of the disciplines or activities indicated in the RFP, they may all be scored using table A7.7A. If some of the disciplines or activities include more than one expert and others only one, the former may be scored as groups (using table A7.6A or A7.6B) and the latter as individuals (using table A7.7A or A7.7B).

**Table A7.7A Evaluation Worksheet for Key Staff Qualifications and Competence (Consolidated Scoring)**

Assignment					
Country					
Project					
Date of evaluation	Evaluation carried out by				
Names of consultants					
1	2	3	4	5	6

Consultants: No.1		General qualifications 20%			Adequacy for the assignment 60%			Experience in region & language 20%		
Group	Total points	Points (P)	Rating (R) %	Score P x R	Points (P)	Rating (R) %	Score P x R	Points (P)	Rating (R) %	Score P x R
Team Leader	15	3	90	2.70	9	90	8.10	3	70	2.10
Time & Cost Control Group	10	2	40	0.80	6	70	4.20	2	100	2.00
Hydraulic Engineering Group	9	1.8		1.38 <sup>a</sup>	5.4		4.50 <sup>a</sup>	1.8		1.32 <sup>a</sup>
Structural Engineering Group	9	1.8	70	1.26	5.4	70	3.78	1.8	70	1.26
Soil Mechanics Group	6	1.2	40	0.48	3.6	40	1.44	1.2	90	1.08
Electromechanical Engineering Group	6	1.2		0.78 <sup>a</sup>	3.6		2.34 <sup>a</sup>	1.2		1.14 <sup>a</sup>
Subtotal				7.40			24.36			8.90
<b>Total for the Key Staff</b>	<b>55</b>					<b>40.66</b>				

a. This score is taken from table A7.6A.

*Note:* In this example, it is assumed that the key staff proposed by Consultant No.1 include three experts for the Hydraulic Engineering Group, two experts for the Electromechanical Engineering Group, and only one expert for each of the three remaining groups. Consequently, the Team Leader and the experts of the Structural, Soil Mechanics, and Time & Cost Control Groups of Consultant No.1 have been scored as individuals, using table A7.7A. The other key staff have been first scored as groups, using table A7.6A, and then the relevant averaged scores transferred to table A7.7A.

**Table A7.7B Evaluation Worksheet for Key Staff Qualifications and Competence (Consolidated Scoring)**

Assignment					
Country					
Project					
Date of evaluation	Evaluation carried out by				
Names of consultants					
1	2	3	4	5	6

Consultants: No.2		General qualifications 20%			Adequacy for the assignment 60%			Experience in region & language 20%		
Group	Total points	Points (P)	Rating (R) %	Score P x R	Points (P)	Rating (R) %	Score P x R	Points (P)	Rating (R) %	Score P x R
Team Leader	15	3	90	2.70	9	100	9.00	3	70	2.10
Time & Cost Control Group	10	2	40	0.80	6	40	2.40	2	100	2.00
Hydraulic Engineering Group	9	1.8		1.50 <sup>a</sup>	5.4		4.14 <sup>a</sup>	1.8		1.20 <sup>a</sup>
Structural Engineering Group	9	1.8	70	1.26	5.4	70	3.78	1.8	40	0.72
Soil Mechanics Group	6	1.2	90	1.08	3.6	70	2.52	1.2	40	0.48
Electromechanical Engineer. Group	6	1.2	70	0.84	3.6	100	3.60	1.2	70	0.84
Subtotals				8.18			25.44			7.34
<b>Total for the Key Staff</b>	<b>55</b>					<b>40.96</b>				

a. This score is taken from table A7.6B.

*Note:* In this example, it is assumed that the key staff proposed by Consultant No.2 includes three experts for the Hydraulic Engineering Group and only one expert for each of the four remaining groups. Consequently, the Team Leader and the experts of the Structural, Soil Mechanics, Electromechanical, and Time & Cost Control Groups of Consultant No.2 have been scored as individuals, using table A7.7B. The experts of the Hydraulic Engineering Group have been first scored as a group, using table A7.6B, and then the relevant averaged score transferred to table A7.7B.

**Table A7.8 Evaluation Worksheet for Participation by Nationals**

Assignment												
Country												
Project												
Date of evaluation						Evaluation carried out by						
Names of consultants												
1 _____				2 _____				3 _____				
4 _____				5 _____				6 _____				

Consultant	1			2			3			4			5			6		
Criteria	Points (P)	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R	Rating (R) %	Score P x R			
Rating equal to the percent- the share of national key staff in the total key staff time effort proposed by the consultants	10	40	4.0	26	2.6													
<b>Total</b>	<b>10</b>		<b>4.0</b>		<b>2.6</b>													

**Table A7.9 Summary of Evaluation (Technical Proposal)**

Assignment												
Country												
Project												
Date of evaluation						Evaluation carried out by						
Names of consultants												
1 _____				2 _____				3 _____				
4 _____				5 _____				6 _____				

Consultants		1	2	3	4	5	6
Criteria	Total points	Score	Score	Score	Score	Score	Score
Specific experience relevant to the assignment	5	3.50	5.00				
Adequacy of the proposed methodology & work plan	30	24.60	23.00				
Key staff qualifications and competence	55	40.66	40.96				
Suitability of the transfer of knowledge	n. a.						
Local participation	10	4.00	2.60				
<b>TOTAL</b>	<b>100</b>	<b>72.76</b>	<b>71.56</b>				
Staff-months local							
Staff-months in field							

**Table A7.10 Summary of Evaluation**

Assignment	
Country	
Project	
Date of evaluation	Evaluation carried out by
Names of consultants	
1 _____	2 _____ 3 _____
4 _____	5 _____ 6 _____

Consultants	Technical evaluation			Financial evaluation				Combined evaluation
	Technical score	Technical weight factor	Technical points	Price (US\$)	Financial score	Price weight factor	Price points	Total points
1	72.76	0.8	58.208	3,100,000	95.161	0.2	19.032	77.240
2	71.56	0.8	57.248	3,400,000	86.765	0.2	17.353	74.601
3		0.8		2,950,000	100.000	0.2	20.000	
4		0.8		3,600,000	81.944	0.2	16.389	
5		0.8		3,220,000	91.615	0.2	18.323	
6		0.8		3,360,000	87.798	0.2	17.560	



## Appendix 7.2 Technical Assistance Services for an Agricultural Development Project

The Borrower needs to select a consulting firm to provide technical assistance services related to the implementation of a large agricultural development project in a developing country.

Six qualified consultants are invited to submit proposals, to be evaluated with QCBS. Because of the importance placed by the Borrower on the transfer of knowledge, the TOR include a specific requirement of a training program for the Borrower's personnel. The participation of local experts in the technical assistance is also considered important by the Borrower. In the RFP, the points indicated in table A7.11 are allocated to the evaluation criteria.

**Table A7.11 Points Allocated to Main Criteria**

Criteria	Points
1. Specific experience of the consultants relevant to the assignment	10
2. Adequacy of the proposed methodology & work plan	20
3. Key professional staff qualifications and competence	50
4. Suitability of the transfer of knowledge	10
5. Participation by nationals	10
<b>Total</b>	<b>100</b>

For the criterion “adequacy of the proposed work plan and methodology,” the following three sub-criteria and relevant point allocations are selected (see para. 12.5):

- Technical approach & methodology 5 points
- Work plan 5 points
- Organization and staffing 10 points

Within the criterion “key professional staff qualifications and competence” (see para. 12.7), the team leader is given 25 points. As for other members of the key staff, the characteristics of the assignment suggest the need to stress the importance of pedology, agroecology, socioeconomics, hydraulic engineering, and farm development. Table A7.12A indicates the overall point allocation specified by the

Borrower in the RFP for the team leader and for the key staff, relevant to the five disciplines considered.

**Table A7.12A Key Staff Evaluation**

Key staff members	Points
Team leader	25
Pedologist	7
Agroeconomist	5
Socioeconomist	5
Farm development specialist	4
Hydraulic engineer	4
<b>Total</b>	<b>50</b>

The percentage weights assigned by the Borrower in the RFP to the three subcriteria of the criterion “key professional staff qualifications and competence for the assignment” are indicated in table A7.12B:

**Table A7.12B Key Staff Evaluation**

Subcriteria	Percentage points
General qualifications	30
Adequacy for the assignment	50
Experience in region & language	20
<b>Total</b>	<b>100</b>

The overall setup of the different subcriteria and relevant points for evaluating the technical proposals (provided by the RFP in the Data Sheet of the ITC) are summarized in table A7.13A.

Table A7.13B indicates the points available within “key professional staff qualifications and competence” for the different members of the key staff, resulting from the total points (50) allocated to this criterion and the weights indicated in the RFP (see above).

The RFP also indicates the weights given to the technical and financial proposals as follows:

- Weight for the technical proposal 0.8
- Weight for the financial proposal 0.2

Before receiving the technical proposals, the Evaluation Committee met to define the grades to

**Table A7.13A Points Allocated to Criteria and Subcriteria**

1 Specific experience of consultants	Points	2 Methodology & work plan	Points	3 Key staff qualifications and competence	Points	4 Suitability of transfer of knowledge	Points	5 Participation by nationals	Points
No subcriteria	10	Approach & methodology	5	Team leader	25	No subcriteria	10	No subcriteria	10
		Work plan	5	Pedologist	7				
		Organization & staffing	10	Agroeconomist	5				
				Socioeconomist	5				
				Farm developm.	4				
				Hydraulic engin.	4				
	<b>10</b>		<b>20</b>		<b>50</b>		<b>10</b>		<b>10</b>

**Table A7.13B Key Staff Evaluation**

Key staff members	General qualifications (30%)	Adequacy for the assignment (50%)	Experience in region & language (20%)	Total points
Team leader	7.5	12.5	5.0	25
Pedologist	2.1	4.2	1.4	7
Agroeconomist	1.5	3.0	1.0	5
Socioeconomist	1.5	3.0	1.0	5
Farm development	1.2	2.4	0.8	4
Hydraulic engineering	1.2	2.4	0.8	4
<b>Total points</b>				<b>50</b>

adopt for the evaluation (see chapter 17) and made the following decisions:

- (a) Because no subcriteria were specified in the RFP under the criterion “specific experience of consultants related to the assignment,” the committee decided to evaluate the specific experience as a whole, considering the following aspects: (i) experience in similar projects and (ii) experience in similar areas and conditions (see paras. 17.2.2 and 17.2.3).
- (b) For the criterion “suitability of transfer of knowledge,” the committee decided to evaluate the transfer of knowledge as a whole, considering the following aspects: (i) methodology and outcome of the program, (ii) organization of the program, and (iii) experience in training (see paras. 17.5.2 and 17.5.3).
- (c) For the criterion “local participation,” the committee decided to allocate the relevant points in proportion to the percentage share of national key staff time effort proposed (see para. 17.6).
- (d) For each one of the three subcriteria of “adequacy of the proposed methodology & work plan,” the committee adopted the four grades suggested in para. 17.3 (Poor, Satisfactory, Good, Very Good) and set the relevant definitions.
- (e) Similarly, for each one of the three subcriteria of “key professional staff qualifications and competence,” the committee adopted the four grades suggested in para. 17.4 (Poor, Satisfactory, Good, Very Good) and set the relevant definitions.

(The evaluation worksheets that may be used by the Evaluation Committee in evaluating the proposals are similar to the samples included in this appendix 7.1)

## Appendix 7.3 Technical Assistance Services for a Privatization Project

The Borrower needs to select a consultant to provide technical assistance services related to the privatization of the power sector of the country.

Six qualified consultants are invited to submit proposals to be evaluated with QCBS. Transfer of knowledge is not required, although the participation of local experts is considered essential by the Borrower. In the RFP, the points indicated in table A7.14 are allocated to the evaluation criteria.

**Table A7.14 Points Allocated to Main Criteria**

Criteria	Points
1. Specific experience of consultants relevant to the assignment	10
2. Adequacy of the proposed methodology & work plan	20
3. Key professional staff qualifications and competence	60
4. Suitability of the transfer of knowledge	0
5. Participation by nationals	10
<b>Total</b>	<b>100</b>

For the criterion “adequacy of the proposed methodology and work plan,” the following three subcriteria and relevant point allocations are selected (see para. 12.5):

- Technical approach and methodology 5 points
- Work plan 5 points
- Organization and staffing 10 points

Within the criterion “key professional staff qualifications and competence” (see para. 12.7), the team leader is given 18 points. As for the other components of the key staff, the characteristics of the assignment suggest the need to stress the importance of financial analysis, institutional framework, legal aspects, and pricing of the assets to be privatized. Table A7.15A indicates the overall point allocation specified by the Borrower in the RFP for the team

leader and for the key staff relevant to the five disciplines considered.

**Table A7.15A Key Staff Evaluation**

Key staff members	Points
Team leader	18
Financial analysts	12
Institutional experts	12
Legal advisers	9
Pricing experts	9
<b>Total</b>	<b>60</b>

The percentage weights assigned by the Borrower in the RFP to the three subcriteria of the criterion “key professional staff qualifications and competence for the assignment” are indicated in table A7.15B:

**Table A7.15B Key Staff Evaluation**

Subcriteria	Percentage points
General qualifications	30
Adequacy for the project	50
Experience in region & language	20
<b>Total</b>	<b>100</b>

The overall setup of the different subcriteria and relevant points for evaluating the technical proposals (provided by the RFP in the Data Sheet of the ITC) are summarized in table A7.16A.

Table A7.16B indicates the points available within “key professional staff qualifications and competence” for the different members of the key staff, resulting from the total points (60) allocated to this criterion and the weights indicated in the RFP.

The RFP also indicates the weights given to the technical and financial proposals as follows:

**Table A7.16A Points Allocated to Criteria and Subcriteria**

1 Specific experience of consultants	Points	2 Methodology & work plan	Points	3 Key staff qualifications and competence	Points	4 Participation by nationals	Points
No subcriteria	10	Approach & methodology	5	Team leader	18	No subcriteria	10
		Work plan	5	Financial analysts	12		
		Organization & staffing	10	Institutional experts	12		
				Legal advisers	9		
				Pricing experts	9		
	<b>10</b>		<b>20</b>		<b>60</b>		<b>10</b>

**Table A7.16B Key Staff Evaluation**

Key staff members	General qualifications (30%)	Adequacy for the assignment (50%)	Experience in region & language (20%)	Total points
Team leader	5.4	9.0	3.6	18
Financial analysts	3.6	6.0	2.4	12
Institutional experts	3.6	6.0	2.4	12
Legal advisers	2.7	4.5	1.8	9
Pricing experts	2.7	4.5	1.8	9
<b>Total points</b>				<b>60</b>

- Weight for the technical proposal 0.9
- Weight for the financial proposal 0.1

Before receiving the technical proposals, the Evaluation Committee met to define the grades to adopt for the evaluation (see chapter 17) and made the following decisions:

- Because no subcriteria were specified in the RFP under the criterion “specific experience of consultants relevant to the assignment,” the committee decided to evaluate the specific experience as a whole, considering the following aspects: (i) experience in similar projects and (ii) experience in similar areas and conditions (see paras. 17.2.2 and 17.2.3).
- For the criterion “local participation,” the committee decided to allocate the relevant points in

proportion to the percentage share of national key staff time effort proposed (see para. 17.6).

- For each one of the three subcriteria of “adequacy of the proposed methodology & work plan,” the committee adopted the four grades suggested in para. 17.3 (Poor, Satisfactory, Good, Very Good) and set the relevant definitions.
- Similarly, for each one of the three subcriteria of “qualifications and competence of the key staff,” the committee adopted the four grades suggested in para. 17.4 (Poor, Satisfactory, Good, Very Good) and set the relevant definitions.

(The evaluation worksheets that may be used by the Evaluation Committee in evaluating the proposals are similar to the samples included in this appendix 7.1)



APPENDIX

# 8

## Taxation of Consulting Services

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## Appendix 8.1 Taxation of Consulting Services

To allow Borrowers to evaluate financial proposals correctly, the *Consultant Guidelines* (para. 2.22) and the RFP (para. 3.7 of the ITC) require that consultants submit their price proposals excluding local identifiable indirect taxes.

Local tax liabilities originating from consulting services contracts are often the cause of unclear proposals and of unsatisfactory contracts. The identification and calculation of local tax amounts are a difficult and time-consuming task for consultants, especially for foreign consultants with little knowledge of the tax system of the Borrower's country.

Such local taxes generally include the following:

- Indirect taxes (that is, value added taxes [VAT] on consultant remuneration amount)
- Duties on imported equipment and supplies (for example, personal computers, scientific equipment)
- Duties on equipment imported or locally acquired by the consultants that is treated as property of the Borrower (for example: cars, office equipment)
- Local social charges or income taxes on non-resident foreign personnel for locally performed services

Although the Bank does not reimburse Borrowers for payments related to the above taxes and duties, it leaves the Borrower to decide whether the consultant should (a) be reimbursed by the executing agency, (b) be exempted, or (c) have the executing agency pay such levies on behalf of the consultant and its personnel.

Before finalizing the ITC for a specific assignment (para. 3.7 of the ITC), the Borrower must gain clarity on the tax liabilities that arise for the agency itself when using consultants and at an early stage make adequate provision in its budget. In the Data Sheet of the ITC, the Borrower shall inform consultants about which of the above alternatives apply. If applicable, it is the responsibility of the consultant, before starting financial negotiations, to contact the local tax authorities to determine the local tax amount to be paid by the consultant under the contract (para. 6.3 of the ITC).

When in doubt, consultants should ask the Borrower in writing for explanations and, if needed, seek the advice of an expert in local taxation.

During negotiations, consultants must ensure that the contract contains accurate provisions for all local taxes that they will have to bill to the executing agency. If local indirect taxes are paid by the consultants and reimbursed by the executing agency, such taxes are billed to the agency by the consultants, who make the payment to the tax authority. The executing agency will present to the World Bank statements for reimbursement that clearly indicate the costs of consultants' services separate from local indirect tax expenses, which the Bank will not fund.

Direct taxes (that is, income or corporate taxes) are not relevant for the purpose of comparison of proposals and should not be considered in the context explained in the above paragraphs.

APPENDIX

# 9 The Design Contest

## Contents

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## Appendix 9.1 The Design Contest Procedure

The Design Contest (DC) is a selection method under which short-listed firms (in general, architectural firms) are invited to submit their conceptual design of a physical project (for example, a hospital, research center, or transportation terminal). The conceptual design forming the main component of the DC is expected to highlight the esthetic aspects of the project, in addition to its technical characteristics. The conceptual design of a DC is a preliminary design to be followed, in the case of continuation, by bidding documents and detailed engineering design.

The DC is different from the other methods of consultant selection described in the CSM, which pick the consultant offering the most suitable methodology and team of experts, in that the DC participants already provide the preliminary design of the solution that they propose.

Firms are short-listed based on experience, capability, and reputation, according to indications similar to those provided in chapter 13 of the *Manual*. The Borrower sends them a Request for Design Proposals, including a letter of invitation; information to proponents, including a Data Sheet to address specific features of the project; a TOR comprising the design criteria; technical specifications; and other data to be provided by the Borrower.<sup>1</sup> Evaluation criteria<sup>2</sup> may include innovation, esthetic content, adequate blending with the surroundings,

efficient use of the available space, attractiveness for the potential users, revenue generation potential (if any), and estimated construction costs.

Each competitor shall present its sealed proposal containing the preliminary conceptual design of its proposed solution and the related cost estimate, responding strictly to the Request for Design Proposals. Borrowers may require that proposals be submitted anonymously to ensure that decisions be reached solely on the grounds of the indicated evaluation criteria and to avoid the Evaluation Committee being influenced by the different renown of individual competitors.

The Evaluation Committee proceeds with the evaluation of the proposed designs, in accordance with the broad evaluation criteria<sup>3</sup> spelled out in the Request for Design Proposals. The winner of the contest is awarded a prize, which may consist of either the contract for the subsequent design phase(s) of the project or a money prize. Because preparation of the design for large projects is time-consuming and expensive, a number of short-listed proponents (generally not all) may receive awards to partially offset the expenditures they have incurred.

1. Although some requirements are indicative, as in the standard consultant TOR (for example, recommendations to address social, cultural, and environmental aspects of the design), others are strict specifications (such as use of specific construction materials, architectural style, or volumetric requirements).
2. These criteria differ from those used conventionally in the selection of consultants (that is, experience, methodology, staff, and cost of the services).

3. The Bank makes it mandatory to quantify these criteria.

## Appendix 9.2 The Request for Design Proposals

This paragraph lists the most likely<sup>4</sup> changes that need to be made to the Bank’s SRFP to adapt it to a Request for Design Proposals.

### Letter of Invitation

Para. 1: Indicate the types and amounts of the rewards, if provided. Replace “contract” by “design contest.”

Para. 2: Replace “[insert: name of consulting services assignment]” by “[insert: name of design contest].”

Para. 4: Replace “[insert: Selection Method] and” with “the.”

Para. 5: Delete section 3, section 4, and section 6.

Para. 6: Under letter (b), replace “proposal” by “design proposal.”

**Instructions to Consultants.** The Instructions to Consultants should undergo major modifications, because several paragraphs are not applicable while others shall be amended, as indicated below:

Definitions: Definitions (d), (j), (k), and (o) should be deleted.

Para: 1.9, 1.10, 1.12, 1.13, 3.5, 3.6, 3.7, 3.8, 3.9, 4.2, 5.2 (ii), 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 6, and 7 should be deleted.

Para. 1.2: Delete this paragraph and replace with: “The Consultants are invited to submit a Design Proposal as specified in the Data Sheet.”

Para. 1.5: Delete “and contract negotiation” and “prior to Contract award.”

Para. 1.6.1: Under item (iii), add “or” before (ii); replace “or (iii) supervision of the Contract, may not be awarded a Contract” with “may be disqualified”; and delete “and the execution of the Contract.”

Para. 1.6.2: Delete “or the termination of its Contract.”

Para. 1.8: Delete “Furthermore, the Consultants shall be aware of the provisions on fraud and corruption stated in the specific clauses in the General Conditions of Contract.”

Para. 3.3: Items (b) and (c) should be deleted.

Para. 3.4: The whole paragraph shall be replaced by the following:

“Consultants are required to submit a Design Proposal providing the information indicated in the following paras. from (a) to (c):

- (a) The conceptual design of the project, prepared according to the requirements indicated in the Terms of Reference attached to this RFP.
- (b) Comments and suggestions on the Terms of Reference, including workable suggestions that could improve the quality or effectiveness of the conceptual design (or both). Consultants should incorporate such suggestions, if any, in the design proposed.
- (c) A preliminary estimate of the construction costs related to the project solution envisaged by the conceptual design proposed.”

Para. 4.1: Delete “(Technical Proposal and, if required, Financial Proposal; see para. 1.2)” and “Submission letters for both Technical and Financial Proposals should be in the format of TECH-1 of Section 3, and FIN-1 of Section 4.”

Para. 4.3: Replace “The [or “the”] Technical Proposal” with “The [or “the”] Design Proposal” at each occurrence in this paragraph.

4. Minor changes are not indicated in this appendix and will need to be made when preparing an ad hoc document.

- Para. 4.4: This paragraph should be replaced by “The Design Proposal must be anonymous: it must not contain any logo, name, statement, or other indications that could allow the Evaluation Committee to attribute a design to one of the competitors. Each competitor shall prepare as many copies of its Design Proposal as indicated in the Data Sheet. The original and each copy of the Design Proposal shall be placed in separated, anonymous, and sealed envelopes; each of these envelopes shall be marked only “Original” or “Copy” as appropriate. The original and all copies of the Design Proposal shall be placed in another envelope marked “Design Proposal”; this envelope shall bear the submission address and other information indicated in the Data Sheet.”
- Para. 4.6: This paragraph should be replaced by “After the deadline for submission of the Design Proposals, the high-ranked Official of the Borrower nominated for this purpose shall open the first (outer) envelope of each Design Proposal and shall mark with a capital letter each of the inner envelopes containing the original and the copies of the Design Proposal. Such letter shall be the same for all the envelopes of the same competitor and shall differ from the letters used to mark the envelopes of each of the remaining competitors. The Official shall record in writing the correspondence between each competitor and the letter used to mark its envelopes. The Official must carry out the marking and recording alone, he or she shall guard the recording in a safe place under his or her responsibility, and he or she shall not disclose the correspondence between competitors and letters to anybody, including the Evaluation Committee, until the evaluation of the Design Proposals has been completed and the “no objection” of the Bank received. Once the marking and recording are terminated, the Official shall hand over all the Design Proposals to the Evaluation Committee.”
- Para. 5.1: The words “to the time the contract is awarded” should be replaced by “to the time the winner is selected”; the words “Technical and/or Financial” and “and recommendation for award of Contract” should be deleted.
- Para. 5.2: The words “Technical” and “technical” should be deleted; the expression “(St)” should be replaced by “(S).”
- Para. 8.1: The words “and recommendations concerning awards” should be deleted, and the words “the publication of the award of Contract” should be replaced by “the winner of the Design Contest is selected.”
- Data Sheet of the ITC.** The Paragraph References of the Data Sheet should be amended as indicated below:
- Para. Ref: 1.6.1 (a), 1.12, 3.3 (b), 3.4, 3.4 (g), 3.6, 3.7, 3.8, 5.2 (a), 5.7, 6.1, and 7.2 should be deleted.
- Para. Ref. 1.1: “Method of selection” should be deleted.
- Para. Ref. 1.2: “Financial Proposal to be submitted together with Technical Proposal: Yes...No” should be deleted.
- Para. Ref. 3.1: The first paragraph only should be retained.
- Para. Ref. 4.3: Replace “Technical Proposal” with “Design Proposal”; also delete the words “and the original of the Financial Proposal.”
- Para. Ref. 5.2 (b): The whole Paragraph Reference should be replaced by specific evaluation criteria and relevant points (refer to the main text of this appendix).

**Technical Proposal—Standard Forms.** The comments referring to the following Standard Forms should apply.

Form TECH-1: In the first paragraph, “Request for Proposal” should be replaced by “Request for Design Proposals,” the word “Proposal” should be replaced by “Design Proposal,” and the words “which includes this Technical Proposal, and a Financial Proposal sealed under a separate envelope” should be deleted.

The fourth and fifth paragraphs should be deleted.

Forms: TECH-2, TECH-3B, and TECH-4 through TECH-8 should not be used.

Form TECH-3: In the title, the words: “and on Counterpart Staff and Facilities” should be deleted.

**Financial Proposal—Standard Forms.** They shall not be used.

**Terms of Reference.** Only the following sections of the Terms of Reference (TOR) discussed in chapter 10 should be included:

- Background
- Objectives
- Data to be provided by the Client

The Borrower shall explain in the TOR the rationale of the project and the objectives to be achieved and shall indicate the characteristics of the project that must be retained by all competitors and the ones for which they are invited to show their experience and imagination.

The remaining sections of the TOR (Scope of work; Capacity-building and Transfer of Knowledge; Reports and Schedule of Deliveries; and Data, Services, Personnel, and Facilities to be provided by the Client) should be disregarded.

**Standard Forms of Contract.** Not to be used.





# 10 Guidance Notes

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## Waivers of Conflict-of-Interest Provisions in Cases where the Incumbent of a Utility Management Contract Wants to Compete for a Subsequent Lease or Concession Contract

### Appendix 10.1 General

1. Many developing countries, particularly economies in transition, are adopting a two-phase approach to privatize public utilities. In the first phase, they invite private firms to bid for operation, maintenance, or management of the utility (or a combination of these services), referred to in this note as a “Management Contract (MC).” In the second phase, which usually occurs several years later, bids are invited for a lease or concession contract, including sale of the assets. The term of the first-phase MC is normally three to five years and is mostly geared to stop the physical and financial deterioration of systems or to improve performance in the short term, while the privatization of the utility through lease or concession is organized and prepared for bidding. The selection of firms for an MC is usually initiated through a prequalification process and followed by either one-stage or two-stage bidding (separate technical and financial bids). The award of the contract is generally decided on the lowest evaluated bid, based on a combination of a fixed management fee plus an annual success fee linked to specific performance indicators and independent audits. Because the MC is usually financed through a Bank loan or credit, the selection process is subject to Bank *Guidelines*. During the three- to five-year term of the MC, the incumbent has the opportunity to gain firsthand knowledge of the system and the public agency in charge of the utility (that is, its client). The incumbent usually carries relatively low or no financial risks during this period. Although the management and financial criteria for the subsequent lease or concession contract would be drastically different from the initial MC and further financing through a Bank loan or credit may be inapplicable, the question has been raised whether the incumbent of the MC has a conflict of interest if it is permitted to submit a bid for the lease or concession contract.
2. The participation of an MC incumbent in bidding for a lease or concession contract raises two issues: (a) Is the perceived conflict of interest (COI) situation covered in the Bank *Guidelines* for procurement? and (b) If so, can the advantages gained by the MC incumbent in the first phase be neutralized to a level that would ensure fair competition in the second phase? Until now, these issues have been resolved by decisions taken on a case-by-case basis. In several instances, the Bank has concluded that some flexibility in the application of the COI provisions, combined with certain safeguards to neutralize the advantages of the incumbent, would be in the best interest of the Borrowers and all other parties concerned. To make the transition from case-by-case resolution of this recurring COI question to a more universal Bank-wide approach, this note provides guidance on how to handle these cases.

## Appendix 10.2 Conflict of Interest Provision in Bank Guidelines and Level Playing Field

1. Both the *Guidelines* for the selection of consultants and the *Guidelines* for the procurement of goods and works include policy provisions stating that under certain circumstances, firms participating in upstream phases of a project are prohibited from supplying subsequent services, goods, or works under the same project (para. 1.9 [a] of the *Consultant Guidelines* and para. 1.8 [b] of the *Procurement Guidelines*). A similar provision is included in the Standard Forms of Contract. The intention of the provisions is (i) to promote transparency, (ii) to protect the interests of the Bank's Borrowers, and (iii) to maintain a level playing field for all other bidders. The particular fiduciary challenge for the Bank is how to balance these safeguards against the development needs and economic constraints of Borrowers wanting to privatize utilities.
2. As indicated above, Borrowers have shown a preference for privatizing utilities in stages and in concert with evolving economic, political, and social circumstances or the condition of the utility company (or both). For example, a three- to five-year MC may be initially the only feasible approach to private sector involvement or for an extremely run-down utility with a negligible revenue base in a very poor or high-risk country; it would be expected that following improvements in the management of the utility under this initial MC and availability of evolving data from this initial phase, a lease or concession contract may later on be given more-favorable consideration by decision makers and the public. A similar but less frequent scenario could involve the transition from an MC awarded in response to an emergency situation to a new MC to be bid competitively.
3. Inflexible enforcement of the COI provisions would result in a blanket exclusion of all MC incumbents from subsequent lease or concession contracts. This decision would be unacceptable to many Borrowers, because it would severely limit the interest of the best potential candidate firms to take part in bidding for the short-term MC contract and thereby sacrifice future chances to bid on the long-term lease or concession contract. Consequently, the field of competitors would shrink, contrary to the general objective of all Bank-financed procurement to maximize competition. The result would create a critical disadvantage for Borrowers and development work in general. Furthermore, in cases where the initial MC was not Bank-financed, there may be no equivalent COI provision in that contract barring the incumbent from bidding on a subsequent contract. It would be difficult for the Bank to insist that this bidder be denied the right to compete for the lease or concession contract involving Bank financing because it was not subject to such constraints when it accepted the MC. Hence, a more reasonable course of action would be to grant a waiver of the normal COI provision in the *Guidelines* by giving the Bank's "no objection" to the participation of an MC incumbent in bidding on a subsequent lease or concession contract. The prerequisites for this waiver should include, among others, a prudent analysis of local circumstances, a strategy for neutralizing the incumbent's acquired competitive advantages through full disclosure of information on utility operations to all bidders, and safeguards for maintaining a level playing field in the bidding process.

### Appendix 10.3 Early Strategy Formulation Is Critical

1. Early planning is critical to an orderly process and to timely processing of procurement. It should be part of project preparation. Along with procurement planning, the availability and interest of potential bidders should be investigated by the Borrower, with guidance from the Bank, to the point of proactively canvassing the “market.” Under certain circumstances, this investigation of the market may have to look closely at market dominance by a particular firm. A firm that is already active in a utility operation in one part of the country may have significant advantages in local knowledge and contacts and the ability to accept financial risks in another part of the country, even without involvement in the initial MC contract. If a particular firm is clearly dominant in the existing utility systems market of a country and already holds a controlling share of it, the Borrower’s ability to obtain competitive pricing and favorable contract terms will be significantly compromised. In these cases, specific limits on the incumbent’s future participation should be considered from the start and articulated in the prequalification and bidding documents. Bank project teams should emphasize to Borrowers the importance of early consideration of longer-term options for the privatization process and the

transaction costs involved. If a country’s circumstances permit it, choices such as the privatization of operations (leases) or the privatization of operations and sale of assets (concessions) or partial/ progressive private sector participation (technical assistance, management, or operations contracts and so forth) should be decided in favor of the longest possible term. While MCs are a “low-powered” form of private sector participation, they usually place no private equity at risk and cover a relatively short duration, which is not conducive to aligning the incentives of the operator with the long-term health of the utility. Certain questions typically arise in this context:

- Can the incumbent’s performance under the MC have a negative impact on the value of the subsequent concession contract or the assets to the detriment of the Borrower?
- Can this risk be mitigated?
- Will the participation of a firm with dominant market share effectively preclude competition unless other bidders can be convinced that the playing field is indeed level?
- What additional measures should be taken in this case?

## Appendix 10.4 Dealing with the Selection of the Operator or Manager under the MC

1. A key aspect of the privatization strategy should focus on practical ways and means to neutralize the acquired competitive advantage of the MC incumbent as an antidote to the reluctance of other prospective bidders to take part in the competitive bidding process. From the start, the initial MC should include provisions to eliminate the information asymmetry for the subsequent contract. All competitors for the second-phase contract should have equal access to all relevant data and other information that are necessary to prepare a responsive technical and financial bid. Although it may be impossible to be absolutely certain that the incumbent does not have more-intimate knowledge of the utility and its organization—particularly with regard to conditions and performance of the system—than other bidders, the first-phase contract should contain provisions requiring the incumbent to reveal all critical parameters of the operation in periodic reports and to have them audited by an independent auditor. There should be an explicit understanding that these reports will eventually be shared with other bidders when the second-phase contract is bid. Typical provisions in the first-phase contract should include the following:
  - (a) Reports from the incumbents identifying key data on system condition, outages, losses, repair history, consumer census, financial reports, assets, warranties, remaining life cycle, hydraulic models, maintenance management systems, health and safety requirements, GIS, and so forth
  - (b) Inspection and verification of these reports by independent engineers before they are made available in the data room, which is open to bidders during the bid preparation period for the second-phase contract
  - (c) Absolute prohibition against any participation of the incumbent in the modeling of the future structure or restructuring of the utility past the initial phase covered by its contract, or in preparing bidding documents for the second-phase contract
  - (d) Obligation to allow competitors unencumbered access to the utility facilities during the bid preparation period for the second-phase contract to observe its operations

It is anticipated that these provisions will ultimately be formalized in standard bidding documents for MCs, to be made available to all Regions.
2. For new projects, a detailed description of the privatization and its integral procurement strategy should be included in the Project Appraisal Document (PAD), giving full details of the contracting approach, the safeguard provisions to be included in the bidding documents, and how the other prerequisites mentioned in this Guidance Note would be addressed. If these issues arise during the implementation of existing projects, a detailed description of the proposed approach, with references to this Guidance Note, should be sent to the Regional Procurement Manager (RPM) for clearance. The RPM will decide, in consultation with LEGPR, whether (a) the proposed arrangements meet the requirements of the Loan or Credit Agreement; (b) a waiver of the COI provisions in the *Guidelines* should be granted, in accordance with this Guidance Note; and (c) the regional vice president (RVP) and the executive director (ED) need to be informed of any resulting changes. Cases that require further consultations (for example, if certain prerequisites have not been fully met) will be referred to the Operational Procurement Review Committee (OPRC) for review and final determination.





APPENDIX

# Statement of Integrity

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## Appendix 11.1 Statement of Integrity

[Location, Date]

To: [Name and address of Client]

Dear Sirs:

We, the undersigned, offer to provide the consulting services for [insert Title of Assignment] in accordance with your Request for Proposals dated [insert Date] and our Proposal.

We undertake to observe during the entire process of selection and, in case we are awarded the contract, during its implementation, the principles of integrity of our profession, including abstaining from any act of fraud and corruption.

This pledge includes our agent representative.

Authorized Signature: \_\_\_\_\_

Name and Title of Signatory: \_\_\_\_\_

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_

[Authorized Signature, Name and Title of Signatory, and Name and Address of Firm to be replicated, if a joint statement, for all invited consultants who agree in providing this statement.]

# Procurement of Information and Communication Technology (ICT)

## Contents

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## Appendix 12.1 Procurement of Information and Communication Technology (ICT)

Excerpt from:

### Procurement of Information and Communication Technology (ICT)— Guidance on Selecting Standard Bidding Documents (SBDs)

(as issued on December 2003)

#### Use of the Request for Proposals (RFP) Approach

1. Consultants have naturally been used by our clients for the provision of intellectual services such as information system (IS) project management support, development of ICT strategies, user requirements, functional specifications and design of application software, and the assembly of ICT bidding documents. However, the use of consultants via the RFP approach has even been extended, with success, to the actual implementation of application software.
2. If a procurement focuses primarily on software design, development, or adaptation services, it would, therefore, be acceptable to use the RFP approach (that is, procure the required software work in the form of “consulting” services, including the options of using lump-sum and time-based contracts).

The assignment should also be of a nature where it is more important to make progress in understanding and shaping the likely end product (such as by creating a pilot) than in procuring a fully production-worthy system with precise functional and performance indicators (which would rather call for the use of the IS SBDs<sup>1</sup>).

Under an RFP approach, the client assumes a larger risk; therefore, there should be less at stake in the sense of a critical production outcome. Further, the hardware and packaged software content should be minimal (for example, less than 20 percent of the estimated contract value), at the most allowing the consultant to procure a development platform as part of the contract price.

3. There would need to be some customization of the World Bank’s standard Consultant Contract form to address property rights to the software to be developed, secure ongoing warranty/support after the end of the development work, determine the disposition of the development equipment and development software licenses, lay out the approach to testing and acceptance, and customize the payment clause for milestones/achievements reflecting software development (rather than report writing, as in the typical consultant assignment).

The World Bank’s Procurement Specialist/Procurement Accredited Staff assigned to the project would need to clear these provisions and (depending on circumstances) may himself or herself need to obtain advice in the process. OPCPR is prepared to assist, among others, by providing samples for the additional or adjusted clauses.

4. To the extent that is practical, the development of an information system via the RFP approach should avoid determining the hardware and software brands that will have to be used for the future production environment. If, after seeking the World Bank’s advice, such determination still cannot be avoided, the need for possible brand pre-determination via the assignment should be made explicit in the RFP so that consultants expressing interest (and their possible partners) would be aware of the full stakes of the procurement.
5. As the software product emerging from a consultant contract gains profile/structure and permits the identification of a desirable production system, the scaling-up, finalization, and deployment/rollout of the production version of this information system would, in most instances, require separate procurement using either the IS1STG<sup>2</sup> or IS2STG<sup>3</sup> approach.

1. IS SBD: the World Bank Standard Bidding Document for the Supply and Installation of Information Systems.

2. IS1STG (or IS1STG SBD): the single-stage version of the IS SBD.

3. IS2STG (or IS2STG SBD): the two-stage version of the IS SBD.

# 13

## Consultant Performance Evaluation Form

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### Appendix 13.1 Consultant Performance Evaluation Form<sup>1</sup>

1. Assignment and Project Name		
2. Consultant Name and Address		
3. Participating Firms (if in Associations) <sup>2</sup>  (a) .....  (b) .....  (c) .....		
4. Description of Services (brief, less than a quarter of a page)		
5. Contract Date <sup>3</sup>	6. Completion Date <sup>4</sup> (Actual)	
7. Original Contract Amount (Approx., in US\$)	8. Final Contract Amount (Approx., in US\$)	
9. Evaluation (see next page for details)  Score   <div style="text-align: center;">                     Rating                      5 Outstanding                      4 Very Good                      3 Good                      2 Satisfactory                      1 Poor                 </div>		
Explanation of Above Score (use additional sheets, if necessary)		
Name of responsible officer	Signature	Date

1. The information provided in the following table should be treated as confidential.
2. Associations can be in the form of a subconsultancy or a joint venture.
3. Signature date.
4. As agreed per contract, amendment to contract, or agreement in writing between the client and the consultant.



## Appendix 13.2 Consultant Performance Evaluation Checklist

The following checklist is intended to serve only as a guide. Items of the checklist of each specific assignment may substantially differ from those of this checklist, depending on the characteristics of the assignment, type of contract, and Borrower's needs and expectations.

1. Has the consultant delivered all reports and documents specified in appendix B of the contract in the form and number and within the time periods set forth in said appendix?
2. Are all reports and documents written and edited in an orderly, concise, and clear manner that makes them easily understandable?
3. Are they well coordinated between each other?

For each report/document not fulfilling the above conditions, specify the consistency of noncompliances, the reasons that have originated those noncompliances, and their possible impact on the subsequent project phases (if applicable).

4. Has the consultant satisfied the Borrower's expectations of services quality, such as adequacy, applicability, effectiveness, sustainability, innovativeness, and impartiality?
5. Has the consultant covered the scope of work and achieved the objectives of the assignment set forth in the "Description of Services" attached to the contract?

If answers to the above question(s) are negative, provide a brief but clear explanation of the reasons why

the Borrower believes that the consultant's performance has not been satisfactory. Furthermore, specify whether, during the implementation of the assignment, the Borrower has called the attention of the consultant to these issues, how the consultant has reacted, and which remedial actions were taken.

6. Has the consultant used for the execution of the assignment the agreed-on key staff listed under appendix C of the contract?

For time-based contracts, this question mainly refers to the team leader and the key staff assigned by the consultant to work in the Borrower country. For lump-sum contracts, this question mainly refers to the team leader and to the experts responsible for the main technical disciplines of the assignment, including those who have carried out short-time missions to the Borrower country.

7. If replacement of some of the originally agreed-on key staff occurred, has the consultant timely provided acceptable reasons?
8. Has the replacement key staff been always considered by the Borrower of equivalent to, or better than, the qualifications and experience of the replaced staff?
9. Have the consultant staff always adequately behaved in dealing with Borrower staff, managing Borrower's resources, respecting local habits and laws?



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The second edition of the *Consulting Services Manual* provides detailed guidance to borrowers, World Bank staff, and consultants on the application of mandatory provisions of the Consultant Guidelines, the Standard Request for Proposal (SRFP), and other policies, and provides advice on the application of professional best practices on non-mandatory aspects of working with the World Bank.

In recent years, an extensive harmonization effort has been put forward by the World Bank, the Asian Development Bank, European Development Bank, Inter-American Development Bank (IADB), and African Development Bank, with the aim of providing borrowers and consultants with a nearly common set of procedures for the selection of consultants.

This edition of the manual takes into account the changes brought about by the 2004 edition of the Consultant Guidelines and the harmonized SRFP, among which were the introduction of the Simplified Technical Proposal for the selection of consultants; the revised policy on conflict of interest and fraud and corruption; the new, easy-to-use technical and financial proposal submission forms; and the harmonized versions of the time-based and lump-sum forms of contract.

The chief intent of the *Consulting Services Manual* is to help borrowers make balanced and sensible use of the Consultant Guidelines and of the harmonized SRFP. This should help borrowers' obtain the consulting services that best suit their needs. The book will be of great interest to borrowers, consultants and consulting firms, members of international and national nongovernmental organizations, and staff at research institutions and federal and regional government agencies.



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