

Consulting Services Manual

A Comprehensive Guide to Selection of
Consultants

THE WORLD BANK
Washington, D.C.

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Abbreviations and Acronyms

AMS	Administrative Manual Statement
BPOG	Bank Business Partnership and Outreach Group
CADD	Computer-Aided Design and Drafting
COI	Conflict of Interest
CP	Commercial Practices
CPAR	Country Procurement Assessment Report
CSM	Consulting Services Manual
CTF	Consultant Trust Funds
CV	Curriculum Vitae
DACON	Data on Consulting Firms
DC	Design Contest
ED	Bank Executive Director
ESMAP	Energy Sector Management Assistance Program
FIDIC	Fédération Internationale des Ingénieurs Conseils (International Federation of Consulting Engineers)
GCC	General Conditions of Contract
GEF	Global Environmental Facility
GPN	General Procurement Notice
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
IDA	International Development Agency
IT	Information Technology
ITC	Information to Consultants
LCS	Least Cost Selection
LEGOP	Legal Operations
LOI	Letter of Invitation
MC	Management Contract
METAP	Mediterranean Environment Technical Assistance Program
NGO	Nongovernmental Organization
OPCPR	Procurement Policy and Services Group
PAD	Project Appraisal Document
PHRD	Policy and Human Resources Development
PID	Project Information Document
PPF	Project Preparation Facility
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
QM	Quality Management
REI	Request for Expressions of Interest
RFP	Request for Proposals
SRFP	Standard Request for Proposals
RPA	Regional Procurement Adviser

SBCQ	Selection Based on Consultant's Qualifications
SCC	Special Conditions of Contract
SFB	Selection under a Fixed Budget
SOE	Statement of Expenditures
SRFP	Standard Request for Proposals
SSS	Single Source Selection
TAL	Technical Assistance Loan
TF	Trust Fund
TOR	Terms of Reference
U.N.	United Nations
UNDB	United Nations Development Business

Introduction

The World Bank¹ finances consulting assignments in all sectors, from socioeconomic and environmental projects to reforms of state and financial sectors, privatization, information technology, and infrastructure. 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.²

Since the first Handbook on Consulting Services was issued in 1985, the Bank has expanded the scope of its lending and technical assistance to Borrowers. As in the past, consultants have been instrumental to the successful preparation and implementation of projects. Borrower requests from consultants have gradually shifted from traditional design services of physical works to assistance in the fields of poverty reduction, social development, institutional reforms and institutional development, environment, information technology, knowledge management, and other nontraditional sectors.

Technical quality and independence of advice have remained the key considerations in engaging consultants, but cost has also become an important factor in the selection process.

This new Manual takes all the above aspects into consideration and provides guidance to Bank staff and Borrowers on how to select and use consultants in accordance with current Bank procedures. The Manual provides detailed guidance on the application of mandatory provisions of the Consultant Guidelines, the Standard Request for Proposals (SRFP),³ and related Bank policies. It also provides advice on the application of good practices on aspects of a nonmandatory nature,⁴ consistent with current Bank policy on the engagement and use of consultants. In addition, Annex 11 contains Bank Instructions and Guidance Notes that are to be considered mandatory. For more detailed assistance on consulting services matters, users of this Manual may seek advice from the appropriate Bank procurement specialists and from the Legal Department.

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 Bank policy and procedures for use of consultants. These chapters also illustrate and explain Bank policies on conflict of interest, prevention of fraud and corruption, transfer of knowledge from consultants to borrower staff, sources of financing available to Borrowers, respective roles of Bank staff and Borrowers in the process of selection, and use of consulting services.

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

Chapters 10–15 give guidance on the preparation of shortlists of consultants and the different documents comprising the Request for Proposals. 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 consultant's work until the assignment is completed, while Chapter 20 deals with the ex-post evaluation of the consultant's performance.

Finally, Chapter 21 concludes with advice on the employment of individual consultants.

This Manual has been produced by the Procurement Policy and Services Group (OPCPR) under the responsibility of Gian Enrico Casartelli, Consulting Services Specialist, with the advice and assistance of many persons who share similar professional interests, both inside the Bank and around the world. Franco de Siervo, consultant, provided valuable technical advice. Alfonso Sanchez, former director of OPCPR, Jean-Louis Ginnsz, former consulting services adviser of OPCPR, and Alison Micheli, Legal Counsel, LEGOP, reviewed and commented extensively on the text.

Notes

1. In this Manual, “the Bank” signifies the World Bank, including the International Bank for Reconstruction and Development (IBRD) and the International Development Agency (IDA).
2. Guidelines: Selection and Employment of Consultants by World Bank Borrowers. World Bank, January 1997, revised September 1997 and January 1999.
3. Standard Request for Proposals—Selection of Consultants. World Bank, July 1997, revised April 1998 and July 1999.
4. OP/BP 11, Procurement under Bank-Financed Operations. World Bank (July 2001).

1.1 Background

The expression “consulting services” defines services of an intellectual and advisory nature provided by consultants using their professional skills to study, design, and organize specific projects, advise clients, conduct training, and transfer knowledge. Borrowers engage consultants principally for the following reasons:

- Consultants offer Borrowers a more efficient allocation of resources by providing specialized services for limited amounts of time without any obligation of permanent employment on the part of the Borrower.
- Consultants, engaged for their superior knowledge, transfer skills and upgrade the knowledge base of their client while executing the assignment. Knowledge transfer from consultants to the Borrower often forms an important part of the assignment.
- Consultants can offer independent advice to their client on the most suitable approaches, methodologies, and solutions for their projects.

Consulting services in Bank projects encompass multiple activities and disciplines, including the drafting of sector policies; institutional reform, management, and financial advisory services; and the provision of engineering and architectural design services. Consultants also provide project supervision, social and environmental studies, technical assistance, and training. Consulting services may vary from routine tasks to highly specialized and complex assignments. Consulting services in Bank-funded projects should satisfy the following requirements:

- meet the highest standards of quality and efficiency;
- be unbiased, that is, delivered by a consultant acting independently from any affiliation, economic or otherwise, which may cause conflicts between the consultant’s interests and those of the client; and
- be proposed, awarded, and executed according to the ethical principles of the consulting professions.

Independence may be the most important asset offered by consultants. It allows consultants to choose technologies and products from a range of contractors and suppliers to satisfy the needs of the Borrower and to protect its interests.

1.2 Types of Consulting Services

Current consulting services used in Bank projects may be grouped as follows:

Project services		
Preparation services	Implementation services	Advisory services
Sector studies	Tender documents	Policy and strategy
Master plans	Procurement assistance	Reorganization/privatization
Feasibility studies	Construction supervision	Institution building
Design studies	Project management	Training/knowledge transfer
	Quality management	Management advice
	Commissioning	Technical/operating advice

For the purposes of this Manual, it is important to distinguish between consulting services and other types of services in which the physical component of the activity is crucial, although the boundary between them is becoming more and more blurred. These other types of services 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.¹

In some cases, such as utility management and plant operation, it may be necessary to determine the predominant features of the assignment to decide whether to award the contract following methods of selection and engagement of consultants or in accordance with the Procurement Guidelines. In cases of doubt, the concerned procurement specialist in the Bank should be consulted.

Notes

1. Guidelines: Procurement under IBRD Loans and IDA Credits. World Bank, January 1995, revised January and August 1996 and September 1997.

2.1 Main Considerations

In this Manual the term “consultant” or “consultants” refers to any organization or person that provides consulting services to a Borrower, or client, under a contract in Bank-financed projects. This chapter describes the main characteristics of the most common types of consultants engaged in Bank projects.

When hiring consultants competitively, Borrowers should be aware of the distinction between organizations whose core business is exclusively the provision of consulting services, that is, consulting firms, and those organizations with a different mission and cost structure that only occasionally provide consulting services and may enjoy subsidies and other privileges. This distinction can affect fairness of competition, especially when price is a factor of selection. These “other organizations” may include financial intermediaries, universities, research institutions, United Nations (U.N.) agencies, and nongovernmental organizations (NGOs) (subpara. 13.3.1).

2.2 Consulting Organizations

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

- partnerships;
- limited liability companies;
- public stock companies;
- government-owned enterprises; and
- foundations and nonprofit organizations.

2.2.1 PARTNERSHIPS

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

In partnerships, partners share the risk to manage and participate in the profits, but they also share personal liability for the debts of 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 risks by seeking adequate insurance. Management consultants and law firms operate increasingly as limited partnerships.

2.2.2 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 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 acts of the company's staff or its shareholders. Most consulting engineering and architectural firms are limited liability companies.

2.2.3 PUBLIC STOCK COMPANIES

Although there is a tendency for partnerships to become limited liability companies, only a few of the latter become public corporations. These corporations are usually large consulting firms organized as stock companies, with shares held in part or wholly by the public and traded on stock exchanges. The management of public companies has no control over the potential and radical change in ownership that may result from such trading without regard for professional considerations that may affect the business. Moreover, key employees can use the threat of resignation to obtain wage 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. Financial capital supplied by outside shareholders is, in principle, only necessary when the company wants to acquire other organizations.

2.2.4 GOVERNMENT-OWNED ENTERPRISES

Some consulting firms may directly or indirectly be wholly or partly owned by governments. In some cases, rather than setting up a separate consulting firm, a government department or public sector organization may provide remunerated consulting services to third parties by creating a special consulting arm within the ministry to offer these services. The services will often be provided in a country other than the home country of the organization.

Examples of such consulting organizations include offshoots of public sector industries, such as national electricity authorities, water and public transportation companies, and ad hoc consulting arms of a government department. These organizations can normally call on a wide range of experts from among government staff to provide consulting services domestically and abroad. Their governments often provide them with subsidies, which may give them an unfair price advantage when competing with private consultants.

2.2.5 FOUNDATIONS AND NONPROFIT ORGANIZATIONS

Foundations provide specialized consulting services, but their fees or profits are often earmarked for research and development or social objectives. These institutions frequently operate in the fields of human and social development as well as environmental protection and cultural preservation.

2.3 Particular Types of Consultants

2.3.1 U.N. AGENCIES

Agencies of the United Nations offer technical assistance and advice in preparing and implementing Bank-financed projects. Their participation may include providing professional services, recruiting individual staff, executing service contracts, administering fellowships, undertaking small-scale procurement, and providing management services, including the procurement of goods, works, and services under projects financed by the Bank to assist Borrowers. In a competitive selection process, U.N. agencies may not receive any preferential treatment compared with other consultants, with the exception of privileges and immunities and certain payment arrangements where acceptable to the Bank.

2.3.2 CONSULTING MARKETING GROUPS

Consulting firms may form marketing groups that are entrusted with promoting and marketing services internationally. These groups often receive government backing in order to advance national firms' potential. Sometimes, the marketing groups also engage expertise from government departments. Examples of this type of marketing group include Sweco (Sweden), Norconsult (Norway), Enex (New Zealand), Nedeco (Netherlands), and Techniberia (Spain). Some of the groups are in a position to 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 some of the experts may have little experience with teamwork, limiting their suitability for assignments requiring teamwork or integrated efforts. For maximum effectiveness, these groups often limit their work to marketing and identifying assignments of interest; in some cases, they may operate an internal selection process and arrange for one of their members, or an association of members, to be considered 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, primarily those requiring advisory rather than project services. Hiring as consultants government-owned universities and research institutes from the Borrower's country often raises the questions of eligibility mentioned in subpara. 3.2.3 of this Manual. Universities and, to a lesser degree, research institutes often do not meet the requirements set out in para. 1.10(b) of *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* (hereafter *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 of the project. 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 be aware that the teaching and research priorities of these institutions may conflict with the demanding commitments that complex consulting assignments impose on their experts.

2.3.4 NONGOVERNMENTAL ORGANIZATIONS

The *Consultant Guidelines* include nongovernmental organizations (NGOs) under the term "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 contexts, knowledge of local issues and community needs, and work approach, which is based on participation and mutual trust.

NGOs include large, international nonprofit and welfare organizations that often have 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, lately, international financial institutions.

NGOs frequently provide consulting services in Bank projects through the roles of project managers, community advisors, and providers of technical assistance. The Bank considers NGOs to be the best partners in social sector, community-based projects, since NGOs generally have the greatest local knowledge and a close rapport with economically disadvantaged communities. Most international NGOs also offer many years of experience in particular countries and employ predominantly local staff.

2.3.5 FINANCIAL CONSULTANTS

Financial institutions, including investment banks, commercial banks, financial firms, and fund managers, often provide Borrower services such as financial restructuring, evaluation and sale of assets, and other corporate financial transactions. Many large financial institutions have, as an integral part of their organization, well-established and experienced financial consulting groups. Some banks have formed these groups into separate divisions or companies and are marketing their services.

2.3.6 PROCUREMENT AGENTS AND INSPECTION AGENTS

Agents specializing in procurement sometimes provide assistance to Bank Borrowers who lack the institutional capacity to carry out procurement, or in 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 case, the agents assume full responsibility to carry out the procurement process, including the decision to award, payment to suppliers, and 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. In the latter case, they do not receive a percentage fee.

Inspection agents are organizations that specialize in inspecting goods prior to shipment, or upon arrival in the Borrower's country, and certifying that the goods fulfil the required specifications of quality and quantity and reasonableness of price. Inspection agents receive a percentage of the value of the goods inspected and certified, or a predetermined amount for each inspection.

2.4 Evolution of the Consulting Services Industry

A consulting firm "sells time" and "adds value" for clients by hiring out its only factor of production (professionals), thereby offering the client flexibility. Consulting firms guarantee to clients the skill of professionals as needed and as long as needed, as well as the supply of reserve professionals. The nature of this industry implies that the supply of services to a specific client is discontinuous and that situations of over- or undercapacity are the most serious problem confronting consultants.

Discontinuity of workload can create serious problems for consultants, although it affects profitability of different categories of consulting activity to different degrees. Engineering consulting firms that seek engagement in large and complex projects must retain their competent, professional staff during periods of slow activity, meaning their staff costs remain high regardless of fluctuations in the volume of work. Other consultants, such as accounting firms, management consultants, and inspection agents, generally suffer less from discontinuity of billable work because of smaller but more predictable contracts.

In an effort to mitigate the effect of workload discontinuities, in the 1970s consulting firms began to reduce fixed personnel costs by contracting individual experts for each project (outsourcing), to increase revenue by seeking economies of scope, and to raise productivity by adopting information technology (IT). Outsourcing of experts, economies of scope, and advances in IT have been the three main drivers of consulting firms' profitability in the past 30 years.

2.4.1 OUTSOURCING

To reduce fixed personnel costs, outsourcing of technical and professional staff has been widely adopted, especially in countries with flexible labor legislation. Outsourcing is mainly used in advisory services of a technical or managerial nature where cohesiveness and team integration are less important for the quality of the services than for the study or design of a complex investment project. Although it reduces the firm's fixed costs, the disadvantage of contracting outside experts is the potential to create a situation in which an organization's key staff predominantly comprises outside individuals possessing the required expertise but having no experience working as a team. To mitigate possible negative effects on quality, consulting firms increasingly adopt Quality Management (QM) procedures, and clients themselves have started asking consultants to include these procedures in their projects.

2.4.2 SCOPE ECONOMIES

It is advantageous for a consultant to sell many different services to the same project or client because it allows the consultant to spread its fixed costs across a larger sales volume. For example, it is more efficient to have the same expert travel to a client and perform several services, that is, to spread a larger sales volume across the fixed travel costs. It may also be convenient for the client to purchase all services from one consultant or, at least, to let one consultant be responsible for the project.

Scope economies and "one-stop shop" arguments have led to a polarization of the consulting services industry, with large, multidisciplinary consulting outfits and extremely small, specialized firms occupying the same market segments. To achieve economies of scope, for example, some accounting firms have developed into organizations of more than 50,000 employees and offer themselves as management consultants, lawyers, and IT experts. Similarly, engineering consulting firms specializing in infrastructure have expanded into the fields of environment and institution strengthening. Offering related services can create conflicts of interest for a consultant of which the Borrower must be made aware (see Chapter 4). For example, a consulting firm would be precluded from executing for a Borrower the environmental impact assessment of a project for which the same firm has prepared the engineering design. Similarly, an accounting firm could not propose itself as business advisor to a Borrower for whom it is also engaged as an independent auditor.

2.4.3 INFORMATION TECHNOLOGY

Innovation in information technology (IT) over the past two decades has had a dramatic impact on the execution of consulting services. Clients have resorted to consultants for assistance in selecting and adopting software, computers, IT, and telecommunication systems. Consequently, consultants have been at the forefront in maximizing the benefits of automation for their own organizations. For example, the time needed to prepare a technical drawing formerly required up to 100 hours, and, in many cases, has been reduced to not more than 10 to 20 hours. Moreover, direct costs of assignments, such as for transmission of files, text and drawings, and telecommunications, have fallen substantially, especially if executed wisely.

Today, consultants often have virtually no resources bound in physical capital, except for computers, software programs, and access to IT networks. Although large investments have been made in IT, the IT used by consulting firms can be regarded as available to all consultants. In spite of IT investments, thanks to scalability, physical capital has not become an entry or exit barrier for consultants as it has for manufacturing firms.

2.4.4 QUALITY MANAGEMENT

Quality management (QM), or quality assurance, designates all planning, preparation, work, checking, and recording actions necessary to achieve the desired standard of service. These activities should not be considered additional or optional but 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 ISO 9000 standards, which define the technical and administrative procedures and systems that a well-run organization should employ to provide a consistent standard of service and meet the Borrower's needs. Evidence that a satisfactory QM system is in place is given on the basis of certification by an accredited independent body, which 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 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 origin and author.

QM is also an effective tool for mitigating the negative effects resulting from some consulting firms' excessive hiring of technical and professional contract staff (see subpara. 2.4.1). In fact, when the QM is applied to a specific assignment through a Quality Plan,¹ 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 request Borrowers to require consultants to provide quality certification in Bank-financed assignments. However, since 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 Terms of Reference (TOR) for large or complex assignments (see subpara. 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 its detailed list of contents. The proposed Quality Plan or its list of contents could be factored in 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. The Quality Plan of a given assignment is a document that identifies the specific quality standards, procedures, and controls to be used for that particular assignment. It tailors to that assignment the standard QM procedures of the consultant.

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."¹ The rules of the selection and engagement of consultants for a particular Bank operation are laid down in the Loan Agreement. The Loan Agreement by reference makes the Consultant Guidelines mandatory.

Bank policy on the selection of consultants is guided by the following principles:

- high quality of services;
- economy and efficiency;
- competition among qualified consultants from all eligible countries;
- participation of national consultants; and
- transparency.

In practice, these principles may compete with each other. Increasing quality of services beyond certain limits may affect economy, or improving transparency and fairness may require detailed and time-consuming procedures that can affect short-term efficiency. Tension may develop between the two competing policies of hiring qualified consultants from all eligible countries and promoting the development of the national consulting industry. Depending on the objectives and characteristics of the assignment, the Bank and the Borrower determine in the Loan Agreement the consultant selection methods and procedures that provide the best possible balance among all these principles.

The Borrower is responsible for selecting, evaluating, awarding, and supervising the performance of the consultant under the assignment. In each project financed in full or in part by the Bank, the selection of consultants is governed by the Loan Agreement between the Bank and the Borrower and the Consultant Guidelines. The Loan Agreement specifies the method to be followed by the Borrower for the selection of consultants, whereas the Request for Proposals (RFP) issued by the Borrower and the contract signed between the Borrower and the consultant govern the legal relationship of the Borrower and the consultants.

To ensure that the above requirements are met, Bank staff review the selection process at key points, monitor consultants' work during execution, and evaluate their performance when the assignment is completed (see Chapter 19).

3.2 Eligibility

3.2.1 GENERAL

Eligibility is a generic term defining the authorization to compete for a Bank-funded project. Only consultants who are registered or incorporated in Bank member countries, and individuals who are nationals of such countries, are eligible to compete for Bank-financed consulting contracts.

Consultants from Bank member countries may still be excluded from participating in Bank-financed projects in the following circumstances (see para. 1.10 (a) of the Consultant Guidelines):

- The Borrower's country's laws prohibit commercial relations with the consultant's country, and the Bank is satisfied that the exclusion does not preclude effective competition.
- The Borrower's country has adopted a decision of the U.N. Security Council imposing economic sanctions against the consultant's country.
- The Bank has declared the consultant ineligible to participate in Bank-financed projects because of fraudulent or corrupt practices on the part of the consultant.

3.2.2 GOVERNMENT-OWNED ENTERPRISES

In their country of origin, government agencies are eligible to participate in Bank-financed consulting assignments only if they can establish that they (a) are legally and financially auto-nomous and (b) operate under commercial law. In accordance with para. 1.10 (b) of the Consultant Guidelines, no "dependent" organization of the Borrower or Sub-Borrower of the project, or their employees, is permitted to participate in a proposal for an assignment related to the same Bank-financed project. Under this policy the Bank does not finance, for example, 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 government agency. Government-owned agencies are eligible to participate as consultants in Bank-financed projects in other countries if they meet the eligibility requirements listed under subpara. 3.2.1.

3.2.3 UNIVERSITIES AND RESEARCH INSTITUTES

These same principles (see subparas. 3.2.1 and 3.2.2) apply to universities and research institutes in the Borrower's country, but they are applied with slightly more flexibility.² Government-owned universities, research institutes and training institutions that do not meet the criteria in (a) and (b) above, may be hired either directly or as subconsultants only when the services required are of a unique and exceptional nature and no suitable alternatives are available, provided they are not under the Borrower's or Sub-Borrower's direct supervision or administrative control.

If there is a competitive selection process, they may participate only as subconsultants.³ Their engagement should be agreed upon by the Borrower and the Bank during project preparation and indicated in the project appraisal document and in the Loan Agreement, with a full justification given. If the need arises to hire consultants from such institutions during the implementation of a project, approval should be obtained from the Regional Procurement Adviser (RPA).

3.3 Use of National Capacity

The primary responsibility for development of the local consulting industry lies with the consultants themselves and with government policies governing the provision of consulting services and the use of national capacity. National consultants include all those consulting organizations that are legally registered or incorporated in the country of the Borrower. The Bank supports Borrower policies to develop and strengthen the national consulting industry in Borrower countries by promoting the use of qualified national consultants.

The Consultant Guidelines (paras. 2.6, 2.7, and 2.14) contain the following provisions to foster participation of national consultants when Borrowers prepare a shortlist:

- At least one firm from a developing country should be included in the shortlist, unless no qualified firms from developing countries are available.
- When the estimated cost of the assignment is small, that is, below the ceiling (or ceilings) established in the Loan Agreement, the assignment is not complex, and sufficient competition exists (at least three qualified firms), shortlists may comprise only consultants who are nationals of the Borrower country.
- Borrowers may encourage foreign consultants to associate with qualified national firms; the Consultant Guidelines allow 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 (CPAR), prepared by the Bank every three to five years, include a component dedicated to the national consulting industry. These reviews help Bank staff and Borrowers identify and evaluate the capabilities, potential, and comparative strengths of national consultants. The CPAR also helps the Borrower devise the most effective way to involve national consultants in its projects.

3.4 Associations between Consultants

Consultants are free to associate to complement their respective areas of expertise, strengthen the technical responsiveness of their proposals and make available bigger pools of experts, provide better approaches and methodologies, and, often, to offer lower prices. The Borrower should not mandate any association between consultants.

An association of consultants can take either the form of a joint venture or a subcontract (sub-consultancy). 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, names 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 firms (diversity of size, purpose, and objectives) does not allow for a joint venture but their collaboration appears advantageous, the consultant can propose to subcontract some of the work to another consultant. The Borrower expects the leading consultant to play the main role in the provision of consulting services under the contract; 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 a subconsultant. The consultant’s own evaluation 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 subpara. 17.3.3).

When expressing interest in Bank-funded projects, consultants are free to indicate their intention, if shortlisted, to propose their services either in a joint venture or associated as subconsultants. Borrowers indicate in the RFP whether, once the shortlist is finalized and the RFP issued, shortlisted firms are allowed to associate, either as a joint venture or in a sub-consultancy agreement. Normally this is not allowed since it reduces competition among an already restricted number of shortlisted firms.

In the case that the shortlisted firms are permitted to associate (for example, to take advantage of complementary expertise), the following conditions must be met:

- The Borrower must approve each specific association.
- The number of shortlisted firms or associations of firms should not be fewer than three.

A shortlisted firm is not allowed to form a joint venture with a firm that has not been shortlisted without the approval of the Borrower. 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 firm can be a subconsultant while submitting a proposal individually or as partner in a joint venture in the same selection process. A firm, if acting in the capacity of subconsultant in any proposal, may participate in more than one proposal, but only in that capacity. A shortlisted firm that participates in more than one proposal will cause all the proposals in which the firm has participated to be disqualified.

When consulting firms offer services under the umbrella of a marketing group (see subpara. 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.

3.4.1 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 consider most convenient. 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 consequently are the only firm with the minimum 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 Request for Proposals (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. Since 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; for example, the consultants 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 on the basis of incomplete, inaccurate, or misleading information. In all these cases the Bank will point this out to 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 an appropriate portion of the 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 funds made available by the Bank, the consultants must possess the technical quality necessary not to adversely affect the Bank project. Selection of the consultants must in no way interfere with the satisfactory implementation of the project in terms of 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.⁴

Complaints are generally received by Bank staff directly from consultants or from Bank Executive Director (ED) offices on the consultants’ behalf; no discussion or correspondence with a consultant or concerned ED should take place during the selection process other than acknowledgment of receipt. Bank response to consultants and to ED offices will be handled by designated Bank staff and will be provided after transmission to the Borrower. Bank staff receiving complaints and allegations have to 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 the Borrower to remedy the situation or settle the complaint directly with the complainant. If there are serious and justified doubts about the Borrower’s capability to correctly carry out selection of consultants, the Bank may require an independent evaluation by a third party. In this case the Bank requests the Borrower to defer any subsequent step of the selection process until the result of such independent evaluation is made available.

After the award of contract, the Borrower should hold a debriefing session with individual unsuccessful applicants who request it.

3.8 Information 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, published in the U.N. Development Business (UNDB). This announcement includes a description of the required consulting services, the Borrower agency, and the budgeted cost.
- Borrowers shall advertise individually all contracts for consulting firms in the national gazette or a national newspaper. It may also advertise them in an electronic portal of free access.
- “Request for Expressions of Interest” for consulting assignments of an estimated value of US\$200,000 or more, published in UNDB on-line. This specific notice follows the GPN and invites expressions of interest from all interested consultants.
- “Monthly Operational Summary,” 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), 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 allows consultants to establish the degree of interest they may have in the assignments included in the project.
- “Project Appraisal Document” (PAD), 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 Website or from the Bank 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, specifically section 2 of the Information to Consultants (ITC), provides detailed information on the evaluation process, including evaluation criteria and their respective weights, the minimum qualifying mark, and the expected input of key experts. 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.

3.9 Consultants Selected and Engaged by the Bank

The Bank engages consultants (firms or individuals) using its administrative budget and Trust Funds (TFs). These TFs, for instance, the Consultant Trust Funds (CTFs) program, are made available to the Bank by donors to exclusively support Bank operations, such as project appraisals, project monitoring, supervision, operations evaluation, and specific Bank studies to benefit borrowing members.

A second category of trust funds, for instance, the Policy and Human Resources Development Fund (PHRD), is made available to the Bank by donors for use by Borrowers to support Borrower’s project preparation and implementation activities, such as feasibility studies or designs needed for project preparation. The Bank normally expects Borrowers to execute these types of trust funds. In the exceptional case 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 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 TF), the policies and procedures that are to be followed by the Bank in engaging consultants are set out under Statement 15 of the Bank Administrative Manual (AMS 15.00),⁵ which in substance is identical to 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 TF agreement between the Bank and the donor (for example, funds may be tied), which prevail over the Consultant Guidelines and AMS 15.00.

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	Consultant Guidelines

Notes

1. Article III, Section 5(b), IBRD Articles of Agreement; Article V, Section 1(g), IDA Articles of Agreement.

2. Annex 11, “Hiring Government-Owned Universities, Research Institutes, Government Officials and Academic Research Staff as Consultants in Bank-Financed Operations.” World Bank, August 19, 1999.

3. Para. 21.3 deals with hiring government officials and academics.

4. See Appendix 4, paras. 11–14, of the Consultant Guidelines.

5. AMS 15.00, “Selection and Use of Consultants by the World Bank for Operational Purposes,” November 2000.

4.1 Main Considerations

A consultant conflict of interest (COI) is a situation in which a consultant provides biased professional advice to a Borrower in order to obtain from that Borrower an undue benefit for him- or herself or affiliates. Although COI is an easily understood concept, to identify it and address its consequences, that is, the potential or actual prejudice to the Borrower's interests, requires in practice particular attention and expertise. COI is a concern when the consultant is in a situation in which its own or its affiliates' interests could prevail over the interest of the client.

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 strictly avoid conflicts with other assignments or 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 not being able to carry out their assignment in the best interest of the Borrower.”¹

4.3 Categories of Conflicts of Interest

The Consultant Guidelines identify three main categories of conflicts of interest that may lead to the consultant’s disqualification:

- activities by the consultants and their affiliates that are by nature in conflict (para. 1.9 (a) of the Consultant Guidelines);
- one assignment is in conflict with another assignment of the consultants (para. 1.9 (b) of the Consultant Guidelines); and
- consultants serve competing 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 CONFLICTS

The first category of conflicts, that is, conflicting activities, includes the following:

- (a) Downstream procurement of goods and works related to the consultants’ work.

For example:

- While under contract on a specific assignment, consultants are perceived, or actually attempt, to influence the Borrower's decisions for their own benefit or that of their affiliates by specifying, designing, or suggesting that works or equipment be obtained from their affiliates.

(b) Downstream provision of consulting services related to the procurement of works, supply of equipment, and installation 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.

(c) Downstream conflicting activities closely related to the consultants' work.

For example:

- An investment bank funds the buyer in a sale transaction after advising the seller on the same transaction.

4.3.2 SECOND CATEGORY OF CONFLICTS

The second category of conflicts, 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 and/or financial information system.

(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 themselves for or accept an assignment for which they have prepared the Terms of Reference (TOR) or the RFP under a prior assignment.
- Consultants slant the initial study so that the next phase assignment demands skills only they can provide, and deprive the Borrower of the benefits of competition.
- While conducting an assignment, the consultants create for themselves favorable conditions for getting either an extension or a directly related assignment that is unnecessary for the client (featherbedding).

4.3.3 THIRD CATEGORY OF CONFLICTS

The third category of conflicts, that is, conflicting clients, includes the following:

- (a) Consultants work 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 by advising the government on the sale of an asset and subsequently being an investor or an adviser of investors in those assets.
- Consultants work for a public water authority and an electricity company who are competing for use of the same water resources.

COI tends to be a more complex issue for large, multifunctional consulting organizations because they are more likely to serve the same client with different types of services, or they may have interests in common with third parties serving the same client. These conflicting interests can be difficult to identify and control.

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

4.4 Prevention of Conflicts of Interest

Independence is the main means by which consultants demonstrate that they can perform their assignment in an objective manner. The potential effects of consultants' COIs in Bank-funded projects has to be addressed early and reexamined at every stage of the consultant selection process. If not in a position to make a fully informed decision about a COI, the Borrower should seek advice from the Bank, which also has an interest in preserving the independence of consultants to achieve high project quality for its Borrowers.

To determine its substantiality, a COI has to be reviewed, taking into consideration the timing and relatedness of the assignments as well as the source, nature, and potential impact of the conflict and the circumstances under which it arises.

In Bank-funded projects, the risk of a COI deriving from the consultant's assignment under consideration must be identified in the RFP. In addition, the related provisions for the avoidance or mitigation of COIs (such as disqualification, cooling-off periods, and corporate separations) must be clearly stipulated in the Information to Consultants (ITC) and in the Contract.

Since the safeguards put in place by the Borrower may not be sufficient, consultants must abide by the independence rules of their specific profession and have an obligation to disclose any potential COI that they consider important. This is particularly necessary when the Borrower lacks the capacity to thoroughly oversee consultant performance, or the regulatory enforcement framework is not sufficiently robust.

4.4.1 ADVERTISING

In some situations the Borrower can identify a potential COI very early and adopt appropriate safeguards. For example, 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, and the second is to assist the Borrower in 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.

Figure 4.1 Consultant Conflicts of Interest: Range of Possible Cases

Consultant Assignment generates for the incumbent the following possibilities	Example	Incumbent allowed to participate?	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	No (permissible upon conditions)	Influence TOR, bias feasibility study recommendations	TOR of continuation by third party who validates feasibility
Conflicting assignments	Environmental audit of consultants' project design by the same consultants	No	Apply partiality in assessing own designs	Disqualify incumbent
Related assignment other than continuation	Restructure study of a public asset after preparing privatization plan	No (permissible upon conditions)	Unduly influence TOR of related assignment	Disqualify incumbent, or have third party draft TOR
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 incumbent, or both clients agree on scope of work
Related unnecessary assignments	Study of superfluous alternatives	No	"Featherbeading"	Disqualify incumbent
Unrelated useful assignments	Study of future projects	Yes	n.a.	n.a.

n.a. Not applicable

Consultants might be invited to indicate in their expression of interest for which of the two assignments they prefer to be considered.

4.4.2 SHORTLIST

When preparing the shortlist, the Borrower should carefully consider if the assignment could create a COI for consultants and address or correct situations like those outlined under subpara. 4.3.3. in which two or more clients with conflicting interests may enter into an agreement defining 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 consultants start the design activity. In this manner the design consultants will know how much water they have to allocate to each purpose beforehand.

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 shortlist. Additionally, for particularly large and complex downstream assignments, the Borrower may appoint an independent advisor to review the incumbent's work. The Borrower should also ensure that every invited consultant is provided with all information necessary to prepare a responsive proposal.

4.4.3 SINGLE SOURCE SELECTION

The Borrower may retain consultants on a single-source basis when the downstream assignment is a natural continuation of previous work (paras. 3.9–3.11 of the Consultant Guidelines). Borrowers should plan ahead when this is likely to be the case. They also need to disclose this possibility in the RFP for the initial assignment, indicating that phase II (the continuation) will be subject to satisfactory performance and noting that it is not automatic, making the necessary provisions in the contract (subpara. 9.3.6). The TOR of the continuation assignment shall not be prepared by the incumbent.

4.4.4 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 the Borrower's personnel or contractors 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—for example, by reducing the scope of work of the assignment or excluding the consultants from the assignment. If unable to make a fully informed decision, the Borrower could seek advice from the Bank.

If a consultant or its affiliate is found to be in a COI during the technical evaluation, the Borrower should review the case and either disqualify the consultant or ask the consultant to remove the conflict and its causes while maintaining the transparency of the selection process, failing which the consultant should be excluded from the competition.

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 action by the Borrower and the Bank should be evaluated.

4.4.5 CONTRACT NEGOTIATIONS

Before completing the contract negotiation, the Borrower should review the draft contract to identify COI situations that may have not been disclosed or may have arisen after the

proposal was submitted. For example, in a change of ownership the winning financial consultants may 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 financial proposals from that institution or disqualify the consultants.

4.4.6 IMPLEMENTATION OF THE ASSIGNMENT

During implementation of the assignment, while monitoring or reviewing consultants' 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, work, or services to the Borrower related to the services rendered by the consultant.

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.

4.4.7 A SPECIAL CASE: MULTIFUNCTIONAL CONSULTANTS

COI tends to be a more complex issue for large, multiservice consultants because those consultants offer integrated services that appear attractive to clients both in terms of economies of scope and of single responsibilities. These COIs can be difficult to identify and neutralize.

One precaution often adopted by multiservice consultants, for instance, accountants and financial and management consultants, to address a COI is the use of "Chinese walls"² to prevent interaction between parts of a firm. Although in theory "Chinese walls" may reduce the risk of COIs, their use in Bank-financed projects is of little help since 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 in that company.

4.5 Utility Management Contracts

Many borrowing countries, particularly economies in transition, are adopting a two-phase approach to privatize public utilities. In the first phase, they may invite private firms to compete for a management contract (MC) where the firm will be selected in accordance with the Bank Consultant Guidelines. In the second phase, which usually occurs a few years later, bids are invited for a lease or concession contract, including 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 Annex 11 of this Manual.

4.6 Partnerships

The Bank Business Partnership and Outreach Group (BPOG) has issued a guide to assist Bank staff in partnering with the private sector. This guide recognizes certain risks inherent in partnership with the private sector and the need to protect the partnership against potential COIs, although it does not detail these risks.³

4.7 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 directly related to the original assignment within three years (two for individuals) after termination of the Bank contract.

Consultants previously retained by the Bank who are offered a consulting contract by the Borrower for a closely related assignment 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 potential COI and Bank policy. The decision to grant a waiver is issued in writing by the designated Bank staff and cleared by the Regional Procurement Advisor (RPA).⁴ 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 have pending investigations on allegations of fraud and corruption, or 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 activities that conflict with the interest of the client under the contract and shall be excluded from downstream supply of goods or construction of works or purchase of any asset or provision of any other service related to the assignment other than a continuation of the "Services" under the ongoing contract.

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"; and
- acceptance that decisions within the area bounded 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. "Principles, Risks, and Approval." The World Bank Group, Business Partnership and Outreach Group.

4. 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 assignment is a Borrower.

5.1 General Considerations

The Bank addresses corruption as a development issue, with the objective of ensuring that all Bank projects are free of fraud and corruption. Bank policy also requires that all parties involved maintain the highest standard of ethics throughout the process of hiring and engaging consultants.

Pursuant to this policy, the Bank has defined corrupt and fraudulent practices as follows:¹

- “Corrupt practice means the offering, giving, receiving, or soliciting of any thing of value to influence the actions of a public official in the selection, process or in contract execution.”
- “Fraudulent practice means a misrepresentation of facts, in order to influence a selection process or the execution of a contract to the detriment of the Borrower and includes collusive practices among consultants (prior or after submission of proposals) designed to . . . deprive the Borrower of the benefits of free and open competition.”

Corrupt practices can affect the actions of government officials charged with the shortlisting and selection of consultants, and with the negotiation, award, and supervision of consulting contracts. Such practices may also affect the execution of consultant contractual obligations, procurement, and disbursement procedures.

5.2 Most Common Corrupt Practices

Corruption may originate with the client or the consultant. The most common corrupt practices affecting the process of hiring consultants are listed below. Fraud commonly originates from a deliberate misrepresentation by the consultant of key aspects of the proposal or services rendered.

5.2.1 SELECTION STAGE

Consultants could

- bribe the client’s officials in order to be shortlisted;
- collude with each other and/or with the client to limit competition, for example, manipulate the requirements of the RFP in order to exclude other qualified consultants;
- bribe the client’s officials in order to obtain confidential information or undue advantage in the selection and evaluation process, for example, obtain the terms of reference (TOR) or the budget estimate in advance;

- exert undue pressure on members of the client’s Evaluation Committee by, for example, exerting political pressure or unfairly seek diplomatic support;
- misrepresent facts in expressions of interest and 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 critical information pertaining to serious conflicts of interest.

Experience shows that the client could

- solicit 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 past experience, forged signatures, and so forth in proposals;
- hire consultants by single-source selection method (SSS) where competitive selection would be expected to elicit different results; or
- violate the confidentiality of bidding by, for example, disclosing the status of proposal evaluation to a consultant.

5.2.2 IMPLEMENTATION STAGE

To take advantage of an inefficient client’s agency or in collusion with the Borrower itself, during the implementation stage of the assignment, consultants may

- seek unjustified contract extensions or payments with no justification;
- make unjustified changes of experts;
- overcharge the client by, for example, in a time-based contract, billing more staff-months than actually worked;
- provide less service than agreed upon under the contract without informing the client;
- seek unjustified increases of consulting staff to work on the assignment;
- fraudulently justify work delays or misrepresent a 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 come from

- a losing bidder;
- a consultant’s disgruntled employee;
- a government employee, the press, an NGO, or the public;
- an inquiry by the Bank originated 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 Bank Anti-Corruption and Fraud Investigation Unit. When fraud and corruption have been determined to occur, sanctions are applied to consultants. Sanctions on consultants include the Bank's rejection of the proposal of award, a public letter of reprimand, or a decision by the president of the Bank rendering the consultant ineligible to participate 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.² Consultants under sanction by the Bank are listed on the Bank's Website, which is accessible to both the public and Bank staff.

5.5 Prevention of Corrupt Practices

5.5.1 MAIN CONSIDERATIONS

Bank strategy is also aimed at the prevention of corrupt 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 minimize the occurrence of fraud and corruption and mitigate their impact.

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

- encouraging Borrowers to adopt transparent and fair procedures for selection of consultants; and
- ensuring that consultants' work is closely monitored and that the agreed upon procedures are consistently applied during the entire course of the assignment.

Effective prevention of fraud and corruption requires coordinated action among the Borrower, Bank, and consultants.

5.5.2 ROLE OF THE BORROWER

During the selection phase, the Borrower should

- allow sufficient time for the submission of expressions of interest³ and proposals by consultants;
- shortlist exclusively consultants who are qualified for the assignment;
- ensure that all documents forming the RFP are clear and unambiguous;
- clearly describe the selection criteria and subcriteria;
- adopt the most suitable selection method for the assignment;
- appoint an Evaluation Committee with impartial and competent officials;
- have the Evaluation Committee agree on a definition of criteria, subcriteria, and grades before starting the evaluation;
- have each evaluator first evaluate independently of each other;
- appoint a negotiation committee with technical and legal experience relevant to the assignment;
- provide each committee member with clear procedures;
- instruct negotiators to aim for a fair contract;
- prohibit committee members from unofficial contacts with consultants;

- report, investigate, and sanction cases of attempted or actual corruption;
- set up a credible complaint management system;
- make known the results of the selection process to all those interested; and
- provide a debriefing to consultants requesting it.

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

- ensure public review of the project;
- appoint competent and adequately paid supervisory staff who have clear responsibilities;
- adopt an enforceable code of conduct with proper sanctions;
- pay consultant's invoices promptly, holding back only disputed amounts;
- adhere always 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; and
- establish a reporting channel for incidents of alleged fraud and corruption.

5.5.3 ROLE OF THE BANK

To control and manage the risk of corruption in Bank-financed consulting assignments, Bank staff should

- identify the potential for corruption during project preparation and build safeguards (such as requesting to receive copies of all proposals if needed);
- assign an experienced procurement specialist to supervise the selection of consultants;
- thoroughly review all selection decisions and contracts for award before providing the Bank's no-objection;
- adequately review contracts that require postreview;
- 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 shortlisted unless the Borrower requests it in writing (upon Borrower's request, staff should provide the information according to formal Bank procedures);
- make decisions on behalf of the Borrower;
- neglect to perform its fiduciary responsibilities, including failing to carry out prior and postreview;
- maintain unnecessary contacts with consultants during the selection process, or during the implementation of the assignment, except as permitted in the RFP or agreed upon 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

- strictly abstain from offering or paying bribes;
- abstain from colluding with other consultants or the Borrower in order to win the contract unfairly;
- submit proposals that reflect their true qualifications and capabilities;
- aim for fair contracts between themselves and the Borrower; and
- report any acts of observed corruption and extortion.

During the execution of the assignment, consultants must

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

Improved selection methods and procedures cannot prevent fraud and corruption, but only make it more difficult. Increased integrity levels on the part of both Borrowers and consultants are also necessary. Both sides must raise their awareness of the risks to which institutions, consulting firms, public officers, and consultant staff expose themselves when acting corruptly.

At the level of individual consulting firm, steps in the right direction include improving corporate culture and introducing internal controls, codes of conduct, and structured systems to manage integrity. The Bank supports initiatives on the part of consultant associations to encourage and assist their members to develop integrity management systems. Consulting associations, for example the Fédération Internationale des Ingénieurs Conseils (FIDIC – International Federation of Consulting Engineers), are already providing member associations with integrity standards that should be adopted by every member firm.

Notes

1. Para. 1.25 of the Consultant Guidelines.
2. See Operational Memorandum “Fraud and Corruption under Bank-Financed Projects: Procedures 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.

Transfer of Knowledge in Consultant Contracts

6.1 Main Considerations

Borrowers have an interest in upgrading and strengthening their capacity. Consultant assignments may include a component under which the consultant is expected to transfer knowledge and train Borrower's staff to master the services and to eventually replicate or perform them independently. It is impractical to believe that knowledge will be transferred in every consulting assignment unless the transfer is contractually agreed upon, well specified, and paid for separately from the main services. When transfer of knowledge is important, the Terms of Reference (TOR) should clearly identify and set out the nature, extent, and goals of the transfer of knowledge and training expected under the assignment, and the cost will be included in the contract.¹

Frequently used methods to transfer knowledge in Bank-funded projects involving consultants include

- on-the-job training of Borrower staff;
- stand-alone training; and
- twinning agreements.

The combination of methods adopted in a specific project will first depend on the institutional strength of the Borrower and their level of technical preparedness. The method of implementation of the project (design/supervision or turnkey) and the distribution of tasks between consultants and Borrower's staff plays an important role in determining the effectiveness of the transfer-of-knowledge program. The success of the transfer program will also depend on the absorption capacity of the transferees. If the level of education of the Borrower staff is too low, knowledge will not be assimilated effectively.

6.2 On-the-Job Training of Borrower Staff

Skills are transferred from consultants to Borrower staff when the Borrower assigns personnel to the consultant to work as members of the consultant's team under the consultant's supervision. Borrower's staff assigned to consultant teams as counterparts to provide administrative supervision and engage in daily decisionmaking on behalf of the Borrower should not be considered trainees, and consultants should not be responsible for training them.

Consultants hired for specific preinvestment and investment preparation activities often integrate Borrower's staff into their teams, thereby assuming responsibility for both the quality of the output and the quality of training received by such staff. Consultants hired to provide technical or institutional advisory support usually train the Borrower's staff within the Borrower's organization in the specific areas of responsibility assigned to the consultants under the contract.

In both cases, for training to be effective, the following factors are crucial:

- The TOR and scope of work for the training 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 availability, organizational arrangements, and expected results.
- When adopting a training program, the Borrower should bear in mind the importance of allocating sufficient time and financial resources to the exercise.
- To the extent possible, trainees should be fully integrated into the consultant's team and given specific duties and responsibilities.
- The consultant's team members and Borrower counterpart staff should be of the same or similar professions to enable effective communication and transfer of knowledge.
- Commitment to the training should be fostered by the evaluation of progress through tests. The Borrower and/or the consultant should prepare evaluation reports.

6.3 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 number of forms, including the following:

- Secondment 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 business 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 Twinning of Organizations

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 transfer knowledge and improve capacity.

Twinning differs from normal technical assistance 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 a larger reservoir of operational experience and in-house resources to address the recipient problems in a manner rarely possible with traditional consultants. Moreover, the supplier may have a greater degree of credibility in the eyes of the recipient and thus elicit a more committed relationship than traditional consultants.

Twinning is greater in scope than regular technical assistance. The nature of twinning implies a relationship of trust between the organizations that goes beyond the usual Borrower-consultant relationship (for instance, twinning of banks may imply sharing sensitive information). Before entering a twinning agreement, the parties must be transparent about the objectives of the operation: transfer of managerial, financial, and technical skills to the recipient's organization or perhaps the merger of the twins. The TOR should clearly establish the objectives and scope of work of the agreement, activities to be executed, and the cooperation arrangements needed to ensure the right level of transfer of knowledge.

Under twinning arrangements, transfer of skills can be undertaken with flexibility in a variety of ways. Specialists from the supplier 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 according to an agreed upon schedule. The recipient's management and staff may also visit the supplier's offices and plant. The training offered can be formal or on the job or carried out locally or in the supplier's country, usually available at various skill and technical levels.

The selection of a twinning partner should normally follow a competitive process (QCBS or QBS). However, in certain instances, given the unique characteristics of some twinning arrangements, SSS (see Chapter 9) may be a more appropriate method of selection than is the case with other consulting assignments. Justification for twinning may include existing close relations or strong similarities in the type of organizations, their methods of operation, and activities.

Twinning arrangement contracts can be prepared by adapting Bank standard consultant contracts to the specific case. Twinning contracts vary considerably, depending on whether the organizations are public or private, utilities, or teaching 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 at hand. Once the initial contractual assignment is completed, twinned organizations frequently maintain informal links with each other, establishing long-term relationships with the potential for follow-up or additional contracts often procured on a sole-source basis.

Notes

1. Para. 1.20 of the Consultant Guidelines.

Financing Consulting Services

Chapter 7

7.1 Introduction

Borrowers and the Bank often need to engage the services of consultants before a loan is approved and during project implementation. These services may include the usual ones under the project cycle,¹ such as feasibility studies, project design, and supervision as well as technical and institutional capacity building. Borrowers should plan in advance the nature, scope, and timing of the services needed, estimate their cost, and in a timely manner arrange for the necessary financing. Common sources of financing of 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. Financing for consulting services directly related to a downstream 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

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 by the Bank.² A PPF is established only if there is a strong probability that a Bank loan will be provided for the project under consideration. In the event that the loan is eventually not made, the Borrower and the Bank should make arrangements for repayment of the advance. The PPF finances primarily foreign exchange costs for studies and designs.

7.2.3 TECHNICAL ASSISTANCE LOAN

The Borrower may request the Bank to provide a Technical Assistance Loan (TAL) to assist in capacity building of its organizations and to strengthen the efficiency of investments through technical assistance and training. TALs can also be used to appoint consultants 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 applying to investment lending.³

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 agreement 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 at its own risk and without Bank commitment to make the loan.⁴ 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 may prefer grants over loans to finance consulting services. The Bank has in place 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 make use of 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. Types of trust funds available to fund consulting services are listed in the following paragraphs.

With the exception of the funds under subpara. 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. In cases when 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, such as 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 consultant services involving Borrower activities such as preinvestment and feasibility studies, project preparation, capacity building, sector studies, and training. Trust funds of this type include, for example, 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 (CTF), which are used to finance consultant services (mainly individual consultants) in Bank operational work; research, program, and policy analysis; economic and sector work; and training. CTFs are either untied or tied to the financing of individual experts or firms from the donor country and nationals from the beneficiary country. In case of an untied CTF, 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 a discrepancy between the documents. In case of a tied CTF, the provisions of the Trust Fund Agreement prevail.

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, for its part, is required to ensure that funds are paid from a Bank loan only as expenditures are incurred and upon request of 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 (see Appendix 3 of the Consultant Guidelines):

- The Bank directly pays the consultant on the basis of an invoice that has been approved by the Borrower.
- The Borrower pays the consultant directly. The Bank then reimburses the Borrower upon presentation of a properly documented withdrawal application.
- 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 consultant 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 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 disbursement procedures is provided in the Disbursement Handbook.⁵

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. In the case of parallel financing, the selection and use of consultants is carried out in accordance with the procedures of the cofinance agreement, which need to be satisfactory to the Bank to safeguard project quality for the Borrower. In the case of joint financing, the Bank 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, 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.

8.1 Main Considerations

The Borrower is responsible for the selection and engagement of consultants. The Bank's role in the selection process is to review the Request for Proposals (RFP), evaluation of proposals, award recommendation, and contract to ensure that the process is carried out in accordance with the agreed upon procedures. Under special circumstances, Bank staff may also assist the Borrower in one or more steps of this process. After contract award, Bank staff monitor the consultants' work to ensure that it is being carried out in accordance with the contract, and may, as appropriate, provide guidance to the Borrower in addressing specific issues relating to the assignment.

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

- The Borrower is responsible for evaluation of proposals and the award and execution of the consultant's contract.
- The Bank's supervision of all the steps from preparation to implementation of the project should be undertaken in accordance with the Consultant Guidelines.
- Bank staff must refrain from participating in the decisionmaking 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,
 - participate in the evaluation of proposals; or
 - put themselves in the position where they are, or could be perceived as being, "arbitrators" of any conflicts between consultants and Borrowers.

All consultant contracts are subject to either the Bank's prior review or postreview depending on their value (see Appendix 1 of the Consultant Guidelines).

8.2 Prior Review

Unless stipulated otherwise in the loan or credit agreement, all consultant contracts with an estimated value of US\$100,000 or more are subject to prior review by the Bank. The following stages in the review process are subject to the Bank's prior review and no-objection:

- proposed RFP and shortlist;¹
- technical and final evaluations and the proposed selection; and
- draft final contract as negotiated.

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 procurement specialists assigned to the project carry out the reviews. The Regional Procurement Adviser (RPA), the Legal Department, or the Procurement Policy and Services Group get involved as necessary (see OP/BP 11.00).² In the event 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 the portion of the loan allocated to the consultant services in question. Examples of Bank no-objections are given in Annex 1.

8.2.1 SHORTLIST AND REQUEST FOR PROPOSALS

In reviewing a proposed shortlist, the Bank will withhold its no-objection if it determines that the proposed shortlist includes consultants who lack the relevant qualifications to undertake the assignment. The no-objection to the shortlist also will be denied if it includes consultants who are ineligible to participate by virtue of their firm's nationality or because of sanctions imposed by the Bank on the consultants. Once the Bank has issued its no-objection to a shortlist, the Borrower cannot add or delete names without the Bank's agreement. Normally, the Bank does not accept the inclusion of an additional firm on a shortlist that has already received its no-objection.

The documents that comprise the RFP provide consultants with information relating to the assignment and instructions on what the Borrower expects of consultants who respond to the invitation. If in reviewing the RFP, the Bank determines that the RFP documents do not provide adequate information to enable consultants to submit responsive proposals or are otherwise inconsistent with the Consultant Guidelines, the Borrower will be asked to amend it as necessary. When conducting the review, Bank staff must also ensure that the criteria to be used for the technical evaluation are appropriate for the services for which the consultants are being hired.

Once the Bank has given its no-objection to the shortlist and the RFP, the RFP is issued to the invited consultants.

8.2.2 PROPOSAL EVALUATION

On completion of the evaluation, which includes technical and financial evaluations and proposal for award, the Borrower prepares an 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 were made during the evaluation on the part of the Borrower's Evaluation Committee that could have led to wrong evaluation outcomes. Before giving its no-objection, the Bank may

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

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

If the evaluation report recommends the rejection of all proposals, the Borrower shall notify the Bank of the reasons for rejection of all proposals and obtain the Bank's no-objection before proceeding with the rejection and the new selection process. This new process may include a revised RFP, shortlist, and budget. The revision shall be agreed to with the Bank.

8.2.3 THE CONTRACT

After the Borrower has received the Bank's no-objection to its proposal for award, the final contract is negotiated with the selected consultant. After contract negotiations, before the parties sign the contract, the final 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 substantially the same as those in the RFP and that

- no modifications have been made to the general conditions of the contract, and
- the special conditions of the contract are consistent with the requirements of the RFP, that is, they do not present material changes to the terms and conditions on 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 the changes and obtain the Bank's approval before they are effected. Once the final contract is signed, a copy is submitted to the Bank for its records.

8.2.4 MODIFICATIONS AFTER SIGNING THE FINAL CONTRACT

After the final contract is signed, any substantial modification, extension, or amendment proposed and agreed upon by the Borrower and the consultant must be reviewed and approved by the Bank before it is made.³ If, for example, in the course of an assignment the consultant and the Borrower agree that, due to 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 concurrence before proceeding with amending the contract. The Bank will not provide its no-objection if it determines that the proposed modifications would be inconsistent with the Loan Agreement.

8.3 Post Review

For contracts not subject to prior review and/or not paid through statements of expenditures (SOEs), the Borrower should—promptly after the contract's signing and prior to delivery to the Bank of the first application of withdrawal from the Loan Account—furnish the Bank with a copy of the signed contract, the proposal evaluation report explaining the reasons for the award, and other additional information that the Bank may reasonably request (see Appendix 1, para. 4, of the Consultant Guidelines). If the Bank determines that the award of the contract is inconsistent with the Loan Agreement, the Borrower is promptly informed and the reasons for such determination are stated. The Borrower is then asked to introduce the necessary repairs. Should the Borrower fail to do so, the Bank could declare misprocurement (see para. 3.6).

8.4 Assistance to Borrowers

Bank staff is frequently asked to provide guidance in the selection process. Such involvement can be difficult and sensitive. In addition to their review function and under special circumstances, Bank staff can assist Borrowers during the initial preparation of the various documents comprising the RFP, specifically the Terms of Reference, choice of selection method, determination of selection procedures, and type of contract to be used. Bank staff need to be careful not to preempt the Borrower's decisions and to ensure that the Borrower's choices with respect to the consultants to be shortlisted are independent.

Notes

1. Although to provide a single no-objection for the RFP and the shortlist simplifies the process, 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

Chapter 9

9.1 Steps in the Selection Process

When the permanent hiring of specialized staff is not justified, Borrowers may engage consultants for special tasks and to supplement their in-house capabilities over defined periods of time. Engaging consultants also enables Borrowers to acquire knowledge and independent advice.

Once a project is identified, the Borrower and the Bank's project team agree on the nature and scope of consulting services needed, taking into consideration the institutional strength and technical knowledge of the executing agency. Bank staff may also help the Borrower in selecting the most appropriate method of consultant selection and in applying its procedures. Prior to issuance of any RFP, the proposed plan for the selection of consultants under the project shall be furnished to the Bank for its review and approval.¹

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

- (a) preparation of the TOR of the assignment;
- (b) preparation of the cost estimate to determine the budget of the assignment;
- (c) advertising to invite expressions of interest from consultants;
- (d) shortlisting to identify consultants qualified for the assignment;
- (e) preparation and issuance of the RFP;
- (f) preparation and submission of proposals by the consultants;
- (g) evaluation of technical proposals – quality evaluation;
- (h) evaluation of financial proposals – cost evaluation;
- (i) final combined quality and cost evaluation to select the winning proposal (QCBS); and
- (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 at the end of this chapter contains a flow chart outlining the steps for each of the selection methods included in the Consultant Guidelines. Figure 9.1 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 flowchart and the Selection Method acronyms refer to the specific chapters or paragraphs of this Manual that deal with that particular subject.

9.2 General Criteria for Selection Procedures

Bank policy requires that consultants be selected following competitive processes on the basis of comparison of technical and financial proposals or in some cases only technical, submitted by shortlisted consultants (see para. 13.1). The selection methods described in the Consultant Guidelines have been devised to achieve the objectives of fairness, clarity, transparency, and confidentiality.

9.2.1 FAIRNESS AND CLARITY

Once the Borrower and the Bank have agreed on a selection method and on the specifics of the selection procedure contained in the RFP—for example, on evaluation subcriteria and relative weights, scoring methodology and weighting of technical versus price scores to be given to the technical and financial proposal—the evaluation must be carried out strictly in accordance with these provisions. For each selection method, the procedure set out in the RFP should be fair, that is, it should not

- provide any unfair advantage to particular consultants, or
- make onerous demands on consultants, such as allowing insufficient time to prepare proposals, requesting unduly long proposal validity periods, and so forth.

Bidding documents should be clear so consultants understand them correctly. During the preparation of their proposals, consultants may ask the Borrower in writing to clarify provisions contained in the RFP. Borrowers should distribute the questions received and their written responses to all shortlisted consultants without disclosing the source of the questions. Consultants tend not to take advantage of clarifications that are intended to help them improve their proposals. It is good practice for the Borrower to hold a preproposal conference for complex assignments so consultants can ask for clarifications of the RFP. Minutes of meeting should be sent to all shortlisted consultants. If, as a result of the conference, the RFP needs to be amended, the Borrower sends the amendments to all shortlisted consultants and extends the submission deadline if necessary.

9.2.2 TRANSPARENCY

The manner in which 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 discretion and unfairness in the selection process.

9.2.3 CONFIDENTIALITY

A credible selection process must be confidential. The integrity of the selection process would be destroyed if consultants were given access to confidential information. 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 the Borrower for an explanation of why its proposal was not ranked first.

9.3 Selection Methods

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

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

The choice of the appropriate method of selection is related to the nature, size, complexity, likely impact of the assignment, technical and financial considerations, and the particular circumstances of the Borrower. It is therefore necessary to carefully define the assignment, particularly the objective and the scope of the services, before deciding on the 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 to be provided. It is the method most frequently used to select consultants under Bank-funded assignments. Since under QCBS the cost of the proposed services is a factor of selection, this method is appropriate when

- the scope of work of the assignment can be precisely defined and the TOR are well specified and clear, and
- the Borrower and the consultants can estimate with reasonable precision the staff time as well as the other inputs and costs required of the consultants.

QCBS is appropriate for assignments such as

- feasibility studies and designs where the nature of the investment is clear and well defined, known technical solutions are being considered, and the evaluation of the impacts from the project are not uncertain or too difficult to estimate;
- preparation of bidding documents and detailed designs;
- supervision of construction of works and installation of equipment;
- technical assistance services and institutional development of Borrower agencies; and
- procurement and inspection services.

To increase the likelihood of receiving responsive proposals, the RFP under QCBS indicates the expected staff time estimated by the Borrower to carry out the assignment. However, this estimate does not bind the consultants, and they should propose the level of inputs that they consider appropriate.

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: (1) quality and (2) cost. The technical envelopes are opened by a committee of officials of the Borrower immediately after the closing time for submission of proposals; the financial proposals remain sealed and shall be deposited with a reputable public auditor until the technical

evaluation and the evaluation report are completed and approved by the Bank and the technical scores are disclosed publicly (see also paras. 16.6 and 16.7). The financial envelopes of those consultants who submitted responsive technical proposals meeting the minimum qualifying mark are opened in the presence of the consultants or their representatives. The proposals are then evaluated. _Once the financial proposals are evaluated, a combined evaluation of the technical and financial proposals is carried out by weighting and adding the quality and the cost scores, and the consultant obtaining the highest combined score is invited for negotiations. Since price is a factor of selection, staff rates and other unit rates shall not be negotiated (see Chapter 18).

QCBS permits 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. Transparency is increased under QCBS with 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. Since with QCBS consultants are required to compete on the basis of price besides 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.

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. Since price is a factor of selection under QCBS, when this occurs competitors will tend to propose more conventional approaches and tested methodologies to keep the cost of services low, rather than making full use of their capabilities to propose the most effective or innovative way to carry out the assignment. This may ultimately affect the quality of the project, especially where the downstream impacts are complex, large, or unknown.

9.3.2 QUALITY BASED SELECTION

Quality Based Selection (QBS) is based on an evaluation of the quality of the proposals and the subsequent negotiation of the financial proposal and the contract with the consultant who submitted the highest ranked technical proposal. QBS is appropriate if

- the downstream impact of the assignment is so large that the quality of the services becomes of overriding importance for the outcome of the project;
- the scope of work of the assignment and TOR are difficult to define because of the novelty or complexity of the assignment, or the need to select among innovative solutions, or due to particular physical, social, or political conditions;
- the assignment can be carried out in substantially different ways such that cost proposals may not easily be comparable; and
- the introduction of cost as a factor of selection renders competition unfair.

QBS should be adopted for assignments such as

- complex country sector and multidisciplinary investment studies;
- strategic studies in new fields of policy and reforms;
- master plans, complex prefeasibility and feasibility studies, and design of complex projects; and
- assignments in which traditional consultants, nongovernmental organizations (NGOs), and/or U.N. agencies compete.

In some cases the choice between QBS and QCBS may be difficult. In situations of strong uncertainty and/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 the technical proposals only. After receiving the Bank no-objection to the technical evaluation report, the consultant with the highest-ranking technical proposal is invited to present its financial proposal. However, the Borrower may wish the financial proposals to be submitted at the same time as the technical proposals but in separate envelopes (two-envelope system). In that case, the financial proposals should be kept safely until the Bank's no-objection to the technical evaluation is received. Only the financial proposal of the winning consultant is opened; the others are returned unopened after negotiations with the winning firm are successfully concluded. The RFP generally provides the staff months only as an estimate by the Borrower. The staff effort indicated by the consultants may differ considerably from such estimate, depending on the particular methodology adopted by the consultant.

Since the TOR of assignments under QBS are generally less defined and relatively more complex than under QCBS, contract negotiations with the winning consultants may be lengthy and complicated. The Borrower may decide to hire individual advisers to assist in the most critical aspects of the technical evaluation, for instance, 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 esthetic component that has to be taken into account at the moment the consultant or architect is selected. Design Contest (DC) is a selection procedure very similar to QBS under which a Borrower invites consultants to present a plan or design for a project on the basis of a concept provided by the Borrower. The winner is selected on the basis of quality, with or without prize award, by an Evaluation Committee. DC procedures are a tool for selecting the best available architects, engineers, and planners for specific projects with important esthetic contents.

Consulting assignments for major projects that can be implemented through DC are

- railway stations and terminals of airports;
- public buildings such as hospitals, theaters, concert halls, university campuses, art and sport centers, exposition and fair complexes, and government buildings; and
- rehabilitation of large obsolete structures, to create multipurpose centers for public use.

Annex 10 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 (SFB) is based on disclosing the available budget to invited consultants in the RFP and selecting the consultant with the highest-ranking technical proposal within the budget. Because consultants are subject to a cost constraint, they will adapt the scope and quality of their services to that budget. The Borrower must therefore ensure that the budget is compatible with the TOR and that consultants will be able to perform the tasks within the budget. SFB is appropriate only when

- the budget is fixed and cannot be exceeded,
- the TOR are precisely defined, and

- the time and staff-month effort required from the consultants can be assessed with precision.

To reduce the financial risk for consultants and avoid receiving unacceptable technical proposals or no technical proposals at all, SFB must only be used for well-defined and simple assignments with a low financial risk for the consultants. SFB is frequently used by Bank Borrowers when there is lack of flexibility in funds allocation and by the Bank itself when funding is available only in fixed amounts from donor grants and from trust funds. Typical assignments awarded under SFB are

- sector studies, market studies, and surveys of limited scope;
- simple prefeasibility studies and review of existing feasibility studies;
- review of existing technical designs and bidding documents; and
- project identification for which the level of detail can be matched with the available funds.

Under SFB, consultants are requested to submit their technical and financial proposals in separate envelopes. Technical proposals are evaluated first, using the same procedure followed for QCBS and QBS, then the financial envelopes are opened in public. In case a proposal does not cover minor technical aspects included in the TOR, the Borrower calculates the evaluated price of that proposal by adding to the offered price the estimated cost of the missing activities or items. Proposals that exceed the indicated budget after adjustments and corrections are discarded. The consultant who has submitted the highest ranked technical proposal among the remaining proposals is selected.

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

SFB 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. SFB also requires a shorter time for negotiations than QBS. SFB is also 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 than with QBS and QCBS, the SFB method requires the TOR to be consistent with the established budget and to contain a well-specified scope of work in order for consultants to present clear and responsive proposals. One risk of using the SFB is underbudgeting the TOR and by doing so discourage good consultants from participating, and receive poor performances from the awarded consultants.

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 have to 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. The consultant with the lowest evaluated price is selected.

The LCS method is more appropriate for small assignments of a standard or routine nature where well-established practices and standards exist and from which a specific and well-defined outcome is expected, which can be executed at different costs, for example

- standard accounting audits,
- engineering designs and/or supervision of simple projects,
- repetitive operations and maintenance work and routine inspections, and
- simple surveys.

Borrowers may adopt this selection method when they wish to capture cost benefits from mature technologies or new methods for which quality risks for the final output are considered negligible. For example, modern broadband telecommunications and the Internet allow accountants, at geographically remote locations, to compete for standard accounting audits to be produced at low cost.

Since quality is set as the minimum qualifying mark, the Borrower should set such a mark higher than is usual (say at 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 all proposals above the minimum mark and by actually selecting on the basis of cost only.

9.3.5 SELECTION BASED ON CONSULTANT'S QUALIFICATIONS

The Selection Based on Consultant's Qualifications (SBCQ) method applies to very small assignments for which the cost of a full-fledged selection process would not be justified. Under SBCQ the Borrower first prepares the TOR, then requests expressions of interest and qualification information on the consultants' experience and competence relevant to the assignment. The Borrower establishes a shortlist and selects the firm with the best qualifications and references. The selected firm is asked to submit a combined technical and financial proposal and is then invited to negotiate the contract if the technical proposal proves acceptable.

The SBCQ method aims at reducing the cost and time needed to hire a consultant. This approach does not, however, disregard quality, since some very small assignments are very important (highly specialized advisory services with a limited scope and duration or assignments that, although small, require consultants with the best possible qualifications).

SBCQ maybe considered for assignments such as

- brief evaluation studies at critical decision points of projects (review of alternative solutions with large downstream effects);
- executive assessment of strategic plans;
- high level, short-term, legal expertise; and
- participation in project review expert panels.

9.3.6 SINGLE SOURCE SELECTION

Under Single Source Selection (SSS) the Borrower asks a specific consultant to prepare technical and financial proposals, which are then negotiated. Since there is no competition, this method is acceptable to the Bank only in exceptional cases and made on the basis of strong and convincing justifications where it offers clear advantages over the competition. This is because

- the assignment represents a natural or direct continuation of a previous one awarded competitively, and the performance of the incumbent consultant has been satisfactory; or
- a quick selection of the consultant is essential, for instance, in emergency operations such as natural disasters and financial crisis; or
- the contract is very small in value; or
- only one consulting organization has the qualifications or experience of exceptional worth to carry out the assignment.

If continuity of downstream work by retaining an incumbent consultant 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 likelihood (para. 3.10 of the Consultant Guidelines). Satisfactory performance in the first assignment has to be a precondition for continuation. In these cases, the Borrower should balance the importance of continuing with the same technical approach, the experience acquired, and the continued professional liability of the incumbent against the benefits of renewed competition such as fresh technical approaches and competitive remuneration rates.

Once the Bank agrees to an SSS on a continuation, the Borrower should ask the consultant to prepare technical and financial proposals on the basis of the TOR prepared by the Borrower, or by an independent adviser 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 a SSS basis if the initial assignment was not awarded competitively, or was awarded under tied financing or reserved procurement, or the downstream assignment is substantially larger in value. In these cases, a competitive process acceptable to the Bank should be adopted, and normally the incumbent should not be excluded from consideration if he or she expresses interest. The Bank makes exceptions to this rule only in special cases and if a new competitive process is not practicable. Annex 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 financial intermediary that finances private enterprises or autonomous commercial enterprises in the private sector. Such enterprises (Sub-Borrowers) may follow established private sector commercial practices to hire consultants. These practices should follow Bank principles for the selection of consultants and be acceptable to the Bank. However the Bank recommends consideration be given to using one of the competitive methods described above, particularly for large assignments.

9.4 Selection of Particular Types of Consultants

9.4.1 U.N. AGENCIES AS CONSULTANTS

U.N. agencies (see also subpara. 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 (a sector study carried out by the World Health Organization, for example). The privileges, immunities, and exemptions enjoyed by U.N. agencies while under contract with Bank Borrowers² give them a cost advantage when competing with private consultants. Since this cost advantage is in general difficult to quantify, Borrowers should adopt QBS or SFB as the method of selection to neutralize any preferential treatment. Some U.N. 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. 3.9.

9.4.2 NONGOVERNMENTAL ORGANIZATIONS

Nongovernmental organizations (NGOs) (see also subpara. 2.3.4) may be included in the consultant shortlist if they express interest provided that the Borrower and the Bank find their qualifications satisfactory. Shortlists for assignments that emphasize experience in community participation and in-depth local knowledge may entirely comprise NGOs, and QCBS should be followed.

Evaluation criteria of proposals should reflect the unique qualifications of NGOs, such as

- history of work with grassroots communities and evidence of satisfactory performance;
- familiarity with participatory development approaches and low-cost technologies;
- experienced staff conversant with cultural and socioeconomic dimensions of beneficiaries;
- committed leadership and adequate management; and
- capacity to co-opt beneficiary participation.

Borrowers may select NGOs using SSS provided the relevant criteria for use of this method are met (see subpara. 9.3.6). 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 shortlist consists of both NGOs and consulting firms (see para. 2.1 and subpara. 13.3.1), selection should be based on QBS or SFB because the cost structure of NGOs and consulting firms is 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 has entered into grant agreements with international NGOs as its partners when the Bank and the country government have agreed it was the most efficient way to manage and implement a project. Provisions of such agreements recognize the special nature and role of NGOs, including their capability of raising funds. In these cases, the selection also has followed Bank procedures.

9.4.3 PROCUREMENT AGENTS

Procurement agents (see also subpara. 2.3.6) may be hired by the Borrower to assist in carrying out procurement, to provide advice, or a combination of both.

In the first case, they are paid a percentage (either fixed or inversely proportional) of the value of the procurements handled and 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 to unacceptably lower service quality. In such cases it is essential to ensure that a quality threshold in the evaluation is set sufficiently high.

In the second case, procurement agents are usually paid on the basis of the staff-months effort provided and are selected following any of the methods described in this Manual depending on the circumstances.

In the last case, they are paid a combination of a percentage and a fixed fee and are selected under QCBS. The proportion of percentage and fixed fee would depend on the combination of procurement and consulting services included in the assignment. Depending on such proportion, the Borrower may indicate in the RFP a fixed fee amount and request the agents to propose their percentage fees, or leave the proponents free to offer both fees.

9.4.4 INSPECTION AGENTS

Borrowers may hire inspection agents to inspect and certify goods prior to shipment or on arrival in the Borrower country. The inspection by such agents usually covers the quality and quantity of the goods concerned and reasonableness of price. Inspection agents are selected using QCBS, with cost being given 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 (see also subpara. 2.3.5) for two main types of assignments: (1) in the preparation of studies and technical assistance or (2) as advisers on privatization involving the sale of assets. In the first case, consultants 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 is generally recommended 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: (1) a lump-sum retainer fee to reimburse the consultants for services made available and (2) a success fee, which could either be fixed or preferably expressed as a percentage of the value of the privatization transaction. Depending on the type of sale, such as auction or 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 accorded a weight higher than recommended for standard assignments, such as 20 percent, or the selection may be based on cost alone among those who secure a minimum passing mark for the technical proposal.

Success fees are more 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 for 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 (40 to 50 points of 100) or, if appropriate, LCS may be adopted.

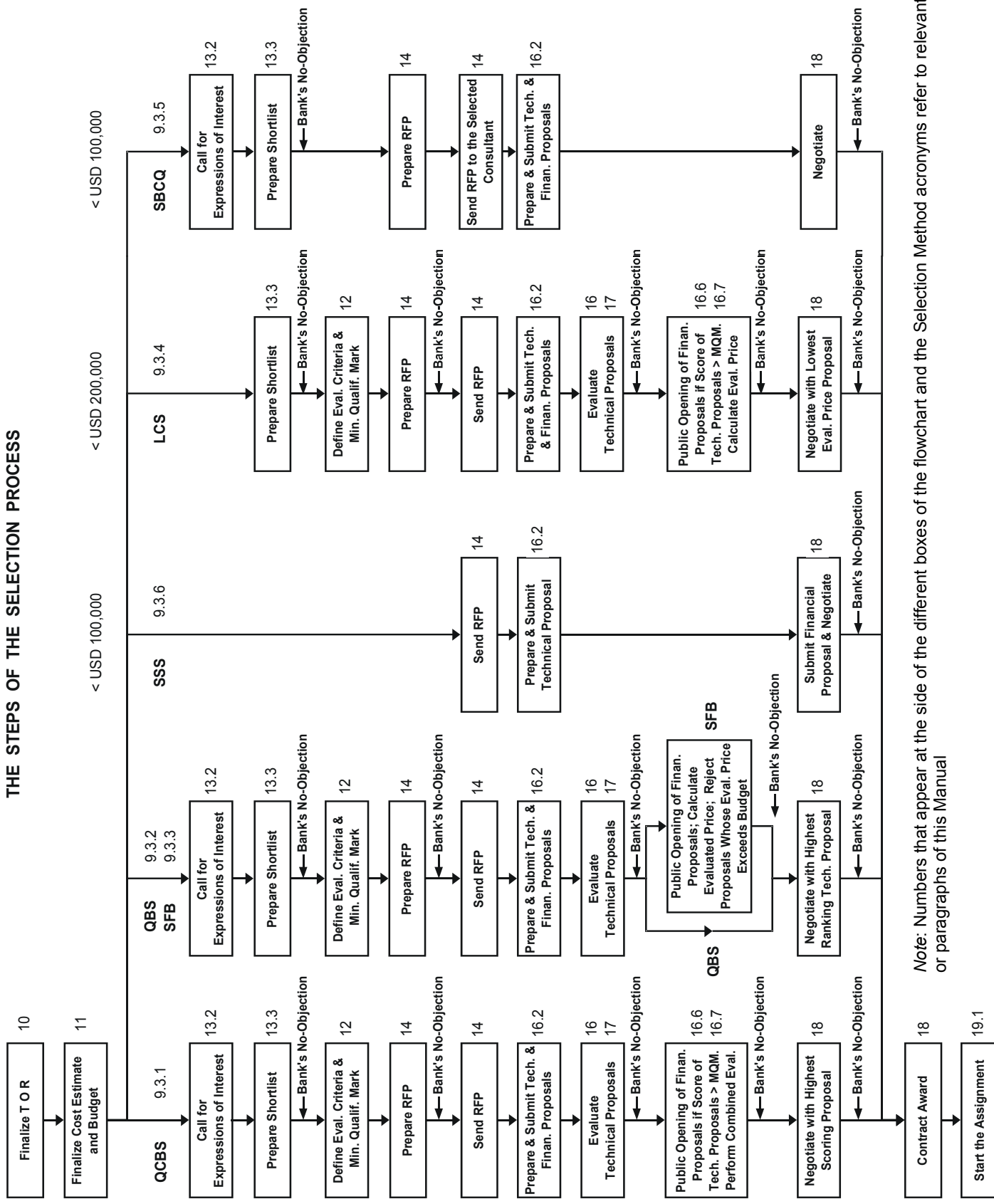
9.5 Time Schedule of the Selection Process

The main drawbacks of competitive selection methods are the time and costs required. It is important to set out each stage of the process, to establish realistic deadlines, and to stick to the timetable. Figure 9.2 shows a typical time schedule for the selection process for a large assignment using QCBS. For the purposes of this figure it has been assumed that each issuance of 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 circumstances.

Notes

1. Appendix 1, para. 1, of the Consultant Guidelines.
2. "Standard Form of Agreement between a Bank Borrower and a U.N. Agency," World Bank.

THE STEPS OF THE SELECTION PROCESS



Note: Numbers that appear at the side of the different boxes of the flowchart and the Selection Method acronyms refer to relevant chapters or paragraphs of this Manual

Developing the Terms of Reference

10.1 Main Considerations

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

Drafting the TOR requires expertise with the type of assignment and the needed resources as well as familiarity with the project background, and knowledge of the terrain, country, and Borrower's organization. If the needed qualifications to produce the TOR are not available in-house, the Borrower should hire a specialized independent consultant. TOR have to be written by experts who have only the interest of the client in mind. Often Borrowers ask Bank staff to assist with information and ideas in drafting the TOR. When assisting Borrowers, Bank staff may consult the TOR database available in the Bank intranet and with caution adapt existing TOR to the specific requirements of the assignment being considered, keeping in mind that those TOR may have had very different staff time estimates or budgets.

The Bank reviews the TOR proposed by the Borrower as part of the RFP and, if satisfied, provides its no-objection. Consultants employed by the Bank or the Borrower to prepare TOR should not be allowed to present themselves as consultants in the resulting assignments (subpara. 4.3.2.b).

10.2 Drafting Terms of Reference

The following considerations must guide preparation of the TOR:

- TOR should contain sufficient background information on the project to enable consultants to present responsive proposals.
- The scope of work in particular should be consistent with the available budget.
- TOR should take into account the organization of the Borrower and its level of technical expertise and institutional strength.

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 cannot be defined with adequate precision and detail, QBS may be more appropriate than QCBS, whereas the latter is preferable when a defined scope of work and a reliable cost estimate are available.

The authors of the TOR should be familiar with local natural and social conditions such as climate, topography, institutions, people, customs, holidays, remuneration levels, and transportation systems. Seasonal variations, together with the peculiarities of the region where the assignment will take place, should be considered if they can affect the execution of fieldwork. Aspects related to the logistics of the project should be researched. If a field visit by the consultants is necessary but not feasible, an aerial trip may be arranged to enable them to form an overall impression of the area.

If transfer of knowledge and training are required as part of the assignment, the Borrower should decide whether to include a training program in the TOR. If a training program is included, additional time and budget should be allocated (see Chapter 6).

The TOR should clearly define the output and deliverables required of the consultants, such as reports, maps, drawings, or software, and should list information that the Borrower will furnish to the consultants. This information may include past studies, aerial photographs, maps, or records of surveys carried out in the assignment area. The TOR also should identify the Borrower's executing agency and clarify institutional arrangements for the supervision of consulting work. Additionally, the TOR should 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 consist of

- background of the project;
- objectives of the assignment;
- scope of work;
- transfer of knowledge;
- list of reports, schedule of deliveries, period of performance;
- data, local services, personnel, and facilities to be provided by the Borrower; and
- institutional arrangements.

10.3.1 BACKGROUND OF THE PROJECT

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

- name of the Borrower;
- project location;
- rationale of 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; and
- 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

- preparation of development programs;
- determination of project feasibility before an investment is made;
- design of projects;
- preparation of bidding documents;
- supervision of works;
- provision of training;
- collection and analysis of data; and
- evaluation of Borrower assets for sale, such as in privatization projects.

10.3.3 SCOPE OF WORK

This section of the TOR details all main activities (or tasks)¹ to be conducted by consultants and the expected results. The TOR should describe only the activities, not the approach or methodology by which the results are to be achieved, since these are the task of the proponents. Nevertheless, the TOR may provide suggestions on the approach or the methodology that consultants could or should use to execute the assignment and, under certain selection methods, can indicate the estimated staff months required.

Often the project may require phased consultant assignments. In such cases, the TOR should be more detailed for the first phase and less detailed for the following ones. The TOR details for the subsequent phases will be refined as needed on the basis of the outcomes of earlier phases.

In a TOR, the scope of work of the assignment is usually defined by addressing the following issues:

- definition, scope, limits, and criteria of acceptance 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;
- necessary surveys, special analyses, and models;
- special equipment requirements;
- institutional and legal framework of the project;
- transfer of knowledge, objectives, and scope;
- language requirements;
- units of measurement to be used;
- need for continuity, such as data gathering; and
- 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 TRANSFER OF KNOWLEDGE

If transfer of knowledge is an objective of the assignment, the TOR should provide specific details on the characteristics of the required services and ask consultants to propose training approaches and methods, 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 commencement² 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 about six weeks after the commencement date. Any major inconsistency in the TOR, staffing problems, or deficiency in Borrower assistance 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 upon in the contract, and should bring to its 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 assignment, progress reports may be delivered monthly or bimonthly. For feasibility studies and design assignments, delivery of progress reports at two-month intervals is satisfactory. For technical assistance and implementation supervision, for instance, construction, 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 as a means of setting 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. Since 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 in the course of 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, LOCAL 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, Information 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 also should describe the Borrower's available software and computer models to be used by the consultants. 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 provide for such staff to be assigned to the consultants before the assignment begins (para. 10.2). During the initial drafting of the TOR, the Borrower, with assistance from Bank staff, should 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 said staff will work the same hours as consultants, will be under the consultants' supervision, and will be not 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 to reduce their proposal price, particularly if the method of selection takes price into account, and clients tend to promise more than they can actually deliver. It is therefore important that Borrower's inputs are defined in the TOR as precisely and realistically as possible.

10.3.7 INSTITUTIONAL ARRANGEMENTS

The TOR should define the institutional setup surrounding the assignment; indicate the role and responsibilities of everybody involved; and specify the type, timing, and relevance of everyone's participation, including the Borrower's. 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 TORs 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 TORs 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 Cost and Budget

11.1 Main Considerations

The cost estimate of an assignment is prepared by adding the remuneration of consultant staff and the direct expenses to be incurred by consultants during the execution of their duties. Those figures are based on an estimate of the staff time (expert per unit of time, hour, month) required to carry out the services and an estimate of each of the related cost components. Since the estimate of the needed staff time is derived from the TOR, the more exhaustive and detailed the TOR, the more precise the estimate. When the scope of services is vague, Bank staff should assist the Borrower in developing a prudent estimate, particularly when estimates are prepared long before the submission of proposals.

A mismatch between the cost estimate and the TOR is likely to mislead consultants on the desired scope and detail of the proposed assignment. Preparing a cost estimate is an interactive process necessary to clarify to the Borrower and the Bank that the assignment will 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. In general, a cost estimate includes expenses relating to

- consultant staff remuneration;
- travel and transport;
- mobilization and demobilization;
- staff allowances;
- communications;
- office rent, supplies, equipment, shipping, and insurance;
- surveys and training programs;
- report translation and printing;
- taxes and duties; and
- contingencies.

The cost estimate is based on an estimate of the personnel (expert per month) required for carrying out the services, taking into account the time required by each expert needed, and then making estimates for each of the related cost components. It is important to define these inputs as accurately as possible.

When preparing cost estimates, it is useful to draft bar charts indicating the time needed to carry out each main activity (activity schedule) and the time to be spent by the consultant staff (staffing schedule). Examples of such schedules are given in Annexes 3 and 4, and examples of detailed cost estimates are given in Annex 5.

When part or all of the consultant services are to be carried out by expatriates, the cost estimate should identify those portions to be paid in foreign currency such as monthly rates for professional staff, imported equipment, international travel, and backstopping. Under Bank rules the Borrower can 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 budget.

11.2 Estimating Cost Components

11.2.1 CONSULTANT STAFF REMUNERATION

Staff remuneration is generally broken down into foreign and local staff, which may be further subdivided into professional or high-level specialists and support staff. Foreign personnel may be split into field and home office personnel. Remuneration rates for staff vary according to sector and depend on the experience, qualifications, and nationality of the consultants. Adopting realistic rates for estimation purposes is difficult when proposals from different nationalities are expected. The estimated staff months should not be priced on the basis of the highest international rates, but rather using rates that allow for quality work at reasonable prices. To encourage global competition and flexibility in the type and nationality of consultants, the Bank does not accept ceilings on remuneration rates. Rates of NGOs and nonprofit organizations are generally lower than those of private consulting organizations. Rates charged by international consultants may vary from case to case depending on factors such as country risk, technical difficulty of the assignment, and location (either in the field or the home office).

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

- basic salary;
- social charges;
- overhead;
- fees or profit; and
- allowances.

Knowledge of the breakdown of staff remuneration rates is relevant during the evaluation of financial proposals and during negotiations of time-based contracts when price has not been a factor of selection, if proposed consultant rates appear to differ substantially from those of the market.

11.2.2 TRAVEL AND TRANSPORT

To estimate travel and transportation expenses, assume that all foreign personnel 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 economy class fares 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 tariffs. Number and type of vehicles and their operation and maintenance costs should also be estimated.

11.2.3 MOBILIZATION AND DEMOBILIZATION

Each staff member is 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 U.N. Development Program (UNDP) or the Bank itself.¹

11.2.4 STAFF ALLOWANCES

Expatriate staff normally receive 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 may 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 costs for supplies and equipment (including specific software when needed) should also be estimated, together with related shipping and insurance costs.

11.2.7 SURVEYS AND TRAINING PROGRAMS

The cost of surveys (such as topography, cartography, subsurface investigations, and satellite imaging) and training programs related to the assignment, and 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 taxes (value-added tax or sales tax), levies, and duties on the contract that foreign and domestic consultants may have to pay and be reimbursed (or not reimbursed) for by the executing agency in the Borrower's country. Local tax items are transfers that are not to be taken into account in the evaluation of financial proposals (para. 2.21 of the Consultant Guidelines).² Nevertheless, local taxes and duties may represent a substantial cash-flow burden for the executing agency, especially if reimbursements from the central administration of the Borrower are delayed. Taxation of consulting services is discussed in more detail in Annex 8 of this Manual.

11.2.10 CONTINGENCIES

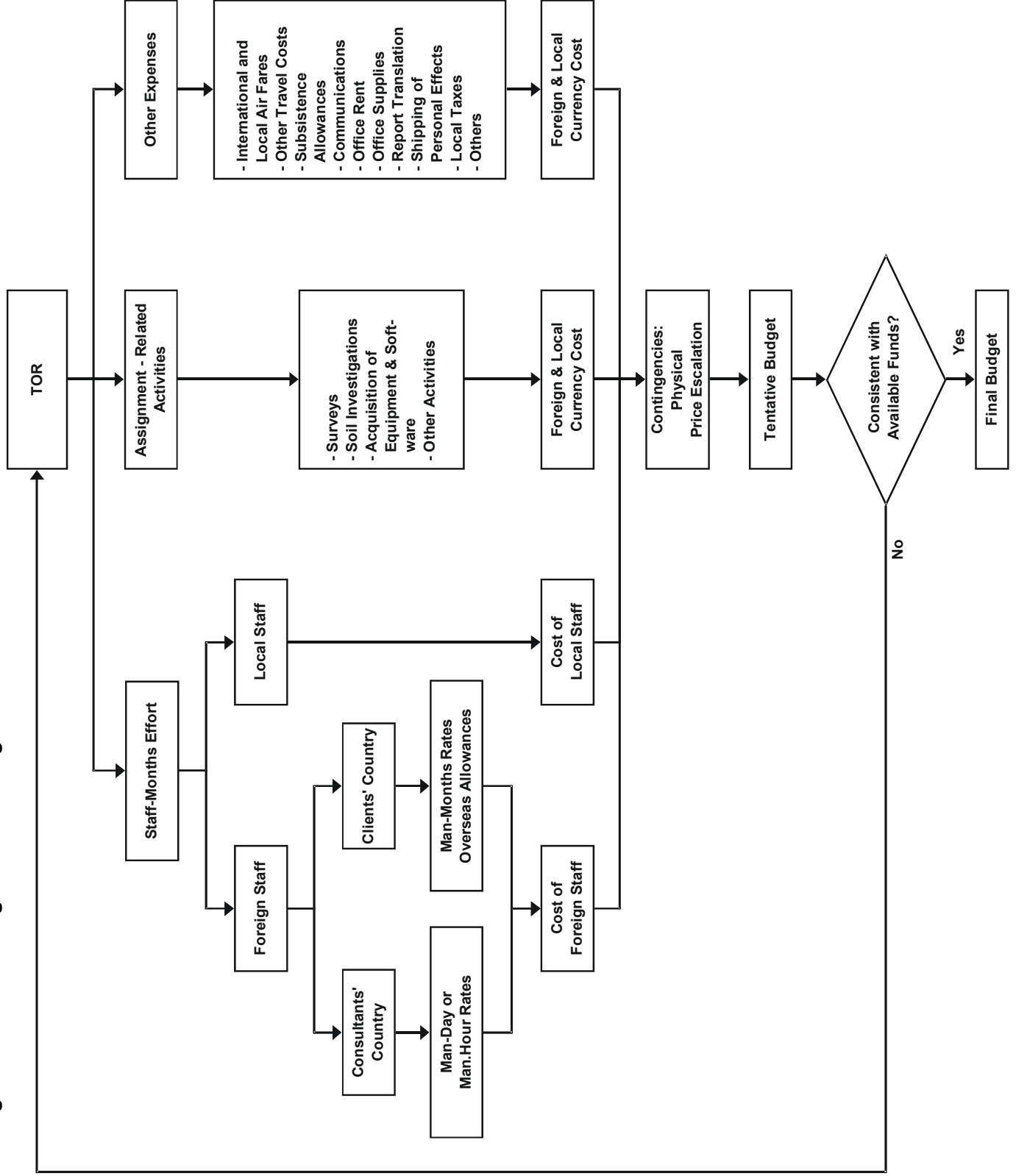
The contingency amount, which completes the cost estimate, should cover physical and price items. Physical contingencies provide for unforeseen work that is needed, while price contingencies account for monetary inflation [subparas. 18.6.7 (a) and (b)].

Physical contingencies usually consist of 10 to 15 percent of the estimated cost of the assignment. A higher percentage may be appropriate for assignments in which the amount of work required is highly uncertain, such as technical assistance assignments in which the Borrower's actual needs are not fully identified from the beginning. Price contingencies for foreign and local costs should be considered only when the impact of inflation is expected to be substantial. These contingencies should apply not only to the period of the assignment, but also to the period between the time of the estimate and the start of the assignment.

Notes

1. 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.

Figure 11.1 Estimating Cost and Budget



Setting the Evaluation Criteria

12.1 Main Considerations

The project objectives and the underlying TOR determine the qualifications and experience required from the consultants who will carry out the assignment. In adopting evaluation criteria, the Borrower seeks to ensure that the proposal selected will offer the best quality for the services required. The following criteria shall be used as a basis for evaluation of technical proposals:

- specific experience of the consultants relevant to the assignment;
- adequacy of the proposed methodology and work plan in responding to the TOR; and
- key staff's 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 program (training); and
- participation by nationals among proposed key staff.

When the transfer of knowledge is important and the nature of the assignment allows (see Chapter 6), the next to last of the above criteria should be included, and the desired characteristics of the transfer should be specified in the TOR. The next to last criterion should be included when Borrowers want to encourage the participation of nationals among key staff proposed by consultants.

The Data Sheet contained in the ITC of the RFP discloses the points allocated to each of the evaluation criteria and subcriteria. Table 12.1 shows a range of points that may be allocated to each criterion on a scale of 1 to 100. The weights may be adjusted for specific circumstances. The actual distribution should depend on the type of assignment and the

Table 12.1 Point Distribution of Evaluation Criteria for Technical Proposals

Evaluation criteria	Points (weights)
Specific experience of the consultants	5 to 10
Adequacy of the proposed methodology and work plan	20 to 50
Qualifications and competence of key staff	30 to 60
Suitability of the transfer of knowledge program (training) - optional	Normally not to exceed 10
National participation (nationals among key staff) - optional	Not to exceed 10
Total	100

relative importance of each criterion for the success of the assignment. A good practice is to have those who prepared the TOR advise in the selection of subcriteria and relative weights.

The criterion “qualifications and competence of key staff” is divided into the following three subcriteria (see para. 2.16 of the Consultant Guidelines):

- general qualifications;
- adequacy for the assignment; and
- experience in region.

The other four evaluation criteria may also be divided into subcriteria, although excessive detail should be avoided. However, given their relatively small assigned weight (in most cases maximum of 10 points out of 100), it may not be practical to adopt subcriteria for the following three evaluation criteria:

- specific experience of the consultants relevant to the assignment;
- suitability of the transfer of knowledge program (training); and
- participation by nationals among proposed key staff.

The recommended approach for evaluating a technical proposal under these three criteria is to assess the overall responsiveness of the proposal to the aspects listed for each of the three criteria in Chapter 17.

When transfer of knowledge is a particularly important component of the assignment, more than 10 points may be allocated to this criterion; in such a case, subcriteria may be provided (see para. 12.5).

When subcriteria are provided, which is always the case for “adequacy of the proposed methodology and work plan” and “qualifications and competence of key staff” (see Table 12.1), for practical reasons the number of subcriteria should be kept to a minimum (typically no more than three for each criterion).

Since subcriteria and their weighting determine the outcome of the evaluation, they should be chosen considering the aspects that are critical to the success of the assignment. Evaluation criteria and subcriteria, associated points, and the rating system form an arithmetic model to assess the technical merit of the proposals. The more reliable the model, the more accurate the evaluation and the greater the possibility that the Borrower will select the proposal of the consultants who are best suited for the assignment.

All adopted subcriteria should be specified in the RFP. The points allocated to each of the subcriteria under “qualifications and competence of key staff” must be indicated (see para. 5.3 of the Data Sheet in the RFP). It is also recommended to disclose in the RFP the points allocated to the subcriteria of “adequacy of the proposed methodology and work plan” and “suitability of the transfer of knowledge program” (when more than 10 points are allocated to the latter), since it increases the transparency of the evaluation. If points allocated to these subcriteria are not disclosed in the RFP, the Evaluation Committee should allocate them before proposal submission to reduce the risk of manipulations during the evaluation process. The weight of each subcriterion will vary according to its relative importance to the specific assignment. To avoid overdetailed lists of subcriteria, it is recommended that no fewer than three points be allocated to each subcriterion. Allocation of fewer than three points would imply that the subcriterion is of only minor importance to the overall evaluation.

In defining the weights there is an initial issue as to whether the methodology and work plan, or quality of staff, is more important. The answer depends on the nature of the assignment. Since methodology and work plan are usually less important in the final stages of the project (such as construction supervision) and deserve less points, key staff weight may be higher. On the other hand, since methodology and work plan are more important in the initial stages (such as master plans and feasibility studies) and deserve more points, less points are left to key staff (see Table 12.4).

When cost is a factor of selection, the RFP has to indicate the relative weight assigned to the technical and financial proposals. For standard assignments, the weight for quality is normally 80 percent with 20 percent given to cost. More than 20 percent weight to the cost of the services is justified only in relatively routine and straightforward assignments (such as design of very simple structures), whereas in no cases should it exceed 30 percent.¹ For assignments in which quality considerations are relatively important, a minimum weight of 10 percent should be given to cost, and when considerations of quality are of primary importance, QBS is preferable to QCBS. Bank policy is that the weight of price should not be less than 10 percent, or benefits of price competition would be minimal for the Borrower compared with the disadvantage of not being allowed negotiation of remuneration rates.

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 minimize the risk of accepting low-quality proposals at a very low cost. A _qualifying mark in the range of 70 and 80 percent is typical (subpara. 9.3.1). Any technical proposal with a score below this threshold is rejected, and the financial envelope is returned unopened. Setting the threshold too high increases the risk of rejection of a majority of proposals. A nonresponsive technical proposal shall be rejected regardless of whether there is a pass or fail threshold.

The following paragraphs recommend best practices for selecting subcriteria and allocating points (weights) to both criteria and subcriteria for quality evaluation.

12.2 Specific Experience

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 shortlisted them on the basis of their capabilities, that is, relevant qualifications and experience in projects of a similar nature. Ideally, there should be little difference in the level of quality between shortlisted competitors from the point of view of their specific experience. However, the experience of shortlisted consultants must be evaluated to identify more specific aspects of their qualifications that make them suitable candidates for the assignment. Depending on the importance of such specific aspects, the Borrower will decide how many points (between 5 and 10) to allocate to this criterion. The aspects most frequently considered for evaluating specific experience are listed in subpara. 17.2.2.

12.3 Methodology and Work Plan

The methodology and work plan is a key component of the technical proposal and should be evaluated carefully. Subcriteria for evaluating this component of the proposal should include the following:

- technical approach and methodology;
- work plan; and
- organization and staffing.
- **Technical Approach and Methodology.** Here consultants explain their understanding of the objectives of the assignment, highlight the issues and their importance, and explain the technical approach they would adopt to address them. They should then explain the methodologies they propose to adopt, demonstrate 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), and address in Form 3C of the RFP any modifications to the TOR proposed by the consultants (see subpara. 14.4.1). In case the TOR require 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.** Here consultants propose the main activities of the assignment, their content and duration, phasing and interrelations, milestones (including interim approvals by the Borrower), and delivery dates of the most important reports. The consistency of the technical approach and methodology with the proposed work plan is a good indication that consultants have understood the TOR and are able to translate them into a feasible working plan. A list of the final documents, including reports, drawings, and tables to be delivered as final output, should be included here. The work plan will enable the consultants to prepare the Activity Schedule following Form 3H of the RFP.
- **Organization and Staffing.** In this section the consultants propose the structure and composition of their team. It will list the main disciplines involved, the key expert responsible, and proposed technical and support staff. The roles and responsibilities of key experts should be set out in job descriptions. In case of association, this section will indicate how the duties and responsibilities will be shared. Completion of the organization and staffing section will allow consultants to summarize the team composition and task assignments in Form 3E of the RFP and prepare the time schedule for professional personnel following Form 3G. An organization chart illustrating the structure of the work team and its links to the Borrower and institutions involved in the project also should be provided. The importance of organization and staffing increases with the size of the team; in fact, larger teams, such as those required by multidisciplinary projects, are far more difficult to manage.

The methodology, work plan, and organization are all integrated. The work plan depends on the technical approach and methodology adopted, and those in turn determine the required organization. To facilitate the evaluation, Borrowers should invite consultants to illustrate separately, in a concise manner, each of these three aspects (see subpara. 14.4.2). Larger technical proposals may contain more details, but they may not contain better ideas.

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 in this section. Take, for example, a feasibility study of a new sea port 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 sections, 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; and
- organization and staffing.

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

Take another example of a phased assignment in which there is a need to evaluate the different phases separately (see subpara. 10.3.3). In this case, the subcriterion “technical approach and methodology” might be split further and become

- approach and methodology of the first phase;
- approach and methodology of the subsequent phases;
- work plan; and
- organization and staffing.

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

12.4 Qualifications and Competence of Key Staff

Key staff refers to the consultant staff who have management responsibilities or have key qualifications needed for the assignment. Consultant key staff are evaluated based on the qualifications and experience shown in their curriculum vitae (CV). The evaluation is carried out using the three subcriteria indicated in the ITC:²

- **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 on.
- **Adequacy for the Assignment.** This relates to the education, training, and experience of the candidate in the specific sector, field, subject, and so on directly relevant to the assignment and the proposed position. This factor is critical and should be given the highest weight among the three subcriteria.
- **Experience in the Region and Language.** This illustrates the candidate’s knowledge of national or local conditions, including culture, administrative systems, and government organizations, and his or her ability to communicate in the national language.

The points allocated to the criterion “qualifications and competence of key staff” are distributed among the above subcriteria according to the percentages set out in Table 12.2 (see the Data Sheet of the ITC).

Table 12.2 Range of Percentage in Point Distribution of Key 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
Total	100

The RFP should indicate the distribution of points and what fraction of the total refers to the team leader and to the remaining key staff. Since 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 points.

The evaluation of key staff may require interdisciplinary weighting, particularly for assignments requiring large teams. In this case, the RFP should indicate not only the weight relevant to the team leader but also the weight given to each of the most relevant staff members. The proposal should group the experts by discipline (or activity), and the Borrower should evaluate them by applying the established weight to each group.

The following example illustrates the interdisciplinary weighting of key staff for an assignment relevant to the feasibility study of a new seaport. The weighting indicated in the RFP is supposed to be as follows:

- The main criterion “qualifications and competence of key staff” is allocated 50 points, and the three subcriteria are allocated the following points:
 - General qualifications: 10
 - Adequacy for the assignment: 30
 - Experience in region and language: 10
 - Total: 50
- The RFP states that, besides the management of the assignment entrusted to the team leader, the most important disciplines are traffic forecast studies, alternative layout analyses, and geotechnical studies. The relative weights indicated in the RFP are the following:
 - Team leader: 40%
 - Traffic forecast studies: 10%
 - Analysis of alternative layouts: 30%
 - Geotechnical studies: 20%

The detailed point allocation resulting from the breakdown above is summarized in Table 12.3.

According to Table 12.3, the team leader can be given a maximum of 12 points under “adequacy for the assignment.” Similarly, the geotechnical expert can be assigned a maximum of two points under “general qualifications.” When more than one expert is proposed for the same activity, the relevant points are evenly distributed among them. For instance, if in the above example a consultant proposes three traffic forecast experts, each of the three is evaluated according to the table, and then the total score is divided by three.

Table 12.3 Distribution of Points between Team Leader and Remaining Key Staff

Subcriteria	Points	TEAM LEADER	TRAFFIC FORECAST EXPERTS	ALTERNATIVE LAYOUT EXPERTS	GEOTECHNICAL EXPERTS
		Relative weight 40%	Relative weight 10%	Relative weight 30%	Relative weights 20%
General	10	40% of 10 = 4	10% of 10 = 1	30% of 10 = 3	20% of 10 = 2
Adequacy for	30	40% of 30 = 12	10% of 30 = 3	30% of 30 = 9	20% of 30 = 6
Experience in	10	40% of 10 = 4	10% of 10 = 1	30% of 10 = 3	20% of 10 = 2
		Subtotal = 20	Subtotal = 5	Subtotal = 15	Subtotal = 10

12.5 Transfer of Knowledge (Training)

When transfer of knowledge is an important component of the assignment, more than 10 points can be allocated to this area. This area could be divided into the following subcriteria:

- **Relevance of Program.** Transfer of knowledge should cover in sufficient depth important developments in a given sector that will benefit the Borrower.
- **Training Approach and Methodology.** This refers to the methodology and work program proposed to achieve the objectives specified in the TOR and ensure lasting results for the Borrower.
- **Qualifications of Experts and Trainers.** This covers the pedagogical qualifications in training of the proposed specialists.

12.6 National Participation

The Consultant Guidelines encourage consultants to maximize the use and expertise of nationals by factoring it into the evaluation of proposals with a specific criterion. Depending on the importance given to participation of nationals and the characteristics of the assignment, a maximum of 10 points may be given to this criterion. National participation is assessed on the basis of the percentage share of national consultants covering key positions in terms of 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 national branch, if one exists, or with independent national firms, or incorporating national individual experts into the work team. In all cases, for national participation to be effective and rewarded in the evaluation of proposals, national experts of the Borrower's country should be part of the key staff.

12.7 The Point System

The allocation of points to the main evaluation criteria might fall within the ranges indicated in Table 12.4, depending on the specifics of different assignment types (see also para. 12.1).

12.8 Evaluation Criteria and Subcriteria

Table 12.5 summarizes the five evaluation criteria provided in the Standard Request for Proposals (SRFP) and gives examples of subcriteria that could be adopted by the Borrower when preparing the RFP.

Table 12.4 Allocation of Points to Main Criteria

	SPECIFIC EXPERIENCE	ADEQUACY OF METHODOLOGY WORK PLAN	KEY STAFF QUALIFICATIONS	TRANSFER OF KNOWLEDGE (OPTIONAL)	NATIONAL PARTICIPATION (OPTIONAL)	TOTAL POINTS
Guidelines	5–10	20–50	30–60	0–10	0–10	100
Type of assignment						
Technical assistance/ training	5–10	20–35	50–60	0–10*	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_

* When training is an important component of the assignment, more points can be given to this criterion, and points of the other criteria are reduced accordingly.

Table 12.5 Evaluation Criteria and Sample Subcriteria

Evaluation criteria (as defined in the Consultant Guidelines)	Evaluation subcriteria (select a maximum of three)
Specific experience of the consultants _in the field of the assignment	
Adequacy of the proposed methodology and work plan in responding to the TOR	<ul style="list-style-type: none"> - Technical approach and methodology - Work plan - Organization and staffing <p>Note: The number of subcriteria may be increased depending on the characteristics of the assignment (see para. 12.3).</p>
Qualification and competence of key staff proposed for the assignment	<ul style="list-style-type: none"> - General qualifications - Adequacy for the assignment - Experience in the region and language <p>Note: These three subcriteria are defined by the RFP and cannot be changed.</p>
Suitability of the transfer of knowledge program (training)	<ul style="list-style-type: none"> - Relevance of program - Training approach and methodology - Qualifications of training specialists
National participation (nationals among key staff)	

Notes

1. For the selection of procurement agents and inspection agents, the weight assigned to cost may be of up to 50 percent (see Consultant Guidelines, paras. 3.15 and 3.16).
2. See Consultant Guidelines, clause 2.16.

13.1 Main Considerations

Unlike in procurement of goods and works in which all interested bidders are publicly invited to present their bids, the process of consultant selection is based on obtaining a limited number of proposals from a shortlist 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 of delivering the required services and desired level of quality.

From the consultants' point of view, the use of a shortlist reduces the number of proposals to be prepared, raises proposal quality, and increases the chances of the consultant winning the competition. For the Borrower, it is an effective way of attracting the best candidates for the assignment.

Bank procedures for hiring consultants provide that, first, consultant opportunities are advertised. Then, on the basis of those consultants who submitted expressions of interest in response to the advertisement and from other sources of information, the Borrower prepares a shortlist of consultants who will be invited to present proposals. Figure 13.1 is a flow chart showing the steps in the shortlisting process.

13.2 Advertising

The main objective of advertising is to inform all eligible consultants about consulting opportunities under Bank-financed operations. Advertising promotes transparency, enhances competition, 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 must include a brief description of the consulting services needed for a project in the General Procurement Notice (GPN)¹ and invite consultants to submit expressions of interest. It may also advertise them in an electronic portal of free access. In addition, the Borrower must advertise each individual contract costing US\$200,000 or more in a Request for Expression of Interest (REI) to be published in the United Nations Development Business (UNDB on-line).

Borrowers may also advertise these assignments in international newspapers or technical magazines. For unusual or very large assignments, an REI may also be sent to consulting and professional associations, embassies, or firms that are known or registered in DACON (Data on Consulting Firms, see para. 13.6). Borrowers should send a copy of the REI to all

the consultants who respond to the GPN. Sample expressions of interest are listed in Annex 6.

The REI should request sufficient information for the Borrower to judge the consultants' capabilities in the field of the assignment. The response might include, for example, descriptions of similar assignments conducted, experience in similar conditions, and availability of appropriate staff. Given the large number of such submissions, the advertisement should stress the importance of brevity. No legal documents, such as certificate of incorporation of the firm, power of attorney, or translations of standard brochures, should be requested. Not less than 14 days from the date of posting on UNDB on-line shall be provided for responses before preparation of the short list.

13.3.1 GENERAL CONSIDERATIONS

The Borrower prepares a shortlist comprising three to six firms. The Borrower reviews the credentials of those who submitted expressions of interest and gives first consideration to those that possess the relevant qualifications. When a shortlist meeting the diversity criteria set out in the Consultant Guidelines (para. 2.6) cannot be drawn from the expressions of interest, the Borrower may add known firms or ask the Bank in writing to furnish a long list extracted from DACON and from any other reliable source.

Since preparation of the shortlist should be the exclusive responsibility of the Borrower, Bank staff is advised not to recommend specific firms to the Borrower. The Bank does not require formal prequalification procedures but recommends that, in selecting the shortlisted firms, the Borrower carry out a diligent review of key aspects such as

- qualifications in the field of the assignment;
- technical and managerial capabilities of the firm;
- core business and years in business;
- qualifications of key staff;
- client references; and
- administrative and financial strength.

The Bank is concerned about possible abuses that may affect preparation of the shortlist (subpara. 5.2.1). The Bank considers the integrity of a consulting business a necessary condition for eligibility to participate in Bank-funded assignments. 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 engaged in fraudulent or corrupt practices (para. 5.4).

The following are other considerations related to preparation of the shortlist:

- Shortlisted consultants should be allowed to associate with each other 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 shortlist in case any of the shortlisted firms decides not to submit its proposal.

Under QCBS, the Borrower should not include in the shortlist 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 U.N. 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 experiences is necessary, QBS or SFB should be adopted.

13.3.2 GEOGRAPHIC ORIGINS OF INVITED FIRMS

The shortlist should reflect a wide geographic area to provide equal opportunities for all eligible consultants from Bank member countries (see para. 3.2). As a rule the list should not include more than two firms from any one country and at least one from a developing country unless there are no qualified firms.² However, in Borrower countries where the local consulting industry is well developed, the shortlist may be composed of national consultants (firms legally registered or incorporated in the country) only if the assignment is below the ceiling (or ceilings) established in the Loan Agreement, and if at least three qualified firms are available,³ and it is evident that competition that includes foreign consultants is not justified. However, if foreign firms have expressed interest, they will not be excluded from consideration.

13.4 Associations between Consultants

Bank policy requires that consultants be allowed to choose their own associates. Consequently, the Bank does not accept mandatory associations with local firms.

Consultants may associate either as partners of a joint venture or as lead consultants and subconsultants. Consultants are not allowed to participate as joint venture partners and as lead consultants in two different associations. A consultant is also prohibited from participating as a member of a joint venture in one proposal and as a subconsultant in another. On the other hand, consultants may participate as subconsultants in more than one proposal. The leading consultant will inquire of the subconsultants if they are available on an exclusive basis. Depending on the response, the leading consultant will decide to what extent the subconsultant should be allowed to participate 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 shortlist only once, either individually or as an association of those personalities.

If association among shortlisted firms is allowed in the RFP, any association in the form of joint venture or subconsultancy will be permissible only with the approval of the Borrower. 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. Whenever there is only one qualified local firm available for a given assignment, Borrowers may select the firm as nominated subconsultant for all foreign invited consultants (see also subpara. 3.4.1). In this case the Borrower should provide specific information relating to the firm in the letter of invitation to the shortlisted consultants. The Borrower's approval is needed before a shortlisted firm enters into a joint venture with a firm that was not shortlisted. Firms entering into a joint venture are not required to provide their joint venture agreement when they submit their expression of interest.

13.5 Review and Approval of the Shortlist

Borrowers provide the Bank with the shortlist of firms, together with the RFP and a summary of the qualifications of the firms, as well as any other information that may help illustrate the choices of the Borrower. The Bank reviews the eligibility and qualifications of the interested consultants to ensure that they meet the necessary requirements. In cases where Bank staff finds that the information provided by the Borrower is insufficient, staff consults DACON and other sources of information on consultants. If needed, the Bank may request the Borrower to furnish additional supporting data.

In reviewing the shortlist, the Bank should ensure that

- the shortlist is limited to a maximum of six consultants and to a minimum of three, depending on the size of the assignment;
- the shortlisted consultants are qualified 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;
- none of the shortlisted firms is in a conflict of interest situation; and
- no more than two consultants from any one country are shortlisted (except in those special cases where the list consists of local consultants only).

After the Bank issues its no-objection to the RFP package (including the shortlist, subpara. 8.2.1), the names of the shortlisted firms should not be changed without Bank approval. A shortlist that has received the Bank's no-objection is public and should be accessible to anyone requesting the information, particularly potential subconsultants who wish to associate with shortlisted firms. The Bank may arrange for the publication of approved shortlists for assignments it finances. Firms that expressed interest, as well as any other firm that so requests, will be provided the final shortlist.

No firm should be added to the shortlist without prior approval by the Bank, once the Bank has issued its no-objection (subpara. 8.2.1).

13.6 DACON Registration

The Bank maintains a database called Data on Consulting Firms, or DACON, which contains basic information on the qualifications of consulting organizations with five or more permanent staff or an annual revenue of US\$100,000 and above. Registration in DACON is not mandatory for consultants interested in being considered for a Bank-financed assignment, nor is DACON to be considered a list of preapproved consultants.

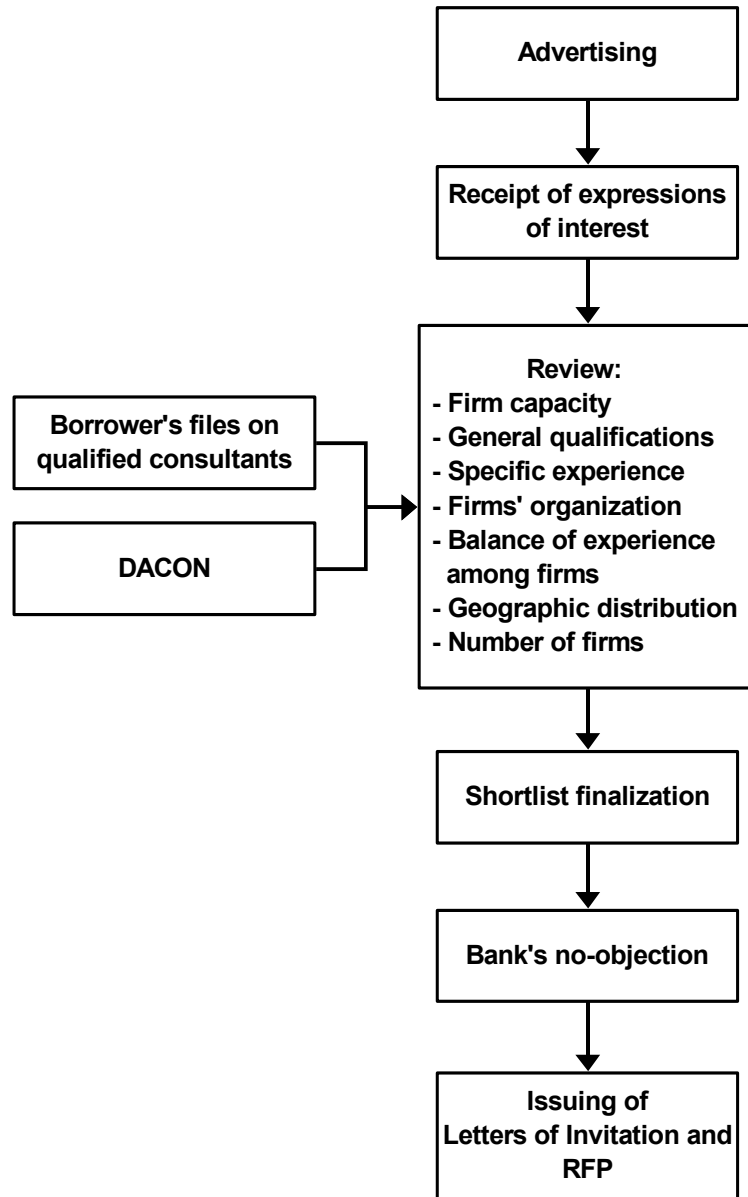
Information in the DACON system is provided to Borrowers and staff on request for the preparation of long- and shortlists and to review consultants' qualifications. The DACON system is also shared with several other multilateral development banks and international organizations that finance or employ consultants. DACON is accessible through the Bank's intranet and through a dedicated Bank DACON Website. With the consent of the firms, the Bank may provide general, nonconfidential information from the DACON directory to other consultants interested in identifying associates for specific assignments.

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 (UNDB).
2. See clause 2.6 of the Consultant Guidelines.
3. See clause 2.7 of the Consultant Guidelines.

Figure 13.1 Steps in the Shortlisting Process

ADVERTISING, SHORTLIST, AND INVITATION



14.1 Introduction

The Request for Proposals (RFP) for a specific assignment provides all the information necessary for the short-listed consultants to prepare their proposals. It identifies the evaluation criteria, selection method, and procedures that will be used to evaluate them. The RFP also contains the Terms of Reference (TOR) and the draft contract for the assignment. The Bank's Standard Request for Proposals (SRFP) for Borrowers¹ is the mandatory format for the preparation and issuance of the actual RFP. The SRFP can be adapted for any of the selection methods described in the Consultant Guidelines. The SRFP includes the following sections:

- Section 1: Letter of Invitation (LOI);
- Section 2: Information to Consultants (ITC) (including the Data Sheet and, when cost is not a factor in selection, the appendix on breakdown of remuneration rates);²
- Section 3: Technical Proposal – Standard Forms;
- Section 4: Financial Proposal – Standard Forms;
- Section 5: Terms of Reference; and
- Section 6: Standard Form of Contract (including General Conditions of Contract (GCC), Special Conditions of Contract (SCC), and appendices).

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 remuneration.

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 cannot be modified by the Borrower, such as the ITC and GCC. Other parts, such as the Data Sheet, TOR, and SCC are assignment specific and can be used by the Borrower to reflect country and project assignment conditions (see paras. 14.3 and 14.4).

The RFP must be prepared in one of the Bank's official languages (English, French, or Spanish). The Borrower may choose to allow national consultants to prepare its proposals and sign the contract in the national language if widely used (the translation requested by the Bank in one of its three official languages should not be signed; the version in the national language prevails over the translation).

Consultants may request clarifications of the RFP up to 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 LOI states the intention of the Borrower to enter into a contract for a given assignment and informs the shortlisted consultants that they are invited to submit a proposal for the assignment. It provides basic information regarding

- the name of the Borrower and the sources of funds to finance the consulting services;
- the names of the shortlisted consultants;
- a brief description of the objectives and scope of the assignment;
- the method of selection; and
- the date, time, and address for submission of proposals.

The LOI also instructs consultants to indicate whether they intend to submit their proposal alone or in association with other shortlisted consultants and to ask Borrower's permission to the association. This information is necessary to allow the Borrower to invite other consultants in case one or more shortlisted consultants decline the invitation or decide to associate, thus reducing competition. In these cases, the deadline for submission of proposals may have to be extended.

14.3 Information to Consultants

14.3.1 INTRODUCTION

The ITC section contains all information consultants need to prepare responsive proposals (see Appendix 2 of the Consultant Guidelines). Among other things, it informs consultants about the evaluation process, including the evaluation criteria and subcriteria, their respective weights, and the minimum qualifying mark, in order 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 "Clause Reference" refers to the clauses 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 clauses not provided for in the ITC. The following paragraph provides clarifications to some of the references to the clauses included in the Data Sheet.

Clause reference:

- 1.2 Name, objectives, and description of the assignment. This should briefly set out the most important features of the assignment.
- 1.4 Preproposal conference. A preproposal conference is recommended for complex assignments when the proposal preparation benefits from field visits and 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 shortlisted consultants. Attendance at the preproposal conference is optional.

Clause reference:

- 1.5 Inputs provided by the client. A detailed list of the client'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 comprehend the form and the extent of the client contribution. Consultants may seek clarifications as necessary on such inputs because any ambiguity in what the client will provide may become an issue during technical and financial evaluation of the proposals.
- 1.11 Clauses on fraud and corruption. The clause dealing with fraud and corruption in the Standard Form of Contract should be indicated. For large contracts, if the Borrower's country has an anticorruption program that applies to all similar public selections of consultants, the relevant laws may be listed.³
- 2.1 Request for clarifications. The deadline for requesting clarifications should allow the Borrower sufficient time to prepare responses and permit the consultants enough time to take them into account before submitting their proposals. Therefore, no less than 10 to 15 days should be provided.
- 3.1 Language(s) of proposals. Apart from the three official languages of the Bank (English, French, and Spanish), the language specified in the Data Sheet may be the Borrower's national language. Only the official national language (if widely used), not just a commonly used language, can be prescribed.
- 3.3 (i) Associations among shortlisted firms. To encourage competition, associations should not be allowed when only three consultants have been invited to submit proposals. Under this heading the consultant should be provided the following information:
 - In case of joint ventures, one of the consultants should be designated as leading partner, and a power of attorney for such leading partner should be provided by the associated consultants along with their proposal, and each of the partners should sign the proposal.
 - In case a consultant engages other consultants as subconsultants for clearly identified tasks, the former prepares and signs the proposal, and remains liable for the execution of the services by the subconsultants.
- (ii) Estimated number of professional staff months required for the assignment. Only the estimated total of professional staff months, not the individual staff months, should be indicated. Staff months should never be disclosed when the available budget is given.

(iv) **Minimum required experience of proposed professional staff.** For the team leader and each member of the key staff responsible for the activities, the Borrower should indicate here the minimum required experience he considers necessary for the correct execution of the assignment. The Borrower should not make unreasonable requirements that would unduly limit the consultants' autonomy and unnecessarily increase the cost of the services. Consultants are not allowed to propose more than one key staff member for the same position.

- 3.4 (viii) **Additional information in the technical proposal.** The Borrower should indicate any additional information that consultants are required to provide in their technical proposals. In case the TOR include a requirement for consultants to provide a Quality Plan and carry out the assignment according to its provisions, consultants should be asked to include an outline of the Quality Plan they intend to adopt (see subpara. 2.4.1 and para. 12.3).

Clause reference:

- 3.7 **Taxes.** Since consultants are required to estimate in their financial proposals all identifiable local taxes as a separate amount, they should be made aware of the Borrower's tax regimen and any agreement existing between the Borrower and the Bank concerning taxation (see Annex 8), or they should be told where this information can be obtained.
- 3.10 **Validity period of the proposal.** The validity period should allow for an adequate period for negotiation of the contract with the successful consultant. It should also allow for possible negotiations with the consultant ranked second in the event that the negotiations with the first are unsuccessful. However, excessive time for the proposal's validity poses a strain on consultants, who have to keep their staff available for the assignment for an indefinite period. If the period is too long, the risk of staff substitution increases considerably. Usually, a reasonable period is between 60 and 90 days after the proposal submission date.
- 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, where the consultants have to associate or visit the site, periods of up to three months are needed (see also para. 16.2).
- 5.3 **Evaluation subcriteria and relevant points.** The Borrower should indicate here the subcriteria selected for the following four criteria, together with their relevant points:⁴
- specific experience;
 - adequacy of proposed methodology and work plan;
 - suitability of training program; and
 - local participation.

The Borrower should also indicate the points he has allocated to the three subcriteria specified under the criterion "qualifications and competence of key staff." Chapter 12 provides suggestions based on best practices on how to select subcriteria and to distribute the relevant points (weights). When interdisciplinary weighting of key staff is required, the relative weights assigned to the team leader and to each one of the experts responsible for the most significant activities should also be indicated here. This must be consistent with clause 3.3 (iv) of the Data Sheet.

- 5.7 **Source of the official exchange rate.** This should be an official source, such as the central bank, a commercial bank, or a internationally circulated publication.

Date of exchange rate. This date should not be earlier than four weeks prior to the deadline for submission of proposals, or later than the original date of expiration of the period of validity of the proposals.

Formula for determining the financial score. The Data Sheet proposes the following inversely proportional formula: $Sf = 100 \times Fm/F$, where

- 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 formulae. 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.

- 5.8 **Weights given to the technical and financial proposals.** The best practice on how to select these weights under QCBS is given in para. 12.1. of this Manual.

14.3.3 APPENDIX TO THE ITC

The Appendix to the ITC is used under Quality Based Selection (QBS), Selection Based on Consultant's Qualifications (SBCQ), and Single Source Selection (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.

14.4 Technical and Financial Proposal Standard Forms

Borrowers should not modify technical or financial proposal standard forms of the RFP. The objective of these forms is to allow the requested 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 forms are discussed in the following paragraphs.

14.4.1 FORM 3C – COMMENTS AND SUGGESTION OF CONSULTANTS ON THE TOR AND ON DATA, SERVICES, AND FACILITIES TO BE PROVIDED BY THE CLIENT

An objective of the Borrower when engaging consultants is to access or explore new approaches, methods, and solutions, some of which it may not have been considering 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 the TOR were prepared by experts and reviewed and approved by the Bank and also for fear of their proposal being rejected as nonresponsive.

Consultants willing to propose modifications or improvements to the TOR, such as deleting some activity they consider unnecessary, or adding another, or proposing a different phasing of the activities, should present and justify such suggestions in Form 3C, 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 on the data, services, and facilities to be provided by the Borrower.

14.4.2 FORM 3D – DESCRIPTION OF THE METHODOLOGY AND WORK PLAN FOR PERFORMING THE ASSIGNMENT

Borrowers are advised to request consultants to provide a description of their methodology and work plan divided into the following three sections:

- technical approach and methodology;
- work plan; and
- organization and staffing.

To this end Borrowers should indicate in Form 3D the use of these headings in the technical proposal. This will help the Evaluation Committee to better focus their evaluation, especially if the subcriteria spelled out in the RFP under the criterion “adequacy of the proposed methodology and work plan” coincide with or include the above headings (see para. 12.3 and subpara. 14.3.2, clause 5.3).

14.5 Standard Forms of Contract

The form of contract should be prepared by the Borrower on the basis of one of the Standard Forms of Contract annexed to the SRFP, or other forms agreed upon with the Bank when Bank standard forms are not suitable for the specific assignment (see also Chapter 15). Although the GCC of the Standard Forms cannot be modified, the 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 at the time 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. The SRFP used by the Bank when it hires consultants directly, under its own budget or as executing agency of a trust fund, 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), Selection Based on Consultant’s Qualifications (SBCQ), and Single Source Selection (SSS), that is, when cost is not a factor of selection.
3. See para. 1.26 of the Consultant Guidelines.
4. In most cases subcriteria are not provided for “specific experience” and “local participation”; for “suitability of training program” subcriteria are provided when transfer of knowledge is a particularly important component of the assignment (see para. 12.1).

Types and Forms of Contracts

15.1 Types of Consultant Contracts

Borrowers spend substantial funds on consultant services. Borrowers need to consider how best to structure contracts for those services. Two main considerations determine what type of contract to adopt in Bank-funded consultant assignments: (1) the nature and degree of definition of the assignment and (2) the distribution of risks between the Borrower and the consultants. The level of contract supervision the Borrower will be able to provide may also factor in the decision.

The following types of contracts are referred to under the Consultant Guidelines:

- lump sum;
- time-based;
- retainer and/or success fee;
- percentage; and
- indefinite delivery.

Each type of contract is described briefly in the following paragraphs, and criteria are suggested for their adoption and correct application. In the case of large assignments (above US\$200,000), the type of contract to be adopted by the Borrower has to be agreed upon 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 length of the services and the required output of the consultant are precisely specified, and for these reasons the consultant can generally control the scope of work and duration of services. Under a lump-sum contract, the Borrower agrees to pay the consultant a fixed sum of money for certain products of specified technical characteristics, such as study report, project design, and tender document, to be delivered within a specified deadline, the quality of which can usually be readily assessed.

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 in which external factors generally do not influence (delay or substantially change) the outcome of the advice or study being provided.

Remuneration is fixed for the life of the contract, and no physical or price contingencies are normally provided. Payments are made in accordance with a contractually agreed upon

schedule at the delivery of an agreed upon 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 work has been completed should be submitted.

The lump-sum contract is easy for the Borrower to administer and requires little technical supervision, as 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.

A lump-sum contract transfers cost risk to the consultants and gives Borrowers certainty about the costs involved in procuring consulting services. However, they can increase the risks for the Borrower on the quality of the advice. Because fees are fixed, after the contract is awarded consultants have the opportunity of internalizing efficiency gains and have incentives to reduce inputs against levels they had originally planned 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 upon 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 services on a timed basis according to quality specifications, and consultant's remuneration is based on (1) agreed upon unit rates for consultant staff multiplied by the actual time spent by the staff in executing the assignment and (2) reimbursable expenses using actual expenses and/or agreed unit prices. Time-based contracts transfer cost risk to the Borrower. They require a system to monitor and control assignment progress and costs because consulting firms have incentives to put more resources on the job, including more senior resources.

Time-based contracts are recommended when

- 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 depends on variables that are beyond the control of the consultants, or the services are related to activities by third parties—for instance, supervision of implementation assignments;
- the output required of the consultants is difficult to assess, such as for technical assistance, institutional development, or emergency situations, in which the Borrower's needs for assistance may evolve during execution of the assignment; and
- transfer of knowledge and training between the consultant and Borrower trainees is required.

The Borrower has only a limited number of ways to manage cost risks. In particular, time-based contracts normally include a ceiling on the payments to consultants, and consultants will stop work unless 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 and a provision for price adjustment where appropriate. An allowance for price escalation should normally be provided if the contract lasts for more than 18 months, or if the foreign and local inflation are estimated to exceed a certain rate, say, 5 percent per year. Another option includes an agreement to reduce unit fee rates if the volume of work exceeds an agreed upon level.

This type of contract requires the Borrower to closely supervise consultants and to be involved in the daily 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 and their tasks are usually named in the contract. Administration of this type of contract requires considerable administrative efforts and contract management capacity on the part of the Borrower.

15.1.3 RETAINER AND/OR SUCCESS FEE CONTRACTS

This type of contract is often adopted to remunerate financial and management advisers who assist Bank Borrowers in the sale of assets, such as privatization operations. In these cases the QCBS method, in which consultants are asked to quote a retainer fee and/or a success fee, 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 with the winning consultants. The retainer fee proportion tends to be set higher if the consultants' role contributes more to planning and design of privatization reforms 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 are 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. For example, in privatization assignments success fees should not be introduced before the structure of sector reform has been determined. 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 value. Bankers and lawyers concerned can affect the sale value by ensuring a large number of bidders and that the transaction team delivers transparent, appropriate, and timely information to bidders, as well as by structuring the sale to ensure strong interest.

The success fee is generally structured by taking two parameters into account: (1) the value of the asset against which advisers will be rewarded and (2) the structure of the incentive itself. One approach for establishing a basis of value to adopt is to have independent experts prepare an estimate. The adviser is then given an incentive for exceeding 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 since it relates the incentive more directly to the outcome of the transaction. Common estimates for the size of success fees are in the range 0.2 to 3 percent of 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 this is paid at the end of the transaction. In crafting success fee contracts, emphasis should be given to dealing with 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 upon 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 consultant 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 in order to increase the absolute value of their remuneration. The percentage contract is used in Bank-financed projects mainly for procurement and/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 quantity contracts refer to contracts in which an individual consulting firm or a consortium 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 signed 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 unacceptable. These services could include experts for urgent remedial actions or adjudicators in dispute resolutions.
- Each individual piece of advice 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 select suitable consultants who can be 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. Since it is not known how often or for what specific tasks companies 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, sectoral expertise, and available staff.

The awarded consultant is required, within a framework contract, to provide its services on the basis of separate delivery orders issued by the Borrower during the contract period. The consultant is expected to carry out any such delivery order with the agreed upon specifications and within the required time frame. Remuneration is based on agreed upon unit rates for staff plus reimbursable expenses; payments are made either on the basis of the time actually spent or on a lump-sum basis.

Administering an indefinite delivery contract requires considerable input from 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 scope of

work is clearly defined and the estimates of both staff-month effort and cost of the assignment are considered accurate, 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 SFB 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 transfer of knowledge takes place through a close interaction between Borrower and consultant staff. For control and training purposes, a time-based contract is more appropriate, assuming that the Borrower enjoys a strong technical and institutional setup that allows for efficient supervision of the assignment. If this is not the case, a lump-sum contract is preferable.

Table 15.1 indicates the correlations outlined above. They should be considered with some degree of flexibility, depending on the size and characteristics of the assignment.

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				
Masterplans				
Prefeasibility studies				
Complex feasibility studies				
Studies or design of complex projects				
Studies in new technology or human and social sciences	QCBS	Lump sum		
Simple planning studies				
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				
Technical assistance for privatization programs				
Technical assistance in investment projects			QCBS	Time-Based
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	SFB	Lump sum		
Standard or routine assignments costing less than US\$200,000	LCS	Lump sum		

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 contracts for small assignments are annexed to the SRFP and are available in English, French, and Spanish. They are recommended for

- complex time-based assignments,

- lump-sum remuneration assignments,
- small assignments with time-based payments, and
- 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 consist of four parts:

- the Form of Contract to be signed by the Borrower and the consultant;
- the GCC, which must be kept unchanged;
- the SCC, which are specific to the assignment; and
- the Appendices.

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 characteristics of the assignment (see also para. 14.5).

Preparation, Submission, and Evaluation of Proposals

16.1 Introduction

This chapter explains the procedures for 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, which complements this chapter.

The procedure for evaluating technical proposals detailed in the following paragraphs applies to assignments above the threshold specified in the Loan Agreement and to QCBS, and with a few modifications also to QBS, SFB, and LCS. The procedure for evaluating financial proposals applies to QCBS, and also to SFB and LCS. The procedures set out in this chapter do not apply to SBCQ and SSS, where the Borrower asks a single consultant to submit a combined technical and financial proposal. Nevertheless, they provide general guidance to the Borrower for the review of such proposals.

Figure 16.1 shows a flow chart indicating 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

The Borrower should give consultants enough time to prepare their proposals. Depending on the type and size of the assignment, a period of four weeks for very simple assignments and up to three months for complex assignments should be allowed. These periods refer to actual preparation time, and an additional time (sometimes not negligible) 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 clarification to the Borrower in writing (including by facsimile or e-mail). Borrowers must respond promptly, also in writing, and send a copy of the query and its response to all shortlisted consultants who have confirmed their intention to submit proposals. The Borrower should not identify the source of the inquiry. When the clarification results in important changes to any part or provision of the original RFP, the

Borrower must extend the deadline for the submission of proposals (see also para. 14.1) to enable the 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. Since attendance is not mandatory, the Borrower should fax or e-mail the conference minutes, followed by letter copy, to those consultants who did not attend the conference but who confirmed their intention to submit proposals (see also subpara. 14.3.2, clause 1.4).

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

16.3 Evaluation Committee

The Borrower appoints an Evaluation Committee of technical experts to evaluate the proposals. The committee normally consists of three to five qualified members, depending on the size and complexity of the assignment. The competence and integrity of the members of the Evaluation Committee are crucial for ensuring a fair and objective evaluation of proposals. Committee members should be able to assess the technical and financial aspects of the assignment and should have experience in evaluation. However, well-formulated proposals are usually understandable by committee members who are not necessarily specialists.

To ensure the integrity of the selection process, members of the Evaluation Committee should exercise their function in accordance with the highest ethical standards. To the extent possible the Evaluation Committee should be composed of individuals of comparable hierarchical level. After the committee has agreed upon criteria and subcriteria definitions, and on rating and scoring methods, each committee member should evaluate the proposals independently. To ensure transparency and consequent acceptability of the evaluation process and its results in sensitive cases, a truly independent observer is allowed to participate in sessions of the Evaluation Committee. Whenever possible, the Evaluation Committee should include one or more members of the team responsible for preparation of the TOR. If the Borrower lacks the expertise to carry out the evaluation, it should hire an independent consultant to assist the Evaluation Committee.

Members of the Evaluation Committee should not have any communication with shortlisted firms from the date of their appointment to the date on which the contract is awarded. The Evaluation Committee submits its report and recommendations to the designated decisionmaking authority for review and transmission to the Bank for no-objection if the contract is subject to its prior review, or for review and award for contracts subject to post review.

16.4 Receipt and Opening of Proposals

Under QCBS, SFB, LCS, SBCQ, 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 also Chapter 9).

Proposals must be submitted at the 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, SFB, and LCS, since price is a factor of selection, proposals received after the deadline for submission are disqualified and must be returned to the consultants unopened. (Any delay by a specific firm in submitting its proposal could be used to tamper with other proposals or to allow the firm to modify its proposal price.) Under SBCQ and SSS, where technical and financial proposals are requested from only one consultant, a certain degree of flexibility is acceptable when a minor delay occurs for reasons beyond the control of the applicant.

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 that they are deposited in a safe place under the custody of a designated officer (auditor, legal counsel, and so forth). The Borrower should record the date and time each technical proposal was received and the date on which they were made available to the Evaluation Committee. At the request of a consultant who submitted a proposal, the Borrower should disclose the names of competing firms. Minutes of the technical proposal opening event are kept, including lists of the firms that presented proposals and of the documents that were submitted. 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, its members should familiarize themselves with the RFP (in particular the TOR), the evaluation criteria and subcriteria specified in the data sheet, and the selection procedure. The Evaluation Committee should meet shortly before the deadline for submission of the proposals to confirm that there is a common understanding of the evaluation method, the evaluation criteria and subcriteria, and a joint definition of the rating system, including the definition of the grades (see Chapter 17). It is important not to wait until after the technical proposals are opened to define the rating system, since these definitions could be biased by the knowledge of the contents of the proposals.

The Evaluation Committee should confirm that its members

- have no conflict 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 proposals have been received and opened, the evaluation process begins. Each evaluation should be carried out individually. The committee member first reviews each proposal to confirm that it is substantially responsive, that is, that there are no important omissions or deviations from the stated objectives, TOR, or other key requirements of the RFP. The evaluation also establishes whether a proposal passes the minimum qualifying mark provided in the RFP. Individual evaluators' results are recorded on pre-established worksheets. Depending on the complexity of the assignment, at least half a day (for example, to select one expert from several applicants) to two days for a standard technical proposal should be allowed for the evaluation (see Annex 7 for proposal evaluation examples).

By applying the criteria and subcriteria specified in the RFP, committee members should establish the absolute, not the relative, quality of the proposals. A relative evaluation singles out the best proposal on a relative scale and still could leave the Borrower with a poor choice. The evaluation should instead single out the proposal with the best objective quality. The way to establish such quality is to define the grades of the rating system as clearly as possible (see Chapter 17).

It is good practice for each evaluator to re-review each proposal after having rated all criteria and subcriteria, to check that scores are a reliable reflection of the absolute quality of the proposal.

The Evaluation Committee should not seek clarifications or additional information from the consultants that could change the substance of the proposal. Proposals are evaluated based on what has been submitted. Material issues to be clarified with the selected consultant will have to be discussed during negotiations.

After each committee member has independently completed the evaluation, the Evaluation Committee should meet to review, and if necessary 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 since they often are caused by improper or inaccurate use of the rating system. As a result of these discussions, a committee member may revise some of his or her ratings and scores if necessary; these changes should be recorded. For each proposal, the Evaluation Committee should then calculate the average of the scores allocated by all members under each criterion, establish the technical ranking of the proposals, and identify the best. The evaluation report must include the joint as well as the individual evaluations.

During the meeting the committee also should comment on the strengths and weaknesses of all proposals that have passed the minimum technical qualifying mark indicated in the RFP. This will help identify any issues in the winning proposal that need to be clarified during negotiations. If a discussion is needed to reach a final decision, an independent party should take minutes.

16.5.3 TECHNICAL EVALUATION REPORT

The committee members prepare a Technical Evaluation Report by recording and explaining the scores given to each proposal. For each proposal, the report also should indicate technical weaknesses and commercial deviations or alternative clauses in the SCC proposed by the consultants, and comment on their acceptability. The Bank recommends the use of its Sample Form of Evaluation Report,¹ which contains templates for the preparation of both technical and financial evaluation reports.

The evaluation report is submitted to the designated decisionmaking authority for review and approval.

This decisionmaking authority may ask the Evaluation Committee to explain the report, but should not ask for scores to be changed. It should review the determination made by the Evaluation Committee on the level of responsiveness of each proposal (technical, contractual, and other aspects). If the Evaluation Committee finds a proposal nonresponsive, the decisionmaker 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, which reflects a poor understanding of the assignment. The decisionmaker must also satisfy 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 decisionmaking authority should decide how any acceptable deviations in each proposal should be handled during negotiations, in case that proposal is ranked first in the combined evaluation.

After completing this review, the Borrower sends the Technical Evaluation Report to the Bank for review. 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 must not be disclosed.

For contracts below the threshold specified in the Loan Agreement, the Borrower will notify the Bank of the results of the technical evaluation prior to opening the financial proposals.

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 qualifying mark specified in the RFP, or were found to be nonresponsive, indicating that the consultant's 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 qualifying mark, and informs them of the date and time set for opening the financial envelopes. The opening date should be at least two weeks after the notification date, to allow enough 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 and time 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 sufficient time in which to receive this financial proposal.

16.6 Evaluation of Financial Proposals

On the date and time set for opening the financial proposals, the appointed Borrower's official delivers them to the Evaluation Committee. The opening is public. The Evaluation Committee verifies that the financial proposals have remained sealed and then opens them. The name of the consultant, the quality scores, and the proposed prices are read aloud and recorded as each financial proposal is opened. 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 consistency between the financial and technical proposals (for example, omissions of items included in the technical proposals). Arithmetical errors should be corrected, omitted items evaluated, and the corresponding adjustments made to the offered prices to obtain the final evaluated prices. For example, if a technical proposal indicates the presence of the team leader at the assignment site for 12 months and the financial proposal indicates only 8 months, an adjustment should be calculated by adding the corresponding amount of staff remuneration to the proposed amount.

For the purpose of comparing 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 subpara. 14.3.2, clause 5.7).

When SFB is adopted, adjustments made by the Evaluation Committee to compensate for omissions detected during the evaluation of the technical 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 also subpara. 9.3.3).

16.7 Combined Evaluation and Final Score

If QCBS is the method of selection, the Evaluation Committee weights and combines the scores of the technical and financial proposals to obtain a final ranking of the proposals and recommendation for award. These data are recorded in the Financial and Final Evaluation Report, which is delivered to the decisionmaking authority. The authority revises 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 selected consultant to negotiations and informs the other consultants that they were unsuccessful and furnishes the name of the selected firm. If the Borrower believes that negotiations could fail or could go beyond the proposal validity period, he should ask the consultants to extend the validity of their proposals.

After technical and financial negotiations are completed, the Borrower shall furnish to the Bank, in sufficient time for its review, 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 why these changes are necessary.

Once the contract is awarded, firms may want to learn the reasons why they were not selected. The Borrower should provide reasonable, prompt, and satisfactory replies to all such requests. The Borrower should not discuss the details of any other proposals. If the consultants are not satisfied with the Borrower's explanation, they can request the Bank to organize a debriefing meeting with concerned Bank staff. The RPA coordinates this meeting.

The debriefing process is intended to help losing firms understand why they lost and encourage them to submit proposals of improved quality in the future.

16.8 Rejection of All Proposals

If all proposals are found to be nonresponsive and unsuitable, 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 responding to the RFP.
- The cost proposals 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 man-months and the distribution of risks unacceptable.

In the second case the consultants may present cost proposals that are substantially higher than the Borrower's available budget. The Borrower may be unaware of the actual

remuneration levels of consultants for the type of services being considered, the consultants may misinterpret the TOR, or the Borrower's plans may be too ambitious for the available budget.

In both cases, correct preparation of the proposed TOR and budget and accurate review of the RFP before the Bank issues its no-objection can reduce the risks of nonresponsive proposals. In the second 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 the proposals are rejected and new ones are invited, the Borrower shall notify the Bank, indicating the reasons for rejecting all proposals, 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 shortlist) and the budget. These revisions shall be agreed upon with the Bank. Calling for new proposals creates obvious delays and should be the last resort.

16.9 Role of the Bank in the Evaluation Process

Selecting consultants is the Borrower's responsibility. The Bank does not participate 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 assignments in which prior review is required, the Bank reviews the Technical Evaluation Report and, if satisfied, sends its no-objection to the Borrower (see also Chapter 8). 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.

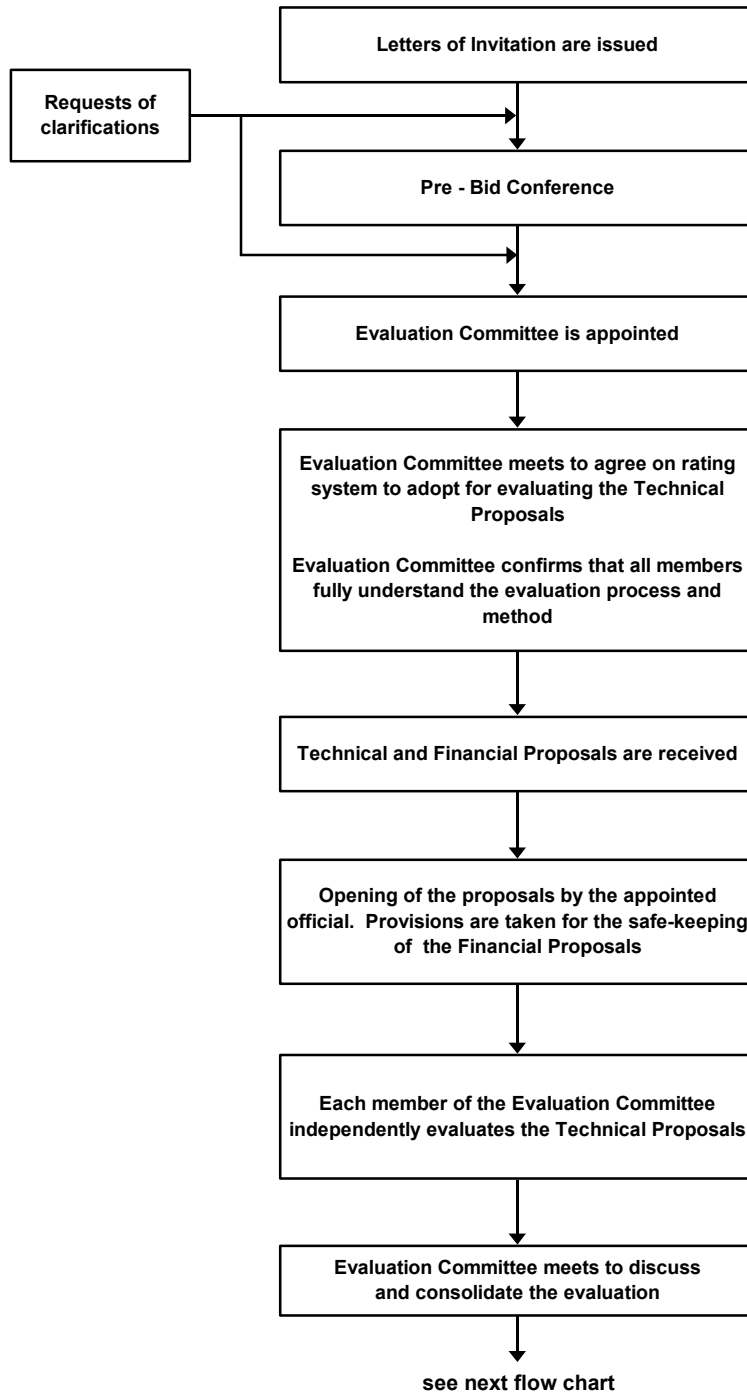
Under QCBS, if the Bank determines that the final evaluation report, recommendation for award, and/or negotiated contract are inconsistent with the provisions of the RFP, it shall promptly inform the Borrower and state the reason for its determination. Otherwise, the Bank shall provide its final "no objection" to the contract award. The Borrower shall confirm the award of the contract. The description and amount of the contract, together with the name and address of the firm, shall be subject to public disclosure by the Bank upon the Borrower's confirmation of contract award.

Notes

1. Sample Form of Evaluation Report: Selection of Consultants World Bank, 1998, Washington D.C.

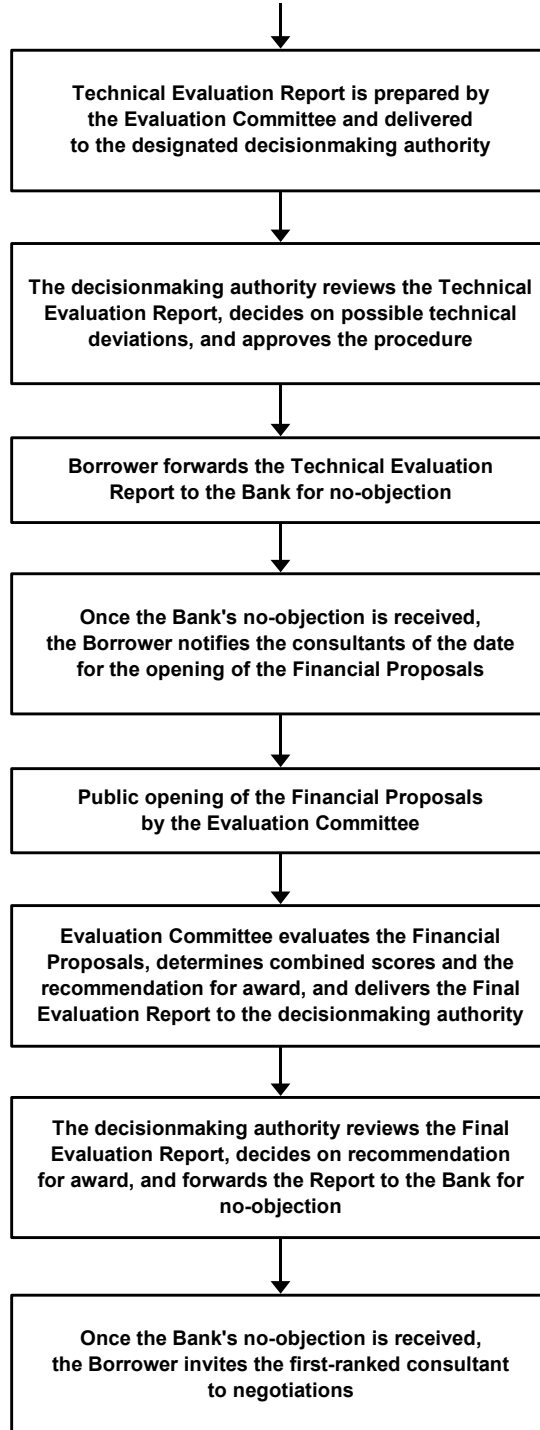
Figure 16.1/a

PREPARATION, SUBMISSION, AND EVALUATION OF PROPOSALS
(QCBS method)



PREPARATION, SUBMISSION, AND EVALUATION OF PROPOSALS
(QCBS method)

see preceding flow chart



Evaluation Practices of Technical Proposals

Technical proposals for consulting services are an intellectual product; their evaluation cannot be reduced to a purely mathematical exercise but instead must be based on the professional judgment of competent evaluators. 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 factors 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 be mitigated to achieve the required transparency, consistency, and fairness. One way of achieving this is by adopting a suitable rating system for the evaluation of technical proposals under the criteria and subcriteria established in the RFP.

This chapter complements Chapter 16 and provides detailed recommendations on good practices for rating evaluation criteria (and subcriteria) and scoring various sections of the technical proposal. Annex 7 of this Manual gives examples of technical evaluations.

17.1 Rating System

The Standard RFP (SRFP) specifies the five general criteria used to evaluate technical proposals and the points (or weights) given to each of them. The responsiveness of a proposal to the TOR is determined by its responsiveness to the criteria and subcriteria adopted for the evaluation indicated in the RFP. These criteria include the following:

- specific experience of the consultants in the field of the assignment;
- adequacy of the proposed methodology and work plan in responding to the TOR;
- qualifications and competence of key staff proposed for the assignment;
- suitability of the transfer of knowledge program; and
- local participation.

The transfer of knowledge criterion is included wherever it forms an explicit aspect of the assignment. The local participation criterion is optional to the Borrower.

The RFP should specify the subcriteria for the proposed key staff as indicated in the SRFP, as well as other adopted subcriteria, together with the points to be allocated to each of them for evaluation.

In the RFP the points assigned to a particular criterion (or subcriterion) show the maximum score (maximum number of points) that can be allocated to it when evaluating

each proposal. The actual score given 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 committee 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 × maximum number of points = score). For example, the criterion “specific experience of the consultant in the field of 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 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, very good. Prior to receiving the technical proposals, the Evaluation Committee should agree on the definition of each grade for each criterion (or subcriterion). That is, the committee should establish what will be considered poor, satisfactory, good, and very good. Since 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 Evaluation Committee with a shared definition of the grades, making the evaluation easier and comparable (this is particularly helpful for less experienced evaluators).
- It minimizes the risk of scoring inconsistencies and discretion.
- It binds each committee member to justify his or her evaluation on the basis of 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 terms of reference, the main technical issues to be covered by the consultant assignment, and the qualifications expected from the consultants. However, it is worth going to such trouble because it may substantially improve the quality of the evaluation. Rating proposals without using agreed upon predefined grades of responsiveness leaves the definition of the grades to each evaluator, very likely making the scoring subjective and 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 that Relates to the Assignment

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 para. 12.1). The grades indicated in Table 17.1 are recommended for percentage ratings related to the evaluation of this criterion.

Since all consultants have been shortlisted based on experience, ideally their experience should not be rated normally less than satisfactory, that is, not less than 70 percent.

Table 17.1 Recommended Grades and Percentage Rating for Specific Experience

Grade (level of responsiveness)	Percentage rating
Satisfactory	70
Good	90
Very good	100

17.2.2 ASPECTS TO CONSIDER FOR THE EVALUATION

The committee should consider the following aspects in evaluating the relevant 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 of the assignment.
- *Size, Organization, and Management.* The consultants have the capacity—for instance, staff, organization, and managerial skills—to carry out the assignment. For some assignments, consider how long the consultants have been established.
- *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 Transfer of Knowledge and Training.* The consultants' experience in transfer of knowledge and training of client's personnel (if relevant).
- *Quality Management.* The availability of a well-established QM system may be taken into account for large and complex assignments.

17.2.3 DEFINING THE GRADES

Since subcriteria are usually not provided for the specific experience of the consultants (see para. 12.1), 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 specifics listed in subpara. 17.2.2 is given below (definitions may differ from case to case depending on the characteristics of the assignment).

- **Satisfactory:** The consultants have relevant experience in the field of the assignment but have not dealt with critical issues specific to the assignment, such as delicate social or environmental issues. The consultants are fully experienced in the use of standard approaches and methodologies required for the assignment. The consultants' permanent staff is 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 is adequate and highly specialized to cover the needs of the assignment, and the firm has additional resources at its command to cope with unexpected requirements. The consultants have experience with advanced approaches and methodologies for dealing with the specific requirements of the assignment.
- **Very Good:** The consultants have outstanding, state-of-the-art expertise in assignments similar to the one being considered. Quality and composition of the consultants' staff easily cover the needs of the assignment and ensure an excellent level of backstopping, and consultants' staff includes top experts in the field of the assignment. The consultants are considered world-class specialists in the approaches and methodologies dealing with specific issues of the assignment. The consultants operate according to well-established QM procedures.

Ratings should not be too rigid. In the likely event that a firm does not satisfy all the conditions set forth in one of the grade definitions, but that particular grade appears to reflect the overall specific experience of the firm better than the lower grade, the upper grade may be assigned.

If in exceptional circumstances the Borrower wants to take into account the possibility that a firm with less than satisfactory specific experience is shortlisted, it may decide to include in Table 17.1 an additional grade ("poor") with a rating of or about 40 percent. Such a decision should be made at the time of definition of the rating system and before the opening of the proposals.

17.3 Adequacy of Proposed Methodology and Work Plan

17.3.1 RATING SCALE

The Consultant Guidelines allocate between 20 and 50 points to the "adequacy of methodology and work plan" criterion (see para. 12.1). The grades indicated in Table 17.2 are recommended for percentage ratings related to the evaluation of this criterion.

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

The lowest grade is 40 percent instead of zero because

- a zero rating is not realistic, since it would imply that the consultant has not responded at all to the TOR under this criterion; and

- a zero rating given to a poor methodology may hardly be compensated even by high scores of remaining criteria. This could lead to rejection of a proposal that is attractive in all other aspects.

In case a proposal appears to be unacceptable under this criterion, that is, it doesn't deserve to be rated "poor," it may be considered nonresponsive (subpara. 16.5.3).

17.3.2 ASPECTS TO CONSIDER FOR THE EVALUATION

The committee evaluates the quality and the adequacy of the proposed methodology and work plan by considering such aspects as the following:

- *Understanding of 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 exhaustively to all the requirements of the TOR?
- *Creativity and Innovation:* Does the proposal suggest any new approaches to the assignment or new methodologies that help achieve better outcomes?
- *Clarity:* Are the various elements coherent and the decision points well defined?
- *Efficiency and Resource Utilization:* Is the staffing schedule appropriate, with neither too many short-term experts nor too many generalists? Is the proposed staff permanent or formed by external consultants? In the latter case, check 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:* Does the methodology propose the use of appropriate technologies and the adoption of innovative solutions?
- *Timeliness of Output:* Does the proposed activity schedule provide the requested outputs in a timely manner?
- *Logistics:* If the consultants have to 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 subpara. 2.4.4).

17.3.3 EVALUATION WHEN SUBCRITERIA ARE PROVIDED

With the exception of small or simple assignments (see subpara. 17.3.4), the quality and adequacy of the proposed methodology and work plan are evaluated by means of the following three subcriteria. Additional subcriteria may be specified in the RFP when there is a need to focus on particularly important aspects of the assignment (see para. 12.3).

- Technical Approach and Methodology;
- Work Plan; and
- Organization and Staffing.

First, the Evaluation Committee shall define, for each of the three subcriteria above, the definition of the grades indicated in Table 17.2. Such grade definitions should be based on the specific aspects listed in subpara. 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 and/or the methodology to carry out important activities indicated in the TOR are 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 (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 don't 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 full detail, and the methodology is specifically tailored to the characteristics of the assignment and flexible enough to allow its adaptation 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 state-of-the-art 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 is inconsistent with the approach and/or methodology proposed. There is 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 fits the TOR well; all important activities are indicated in the activity schedule and their timing is appropriate and consistent with the assignment outputs; and 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 permits flexibility to accommodate contingencies.

(c) Organization and Staffing

- *Poor*: The organization chart is sketchy, 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,” 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, precise matching of staff skills and needs, and efficient logistic 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 demonstrating that the consultants have optimized the use and deployment of staff from the point of view of efficiency and economy, based on the proposed logistics.

17.3.4 EVALUATION FOR SMALL AND SIMPLE ASSIGNMENTS

For small and simple assignments, the Borrower may choose not to identify subcriteria under the methodology and work plan. Instead, the proposed methodology and work plan are evaluated as a whole using the four grades in Table 17.2. An example of how these grades could be defined, based on the aspects listed in subpara. 17.3.2, is given below (definitions may obviously 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 relevant 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. The work plan is detailed and addresses the TOR well; all important activities are indicated in the activity schedule and their timing is correct and consistent with the assignment outputs; and staffing is well balanced (good coordination, clear, detailed definition of duties and responsibilities). Some members of proposed team have worked together on limited 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 worked together previously.

In the event that the consultants' approach and methodology do not fully satisfy all the conditions set forth by one of the grade definitions, but that particular grade appears to reflect the overall adequacy of approach and methodology better than the lower grade, the upper grade may be assigned.

17.4 Qualifications and Competence of Proposed Key Staff

17.4.1 RATING SCALE

The Consultant Guidelines allocate between 30 and 60 points to "qualifications and competence of key staff" (see para. 12.1). The grades indicated in Table 17.3 are recommended for percentage ratings related to the evaluation of the proposed key staff. The lowest grade is 40 percent instead of zero for reasons similar to those described in subpara. 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. 12.4). When evaluating staff, it is recommended that only those proposed for key positions should be considered. Junior or clerical staff shall not be evaluated.

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

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 field to which they are assigned. For evaluation purposes, the value of previous university education diminishes with age. Experts with more than 10 years' experience should be evaluated on their current position and the level of responsibility entrusted to them in previous projects rather than on their acquired university degrees. Since 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.*** Is the expert suitable for the job and has he or she recently held similar positions? Has the proposed team leader been a successful team leader before, and has the team leader been proposed mainly because of leadership or professional skills? How well do the knowledge and skills of the staff offered meet the needs of the assignment? Appropriate capabilities, adequate professional skills, and experience should always be the key evaluation aspects.
- ***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 and/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.

Evaluate key staff in terms of their skill and suitability for the job, irrespective of their nationality. The qualifications of the team leader should be carefully evaluated because that position plays a crucial role in the success of the assignment. If the team leader is acting as both project manager and expert, evaluate his or her qualifications for each function and assign the scores to each function proportional to the time effort dedicated to each of them if the two function overlap. Full marks to 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. 12.4):

- General Qualifications;
- Adequacy for the Assignment; and
- Experience in the Region and Language.

Under each of these subcriteria, individual staff members are evaluated using the grades in Table 17.3. The Evaluation Committee 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 subpara. 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 experience than that specified in the RFP or 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 in question; 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 specialty. The specialist is fully up to date in the state of the art of the concerned 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 exceed substantially 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 and 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 through years of professional work in the country.

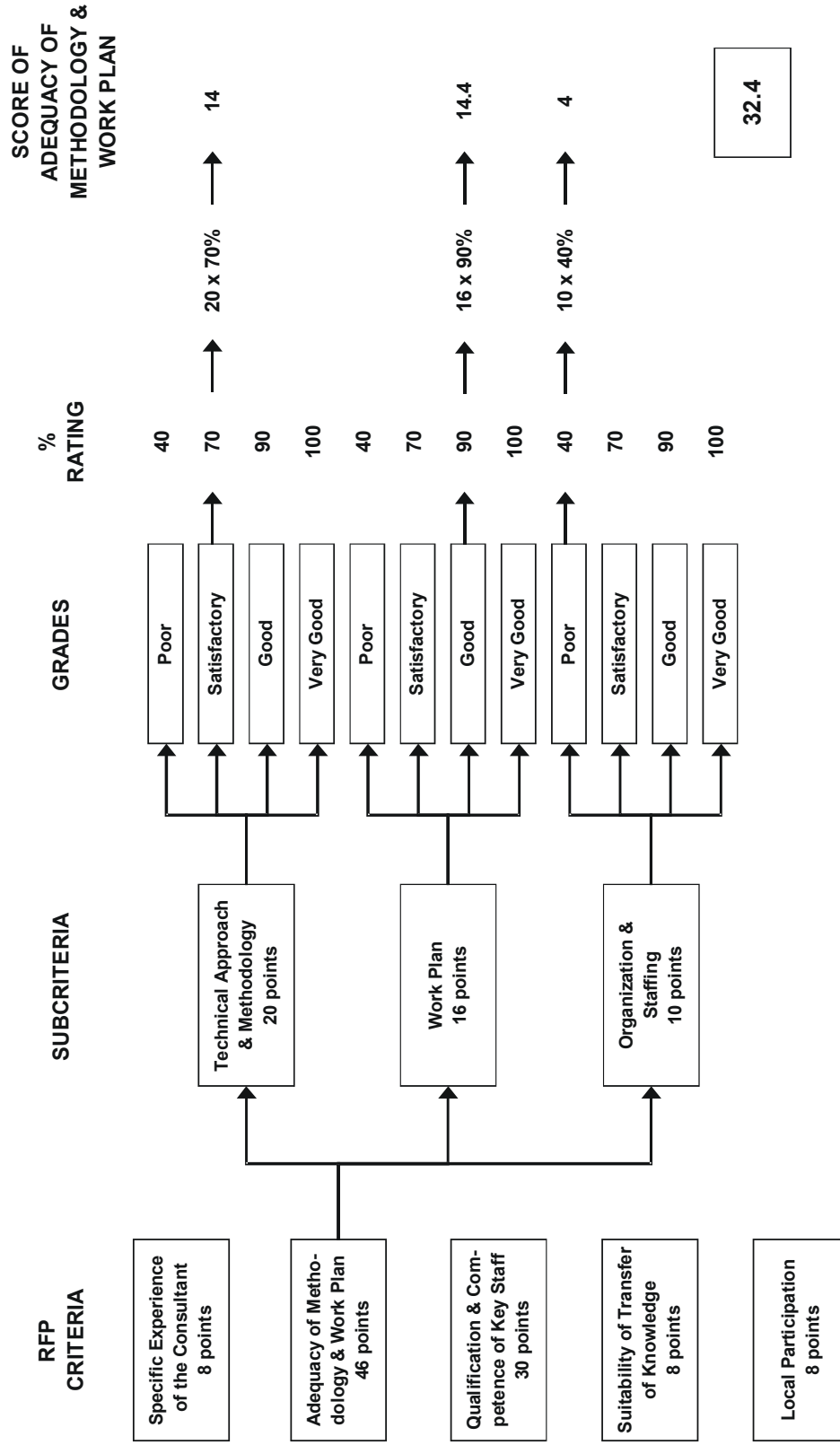
If the key staff proposed by the consultants do not fully satisfy all the conditions set forth by one of the grade definitions, but that particular grade appears to reflect the overall adequacy of the key staff better than the lower grade, the upper grade may be assigned.

Table 17.4 Recommended Grades and Percentage Rating for Transfer of Knowledge (Training)

Grade (level of responsiveness)	Percentage rating
Poor	40

Satisfactory	70
Good	90
Very good	100

Figure 17.1 Evaluation of Quality



Negotiations and Award of Contract

The objective of negotiations is to arrive at a mutually satisfactory contract between the Borrower and the selected consultants. The parties will discuss the technical proposal submitted, agree on the detailed scope of work, negotiate financial terms, and discuss and finalize contract conditions. A good contract should protect the interests of both parties adequately. The Bank's Standard Forms of Contract, which are discussed in Chapter 15 of this Manual, are designed to do precisely that.

18.1 Preparations for Negotiation

Under QCBS, after the Bank issues its no-objection to the Final Evaluation Report and the Recommendation for Award, the Borrower notifies the winning consultant in writing and invites that firm for negotiations. The Borrower indicates in the notification the date and time set for negotiations and any issues or comments on the consultants' proposal to enable them 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 with that firm will begin.

Under QBS, after receiving the Bank's no-objection, the Borrower notifies the consultant with the highest technical score and requests that firm to 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, SBCQ, and SSS, where the financial conditions of the proposal can be negotiated, the team should have independent information on rates and salaries of consultant staff in their country. Both parties should appoint a chief negotiator and, if so required, the consultants' representative should submit a power of attorney.

Negotiations are based on a mutually agreed upon agenda composed of 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 para. 18.4, include

- scope of work;

- technical approach and methodology;
- work plan and activity schedule;
- organization and staffing, and time schedule for key staff;
- deliverables;
- counterpart staff;
- counterpart facilities and equipment;
- contract special conditions;
- staff unit rates;
- reimbursable expenses; and
- proposed contract price.

Under QCBS, SFB, and LCS, unit rates such as staff remuneration or unit rates proposed for reimbursable expenses and proposal price cannot be negotiated unless there are exceptional reasons.

Unless the consultant contract is tax exempt, during negotiations local tax liabilities are a subject of clarification between the Borrower and the consultant and adequate provisions have to be made for them in the contract. The contract should indicate the remuneration of the consultants separately from all identified local taxes payable under the contract. If the consultants are to be reimbursed by the Borrower for such levies, the contract should specify the manner in which this should be done.

18.3 Outline of Negotiation Procedures

Contract negotiations for small assignments are usually completed within one or two days; however, for large assignments at least one full week should be allowed. Negotiations may even be carried out in phases when decisions are needed from other authorities.

The financial proposal is negotiated on the basis of the list of deliverables, scope and plan of work, and staff-months effort proposed by the consultant, including the agreed upon modifications.

The Borrower should keep the 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 higher than market rates, the Borrower may request the consultants to provide financial or administrative records that justify such rates.

During the course of negotiations, the Borrower and 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 decisionmaking 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 come to an end, the Borrower should ask all consultants for an extension. In that case, the consultants may propose staff modifications without changing their price, or may withdraw their proposal. However, consultants staff can only be replaced with staff that are equally qualified or better, that is, the new staff should be evaluated using the criteria and points specified in the RFP and must receive equal or better scores.

18.4 Limits of Negotiations

Negotiations should begin by considering the requests, comments, and suggestions made by the Evaluation Committee on both the technical and financial evaluation reports, and the recommendations of the decisionmaking authority.

The technical aspects (approach, methodology, work plan, and staffing) are discussed to reconcile the consultant's proposal and the views of the Borrower. Technical negotiations impact the quality and the cost of services. The financial proposal (including remuneration rates when price has not been factor of selection) may also be negotiated, thus impacting the financial score of the proposal.

Since the quality of the technical proposal is the main factor in ranking the consultants, the discussion shall not substantially alter such quality to reduce the proposed price because doing so may affect the basis of the technical evaluation on which the ranking was determined

Sometimes, consultants intentionally propose methodology and key staff with qualifications above the requirements of the assignment in order to be selected and called to negotiate ("high-balling"). Although this strategy of increasing quality also implies an increase of the offered price, 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 consultants could propose to trim the scope of work or the quality of their proposal if the offered price exceeds the budget. This practice should not be accepted, and may require calling for new proposals.

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 offered services, and not just a price reduction at all costs. 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 SFB, the cost of the services is indirectly taken into account, since the best technical proposal within the given budget is selected. Therefore, as per QCBS, negotiations should include only technical aspects.

Similarly, under LCS, negotiations also should include only 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 deal with during negotiations and offer examples of good practices to consider in different cases. Figure 18.1 contains a flowchart indicating the main steps of the process.

18.5 Negotiations of Technical Aspects

Technical negotiations can, within the limits imposed by the selection method, attempt to reduce the proposal price without affecting the quality or the scope of the services by seeking a more efficient use of 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 simplifying the proposed methodology, or 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 of the services (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 have 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 and/or the budget.

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 Evaluation Committee on the technical evaluation report and the consultants' comments on the TOR. Any differences between the consultants' 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 part of the contract. Therefore, once discussions are completed, the TOR should be revised to include any modification of the scope of work agreed upon 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 upon, including the activity schedule with the list of documents to be delivered by the consultants 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 on the basis of ideas developed by competitors. It is not permitted, however, to disclose the proposals of competitors to the selected consultants.

When a training program is a specific component of the assignment, it should also be discussed in all the necessary detail as 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 member of the consultant's team. Substitutions should not be allowed except where justified by circumstances beyond the control of the consultant, including, for example, undue delay in the selection process. One practice that the Bank monitors against is sometimes called "bait and switch": the consultant proposes high-quality key staff in the technical proposal in order to win the contract and subsequently seeks to substitute them with other less qualified staff at the time of negotiations, or in the early implementation stage of the assignment. Evidence of such practice would be grounds for contract termination. If substitutions are unavoidable (an expert resigned from the firm or became sick, for instance), each replacement should be evaluated to ensure that the qualifications of the proposed candidate are 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. The adequacy of each candidate for teamwork shall be evaluated under the aspect "efficiency and resource utilization" of subpara. 17.3.2.

The composition of the consultants' team, the assignment of tasks, and the time schedule should be reviewed and agreement reached on the period of time each key member is expected to work in the field and at the home office.

18.5.3 COUNTERPART STAFF, FACILITIES, AND EQUIPMENT

The extent and timing of provision of counterpart staff and of facilities should be agreed upon. All equipment and supplies required for carrying out the services and all necessary surveys should be identified, agreed upon, and included in the contract. All too frequently,

counterpart staff and facilities are not specified clearly during negotiations and are later interpreted differently by the consultants and the Borrower with serious consequences for the smooth and timely execution of the services.

18.6 Negotiation of Financial Conditions

Items to discuss during financial negotiations will vary according to the selection method adopted (that is, whether or not cost is a factor in 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, SFB, LCS), negotiation of unit rates is not allowed. Negotiation of unit rates for reimbursables is not permitted either; however, total costs can sometimes be reduced by adopting more efficient solutions, for example, having teleconferences instead of meetings, or adopting electronic automation for technical and administrative functions instead of using draftsmen or clerks. When price is not a factor of selection (QBS, SSS, SBCQ), 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 give details on the inputs (staff, vehicles, and so forth) and the cost of these inputs. A list of such schedules is given in the appendices to the Form of Contract attached to the RFP. With some limited flexibility, the contract requires consultants 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 on the basis of hours worked. If the selection methods did not include price as a factor of selection, financial negotiations include unit rates and reimbursable expenses and begin with a discussion of the billing rates in foreign currency for expatriate staff and in national currency for local staff.

18.6.2 LUMP-SUM CONTRACTS

Under a lump-sum contract, the consultant is paid an agreed lump-sum price based on a schedule payments linked to delivery of outputs. The unit rates for personnel and reimbursable expenses used by the consultant to arrive at the lump-sum amount are included in Appendix D and E of the contract, solely in order to determine the remuneration due for any additional services beyond the agreed upon scope of work (for example, an extension). Consultants are paid according to the schedule specified in the contract, which shows the assignment's specific outputs.

The terms of payment and interest rate to be applied in case of delayed payments by the Borrower should also be defined during negotiations and included in the SCC.

Since lump-sum contracts are frequently adopted with selection methods in which price is a factor of selection (see para. 15.2), financial negotiations are usually 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, SFB, 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 the consultants for similar contracts).

Billing rates offered by consultants typically depend on three factors: the internal structure of the rates, the ongoing market rates in the country of the consultants, and the level of the technical, institutional, and country risk that consultants can bear when working for a certain Borrower. Consultant market rates in the country or region of the consultants may provide a valid reference point to help the Borrower understand the consultant's requested rates.

Borrowers generally may use the Appendix of the RFP, "Financial Negotiations, Breakdown of Remuneration Rates," as a guide when negotiating consultant billing rates. Use of this Appendix may not be relevant, or may need adaptations when considering organizations with different cost structures from those of conventional consultants, such as financial intermediaries, NGOs, universities.

Although the parties may try first to reach an agreement based on the breakdown of rates proposed, such breakdown should be considered with caution because it is generally based on past statistics.

A breakdown of staff rates includes the following elements, which are also described in the Appendix of the ITC:

(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 regulation, or where it can be demonstrated 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 consultants' personnel policies, they are not negotiable.

(c) Overhead

Overhead expenses are the firm's costs due to 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 overhead for home office and for fieldwork, 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 consultants are entitled only to reasonable administrative and technical back-up costs as well as fees on the monthly payments charged for subcontracted staff. Overhead is not negotiable 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 of the assignment. Fee or profit shall not be allowed on international travel and living allowances, or other reimbursable expenses (except if an unusually large amount of equipment must be procured). The fee is a negotiable item under those selection methods in which price is not a factor in selection.

(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, consultants 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 SCC.

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 consultants incur additional administrative costs, the consultants may be paid a fee or "handling charge" of 5 to 10 percent over the invoice.

Often Borrowers prefer to negotiate and pay fixed rates to cover certain costs such as living expenses, international travel of the consultants and their family members from the country of origin to the country of the assignment and back, and shipment of personal effects. The largest living expense items of consultants in the country of the assignment are board and lodging and the education of children of consultant staff.

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 on the basis of reasonable cost for hotels, meals, and local transportation. Some Borrowers may choose to reimburse consultants' living expenses at cost. When local practices require the consultants' staff to pay several months' rent in advance, suitable advance arrangements should be included in the contract. Living expenses are generally paid in the currency of the Borrower.

18.6.6 PAYMENT PROVISIONS

Borrowers should avoid delaying payments without due cause, to ensure that the consultants do not delay their assignment for lack of funds. In general, consultants will seek to be paid up front as much as possible for cash-flow reasons. They may also prefer up front payment if there is a possibility that the Borrower will default on a payment. 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 upon during negotiations. In Bank-funded assignments consultants are paid either at regular intervals, upon presentation of invoices under time-based contracts, or in line with agreed-upon outputs according to a contractual payment schedule under lump-sum contracts.

The Borrower and the consultants should agree on the amount of the advance payments (for example, for mobilization costs). Such payments normally do not exceed 20 percent of the contract value. If the advance exceeds 10 percent of the contract amount, it must normally be backed by an advance payment security, generally a commercial bank guarantee or other suitable guarantee issued by a reputed financial institution acceptable to the Borrower. When payment is on a lump-sum basis, payment against progress targets can be made when the consultants' 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.

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
Total	100

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 consultants' contract provide for price escalation in foreign and national currency, as appropriate. When providing for price escalation, the cost of living indices used as a basis for calculation should be those of the countries of the consultants 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 of Contract for Time-Based Assignments in which price escalation formulae are applied to staff rates and to reimbursable expenses.

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 services required. For example, it may be zero for lump-sum contracts the scope of which 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 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 for 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 indices 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 look as follows:

• Foreign costs:	Year 1	Year 2	Year 3	Total
	200,000	216,000	233,000	649,000

• Local costs: a similar calculation gives 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: allow a total of 10 percent of contract value, 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\$1,059,540 equivalent.

18.7 Negotiation of Contract Conditions

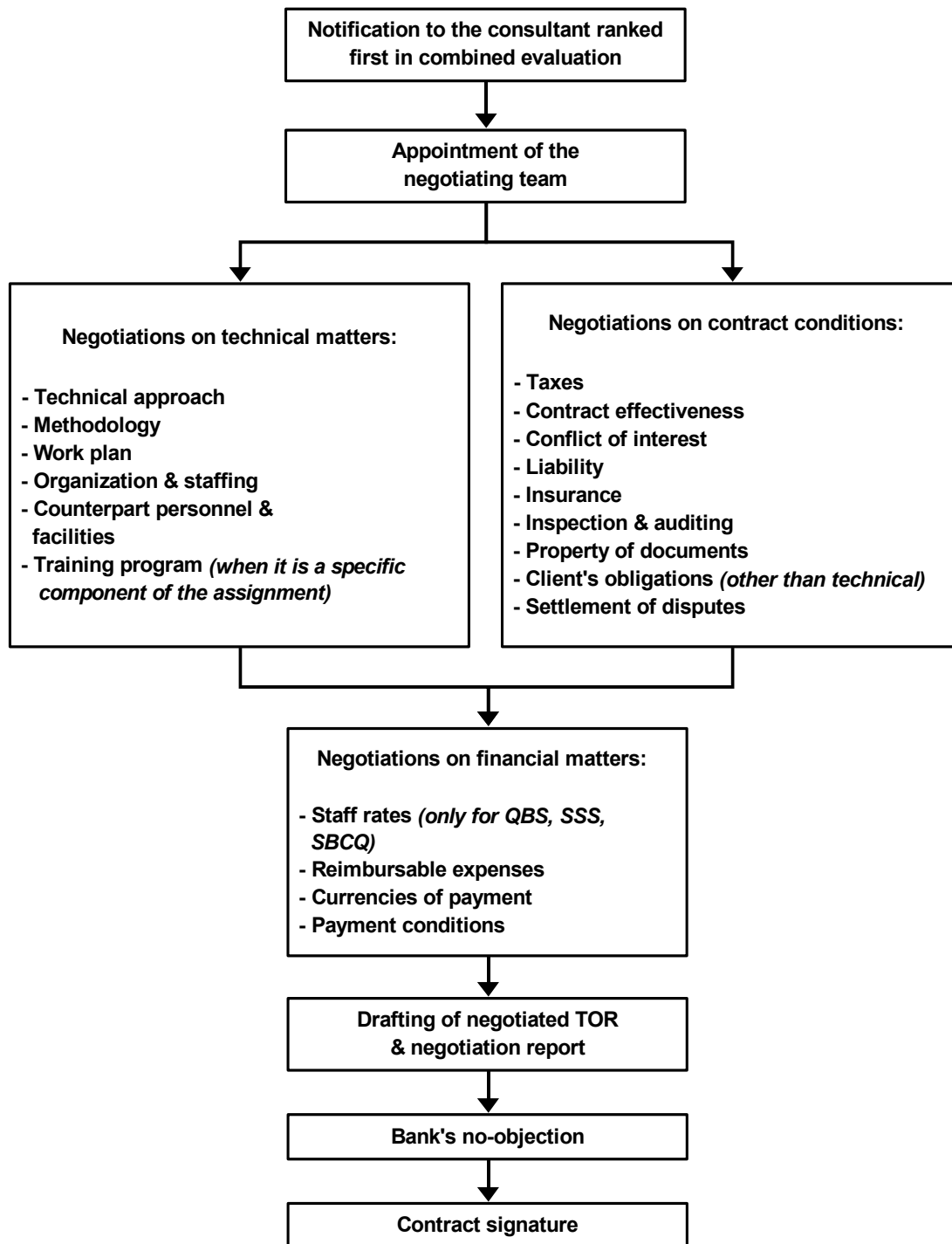
After discussing the financial proposal, the parties should discuss the clauses of the draft contract. The General and Special Conditions of Contract should be reviewed to ensure that both parties understand the contract terms and conditions and that they faithfully and clearly reflect the parties' agreement. The GCC cannot be changed. Special conditions are subject to negotiation. However, since they have already been adapted to the assignment before issuing the RFP, negotiations should be limited to specific and justified requirements of the consultants.

Contract negotiations should end with both parties initialing a draft contract and its annexes. For contracts where prior review is required, a copy of the draft contract is forwarded to the Bank for review and no-objection before contract execution.

The draft contract should include all appendices required by the applicable standard contract form, providing the following information:

- negotiated TOR, including the scope of work of the services, agreed upon methodology, organization chart, and program of activities indicating dates for completion of the various tasks;
- list of reports indicating format, frequency and 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;
- estimated contract amounts in foreign and/or local currency, indicating monthly rates for foreign and local staff and reimbursable expenses; and
- detailed training program if training is a specific requirement of the TOR.

Figure 18.1 Negotiations (Both Technical and Financial Proposals Received)



19.1 Contract Effectiveness

Consultants can seldom begin work immediately after signing the contract. A signed contract, which 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. Consultants are sometimes pressured to mobilize before their contract is effective. Such practice should be discouraged, particularly when mobilization of consultant staff involves large expenditures. To enable consultants to begin work promptly, the Borrower should make arrangements for supervision of the assignment, in particular

- 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; and
- 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 from 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 consultants submit regular progress reports (see subpara. 10.3.5) and that the Borrower provides comments in a timely manner.

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 composed of high-level representatives of the Borrower and the consultants may be formed to exercise arm's length supervision over the assignment through the counterpart project manager and the consultants' team leader. The steering committee can be particularly useful when the Borrower's executing agency and the consultants have to coordinate their work with other

agencies of the Borrower. The opportunity to report on a regular basis to such a committee can facilitate collaboration and understanding between the Borrower and consultants on disputes over important technical and contractual issues. The steering committee should convene for specific purposes and at important assignment or contractual deadlines.

19.2.2 AMENDMENTS

The Borrower or the consultants may propose amendments to the contract when either unforeseen events or the Borrower's decisions make it necessary to modify the TOR or the consultants' 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 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 of the consultants' team, or the whole team. Based on the provisions of the contract, the Borrower will advise the consultants to take the necessary measures. Poor performance should not be tolerated, and the consultants 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 consultants fail 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 consultants should notify the Borrower of such delays and explain the causes of the delay. If corrective action requires extra work, and the delay cannot be attributed to the consultants, 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 consultants' work and their recommendations. Given the delay in publishing the formal final report, the draft final report is often the document used by the Borrower for decisionmaking.

This 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 consultants collect and review the comments made by all parties and, in agreement with the Borrower, address 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 additional financing.

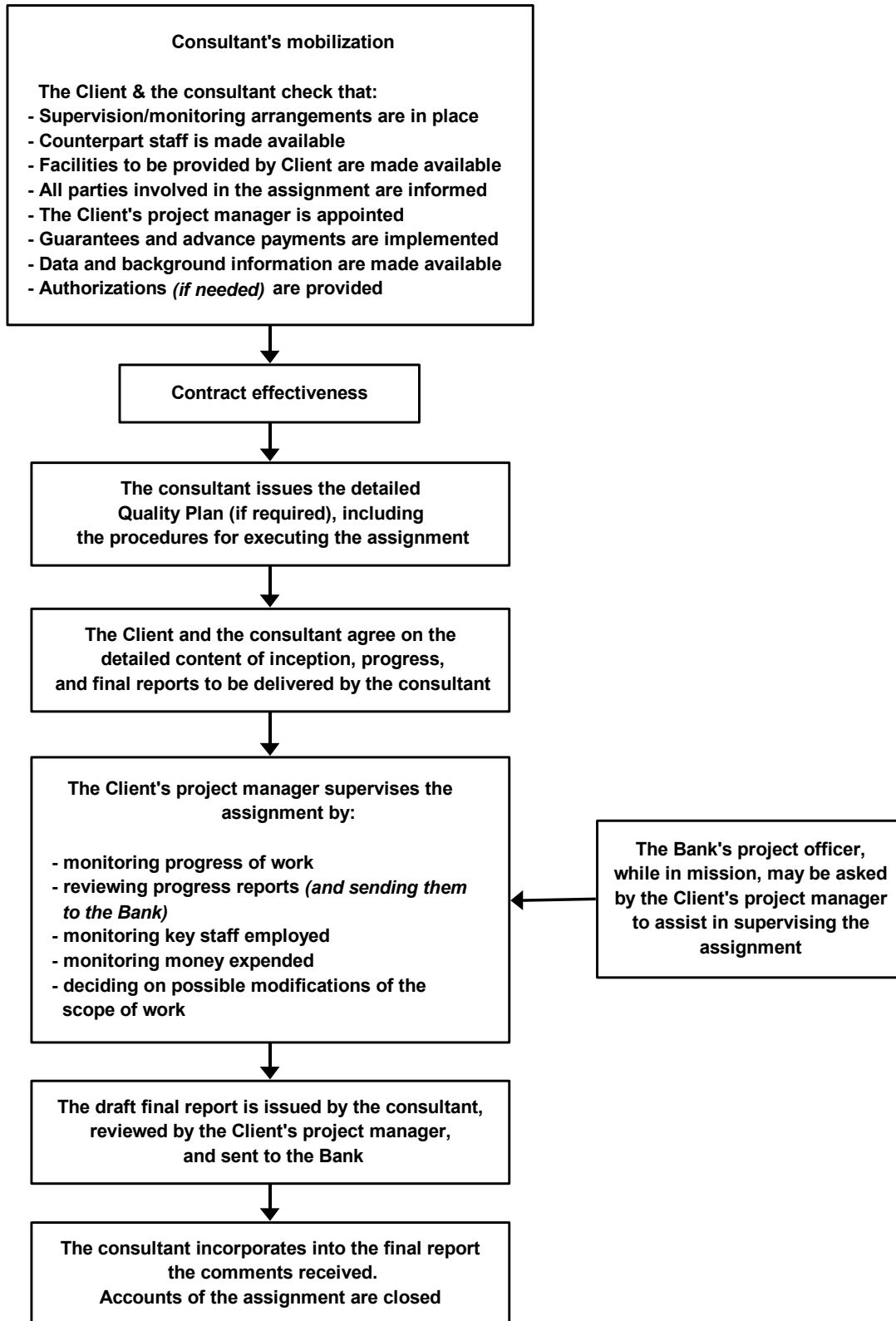
Any mistake or incomplete work on the part of the consultants should be remedied at no cost to the Borrower. Furthermore, the consultants are responsible for the technical integrity and objectivity of their findings and recommendations. The preferred way to handle significant disagreements on technical matters is to substantiate dissenting views in the report. Prior to the final payment, the consultants must have completed the services, and the Borrower must have acknowledged completion of the assignment.

19.4 Bank Role in Supervision

As per 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 administer the contract.

Bank staff has no direct supervisory role over the consultants. Any contact with the consultants should occur with the Borrower's permission and preferably in the Borrower's presence. Bank staff are often asked to help review the consultants' work, and may be called upon to bridge differences between the Borrower and the consultants 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. Figure 19.1 is a flow chart indicating the main steps of consultant supervision.

Figure 19.1 Supervising Consultants



Preparation, Submission, and Evaluation of Proposals

The Bank is responsible for ensuring that funds used to finance consulting services are properly spent. The Consultant Guidelines (para. 1.23) mandate the evaluation of consultants' performance by the Bank. Evaluation of consultants' performance by the Bank should be professional, impartial, and confidential, since it can affect in various ways the consultants concerned.

Consultants' performance should be monitored during the assignment, but a final opinion should be formally expressed only upon its completion. Official comments by Bank staff should pertain only to the assignment and take into consideration the views of the Borrower. The following procedures are recommended to help Bank staff assess performance during the assignment:

- Closely monitor consultants' performance during supervision missions and report on performance in the supervision reports (see also subpara. 19.2.4 and para. 19.4).
- If the consultants' performance is found to be unsatisfactory during execution of the assignment, the Borrower should inform the consultants in writing and give them the opportunity to comment.

Bank staff may discuss performance directly with the consultants only with the agreement of the Borrower. Upon completion of an assignment, the Implementation Completion Report (ICR) prepared jointly by the Bank and the Borrower should be the main vehicle for commenting on the consultants' performance.¹

The ICR normally reflects assessments made in the supervision reports; however, Bank staff should be aware that the ICR is a public document. When evaluating a particular consultant in the ICR, consider the following:

- Criticism must be restricted to facts related to the assignment (for example, the assignment was completed six months later than contractually agreed) and should not include subjective judgments (for example, the assignment was completed six months later than agreed upon because of the incompetence of the consultants).
- Criticism on performance must be supported by evidence.
- Consultants must be given the opportunity to respond in writing and their comments included in the ICR.

Bank staff should consult with the consultant services adviser in the Procurement Policy and Services Group (OPCPR) and the Legal Department when reporting on important negative aspects of consultants' performance in the ICR. On assignment completion, unsatisfactory performance should also be communicated to OPCPR. Superior performance may also be reported. OPCPR keeps records of information provided by Bank staff on the performance of consultants.

Notes

1. BP 13.55, Annex C, Commenting on Contractors and Consultants in Implementation Completion Reports. World Bank, July 1999.

Selection of Individual Consultants

21.1 Individual Consultants Versus Consulting Firms

Borrowers often engage individual consultants on Bank-financed assignments. Individual consultants also are 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 consultant 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 multidisciplinary approach is not necessary.

On the other hand, when integrated technical work and collective responsibility for the consultants' output are important, for example in preparing a complex feasibility study, it is necessary to hire a consulting firm. Individuals can be considered for advisory services assignments or technical opinions on specific matters in which specialist individual knowledge is the key issue.

It is a common misconception that employing a group of individuals is cheaper than hiring a consulting firm. In fact, the opportunity costs of taking valuable Borrower staff from their assigned duties to supervise and manage teams of individuals can be high and is justified only when the task at hand has to be executed under direct Borrower control. The hiring of individuals in place of firms has other hidden costs that must be added, including the cost of replacing sick and unsuitable staff and professional liability for the end product.

In addition, the Bank believes that a policy of hiring individuals as opposed to firms may lead to abuse and other undesirable practices such as nepotism. As a practical rule, if three or more individuals are needed for an assignment, it is often better to hire a consulting firm so that the firm can be responsible for identifying the best experts, ensuring cohesiveness and technical solvency, as well as backup and transparent administration.

Notwithstanding the above, if hiring a team of independent individuals appears to be the most suitable solution, the Borrower should consider designating one of them as the team leader if the scope work of the services 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 coordinator of a team of experts, with or without administrative responsibility. The TOR of each team member should define their relationship to the team leader.

21.2 Selection of Individual Consultants

The process by which Borrowers select individuals under Bank funding does not follow strictly the normal selection methods used for firms. It is worth describing here the main steps that Borrowers are required to take into account. The Consultant Guidelines also have overall applicability for the selection of individual consultants.

21.2.1 TERMS OF REFERENCE

Borrowers should first prepare a TOR for the consultant assignment, including the scope of work and its estimated budget. Bank staff responsible for the project should review the TOR and provide the Bank no-objection for any assignments whose cost is estimated to be above the prior review threshold established for individual consultant contracts in the Loan Agreement.¹

21.2.2 ADVERTISING

For individual assignments of a long duration (say, six months) the Bank recommends that the Borrower publish a call for submission of qualifications in UNDB. Borrowers may decide to proceed in the same way for shorter assignments if potential suitable candidates are unknown. The call should include a short description of the task or job description and the criteria for selection.

21.2.3 SELECTION

Individual consultants are selected based on their qualifications for the assignment. They shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower. Individuals employed by the Borrowers shall meet all relevant qualifications and shall be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience, and, as appropriate, knowledge of local conditions, such as local language, culture, administrative system, and government organization.

Individual consultants may be selected on a sole-source basis with due justification, in exceptional cases such as: (a) tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively; (b) assignments lasting less than six months; (c) emergency situations resulting from natural disasters; 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.

Suitability of the candidates should be evaluated on the basis of their academic background, experience, and, when needed, knowledge of local conditions. The aspects to be considered in the evaluation are similar to those indicated in Chapter 17, para. 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.

21.3 Hiring of Government Officials and Academics

Government officials and civil servants cannot be hired under consulting services contracts financed under Bank loans, credits, trust funds, and grants, since the principle of transparency would be compromised and the opportunity of abuse heightened. This applies regardless of their being on leave or on secondment.

University professors or scientists from research institutes can be contracted individually under Bank financing provided that 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.²

21.4 Nepotism

Cases arise in which individual consultants seek to be engaged by the Borrower agencies where their relatives 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 good candidates with no connections. The Bank considers that such candidates are not to be taken into consideration under any circumstances.

Notes

1. OP/BP 11.00, Annex A, July 2001.

2. Office Memorandum, Hiring Government-Owned Universities, Research Institutes, Government Officials and Academic Research Staff as Consultants in Bank-Financed Operations. August 19, 1999. See Annex 11 of this Manual.

Annex 1. Bank's Comments/ No-Objections Templates

Contents

1. Bank's Comments/No-Objection to Request for Proposals
2. Bank's Comments/No-Objection to Technical Evaluation
3. Bank's Comments/No-Objection to Combined (Technical-Financial) Evaluation
4. Bank's Comments/No-Objection to Draft Final Contract

1 – Bank’s Comments/No-Objection to Request for Proposals

[Heading]¹

SUBJECT: *[Country, Project Name, Loan Credit, Grant #, Services]*
Comments/No-Objection to Request for Proposals (RFP)

MESSAGE:

Messrs/Ms.

Re: your *[form of correspondence]²* of *[date]*, we have reviewed the draft Request for Proposals for the above Services and have ...

[Alternative I]³ – ... the following comments:

[Comments]

Please review these comments and submit a revised RFP for the Bank’s no-objection.

[Alternative II] – ... no comment.

We have no objection to *[Name of Project Authority]* issuing the Request for Proposals to the short-listed consultants. Please forward us a copy of the amended Request for Proposals.

Yours sincerely,

[Name and function of Bank’s responsible officer]

-
1. Correspondence may be in the form of a letter/fax/e-mail.
 2. Letter, fax, or e-mail.
 3. Select appropriate alternative.

2 – Bank’s Comments/No-Objection to Technical Evaluation

*[Heading]*¹

SUBJECT: *[Country, Project Name, Loan Credit/Grant #, Services]*
Comments/No-Objection to Technical Evaluation

MESSAGE:

Messrs/Ms.

Re: your *[form of correspondence]*² of *[date]*, we have reviewed the draft technical evaluation report for the above-mentioned services and have ...

*[Alternative I]*³ – ... the following comments:

[Comments]

Please review these comments and submit a revised technical evaluation report for the Bank’s no-objection.

[Alternative II] – ... 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 threshold of _____ points.⁴

Yours sincerely,

[Name and function 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.

3 – Bank’s Comments/No-Objection to Draft Final Contract

*[Heading]*¹

SUBJECT: *[Contract, Country, Project Name, Loan Credit #, Services]*
Comments/No-Objection to Draft Final Contract

MESSAGE:

Messrs/Ms.

Re: your *[form of correspondence]*² of *[date]*, we have reviewed the negotiated consultant’s contract for the above-mentioned services and have ...

*[Alternative I]*³ – ...the following comments:

[Comments]

Please review these comments and submit a revised draft final contract for the Bank’s no-objection.

[Alternative II] – ...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]

1. Heading of the appropriate correspondence: letter, fax, or e-mail.
2. Letter, fax, or e-mail.
3. Select appropriate alternative.

Annex 2. Single Source Selection Form

Single Source Selection Form

1. Description of Proposed Assignment

Project ID No.:

Country:

Ln./Cr. or Other Source of Funds:

Project Name:

Implementing Agency:

Name of Recommended Consulting Firm:

Nationality:

Estimated Number of Staff-months:

Estimated Contract Value:

Description of Proposed Assignment:

2. Justification for Proposed Sole Source Selection¹

Is this a natural continuation of same or previous assignment? Yes___ No___

If yes: (a) give previous method of selection Sole Source___ Shortlist___

(b) indicate whether proposed assignment is continuation from:

- Feasibility study to detailed design Yes___ No___

- Detailed design to implementation/supervision Yes___ No___

(c) Was a possible follow-up mentioned in the original RFP/LOI? Yes___ No___

Why is a rapid selection essential?

Are other firms capable of executing the assignment?

Was previous assignment Bank-financed? Yes___ No___

Description of Previous Assignment:

Contract Value:

Staff-months:

Starting Date:

Completion Date:

Consultant's Performance on Previous Assignment: Excellent ___; Average ___; Poor ___

3. Remarks (see Example of Justifications in following page)

4. Clearance

RPA:² _____

OPRC:³ _____

Date: _____

Date: _____

Task Team Leader: _____ Tel. Ext.: _____ Dept/Div: _____

1. Provide detailed information.

2. Required for contracts above a certain value (currently US\$200,000, BP 11.00, Annex A).

3. Required for contracts above a certain value (currently US\$5,000,000, BP 11.00, Annex A).

Single Source Selection **Example of Justifications**

1. Because competition is the rule under assignments financed by the Bank, justifications must always be provided if single sourcing is considered, in order to obtain the required clearances within the Bank. 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 on the basis of the justifications (highlighted) put forward.
2. "Washington DC, January 20th, 1999
 - (a) The consultant technical assistance on housing policy reform issues rendered 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 as a result of a donor's decision.
 - (b) In November 1998 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 1999, and it **is unlikely that a consultant could be mobilized before June**. There will be a **mid-term review of the project in June 1999 for which all 6 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 mid-term review without access to technical assistance between the months of January and June 1999. 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 (9/29/99)."
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 client 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 overall interest of the Borrower and the project," and

consistent with its principles of economy, efficiency, and equal opportunity to continue with consultant A.

Annex 3.

Sample Activity Schedule

The following table is a sample of the Activity Schedule for the Contract Design of a New Hospital. It corresponds to the Schedule 3H, Section 3, of the SRFP.

ASSIGNMENT: Contract Design of a new Hospital

ACTIVITIES		MONTHS						
		1	2	3	4	5	6	7
1	Study Phase							
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				▶			
2	Design Phase							
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							▶

Annex 4.

Sample Staffing Schedule

The following table is a sample of the Staffing Schedule for the Contract Design of a new Hospital. It corresponds to the Schedule 3G, Section 3, of the SRFP.

Sample Staffing Schedule

Contract Design of a new Hospital

No.	POSITION	NAME	MAIN ACTIVITIES (refer to the Activity Schedule Annex 3)	MONTHS							TOTAL STAFF MONTHS
				1	2	3	4	5	6	7	
1	Project Director		All	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.4
2	Team Leader		All	1	1	1	1	1	1	1	7
3	Architect		1.1, 1.4, 1.9, 2.9		0.8	0.2				0.2	1.2
4	Civil Engineers		1.2, 1.5, 1.7, 1.8, 1.9, 2.1, 2.4, 2.6, 2.7, 2.8, 2.9	4	4	4	4	4	4	4	28
5	Structural Engineers		1.2, 1.5, 1.7, 2.1, 2.3, 2.4, 2.9	1	0.5	0.5	1	1	1	1	5
6	Electrical Engineers		1.6, 1.8, 2.2, 2.3, 2.4, 2.7, 2.8,		0.5	1		2	2	2	7.5
7	Mechanical Engineers		1.6, 1.8, 2.2, 2.3, 2.4, 2.7, 2.8,		1	2		3	3	2	11
8	Cost Engineers		1.8, 1.9, 2.8, 2.9			1				1	2
9	Medical experts		1.1, 1.3, 1.9, 2.9	2	2	0.5				0.5	5
10	Quality Assurance expert		All	1	0.4	0.4	0.4	0.4	0.4	0.2	3.2
11	Contract Documents		2.5							2	4
12	Support personnel		1.1, 1.9, 2.4, 2.9	2	4	3	1	4	4	4	22
	Total Staff Months Phase 1			39.4							
	Total Staff Months Phase 2			57.9							
	Total Staff Months of the assignment										97.3

Annex 5.

Cost Estimate Templates

[Country]

[Assignment]

Cost Estimate

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 and/or foreigners) working in the client's or the consultant's country, or any other country, on a long-term or short-term assignment. The consultant is incurring office expenses in the client'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 annex 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 a joint venture. The firm may have subcontracted part of the services. In both situations, the cost estimate does not provide information on the split of the work between the partners of the joint venture or the prime and subconsultants. This could be done, however, using appropriate codes, should there be a need to do so (for instance, to assess the participation of the shortlisted consultant versus the subconsultant(s), or to determine the breakdown of tax liabilities between consultants).
5. Costs are estimated in the currency in which they are incurred, that is, in the currency of the client's country (national currency) and in up to three foreign currencies, as permitted under the Consultant Guidelines. The use of different currencies is frequent in international 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) and/or because of the length of the assignment (say, beyond 18 months). Price contingencies must also be included to reflect physical contingencies (uncertainties about the quantities proposed in the technical proposal).
7. Assignment costs have to be estimated net of local taxes; nevertheless, the Borrowers' Executing Agency should take into account its own tax liability deriving from the consultants contract for budgeting purposes.

[Country:]
[Assignment:]

Cost Estimate - Summary

	Local currency	Foreign currency(ies)		
	(LC)	(FC)	(FC)	(FC) ⁰
1. Staff Remuneration				
Key staff				
Other staff				
Total 1				
2. Reimbursables				
Transportation				
Air				
Ground				
Staff accommodation ⁰				
Office				
Rent				
Furniture/Equipment				
Supplies, Utilities				
Reports, Documents ⁰				
Total 2				
3. Surveys				
(a)				
(b)				
Total 3				
4. Miscellaneous				
Total 4				
Total				

⁰ A proposal can be expressed in a maximum of three foreign currencies.

⁰ Per diem (short-term consultants) and housing.

⁰ Purchase, translation, editing, printing.

[Country]
[Assignment]

Cost Estimate - Staff Remuneration⁰

Position	Name	Remuneration Rate ⁰			Year 1		Year 2		Year 3		Year 4		Total					
		LC	FC ₁	FC ₂	FC ₃	SM ⁰	Amount	SM	Amt	SM	Amount	SM	Amount	LC	FC ₁	FC ₂	FC ₃	
1. Key Staff ⁰																		
1.1																	
1.2																	
1.3																	
Subtotal 1																		
2. Other Staff ⁰																		
2.1																	
2.2																	
2.3																	
Subtotal 2																		
Total																		

⁰ Includes national and foreign staff.

⁰ Rate per unit of remuneration (hour, day, or month); expressed in local currency (LC) and/or a maximum of three foreign currencies (FC); rate increases (if any) over the years to be detailed separately.

⁰ SM: staff x unit of remuneration (e.g., month).

⁰ Key staff, i.e., professional staff (engineers, economists).

⁰ e.g., bilingual secretary, typist, office assistant.

[Country:]
[Assignment:]

Cost Estimate – Reimbursables

Reimbursables	LC	FC ₁	FC ₂	FC ₃
1. Air transportation				
- Tickets ⁰				
- Luggage ⁰				
2. Ground transportation				
- Mobilization/demobilization ⁰ , holidays				
- Operational: Vehicles ⁰ Motorcycles ⁰				
3. Relocation/Storage ⁰				
4. Temporary housing ⁰				
5. Miscellaneous ⁰				
Total				

-
- ⁰ N x Airfare N: number of round trips home/duty station/home for mobilization, holidays, operations, demob. for staff and their eligible dependents N: _____ [Itinerary]
Airfares: usually in economy class A: _____ [Itinerary]
- ⁰ kg x U For excess and non accompanied luggage. kg: as provided to the consultant to its staff kg: _____ [Country]
U: unit cost as per airline tariff U: _____ [Country]
- ⁰ Us To/from airport in the client's, the consultant's, or a third country, for mobilization, operations, holidays, demobilization. Us: _____ [Country]
Us: unit cost
- ⁰ km x 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]
- ⁰ n x u n: number of motorcycles to be purchased n: _____
u: unit cost, including purchase, operation, maintenance, repairs, insurance u: _____
- ⁰ S S: amount of allowance granted by the firm to its staff S: _____
- ⁰ H h: amount of allowance granted by the firm to its staff H: _____
- ⁰ Lump-sum Travel documents, visas, health certificates, work permits L: _____

[Country:]
 [Assignment:]

Cost Estimate - Office Costs⁰

	LC	FC ₁	FC ₂	FC ₃
Rent ⁰				
Supplies ⁰				
Computer operation costs ⁰				
Telecommunications ⁰				
Equipment, furniture ⁰				
Total				

⁰ Costs to include contingencies (if any) as detailed separately.

⁰ Including utilities, maintenance, cleaning, repairs.

(n x m) n: cost per month; m: number of months

n: _____; m: _____

⁰ Estimated on a monthly basis.

(su x m) su: cost per month; m: number of months

su: _____; m: _____

⁰ Estimated on a monthly basis.

(c x m) c: cost per month; m: number of months

c: _____; m: _____

⁰ Telephone, fax, estimated on a monthly basis

(t x m): t: cost per month; m: number of months

t: _____; m: _____

⁰ See attached indicative list.

[Country:]
[Assignment:]

Cost Estimate - Office Furniture and Equipment

No.	Description	Unit	Quantity	Rate (LC)	Amount (LC)
Office Furniture (Purchase)					
1	Large desks and chairs	Set			
2	Medium desks and chairs	Set			
3	Typist 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			
Office Equipment (Purchase)					
1	Drawing pen set	Set			
2	Lettering set	Set			
3	Photocopying machine	Set			
4	Blueprint machine	Set			
5	Electric typewriter	Unit			
6	Manual typewriter	Unit			
7	Computer	Set			
8	Facsimile	Set			
9	Ring binding machine	Nos			
10	Large stapler	Nos			
11	Safe	Nos			
12	Drafting board, machine, chairs, etc.	Set			
13	Video multi system	Set			
14	Camera SLR	Nos			
Total					

Annex 6.

Format for Request for Expressions of Interest

Format for Request for Expressions of Interest

[NAME OF COUNTRY]
*[NAME OF PROJECT]*¹
CONSULTING SERVICES
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]*.²

The *[insert name of borrower/beneficiary]*³ *[has received/has 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]*⁴.

The services include *[brief description, organization, implementation period...]*.⁵

The *[insert name of implementing agency/client]* now invites eligible consultants to indicate their interest in providing the services. Interested consultants must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). 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*,⁶ January 1997 (revised September 1997 and January 1999).

Interested consultants may obtain further information at the address below *[state address at the end of document]* from *[insert office hours]*.⁷

Expressions of interest must be delivered to the address below *by [insert date]*.

[Insert name of office]
[Insert name of officer]

[Insert postal address and/or street address]

Tel: *[Indicate country and city code]*

Fax: *[Indicate country and city code]*

E-mail:

Notes

1. If appropriate, in some cases there may be no project properly said 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 or not to prepare an _expression of interest.
6. See guidelines for eligibility requirements.
7. For example, 0900 to 1200 hours.

Annex 7.

Examples of Evaluation of Proposals

Contents

Annex 7.1	Project and Construction Management of a Water Supply System
Annex 7.2	Technical Assistance Services for an Agricultural Settlement Program
Annex 7.3	Technical Assistance Services for a Privatization Project

This annex refers to three typical assignments to be awarded under QCBS. It highlights the following components of the proposal evaluation:

- point allocations for the main evaluation criteria to be specified in the RFP;
- subcriteria to be specified in the RFP for each one of the main evaluation criteria;
- points allocations to the subcriteria;
- relative weights to be indicated in the RFP for the technical and financial proposals; and
- worksheets that may be used by the Evaluation Committee to carry out the proposal evaluations.

These examples may be used as a guide when preparing the RFP for a given assignment, and for proposal evaluations. They are compatible with the Bank sample form of Evaluation Report – Selection of Consultants.

Annex 7.1 – Project and Construction Management of a Water Supply System

The client 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, while the participation of local experts during the construction management activities is considered important by the client. In the RFP the points indicated in Table A7.1 are allocated to the evaluation criteria. The 55 points allocated to the criterion “qualifications and competence of the key staff” are distributed among the relevant subcriteria according to the percentages of Table A7.2.

Table A7.1 Points Allocated to Main Criteria

Criteria	Points
1 Specific experience of consultants related to the assignment	5
2 Adequacy of the proposed methodology and work plan	30
3 Qualifications and competence of the key staff	55
4 Suitability of the transfer of knowledge	0
5 Local participation	10
Total	100

Table A7.2 Key Staff Evaluation

Subcriteria	% Points
General qualifications	25
Adequacy for the project	55
Experience in region & language	20
Total	100

For the criterion “adequacy of the proposed methodology and work plan,” the following three subcriteria and relevant point allocations are selected (see para. 12.3):

- 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) the 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) the supervision during the construction of the water supply system. Since the type of organization and staffing required to carry out these two tasks is different, the client considers it important to separately evaluate the organization and staffing proposed by the invited consultants for the two tasks.

Consequently, 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

Within the criterion “qualifications and competence of the key staff” (see para 12.4), the team leader is given a weight of 40 percent.

As for other members of the key staff, the characteristics of the assignment suggest the need to stress the importance of hydraulic engineering, structural engineering, soil engineering, electromechanical engineering, and time and cost control specialists. Consequently, the client indicates in the RFP the following weights for relevant key staff in those five disciplines:

- Hydraulic engineering weight of 15%
- Structural engineering weight of 10%
- Soil engineering weight of 10%
- Electromechanical engineering weight of 10%
- Time and cost control specialists weight of 15%

The overall setup of the different subcriteria and relevant points for evaluating the technical proposals (provided in the ITC) is summarized in Table A7.3A. Table A7.3B indicates the points available within “qualifications and competence of the key staff” 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 above).

1-Specific Experience of Consultants	Points	2-Methodology & Work Plan	Points	3- Qualifications and Competence of Key Staff	Points	5-Local Participation	Points
No subcriteria		Approach & methodology	8	General qualifications	13.75	No subcriteria	
		Work plan	7	Adequacy for the project	30.25		
		Organization & staffing		Experience in region & language	11		
		review of detailed design	4				
supervision during construction	11						
	5		30		55		10

Table A7.3B Key Staff Evaluation

Key Staff Members	Points
Team leader	22
Hydraulic engineering	8.25
Structural engineering	5.5
Soil engineering	5.5
Electromechanical engineering	5.5
Time & cost control specialists	8.25
Total	55

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 adopt for the evaluation (see Chapter 17) and made the following decisions:

- (a) Since 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, (ii) experience in similar areas and conditions, and (iii) size and organization (see subparas. 17.2.2 and 17.2.3).
- (b) For each one of the three 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, and a scoring example based on the points indicated for the different criteria and subcriteria 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, it is assumed that

- 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. 12.4). All scores shown in the different samples are rounded to the third decimal.

The Minimum Qualifying Mark specified in the RFP is 70.

In this example it is furthermore assumed that total prices offered by the consultants are:

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: _____
 Name 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	Rating (R) %
Criteria												
Specific experience (similar projects, similar areas & conditions, specialization)	5	70	3.5	100	5							
TOTAL	5		3.5		5.00							

Table A7.5 - Evaluation Worksheet for Methodology and Work Plan

Assignment: _____
 Country: _____
 Project: _____
 Date of Evaluation: _____
 Evaluation Carried Out by: _____
 Name of Consultants: 1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____

Consultant	Points (P)	1		2		3		4		5		6	
		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
Approach & Methodology	8	40	3.2	70	5.6								
Work Plan	7	70	4.9	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								
TOTAL	30		20.8		23								

Table A7.6A - Evaluation Worksheet for Qualifications and Competence of the Key Staff (Group Scoring)

Assignment: _____
 Country: _____
 Project: _____
 Date of Evaluation: _____
 Evaluation Carried Out by: _____
 Name of Consultants: 1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____

Consultants: 1		General Qualifications 25%				Adequacy for the Project 55%			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	8.250									
	Hydraulic Engineer 1		2.063	70	1.444	4.538	90	4.084	1.650	90	1.485
	Hydraulic Engineer 2		2.063	70	1.444	4.538	90	4.084	1.650	40	0.660
	Hydraulic Engineer 3		2.063	90	1.857	4.538	70	3.177	1.650	90	1.485
	Averaged Subtotal				1.582			3.782			1.210
2	Electromech. Engineer. Group	5.500									
	Electrical Engineer		1.375	40	0.550	3.025	40	1.210	1.100	90	0.990
	Mechanical Engineer		1.375	90	1.238	3.025	90	2.723	1.100	100	1.100
	Averaged Subtotal				0.894			1.966			1.045

Note: This table may be used for scoring groups. In case 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 A7.6B, and the latter as individuals using Table A7.7B.

Table A7.6B - Evaluation Worksheet for Qualifications and Competence of the Key Staff (Group Scoring)

Assignment: _____
 Country: _____
 Project: _____
 Date of Evaluation: _____
 Evaluation Carried Out by: _____
 Name of Consultants: 1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____

Group	Consultants: 2		General Qualifications 30%				Adequacy for the Project 50%			Experience in Region & Language 20%		
	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 <i>Hydraulic Engineering Group</i>		8.250										
Hydraulic Engineer 1			2.063	90	1.857	4.538	70	3.177	1.650	70	1.155	
Hydraulic Engineer 2			2.063	70	1.444	4.538	70	3.177	1.650	40	0.660	
Hydraulic Engineer 3			2.063	90	1.857	4.538	90	4.084	1.650	90	1.485	
Averaged Subtotal					1.719			3.479			1.100	

Note: This table may be used for scoring Groups. In case 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 A7.6B, and the latter as individuals using Table A7.7B.

Table A7.7A - Evaluation Worksheet for Qualifications and Competence of the Key Staff (Consolidated Scoring)

Assignment: _____
 Country: _____
 Project: _____
 Date of Evaluation: _____
 Evaluation Carried Out by: _____
 Name of Consultants: 1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____

Consultants: 1		General Qualifications 25%			Adequacy for the Project 55%			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	22.000	5.500	90	4.950	12.100	90	10.890	4.400	70	3.080
Hydraulic Engineering Group	8.250	2.063		1582 [†]	4.538		3.782 [†]	1.650		1.210 [†]
Structural Engineering Group	5.500	1.375	70	0.062	3.025	70	2.118	1.100	70	0.770
Soil Mechanics Group	5.500	1.375	40	0.550	3.025	40	1.210	1.100	90	0.990
Electromechanical Engineer. Group	5.500	1.375		0.894 [†]	3.025		1.966 [†]	1.100		1.045 [†]
Project Control Group	8.250	2.063	40	0.825	4.538	70	3.177	1.650	100	1.650
Subtotals				9.763			23.143			8.745
TOTAL for the Key Staff	55					41.651				

¹ This score is taken from Table A7.6A.

Note: In this example it is assumed that the Key Staff proposed by Consultant 1 includes 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 pertaining to the Structural, Soil Mechanics, and Project Control Groups of the Consultant 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 Qualifications and Competence of the Key Staff (Consolidated Scoring)

Assignment: _____
 Country: _____
 Project: _____
 Date of Evaluation: _____
 Evaluation Carried Out by: _____
 Name of Consultants: 1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____

Consultants: 2		General Qualifications 25%				Adequacy for the Project 55%				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	22.000	5.500	90	4.950	12.100	100	12.100	4.400	70	3.080		
Hydraulic Engineering Group	8.250	22.063		1.719 ¹	4.538		3.479 ¹	1.650		1.100 ¹		
Structural Engineering Group	5.500	1.375	70	0.962	3.025	70	2.118	1.100	40	0.440		
Soil Mechanics Group	5.500	1.375	90	1.238	3.025	70	2.118	1.100	40	0.440		
Electromechanical Engineer. Group	5.500	1.375	70	0.962	3.025	100	3.025	1.100	70	0.770		
Project Control Group	8.250	2.063	40	0.825	4.538	40	1.815	1.650	100	1.650		
Subtotals				10.656			24.655			7.480		
TOTAL for the Key Staff	55					42.791						

¹ This score is taken from Table A7.6B.

Note: In this example it is assumed that the Key Staff proposed by Consultant 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 Project Control Groups of Consultant 2 have been scored as individuals using Table 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 Local Participation

Assignment: _____
 Country: _____
 Project: _____
 Date of Evaluation: _____
 Evaluation Carried Out by: _____
 Name 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	
Rating equal to the percentage share of national key staff in the total key staff time effort proposed by the consultants	10	32	3.2	26	2.6							
TOTAL	10		3.2		2.6							

Table A7.9 - Summary of Evaluation (Technical Proposal)

Assignment: _____
 Country: _____
 Name of Project: _____
 Date of Evaluation: _____
 Evaluation Carried Out by: _____
 Name 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 related to the assignment	5	3.500	5.000				
Adequacy of the proposed work plan & methodology	30	20.800	23.000				
Qualifications and competence of the key staff	55	41.651	42.791				
Suitability of the transfer of knowledge	n. a.						
Local participation	10	3.200	2.600				
Total	100	69.151	73.391				
Staff-Months Local:							
Staff-Months In Field:							

Table A7.10 - Summary of Evaluation

Assignment: _____
 Country: _____
 Project: _____
 Date of Evaluation: _____
 Evaluation Carried Out by: _____
 Name 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.	69.151	0.8	55.321	3,100,000	95.161	0.2	19.032	74.353
2.	73.391	0.8	58.713	3,400,000	86.765	0.2	17.353	76.066
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	

Annex 7.2 – Technical Assistance Services for an Agricultural Development Project

The client 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.

Five qualified consultants are invited to submit proposals, to be evaluated with QCBS. Due to the importance placed by the client on the transfer of knowledge, the TOR include a specific requirement of a training program for the client’s personnel. The participation of local experts in the technical assistance is also considered important by the client. In the RFP the points indicated in Table A7.11 are allocated to the evaluation criteria:

The 50 points allocated to the criterion “qualifications and competence of the key staff” are distributed among the relevant subcriteria according to the percentages of Table A7.12.

For the criterion “adequacy of the proposed work plan and methodology,” the following three subcriteria and relevant point allocations are selected (see para. 8.3):

- Technical approach & methodology 5 points
- Work plan 5 points
- Organization and staffing 10 points

Within the criterion “qualifications and competence of the key staff,” (see para. 12.4), the team leader is given a weight of 50 percent.

As for other members of the key staff, the characteristics of the assignment suggest the need to stress the importance of pedology, agroecology, socioeconomy, hydraulic engineering, and farm development. Consequently, the client indicates in the RFP the following weights for the relevant key staff in the five sectors:

- Pedology weight of 15%
- Agroecology weight of 10%
- Socioeconomy weight of 10%
- Farm development weight of 8%
- Hydraulic engineering weight of 7%

Table A7.11 Points Allocated to Main Criteria

Criteria	Points
1 Specific experience of consultants related to the assignment	10
2 Adequacy of the proposed methodology & work plan	20
3 Qualifications and competence of the key staff	50
4 Suitability of the transfer of knowledge	10
5 Local participation	10
Total	100

- Financial analysts weight of 20%
- Institutional experts weight of 20%
- Legal advisers weight of 15%
- Pricing experts weight of 15%

Table A7.14 Points Allocated to Main Criteria

Criteria	Points
1 Specific experience of consultants related to the assignment	10
2 Adequacy of the proposed methodology & work plan	20
3 Qualifications and competence of the key staff	60
4 Suitability of the transfer of knowledge	0
5 Local participation	10
Total	100

Table A7.15 Key Staff Evaluation

Subcriteria	% Points
General qualifications	30
Adequacy for the project	50
Experience in region & language	20
Total	100%

The overall setup of the different subcriteria and relevant points for evaluating the technical proposals (provided in the ITC) are summarized in Table A7.16A.

Table A7.16B indicates the points available within “qualifications and competence of the key staff” 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:

- Weight for the technical proposal 0.9
- Weight for the financial proposal 0.1

- (a) Since 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 subparas. 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).
- (b) 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.
- (c) Similarly, for each one of the three subcriteria of the criterion “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 Annex 7.1.

1 – Specific Experience of Consultants	Poi nts	2 – Methodology & Work Plan	Poi nts	3 – Qualifications and Competence of Key Staff	Poi nts	5 - Local Participation	Poi nts
No subcriteria		Approach & methodology	5	General qualifications	18	<i>No subcriteria</i>	
		Work plan	5	Adequacy for the project	30		
		Organization & staffing	10	Experience in region & language	12		
Total	10		20		60		10

Table A7.16B Key Staff Evaluation

Key Staff Members	Points
Team leader	18
Financial analysts	12
Institutional experts	12
Legal advisers	9
Pricing experts	9
Total	60

Annex 8.

Taxation of Consulting Services

To allow Borrowers to evaluate financial proposals correctly, the Consultants Guidelines (para. 2.21) require that consultants submit their cost proposals excluding local taxes, which shall be estimated and shown as separate amounts.

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, ad valorem taxes (VAT) on contract items, for example, VAT on consultant remuneration;
- duties on imported equipment and supplies later exported by the consultants, for example, personal computers, scientific equipment;
- duties and levies on equipment imported or locally acquired by the consultants that is treated as property of the client, for example, cars, office equipment; and
- local income taxes on the remuneration of services rendered locally.

While 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 client, (b) be exempted, (c) have the client pay such levies on behalf of the consultants and its personnel, or (d) pay taxes without reimbursement by the client.

The client must identify and advise the consultants about which of the above alternatives or combination thereof apply before the financial proposal is submitted. The ITC of the RFP should list the applicable regulations necessary to allow the consultant to estimate their tax liability separate from the proposal price. Before finalizing the ITC for a specific assignment (para. 3.7), the client 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 their budget.

When in doubt consultants should ask the client 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.

In the case of VAT, the tax is billed to the agency by the consultants, who effect 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 tax expenses, which the Bank will not fund.

Local direct taxes, that is, income or corporate taxes that cannot be identified separately, are not relevant for the purpose of comparison of proposals and should not be considered in the context explained in the above paragraphs.

Annex 9. Form for Performance Evaluation

Form for Performance Evaluation⁰

1. Loan, Credit, or Grant No.	2. Borrower (Client)						
3. Project Name							
4. Consulting Firm's Name, Nationality ⁰ , and Address							
5. Participating Firms (for Associations) ⁰ (a) (b) (c)							
6. Description of Services (brief, less than a quarter of a page)							
7. Contract Date ⁰	8. Completion Date ⁰ (Actual)						
9. Original Contract Amount (Approx. in US\$)	10. Final Contract Amount (Approx. in US\$)						
11. Evaluation, based on (a) your own knowledge, (b) a review of the records, and (c) discussions with borrower and Bank staff. (See next page for details)							
Score							
<table style="width: 100%; border: none;"> <tr> <td style="text-align: center; padding-left: 20px;">Rating</td> </tr> <tr> <td>5 Outstanding</td> </tr> <tr> <td>4 Good</td> </tr> <tr> <td>3 Adequate</td> </tr> <tr> <td>2 Marginally adequate</td> </tr> <tr> <td>1 Unsatisfactory</td> </tr> </table>		Rating	5 Outstanding	4 Good	3 Adequate	2 Marginally adequate	1 Unsatisfactory
Rating							
5 Outstanding							
4 Good							
3 Adequate							
2 Marginally adequate							
1 Unsatisfactory							
Explanation of Above Score (Use additional sheets, if necessary)							
Name of Bank's responsible officer	Signature	Unit's Acronym	Date				
Manager's Name	Signature	Unit's Acronym	Date				

⁰ The information provided in the following table is confidential. It should be kept in a secure location by the Bank's Central Procurement Unit.

⁰ The firm's nationality is that of the country where it is registered. The nationality of a joint venture is that of the lead partner.

⁰ Associations can be in the form of a subconsultancy or a joint venture. The Bank does not accept consortiums unless the agreement includes a clear definition of the members' liabilities.

⁰ Signature date.

⁰ As agreed per contract, amendment to contract, or agreement in writing between the client and the consultant.

Consultant Performance Evaluation Evaluation Checklist

1. The approach below may be used as a guide to evaluating performance. The checklist should be used for each firm.

General Background

2. Before consultant's appointment:
 - (a) What was (were) the justification(s) for appointing the consultant?
 - (b) Did the Borrower and the Bank agree on the role of the consultant?
 - (c) What role did the Bank play in assisting the borrower (for example, through participation in the preparation of the terms of reference)?
3. During consultant's performance:
 - (a) What events were connected with the services of the consultant?
 - (b) What actions should be avoided or repeated in similar future projects?
 - (c) What was the quality of supervision of the consultant by the Borrower?
 - (d) Did the Bank bring to the attention of the Borrower and the firm the deficiencies in the performance of the consultant? What was the response?

Typical Factors Assessed

4. Technical performance criteria:
 - (a) Appropriateness of recommendations and solutions, and of cost-effectiveness.
 - (b) Applicability to the country and agency conditions; reliability, sustainability, and ease of implementation.
 - (c) Flexibility and adaptability to changes.
 - (d) Cost estimate reliability.
 - (e) Frequency of design changes.
 - (f) Technology transfer.
5. Managerial Criteria
 - (a) Communications effectiveness.
 - (b) Cultural adaptation.
 - (c) Organization and execution of tasks.
 - (d) Quality of staff assigned.
 - (e) General cooperation and responsiveness, adherence to commitments.
 - (f) Quality of relationships with implementing agency, suppliers and contractors, other government agencies, funding agencies, and so forth.
 - (g) Training.
6. Overall Criteria
 - (a) Timeliness of performance.
 - (b) Adherence to budget.
 - (c) Professional conduct

Annex 10.

The Design Contest

1. The Design Contest Procedure

The Design Contest (DC) is a selection method under which shortlisted 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 various 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 shortlisted on the basis of 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 composed of the design criteria; technical specifications; and other data to be provided by the Borrower.¹ Evaluation criteria² 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 criteria³ spelled out in the Request for Design Proposals. The winner of the contest is awarded a prize, which may consist of 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 shortlisted proponents (generally not all) may receive awards to partially offset the expenditures they have incurred.

2. The Request for Design Proposals

This paragraph lists the most likely⁴ 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 “assignment” by “contest.”
- Para. 4. Replace “[insert: Selection method] and” with “with the.”
- Para. 5. Delete Section 3, Section 4, and Section 6.
- Para. 6. Replace “proposal” by “design proposal.”

Information to Consultants. The Information to Consultants should undergo major modifications, since several clauses are not applicable while others shall be amended as indicated below.

- Clauses: 1.3, 1.7.2, 1.10, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 4.2, 5.2, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 6, and 7 should be deleted.
- Clause 1.2: “The consultants are invited to submit a design proposal as specified in the data sheet.”
- Clause 1.6: Delete “and of negotiating the contract.”
- Clause 3.3: Item (ii), (iii), (iv), and (v) should be deleted.
- Clause 3.4: In the first paragraph the words “using the attached Standard Forms (Section 3)” should be deleted. Items (i), and from (iii) to (vii) should also be deleted.
- Clause 3.5: “The design proposal shall include a preliminary estimate of the construction costs.”
- Clause 3.10: The second sentence should be deleted.
- Clause 4.1: This clause should be replaced by: “The design proposal shall be prepared in indelible ink.”
- Clause 4.3: Only the first sentence should be retained.
- Clause 4.4: This clause should be replaced by: “The 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 his design as indicated in the Data Sheet. The original and each copy of the design shall be placed in separated, anonymous and sealed envelopes; each of these envelopes shall only be marked Original or Copy as appropriate. The original and all copies of the design shall be placed in another envelope marked Design; this envelope shall bear the submission address and other information indicated in the Data Sheet.”
- Clause 4.5: The words “and Financial Proposal” should be deleted.
- Clause 4.6: This clause should be replaced by: “After the deadline for submission of designs, the high ranked Official of the Borrower nominated for this purpose shall open the first (outer) envelope of each design and shall mark with a capital letter each of the inner envelopes containing the original and the copies of the design. 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/she shall guard the recording in a safe place under his/her responsibility,

and 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 is terminated, the Official shall hand over all the design proposals to the Evaluation Committee.”

Clause 5.1: The words “to the time the contract is awarded” should be replaced by “to the time the winner is selected.”

Clause 8.1: The words “and recommendations concerning award” should be deleted, and the words “been awarded the contract” replaced by “won the contest.”

Data Sheet of the ITC. The items of the Data Sheet should be amended as indicated below.

Items: 1.3, 1.7.2, 3.3 (ii), 3.3 (iv), 3.4 (vii), 3.7, 3.8, 5.7, 5.8, 6.1, 7.2, and the Appendix should be deleted.

Item 1.1: The third paragraph should be deleted.

Item 5.3: Items from (i) to (v) should be replaced by specific evaluation criteria (main text of annex), and relevant points.

Technical Proposal—Standard Forms. The comments referring to the following Standard Forms should apply.

Forms: 3B; 3D; 3E; 3F; 3G; 3H should not be used.

Form 3C: In the title of the second item the following words should be deleted: “services, and facilities.”

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; and
- Data to be provided by the Borrower.

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 demonstrate their experience and imagination.

The remaining sections of the TOR (Scope of Services, Training, Reports/Time Schedule, Personnel and Facilities to be provided by the Borrower) should be disregarded.

Standard Form(s) of Contract. Not to be used.

Notes

1. While some requirements are indicative as in the standard consultant TOR (for example recommendations to address social, cultural, 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.

4. Minor changes are not indicated in this appendix and will need to be made when preparing an ad hoc document.

Annex 11.

Instructions and Guidance

Notes

Contents

1. Office Memorandum: Hiring Government-Owned Universities, Research Institutes, Government Officials and Academic/Research Staff as Consultants in Bank-Financed Operations.
2. 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.

OFFICE MEMORANDUM

DATE: August 19, 1999
TO: Operations Staff
FROM: Alfonso Sanchez, Director, OCSPR
EXTENSION: 30001
SUBJECT: **Hiring Government-Owned Universities, Research Institutes,
Government Officials and Academic/Research Staff as Consultants in
Bank-Financed Operations**

Hiring of Government-Owned Universities and Research Institutes

1. The hiring of government-owned universities and research institutes in the Borrower's country as consultants often raises questions of eligibility to participate in Bank-financed contracts. The issue arises because government-owned state universities and research institutes generally do not meet the eligibility requirements set out in para. 1.10 (b) of the *Guidelines, Selection and Employment of Consultants by World Bank Borrowers*, hereinafter referred to as Consultant Guidelines.
2. Eligibility to participate in Bank-financed consulting services assignments is defined in para. 1.10(b) of the Consultants Guidelines as follows: "Government-owned enterprises in the Borrower's country may participate only if they can establish that they (i) are legally and financially autonomous, and (ii) operate under commercial law. No dependent agency of the Borrower or Sub-Borrower of the project or their employees shall be permitted to submit or participate in a proposal for the provision of consulting services under the project."
3. This memorandum explains those cases when universities and research institutes that do not meet one or both the criteria (i) and (ii) above, may still be eligible and specifies hiring procedures acceptable to the Bank when Bank financing, Bank administered trust funds or grants are involved.
4. The Bank recognizes that when the services of universities or research institutes are of unique and exceptional nature and no suitable alternatives from private sector consultants are available, the participation of these institutions may be critical to project implementation. In such circumstances the hiring of government-owned universities and research institutes, either directly or as sub-consultants should be agreed during project preparation and disclosed in the project documents (i.e. PAD, Loan/Credit Agreement), including a full justification thereof. When the need arises, during implementation of the project, such participation is subject to the approval of the Regional Procurement Advisor.

5. With regard to the direct hiring of these institutions the following selection methods are acceptable:

- Single-Source Selection when the case meets the criteria for this method of selection as set out in paras. 3.8 to 3.11 of the Consultant Guidelines.
- Quality-Based Selection (QBS) when more than one of these institutions qualifies to execute the assignment and the assignment meets the criteria set out in the Consultant Guidelines (para. 3.2).
- Selection Based on Qualifications when more than one of these institutions are uniquely qualified to execute the assignment and the assignment meets the criteria set out in the Consultant Guidelines (para. 3.7).

6. Government-owned universities and research institutes in the Borrower's country that are not financially autonomous or do not operate under commercial law may participate in competitive selection in association with private consultants only as sub-consultants to carry out specialized tasks for which these entities are uniquely qualified.

7. Universities or institutes that operate under the direct supervision or administrative control of the Borrower or Sub-Borrower cannot be hired under Bank-financed projects because of the conflict of interest situation. The OPRC may in extenuating circumstances approve exceptions to this rule.

Hiring of Government Officials

8. Government officials and civil servants cannot be hired under consulting contracts financed under Bank loans, credits, trust funds and grants, since the principle of transparency would be compromised and the opportunity for abuse heightened. This applies regardless of their being on leave, with or without pay, or on secondment.

9. University professors or scientists from research institutes can be contracted individually under Bank financing provided that they have 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.

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

General

1. Many developing countries, particularly economies in transition, are adopting a two-phase approach to the privatization of 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 first phase MC normally lasts three to five years and is primarily geared to stopping the physical and financial deterioration of systems or improving 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 a 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. Since 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 first-hand knowledge of the system and the public agency in charge of the utility, that is, his 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 he is permitted to submit a bid for the lease or concession contract.

2. The participation of a MC incumbent in bidding for a lease or concession contract raises two issues: (a) the perceived conflict of interest (COI) covered in the Bank Guidelines for procurement, and (b) if a COI exists, can the advantages gained by the MC incumbent in the first phase be reduced to ensure fair competition in the second phase? Until now, these issues have been resolved 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 safeguards that reduce the advantages of the incumbent, would be in the best interest of the borrowers and all other parties concerned. This note provides guidance on how to make the transition from case-by-case resolution of recurring COI questions to a universal, Bank-wide approach.

Conflict of Interest Provision in Bank Guidelines (COI) and Level Playing Field

3. 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 may not supply subsequent services, goods, or works under the same project (para 1.9 (a) of the Consultant Guidelines and para 1.8 (b) of the Guidelines for goods and works). A similar provision is included in the standard forms of contract. The intention of the provisions is (1) to promote transparency, (2) to protect the interests of the Bank's borrowers, and (3) 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.

4. As indicated above, borrowers have shown a preference for privatizing utilities in stages and in concert with evolving economic, political, and social circumstances, as well as the condition of the utility company. 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 decisionmakers and the public. A similar but less frequent scenario could involve the transition from a MC awarded in response to an emergency situation to a new MC to be bid competitively.

5. 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 bid 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, and 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 the 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, since the bidder was not subject to such constraints when he or she accepted the MC. 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 a MC incumbent in bidding on a subsequent lease or concession contract. The prerequisites for this waiver should include, among other things, 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.

Early Strategy Formulation is Critical

6. Early planning is critical to orderly and timely processing of procurement. 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, it may be necessary to investigate market dominance by a particular firm. A firm which is already active in a utility operation in one part of the country may have significant advantages in terms of local knowledge, 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 clients the importance of early consideration of long-term options for privatization, and the transaction costs involved. If a country's circumstances permit it, choices such as the privatization of operations (leases), the privatization of operations and sale of assets (concessions), or partial or 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?

Dealing with the Selection of the Operator or Manager under the MC

7. A key focus of the privatization strategy should be 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 participate 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 necessary to prepare a responsive technical and financial bid. Because the incumbent may well have more intimate knowledge of the utility and its organization than other bidders (particularly with regard to conditions and performance of the system), the first-phase contract should require the incumbent to reveal all critical parameters of the operation in periodic reports and to have them independently audited. There should be an explicit understanding that these reports will be shared with other bidders when the second-phase contract is bid. Typical provisions in the first-phase contract should include:

- (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 his or her contract, or in preparing bidding documents for the second phase contract; and
- (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 be formalized in standard bidding documents for MCs to be made available to all Regions.

8. 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. When these issues arise during the implementation of existing projects, a detailed description of the proposed approach with references to this Guidance Note should be furnished to the Regional Procurement Advisor (RPA) for clearance. The RPA will decide, in consultation with Legal Operations (LEGOP), 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) if the Regional Vice President (RVP) and the Bank Executive Directors (EDs) 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.

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