

HANDBOOK FOR USERS OF CONSULTING SERVICES

Volume I
(Procedures and Practices)

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PREFACE

Since its publication in 1986, the Handbook has served the needs of borrowers and ADB staff in providing detailed explanations of the procedures and process of recruiting and using consultants for ADB-financed projects. It contains useful information, suggestions, comments and relevant examples concerning the use of consulting services in order to achieve efficiency and economy through the proper utilization of consultants on the projects for which they are engaged.

The main use of the Handbook is to supplement information contained in the ADB's *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers*. Readers are advised to consult the *Guidelines* as the official source of reference on the subject regarding the proper procedures in the engagement of consultants.

Some changes have been made in this edition of the Handbook. It includes Quality and Cost-Based Selection (QCBS) that has been adopted for use by ADB, in addition to the Quality Based Selection (QBS) used earlier. The Handbook will now have two volumes, with Volume I covering Procedures and Practices and Volume II containing Sample and Supporting Documentation for recruitment of consultants. New sections included for the benefit of users of the Handbook provide more detail on procedures used for selecting consultants on loan projects and in the administration of consultant's contracts. It is hoped that with these improvements, the Handbook will continue to provide useful information on the use of consulting services for those involved in projects financed by ADB.

INTRODUCTION

Why This Handbook?

The practice of employing outside experts with special skills and experience as consultants to assist in dealing with new or non-recurring tasks is well established in industrial countries. It is of increasing importance in developing countries where technical resources are scarce and where the role of consultants can be crucial for economic and social growth. By providing specialized expertise and an independent viewpoint, consultants can contribute to the analysis and preparation of projects suitable for financing, to their implementation and operation, and to the organizational and financial restructuring often associated with development.

As a regional development finance institution, the Asian Development Bank (ADB) has been involved extensively in the use of consulting services, both directly as an employer in executing technical assistance projects, and indirectly in conjunction with its borrowers. This experience has indicated a need for explicit guidance on the preparation for and selection and employment of consultants to assist ADB's borrowers, their executing agencies, and other prospective users of consultants to avoid delays, excessive costs and other difficulties that have been encountered in the past.

The purpose of this Handbook is to provide guidance on effective use of consultants, with special emphasis on the use of consulting *firms* normally employed to provide teams of experts, groups of trainers and advisors to agencies involved in projects the ADB may assist. This Handbook is also intended to simplify and render more efficient the process of selecting, hiring and supervising either consulting firms or individual consultants whose services are required by the borrowers of ADB.

The Handbook is intended as a practical guide for agencies preparing to engage consultants but it may also be useful where consultants are already engaged. The Handbook can also be used as a reference source in the field and as a background document or text in seminars or workshops on subjects relating to the employment of consultants.

Finally, the Handbook is designed to encourage understanding of the reasons for certain recommended policies and procedures, the problems encountered at specific stages in the process, and possible remedies for problem situations.

1.0 ESTABLISHING THE NEED FOR CONSULTANTS

To employ consultants effectively, the agency responsible must take a number of actions - the subjects of Chapters 2 through 8 of this Handbook. The basis for such actions, however, should be a clear understanding of the situation into which the consultants' services will be introduced and certain knowledge of services available, the types of firms offering such services, and the options open in employing consultants. This should lead to a decision on, first, the need for assistance in principle, and, second, the main areas in which consulting services are to be sought. The following sections of this chapter deal with these topics.

This early stage of the process may require some effort by a "project sponsor." In many cases the sponsor will be the agency within whose jurisdiction the proposed project lies and which will be the EA for the project; where that is clear from the nature of the project itself, this will not be a problem. There will be other cases, however, where the content of the project is not clear from the start, where the initial focus is on a problem whose solution can only be developed after study and which may involve activities in several different fields. Examples of the latter type are often found in the development of ports or urban areas. In such cases, it may be useful to speak initially of a "project sponsor," outside the usual operating departments or agencies, for purposes of carrying out preparatory work to the point where an EA can be identified.

A. Situations in the Development Process

Some examples of situations or stages in the development of projects in which consulting services may be useful are:

1. A feasibility study for a completely new project, such as a road or a dam, or a national sector survey. Nothing (or very little) is known about the project site, the socioeconomic setting, the physical environment (e.g. foundation conditions and drainage), demand for the project's product costs, etc. In such a case, basic data collection must be part of the study.
2. Final engineering design and supervision of construction are to be carried out for a project on which a feasibility study has been completed.
3. Existing infrastructure systems (such as roads, ports, airports, water supply and sewerage systems, or irrigation canals) have, in many instances, reached a stage at which the development of new projects may be less important than the maintenance or rehabilitation of existing ones.
4. Organizational restructuring of a revenue-earning public enterprise, perhaps to respond to changes in the market for the product or services provided, or to reduce a worsening deficit situation, could present yet another set of problems.

5. The undertaking of poverty surveys and various types of social assessments (e.g. resettlement, governance, etc.).

These above examples are illustrative only and are intended to indicate the range of situations and spectrum of issues for which consulting services may be needed.

B. Solutions Without Consultants

Effective use of consultants requires considerable effort by the employing agency. Hiring consultants is not a painless solution to any problem and it is therefore prudent to consider solutions that would not require consultants. This may often be possible by mobilizing latent resources within an organization, by minor shifts in assignments, or by small increases in staff.

Assessing the options *“with and without consultants”* is certainly worthwhile before deciding on the initiation of a major venture. The *“without”* situation may be particularly advantageous where the assignment is expected to be repetitive and where a permanent expansion of staff would be both economical and expedient.

C. Consultant Services Available

Once it has been decided that the services of consultants are required and that the efforts of going through the steps described in this Handbook are indeed justified, it is important to have some knowledge of the kinds of professional talent available.

Many tasks may require only a single individual (or perhaps two individuals) with expertise appropriate for the specific assignment at hand. In such cases it would be advantageous to hire individual consultants who are available either as self-employed experts or through a firm, since this may sometimes be simpler and quicker; factors to be considered in deciding to retain individuals or firms are discussed in Section F of this chapter. Where it is found to be difficult or inappropriate to do a task with individual consultants, it becomes necessary to consider what type of firm may be in a position to undertake the assignment.

Engineering firms, accountants, and auditors are probably among the most widely known general category of consultants active in the development field. But the specializations within the fields may not be equally well known. In efforts to broaden their base of activities, some firms claim competence in areas in which they have had relatively little experience. It may often be worthwhile to find out who the most experienced experts are in the areas where assistance is sought. New engineering specialties have been developed, for example, in such fields as maintenance of road infrastructure, telecommunications, and a variety of computer applications to analysis and mathematical modeling.

ADB, other development assistance and finance agencies, national and international professional societies and their journals, and the main international sector organizations or specialized agencies of the United Nations (FAO, UNCTAD, UNESCO, UNIDO, WHO) are good sources of information on the general market for professional services. Deciding on the firms to be considered is discussed in Chapter 5.

D. Advantages of Using Consultants

Properly utilized and under certain conditions, consultants can be more cost effective than in-house employees. The employer of consultants specifies a particular task and requests this to be completed within a certain time at a pre-agreed cost; on completion, the consultants return home to undertake other assignments. Consultants in international practice are exposed to similar projects in a variety of environments and can specialize in particular types of problems, subsectors or skills to an extent not possible for employees of one organization in one country.

The independence and objective approach of a consultant, interested only in applying his knowledge to the needs of the project in question, is one of the primary benefits. A consultant is obliged to avoid any conflict of interest which could affect the client's project and to provide his advice in an objective and competent manner, even when that advice does not conform to the employer's original views.

Transfer of knowledge, skills and techniques to the executing agency (EA) personnel by working contact with the consultant's staff or by formal training (where this is included in the terms of reference) are valuable products of consultants' services and often help to reduce the need for consultants on future projects.

E. Types of Firms in Consulting Work

Consultants may be categorized by professional/expertise - engineers, economists, accountants, management experts, and so on. Each of these areas can be subdivided into specializations, such as structural engineers, mechanical engineers, electrical engineers. These can be further divided into specialties within each discipline (reinforced concrete and prestressed concrete designers, static and dynamic analysts, municipal power specialists, etc.).

Another form of grouping consulting firms is by sector, e.g. agriculture, transportation, urban development; education, etc. Within these sectors, there will also be subgroups, such as agricultural specialized in livestock, irrigation or fisheries, transportation firms with a specific background in highways, railroads, ports or air ports; urban planners with specialization in new town developments, in urban upgrading or neighborhood rehabilitation; the latter groups, in turn, may have special expertise in housing, recreational development, or community services.

It is quite common for the larger firms in international practice to have interdisciplinary capabilities. For example, a major civil engineering firm principally active in transportation will also have mechanical and electrical engineering groups (for designing ventilation and lighting in tunnels, signalling, heating and air conditioning in terminals, cargo handling equipment, etc.), an economist group (for traffic projections, systems planning and economic analysis), and environmental specialists.

Thus the classification and selection of firms is a complex task that may be quite difficult for prospective users who have only an occasional need for consulting services in any particular field. For this reason, it is often useful to consult with the international and national agencies that have information on the consulting industry in a wide range of sectors and disciplines.

F. Firms or Individual Consultants

A number of factors should be taken into account to determine whether the services of individuals or consulting firms would be more suitable for certain aspects or phases of project development. While this Handbook deals principally with the process of employing consulting firms, the option of retaining individual consultants may be relevant and the merits of alternative ways of proceeding are therefore discussed below.

A consulting firm provides consulting services in a specific field of expertise under contract to a client. Normally, a firm will contract to provide all the services defined in the terms of reference. The employer can expect the firm to organize, control, supervise, administer and provide back-up support services for the input and activities of a team of experts engaged on the project. For individuals, the employer would be expected to provide the organization, administration, supervision and support services.

There are two principal sources of individual consultants:

1. Self-employed experts providing their own services under contract to a client according to a specified terms of reference;
2. A particular individual from a firm, supplied to a client to perform services according to specified terms of reference.

The procedure of selecting consultants is normally quite different for individuals than for firms. *Firms* are normally first short-listed on the basis of experience in similar projects and similar geographical areas or countries, and then invited to submit written proposals detailing the method and approach to be taken in performing the services and specifying the personnel proposed for each aspect of the assignment. These proposals are evaluated according to predetermined technical criteria, taking into account cost in the case of Quality and Cost Based Selection (QCBS) proposals, and one of the firms is selected. Representatives of the firm are then invited to attend negotiations on contractual terms (see Chapters 5 and 6).

Individuals, however, are normally selected from a list of candidates according to the experience and qualifications indicated in their biodata, and then financial terms are negotiated by telex, cable or letter. This procedure is normally much faster than the selection of a firm and will be the same for either a self-employed individual or an individual retained through a firm.

Firms normally have an organization which is experienced in providing consulting services over a period and can be expected to be familiar with the needs of employers. Typically, they have a name and reputation established by the successful completion of number of projects which can be checked so the employer is satisfied as to the caliber of services rendered by a particular firm. They have a home office capable of providing technical and administrative support, including computer services. Proposals submitted by the invited firms provide the employer with an opportunity to select the best approach, methodology and personnel from competing submissions along with the consultant's suggestions and recommendations, which may assist in producing a better project.

A contract with a firm is a commitment by the firm to complete the contracted services; the firm is obliged to fulfill those commitments in a professional and ethical manner. Replacement of personnel, family problems, sickness and social security obligations, organization of the team, coordination of their activities and periodic and final reporting are all part of the responsibilities of the firm. The *main advantage* to the employer is the engagement of a single organization to perform the services, with responsibility for all the consultants' obligations in one contract.

Both time and cost considerations are frequently cited as the main *disadvantages* of using a firm. The selection and contracting process is more time consuming for the client's staff, and will usually require an extensive proposal period and selection procedures totalling no less than four months (more often over six months) to complete the process to final contract stage.

Although self-employed individual consultants can normally be contracted for unit costs that are lower than those of firms, the employer will have to provide support costs, such as administration and supervision. Replacement of the individual consultant caused by accident, sickness or unsatisfactory services is the responsibility of the employer; the resulting loss of time and the additional costs involved can be considerable. Individuals are usually most suitable for project services requiring one, or at most two, areas of expertise in which an individual has special qualifications.

Recruiting separate individuals to be formed into a team is not recommended, because difficulties can be expected in (i) finding suitable individuals who will be able to commence and finish when required to fit a team schedule, (ii) designating a team leader to be responsible for a project (who probably has no previous experience with the other team members); (iii) combining different ages, languages, cultures, backgrounds, previous experience levels and remuneration rates of separate individuals in a single coherent team; and (iv) imposing an additional administrative workload on the EA in organizing and controlling diverse individuals in a team operation.

In particular circumstances, however, it may be appropriate to recruit both a firm and particular individual consultants if, for example, a combination of specialized expertise is required and additional flexibility is desired.

G. Basic Criteria for ADB Financing

The basic principles governing the recruitment of consultants services to be financed by the ADB is contained in Article 14 of its Charter, formally known as the Articles of Agreement, which established the ADB. *Procedures to be followed by the ADB are contained in the Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers (Guidelines)*. The Guidelines require that the needed services be obtained only from its member countries and that its members be provided adequate, fair and equal opportunity to try to supply them, when they are sought. Accordingly, in order to meet these requirements and the underlying principles of economy and efficiency, international competitive procedures are generally followed by the ADB and borrowers utilizing ADB funds. However, exceptions to international competitive bidding are granted when there is sufficient

justification to do so. This can include, for special cases, the direct selection of a consultant, because of previous involvement and special knowledge of requirement of a particular project.

H. Domestic Consultants

Domestic (or local consultants) can, if they are suitably qualified, enter the process of international competitive selection, as outlined in the Guidelines. The Guidelines also encourage international consultants to use domestic consultants voluntarily, assuming the latter meet the required technical qualifications and standards.

1. Packaging Services

Once the total consulting services requirements needed for a loan project have been determined, it is the practice of ADB/borrowers to determine the preparation of the services that can be assigned to domestic consultants, based on their capabilities and availability. In such cases, separate budgetary provisions are made for international and domestic services.

2. Financing Domestic Consultant Costs

Project Costs are normally subdivided into foreign currency and local currency costs. The costs to be incurred locally and payable in local currency are included in the estimated local currency cost. Accordingly, domestic consultants costs are normally included in the local currency cost. On loan projects, local currency costs would generally be financed by the borrower, unless provision is made for the ADB to meet a share of these costs under the loan. This is based on the eligibility of the developing member country concerned to receive local currency financing from ADB.

I. ADB Business Opportunities (ADB-BO)

The ADB's monthly publication ADB Business Opportunities (also known as the ADB-BO or the Blue Book) provides consultants with advance summary information on the anticipated Consulting Services Opportunities for ADB-financed projects. This is subscribed to, or reviewed free of charge on the Internet at the ADB website, and can be reviewed by consultants interested in providing their services. The ADB-BO provides the addresses for interested consultants to communicate with the borrower's agencies concerned. When doing so, the consultants may also provide ADB or borrowers, with information on their capabilities for consideration during selection.

2.0 ASSESSING ALTERNATIVES FOR DOING THE WORK

The next step by the project planner should be a thoughtful evaluation of alternatives for doing the work, including an identification of the main issues to be resolved and of the agencies and persons to be involved. There should also be an assessment, at an early stage, of different approaches in terms of timing and costs, and of the quality of results these approaches may produce.

A. Lessons from the Past

The primary focus in reviewing past work must, of course, be the proposed project itself, its immediate socioeconomic environment, and the agency staff or consultants who have worked on it most recently. The project's relation to other sectors and projects is often the next most important area to be explored.

B. Linkages to Other Sectors/Projects

As an example, proposed improvements to a road from Point A to Point B may be justified on the basis of present traffic and may, therefore, have a certain priority among road projects under the jurisdiction of a regional highway agency. However, the principal traffic on that road may be agricultural products or related services, so that it would be important to know where agricultural production is expected to increase, what programs there are for introducing irrigation in the area, where processing plants or centers of consumption are planning expansion, etc. These factors may be more important for future traffic between A and B than the Highway Department's records of past traffic. Perhaps these factors would reverse trends and cause a reduction in traffic on the road or, conversely, they may cause rapid increases in traffic which would render earlier design standards inadequate.

C. Key Issues to be Addressed

It is important to identify early "key issues," which are those topics or problems that should receive careful attention during the final discussion stage, when decisions on financing and implementation of the project are made. They can range from questions concerning the project design, appropriate technology and economic justification to institutional and labor problems, local air and water pollution, competing demands for natural resources, cost recovery problems, or industrial development policy.

D. Agencies to be Involved

Another matter that should receive early consideration relates to determining the agency (or agencies) that should be involved in various aspects of studies and their review. This may well include questions of who should be the lead or EA for project implementation. Important considerations on this subject are:

- an agency's specific interest in the proposed project;
- skills and personnel available to participate effectively in the preparation process;

- relative authority levels among agencies and their resources;
- the feasibility of assigning lead responsibility for overall control to a single agency and of designating the connection points to other agencies; and
- access to financial resources for various phases of the project.

E. Alternative Approaches to Providing Services

Based on the considerations outlined in the foregoing, it is then possible to assess alternatives in the approaches to study design. This action is not often recognized in the early stages of preparatory work as a distinct step, but should be. It concerns the sequence of events and scale of effort at various phases in the study process, including discussion and analysis of such questions as:

What part of the work involved in a study can be done effectively in-house and what should be the role of consultants?

What should be the principal areas of consulting services and should these be provided by firms of one or more disciplines?

Should the study have a preliminary first phase, followed by an official review, before proceeding with a major, in-depth effort?

Will there be a need for an interdisciplinary approach for which a range of expertise is needed (e.g. poverty surveys, social assessments)?

Discussion of these and similar questions among senior staff concerned with the project, will provide a sound basis for concept definition in the next (and final) steps.

F. Determining a Suitable Plan of Action

When the alternatives available for providing the services of a particular assignment have been identified and discussed, it is possible to decide on a suitable plan of action for the tasks at hand. This comprises determination of the format, timeframe and sequence in which tasks are to be performed and the contents of principal tasks.

G. Deciding on the Objectives and General Scale of Services

For the selected plan of action, it is then possible to prepare a more specific statement of objectives for the proposed activities and to determine the order of magnitude of staff effort that would be appropriate for the purpose.

“Objectives” should, as a minimum, state the general purpose to be served by the proposed activities and list the principal outputs required. In some instances it may be appropriate to list “long range” goals of the project under preparation and the “short term” objectives to be achieved.

With agreement on such a statement of objectives there should also be an understanding on the general scale of resources to be employed, i.e., should it be a two to three months effort of four to six professional with support staff, costing about \$100,000, or is it to be a one year effort of a

dozen or more professionals costing in the order of a million dollars? The decision on approximate scale of services should be made at the same time and by the same people who define the objectives of the services.

H. Deciding on Responsibilities for Execution

From the decision on the objectives and scale of proposed services, it should then be possible to select the agency which is to have the lead role in project execution. The considerations listed in Section D above will be important in this selection.

Designation of an EA for a project also implies that the agency selected would provide a project manager of the counterpart staff required to work with the consultants (see Chapter 4, Section C). In some cases, it may also be appropriate to designate a steering committee to oversee the work and provide guidance during the course of a consulting assignment. This may be useful in cases affecting a number of important agencies in the country.

The ADB normally requires designation of an EA early in the process, with assurances of continuing responsibility through all stages of project preparation and implementation. Meaningful EA involvement from the onset is critical for sustained ownership of the project. With ADB and other donor focus increasingly on poverty and social issues, projects are becoming more multidimensional. Consequently, there is an increased need for deepened coordination between the EA and all implementing agencies concerned.

3.0 FRAMING THE SCOPE OF SERVICES

With agreement on the objectives and general scale of desired services, and with an understanding on executive responsibilities, one can proceed with defining the scope of services for the consultants.

It is highly desirable to maintain continuity throughout the process and to ensure that key agencies and persons who contributed to the previous steps remain involved and interested in the substance of scope definition. They shall continue on the working group for the following reasons: (i) there may be a need to interpret the objectives statement or to clarify the original intent by improvements in wording; (ii) work on scope definition may reveal previously unrealized facts which require a significant change in the objectives statement, and (iii) background knowledge on the setting of the proposed project, on previous or ongoing studies and on the reasons for choosing the selected “service configurations” rests with the people involved in the assessment of alternatives.

For the actual work of drafting terms of reference and carrying out assignment design, the number of persons involved will probably be smaller than the group previously consulted on reaching a consensus of objectives, as is indicated in the following section.

A. Defining Scope of Services

The primary requirements for persons to be engaged in scope definition for consulting services are (1) thorough familiarity with the proposed project in its setting, and (2) competence in the principal disciplines of the proposed services. Another highly desirable qualification is previous experience in the actual direction or execution of similar services.

Ideally, the task of defining the scope of services for consultants should be assigned to a small team of mature, experienced professionals in the EA, representing the same or similar disciplines as those required for the proposed consultants’ team. They should themselves have participated in the definition of objectives and should remain available to form elements of the counterpart team during the services. They should also have a realistic grasp of the project situation at hand, knowledge of the principal problems on which the consultants are to work, and an understanding of the likely staff, time, and cost implications of the various components of the proposed services. The team should work in close collaboration with ADB staff assigned to the project.

B. Uses of Terms of Reference

The emphasis on careful preparation, clarity, conciseness and completeness of terms of reference for consultants is important because the life of this document extends through all phases of a prospective consultant assignment. Terms of reference are customarily used for:

1. Reaching agreement among the responsible agencies within the country or sector concerned, and between the executing agencies and prospective financing source, on the objectives and scope of proposed services;

2. Advising prospective consultants on the intended scope of work at the time of request for proposals (the terms of reference is enclosed with the request for proposals); and
3. Defining the assignment that comprises “the services” in the contract with the selected firm.

C. Drafting Terms of Reference

1. What Kind of Work is This?

Use of the word “drafting” may convey the impression that preparing terms of reference is principally a job of writing, perhaps one of “clipping” appropriate paragraphs from previous work and doing a little editing (for example to change the name of the project) to result in a composite appropriate for the occasion. This is incorrect, and has caused much misunderstanding of the work involved.

The task of preparing terms of reference, after a first definition of objectives is in hand, usually means more research, such as reading reports of past studies, talking to knowledgeable people in the sector or region, reviewing once again “Lessons from the Past” (Chapter 2, Section A) and simply thinking about the problem.

Then begins the detailed work of scope definition and “study design,” which concerns a review of existing data, the identification of all work to be performed, analyses of the sequence in which work is to be done, definitions for tasks, etc. This also includes consideration of the “Key Issues” identified earlier (Chapter 2, Section C) and finding a way in which they can be properly reflected in the proposed scope of work.

Further work concerns determining the most suitable phasing of the process and the establishment of desired control points at which the supervising agency will have an opportunity to review and formally comment on interim results. This determination leads directly into establishing the reporting requirements.

Typically, all such activity will produce flow diagrams, bar charts, personnel estimates, and some component definitions, but little text at this stage. The “drafting” normally does not begin until most substantive thinking has been essentially completed.

2. Typical Outline

There are various formats that have been adopted for Terms of Reference, but the ones most commonly used in international practice involve three or four major headings, as follows:

- I. Background
- II. Objectives
- III. Scope of Consulting Services
- IV. Data, Services and Facilities for the Consultants

The heading *Background* is included in cases where it is deemed appropriate to provide an explanation of the general situation in which the services are to be performed.

The heading *Objectives* will cover an elaborated statement of the objectives previously defined (see Chapter 2, Section G), adapted as necessary to the structure of the scope defined in the subsequent section.

Typical terms of reference are presented in Appendix 1 of this Handbook. These examples reflect normal practice in defining the scope of consulting services.

While terms of reference for all types of proposals should be as detailed as possible, this is particularly true for simplified and biodata technical proposals (see Chapter 5, Section G) where, if possible, the relevant terms of reference should be position-based.

3. Scope Definition

The first section under implementation “Scope” usually consists of a series of brief statements on general topics, defining the geographic area where the project will be located, the categories of services to be rendered, and the manner in which the consultants are to cooperate with the recipient government during the implementation of the service.

Subsequent sections of the “Scope” outline each major type of service, usually in the sequence of intended operations. In defining the scope of consulting services, a distinction should be made between task descriptions and outlining methodology or operating procedures. Terms of reference usually are not intended to be more than task descriptions. The methodology to be used by consultants in accomplishing these tasks and the detailed programming of operations by members of the consultants’ team are normally included by the consultants in their proposals and agreement on these points should be reached at the stage of contract negotiations. It is important, nevertheless, that those who define the scope of consulting services have a clear idea of the methodologies that could be used to accomplish the tasks and of the staff operations typically required to complete each part of the survey or study.

Finally, the scope definition in the “Terms of Reference” contains a description of reporting requirements and the time schedule by which reports must be submitted.

4. Counterpart Effort

The last part of “Terms of Reference” usually contains a description of the data, services and facilities that are to be provided by the employer or others during the conduct of the services. It is important to define in some detail what the employer or other agency can contribute before consultants are invited to submit proposals. It will include both support staff and equipment, services and facilities the employer is willing to provide. In some instances, office accommodation, local transportation, or similar resources could be of importance.

More detailed discussion of issues relating to the roles of counterpart personnel and support staff is given in Chapter 4, Section C.

5. Relationship with Other Projects

The scope of services envisaged for the project, and consequently the parameters of the consultant's work, should mention the relationship of the project under consideration with other related existing and planned or ongoing projects.

D. Typical Issues in Technical Areas

1. The Feasibility Stage

At the feasibility study stage, technical issues in scope definition frequently concern the adequacy of available physical data, the time and cost of obtaining any additional data, and the number or types of technical design alternatives to be investigated. The level of detail to which each subject should be pursued at various stages in the process will often depend on the required accuracy and reliability of cost estimates.

2. Final Design and Supervision

At the final design stage and, to a greater extent, during implementation or supervision, technical issues in scope definition for consulting services often revolve around the level of design and standards to be adopted and the authority assigned to the consultant. Another area of potential controversy is created by a change in consultants between the preliminary and final design phases.

3. Appropriate Technology and Protection

In the development process, questions frequently arise about the appropriateness of certain levels of technological sophistication and about the appropriateness of importing foreign techniques or experts, which may compete with local ones.

For instance, the level of automation, sophisticated technology, or complexity of operations must fit the budget, foreign exchange availability, operator skills, and maintenance capabilities of the owner. If foreign exchange will not be available, designs proposed by the consultants should minimize the need to import spare parts or supplies - even at an apparently lower efficiency or higher financial cost.

Local consultants may be able to participate in the project. Participation as associate partners has much to recommend it in terms of training and maximum integration. A voluntary association between firms is preferable, since forced joint arrangements are not likely to be successful. If an association is not feasible and the work assignment permits it, portions of the scope of services may be separated out to be done by local firms. However, this can create a problem of coordination and responsibility, which is the reason for the preference for association arrangements.

E. Typical Issues in Economic Analysis

The role of economists in the preparation of investment projects includes estimating the market for the particular goods or services to be supplied by the project, and determining the extent to which the project is economically justified. The first point raises issues of data; the second, issues of method and scope.

Consultants retained for economic analysis in sector or project work need guidance concerning the general economic and social developments expected to take place in the country or, more particularly, in the immediate region of the project. Considerable data is generally available from government and private sources in the country as well as from international institutions.

F. Typical Financial and Management Issues

Services of consultants may be needed to deal with a variety of financial and management problems. It is particularly important, therefore, to define the scope of such services in a manner that ensures proper focus on the issues of primary concern. Those responsible for defining the scope of financial and management services should be well informed about the particular entity or agency concerned, including its financial situation and prospects; accounting policies and practices, organizational structure, management and control systems; planning, programming and budgeting systems, staff competence and training, and any significant problems or shortcomings in the areas to be studied.

G. Typical Environmental and Social Issues

Where existing conditions in the area of a proposed project are known to include major environmental and/or social problems, these should be directed to the attention of all consultants retained for the project in their terms of reference. Neglecting to do so could distract from the relevance of the consultants' work and may put the outcome in jeopardy.

Projects that have a potentially major impact on their environment (including social impact) should have specific study components at the feasibility stage to evaluate the effects and identify ways to alleviate the impact. If necessary, there may be separate environmental and social studies, independent of project engineering/economic studies. This would have merit where the environmental or social impact is likely to become a matter of public concern to ensure that the environmental and social analysis is seen as being objective and independent.

Environmental protection measures, if found necessary to reduce the adverse impact of a proposed project to acceptable levels, are legitimate costs which should be included in the project cost estimate and the economic analysis, and financed as part of the project.

Similarly, the social impact of a project should be properly considered. For instance, projects involving the relocation of population require careful investigation of the number and types of families involved, their present circumstances, plans for resettlement, employment opportunities in the new location, adequacy of organizational framework for resettlement, etc. Such issues should be explored as part of the preinvestment phase and should be reviewed and refined during final design and supervision work.

H. Training Programs

Where consultants are to be retained for the principal purpose of preparing a training program for a specific agency (or sector or project), the issues involved will once again be related closely to the particular situation at hand. Training designed specifically for the employer's needs is highly relevant and the staff defining the services of consultants must be fully familiar with the institutional environment in which the consultants will work.

It is customary to include training components in a variety of other services, ranging from all types of feasibility studies to final engineering designs and construction supervision. A common but erroneous assumption in such cases is that the training to be performed by the consultants in the course of their work is automatic and without cost; neither is the case.

4.0 SETTING A BUDGET AND TIMEFRAME

To set the budget and timeframe for proposed consulting services, those responsible must have a clear understanding of the overall process by which services will be financed and supported. The ADB, like other international agencies, has a specific role to play in the preparation and implementation of the consulting services it finances, and interacts with the EA throughout the process. The purpose of this interaction is to ensure high quality of results, efficiency in performance, and compliance with the practices and requirements on which ADB's financing of consulting services is conditioned. More details on requirements at each stage are given in the relevant chapters of this Handbook.

A. What is at Stake?

While the full cost and likely duration of consulting services cannot be estimated until the scope has been adequately defined, it is quite common to discover, after review of the first draft of terms of reference, that the scale of the proposed services has changed considerably from the order of magnitude envisioned at the conceptual stage (Chapter 2).

In practice, the unavailability of data is a frequent cause of cost overruns in consulting services. Whether it is market information on a commodity, records on winds and rainfall, data on subsurface conditions at a project site, or some other relevant set of facts, the tendency by employers is to think that what is known is quite sufficient, whereas the professional responsible for making definitive recommendations will tend to want more data, either because of a real need or just to be sure of the situation.

Budget makers are obviously in very important and powerful positions - at stake may be nothing less than the ultimate usefulness of the consulting services to be contracted and, consequently, the prospects of the proposed development project.

B. Estimating Professional Staff Time

Professional staff costs are usually the largest element in a typical budget for consulting services and therefore the most critical to estimate. The two principal components of professional staff costs are time and price per unit of time. The latter is discussed under "Person-month Rates" and related subjects in Sections E and F of this chapter. The following discussion covers methods of estimating staff requirements for consulting services, both in terms of the types of professionals required and the duration of involvement by each type.

In addressing staff requirements, the estimator of professional service costs should first consider the activities involved in the assignments and the sequence and duration of these activities. A variety of methods is available for programming activities, some involving sophisticated computer methods that permit the programmer to optimize inputs by the various components of the team so as to produce the most efficient service configuration. The simplest method of depicting service activities for a particular assignment is a "bar chart"; it is not only easy to produce for the work program, but it is also easily translatable into a staffing diagram

from which the input by each member of the proposed team can be estimated.

A typical “Work Program” for a hypothetical project feasibility study of eight months duration is shown in *Figure 4.1*. It demonstrates the kinds of activities usually encountered in a study for an infrastructure project, comprising preliminary engineering work and socioeconomic analyses. The preliminary engineering work requires field surveys and laboratory tests to provide a basis for initial studies of physical alternatives. Another input to these initial studies is the demand forecast. While economic analysis plays a role in the selection of alternatives, the principal staff input by economists comes towards the end of the exercise, when project cost figures are known.

With a tentative work program, it is then possible to produce the first Staffing (or Personnel) Schedule, following a bar-chart format similar to that shown in *Figure 4.2*. The Staffing Schedule has a line for every member of the hypothetical consultants’ team and the “bars” may be drawn on these lines in various ways. The example given is for a case in which the distinction between field and office effort is not important; in other cases, the distinction may be made between bars designating time to be spent at the project site and those designating time in the consultant’s home office.

C. Roles of Counterpart Personnel and Support Staff

Most organizations financing international development and the recipient governments that employ consulting firms place much importance on obtaining meaningful involvement in consulting services by the recipient government or its EA. The counterpart staff assigned and the quality of support services furnished to the consultants’ team in the field play a significant role in the conduct of the work; they affect not only the cost of the consultants’ services but also the quality of the results and, in most cases, the usefulness of the entire exercise. The counterpart staff is typically headed by a project manager, who is the EA’s counterpart to the consultants’ team leader.

It is important to make a distinction between functions of counterpart personnel and those of support staff. Government counterparts are to work *with*, not *for*, the consultants, as an integral part of the consultant’s team. In feasibility studies there should be one full-time counterpart for each member of the consultants’ team, if at all possible. The counterparts’ principal functions are:

1. To provide local knowledge and liaison between the consultants and government agencies and to direct the consultants to all available sources of data;
2. To receive training in the field of the study, through day-to-day exposure to the work of foreign specialists; and
3. To discuss and review with the consultants all findings and recommendations before they are presented to the government in the form of a report.

The third function is of particular significance. While it is not necessary that each counterpart agree with all of the consultants’

Figure 4.1
WORK PROGRAM FOR A TYPICAL FEASIBILITY STUDY

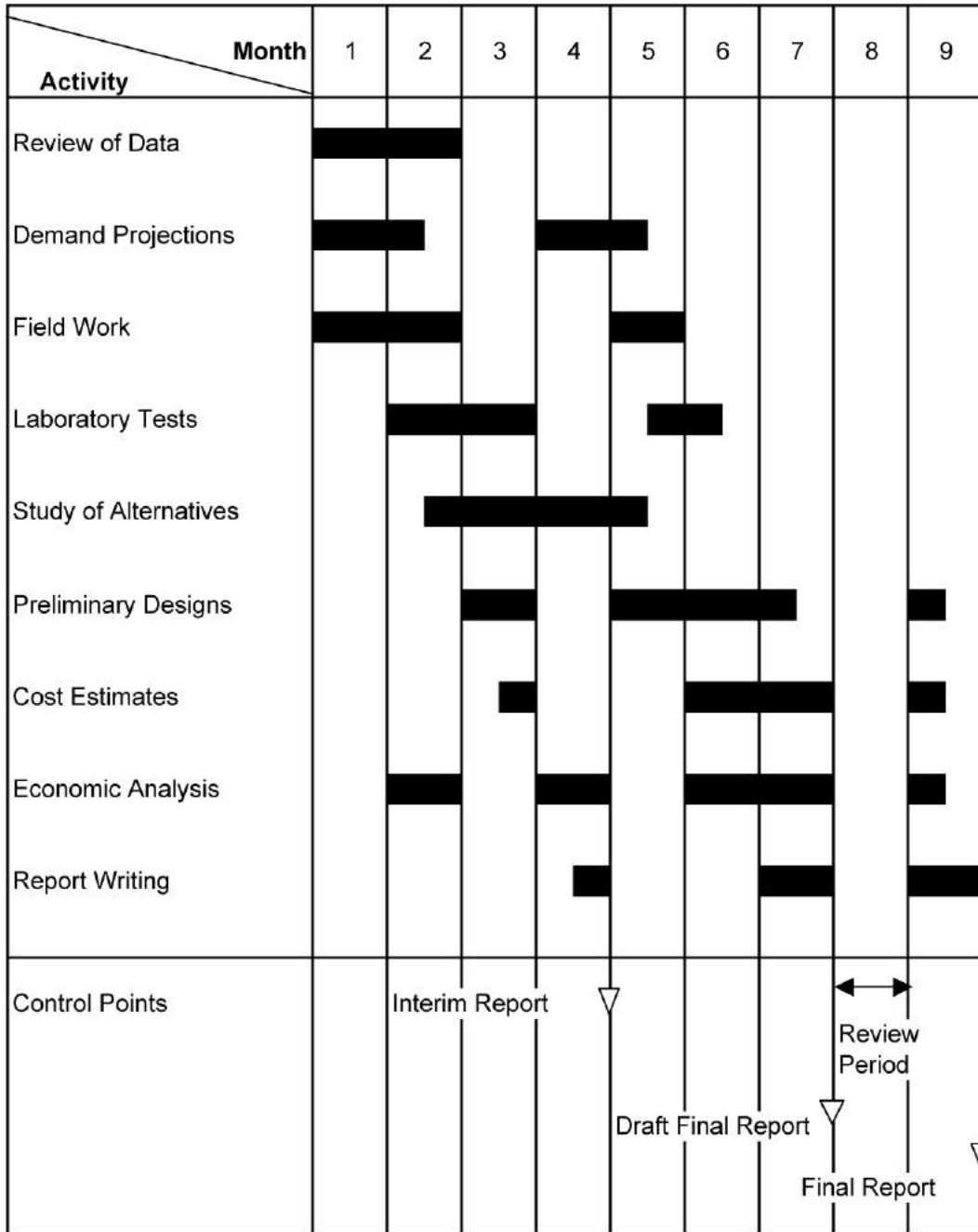


Figure 4.2
STAFFING SCHEDULE FOR CONSULTANT TEAM

Activity	Month									TOTAL		
	1	2	3	4	5	6	7	8	9	Home Office	Field	
Consultants (International)												
Team Leader	■					■						8.00
					▨					1.00		
Field Engineer	■				■			■			3.00	
		▨								1.00		
Civil Engineer	■	■								■		5.75
Operations Analyst		■	■							■		5.50
Soils Specialist		■				■					3.50	
General Economist	■			■				■			3.00	
Project Economist	■								■		8.00	
Cost Estimator			■			■			■		3.50	
Environmentalist		■						■			2.00	
									Total	2.00	42.25	
Consultants (Domestic)												
Civil Engineer			■									4.00
Economist				■								2.00
									Total		6.00	

■ Field
▨ Home Office

recommendations, they should have a clear understanding of the reasoning behind the recommendations and of the manner in which conclusions were reached. After departure of the consultants, the counterparts should be able to interpret the consultants' reports and should, wherever possible, carry major responsibilities in the implementation of recommendations.

To ensure effective participation by counterpart personnel, certain matters should be discussed before a decision is reached on the level, number and responsibilities of such staff. These include: (i) the exact responsibilities of counterpart staff in collaborating with the consulting firm, (ii) the extent to which counterparts are released from their normal duties; (iii) the extent to which counterparts can fit in with the expected work schedule; (iv) the arrangements for replacement of unsuitable Counterparts; and (v) the coverage of field and travel costs of counterparts.

Support staff to be provided by governments, on the other hand, (such as draftsmen, surveyors, clerical personnel, guards, and drivers) will be expected to work for the consultants and should operate under the direction of members of the team. While their functions are not at the same professional level as counterparts, the performance of support staff is often highly important to the success of the services.

Sometimes it is convenient to assign a project coordinator to assist the consultants' team leader, the counterparts and support staff, and to handle administrative and organizational matters related to the project. This person would work under the EA's project manager.

D. Identifying and Using Control Points

In finalizing the draft terms of reference, control points in the services should be identified, providing for submissions by the consultants, which should be formally reviewed and which may result in a decision by the EA, as to whether to go forward as recommended or which of several options to select, etc. Control points can be very important in feasibility studies, especially when several phases are covered under a single contract. The way in which they are handled can also have a bearing on the time and cost requirements of a study.

If properly used, control points can be an important means for directing the work and an opportunity for the employer to contribute to the effectiveness of the team (see Chapter 8, Section C).

E. Professional Remuneration Costs

The cost of professional staff in consulting services is estimated by using the staff time calculated earlier (Section B of this Chapter) and proforma budgetary rates that are applicable for the particular service per unit of time. The units of time for consulting services in development work are normally estimated in months (person-month) The ADB uses a fixed monthly proforma rate per specialized sector to cover all international firms from its member countries. Domestic consultants are estimated separately.

F. Out of Pocket Expenses

These cover project related costs other than remuneration. They include per diem or housing allowances for living expenses abroad, travel expenses like airfares, costs of surveys and equipment, report preparation costs, provisional or fixed sums, and other direct expenses.

G. Contingencies

The budgetary provisions for loan projects provide for two types of contingencies: physical and price. A total 10 percent contingency provision is commonly used.

H. Local and Foreign Currency Expenditures

It is customary to prepare cost estimates that give the estimated breakdown of foreign exchange and local currency costs, and the total costs, of all major components of the proposed services. This serves both for budgeting purposes and as a basis for negotiating payments clauses of the consultants' contract (see Chapter 4, Section G).

When it is expected that the consulting services will be provided by international consultants from abroad, portions of the consultant's person-month rate (frequently the entire amount) to be paid in foreign exchange will be identified, as well as those out-of-pocket expenses (such as international travel) which will be charged in foreign exchange. Local living expenses, travel allowances and local services will normally be paid in local currency. Sometimes the loan amount provided by ADB or other agencies will cover foreign and part of local costs; in these cases both budgets and consultants' contracts must be carefully prepared to facilitate such financing.

I. Taxes and Duties

In estimating consulting services costs, it is important to be aware of the taxes and duties to which both foreign and domestic firms will be subject. These items may have significant bearings on the actual total cost of performing services in the country of the project and they should be identified and included if cost estimates are to be realistic. Whether the consultants pay taxes and duties from their own income or receive separate reimbursement from their client, these remain costs that must be included in the budget.

Furthermore, if international financing is to be provided for the services, the portion of costs attributable to taxation and duties imposed by the country where the assignment is to be performed are usually excluded from such financing. ADB and other international agencies therefore require that taxes and duties be identified and listed separately from other costs. ADB-financed loan proceeds cannot be used for payment of taxes and duties. In ADB-financed loan projects, if taxes and duties are applied in the borrower country on payments to consultants, the latter should take this into account in submitting their financial proposals.

J. Implementation Schedule

To define a realistic timeframe within which proposed consulting services can be provided, it is useful to make a detailed schedule of all activities that will be involved. Care should be taken to base each item in the schedule on a realistic assessment of the institutional environment affecting the process of employing consultants, both in the country in which the services are to be performed and in the agency that may be called upon to provide financing. There are few subjects on which overly optimistic thinking is more prevalent than in the one under discussion here.

For the tasks of the consultants as defined in the terms of reference, the work program (see Section B of this Chapter) should provide an adequate basis, including the time requirements for control points and the process

of reviewing draft final reports. The area often subject to miscalculation is the time period required before consultants arrive on the site.

There are numerous actions that must be taken, from the date of approval of terms of reference and budget to the date consultants arrive at the site to commence field work. The typical actions involved in hiring a consulting firm in international practice are indicated in *Figure 3* and may require approximately half a year. This period includes about two months for the preparation of proposals (normally involving a visit to the project site by representatives of each invited firm), about three to five weeks for the evaluation of proposals received, and two to four weeks for mobilization of the consultants' team after approval and signature of their contract.

It is possible to reduce these time requirements in certain specific cases, but experience has shown that more than half a year is normally required for the activities outlined in *Figure 4.3*. It is sometimes necessary for the EA to await government concurrence for the selections made and also to obtain approval for the negotiated contract. It is essential, therefore, that a realistic assessment of the conditions governing the selection and contracting process be made for each case, before preparing an implementation schedule.

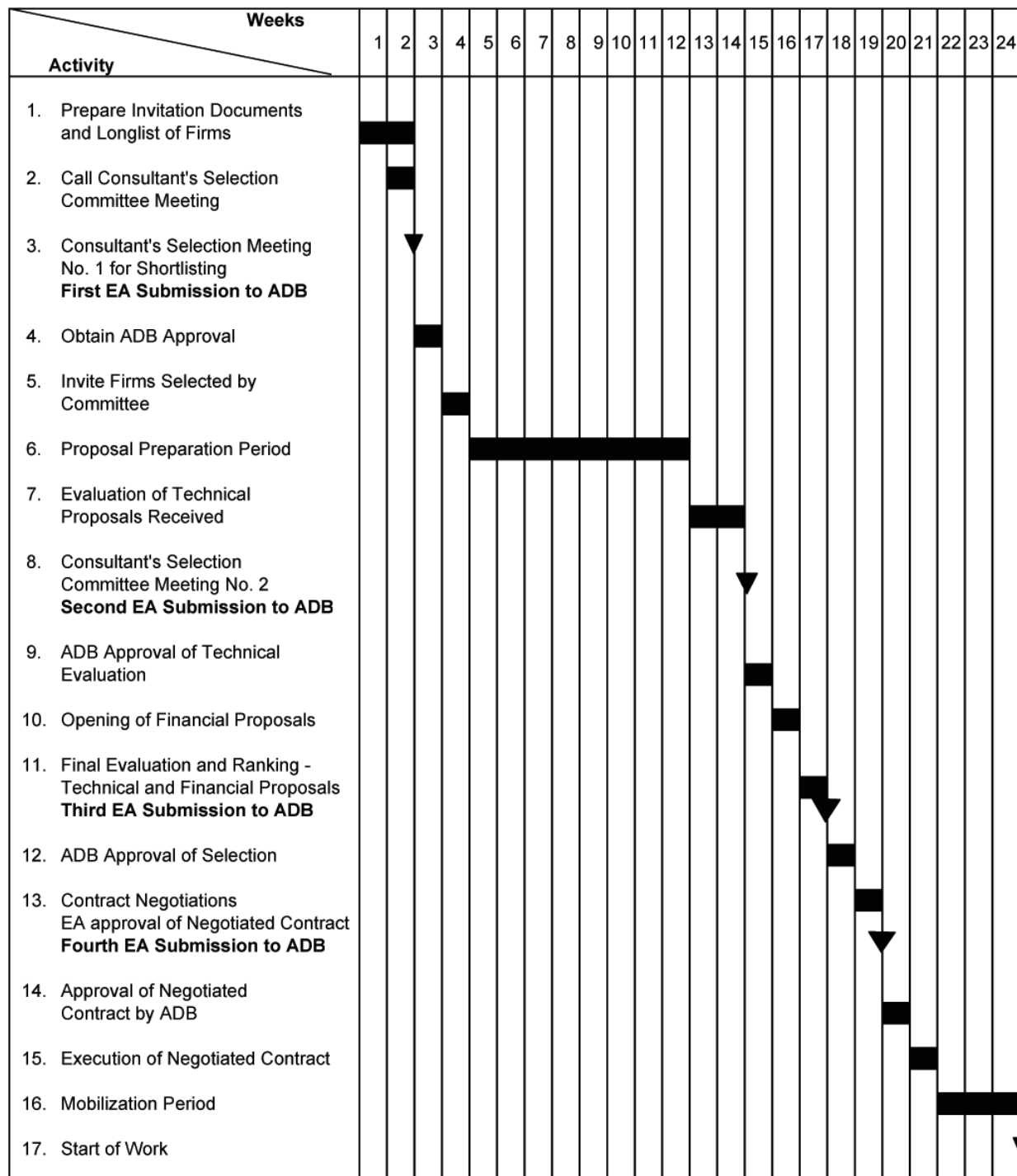
K. The Importance of Timing

Firms are selected largely because of the people they have available for a project and it is necessary that they are informed of the time when the services are expected to start. Timing is critical to both the proposal and the selection. Good experts cannot be expected to wait around indefinitely; they are usually busy and on a tight schedule. Those who want their services have to get in line - and had better keep their place in line - if they want to employ them.

If something slips, however, and the start of the services is postponed (say by two or three months beyond the dates originally given in the invitation), the selected firm may have no option but to assign the key experts to some other client - or may lose the person entirely - and then be forced to propose alternative experts who may not be as good. Such delays, therefore, could vitiate the selection process.

In summary: experts are important in consulting work. Good experts have very little time; often they cannot wait when things go wrong. That is why timing is important.

Figure 4.3
TYPICAL IMPLEMENTATION SCHEDULE FOR ENGAGEMENT
 (Selection of Consulting Firms Using QCBS)*



* For ADB-financed loan projects involving selection of consulting firms using QBS, there are only three submissions by the EA for ADB approval: (i) the CSC-endorsed shortlist; (ii) the CSC-endorsed evaluation and ranking of technical proposals; and (iii) the negotiated contract. This should reduce typical implementation time by approximately two to three weeks.

5.0 SELECTING A CONSULTANT

A. Introduction

Consultants for projects financed by ADB must be selected and engaged in accordance with the principles, practices, and procedures in the *Guidelines*. The policies in the *Guidelines* on recruiting consultants are derived from *The Agreement Establishing the Asian Development Bank* (the *Charter*). The basic principles in the *Charter* relating to consulting services are:

- (i) ADB funds must only be used to recruit and engage consultants who are nationals of ADB member countries.
- (ii) ADB must ensure that the funds are used only for the purpose for which they were approved, with due consideration to economy and efficiency.

ADB and its borrowers must follow these basic principles in the *Charter* and the *Guidelines* when they recruit consultants for ADB-financed projects. Further, ADB as an international, multilateral development finance institution has an obligation to provide fair opportunities to all the technically qualified consultants in its member countries. If a borrower does not follow all of the basic principles when it recruits consultants, including when it evaluates consultants' proposals and awards contracts, ADB may refuse to finance that part of the consulting services and cancel the corresponding portion of the loan.

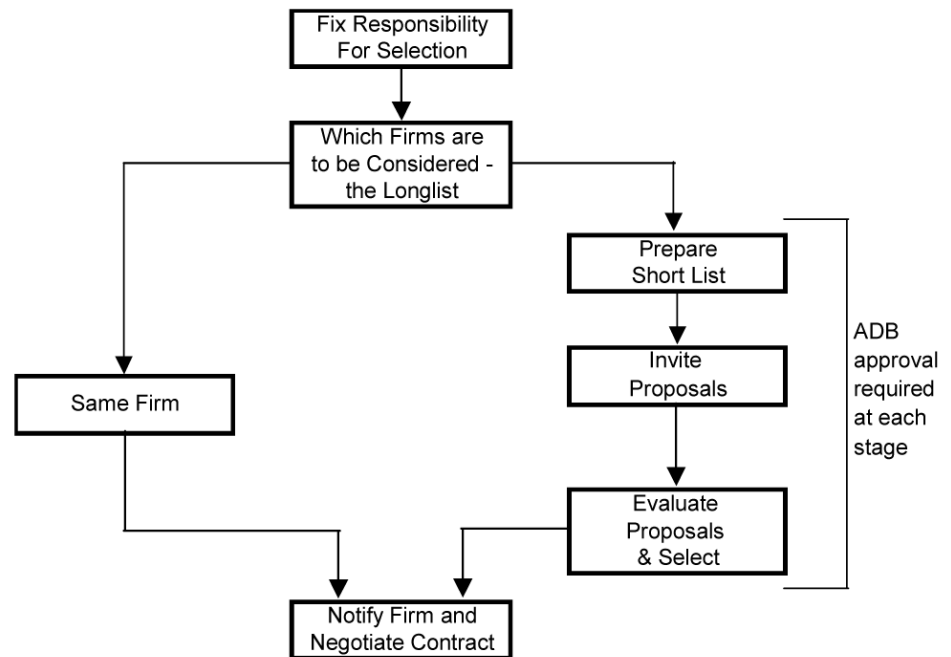
Request For Proposal (RFP) documents sent to the short-listed consultants for consulting services funded by ADB must include the provisions necessary to comply with ADB's principles, practices and procedures. When ADB and borrowers evaluate and rank consultants' proposals, they must comply with the terms and conditions stated in the RFP. Evaluating consultants' proposals fairly, accurately and transparently is one of the most important aspects of recruiting consultants.

B. Responsibilities for Selection

The borrower's Consultants Selection Committee (CSC), under its chairperson and with the participation of project directors, should ensure that the most appropriate available technical and administrative experience is used and that the selection process is conducted impartially. The selection process may also include individuals who were not involved in the project planning, but who can contribute additional expertise or who will be involved at a later date such as a representative from the government agency which will approve the contract. The following sections discuss the various stages involved in the selection process for firms and individuals.

C. Deciding on Firms to be Considered - the Longlist

The steps to be taken in selection of a firm are summarized in the diagram below:



The longlist will contain the names of firms to be considered and their countries of incorporation, from which the short-list will be selected. Borrowers will have two principal sources of information when preparing the longlist. One would be letters of expression of interest sent to the borrower by interested firms. This would normally result from the project being listed in the ADB-BO. The other source of information is from ADB's DACON database. DACON is a computerized register of consulting firms and organizations maintained by ADB that have provided information on areas of specialization and work experience. Inclusion in DACON is no guarantee that the firms or organizations have done or can do what they claim but, if requested by the EA, ADB may provide a list of firms registered in DACON that have indicated specialization and work experience in relevant areas.

The list of consultants to be considered for the eventual short list may be fairly large. In the first instance it may consist of firms who are known to the EA firsthand or by repute or who have expressed an interest in the project. Even though the EA may know a reasonable number of firms, it should also consider searching for new firms for initial consideration.

Research institutions and universities, either in the project country or abroad also may be able to provide the services. If the agency, institution or university proposes to undertake the work itself, its claims should be subject to the same careful scrutiny as those of a private firm and it should compete on the same basis.

As a last resort, one may advertise for expressions of interest by qualified firms, either in addition to, or in substitution for, the above-mentioned sources. The advertisements may be placed in internationally circulated professional magazines and newspapers, or sent to the commercial attaches of selected countries. These methods may be expensive and require long lead times. A major disadvantage of advertising, or asking for lists for that matter, is that the project agency will be inundated with responses and visits by representatives of consultants. There is no effective way of avoiding this and it is the cost of getting a truly wide list of consultants. Advertising and screening the replies is time-consuming and should only be considered if clearly justified in order to obtain a sufficiently inclusive longlist of firms.

D. Preparing a Short-list

1. Screening

If there is a large number of apparently eligible firms, about thirty firms may be selected for closer scrutiny. This can be done by eliminating those obviously unsuited or by selecting the most likely ones by a brief examination of their experience in the required areas of expertise. The purpose is to get a manageable number which can then be studied more thoroughly on the basis of information at hand or such additional information as may be requested by the Consultants Selection Committee (CSC).

2. Criteria and Procedure

The following are some of the considerations which should go into the selection of eligible firms for the short-list:

1. Eligibility, i.e., from an ADB member country
2. Extensive experience in similar projects particularly in the most demanding features of the project. It is the level of responsibility and the extent of experience and not just the number of projects which are important.
3. Experience with similar project authorities, e.g. at the municipal or national level, integrated or specialized agencies, small scale or large scale projects, as the case may be.
4. Work experience in the kind of services under consideration.
5. Experience outside the firm's own country in climatic, geographical and/or cultural areas similar to those of the project.
6. Work volume in monetary value and personnel sufficient to indicate that the firm should be able to handle the financial and personnel investment required for the project.

The degree and extent of the firm's involvement in those job experiences listed is important. Was it as principal or as an associate to a lead consulting firm? Did it have primary responsibility or a supporting role? Was the experience that of the firm or of individuals before they joined the

firm? Both experiences are useful, but those which were experienced by the firm itself are preferred.

The relative weight given to each of the above considerations will depend on the nature of the project, but in certain cases some of the considerations may not apply at all. For technical design work, the selection should emphasize experience in similar projects; for work in management and organization, experience with similar authorities and in similar cultural contexts will be more important.

Some firms offering engineering services may be affiliated with manufacturers or contractors. The affiliation may not be obvious and the firm seldom volunteers the information. The problem is best addressed by a direct question as to whether or not the firm is connected in any way with a manufacturer, contractor or other business with a possible interest in the project. If so, the firm, which may be the most competent and experienced for the assignment, should be required to assure that the related firm will not participate in the project in any way without the express consent of the EA and the financing institution, and that the firm will provide the engineering services in a totally independent and objective manner. Where firms from a number of different countries are under consideration, it is the practice to include no more than two firms from a single country on the short-list and that only when it can be justified. It is generally desirable to have as broad a geographical representation as the qualifications of the firms permit. The member countries of the ADB may be seen as falling within four broad geographic areas. These are the developed and developing regions of the Asia/Pacific region, the European region and North America. The Asia/Pacific region contains all the developing member countries of the ADB and certain developed member countries. A large number of developed member countries are located in the European region. In seeking expertise, it may be seen that concentrations of member countries that could supply such expertise can be in any one of these areas. In selecting the short-list, providing opportunities to member countries would require including qualified consultants from all four areas.

A short-list should contain at least five firms, and no more than seven. Longer short-lists tend to be self-defeating, as the selected firms may decide that there is so much competition that the chance of obtaining the award does not justify thorough preparation of their proposal.

3. Consultants Selection Committee

The individual members of the nominated CSC should, independently review available information on the long list of consulting firms and take note of those they consider most suited for inclusion in the short-list. The CSC would then discuss their findings at a formal meeting and agree in advance on the basic criteria to be used by them in preparing the short-list. This has the considerable advantage of forcing discussion and consideration on those firms which are not unanimous choices, and will usually result in a more balanced and considered final short-list. Moreover, it reduces the likelihood of unsupported personal bias.

The meeting of the CSC to agree upon the short-list should also review the documentation upon which the consultants will be selected and the services performed. The agenda of the short-listing CSC should include the following:

SAMPLE AGENDA

1. Review of Request for Proposal (RFP) documents to be sent to short-listed consultants.
 - a) Letter of Invitation, Data Sheet and Standard Forms
 - b) Terms of Reference
 - c) Proposed Evaluation Criteria for Technical Proposals
2. Review, discussion, and selection of short-list
3. Review of time schedule for consultant recruitment.

E. An Alternative: Staying with the Same Firm

While there are advantages to obtaining a “new view” from different consultants, there are also advantages in continuing to use the consultants already engaged on some aspect of the project of known to the user. For instance, a consultant firm may have carried out feasibility studies for the project and it could proceed promptly to carry out detailed design and supervision/implementation. If a new consulting firm is to begin with detailed engineering work, it has to go over the preliminary design done by the previous firm, may wish to alter some basic design concepts, and certainly would not be bound by the previous cost estimates. As a general rule, the detailed design and construction supervision should be carried out by the same consultant. Unless there are good reasons for change (such as poor performance by a firm), the advantages of continuity through various phases of the same project will be a strong argument for staying with the same firm.

Nevertheless, under some circumstances there may be benefits in fresh proposals submitted by a new short list of consultants. The existing consulting firm may be included if its performance on the previous phase was satisfactory. New proposals can have the effect of identifying possible deficiencies in an earlier study or of introducing a new approach or technology for consideration. However, the argument sometimes made in favor of barring consultants from continuing into detailed design after completing a feasibility study, merely to avoid bias in favor of a dubious project, does not have merit. While bias may exist in any situation, the best protection against it is critical review of the study.

Whether to prepare a short-list or go straight away to a known consultant is not always an easy decision to make. One should not go through the short list procedure and invite proposals if the intention is to ultimately award the contract to a preferred firm.

F. Methods of Selecting Consulting Firms

The *Guidelines* provide three methods of selecting consulting firms:

- (i) Quality and Cost-Based Selection (QCBS)
- (ii) Quality-Based Selection (QBS)
- (iii) Direct Selection

ADB missions state the proposed selection method in the Report and Recommendation of the President (RRP). QCBS is the preferred selection method. QBS and direct selection are used in special cases, when it is appropriate. When an ADB mission proposes to use QBS or direct selection, the mission must provide adequate justification in the RRP.

The choice of the appropriate selection method depends on the nature and complexity of the assignment. QBS may be more appropriate than QCBS when:

- (i) The assignment is very complex or highly specialized and it is not possible to write detailed Terms of Reference (TOR) showing the tasks the consultant will perform. Examples are country economic or sector studies, multi-sector feasibility studies and financial sector reforms.
- (ii) The project will have a high impact and it is appropriate to engage the most qualified experts. Examples are national policy studies and capacity building in large government agencies.
- (iii) The assignment can be carried out in substantially different ways and the technical proposals may not be directly comparable. Examples are management advice and sector and policy studies in which the value of the services depends on the quality of the analysis.

1. Quality and Cost-Based Selection (QCBS)

QCBS is a method of selecting consulting firms based on both the quality of their technical proposals and the costs shown in their financial proposals. QCBS is used whenever possible because it accords with the requirements in the *Guidelines* to ensure maximum economy and efficiency. When QCBS is used the TOR must be detailed and specific. The scope of the consultant's work must be precisely defined and the required inputs and all the other requirements affecting the cost of the services must be indicated, so that the consultants can prepare detailed and complete financial proposals. Appendix 2 outlines the steps for recruiting consulting firms for ADB-financed projects using QCBS.

The RFP asks the consultants to submit their technical and financial proposals at the same time in separate sealed envelopes. Any proposals received after the submission deadline are rejected. The proposals are evaluated in two stages, first the technical quality and then the cost. After the closing time for submitting proposals, the CSC opens the envelopes containing the technical proposals and the unopened financial proposals are safely stored. The CSC members do not have access to the financial proposals until the technical evaluation process has been completed and

this includes obtaining ADB's approval of the borrower's technical evaluation report.

The CSC members separately evaluate the technical proposals using the evaluation criteria approved by the CSC during short-listing. The CSC then meets to evaluate collectively the technical proposals. Any proposals that score less than the minimum of 750 points out of 1,000 are considered non-responsive to the RFP and TOR. The borrower informs the firms that submitted these technical proposals that their financial proposals will be returned unopened at the end of the selection process.

The borrower also informs the consultants whose technical proposals scored 750 points or more the time and place where their financial proposals will be publicly opened. The public opening is normally scheduled at least two weeks after the notification. The financial proposals are opened in the presence of any consultant representatives who choose to attend. The technical proposal scores are read aloud, then the financial proposals are opened and the total prices (for each applicable currency) shown are read aloud. Minutes are prepared of the proceedings at the opening.

The financial proposals are reviewed to correct any computational errors and to ensure that all the costs of implementing the activities proposed in the technical proposals are covered. Any errors and omissions are corrected so that the proposals can be compared. Any costs in other currencies are converted to US dollars at the exchange rate applicable on the day of public opening of the financial proposals. The RFP notes that any local taxes imposed on the international experts are excluded from the calculations of the final prices of the proposals. The lowest-priced financial proposal is given a score of 1000 and the other proposals are given scores that are inversely proportional to their prices.

The formula used to determine the score of each financial proposal is:

$$S_f = 1,000 \times F_m / F$$

S_f is the financial score

F_m is the lowest priced proposal

F is the price of the proposal being considered.

The total score for each consultant is calculated by weighting the scores for technical quality and cost and adding them. The weight for technical quality is 80 percent and the weight for cost is 20 percent. These weights are fixed and are specified in the RFP.

No information on the evaluation and ranking of consultants' proposals is disclosed to any person other than those directly concerned with the selection process. Any consultant or other person who tries to influence the evaluation, ranking or contract will be subjected to the provisions of ADB's anticorruption policy.

Before borrowers start contract negotiations they submit their evaluation and ranking reports to the ADB for approval.

Contract negotiations are scheduled with the first ranked consultant. The negotiations include technical discussions of the methodology and

comments on the TOR, the staffing schedule and the EA's counterpart facilities. It is important that these discussions do not substantially alter the requirements in the TOR because this might alter the terms of the consultant's technical proposal offer and its costs. During the financial negotiations, the experts' remuneration rates and the other unit costs shown in the consultant's financial proposal are not changed in the absence of obvious error; however, minor changes may be made in the inputs and the quantities of cost items.

After a contract has been successfully negotiated, the borrower submits such negotiated contract to ADB for approval. Subsequently, the other firms who submitted technical proposals that scored 750 points or more are advised in writing that they were unsuccessful. The financial proposals submitted by any firms whose technical proposals scored less than 750 points are returned unopened.

2. Quality Based Selection (QBS)

QBS is a method of selecting a consulting firm based only on the quality of the technical proposals. Many of the procedures for recruiting a firm using QBS are similar to those using QCBS. The main differences are described in the next paragraph. Appendix 3 outlines the procedures for recruiting a firm under an ADB-financed project using QBS.

When QBS is used, the short-listed consultants are asked initially to submit only technical proposals. If a consultant submits a financial proposal together with the technical proposal, the proposals are considered non-responsive. The technical proposals are evaluated using the same procedures used for QCBS described under Section H below. After the CSC ranks the technical proposals, and ADB's concurrence is obtained by the borrower, the first-ranked consultant is asked to submit its financial proposal. At the negotiations the consultant is asked to submit documents to substantiate all of the costs shown in the financial proposal and all these costs may be negotiated. A cost-plus-fee contract is typically used. The borrower submits the draft negotiated contract to ADB for review and approval prior to signing. After the contract negotiations have been successfully completed, the other consultants who submitted technical proposals are advised that they were unsuccessful.

3. Direct Selection

Consulting firms are only directly selected in exceptional cases with adequate justification and with the prior approval of Management or the Board.

The RFP asks the consultant to submit technical and financial proposals at the same time. The technical proposal is evaluated to make sure that it meets the minimum technical requirements. Then contract negotiations are held with the consultant. Both technical and financial matters are negotiated and included in the contract. The borrower would seek ADB's concurrence at each stage as required.

G. Types of Technical Proposals

The ADB and its borrowers use three types of technical proposals to select consulting firms:

- (i) Full Technical Proposal (FTP) – the consultants are given 60 days to prepare their proposals. The complete recruitment process takes at least 200 days.
- (ii) Simplified Technical Proposal (STP) – the consultants are given 45 days to prepare their proposals. The complete recruitment process takes at least 185 days.
- (iii) Biodata Technical Proposal (BTP) – the consultants are given 30 days to prepare their proposals. The complete recruitment process takes at least 140 days.

ADB missions and EA staff decide which type of technical proposal format will be used for ADB-financed projects when they formulate the TOR.

While particular ADB internal project administration instructions set out budget factors that guide when the various types of technical proposals are used, other factors should also be considered. These include the complexity of the assignment and the recruitment time frame.

1. Full Technical Proposal (FTP)

FTP is the longest and most detailed technical proposal format and is the format most commonly used for ADB-financed loan projects. FTPs are used whenever the estimated contract amount is more than \$1,000,000. FTPs are also used when it is difficult to define in detail the tasks the consultant will need to complete, because the consultant can use alternative methods to achieve the project objectives and required outputs.

2. Simplified Technical Proposal (STP)

STPs are used when the estimated contract amount is more than \$400,000 and equal to or less than \$1,000,000. When STPs are used the TOR must be detailed and specific, with the objectives, scope of work and details tasks well defined. The consultants' previous work experience is not shown in STPs because it is assumed that this was reviewed adequately during short-listing. Each section in an STP has a strict page limit, which reduces the time required for the consultants to prepare the proposals and for the CSC members to evaluate and rank them.

3. Biodata Technical Proposal (BTP)

BTPs are used when the estimated contract amount is \$400,000 or less. BTPs are shorter than the other formats and include only the experts' CV and bar charts showing the work plan and the staffing schedule. BTPs do not include information on the firms' previous work experience or a written methodology. In cases involving direct selection, the relevant firm is required to submit for ADB's approval a proposed work plan and staffing schedule, as well as the CV of each proposed expert.

H. Preparation of the RFP

The RFP is prepared and issued to all short-listed consulting firms, inviting them to submit their proposals for the assignment on a competitive basis. For a loan project, the borrower's CSC will need to review the RFP documentation prepared at their first meeting held to short-list 5-7 consulting firms. At this time, the method to be used for selecting firms (Section F) and the type of technical proposal required (Section G) should be finalized. The RFP includes the following documents:

1. Letter of Invitation
2. Instructions to Consultants Including Data Sheet and Evaluation Criteria
3. Technical Proposal Standard Forms
4. Financial Proposal Standard Forms
5. Background Instructions and Terms of Reference
6. Standard Form of Contract
7. List of ADB Member Countries

A copy of the *Guidelines* is also included.

1. Letter of Invitation

The cover letter of invitation incorporated with the RFP has been standardized by the ADB to facilitate preparations by borrowers for consultant selection. It also provides invited firms the names of all short-listed firms that are invited to submit their proposals. The RFP for the loan project should indicate both method and type of technical proposal. As noted, for recruitment of consulting firms, QCBS is the normal method of selection unless QBS is specifically identified and justified.

2. Instructions to Consultants Including Data Sheet and Evaluation Criteria

The instructions provide detailed guidance to invited firms on the conditions and requirements covering the preparation, presentation and submission of the technical and financial proposals. The evaluation criteria provide information on how their technical proposals will be evaluated (refer to Section I).

3. Technical Proposal Standard Forms

Information covering the firm's major works, staffing schedule and curriculum vitae (CV) of the experts proposed are required to be presented in a standardized format.

4. Financial Proposal Standard Forms

Information covering proposed billing rates for international and domestic experts, proposed foreign and local currency cost estimates, a

summary by currencies of cost estimates and an acknowledgement of compliance with the *Guidelines* are required to be presented in a standardized format.

5. Background Information and Terms of Reference

Relevant background information on the assignment and the applicable terms of reference are included covering the project context, objectives, scope, contemplated task assignments and outputs, and other necessary details.

6. Standard Form of Contract

In typical cases, ADB's standard cost-plus-fee contract is used for QCBS and QBS. In certain cases, a lump-sum form of contract may be used. This occurs usually in those circumstances in which budgeted TA or ADB loan funds for the relevant consultant contract are limited and there are no provisions for contingencies. The draft of the proposed contract format is included with the RFP.

I. Evaluation Criteria for Technical Proposals

1. Rating System

The RFP specifies the criteria and sub-criteria that will be used to evaluate the technical proposals and the weights (or points) that will be given to each criterion and sub-criterion. Three general criteria are used: (a) the qualifications of the firm and any associated firms, (b) the approach and methodology, and (c) the personnel. Each criterion is broken down into several specific sub-criteria. The evaluators assess the responsiveness of each technical proposal to the TOR requirements by evaluating each proposal's responsiveness to each sub-criterion. The total number of points allocated is 1000.

Different evaluation criteria are used for each type of technical proposal. The same criteria are used for the QCBS and QBS selection methods. The CSC decides the points allocated to each criterion and sub-criterion on a project-by-project basis within acceptable ranges set down by ADB.

The standard criteria and an illustration of points allocated for FTPs are:

	Points (Example)
(i) Qualification of Proposer (100 – 200)	
(a) Experience in similar projects	70
(b) Experience in similar geographical areas	50
(c) Other factors (an optional sub-criteria)	30
(ii) Approach and Methodology (200 – 400)	
(a) Understanding of objectives	40
(b) Quality of methodology	80
(c) Innovativeness (or comments on the TOR)	40
(d) Workplan	70
(e) Staffing schedule	30

(f) Counterpart facilities	20	
(g) Proposal presentation	20	
(iii) Personnel (500 - 700)		
(a) Nominated International Experts (each separately evaluated)		
Team Leadership*	50	
Road Engineer	80	
Transport Economist	90	
Environment Specialist	80	
Social/Poverty Specialist	100	
(b) Nominated Domestic Experts (each separately evaluated)		
Road Engineer	40	
Transport Economist	40	
Environment Specialist	35	
Social/Poverty Specialist	35	
	Total	1,000

* The Team Leader is normally also one of the designated international experts.

For FTPs, points ranges are shown for the general criteria and the points allocated to each general criterion must fall within the range. The points shown for each sub-criterion are illustrative. The CSC decides the actual points on a project-by-project basis. Appendix 4 shows examples of a Summary Evaluation Sheet and of a Personnel Evaluation Sheet for a project a using FTP.

The standard criteria for STP are:

(i) Approach and Methodology (300)		
(a) Approach and methodology	200	
(b) Work plan	50	
(c) Staffing schedule	50	
(ii) Personnel (700)	700	
(a) Nominated international experts (each separately evaluated)		
(b) Nominated domestic experts (each separately evaluated)		
	Total	1,000

For STPs, the points allocated to the two general criteria, and to the sub-criteria approach and methodology, work plan and staffing schedule, are all fixed. The CSC decides the points allocated to each expert, however, on a project-by-project basis.

The standard criteria for BTPs are:

- (i) Staffing Schedule and Work Plan (100)
- (ii) Personnel (900)

For BTPs, the points allocated to staffing schedule and work plan, and personnel, are fixed as indicated above. However, the points allocated to each expert are fixed on a project-by-project basis.

2. Evaluating Technical Proposals

The CSC members independently evaluate the technical proposals in two steps. First, they evaluate the responsiveness of each proposal to each sub-criterion on a percentage basis. Second, they multiply each percentage rating by the maximum number of points assigned to that sub-criterion.

An example: for FTP sub-criterion (i) (a) i.e., Experience in similar projects:

A proposal with a very good responsiveness to this criterion is given a rating of 90%.

The calculation is 90% (rating) x 70 (the maximum weight for sub-criterion (i) a) = 63.00 (score). The score is calculated to two decimal places.

An example of a completed Summary Evaluation Sheet showing the scores and ranking of six technical proposals is provided in Appendix 5.

To make the scoring easier, more consistent and more transparent, six ratings of responsiveness are used:

Excellent	100%
Very Good	90%
Above Average	80%
Average	70%
Below Average	50%
Non-complying	0%

One of the six ratings must be used. In-between ratings are not allowed.¹

Since each sub-criterion refers to a different aspect of the technical proposal, the definitions of the ratings for each sub-criterion are different.

This method of evaluating technical proposals has the following advantages:

- (i) It provides the CSC members with a shared definition of the ratings. This makes the evaluation easier and more comparable and is especially helpful for less experienced evaluators.

¹ In-between ratings refer to allocation of particular points within a given range, e.g. 93% within the 90-100% range. For QBS, application of in-between ratings is determined on a case-by-case basis.

- (ii) It reduces scoring inconsistencies and discretion.
- (iii) It requires the CSC members to justify their evaluations on the basis of a common definition of ratings. This discourages any intentionally biased evaluators.
- (iv) It makes evaluations more transparent and fair.

3. Rating Definitions

Excellent:	100%	The proposal substantially exceeds the sub-criteria requirements.
Very good:	90%	The proposal exceeds the sub-criteria requirements.
Above average:	80%	The proposal fully meets the sub-criteria requirements.
Average:	70%	The proposal adequately meets the sub-criteria requirements but there are minor deficiencies.
Below average:	50%	The proposal has significant deficiencies against the sub-criteria requirements, that will probably impact negatively on implementation of the assignment.
Non-complying:	0%	The proposal either does not comply with the sub-criteria requirement or does not provide enough information to allow a higher rating. For example, nominating an expert who is a national of a non-ADB member country, or submitting a CV for an expert that is not signed in accordance with the requirements in the RFP, is not complying.

4. Factors to Consider During Evaluations

While the appropriate rating against each sub-criterion depends on the technical proposal's responsiveness to the TOR requirements, there are common factors to consider when evaluating responsiveness.

(i) *Qualifications of Proposer*

(a) Experience in similar projects

The extent of the consultant's experience (i.e. the experience of the consulting firm and not that of the experts in the team) in assignments that were technically the same or similar to the TOR requirements. A consultant who had primary responsibility (i.e. the lead consultant) scores higher than a consultant whose responsibility was secondary (i.e. an associate consultant). The level of responsibility and the extent of the experience are important, not just the number of projects.

(b) Experience in similar geographical areas

The extent of the consultant's experience (i.e. the experience of the firm and not that of the experts in the team) in the project DMC, or in a DMC with comparable physical, cultural, social and institutional characteristics to those in the project DMC. A consultant who had primary responsibility (i.e. the lead consultant) scores higher than a consultant whose responsibility was secondary (i.e. an associate consultant).

(c) Other factors (an optional sub-criterion)

For some large, complex assignments, an assessment is made of the consultant's capacity to undertake the assignment taking into consideration the consultant's existing workload. Other factors that might be assessed include the firm's existing support requirements in the project country, or the support facilities that the associated domestic consultants can provide.

(ii) Approach and Methodology

(a) Understanding the objectives

The extent to which the consultant's technical approach responds to the objectives indicated in the TOR. Does the proposal respond to all the TOR objectives or does it not address some requirements? Site visits by consultants may assist in understanding the TOR objectives and can be factored into this sub-criterion.

(b) Quality of methodology

Is the consultant's proposed approach complete, covering all the TOR requirements, and logical? Is the methodology specifically tailored to the assignment? Does the proposal clearly explain how the consultant will deal with the critical characteristics of the assignment? Is the proposed methodology flexible enough, so it can be easily modified if necessary during the assignment?

(c) Innovativeness (or comments on the TOR)

Does the consultant propose, in detail, ways to improve the implementation of the assignment? Are the suggestions practical and could they be easily incorporated into the assignment without substantially changing the TOR requirements? Are the consultant's approaches, methodologies and knowledge state-of-the-art?

(d) Work plan

The work plan is a bar chart showing the timing of the major activities described in the methodology and of the major milestones (i.e. meetings and reports). Does the work plan adequately describe all the important

activities? Is the timing of the activities appropriate and is the sequence logical, so that the outputs can be delivered when required? Are the inter-relationships between the various activities appropriate and consistent with the proposed methodology?

(e) Staffing schedule (including organization chart)

Is the format of the staffing schedule in accordance with the ADB's standard, showing the inputs of all the nominated international and domestic experts on a weekly and monthly basis? Are the timing and duration of the experts' inputs appropriate for facilitating the implementation of the proposed methodology and the activities shown on the work plan? Is the proposed numbers of trips to the field by the international experts appropriate or excessive, in terms of providing a continuity of services? Is the balance between the inputs in the field and in the home office appropriate? Does the organization chart clearly show the lines of responsibility and the links between the three parties involved in the assignment, the ADB, the EA and the consultant?

(f) Counterpart facilities

The counterpart facilities are the consultant's assessment of the support facilities it will require from the EA in order to implement the assignment. For example, office accommodation, local transportation and counterpart staff support. How complete and reasonable are the consultant's requirements? Do they reflect a good understanding of the local conditions in the project DMC?

(g) Proposal presentation

Is the proposal intellectually sound, technically sound and logical? Is it easy to read, well written, well referenced, well organized, complete and convincing?

(iii) Personnel

Before the CSC members start evaluating the CV of each nominated expert in detail, they review whether the CV complies with the RFP requirements. A CV is non-complying if it:

- Does not indicate the nationality of the expert, or if the expert is not a national of an ADB member country.
- Is either unsigned or is not signed in accordance with the RFP requirements.

The expert's CV is evaluated against the following sub-criteria:

(a) General qualifications

How relevant are the experts' academic and professional qualifications to the expertise for which the expert has been nominated? Often, the following percentages are used:

Bachelor degree	80%
Master degree	90%
Doctorate degree	100%

For some assignments the CSC decides that the maximum academic qualification required is a master degree. In these cases an expert with a master degree also receives 100%.

(b) Project related experience

Were the assignments the expert previously worked on similar in nature and in terms of complexity to that of the current assignment? Did the expert provide a major or minor contribution to the projects he/she worked on?

(c) Country or regional experience

Consider factors such as the number of assignments the expert completed in the project DMCs and/or in DMCs with similar cultural, social and institutional characteristics. This is particularly important when evaluating team leaders, as this position is critical to the successful implementation of assignments.

(d) Employment status

If the expert has been employed full-time and continuously by the lead firm or an associated firm for 12 months before the date the proposal was submitted, a rating of 100% is given. A zero rating is given if the expert has been employed less than 12 months, is employed by an unassociated firm or is part-time or self-employed.

5. Use of Supplementary Personnel Evaluation Sheet

The rating of experts listed under "Personnel" in the "Summary Evaluation Sheet" is further assisted by the use of the "Personnel Evaluation Sheet" shown in Appendix 4.

The rating of each expert is undertaken by dividing the rating into four parts.² These in turn are assigned a percentage weight to signify their relative importance to the evaluation. The four factors or parts for the ratings are (i) General Qualifications; (ii) Experience Related to the Project; (iii) Overseas/Country experience, and (iv) permanent staff of firm. The

² A designated expert in a particular field listed under Personnel will serve concurrently as the Team Leader (except in exceptional situations where it may be appropriate to require a separate expert exclusively for team leadership).

percentage weights applied to each of these factors would normally be within the following percentage ranges:

Factor	Percentage Weight (Range)	Example
i) General Qualifications	10 - 20%	20
ii) Experience Related to Project	60 - 70%	65
iii) Overseas/Country Experience	10 - 20%	10
iv) Permanent staff of firm	5%	5
		100

The appropriate percentage weights, to be applied to all the experts listed, must be selected prior to evaluation, and is undertaken when assigning maximum weights on the Summary Evaluation Sheet. The overall rating for each expert is then determined by adding the percentage weight of these four factors as shown in example below:

Example

Factor	Percentage (weight)	Factor Rating	Factor Percentage
General Qualifications	20	80%	16.00
Experience Related to Project	65	85%	55.25
Overseas/Country Experience	10	75%	7.50
Permanent staff of firm	5	100%	5.00
TOTAL	100		83.75

The final rating of 83.75% arrived at in the example would then be used as the experts rating on the Summary Evaluation Sheet, under

Personnel. Narrative evaluation criteria are normally used in rating each of these factors. For example the narrative criteria may specify that the expert/s proposed should have a minimum academic qualification of a masters degree in their field of expertise, or have a minimum of (10) years relevant project experience. Such specifications, prepared in advance, would be of considerable assistance during the rating exercise. A sample completed Summary Evaluation Sheet for a full Technical Proposal is provided in Appendix 5.

J. Opening Financial Proposals Using QCBS

For ADB-financed loan projects using QCBS, the borrower's CSC evaluates the technical proposals, prepares a technical evaluation report and submits it to the ADB for approval. The technical evaluation report will later form part of the borrower's evaluation and ranking report which is also required to be submitted by the EA to ADB for approval in a format prescribed by ADB.

After receiving the ADB's approval of the technical evaluation report, the borrower notifies the consultants whose proposals scored less than 750 points, or were considered non-responsive to the RFP and the TOR, that their financial proposals will be returned unopened after the selection process is completed. The minimum acceptable technical score is 750 points out of 1,000.

The borrower simultaneously notifies by letter the consultants whose technical proposals scored 750 points or above, the location, date and time set for publicly opening their financial proposals. The borrower sends the ADB a copy of the notification. Unless the ADB approves otherwise, the opening date is at least two weeks after the notification date, to allow any interested consultants time to arrange for a representative to attend the opening. Consultants' attendance at the public opening is optional.

At the opening, the borrower's chairperson asks any consultants' representatives attending the opening to sign the attendance sheet (shown in Appendix 6). The chairperson then reads aloud in the order of ranking the scores given to the technical proposals that scored 750 points or more.

The chairperson next verifies that the financial proposals have remained sealed, and then opens them. The chairperson reads aloud the name of the consultant and the total price in each currency shown in each proposal. However, the other information in the financial proposals remains confidential. The chairperson records these details in a written record of opening of financial proposals. In accordance with the instructions in the RFP, each consultant's total price should exclude any local taxes on the international experts but should include all provisional sums and the contingency amount as specified in the Data Sheet of the RFP.

K. Evaluating Financial Proposals Using QCBS

The borrower may not disclose any information relating to its evaluation and ranking of the proposals to any person other than the government staff directly concerned with the selection process. Any attempt by a consultant or any other person to influence the CSC members or other government staff in the evaluation and ranking of the proposals or awarding of the contract, will result in the persons involved being subjected to the provisions of ADB's anticorruption policy.

While the borrower is evaluating and ranking the proposals, no CSC member or other government staff member may ask for any clarifications or additional information from a consultant who submitted a proposal.

The borrower's CSC records the details of its evaluation of the proposals in tables. The ADB specifies the table formats.

The borrower reviews the financial proposals in detail so they can be compared on a common basis and evaluated. The borrower records the details of the review on standardized calculation sheets. The borrower first checks the commercial terms in the proposals, to make sure they comply with the requirements in the RFP. The borrower

carefully reviews any conditions that nullify or restrict requirements in the RFP, to decide if that consultant's proposal should be considered non-responsive to the RFP.

The borrower then checks the proposals for computational errors, makes any necessary corrections and records them on the calculation sheets.

The borrower next checks each consultant's technical and financial proposals to make sure that the cost of all the items in the technical proposal are shown in the financial proposal. The borrower may adjust the financial proposal for any inconsistencies that are permissible and which can be fairly "translated" into monetary values. All the borrower's financial adjustments should be in accordance with the procedure specified in the RFP. The borrower must consider the adjustment factors and the basis of price comparison specified in the RFP and may not introduce any factors not listed in the RFP. The borrower records the adjustments made on the calculation sheets.

After reviewing the proposals and correcting identified errors and omissions, the borrower converts the price of each relevant category of expenditures in the consultant's financial proposal to US dollars, using the applicable exchange rate on the date of opening of financial proposals as specified in the RFP. The evaluated total price excludes any local taxes on the international experts but includes any provisional sums and the contingency amount specified in the RFP.

The borrower gives the proposal with the lowest adjusted price a financial score of 1,000 and gives the other proposals financial scores that are inversely proportional to their prices. The formula the borrower uses to calculate the financial scores is:

$$S_f = 1,000 \times F_m / F$$

S_f is the financial score

F_m is the price of the lowest priced proposal

F is the price of the proposal under consideration.

The borrower records the ranking of the financial proposals on the Summary of Evaluated Financial Proposals (shown in Appendix 7).

L. Final Result Using QCBS

The chairperson of the borrower's CSC is responsible for combining the technical and financial scores to obtain the final ranking of the proposals. To determine the ranking, the borrower adds 80% of the score awarded to each consultant's technical proposal to 20% of the score awarded to that consultant's financial proposal. The borrower records its calculation and ranking on the Summary Ranking Sheet (shown in Appendix 8).

M. Preparing the Evaluation and Ranking Report Using QCBS

After ranking the consultants' proposals, the borrower prepares an evaluation and ranking report in the format as prescribed for such report by ADB. Broadly, this report will consist of a summary of relevant information, including details of the technical and financial proposals, a technical evaluation (including listing the strengths and weaknesses of each technical proposal), financial evaluation, ranking of proposals and

the EA's recommendation. The borrower sends a copy of such report to ADB for approval. After receiving ADB's approval, the borrower advises the consultants of the final ranking.

N. Contract Negotiations Using QCBS

After receiving the ADB's approval of its Evaluation and Ranking Report, the borrower invites the first-ranked consultant to contract negotiations. The borrower normally holds face-to-face negotiations when the contract amount is more than US\$400,000 and negotiates by fax when the contract sum is US\$400,000 or less and the consultant is located in another country.

The borrower conducts the negotiations with the first-ranked firm. The negotiations cover the work the consultant will perform, the timing of the work, the members of the consultant's team, the counterpart facilities that will be provided by the EA and the terms and conditions of the contract. As the price was a selection factor using QCBS, the discussions do not substantially alter the original terms of reference or the quality requirements for the assignment. The borrower cannot negotiate the unit remuneration rates and the unit rates of out-of-pocket expenses. However, the borrower and the consultant may make minor adjustments to the quantities of the unit rate items, to reflect changes they agreed in the technical matters.

If the negotiations fail to result in an acceptable contract, the borrower terminates the negotiations with ADB's concurrence and invites the next-ranked firm for negotiations. The borrower tells the consultant the reasons for terminating the negotiations.

After the negotiations are successfully completed, the borrower notifies the other consultants who submitted technical proposals that scored 750 points or more that they were unsuccessful. The borrower also returns the unopened financial proposals submitted by firms whose technical proposals scored less than 750 points.

The borrower sends a copy of the draft negotiated contract to the ADB for approval. After the borrower receives the ADB's approval, the borrower and the consultant sign the contract. The borrower sends a copy of the signed contract to the ADB for its records.

O. Preparing for Engagement of Individual Consultants

The procedure for the engagement of individual consultants is simpler than that for firms. The main difference is that the submission of technical proposals is not required. Therefore, the time required to recruit individual consultants is usually approximately a month. The evaluation used for selecting individual consultants is an assessment of their qualification and experience relevant to the assignment through review of their CVs and other available information.

Preparations for the selection of individuals and the first submission to the ADB by the borrower requires the following action:

1. Finalizing the Terms of Reference (TOR)

The borrower needs to ensure that the TOR indicates the person-month input to be provided for the assignment and that the time frame giving the anticipated start and completion dates is also shown.

2. Preparing Longlist of Candidates with their CVs

The sources of information available to borrowers during the preparation of the longlist is as follows:

(i) *Use of the ADB's Database for Individual Consultants (DICON)*

The borrower may request the ADB to provide the CVs of qualified individuals who have registered in the DICON.

(ii) *Individual Expressions of Interest*

The borrower may have received the CVs sent by individual consultants expressing interest in providing their services. This often results from the listing of needed services in the ADB-BO.

(iii) *Other Sources*

Possible other sources include professional organizations, embassies, consulates, etc. that can be approached for candidates.

The longlist is then prepared. It includes the names of the candidates and their countries of nationality (all must come from different ADB member countries) together with copies of each candidate's CV.

3. Appointment of the Borrower's CSC

Preferably, the borrower should appoint a CSC of a minimum of three suitably qualified persons to undertake the selection.

4. Preparing Criteria for Short-listing and Evaluation

The appointed CSC should finalize the criteria to be used by them for short-listing and evaluation. These will include academic or professional qualifications required, project related work experience and any other factors that need to be considered.

5. Use of the ADB "Personnel Evaluation Sheet"

The ADB's "Personnel Evaluation Sheet" and its application are described in Chapter 5, Sections I-5. Prior to its use, percentage factor weights will need to be applied to "General Qualifications", "Project-Related Experience", and "Other Factors", as shown. Ranking of individuals will be on the basis of the total highest score received.

6. Evaluation and Ranking of Short-listed Candidates

Short-listing requires selection of 3-5 of the best technically qualified candidates from the longlist also ensuring an adequate geographic spread among member countries and candidates should be from different member

countries. The “Personnel Evaluation Sheet” will normally be used to rank the candidates selected for the short-list. (Refer to Appendix 4)

7. Ascertaining Availability of First-Ranked Candidate

The borrower will need to ascertain the availability of the first-ranked candidate before submissions are made to ADB. In case of uncertainty, the next ranked candidate may also be contacted. This would minimize inconvenience to candidates who may need to reschedule their work and obtain release, prior to confirming their availability.

8. Preparing Draft Contract/s

Use will be made of ADB’s standard forms of contracts prepared for the engagement of individual consultants, either for self-employed individual consultants or for individual consultants sourced through firms.

9. Making the First Submission to ADB

The borrower’s first submission to the ADB for the selection of individual consultants will comprise the following:

- (i) Finalized terms of reference
- (ii) Ranked list of individuals and their CV
- (iii) Format of the draft contract to be used

Upon receipt of the submission, ADB will review it and respond to the borrower.

P. Negotiation and Contracting of Individual Consultants

Upon receipt of the ADB’s approval to the first submission made, the borrower will take the following action:

1. Reviewing ADB Comments on Borrower’s First Submission

The borrower will check for ADB’s acceptance of the ranking of individuals, the terms of reference and the draft contract. If requested, the borrower will make the necessary amendments and resubmit, if needed.

2. Informing First-Ranked Consultant and Requesting Details of the Consultant’s Desired Rate of Remuneration

Following receipt of ADB’s concurrence to the ranking, the borrower will request the first-ranked individual consultant to provide an indication of the desired rate of remuneration for engagement. If the individual is sourced through a firm, a breakdown of the rate would be requested showing basic salary, social charges, overhead and fee.

3. Negotiation of Contract Terms and Finalizing the Contract

The negotiation of terms of the contract will be based on a review of the consultant's requested rate of remuneration. The borrower will need to ascertain whether the rate is in line with that normally payable to consultants for that particular field of specialization and source country. Once the rate of remuneration is agreed, provision will be made for out-of-pocket expenses like airfares, per diems and other additional costs to be incurred.

4. Submitting Copy of the Signed Negotiated Contract to ADB

Once the negotiated contract is signed and finalized, a copy is submitted to ADB. This becomes the second submission to ADB.

Appendix 9 outlines the steps for recruiting individual consultants for ADB-financed projects.

6.0 NEGOTIATING A CONTRACT

There are established procedures for arriving at a contract with a consulting firm regarding the terms and conditions under which the proposed services are to be performed. Whatever the method of selection and the form of contract, negotiations between the EA and the consultant are an essential step.

A. Forms of Contract

There are two commonly used types of contracts or fee structures for consulting services: time-based (or person-month) and lump-sum. These are discussed below. The time-based arrangement is, however, the more common and that preferred by ADB. It is the arrangement principally discussed in this Handbook.

1. Time-based Contracts

Time-based contracts provide for agreed rates per person-hour, person-week or person-month, which are disbursed in accordance with the time the consultants actually spend on a job. The make-up of person-month rates is discussed in more detail later in this Chapter. In addition there are normally per diem or living allowances and travel costs, plus other reimbursable “out of pocket” or direct expenses, for equipment, report printing, and the like. The advantages of time-based contracts are that they most closely reflect the actual costs incurred by the consultants to address fully the task. All contracts of this type should have a “ceiling” (maximum payment clause), combined with the explicit obligation on the part of the consultants to complete the specified tasks within the total amount stated.

The principal disadvantage is that more consulting services may be provided than is warranted. On the other hand, there have been cases in which person-months have been used up without the scope of services being completed. Thus, both the EA and the consultant must carefully monitor the expenditure of person-months in comparison with progress achieved toward completion of the job.

Inasmuch as the time-based contract provides for payment on a consultant’s inputs rather than output, the time-based contract with a ceiling affords more opportunity than other types of contract for the EA to monitor day-to-day work. The EA is aware of who should be on the job, when, and what the consultant’s tasks will be. If negotiated correctly, it can also provide considerable opportunity for the transfer of skills from the consultants to the staff of the EA.

2. Lump Sum Contracts

For a lump sum contract, fixed price is negotiated for a specified output. A fixed price contract is simple to administer and payments are usually prescribed at stated intervals or as specified steps towards

completion are taken. It is usually based on a person-month type of calculation in order to arrive at the price of contract, so that negotiating it may be as complicated as a time-based contract. The total price may alternatively be based on the traditional percentage formula discussed below.

The attraction of the lump-sum contract is that the EA has transferred the price risk and the risk that more work will be required than anticipated to the consultant (for which the consultant will have provided contingencies in its price). The disadvantages are that the consultant may try to do the job with as little input as possible and the EA must be sure that the description of the work to be done is complete.

3. Other Contracts

Occasionally, cost plus fixed fee and percentage fee type contracts or fee structures may be appropriate. A cost plus fixed fee type of contract is typically used in the design and construction of industrial plant and provides for the consultant to be paid a fee, usually covering knowhow, plus time-based rates for the design and management of the construction of the plant. This approach is also used for research and development work where the degree of input cannot be estimated or the output specified with any confidence. Although a ceiling may be established (or an incentive built into the fee structure), the cost risk is borne by the EA.

Under percentage fee type contracts, the consultant is paid an agreed fee percentage of the actual construction cost. The percentage is often based on a scale drawn up by a national association of engineers or architects and commonly ranges from 4-1/2 to 10 percent. The principal disadvantage is that there is no incentive for the consultant to make any special effort for the project and the consultant is rewarded rather than penalized if the actual construction cost increases. This disadvantage may be reduced by establishing a maximum amount based on the estimated construction cost, which effectively converts the contract into a lump sum one.

B. Principal Contract Components

The draft contract referred to in earlier sections should have already been prepared and agreed with ADB before consultants' technical proposals are invited. It should have been forwarded to the consultant in the original letter of invitation, or, at the latest, included in the invitation to negotiations.

Many agencies have established standardized forms of contracts for professional services. ADB's standard contract is included in Vol. II. This contract has been developed over a number of years and contains clauses which are internationally accepted and applicable to the majority of consultant assignments. There are dangers in the EA preparing its own contract as their legal experts may be inexperienced in drafting such contracts and there will be no history of the manner in which the drafted clauses will be interpreted and applied.

The contract for consulting services will cover three principal areas, either in the contract proper or in the annexes attached to it.

1. Service Definition

The contract will set out the obligations of each party to the contract (the borrower and the consultant), and the steps to be followed in initiating, modifying, and terminating the services. It will also provide for such common contractual arrangements as insurance, arbitration, assignment, and the like. General provisions may be included in the text of the contract but specific requirements should be detailed in annexes which are incorporated by reference in the contract text and are an integral part of the contract. One such annex should be the terms of reference, discussed in Section III, setting forth the scope of services required. Modification of this scope may have been agreed during contract negotiations, as discussed in Item F of this chapter.

2. Staffing

Most contracts for consulting services specify the names of experts in the consultant's team. Since specific experts were the basis for selection of the consultant, these experts will be listed in the contract, normally in an annex. A personnel or staffing schedule is normally attached to the contract as an annex.

There are a few instances in which the consulting firm undertakes to carry out the assignment with the experts the firm sees fit to use and neither the experts nor the areas of expertise are specified in the contract. This is an open-ended arrangement which should be avoided.

3. Payment Procedures

Contracts must cover the compensation to be paid to the consultants and describe the method of payment to be used by the EA. They will set out the definitions of payment items, and the method of calculating payments due; the frequency of payment related matters, such as recovery of any advance payment, etc. should also be stated in the contract.

Depending on the type of contract (i.e., time-based, lump sum, or cost plus), the contract will state the total amount, the ceiling, and the amounts and times of payments. In lump sum contracts, it is customary to provide for partial payments as the work progresses, with an initial payment falling due when the contract is signed, additional payments tied to certain stages of the work, and a final payment upon completion of the work. In the case of the more common form of person-month contracts, an advance payment equivalent to the first three months' expenditures is often made and monthly payments are then based on actual time worked, less an amount necessary to amortize the advance before the contract is finished.

C. Other Contract Provisions

There are a number of issues which commonly arise in the consideration of consultants' contracts which are discussed below.

1. Performance Bonds or ADB Guarantees

Financial assurances in the form of ADB guarantees or performance bonds are customary in the procurement of civil works and goods to ensure that the contractor or supplier performs in accordance with the contract. Such assurances are not common in consultants' contracts.

This distinction is valid since services of experts provided by a consulting firm cannot be measured with precision and the quality of result is often a matter of opinion not capable of being defined and controlled for the purpose of applying penalties. In addition, the consultants are usually working with the staff of the EA are affected by the smoothness of such relationship. There may be other factors which can influence the quality of the expert's output but are not within their control. Therefore, in the case of contracts for consulting services, the protection that a financial guarantee is expected to provide will prove an illusion in practice and the additional cost will be borne by the EA to no purpose.

2. Retention Monies

The retention of a portion, usually 5 to 10 percent, of the payments due to a consultant in order to ensure completion of the contract is another practice that has been copied from the construction industry. In both cases it reduces the cash flow and eventually increases the cost to the EA. More importantly, the last payment is customarily paid only when the consulting services have been satisfactorily concluded, which provides some protection for the EA and an incentive to the consultant to finish the job in a satisfactory manner in good time. In short, retentions, like performance bonds and ADB guarantees, are not recommended for consulting services contracts.

3. Price Adjustment

As discussed under "Contingencies" in Item G of Chapter 4, contracts of one year or less duration do not usually provide for price adjustment. Both parties should be able to readily accommodate the price movements anticipated in the next few months in the costs to be agreed at negotiations. If one of the parties is subject to excessive inflation, the contract could specify some more stable currency widely used in international trade. ADB would allow contracts to be written in US dollars in the case of non-convertible currencies.

For contract durations of one to two years, rates to be paid in the second year may be increased to take into account the anticipated price increase. This is practical to do when dealing with currencies which are subject to a fairly constant adjustment. Where this is not the case, the contract should be treated as discussed below for contracts longer than two years, or written in some stable currency.

Where contracts will last longer than two years or where one or both parties are subject to such severe inflation or rapid currency devaluation that future costs cannot be satisfactorily predicted, a price adjustment arrangement should be used. This may be done by adjusting expert and living costs by some acceptable index. A widely used index, because of its availability, is the consumer price index. Another alternative would be to adjust the expert's costs to the annual adjustments the consultant provides to all employees. It is not adequate to merely assume continuation of past trends for long periods or with rapidly rising costs. Expenditures incurred for travel and similar costs would normally be reimbursed at actual cost.

4. Liability Provisions and Insurance

For the purpose of establishing appropriate provisions in the contract for consulting services with regard to liabilities and insurances, it is necessary to identify the risks that are related to the services, and in light thereof decide which risks should be undertaken by either of the contracting parties and whether there is a need to require insurance to cover such risk, (e.g., the risks related to feasibility studies would be less than those related to detailed design and construction supervision).

The main risks related to the services of the consultant are considered to be:

- (i) injury, death, loss or damage caused by errors or defects as a result of negligence in connection with the consultant's performance;
- (ii) injury or death to the consultant's experts;
- (iii) costs of corrective work in regard to the services rendered; and
- (iv) violation of copyrights and patents.

Liability for injury, death, loss or damage caused by errors or defects as a result of the consultant's negligence in the performance of the services is usually referred to as "professional liability". Professional liability may occur as a consequence of contractual obligations to the EA as well as in tort in regard to third parties. Liability vis-a-vis the EA is determined in regard to the consultant's obligation to carry out his services in accordance with recognized professional standards and to use such care and skill as is ordinarily exercised by reputable consultants performing services of similar nature, while tort liability arises from shortcomings in the consultant's general duty of care.

The consultant should accept professional liability with regard to work over which the consultant has effective control and for which the consultant is professionally responsible. The consultant should also assume full responsibilities in respect of illness, injury or death of its experts. With regard to corrective work, the consultant should undertake corrective work at no additional expense to the EA, if the corrective work is in consequence of an error made by the consultant. It is likewise common for the consultant to be liable for any violation in respect of patents and copyrights.

The importance of liability provisions may vary according to the likelihood of damages occurring as a result of the performance of the consultant. Moreover, negligence may be difficult to prove, and in some cases it may be advantageous to agree that certain risks should be accepted, through liability provisions, by one of the parties, irrespective of negligence.

Further, the extent of the consultant's liability will depend on whether the consultant engaged is a firm or an individual. In the cases of individual experts, where the EA provides the supervision, the EA should usually agree to indemnify the consultant in regard to the risks related to loss or damages arising as a consequence of the services.

The EA as well as the consultant will benefit from an accurate definition of the extent of the consultant's liability (e.g., in terms of amount and duration of liability, as well as in regard to limitation of certain risks for which the consultant otherwise could be held liable). Such definitions will allow the parties involved to evaluate the risks specifically assumed by each and to determine the need for insurance cover in regard thereto.

It should be acknowledged that a risk is not eliminated or reduced by limiting liability through a provision in the contract. The consequence of one party limiting its liability is only that the other party will be assuming the risk.

Taking into consideration the rules of the applicable law of tort, the following should be considered when defining the liabilities in the contract:

- (i) the consultant should accept professional liability for work over which it has effective control and for activities for which it is professionally responsible, including professional liability for injuries, death, damages and loss due to negligent performance by the consultant. An accurate and detailed description of the services to be rendered by the consultant is of prime importance in determining the extent of professional liability;
- (ii) the consultant's professional liability may be limited in terms of amount in which case the professional liability should be stated in monetary terms, either in absolute figures or as a percentage of the consultant's fee;
- (iii) the consultant's liability vis-a-vis the EA may be fixed for a certain period (e.g., one, five or ten years);
- (v) depending on the risks related to the service, the EA may agree to indemnify and hold harmless the consultant for and against claims in respect of injury, death, loss or damage asserted by third parties to the extent that such claims exceed a certain minimum amount defined in absolute figures;
- (vi) the consultant's professional liability should generally be limited to "direct damages", thus excluding liability for "consequential damages"; and
- (vii) the consultant should not be required contractually to accept liability exceeding liability under the applicable law of the contract.

As a consequence of placing the risks with either of the parties, it should be considered whether certain risks should be covered by insurance.

In this regard the parties should take into account the relationship between the risks assumed by the consultant, the consultant's liability, and the possible insurance cover of such liability. In defining the insurance requirements, the parties should consider the possibility of existing insurance, in order to avoid purchasing unnecessary coverage, resulting in possible double (or triple) insurance between the EA, the consultant and/or other contractors.

Insurance to be taken out and maintained by the consultant should cover professional liability, including liability towards third parties. In this connection, it should be noted that the consultant's professional indemnity insurance usually would not cover liabilities for injury, death, loss or damage which is caused by the consultant's negligence.

The insurance cover should be effective from the commencement of the services, be valid throughout its duration, and should remain in force throughout the fixed period of the consultant's professional liability. The extent of insurance cover should be adequate to cover the liability in terms of maximum amount assumed by the consultant pursuant to the contract. It should, however, when establishing the maximum liability, be taken into account that frequently it may be difficult for local consultants to procure liability insurance to the same extent as major international firms.

For large, complex projects (e.g., projects which include risk elements that significantly threaten life and property), the risks should, to a large extent, be borne by the EA, partly to ensure that all risks - including those which cannot be specifically referred to a particular party's negligence - are sufficiently covered by insurance, and partly to avoid a situation in which each party involved in the project is required to take out insurance cover for the same risks. In connection with such projects, an insurance consultant should be retained to review all aspects of the EA's insurance requirements in regard to the project, including the consultant's liability, with a view of taking out a single "all risk" policy, which more completely, and likely less expensively, would cover most project risks.

5. Disputes

The matter of disputes and their resolution in consultants' contracts is particularly vexatious as they generally revolve around subjective opinions as to the performance of experts and deal with judgments and professional recommendations which are not liable to concrete measurements. Disputes should be resolved as quickly as possible and both parties should attempt to be accommodating. Failure to resolve disputes promptly can cause delay payments, and hold up progress of the work.

Probably the best arrangement is one that provides for a rapid, flexible arbitration by reference to a single referee or a triumvirate with each party nominating one and the two so nominated selecting a third. Foreign consultants are not comfortable with arbitration under local law because they are unfamiliar with it and because they suspect it may be biased against them. EAs are not comfortable with international arbitration because of unfamiliarity, it is usually held abroad, it can be expensive, and it may not be seen as totally neutral. On balance, however, submission of

disputes for resolution to a well-established, neutral international forum (such as the International Chamber of Commerce) is preferred.

6. Onerous Clauses

There may be a tendency on the part of the legal department of the EA responsible for producing a draft contract to include as many protective clauses as possible. This can result in a contract which places a disproportionate amount of risk and uncertainty on the consultant. This then requires the consultant to renegotiate these clauses during negotiations (or to refuse to participate at all), tending to create an adversary relationship at the onset, or to accept them in the hopes that no problems will arise, in which case the consultant's commercial astuteness should be questioned. Some examples of excessively protective provisions are given below:

1. The consultant shall procure all permits and licenses, pay all charges, custom duties, stamp duties, fees, taxes and duties, and submit all applications necessary and incidental to the services which are required by law or regulation, or administrative order now or in the future.

Comment: The consultant, even if a local firm, is unable to estimate the time and money concerned in fulfilling this all-encompassing requirement. It would be preferable for the EA to undertake this responsibility or, at the least, reimburse the consultant for the costs involved.

2. The consultant shall be required to register and obtain permits to practice the profession of engineer, accountant, architect, seismologist, etc., or establish himself or herself individually or as a firm according to the laws of the project country.

Comment: If this requirement is easily satisfied at little cost of time and money on the part of the consultant, it is not especially objectionable. If, however, registration is significantly time consuming and expensive, it will be an additional cost eventually borne by the EA and one that may add little protection for the EA. If it is required by local law, the consultant should be reimbursed for the expenses incurred, and the EA should undertake to facilitate and support the administrative effort required.

3. The consultant shall indemnify and hold harmless the EA for and against any and all claims, damages, expenses, or costs (including those asserted by third parties), directly or indirectly related to the services.

Comment: This places the entire liability onto the consultant without reference to fault, and including indirect consequences related

to the services. It would be better to limit the consultant to liability for claims arising from errors, omissions, or negligence of the consultant in the performance of the services.

4. For ADB consulting services assignments, the language of the contract shall be English. English shall be used in all communications between the consultant and the EA.

Comment: It is impossible for a consultant to be fluent in the world languages, particularly to the degree required for contract terminology and legal interpretation. While knowledge of local language should have been a factor in the evaluation of the consultants' proposals and is to be desired at the working level, it should not be an absolute requirement which could serve to restrict the participation of otherwise outstanding consultants. As English is the working language under ADB's Charter, it is the mandatory language of communication between the consultant and the EA .

D. Time and Space for the Negotiation Process

The date set for negotiations in the invitation letter to the consultants should be confirmed by all parties at the time of selection (e.g., by the consultants, the EA, and any third party who will attend the negotiations). The date should be as soon as after the selection as possible. However, prior to finalization of the negotiation, the consultant must confirm the availability of the personnel proposed. If any are unavailable or unsuitable, the substitute candidates must be proposed and reviewed before the negotiation.

An allocation of three to five working days is recommended for contract negotiations, depending on the complexity of the services and the type of selection involved. In QCBS, there will be no negotiations on the proposed unit costs for personnel or items of out-of-pocket expenditure so increased time, if necessary, may be spent in careful review of the TOR and fine tuning of items such as methodology, work plan and staffing schedule. Time should be allowed for completion of minutes of the negotiations and preparation of final draft contracts. Experience suggests about one or two days are necessary for the finalization of minutes and the contract documents. As a practical matter, commencement of negotiations should be early on the first working day of the week to allow adequate time for negotiation discussions.

E. Preparing for Negotiations

The EA's negotiating team should include members of the CSC and at least some of the evaluators of the consultants' proposals. The chairperson must have authority to decide upon issues as they occur and move negotiations on such matters to a satisfactory conclusion. The negotiations will cover three basic components: technical services, financial terms and a legal contract, and expertise for all three areas should be included in the negotiating group.

The consultant is required at the commencement of the negotiation to present written authorization to negotiate and conclude a contract, including the power to sign on behalf of the firm. Difficulties and disputes

can arise when the consultant and EA negotiating team agree on a particular point (perhaps conceding some other point) and this understanding becomes a basis for ongoing discussion and agreement on related matters, only to find later that the consultant or the EA negotiating team did not have the authority to agree on that particular point and the agreement on the succeeding matters quickly unravels.

The EA's negotiating team and/or its chairperson should have the authority to negotiate (which includes the give and take of various points under discussion) and conclude a contract, even if this is subject to endorsement or final approval by a higher authority. There may well be parameters that such team is obliged to work within; however, these should be reasonable and permit sufficient flexibility to make negotiations meaningful. The consultants should be advised from the outset of the EA negotiating team's authority and if agreement is required on a particular matter outside the authority of the negotiating team, approval should be sought at that time and the consultants informed that discussion and tentative agreement is subject to approval or guidance. A representative from ADB may be present as an observer to provide comment and/or advice if requested. Such an observer would be capable of indicating the likely response of ADB to matters which would include the final review and approval of the negotiated contract by the funding source.

It would be usual for the contract to be subject to endorsement or approval by higher authority and by the funding source. The approving persons or organizations should be identified prior to the commencement of negotiations. Availability, discussion, and approval should be ascertained and the persons or organizations advised that negotiations are scheduled and that the negotiating team may need action and/or approval on certain matters during and at the end of negotiations. When estimating the time required for negotiations, up to and including the final draft contract approval stage, allowance should be made for approvals being obtained, particularly if more than one approval is necessary and these approvals need to follow each other sequentially.

F. Conducting Negotiations

1. Procedures

The negotiations must be undertaken in an organized and structured manner to ensure that items are covered in a proper sequence. An agenda, setting out the order by which the items will be treated, should be established and might be as follows:

- a. **Opening Remarks:** A brief welcome to the consultants and an introduction of various members of the negotiating team consultants should be given an opportunity to respond.
- b. **Submission of written authorization:** Consultant's representative should present his or her authority to negotiate and conclude a contract. If the negotiating team has limited authority this should be advised.

- c. **Terms of Reference:** Review and discuss the objectives and scope of the assignment, reconcile any differences between the consultants' understanding or proposed modification and the position of the EA.
- d. **Work Plan and Personnel schedule:** The phasing of input and experts to be assigned to each phase.
- e. **Consultant's Experts:** Any other changes in expert's mix or non-availability of nominated experts and proposed substitutes should be resolved at this point.
- f. **Counterpart Staff and Facilities:** The extent and timing of provision of these items should be agreed and differences between the consultant's needs and the EA's ability to provide them should be resolved.
- g. **Equipment:** What is to be provided by whom and at whose cost should be agreed.
- h. **Financial Terms:** The consultant's proposed financial terms should be reviewed at this point. It is recommended that the financial terms should not be discussed until all of the preceding items have been fully agreed. For QCBS contracts, the rates for remuneration and unit rates for expenditures are not subject to negotiation.
- i. **Consultant's Contract:** The draft should be reviewed carefully to ensure that both parties fully understand the contract terms and conditions. If necessary, the parties involved should discuss and agree on any modifications to the draft.
- j. **Approval and Signature:** Any approvals beyond that of the negotiating committee should be obtained and the consultant should sign the contract. If necessary, it may be conditional upon review and acceptance by ADB.
- k. **Commencement of Service:** Taking into account the need for various approvals of the contract, the date for commencement of services and other matters relating to commencement arrangements should be decided upon.
- l. **Notice to Proceed:** The expected date when the notice to proceed can be issued to the consultant should be tentatively fixed.

Each item of the agenda should be dealt with in the order listed and agreement should be reached before proceeding to the next item. For example, the terms of reference establish the expertise and inputs necessary to achieve the objectives and, therefore, the expertise and inputs cannot be

agreed upon ahead of the terms of reference. Consequently, the work plan, personnel schedule and consultant's experts cannot be determined before reaching agreement on the scope as defined in the terms of reference.

The minutes of contract negotiations should record in order of discussion the issues raised by the negotiations and the main points of the ensuing discussion leading to agreement on the particular points. Minutes should be drafted and agreed during the negotiations as each agenda item is dealt with and record matters of interpretation and clarification. This serves the dual purpose of being able to review the minutes while the matters concerned are still fresh in the hands of the negotiators and subsequently available for reference as other interlocking items are discussed.

Minutes can be a very important part of the proceedings. The understandings reached and the reasons leading up to changes to certain items may be recorded in "plain language" and contain aspects which are not appropriate for a legal contract. The final contract formally details what has been agreed and the provisions governing such matters; the minutes, on the other hand, are background information showing why and how decisions were reached (and, as appropriate, amplify, clarify or construe specific contractual language) but they cannot modify or substantively amend agreed contractual provisions.

Where there are no material changes to the scope of services and terms of reference, there may be little discussion except to confirm that these are clear and understood. Caution is recommended as the consultant may think it is clear and understood and the EA may also think the same, but each party can be on a different wavelength. It is, therefore, worth requesting each party to restate how they see the flow of services, the emphasis required, and the objectives sought. Changes on any particular focus required should be summarized and recorded in the minutes.

Any amendments should be highlighted in the minutes, if appropriate, and in applicable sections of the terms of reference (and any subsequent changes in experts, staffing schedule or work plans should also be reflected). The terms of reference, including the scope of services, are part of the final contract, and where these are different from those contained in the invitation letter or the consultant's proposal, the minutes of the negotiations should provide the necessary link between the two different sets of documents. At the successful conclusion of negotiations, conformed contract copies are prepared for each side. The consultant's representative and the chief negotiator of the EA should initial the draft contract at the place of signature to signify that the contract is a true representation of the matters negotiated and agreed as between the leaders of their respective negotiating teams.

2. Terms of Reference

The objectives and scope definition of the assignment as spelled out in the terms of reference should be reviewed to ensure that the two parties have a common understanding. The counterparts and facilities to be made available should be confirmed, since any substantive change can affect the consultant's expert's requirements and the reimbursable costs.

As the original letter of invitation encourages suggestions to improve the terms of reference, any suggestions made by the consultants should be discussed now. It should be made clear that the consultant's proposal will not be part of the contract, but that any suggestions that the EA wishes to adopt must be included in the terms of reference. (After the negotiations, the consultant's proposal will not be part of the contract and will have no legal status.)

3. Work Plan

The work plan shows the phasing or sequence of inputs by sector over the period of the services; the personnel or staffing schedule shows the person-months of each team member and the expertise being contributed. These two documents must be reconciled. Amendments to the services required or changes in scope will normally have an effect on both the work plan and the personnel or staffing schedule. Care should be taken to reconcile the terms of reference, work plan and staffing schedule. There are occasions where major national holidays will interrupt the flow of services and perhaps due to late commencement, seasons may affect the work plan and in turn the staffing schedule.

When all amendments have been made and negotiations are complete, including financial terms, the work plan and staffing schedule should be carefully reviewed once more, along with the finalized scope of services in the terms of reference, to ensure that the results of the process of changing "fine tuning" that sometimes occurs throughout negotiations have, been incorporated, are workable, and consistent.

The terms of reference sent with the letter of invitation should have indicated the services which the EA would provide and these should be compared with the consultants' requirements. Sometimes an adequate cost estimate of the local counterparts and other contributions have not been made or budget approval has not been obtained. This must be done before negotiations are completed or, if that should not be possible, appropriate revisions should be made in the consultants' contract to include the relevant services and costs.

4. Staffing

The request for confirmation of staffing should already have been made in the invitation for negotiations and should be raised again during the negotiation. If further changes are contemplated, the reason should be given by the consultants and the CVs of proposed replacement experts given to the negotiating team for review.

The aim of the EA (and hopefully the consultant) is to have all the originally nominated experts carry out the services. After all, usually more than 50 percent of evaluation criteria were related to the quality of the experts in the consultant team. However, experts get sick or may have their services extended on a previous engagement. Any of these reasons may result in one or more of the experts being unavailable when required, and if the time period between the proposal preparation and commencement

of services is excessive, this problem is more likely to occur and more difficult for the EA to object to. However, the reasons for replacement must be critically examined and the caliber of the replacement experts carefully scrutinized.

Detailed CVs for each proposed substitute should be submitted in time for proper review. Sometimes a replacement may well be qualified and experienced, but with different weaknesses and strengths, which may necessitate a change in the emphasis and activities of other team members. A well-established firm should be able to find substitutes of equal or better quality and inferior replacement experts should not be accepted. Numerous replacements should not be allowed and, if they are requested by the selected firm, consideration should be given to terminating the negotiation and inviting the next ranked firm.

5. Resolution of Deficiencies

The invitation to negotiations may have identified significant deficiencies in the original proposal of the selected firm. These should either be corrected prior to negotiations or discussed at negotiations. Identified major deficiencies should be resolved (or at least the intended method of resolution indicated) before negotiations, as failure to provide a satisfactory response may invalidate the first-ranked proposal.

Type of deficiencies which may require correction could include:

1. One expert in the consultant's team not suitable for the services, perhaps being underqualified or overqualified, too highly specialized and not required for the services (if there is more than one unsuitable expert, the evaluation may be called into question);
2. The person-months proposed are considered excessive compared to the terms of reference requirements.
3. The overall time from commencement to completion may be inadequate or excessive or may not take into account the climate or other restrictive features;
4. An element of the approach or the innovation suggested may be inappropriate or misunderstood by either the firm or the EA;
5. An association with domestic consultants may be unclear or nonspecific as to the exact input the local party will provide;
6. An area of expertise may be added (or deleted) for reasons which may not be clear to the EA or may not be considered appropriate,
7. Equipment and services required by the consultant may not be available in the project country or may be considered unnecessary or overly sophisticated.

G. Negotiating Financial Terms

It is expected that QCBS will normally be used for ADB-financed loan projects. In exceptional cases, QBS may also be used. In both cases, the financial proposals submitted, as specified in the RFP, would show their

breakdowns of costs in three common groups of expenditure, as shown below. These anticipated contract costs are also separated into local and foreign currencies.

- (i) remuneration
- (ii) out-of-pocket expenditure
- (iii) contingencies

There will be a major difference in the detailed breakdown of costs requested for remuneration in the RFP for the financial proposal between QCBS and QBS. In QCBS, the standardized format (typically in electronic form by way of computer diskette or CD-ROM) will be made available. Only the proposed unit rate for each expert, without further breakdowns, is necessary. QBS, however, requires a further breakdown of the proposed remuneration rate into basic salary, social charges, overhead costs, and fees with supporting information.

1. Remuneration

Negotiations under QCBS do not contemplate any change to the proposed unit cost of remuneration for each expert; minor adjustments, if any, will only relate to the duration of services, as shown in the financial proposal.

In QBS, the negotiation of remuneration rates proposed would require further examination of the breakdown of cost into basic salary, social charges, overhead, fee, and other allowances. This will determine their reasonableness under the cost plus fee approach, and may be subject to change during the negotiation. These items make up the person-month rate and are also shown in the examples in *Figure 6.1*. These are discussed in more detail below.

Base salary is the monthly salary paid to an individual by the firm. It does not include any extras over and above the straight salary, such as vehicle allowance, rental allowance or overseas inducement. These are treated separately. At the negotiation stage, useful questions may be whether or not the base salary quoted has been paid in the same amount for a year or more and, if not, why not; whether a new base salary has been agreed with the staff member concerned for this project and, if so, what the regular salary was; whether the employee is a permanent staff member of the consultant firm and, if not, how the base salary was computed; and whether the payroll sheets support the answers.

Social costs refer to costs additional to the base salary which the firm pays because of legislation, work agreements, or established practice, and includes sick leave, vacations, and the employer's contribution for pension, social security, and medical and life insurance. The consultant should be able to illustrate how these social costs are calculated as a percentage of base salary. Questions would refer, *inter alia*, to whether the sick leave allowance was based on the actual average experienced by the firm or the maximum sick leave permitted and whether the medical expenses are actual or estimated. Social costs depend very much on

practices and regulations in the country of the consultants and may typically range from 20 to 60 percent of base salary. Bonuses that are *not* dependent on the staff's performance or the firm's profits, but are given as a regular benefit (such as the thirteenth month pay), can be included in social costs (other bonuses should be included in "fee").

Overhead includes the consulting firm's costs of doing business. This includes rent, office supplies, secretarial and clerical staff, traveling expenses, communication costs, repairs and maintenance, home office technical staff, data processing costs, and miscellaneous expenditures. This also includes senior staff administering and monitoring the work. Another significant item of the overhead is the cost of professional staff not working on specific revenue-earning assignments. This item can be a good indication of the consulting firm's efficiency although it does vary widely between different types of firms. Overhead also covers the costs of developing new business, including the preparation of proposals but, other than that, should not include any project specific costs. A recent range quoted was from 65 to 150 percent of base salaries, but exceptions to this may occur. The percentage used in each specific case should be justified in much the same manner as social costs.

Fee typically represents the firm's gross profit before taxes, usually expressed as percentage of the sum of salary, social costs and overhead, and may range from 10 to 15 percent. The net profit varies according to the income tax levied in the firm's country and/or in the country of assignment, and on other factors.

Other allowances may include *overseas or inducement allowance* paid to the staff over and above their base salary on overseas assignments. This will vary with the nationality of the firm and sometimes with the country of assignment. It is common to find it in a range of zero to 60 percent of the base salary.

The calculation for home office rates is similar to that for field rate but there would be no overseas or inducement allowance payable. Some firms charge the same overhead rate for home office time as for field time, and some argue that overhead costs for overseas staff are greater, while others claim the reverse. Overhead costs may be reduced for long-term assignments where staff can expect to be fully employed for several months or more due to administration savings and the reduction on non-revenue time.

Sometimes confusion is created by the word "*multiplier*", which is normally used to describe the factor by which base salary is multiplied to arrive at the total person-month rate. With a "multiplier" of 2.5, the staff member gets paid 40 percent of what the firm charges for his services. "Multipliers" vary, of course, from firm to firm; the normal range is between 2.0 and 3.0 though figures outside this range may be justified under certain circumstances.

2. Out-of-Pocket Expenses

In addition to the "person-month rates," it is customary to reimburse consultants for expenses involved in implementing the consulting services. To reduce accounting procedures and paperwork, it is common in QBS

cases to agree on fixed “allowances” for certain types of expenses but larger expenditures would normally be reimbursed on the basis of actual costs to the consultants.

Typical allowances are the “per diems” for hotel and living allowance for consultants’ employees away from normal duty station. ADB has standard rates for QBS that can be used as a guide for estimating purposes. These rates normally vary for short visits and longer stays and by location within a given country. Short stays in the major cities usually receive the higher “per diem” allowance. Other allowances may cover such items as family transportation and the moving of personal belongings for long time work.

Direct reimbursable expenses normally cover international air travel, acquisition of equipment to be purchased specifically for the project, and subcontracts for such items as soil laboratory tests, aerial surveys, etc. The estimator for consulting services contracts may have to do a certain amount of cost research in the local market to obtain a good basis for the budget. Other direct reimbursables might include expenses for report production, communication, support staff salaries translation services and the use of computer facilities.

In QBS, out-of-pocket expenses will normally take much less time to negotiate as many of these are known costs - air fares, etc.; others, such as per diem, can more easily be compared with amounts paid previously by ADB, or checked against hotel rates applicable in the area. Nonetheless, per diem should be reviewed in the light of overseas allowances or other cost of living adjustments and allowances to ensure that costs of living in the project area are not being included twice. The consultant should also be requested to confirm that the agreed per diem will be paid in full to the experts. The cost and availability of housing and office space should be discussed and the support facilities and staff to be supplied by the EA should be confirmed.

Travel costs between the consultant firm’s home country and the country of assignment can include vaccinations and visas, airport transportation, airfares, excess baggage, unaccompanied baggage, taxes, shipment of effects, and rest stops. Airfares should normally be economy class.

Whether or not the travel of the dependents is reimbursable in QBS cases is a matter which may be negotiated in some cases if such allowance has not been factored into fixed sum payments to the consultant concerned (in those cases in which such reimbursement is permitted). Dependents’ travel might be allowed if the member will be in the country continuously for more than 12 months. The invitations to negotiate should have conveyed the rules, if any, on whether family may be moved at project cost depending on length of stay.

A limit on the allowance for excess, accompanied and unaccompanied baggage costs should be given in the schedule and should take into the account whether or not the team member will be accompanied by dependents. Sometimes a sum is fixed for the team members to use for whichever method of transportation is preferred.

Items which are usually reimbursed for the actual cost will include report printing, surveying equipment, office equipment, computer operations, vehicles, and home office fax and postage costs. The

administrative costs incurred for these reimbursable costs and transportation will usually be covered by the firm's overhead.

3. Contingencies

It is prudent to include provision in the budget for two types of contingencies: physical and price. The physical contingency should provide for items of additional work which have been overlooked or which may turn out to be necessary as the study progresses. To a degree this will depend on the uncertainties inherent in the kind of work being done by the consultant, but a common range would be between 5 and 10 percent. In QCBS, the amount of the required contingency to be included in the consultant's financial proposal is specified in the project (as a percentage). data sheet and the financial proposal must not include a lesser or greater amount.

In estimating costs for services lasting less than one year, it is normally unnecessary to make any allowance for price contingencies unless the contract involves currencies other than US\$. For services to be provided over a longer period, however, the cost estimates should include allowances for price contingencies, based on estimated increases in international and domestic costs, for the person-month rates and reimbursables.

Physical and price contingencies are estimates and the use of these contingencies should be governed by certain basic conditions. These may be (i) prior approval by the EA and the ADB; (ii) an order for extra work signed by the EA; (iii) documentary proof that the goods or services have suffered an increase in price and agreement is sought before proceeding; or (vi) exchange rate variations have arisen from an official revaluation or devaluation in a currency of expenditure.

4. Provisional Sums

Provisional sums include items such as workshops and seminars and, in QCBS proposals, are specified in the relevant project data sheet (part of the RFP). Such provisional sums must be included in the consultant's financial proposal in the amounts indicated in the project data sheet. During contract negotiations, some portion of such provisional sums may become fixed in amounts agreed between the EA negotiating team and the consultant if accurate cost estimations can be determined.

5. Payment Provisions

Payments are usually made on a monthly basis, based on an invoice submitted by the consulting firm. An advance may be given and later deducted from monthly payments during the contract period. Other payment provisions may be agreed, however, as appropriate for the particular assignment or form of contract.

H. When Something Goes Wrong

Negotiating should take place in a calm and professional atmosphere. However, one or another of the participants may become excited. If this happens, it is best to be tactful and ignore such excitement. The discussions should be conducted with mutual respect and courtesy, and with the recognition that language difficulties and differences in social customs can cause irritations - which should be overlooked - and misunderstandings - which should be clarified. Where certain deadlocks cannot be resolved immediately, it may be better to pass on to a subsequent issue and leave the problem for resolution later.

During the course of negotiations (most particularly on financial terms for QBS) a situation can arise in which the EA and the consultant establish positions which are not acceptable to the other, resulting in a deadlock that effectively halts negotiations. One of the major causes of a deadlock situation is the discussion of financial proposals before technical and experts matters are agreed, the consultant will normally try to reduce the technical scope to fit the financial terms required by the EA, but is prevented from doing so because the EA does not wish to have less-qualified staff or fewer person-months for the services. Other causes can be:

1. the imposition of fixed, standard or official billing rates by the EA which may not be flexible enough to take account of the quality and experience of the nominated staff;
2. the reluctance of the consultant to provide adequate supporting information and explanation in respect to the cost structures, including actual salary paid to the staff;
3. toward the close of the negotiations, after agreement has been reached on all substantial matters, the EA may try to add or expand the services to cover some issue not included in the invitation within the previously agreed financial terms.

Occasions do arise where the funds available are inadequate to provide sufficient remuneration for the consultant to carry out the full range of services with the experts nominated and the number of person-months estimated. In these circumstances, the EA needs to satisfy itself that the financial terms have been negotiated in a manner which indicates there is no room for further amendments, and that either the services must be reduced or different experts nominated with a lower billing rate. Any changes in the scope of services should be such as to have a minimal effect on the objectives of the project; perhaps an item can be identified for deletion which would leave the main portion intact rather than a general reduction of services affecting all parts of the project.

Agreement between the EA and the consulting firm may not prove possible. If the difference between the two is an important one, and remains unresolved after reference to their higher authorities and ADB, the only recourse may be to call off the negotiations. The EA would then invite the second-ranked firm for negotiations. Although all parties may be reluctant to break off negotiations, when the final decision has been made to do so, the EA should move quickly to minimize any further lost time.

In exceptional cases, events may occur which prevent the contract from being finalized even after agreement has been reached and negotiations successfully concluded. This might be because of internal conflict within the government, such as a higher authority or ministry which was not represented at negotiations refusing to accept the negotiated terms and imposing some arbitrary amendments. Clauses may be added to the contract relating to retention money, ADB guarantees, advance payment, penalty provisions, etc. which may not have been discussed during negotiations, but were added to the contract “as standard.”

When this occurs, both the EA and the consultant are placed in awkward positions, as each had reached agreement. If a mutually acceptable accommodation cannot be reached, the agreement will be voided and the process will have to begin with the next firm. Both parties should refer to their respective superiors and the funding institution with the warning that the contract will not be finalized unless some accommodation can be authorized.

I. A Borrower's Submission to ADB Following Contract Negotiation

Once the financial and other terms of contract have been finalized with the selected firm, the draft negotiated contract needs to be submitted to ADB for review and concurrence, prior to the finalization and signature. The review would be facilitated in QBS cases if the breakdown of the rates of remuneration as negotiated are also provided, together with other relevant information. In all cases, copies of the Minutes of Contract Negotiation should be submitted to ADB by the EA along with the negotiated contract

J. Making the Contract Effective

Having arrived at an agreeable conclusion, it is important to keep the timetable in mind and move speedily to make the contract effective and get the consultants to work on the assignment at the earliest date. There will usually be a chain of authorities involved in loan projects for approving a negotiated contract, ranging from division manager to director and perhaps government minister, with approvals being required from legal, technical and the finance or administrative departments. After the approvals have been obtained, ADB will have to be advised and a copy sent for its review.

The approving authorities should be identified at the stage of preparing for negotiations so that the degree of involvement and information required during negotiations can be ascertained and informal approval obtained during negotiations.

The sequence of approvals and/or signature will often follow this pattern: (i) final draft initialed by negotiators at conclusion of negotiations, (ii) draft then sent to department or ministry authorities for review and formal acceptance; (iii) draft sent to ADB after approval by EA's higher authorities; (iv) ADB approves draft and so advises the EA; (v) the consultant and the EA formally sign contract.

Considerable delay can result in concluding this phase of the consultant engagement process and it is important that the relevant authorities of the consultant and the EA be kept informed on the terms emerging from negotiation to ensure that there is no objection conveyed to the chief negotiator before final agreement is reached.

There will be a number of important dates connected with the consulting services contract. The date of contract is usually the date the contract is formally signed and normally included on the cover and in the first paragraph of the contract.

The effective date is the date the contract is intended to come into force, usually dependent upon the happening of some future specified event, for example, approval by ADB. Notice to proceed is the formal notice issued after the contract is signed authorizing the consultants to commence the services and specifying a period within which such commencement of services should take place. It is usually the point at which any costs incurred by the consultant for field work under the contract become legally binding on the EA. The arrival date for field work is the date the consultants arrive in the project area. It may not be the same as the commencement date as some experts may have been required to carry out home office work or data gathering before arriving in the field.

With the contractual arrangements concluded, the EA or other user of the consultant services must take the necessary actions to receive the consultants and facilitate the implementation of their assignment. Getting ready to start the work by making local arrangements and undertaking the necessary coordination is the subject of the following chapter.

K. A Borrower's Submission to ADB Following Contract Signing

Following the receipt of ADB's concurrence to the draft negotiated contract with the selected firm, a copy of the finalized and signed contract (including minutes) will be sent to ADB for its record. This will also allow ADB to make payments from the loan in accordance with the terms of the contract.

7.0 CONSULTANT MOBILIZATION

Once the lengthy contractual arrangements have been completed, there can be a tendency for everyone to relax. However, there is preparatory work to be done. The EA must now prepare those arrangements that are needed for the consultants to go straight to work on arrival.

The group responsible on behalf of the EA for supervising and assisting in the implementation of the consultant's work should essentially be the CSC or equivalent committee that was responsible for reviewing the initial concepts, preparing the terms of reference, and selecting and negotiating with the consultants. This group through the project manager or the project coordinator should now be responsible for undertaking the necessary preparations so that the consultant team can promptly begin work upon their arrival.

A. Assembling Counterpart Personnel, Support Staff, and Trainees

The types and numbers of counterpart staff should have been identified at the time of preparation of the budget, included in the terms of reference, and reviewed at contract negotiations. Specific individuals should have been nominated at negotiations, but if this was not the case they should be identified prior to the arrival of the consultants because they will have to be released from their regular activities. In addition, it may be necessary to make arrangements for per diem, travel costs and accommodation allowances while counterparts are outside their home base.

The availability within the EA of competent secretarial and clerical staff who speaks English should have been established. Their release to work with the consultants for the duration of the assignment should now be arranged. If they are not available within the EA or within the government, arrangements should be taken to hire them for the purpose. Similarly, drivers, security personnel, messengers and other such staff should either be made available by reassignment or hired by the EA for the purpose. The consultants will be working against a time table and expect each member of the team to be productive, so the counterpart staff may find that they are working under unaccustomed pressure and are expected to work on a full-time basis.

Moreover, the counterparts may observe that the experts routinely work overtime and the counterparts may feel embarrassed if they cannot do so. The problem can become accentuated if the counterpart staff cannot work full-time because their salaries are so inadequate that they must have supplementary employment. This problem should be addressed at the planning stage. If counterpart staff is to have genuine input into the work and obtain any useful training from it, additional stipends may be necessary to permit them to work on a full-time basis. The same will apply for the trainees.

B. Preparing Facilities, Equipment and Transport

There will be a list of items, which the EA has undertaken to provide, such as counterpart staff, office facilities, and vehicles, and should facilitate visa and other arrangements for the incoming personnel of the consultant. The lack of suitable office accommodation, hotel rooms, and transportation at the consultant's arrival can create doubts in the consultant's mind about the EA's ability to live up to its other commitments. It can also result in considerable loss of time in starting the work, at the EA's expense. The EA has contractual obligations and the consultant has as much right to expect these obligations to be fulfilled as the EA has to expect quality services.

Communication must be maintained between the EA and the consultant on the progress of preparations, outlining any problems or delays occurring and indicating likely changes to the timetable. It can be extremely frustrating to have weeks or months of silence followed by a notice that the consultants are required to be in the field in two weeks or, conversely, for the EA to receive notice one week before arrival that personnel are not available or that the starting date will have to be delayed. The EA should also keep the ADB informed of the developments and key dates before and during implementation of the work.

The degree to which facilities, equipment, and transportation will be provided by the EA will depend on country conditions and the size of the project. In some cases the consultants will be expected to make all the arrangements, including offices, transportation and clerical help, using funds provided in the project's budget. More commonly, the EA undertakes to provide all or most of these items in accordance with the terms of the loan agreement it has with ADB.

1. Living Accommodation

On arrival, the consultants will almost certainly go into hotels. Even when houses or apartments will be required, the consultant's personnel would usually arrive without family members and live in hotels for the first few weeks to allow time for familiarization and for work to progress before family members arrive. Hotel accommodation need not be in expensive hotels, but should certainly be in hotels, which meet general international standards. The overall accommodation arrangements will depend, to a large degree, on the length of services, location of the project site and whether family members of the consultant will be present. Hotels are expensive and, over long periods of time, are unsuitable places to establish a home. If the period of the contract services is relatively short, up to six months, then hotel facilities are likely to be the most suitable. However, if the contract is longer than six months or if family members are present, houses or apartments would be a more practical solution from both cost and comfort viewpoints.

Depending upon the local situation, the consultant's expert may be provided with a rental allowance and be expected to look for their own accommodation. Housing in many counties is not easy to obtain on short notice and cost could be very high, particularly if it is known that the accommodation is required for foreigners on an urgent basis. The EA should assist the consultants in identifying suitable housing and help with

rent negotiations. Alternatively, where there is a shortage of suitable accommodation, the EA may arrange for government houses or apartments. The consultants should have been informed during negotiations of the likely costs, standards, and availability of accommodation so that they would be aware of what can be expected.

2. Office Facilities

The area and number of rooms required for office accommodation, both for the consultant staff and for the counterpart staff, should also have been discussed at contract negotiations. The office accommodation should be available immediately upon the consultant's team arrival. It should be airy and clean, and provided with the usual facilities of toilet, water, electricity, telephones, and appropriate security measures. It should, if possible, be located near the consultant's living accommodation and offices with which the consultants are apt to have the most contact, particularly the EA. The office accommodation should have heat and air conditioning as appropriate. Prior to the consultant's arrival, the EA should ensure that there is an adequate budget allowance for the rent and the utilities (if the cost of these were not included in the consultant's contract), and that all utilities, including telephones (with Internet access), are connected and working.

Office equipment may be included in the rental of office accommodation but is more commonly provided by the EA, from government stores, rented or purchased for the occasion. If it is to be purchased, then arrangements to do so must be made well ahead of time. If rented, it should be confirmed that the budget has provision for this. Photocopiers and fax facilities will usually be necessary and may require special arrangements.

Many other factors need to be considered such as laboratory tests, computer services, aerial surveys, drilling or other survey services, required as part of the EA's input? How will the suppliers of these services be selected? To what extent will the consultant be involved in selecting or approving the source? Will they be available at the required time? Are the necessary funds available?

3. Transportation

The provision of vehicles for the use of the consultants and the counterpart staff is a common problem. EAs almost never have extra vehicles, and must pry them loose from a government motor pool or make arrangements for vehicle purchase beforehand. Like living accommodation, office accommodation and furniture, the vehicles should be available the day the consultant staff arrives (unless the cost of local transportation was included in the consultant's contract), both to create an atmosphere of general efficiency and to avoid delays in starting the work. Often the cost of vehicles is included in the project budget, and provided from the funds of the ADB so that the vehicles may be purchased either by the consultants on behalf of the EA or by the EA itself. In any event, allowance should be made for the lead time necessary to acquire new vehicles and have them imported and ready to operate, which can be a lengthy procedure.

Arrangements will also have to be made for the fuel and maintenance of the motor vehicles. This may be done through a government motor pool or via private arrangements with local garages and gasoline stations. In either case, funds must be available and prior arrangements made. Other questions related to the use of the vehicles will be whether drivers will be provided or whether the vehicles will be driven by the consultant's staff, or both. Are they only for official use or for the personal use of the consultants as well? Third party liability insurance is necessary and, if not provided by a general government insurance policy, should be arranged by the EA.

The consulting services may require travel to various parts of the country or project area either by scheduled air, boat or train services, or by specially rented or chartered craft. The adequacy and ready access to the necessary funds should be checked. The availability of charter services from private or public hire sources should be ascertained. Sometimes it is assumed that such charter facilities are available on the basis of a casual inquiry, only to discover when the time comes to use them that they are not available because there is only one and it is under repair or booked for someone else. Occasionally, the services or facilities will be available from private sources but the EA finds the costs are higher than expected and there is not adequate budget provision. Of course, all of these items should be checked during the preparation of the work program and the original estimates for the consultant's work, but whether or not it was done at that time, it should be done now.

C. Collecting Data and Materials

One of the essential requirements for a successful study is access for the consultants to data relevant to the project requirements. Certain data can be researched and obtained by the consultants from their own resources; such material and background information, base data and so on should be extracted and collated by the consultants during preparation for commencement. However, much of the data will be with the EA and other government agencies and the likely needs of the study should be established and the relevant data located (and collected if feasible) and identified for the consultants to obtain when they need it. Counterpart staff may have the major responsibility for this.

In many cases there will have been prior studies relevant to the consultant's work. These may have been done many years previously, and often by other government agencies, universities or private sources. Even if these studies are several years old, they can yield useful information. Either copies of the reports, plus supporting data, should be collected or the availability identified so that the consultants can review the material at the start of their work. Quite frequently this kind of valuable information is available but forgotten in the files of other agencies or it is in the possession of individuals and imagination and effort to identify and locate this information will be required. It may be useful to interview retired persons who have worked in the area of study, both to identify previous studies as well as to take advantage of their experience.

D. Assigning Responsibilities for Review of Reports

The consultants will probably be required by terms of reference to prepare several reports, typically an inception report, periodic reports on a monthly, bimonthly or quarterly basis, and a draft final and a final report. Moreover, consultants may prepare reports on particular aspects of their work and on some preliminary conclusions as the work progresses. It is essential to the satisfactory progress of the consultant's work that all of these reports be reviewed expeditiously and that prompt feedback be provided to the consultants.

A working review committee should be established within the EA to review these reports. Ideally, this committee will consist of staff which had responsibility for the preparatory work, the selection of consultants and contract negotiations. The committee review is necessary to ensure that the consultants are following the terms of reference and the study is moving towards the objectives originally envisaged or as appropriately modified. The committee will also check whether the consultants are considering all appropriate sources of information, whether the approach and methodology are appropriate, and whether the conclusions are supported by facts. These reviews will also prepare the reviewers for the conclusions which are to arise in the final report. The project manager or coordinator should ensure that the reports are circulated to all agencies concerned.

Criticism and comment from the reviewers is essential, either to the consultants directly or through the project manager or coordinator. This cannot be overemphasized as it is not unknown for the consultants to work without any outside review and/or comment and then for a storm of criticism and objection to arise at the publication of the final report. Such a situation is not the fault of the consultant but that of the supervising authority. Moreover, the conclusions of the consultants may be correct but unacceptable for political or social reasons. This should be made known to the consultants and they should take it into account, to the extent they can do so without prejudicing the technical objectivity of the report.

E. Advising the Agencies Concerned

The consultant, in undertaking the services, may have to contact other government agencies. This can be a sensitive area as direct contact by the consultant to personnel or officials of executing agencies other than the EA they are working for may cause difficulty with supervisors and heads of departments, particularly if it involves additional work. The EA should arrange, at the appropriate level, for such contacts and indicate the degree of work this might entail (making sure that time required is properly estimated and not downplayed through inadvertence or in order to obtain the other department's agreement). Counterpart staff should normally be able to facilitate those contacts and may play a major role in establishing contact.

The EA should ascertain whether contacts are to be made directly by the consultant's team, a preferable method, or should be arranged through the EA. Ideally, agreement should be obtained that the consultant's team could approach the individuals whose knowledge or responsibility was of interest directly after the appropriate introduction have been made.

With respect to the review of the consultant's reports by individuals in other agencies, the EA should have explicit agreements with the

individuals concerned and with their superiors as may be appropriate. Normally the consultant's reports would be provided through the Project Manager or Coordinator of the EA, and comments by outside reviewers transmitted to the consultants through the same route. Nevertheless, informal channels between the consultants and the outside reviewers should be tolerated in the interests of prompt and efficient communication, although comments should normally be transmitted through the working group.

When agreement in principle has been obtained with outside government agencies concerning working contracts and reviews of reports, the date of arrival of the consultant team and the commencement of work should be communicated to the EA. This serves to both alert the team that the work is about to begin, and the demands will soon be made on them, and also to remind them of their agreement to cooperate.

F. Establishing Payment Procedures

Formal approval of the contract may be required before the responsible authority will allocate funds. The question is, when can these funds be spent? The contract may call for an advance payment for mobilization, probably in foreign currencies, at the time the notice to proceed is given. When the EA has to make foreign currency payments, are there currency regulations or controls to be taken into account? These steps are extremely important and approvals and procedures should be in place before the consultants are given the notice to proceed. There is often a vast difference between having approval to use funds for a particular purpose and actually getting access to these funds.

Funds usually come from two sources. One is the government or EA budget for the local contribution and the other may be ADB for the foreign currency cost of the work. Usually the government funds must be in the budget or the consultant's contract would not have been approved. ADB requires withdrawal applications by the EA so that payments can be made by the ADB as required by the consultants' contract. Foreign currency payments can be made by ADB directly to the consultants on the basis of a withdrawal application, which will help avoid foreign exchange controls. There may be administrative steps in order to make local currency expenditures. These should be completed early enough so that payments for office rental, public utility connection fees, etc., can be made in order to allow all of the facilities to be available when the consultants arrive.

The payment procedures necessary to withdraw funds from the ADB should also be determined. Normally the loan agreement between ADB and the borrowing government will have specified the methods of payment. However, there will be particular forms to be filled out and approvals to be obtained and the details of these arrangements should be established with the funding source. Conventionally, one of two payment procedures may be followed.

1. The EA may make the foreign currency payments to the consultants by itself, either directly or through a letter of credit, and then apply for reimbursement from the funding source.

This method is often preferred where there is no difficulty in obtaining the foreign exchange and the EA has the necessary working capital; or

2. The EA may request the ADB to make payment directly to the consultants on its behalf. This payment may be made by the ADB to the consultant's bank as instructed by the EA. This is the most common arrangement in the case of consulting services. Another arrangement would be for the EA to open a letter of credit with a local bank in the consultant's country, supported by a guarantee from the funding source. Payments would then be made by the local bank to the consultant in accordance with the terms of the letter of credit and reimbursement requested by the local bank directly from the funding source.

Payments, of course, should be made to the consultant promptly in accordance with the payment schedule set out in the contract between the consultants and the EA. The exact method of payments arranged with the ADB is formally of no concern to the consultants. The consultant's interest and the EA's obligation are to see that the consultant is paid according to the contract between the two parties. As noted earlier, ADB-financed loan proceeds cannot be applied to payment of local taxes and duties [Chapter IV (I)]. Appendix 10 outlines the steps involved in processing of a consultant's claim for payment.

G. Arrival of Consultant's Team

The EA should appoint a liaison officer to meet and assist the consultant, particularly during the first few days. This may be the project manager, the senior counterpart, or the project coordinator. The liaison officer can pilot the expert through the arrival formalities and procedures. They will have knowledge of the project, the other departments, divisions or officials involved, and the status of the facilities, equipment and counterpart expert being supplied by the EA. They can also establish an early rapport with the consultants, exchange information and comment, and generally be kept informed and up to date on implementation arrangements during this initial stage.

The consultant should be asked to provide a specific program of arrivals so the EA can make the necessary bookings and review its own organizational arrangements and the availability of counterparts.

The work schedule appended to the contract will indicate which of the consultant's experts should arrive together. The team leader would normally arrive with or ahead of the rest of the team. Visa clearance, health certificates and currency clearances are usually the responsibility of the consultant, in the absence of some other specific agreement. However, the EA, depending upon the circumstances, should stand ready to assist the consultant or advise the appropriate governmental authorities beforehand of the consultant's selection and pending arrival. If work permits are necessary, the EA should take the responsibility to obtain them.

Consultants arriving from overseas will usually have excess baggage which is likely to include, in addition to personal possessions, small items of equipment and/or supplies related to the tasks to be performed. In the

interest of prompt commencement of the services and to ensure that the consultant arrives equipped to start work, it is helpful to advise the appropriate customs and immigration authorities that certain expert will be arriving, that their presence in the country has been duly authorized, and that it is expected they will be carrying excess baggage.

In order to undertake the services it may have been necessary to import certain types of supplies and equipment, including vehicles. These may already have been purchased by the consultant and sent as unaccompanied baggage by air or sea freight, or they may have been purchased by the EA, with arrangements for their delivery before the consultants arrive. Steps should be taken at an early stage to obtain the relevant documentation, confirm the date of arrival, and arrange prompt clearance of such items from customs. However, it is not uncommon to find that necessary equipment or supplies are in the country when the consultants arrive but have not been cleared from customs, with the consultants not being able to work effectively until the equipment and supplies are available.

As many developing countries have stringent laws and regulations regarding imports, the time and documentation required obtaining import and customs clearances can be very lengthy. Consultants are being paid from the time the services are scheduled to start and delays caused by extraneous reasons are the responsibility of the EA. Consultants are still being paid as experts in their respective fields even when standing in line at customs warehouses!

The living accommodation for the consultant team should have been agreed upon, preferably during contract negotiations, but certainly soon thereafter. Normally, arriving team members first go to hotels even if they are not to stay there throughout their assignment. Shortly thereafter they may move into apartments or houses.

H. Introducing Team Members, Counterparts, and Support Staff

As soon as possible after arrival, the consultant expert should be introduced to members of the EA's staff concerned with the project services. This should include all counterpart and support staff. The consultants and their counterparts will spend a considerable amount of time together under sometimes stressful conditions and it is important that mutual respect and trust be developed as early as possible. This requires conscious effort to be made by both the consultant expert and the counterparts.

As discussed earlier, selection of qualified and competent counterparts is a prerequisite for effective cooperation. The consultants and the counterparts should be clear as to what is expected of each, the degree of training and technology transfer expected on the part of the consultant, and the knowledge and experience to be contributed by the counterpart. All too often the counterparts are restricted, or restrict themselves, to clerical assistance and/or serving as interpreters and translators without taking the opportunity to rise to the challenge of stretching their professional knowledge. Both sides should expect and demand the best of each other.

The EA and the consultant should review the details of the work arrangements so that both are aware of them and can anticipate any difficulties which might arise. They may include working hours, weekend work and traveling arrangements for the consultants and counterpart and

support staff. The procedure for contact with other government agencies should be discussed. The procedure for handling any inquiries from the newspapers or other public media should be agreed upon.

I. Establishing Liaison with Agencies Concerned

The consultant team, as well as the counterpart staff, should be presented to those agencies with which they are expected to have a working relationship. This can best be arranged by the project manager and probably would consist of initial courtesy visits to the expert with whom the consultants are likely to be involved and their supervisors.

It is a good general practice for visits to other government agencies by consultant team members to include a counterpart expert member. This will provide continuity after the consultants have left and serve to reduce suspicion and resentment of consultants running around in other government departments and ministries.

J. Confirming Agreed Operating Procedures and Schedules

Once the required facilities, equipment, counterparts, and support staff have been provided and the consultant team has commenced the services, the matter of progress reports, review meetings, monitoring of the services, and revisions or alterations in timing of services will need to be pursued. These aspects should be reflected in a detailed work plan prepared by the consultant, usually part of the Inception Report. It would be rare for the services to proceed exactly on schedule without amendment and with all reports and reviews being perfectly in harmony with the EA's expectations. This will depend to a great degree in having recruited the right consultant, on the clarity of the terms of reference of the contract and on the standard of support services provided by the EA.

Even with the best of consultants and the sincere and best efforts of the EA differences may arise. Reporting and monitoring procedures should be instituted to quickly identify problems or deviation from the terms of reference and promptly resolve any particular difficulties, which arise. This includes billing and payment procedures.

The monitoring arrangements should be organized to take into account the type and complexity of the project, the length of the services and the numbers of expert involved. Such monitoring arrangements would include periodic site visits by the EA, comparison of the actual timing and inputs with bar charts, implementation schedules and the like, and compliance with reporting requirements.

The EA, usually through the Project Manager, would expect to have regular site visits to ensure that progress is being maintained and is in accordance with the reports and the billing claims. While occasional site visits may be of the formal inspection type, especially during the tripartite meeting, informal, low-key, but spontaneous drop-in visits which are not disruptive of the consultant's work can be beneficial. Such visits would demonstrate the EA's interest in the work and permit it to assess progress and the working environment.

K. Reports

The contract will normally state the frequency and type of reports required. These should reconcile with the personnel and implementation schedules. Consultants should not be encouraged or required to spend too much time

preparing frequent reports. The content and frequency of reports should be designed so that the EA is kept informed and the consultants spend only a minor part of their time preparing reports.

The more common types of report for studies undertaken are:

1. ***Inception Report.*** The inception report is prepared four to six weeks after the consultant has been on the job and is designed to show that the work is underway as planned and indicate any inconsistencies in the terms of reference or major problems which may affect the direction of progress of the assignment. Any problems of experting, access to information and other agencies, or the provisions of assistance by the EA should be included in this inception report. Any significant initial findings should be highlighted.
2. ***Progress Report.*** Progress reports are usually quite brief and designed to keep the EA informed of the progress of the assignment and any changes made or proposed. It should cover administrative and technical matters, and, most importantly, should flag unforeseen events and difficulties encountered in the work. Progress reports may be done monthly, bimonthly or quarterly, depending on the kind and length of the assignment.
3. ***Interim Report.*** Where the services are expected to be in more than one phase, a phase or interim report would normally be a form of final report for that particular phase covering all material aspects and drawing conclusions with appropriate recommendations for the next phase. An interim report may also be a report addressing a particular aspect of the work on which some decision or reaction is wanted. An interim report may or may not have been anticipated in the terms of reference and may simply have appeared necessary as the work progressed.
4. ***Draft Final Report.*** The final report is normally first produced in a draft form to permit full review and discussion to take place with input from the EA, other government agencies and ADB where applicable. The consultants are responsible for their report and their findings and, while changes may be made in the draft as a result of review and discussion, they should not be obliged to accept and incorporate such changes if they are, in the consultant's opinion, inappropriate and unacceptable. The consultants may, of course, note such comments in their report and explain why changes were not found acceptable. In practice, the Draft Final Report is the major document and, barring major difficulties, is often the one on which the next course of action is taken.
5. ***Final Report.*** The final report incorporates whatever changes or revisions were considered desirable and acceptable to the

consultants. It is usually completed at the home office of the consultant and will likely have better presentation and perhaps be printed professionally with copies circulated to many interested parties. Because of the time delay between the Draft Final Report and the distribution of the more professionally presented Final Report, the EA and the funding source will tend to act on the revised Draft Final Report as a working report document and not wait for the Final Report. The consultant should also provide a copy of the final report to the EA (and ADB) in electronic (typically CD-ROM) format.

In addition to the foregoing, there may be reports for design and supervision work. The more common among these are:

1. ***Design Reports.*** Design reports would present the basic considerations, data and criteria used to design an important element of the Project. They are usually required to be submitted in draft form, for review and comment by the EA, and are revised after consideration of the comments.
2. ***Alternative Design Reports.*** Rather like interim reports for feasibility studies, alternative design reports may or may not have been specifically anticipated in the terms of reference. They would present alternative designs (e.g., concrete or rockfill dam) or alternative courses of action (e.g., combine elements in a few large bidding packages or breakup into smaller packages for decision).
3. ***As-Built Drawings.*** As-built drawings are prepared as construction proceeds, and are usually design drawings amended to show what was actually constructed.
4. ***Project Documentation.*** Project documentation includes all the information concerning design and construction of the Project. It will include, inter alia, design reports, alternative design reports, and as-built drawings.

The EA usually reimburses the consultant for preparation, printing and reproduction of reports. Since this can become expensive, the consultant should be advised to keep reports simple, and to the point, and avoid glossy presentations with an undue amount of effort being spent on format and style. This is particularly true for the progress and interim reports which should be treated as practical and informative working documents. The consultant is conscious that reports can be a valuable advertising asset and may have a tendency to concentrate on the appearance of the report with color reproductions, graphic illustration, quality paper and a limited amount of text on each page. This may be a fine report but it can also be a sales brochure for the consultant firm. From the EA's point of view it is the content and the limiting of report cost which are important.

8.0 IMPLEMENTATION AND SUPERVISION OF THE WORK

The consultant team has the responsibility to carry out the work program. The EA has the responsibility to oversee it, monitor progress, assist where it can, and provide continuous input in the form of approvals and comments.

A. Coordinating Activities

The Team Leader of the consulting firm manages the project and has the responsibility for coordinating the work and preparing the Final Report and recommendations. The Project Manager works with the Team Leader. The Manager assists and facilitates access to collaborating outside agencies, and monitors the progress towards the study's conclusion against the estimated inputs by the consultant and counterparts. It is essential that both the EA and the consultant carefully monitor and control the costs of undertaking the work.

The person-month inputs of the various disciplines by both the consultant staff and counterpart staff should be measured against milestones or events on the road to completion. Milestones could be such things as completion of the collection of hydrological data, installation of stream gauging stations, completion of stream gauging, completion of soil surveys, completion of a bill of quantities and cost estimates to a given accuracy, analysis of management information requirements, detailed designs of particular components, and the like. Estimates of the inputs required to reach each milestone should have been made at the beginning of the study and confirmed or amended as the study progresses. For studies exceeding six months, periodic progress reports should compare past achievements with earlier predictions and predict the accomplishment and inputs to be used during the next reporting period.

In effect, the person-months budgeted spent, and required for completion should be reassessed and kept up to date. By keeping a careful accounting of the person-month inputs, as well as the use of outside services, both the consultant and the EA will be able to keep track of the resources committed and prudently use the contingency provisions as required. This should avoid, or at least reduce, the all-too-common occurrence where person-months and/or monies are used up before the work is completed. Both from quality and accounting viewpoints, monitoring and control are essential for satisfactory completion.

B. Reviewing and Discussing Interim Findings

The EA should be kept aware of the consultant's progress with the work so that interim findings do not come as a surprise. This awareness is established by regular site visits and briefings. A good practice would be to arrange oral briefings on a periodic basis, weekly or monthly depending on the circumstances. These should consist of brief presentations by team members (including counterparts), and not just the Team Leader, on their work and the difficulties encountered. The presentations should not be

time consuming in either preparation or presentation. The purpose is to keep the EA fully advised on a more frequent and less formal basis as a supplement to the periodic reports.

Interim findings tend to be key decision points and normally merit a formal and wide-ranging review. The findings and issues should be set out in whatever form is necessary for intelligent understanding and informed decision. This might be an oral presentation or a written report. The audience should be those who can contribute to, and will be affected by, the decision. In addition to technical staff from the EA, financial and management persons of the EA and government may be invited. The consultants should take note of the comments and criticisms for subsequent consideration. In response to these, the consultants should avoid detailed rebuttal and tendentious argument.

Tripartite meetings between the consultant, the EA, and the ADB are customary during the assignment. Such meetings are often held about halfway or two-thirds the way through the assignment - a mid-term report and meeting - and at the stage of the draft final report. Tripartite meetings are the occasion when each of the parties can exchange views, comment or recommend, and influence the direction that will be taken thereafter. A report should be available (perhaps the same report presenting the interim findings discussed above) a few days before the meeting to allow time to review the contents and, if necessary, seek additional information or guidance from the technical staff of the reader's own organization. It is essential that the EA and the ADB understand the current status of the project and the intentions of the consultant in respect of the next phase of the project. The consultant must make every effort to ensure that the participants have a clear understanding of the issues to be discussed.

At a tripartite meeting there is a tendency for the EA and the ADB to fit the project into a mold which was conceived of earlier and approved by respective authorities. However, if the information available and the consultant's recommendations show that the earlier concept is no longer completely valid, the terms of reference should be amended. Minutes should be kept of such tripartite meetings and reviewed and signed by all three participants.

C. Selecting Options at Control Points

A study consists of considering various alternatives and selecting the more promising for more investigation. This may range from a feasibility study of various alternatives for supplying additional power to one for selecting the sizes and numbers of generators to be installed in an existing power plant. Some of the decisions are obvious and can be foreseen with a high degree of confidence, i.e., many are technically routine and consist of selecting the least cost mix of equipment to meet the operational requirements. Others present difficult choices between equally attractive, or unattractive, alternatives.

Where the choices are difficult, the EA and the consultants should consider the issues carefully and consult with any outside authorities or experts who may be able to contribute to an informed decision. The consequences of decisions are likely to be a change in the emphasis of the study and its objectives. These changes may often result in additional costs

and the inadequacy of the original budget may become distressingly clear. If additional funds cannot be obtained, revision and reduction in the scope of work will have to be considered. Elimination of certain secondary objectives is usually preferable to a general across-the-board reduction; in other words, a reassessment of priorities will be necessary to concentrate on those items which are truly basic to the final conclusions.

D. Resolving Conflicts

In the course of carrying out the work, difficulties may arise. These should be addressed as soon as they are identified, before they “get out of hand”. Some areas of contention are discussed below.

1. Replacement of Personnel

Clashes between individuals can and do occur, and it is the joint responsibility of the EA and the consultant to mediate in such cases and avoid blaming one side or the other. However, where a situation continues, perhaps due to the abrasive personality of one person, it is reasonable to request that the person be replaced, whether he is a consultant’s staff member or EA’s staff member.

Poor performance should not be tolerated and the consultant should act quickly to comply with a reasonably justified request that a particular expert is not performing adequately from a technical point of view or in terms of human relationships. When the EA sincerely believes that it is a case of poor performance, it will be counterproductive for the consultant to insist that the EA’s assessment is incorrect. A replacement should be made even if the consultant expresses his disagreement with the EA’s views. The EA, in turn, must act reasonably and provide reasons for requesting a replacement on the grounds of poor performance which, after all, is a serious charge for both the person concerned and the consulting firm.

The consultant may replace staff at the EA’s request or because of sickness, accident, family problems, inadequate performance, or the staff member leaving the employ of the consultant. A substitute, no matter how well qualified, has to absorb the necessary background, pick up the threads of the project, and establish a working relationship with counterparts and other team members before he can make a worthwhile contribution to the project. The contract will contain a clause obliging the consultant to ensure that any replacement be a person of equivalent or better qualifications as the person being replaced. The billing rate should be reviewed and should not exceed that paid to the original expert, and all costs arising out of or incidental to such replacement should be borne by the consultant.

Occasionally some consultants may substitute younger or less experienced staff during the assignment. They may do this to build up staff exposure and experience and to make them more useful in the future, or to make use of the more qualified and experienced experts on other projects being sought or just commencing. In the case of QCBS contracts, the original billing and unit rates would apply. The EA must have the right of veto in such cases, and be satisfied that a change will not prejudice the work.

2. Delays

The performance of the services may be delayed for a variety of reasons, including poor performance (of either the EA's or the consultant's obligations), seasons, weather, security, lack of funds, accidents, sickness, and/or reconsideration of the project. The EA and the consultant, and where necessary the ADB, should be informed of likely delays and the reasons. These should be fully discussed in a constructive and cooperative manner to determine what actions may be possible to avoid or minimize such delays.

Delay can be very costly, both in terms of the consulting team sitting idle and the postponement of project benefits. The consultant may be required to prepare a report on the reasons for the delay, the effect on the project, and recommendations as to the actions which should be taken in the best interests of the project. Corrective action may involve considerable extra work and if the delay is not the fault of the consultant, it should be treated as an extra service and reimbursed accordingly. If rescheduling of the services, postponement of some components, or even suspension of the project is found to be necessary, then the costs should be assessed. A variation to the contract may be required.

3. Disputes

The key to resolving disputes is to attend to them promptly and in a constructive manner with the intent of solving the problem rather than allocating blame. In the first instance, a difference of opinion at the technical operating level should be brought to the attention of the team leader and the project manager, who, by being one step removed from those holding different opinions, may be able to see relative merits in both views and agree on the best course to follow. If such technical disagreements are at the team leader/manager level and are sufficiently material, they should be referred to the committee or group charged with overseeing the project implementation, and should include representation from the consultant's head office and perhaps ADB.

If the disputes relate to non-technical matters, such as interpretation of the contract, payment of services, replacement of personnel, etc., the disputes should first be referred to the committee or group referred to above. If not resolved, a senior official of the EA and a director/partner of the consulting firm should be requested to take up the case.

Only after these avenues have been exhausted should arbitration be sought as provided for in the contract (see Chapter 6, Section C-5).

4. Deviations from Terms of Reference

The consultant should follow the terms of reference conscientiously. Any deviation should only be considered in the case of conditions not foreseen at the time of the contract or when results are contrary to expectations or the previous intent of the project. The consultant should deviate from the terms of reference only with prior written agreement of

the EA. Any significant agreement to deviate should be approved where necessary by the appropriate authorities and ADB.

Unauthorized deviation from the terms of reference can support a claim of unsatisfactory performance and the consultant should be aware that the terms of reference, until changed in writing, are his instructions according to the contract and should be followed. If the consultant believes the terms of reference are inappropriate, in the light of current information, the consultant is responsible for bringing this to the attention of the EA.

5. Unsatisfactory Performance

If selection of a consultant has been made on a technically objective basis, unsatisfactory performance is rare. However, when it occurs, unsatisfactory performance is almost invariably a matter of opinion. Unsatisfactory performance could be in respect of the performance of one expert of the consultant team, more than one expert, or the overall performance of the team.

The EA should notify the consultant if it considers performance unsatisfactory and discuss the matter with the team leader. If there appears to be no improvement or if the project has been adversely affected, more formal steps should be taken. A meeting with a senior official of the consultant's firm should be held and remedial steps agreed. If this is not possible, the consultant should be advised that a replacement is required or this contract will be terminated. Unsatisfactory performance is difficult to establish clearly and the EA should carefully consider whether this is a soundly based charge or whether there are mitigating circumstances or other considerations which could bias the judgment of the EA's staff. It is difficult to document and the EA should be sure that its actions have not contributed to the unsatisfactory situation. Furthermore, the EA should consider the effect that replacing experts or terminating the contract will have on the project. On the other hand, if the EA is justifiably dissatisfied with the performance of the consultant's team, the sooner they address the situation by termination and replacement, the better.

Before formal steps are taken to terminate the contract, the EA should consult with higher authorities in its government and ADB.

6. Indiscretions

Experienced consultants have learned to be cautious when dealing with the mass media and careful to avoid becoming involved in local politics. However, some of the experts, particularly if they are foreign, may make premature or inappropriate statements to newspapers or other media. They can stumble into a local political controversy - almost always inadvertently. On occasions they may make disparaging remarks.

The Project Manager should first brief the consultant team on any particular sensitive areas. When an embarrassing incident does occur, this should be discussed by the team leader and the project manager. The intent should be to smooth over the incident and ensure it does not happen again. It is very costly to both sides to require a change in an individual, or the

team, due to a single incident. A serious violation of local law or a flagrant breach of local custom is naturally of much more concern than an ignorant but essentially innocent blunder.

E. Handling Variations in Scope and Program

Ideally, the contract conditions and terms of reference should be well defined, but with a modest degree of flexibility to provide for minor adjustments in timing or emphasis and with appropriate adjustments in financial reimbursement and remuneration. However, outside of a sensible and reasonable allowance for flexibility, there should be no material deviations in any of the services or conditions of services without full discussion and agreement of all the parties concerned (whether signatories to the contract or not). Any variation should be in writing and signed by the authorized representatives of such parties concerned before proceeding. This should be done in accordance with the variation clause in the contract.

There may be valid reasons for considering a change or reduction in the scope of services. These may arise due to additional information being available which affects the original concept or because the funds are not adequate. Any change in the scope of services or terms of reference should be a conscious decision with an appreciation of the consequences. Care must be taken by both the consultant and the EA to ensure that changes do not take place inadvertently over time, with small shifts in direction or emphasis occurring frequently with a cumulative effect, resulting in something different from what was envisaged. Progress reports should be related back to the original concept to avoid the situation developing.

Extra inputs - and extra funds - may be required when the EA decides that benefits could be gained by including some related matter during the development of the services and wishes the consultants to expand their work to incorporate this additional item. The EA must define the extra inputs required (probably with the assistance of the consultant) and obtain the appropriate approvals to have this work undertaken and the inputs provided, including additional budget allocations or approval to draw upon any unused contingency in the contract. ADB may need to approve additional work.

Sometimes the EA will be tempted to try and have some side issue, or even an unrelated matter, attended to by the consultant within the budgeted figures of the contract. If the additional task is small, the consultant may do it as a goodwill gesture. However, the consultant should insist that it be defined in writing and treated as additional services within the terms of the contract.

A consultant, with the concurrence of the EA's staff, may sometimes encourage full use of all the funds in the budget, including in particular any unused contingency, by having the services expanded, even though the additional benefits may be marginal. Expanded services or additional work should be fully justified with the purpose and the benefits clearly defined, and not done just because the funds are available.

F. Maintaining Team Effectiveness

Informal and frequent communication among team members is the major ingredient to a happy and effective work environment. If the consultant's staff and the counterparts of the EA speak different languages, or have

markedly different social customs and highly differing economic situations, a very deliberate effort will have to be made to create and maintain a team spirit. Frequent staff meetings, at least weekly, should be held at which all members can speak, even if this requires the provision of translation services. Periodic social events hosted by the consultant and the EA, in combination or in turn and in accordance with what is appropriate in the circumstances, will also be helpful.

An occasional area of difficulty may be in travel arrangements when the counterpart staff are not provided with the same per diem as the consultant's staff. Considerable effort should be made in such cases to ensure that travel conditions for all staff are essentially equal.

G. Maintaining Payments

Frequently, a source of friction is the time lag between the billing submitted by the consultant or the scheduled payment date and receipt of payment. Prompt payment should be the goal and any bottlenecks in the system should be identified and resolved. Few things are more damaging to the morale of a consultant team than a delay in payments and a shortage of local funds which were to be provided under the contract.

Some causes for delay can be:

1. A cutoff date by the EA or ADB whereby a certain date, perhaps the third week of the month, is established for accounting purposes and no further requests for payment are processed during that month if presented after the cutoff date. Where the EA requests ADB to pay the consultant on its behalf, there may be two cutoff dates involved.
2. Queries on some aspect of the billing may cause the EA's staff to return the entire billing claim for correction. The recommended practice is for the EA to process the claim except for that portion under dispute and arrange for payment of the undisputed portion. The disputed portion can then be returned and adjusted for the next month's billing.
3. The consultant's contract and/or authority for payment not being given to the finance department or ministry responsible for approving requests or to ADB.

One way of addressing the problem of delay is to request a provision in the contract for interest on overdue payments. Such a clause customarily requires the EA to pay an interest or surcharge on claims which are not paid within a specified period. This is supposed to impose an obligation on the staff of the EA to process claims speedily and is intended to provide an incentive to meet the payment date. In practice, it is more apt to cause irritation and most governments are resistant to paying interest or penalties on overdue payments; if they were to do it for the consultant they then might have to do it for all their other overdue payments.

All contracts for consultant services (except for lump sum agreements) should contain contingency provisions in arriving at the total contract value or maximum payment amount. These contingencies have been discussed in Chapters 4 and 6 (G) and are usually comprised of a

physical contingency (for increases in services) and a price adjustment contingency (to cover increases in prices).

Additional services from the physical contingencies can be relatively routine and covered by a variation order as discussed above. Price contingencies are normally used up automatically by the price adjustments provided for in the contract. In both cases it is incumbent on the consultant and the EA to monitor these contingencies in order to ensure that they will not be exhausted before the work is completed or, if so, that additional funds can be sought or a reduction in the scope of work arranged.

H. Final Payment and Contract Termination

The consultant will be eager to obtain final payment for the services and the employer should endeavor to meet this obligation promptly. However, the consultant is obliged to complete the services which include the final report, data presentation, collating documents and completion of all accounts and records.

For example, after construction supervision, the EA would expect to receive as-built drawings, the final bill of quantities, the list of variation orders, physical test reports on components, etc.

Final payment of the consultant's fees is usually due when the assignment is completed satisfactorily. This may be held up in whole or in part to ensure that the consultant, in fact, completes all of the final activities agreed upon.

9.0 EXAMPLES OF COMMON PROBLEMS DURING RECRUITMENT OF CONSULTANTS AND IMPLEMENTATION OF SERVICES

This chapter highlights some of the problems that have arisen during the course of the borrower's engagement of consultants and the attempts made to resolve them.

A. Preparation of Invitation Documents

1. Terms of Reference

- a) *Problem:* The Terms of Reference prepared for the engagement of a firm of consultants providing both international and domestic consultants showed on review that the anticipated international and domestic person-months input for each category had not been indicated. Also not shown are the anticipated timeframe for the assignment, with an indication of the start and completion dates.
- b) *Comment:* The cost estimates for services required are prepared on the basis of the anticipated person-month requirements of both domestic and international consultants. Unless these are indicated in the terms of reference, the consultants may submit proposals with person-month requirements considerably higher than provided for in the cost estimates. These may be difficult to accommodate and lessen the value of their proposals. The timeframe is also important in scheduling the inputs of personnel proposed and ascertaining their availability during the periods required.

2. Listing Firms Per Country

- a) *Problem:* ADB's standardized invitation letter to firms and its appendices, as prepared for use on loan projects, provides the necessary guidance for the preparation and submission of technical proposals on a competitive basis. On review, it was found that deadline for submission of proposals indicated in the letter only allowed 45 days for preparation and submission of full technical proposals compared to the normal 60 days. The names of other shortlisted firms invited were not shown in the letter and the proposed evaluation criteria to be used for evaluation of technical proposals were not included as an appendix to the letter of invitation.
- b) *Comment:* As recommended in the *Guidelines*, 60 days must normally be allowed to the shortlisted firms for the preparation and submission of their full technical proposals. In this case,

the 45 days allowed did not comply with this requirement so it had to be extended to 60 days. To allow transparency and to enable shortlisted firms to review their competitors, the names of all the shortlisted firms should be shown in the letter of invitation. Similarly, the evaluation criteria that will be used in evaluating the proposals received should also be included in the letter of invitation.

B. Selecting the Shortlist of Firms

1. Geographic Spread Among Member Countries

- a) *Problem:* The shortlist of six firms submitted for ADB review had four firms from the European region and two from the Asia/Pacific region, including one firm from a developing member country. While all the firms were found to be suitably qualified, this geographic spread was considered inadequate.
- b) *Comment:* In this case it was found that several well qualified firms were available from the North American region, but none had been included in the shortlist prepared by the EA. The course of action available was to either reduce firms selected from the European region by one and to include one from the North American region, or to retain all selected firms and to increase the size of the shortlist from six to seven firms. As the project was a large one, the latter course was adopted. This was in line with the *Guidelines* provision for the selection of 5-7 firms for the shortlist prepared.

2. Limiting Firms Per Country

- a) *Problem:* In this case, the selected shortlist of six firms had two firms selected from the developing member country in which the project was being undertaken. Many well-qualified firms from several ADB's member countries had expressed their interest in providing the services to the agency concerned. The experience of the two domestic firms selected was also considered to be marginal.
- b) *Comment:* In certain very specialized areas, the expertise needed may be found predominantly within a few of ADB's member countries. In such cases, the selection of 5-7 well-qualified firms for the short list may require selecting more than one firm from a particular member country as the maximum permitted is two from any member country. In this case, there was no such necessity. The number of domestic firms was reduced to one and two of the well-qualified firms that expressed interest were added to the list, to maintain the geographical balance requirement.

3. Lack of Information on Shortlisted Firm

- a) *Problem:* In reviewing an EA's proposed shortlist, ADB had no information available on one of the firms and the firm was not

registered in the DACON registration system. In order to complete the review, there was no alternative but to request the EA to provide further information on this firm.

- b) *Comment:* While it is not necessary that a firm be registered in ADB's DACON registration system in order to be considered for selection by the EA in the context of ADB-financed loan projects, adequate information regarding the firm's capabilities must be made available for consideration. In this case, the firm had provided the necessary information to the borrower with its expression of interest which was not copied to ADB. Following ADB review of the requested information the firm was found to have adequate experience and the proposed shortlist was approved by ADB.

C. Issuance of Invitations to Shortlisted Firms

1. Ensuring Receipt

- a) *Problem:* Following ADB's concurrence, the EA dispatched the letters of invitation to six shortlisted firms. However, no faxed communication was sent to the firms advising of dispatch and requesting confirmation of receipt and intention of submitting a proposal. One firm failed to receive the invitation and was only made aware of it three weeks following dispatch. The firm that did not receive the invitation remained keen to compete provided the deadline could be extended to allow the firm time to prepare their proposal.
- b) *Comment:* The extension meant that the other shortlisted firms would benefit by being allowed more time for the preparation of their technical proposals. However, with the concurrence of ADB, because of the circumstances, it was decided that the deadline be extended by three weeks. All shortlisted firms were informed accordingly of the extension by facsimile.

2. Clarifications and Missing Information

- a) *Problem:* Following the dispatch of invitations to the shortlisted firms, one firm after studying the terms of reference (TOR) requested clarification on a requirement in the TOR. On review, the EA found that the query was justified and a clarification was needed to make the technical proposals more responsive to the needs of the assignment.
- b) *Comment:* Such situations sometimes do occur. When this happens, it is important that the response is given not only to the firm that raised the query, but that it also be sent to all shortlisted firms.

D. Receipt of Technical Proposals

1. Receipt After Indicated Deadline

- a) *Problem:* The technical proposal from one of the shortlisted firms was received one week after the stipulated deadline. A decision

was required as to whether the proposal should be accepted or disqualified.

- b) An investigation of the cause of delay showed that the proposal was handed to a courier six days before the stipulated deadline. The normal delivery time was four days. In this case the courier had misplaced the proposal resulting in a delay in delivery. It was, therefore, decided that the responsibility for delay was with the courier. The proposal was therefore accepted.

E. Problems During the Evaluation of Technical Proposals

1. False Information

- a) *Problem:* In submitting its technical proposal, an international firm had, in accordance with the terms of reference requirements, associated with a domestic firm of consultants. In reviewing the biodata of experts proposed, it was found that the information provided on the qualifications and experience of several domestic experts were inaccurate. The biodata had been certified by the domestic firm as being correct.
- b) *Comment:* When the matter was taken up by the EA evaluation committee, the domestic firm claimed that it was unaware of the fact that domestic experts who were not full-time employees of the firm had submitted falsified biodata. The international firm claimed that it had relied on the domestic firm to check on the accuracy of the biodata submitted. It was, therefore, decided that the proposal be disqualified for providing false information. It was also decided that the domestic firm would be debarred from providing services for projects financed by ADB for an indefinite period. The international firm was not contracted for the project concerned, but remained eligible to complete for future ADB work.

2. Several Experts Proposed for a Single Position

- a) *Problem:* A technical proposal under review had several experts proposed for a single position. The personnel schedule submitted showed the area of expertise but not the experts. The appearance given was that the firm intended to provide input to meet the terms of reference requirements, but instead of selecting one expert, the consultant intended to later use one or more of the several experts nominated to perform the work. Some experts were well qualified, while others were found less qualified. The problem was how to evaluate the experts presented in this proposal.
- b) *Comment:* Experience has shown that in several cases where what was considered the best expert was selected as the expert to be evaluated from the choice made available, following the evaluation and selection of such a proposal the selected expert was often unavailable for assignment. However, the less qualified experts also proposed remained available. Therefore,

whenever such a choice is presented, the evaluation should be undertaken using the least qualified experts.

3. Changes Made to Agreed Evaluation Criteria

- a) *Problem:* There was considerable dissatisfaction expressed by several shortlisted firms regarding the results of an evaluation that had been completed, although such matters should be confidential and not directly their concern. A close review of the results showed that the criteria formulated by the EA evaluation committee and agreed with ADB at the time the firms were shortlisted had subsequently been changed by the EA and the changes had not been notified to the firms or ADB.
- b) *Comment:* Although it was argued that the changes to the evaluation criteria used were of a minor nature, changes had been made by the EA. Further, the application of these criteria and the results arrived at were also in doubt. It was, therefore, decided that a re-evaluation should be carried out using the criteria agreed upon and approved by ADB. The results of the final evaluation were later found acceptable to all parties concerned.

F. Negotiation of Consultants Contracts

1. Changes to Personnel Proposed

- a) *Problem:* The first ranked firm was invited for contract negotiations subject to the firm's confirmation of the availability of personnel shown in the technical proposal. There were no delays to the schedules earlier indicated in the letter of invitation sent to shortlisted firms. The firm then advised that two of five key experts proposed were no longer available and submitted the biodata of two alternate experts for consideration. The result between the first and second ranked proposals was close and upon re-evaluation with the proposed alternate experts it was found that the ranking had changed. The EA advised ADB of this matter.
- b) *Comment:* As the letter of invitation sent to shortlisted firms clearly states that if for no substantial reason (i.e., death, illness, or resignation from a firm), experts shown in the firm's technical proposal are not available to participate in the services, the ranking may be again reviewed after evaluation of the substitute candidates. As the ranking had changed, the second ranked firm was invited to contract negotiations.

2. Inability to Provide Documentation to Support Claimed Costs for QBS

- a) *Problem:* During contract negotiations, the selected firm was requested to provide documentation to support costs shown in the consultant's financial proposal. This requirement is indicated

in the letter of invitation sent to the shortlisted firms. The basic salaries for the firm's full-time experts proposed were found to be much higher than the average for the ADB member country where the experts were based. Furthermore, cost proposal considerably exceeded the cost estimates prepared for this assignment. The firm took the position that as the basic salaries of their experts remained confidential, no further supporting information such as pay slips, letters of appointment, etc. could be provided at the negotiation to support the claimed salaries.

- b) *Comment:* The letter of invitation sent to all shortlisted firms, inviting their proposals, clearly specifies the information that needs to be submitted at contract negotiations. Should a shortlisted firm find this requirement a problem, this matter should be discussed before the preparation of the technical proposal and not during the contract negotiation. In this case, because of the circumstances, the EA made a request to ADB to terminate the negotiation, and to proceed with negotiations with the next ranked firm. This was accepted and a contract was negotiated with the second ranked firm.

G. Problems During Contract Implementation

1. Changes of Personnel

- a) *Problem:* During the second month of the assignment's implementation, the contracted firm informed the EA that the team leader would no longer be available to continue with the assignment due to personal reasons. The firm conveyed its intention to nominate an alternate expert as a replacement and later submitted a biodata for the EA's consideration. On review, it was found that the replacement expert was less qualified than the one being replaced. The advice of ADB was sought at this stage.
- b) *Comment:* It was possible that the personal reasons cited by the expert were genuine and unforeseen. In this case there would be no alternative but to accept a suitably qualified replacement expert. However, should it become known that the original expert was thereafter reassigned by the firm to another similar assignment, then the firm's performance would need to be regarded as unsatisfactory and entered as such in ADB's record, provided the firm was first notified and failed to provide a satisfactory explanation. In this case, no such information was received by the EA, or ADB. As regards the replacement, the firm informed that other more qualified experts were not available at that time and remained confident that the proposed expert would satisfactorily meet project requirements. Under the circumstances the expert was accepted, but the remuneration rate of the replacement expert was made lower than that of the original expert.

2. Poor Performance

- a) *Problem:* Six months after the start of an assignment one expert of a group of three international consultants in the team was found to be performing unsatisfactorily. While time had been allowed for the expert to adjust to the new working environment, the main problem lay with the expert's practical experience and technical capability that had not been evident when reviewing his biodata. Interpersonal relationships with associated domestic personnel were also not satisfactory. This was of concern as the expert's input was for a period of two years. The matter was discussed by the EA with the firm's team leader.
- b) *Comment:* Under the circumstances, it remained doubtful whether the expert would be able to make an adequate contribution to the project's implementation. An assessment was needed whether the firm would accept the evidence of poor performance, whether a more suitable expert could be located by the firm and whether sufficient time remained for a new expert to adjust and deliver a better performance. In this case, the matter was discussed with a visiting member of the firm's senior staff, who accepted the position of inadequate performance. The biodata of an alternative expert was submitted and accepted. There was no change to the rate of remuneration and the firm bore the costs of travel for the replacement. A contract variation was prepared to reflect the change and ADB was kept informed of the changes. The new expert performed satisfactorily up to the end of the assignment.

SAMPLE TERMS OF REFERENCE POLICIES AND REGULATORY FRAMEWORK FOR THE CONSULTING INDUSTRY

A. Background Information

1. The demand for consulting services in country XYZ¹ is increasing as the country moves from a centrally-planned to a market-oriented economy. As part of this transition, country XYZ government agencies and private businesses are intensifying their efforts to participate in the domestic consulting services industry and they also look towards participating in international consulting assignments.

The definition, role, and responsibilities of a consultant working in country XYZ has not been clearly defined in terms of responsibilities to society, the client, the profession and to the employer because of the lack of national formalized regulations, and lack of professional bodies incorporated by government statute with authority for determining and controlling standards. Many non-professional workers call themselves consultants resulting in a general poor perception of the consulting industry as a whole. There is no clear differentiation as to the definition, role and responsibilities of persons giving professional technical advice and those involved in recruiting consultants.

The government fully recognizes the urgent need for preparation of a national consulting framework which will regulate those who can practice as consultants and will also desire the role and responsibilities of such consultants and the associations to which they belong. The restructuring of the consulting sector in country XYZ will facilitate a perceived need for improvement in the delivery of services and also provide a strong platform for the future development of the country's consulting industry.

B. Objective

2. The objective is to design and establish a consulting services regulatory framework with control mechanisms which establish principles and procedures of international standards that not only regulate and control those who may practice as consultants in country XYZ, but also result in an overall quality improvement in the delivery of services by country XYZ consultants both as domestic and international consultants. The assignment will focus on consultant activities in sectors coordinated by the Government Commission (GC) with recommendations being suitable for use in all other sectors and also suitable as being adapted as a national standard.

C. Scope

3. The consulting services will be carried out in four parts. Under Part I the consultants will review work done under previous study. Under Part 2 an assessment will be made of the specific requirements for formulation of a consulting services framework which defines the roles and responsibilities of a consultant and the establishment by the government of sector associations which will have responsibility for accreditation and registration of consultants working in a particular consulting sector. Part 3 of the study will consist of the design and development of a consulting services framework, which will regulate consultants working in sectors, coordinated by GC. Under Part 4 of the study the consultant will design and hold a series of workshops and seminars at which the principles and content of the framework and registration procedures will be explained to GC administered consultants. The consultant shall also further develop the computer database, which GC is currently using.

¹ Country XYZ is an "example" country.

**SAMPLE
TERMS OF REFERENCE**

POLICIES AND REGULATORY FRAMEWORK FOR THE CONSULTING INDUSTRY *(continued)*

D. Implementation Arrangements

4. The consulting services will be carried out over a 12-month period and will require 36 months of consulting services (13 months international and 23 months domestic input) including expertise in consulting in international and developing countries, legal structuring, policy formulation and accreditation, training, and computer systems. A firm of consultants will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB on the recruitment of domestic consultants.
5. The Government Commission (GC) will be the Executing Agency responsible for implementing the work. A Steering Committee will be formed with representatives of the Government Planning Commission (GPC), Government Trade Commission (GTC), and Ministry of Economics (MOE). The Steering Committee chaired by GC will meet monthly or more frequently if required, to review the progress and provide guidance and direction. GC will provide a project coordinator and full-time counterpart staff.
6. Fields of Expertise

The consultant's team shall include the following experts:

International (total 13 months)	Domestic (total 23 months)
Team Leadership/ Consulting Services Specialist Specialist Policy & Legal Advisor Accreditation Specialist Training Specialist	Deputy Team Leader/ Consulting Services Specialist Policy & Legal Advisor Training Specialist Computer Information Systems Specialist Computer Information Systems Specialist

E. Detailed Terms of Reference

7. Part I - Review
 - (i) Review work done under a previous study.
 - (ii) Review the nature of, and organization arrangements of consultants operating under the auspices of GC focusing on:
 - (a) role and responsibilities of individuals working as consultants in the current country XYZ consulting environment;
 - (b) role, powers and accreditation authority and registration procedures of associations whose operations are under GC;
 - (c) identify weakness in the current practice, procedures and mode of operation of these consulting associations compared to those internationally accepted and recognized;
 - (d) coordinate with multilateral funding agencies (World Bank, UNDP, and other UN agencies) and with other funding agencies to ascertain any ongoing future plans for assistance to the consulting services sector in country XYZ.

**SAMPLE
TERMS OF REFERENCE**

POLICIES AND REGULATORY FRAMEWORK FOR THE CONSULTING INDUSTRY *(continued)*

8. Part 2 - Restructuring Requirements

- (i) Define the legislative changes required to enhance the effectiveness of the consulting sector. This will include recommending changes to existing legislation as well as recommending required new legislation.
- (ii) Determine changes required to the regulatory environment to enable effective implementation of the legislation and enforcement of it. This will include examining the need for prudent guidelines for the consulting industry and an examination of enforcement procedures.
- (iii) Determine the need, if any for expanding the consulting sector. This will include examining the process whereby central government and provincial government select and engage consultants for government funded consulting assignments.
- (iv) Determine the role foreign registered consultants have in practicing in the country XYZ and the need to, if necessary, revise current policies and procedures which control their activities.
- (v) Recommend an overall structure which will provide for an efficient and effective consulting industry in country XYZ identifying all changes necessary.

9. Part 3 - Framework for GC

- (i) Based on the research and restructuring plan developed under Parts 1 and 2, develop a framework for consulting sectors operating under the guidance of GC which include agriculture, industrial, financial, legal, and science and technology. The framework shall be developed as a model which can be adapted for use in other country XYZ consulting sectors and also be suitable for ultimate adoption as a national standard.
- (ii) The framework shall define in clear terms the role and responsibilities of a consultant working in country XYZ business environment.
- (iii) The framework shall establish qualification and registration procedures required to enable a person to work as a consultant in a sector/s administered under the framework.
- (iv) Develop a legal framework which provides by means of a charter or similar, designated authority from central government for formation of a consulting association with responsibilities for defining and controlling specific rights, obligations, and accreditation of members of the association. The roles and responsibilities of the association shall include membership requirements, conditions of engagement, codes of ethics, conditions of engagement, professional services procedures, overseas affairs and education programs.

10. Part 4 - Workshops/Seminars and Establishment of MIS Computer System

- (i) The consultant will design and prepare reference material for resource persons conducting seminars including handout material. The consultant shall conduct a number of seminars and workshops at which consultants operating in sectors whose activities are coordinated by GC will be briefed on the content of the framework developed under Part 3 of this TOR.

**SAMPLE
TERMS OF REFERENCE**
POLICIES AND REGULATORY FRAMEWORK FOR THE CONSULTING INDUSTRY *(continued)*

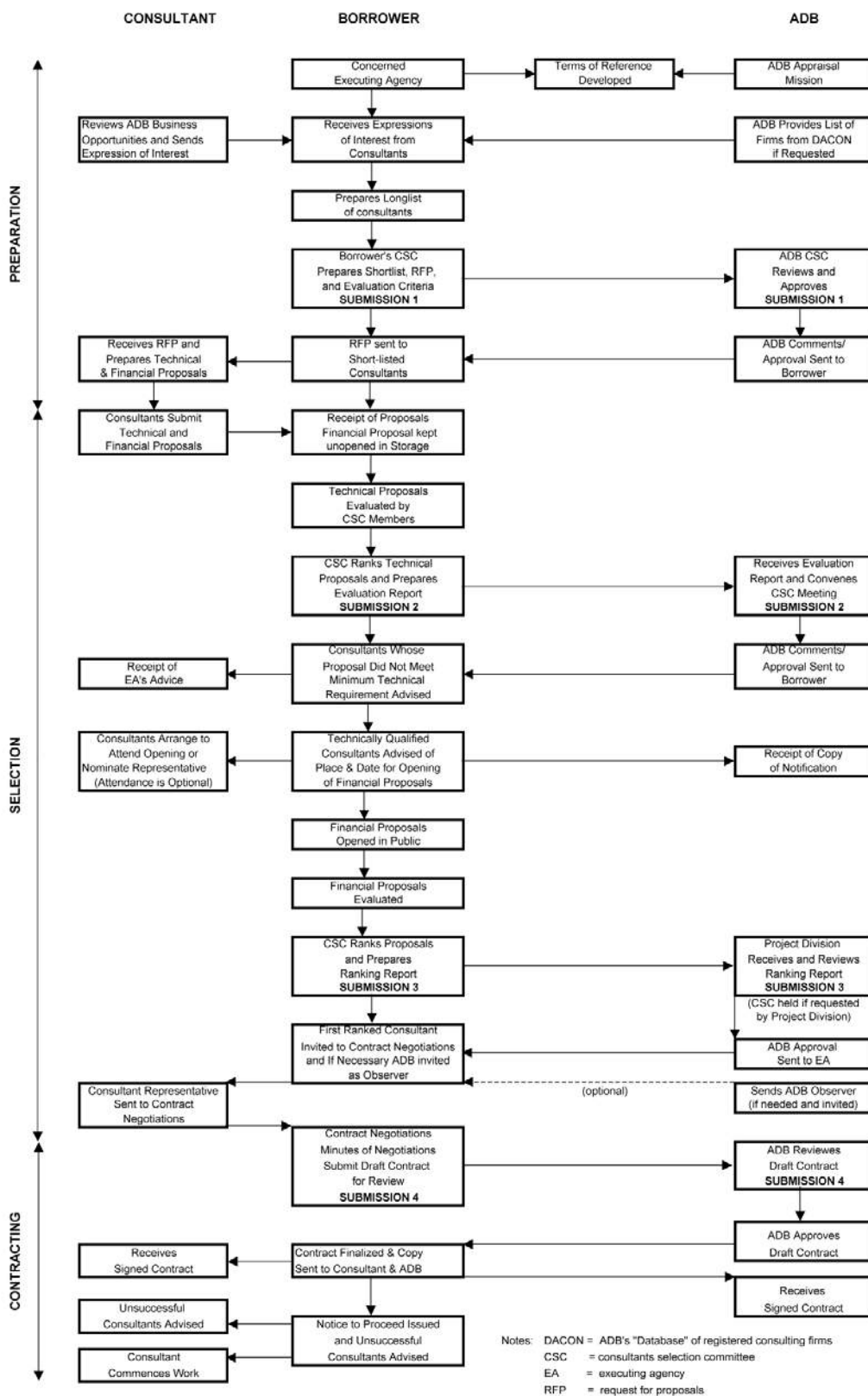
F. Reporting

11. The consultant will be responsible for preparation and submission of reports and documents which will include but not be limited to the following
- (i) Inception Report at the end of month one
 - (ii) Review Report at end of month three
 - (iii) report on restructuring proposals at end of month five
 - (iv) report with proposals for a consulting services framework for GC at end of month nine
 - (v) draft final report at end of month 11
 - (vi) Final Report at end of month 12 describing the services performed, details of all recommendations proposed and the need for follow-up consulting services if any.

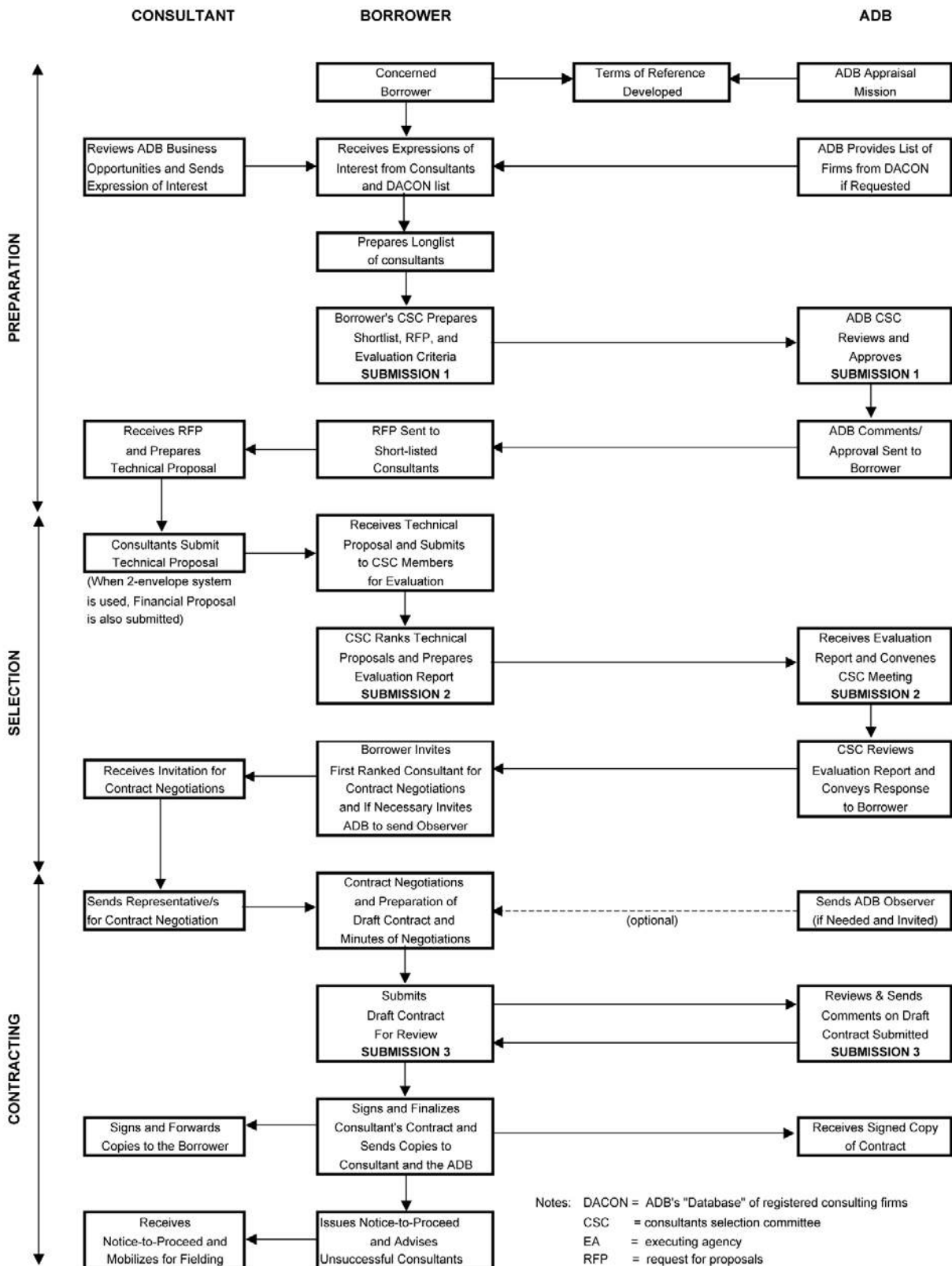
G. Counterpart Facilities

12. GC will provide the consultant for use during the services, suitably furnished office accommodation, equipped with fax and telephone facilities and the use of a vehicle with driver for travel required to perform the services within country XYZ.

ENGAGEMENT OF CONSULTANTS (FIRMS) USING QUALITY AND COST-BASED (QCBS) SELECTION METHOD FOR ADB-FINANCED PROJECTS



ENGAGEMENT OF CONSULTANTS (FIRMS) USING QUALITY-BASED SELECTION (QBS) METHOD FOR ADB-FINANCED PROJECTS



SUMMARY EVALUATION SHEET FOR FULL TECHNICAL PROPOSALS

CONFIDENTIAL
Sheet 1 of 2

**SUMMARY EVALUATION SHEET
FOR FULL TECHNICAL PROPOSALS**

LOAN No.

EVALUATION CRITERIA	Maximum Weight	Firm Name		Firm Name		Firm Name		Firm Name		Firm Name	
		Rating	Score	Rating	Score	Rating	Score	Rating	Score	Rating	Score
I. QUALIFICATION OF PROPOSER											
a. Experience in similar projects											
b. Experience in similar geographical areas											
c. Other factors											
II. APPROACH AND METHODOLOGY											
a. Understanding of objectives											
b. Quality of methodology											
c. Innovativeness											
d. Work program											
e. Person-month requirements											
f. Counterpart facilities											
g. Proposal presentation											
III. PERSONNEL (AREA OF EXPERTISE)*											
International Consultants											
(Show titles of all experts to be evaluated)											
Domestic Consultants											
(Show titles of all experts to be evaluated)											
TOTAL RANKING	1000										

RATING:
 Excellent 100%
 Very Good 90%
 Good 80%
 Average 70%
 Below Average 50%
 Non-complying 0%
 SCORE:
 Maximum Weight x Rating/100

Criteria Approved on: _____
 CHAIRPERSON

Evaluation Done on: _____
 CHAIRPERSON

*Use Personnel Evaluation Sheet (attached) to determine ratings.

PERSONNEL EVALUATION SHEET FOR TECHNICAL PROPOSALS

PERSONNEL EVALUATION SHEET
FOR TECHNICAL PROPOSALS
(Using Quality and Cost-Based Selection (QCBS) Method)

CONFIDENTIAL

Sheet 2 of 2

TA No. _____

POSITION/ AREA OF EXPERTISE	Name	General Qualifications		Project-Related Experience		Overseas/Country Experience		Full-Time* Permanent Staff		OVERALL RATING (Sum of Weighted Ratings)
		Weight: ____%	Weighted Rating (A)	Weight: ____%	Weighted Rating (B)	Weight: ____%	Weighted Rating (C)	Weight: Experts - 5% Team Leadership - 10%	Weighted Rating (D)	
<i>International Consultants</i> (show titles of all experts to be evaluated)		Rating		Rating		Rating		Rating		
<i>Domestic Consultants</i> (show titles of all experts to be evaluated)		Rating		Rating		Rating		Rating		

RATING:
Excellent
Very Good
Above Average
Average
Below Average
Non-complying

SCORE:
Maximum Weight x Rating/100

* Applicable to both lead and associate firms.
** Requirement is optional and to be decided through CSC/User Division (as applicable).

SAMPLE RECORD OF ATTENDANCE AT OPENING OF FINANCIAL PROPOSALS

SAMPLE RECORD OF ATTENDANCE AT OPENING OF FINANCIAL PROPOSALS

Loan 5000-XYZ

Consultancy Services Package Title: *Institutional and Management Strengthening of the AAA Electrical Power Company*

No.	Name of Consultant	Nationality	Representative's Name	Designation	Signature of Consultant
1	Firm A	Country A	D. A. Bim	Director	(signed)
2	Firm B	Country B	C. M. Stim	Company Secretary	(signed)
3	Firm C	Country C	F. E. Ram	Local Representative	(signed)
4	Firm D	Country D	S. V. Tram	Chairperson	(signed)
5	Firm E	Country E	R. T. Strad	Chief Executive Officer	(signed)
6					
7					

ADB STAFF ATTENDEES

Name of Staff	Division	Designation	Signature
1 R. Frank	COCS	Sr. Consulting Services Spec.	(signed)
2 W. Yim	MKSS	Project Officer	(signed)
3			

SAMPLE SUMMARY OF EVALUATED FINANCIAL PROPOSALS

SAMPLE SUMMARY OF EVALUATED FINANCIAL PROPOSALS

Loan 5000-XYZ
Consultancy Services Package Title: Institutional and Management Strengthening of the AAA Electrical Power Company

No.	Name of Consultant	Price at Opening (US\$)	Corrections and Adjustments (US\$)	Corrected Price (US\$)
1.	Firm A	627,390	50,000	677,390
2.	Firm B	693,821	30,000	723,821
3.	Firm C	687,429	NIL	687,429
4.	Firm D	823,650	15,000	838,650
5.	Firm E	944,205	NIL	944,205
6.				
7.				

SAMPLE COMPLETED QUALITY AND COST-BASED SELECTION (QCBS) SUMMARY RANKING SHEET

SAMPLE COMPLETED QUALITY AND COST-BASED SELECTION (QCBS) SUMMARY RANKING SHEET

LOAN NO. 000 - XYZ PROJECT

CONFIDENTIAL

FIRM	TECHNICAL EVALUATION			FINANCIAL EVALUATION				COMBINED EVALUATION c+g	RANKING
	TECHNICAL SCORE a	TECHNICAL ¹ WT. FACTOR b	TECHNICAL POINTS c	EVALUATED PRICE (US\$) d	FINANCIAL SCORE e	PRICE ¹ WT. FACTOR f	PRICE ² POINTS g		
A	815.5	0.8	652.4	677,390	1,000.00	0.2	200.00	852.40	3
B*	686.5	0.8	549.2	-	-	-	-	-	-
C	856.75	0.8	685.4	687,429	985.40	0.2	197.08	882.48	1
	875.5	0.8	700.4	838,650	807.71	0.2	161.54	861.94	2
E	812.5	0.8	650.0	944,205	717.42	0.2	143.48	793.48	4

NOTES:

¹ Weight for Technical Proposal 80%

Weight for Financial Proposal 20%

² Formula for determining financial points

$$Sf = 1000 \times Fm / F$$

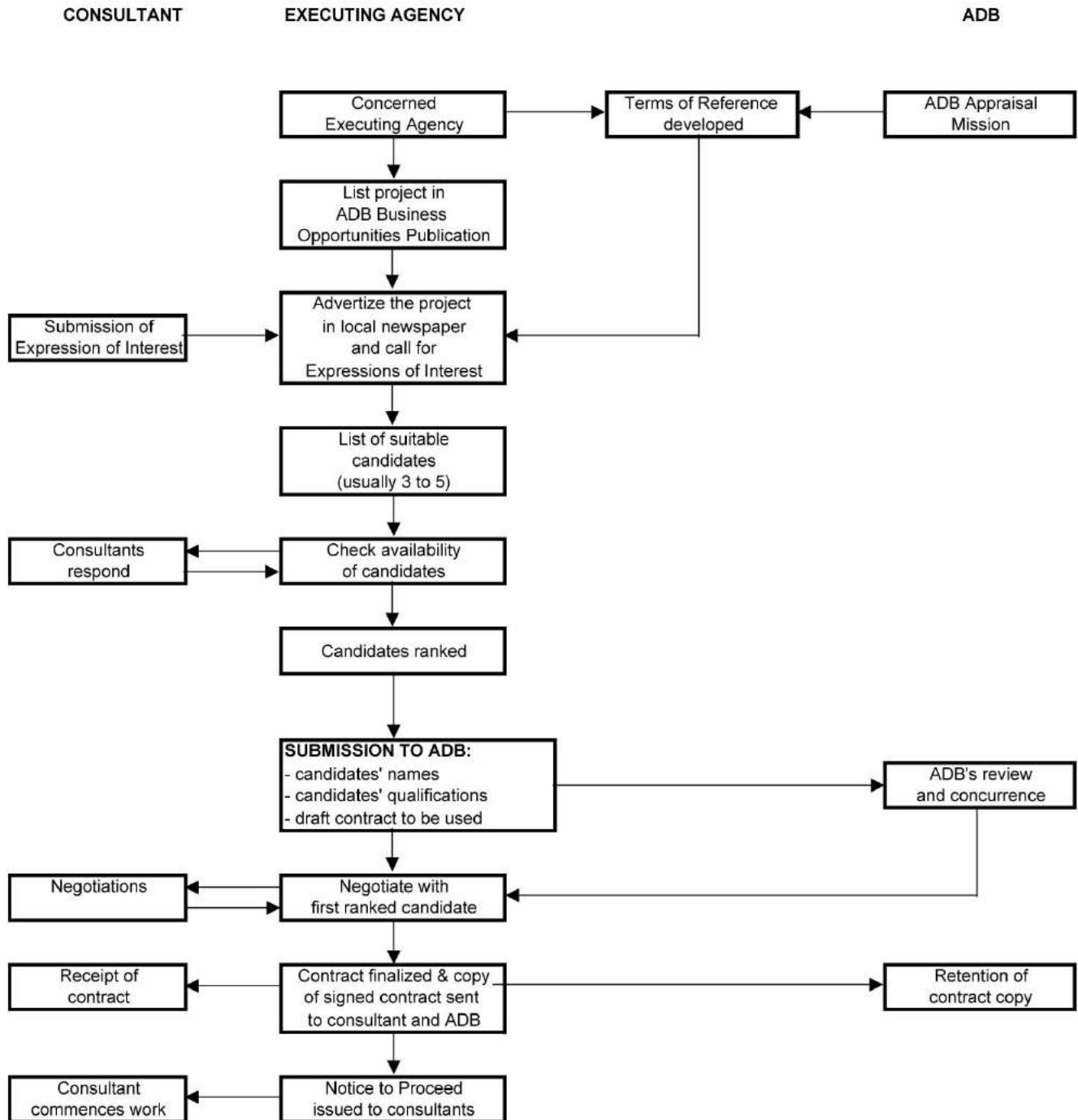
where Sf is the financial points

Fm is the lowest price

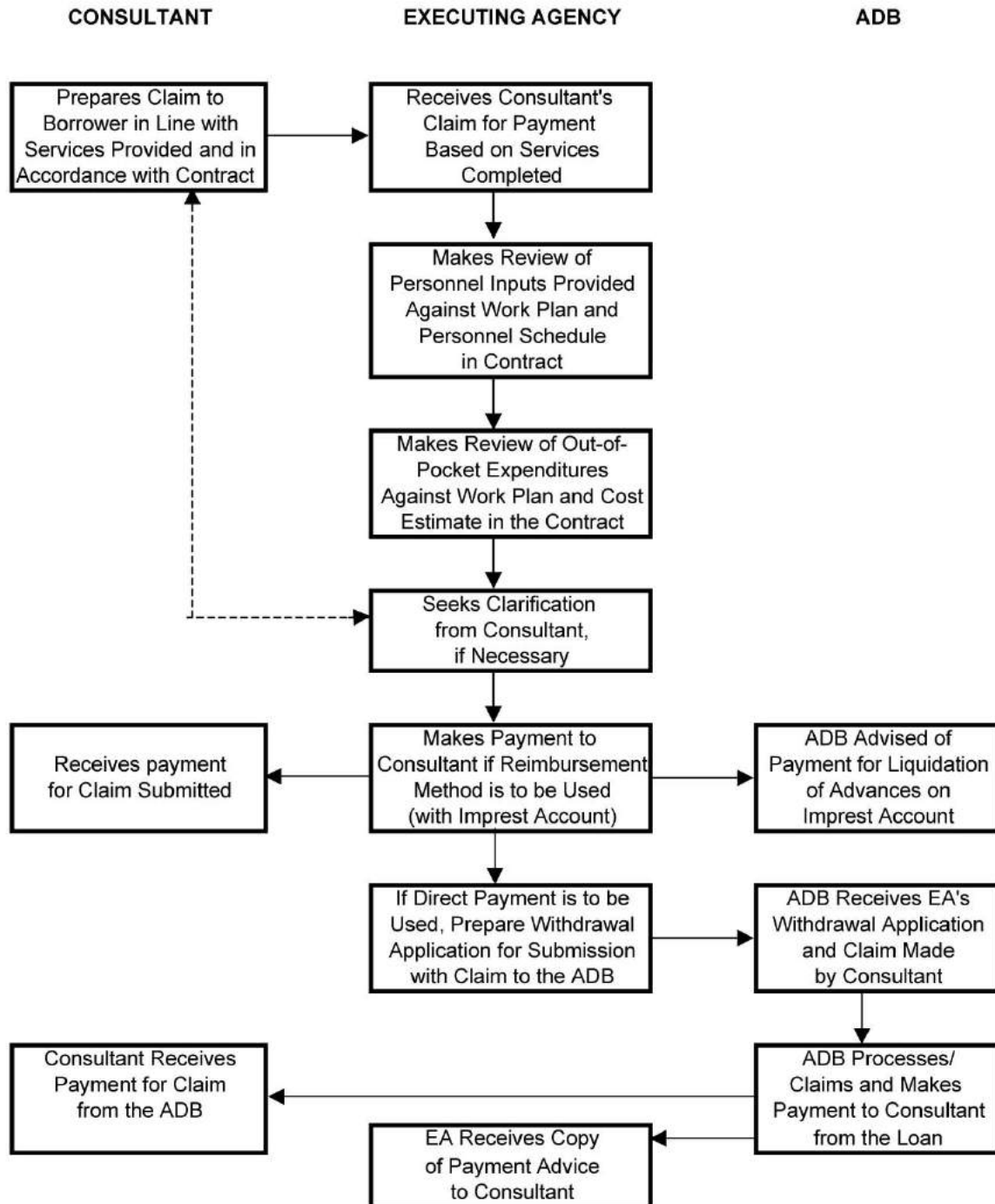
F is the price of financial proposal under consideration

* This technical proposal failed to meet the minimum qualifying score of 750 points and, therefore, the corresponding financial proposal was not considered and returned unopened to the firm concerned.

PROCESS FOR ENGAGEMENT OF AN INDIVIDUAL CONSULTANT FOR AN ADB-FINANCED PROJECT



STEPS INVOLVED IN PROCESSING A CONSULTANT'S CLAIM FOR PAYMENT



GLOSSARY OF ADB CONSULTING TERMS

ADB	The Asian Development Bank
ADB Business Opportunities (ADB-BO)	also known as the “Blue Book”. A publication issued monthly by the ADB with information on proposed projects, procurement, contract awards and projects for co-financing. The information in ADB-BO is also available through the Internet at the following address - http://www.adb.org
administrative support staff	staff such as secretaries, clerks and drivers. These services are sometimes provided free of charge by the Government.
advantage of using firms	consulting firms/organizations organize, control, supervise, administer and provide back-up support services. Individual consultants do not, so the employer must provide the organization, supervision and support services. When a team of experts is required it is usually better to engage a firm than to create the team by selecting individuals from different sources.
Advisory Technical Assistance (ADTA)	assistance provided to help, establish or strengthen institutions to carry out studies on sectoral policies and strategies or to formulate national development plans.
Agenda	a list of items and topics to be discussed, either at short-listing or evaluation meetings or at contract negotiations between the client and the consultant.
allowances	payments made to the consultants during the performance of their services for specific purposes such as housing allowance, per diem allowance, etc.
appendices to contracts	A: Scope of Services and Terms of Reference B: Staffing Schedule C: Cost Estimates and Payment Schedule D: Specific Assurance of the Government
appendices to letters of invitation (for QBS method)	three appendices are usually attached to letters of invitation sent to the consultants, inviting them to submit proposals: Appendix 1 Project Information Consultants Appendix 2 Instructions on Preparation of Technical Proposals Appendix 3 Instructions on Preparation of Financial Proposals Three reference documents are also attached to the letters: (i) Terms of Reference (ii) Sample Contract (iii) Guidelines on the Use of Consultants by ADB and its Borrowers
appraisal	ADB’s evaluation of a loan project, to determine its merits, suitability for financing, funding requirements and the conditions for lending.
appraisal report	the report prepared by the mission conducting the appraisal. The final version of this report, together with other documents, is the basis for approval of the loan project by ADB’s Board of Directors.
approach and methodology	the part of the consultant’s proposal that explains how the consultant proposes to carry out the services required.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

appropriate technology	methods, approaches, etc. in which the level of technological sophistication matches the local conditions and expertise as well as the budget available.
arbitration	settling contractual disputes by choosing person(s) to hear both parties' positions and to make a decision which is binding on the parties.
assignment	the consultant services defined in the contract
associate firm	a firm with a contractual relationship with another firm for the purpose of jointly providing the required for a project.
association	a contractual relationship between two or more consultants for the purpose of jointly providing the services required for a project.
audit	a review by the client of the consultant's accounts and time and cost records relevant to the services, in order to verify the billing rates and other costs related to the project. An audit is usually conducted by a certified auditor engaged by the client.
authenticity declaration	a declaration by a Consultant, as part of the financial proposal, that the basic salaries of the experts do not contain any allowances, such as bonus payments, housing allowances, overseas allowances or any other allowances. Therefore ADB may rely on the salaries shown.
authorized representative	a person assigned by a party to a project to represent that party during all phases of the project. The representative is authorized to make binding decisions on behalf of the party, particularly in relation to contractual matters.
back-stopping	when the consultant's home office provides the consultant with special expertise in the form of technical and management support.
background information	data on the project included in the invitation to consultants. May include information on the project area and country, the need for the project, its objectives and its beneficiaries.
bar chart	a chart used to show the activities for a particular assignment, month by month. Also known as an implementation schedule.
basic monthly salary	the actual base salary paid monthly by a firm to its permanent, full-time employees, based on the employees' contracts of employment with the firm. Any deductions or supplemental payments are deducted from or added to the base salary. (See also "authenticity declaration")
billings	accounts submitted by the consultants for their services and related costs.
billing rate	the monthly rate that the client agrees to pay for a specific professional in the consultant's team.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

biodata	a summary of an expert's professional qualifications, employment history and project experience. Also known as a curriculum vitae (CV).
biodata proposal	a technical proposal which only contains the biodata of the experts involved. Normally requested for projects which only require a limited number of experts for a short period of time.
budget	the amount of money allotted for a project or part(s) thereof.
calendar day	one day of a calendar month. For contracting purposes, one calendar day is equal to 1/30th of a month.
Central Operations Services Office (COSO)	The ADB office responsible for centrally planning, monitoring and coordinating project processing and administration work programs, and for identifying and resolving procedural and institutional problems being experienced with the ADB projects. COSO advises on the procurement of goods and services and the use of consultants; organizes and chairs meetings on the procurement of goods and services and the selection of consultants; administers consultant contracts executed under the ADB's technical assistance; reviews loan administration practices and procedures; and prepares guidelines, loan administration manuals, project administration instructions and other operational document
client	employer.
co-financing	more than one organization providing finance for a project. There are two main types of co-financing, namely <i>joint financing</i> , where all the funds are pooled, and <i>parallel financing</i> , where each contribution is identified.
COCS	the acronym for the Consulting Services Division of the ADB's Central Operations Services Office.
commencement date	the date on which the consultant starts work, in accordance with the contract with the client. This can be either in the field or in the home office.
communication costs	the costs of mail, courier, telephone, telefax, etc., which will either be paid/reimbursed under the contract or will be provided partially or totally free of charge by the client to the consultant.
confidentiality of information	information that the consulting firm and its personnel acquire in the course of the services and that is considered confidential must not be communicated to any person or entity except with the prior written consent of the client.
conflict of interest	a conflict of interest can exist if a consulting firm and/or its personnel are involved in any activities on a project other than those as consultant, for which they were engaged, or on any future project which may emerge from the project for which they were engaged.
construction supervision	the services provided by the consultant in overseeing, directing and managing the work of contractors during the construction phase of a project.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

Consultant	an individual, firm, organization, entity etc. engaged to provide consulting services.
Consultants Selection Committee (CSC)	the committee which is responsible for the selection of consultants. For TA projects, for which ADB selects the consultants, the CSC members are the directors of COCS (chairman), the Projects Division responsible for the technical aspects of the project, and director of another division or their representatives. For ADB financed loans, the CSC is comprised of employees of the borrower of the funds.
consulting firm	a partnership, incorporated company or other formally constituted group that provides consulting services.
Consulting Services Division	The ADB division responsible for registering and recruiting consultants. Usually referred to as COCS but sometimes as CSD.
Consulting Services Specialist	a professional staff in ADB's Consulting Services Division.
contingencies	an amount included in the consultant's contract for the purpose of absorbing any added costs arising from adverse exchange rate variations and/or unforeseen expenditures during the implementation of the services. The contingency is usually around 10 percent of the total cost of remuneration and out-of-pocket expenses. Use of the contingency is subject to prior approval of the client.
contract	the agreement between the client and the consultant defining the services that will be provided and the financial and other terms.
contract, sections/articles	numbered parts of the contract which refer to particular contract provisions.
contract, termination of	bringing the consultant's services to a close in accordance with the conditions of the contract with the client.
contract negotiations	discussions between the client and the consultant with a view to reaching agreement on the technical, financial and other terms for the assignment.
contract amount	the total sum of money (including contingencies) which the parties agree on will cover the costs of the services. This amount is the ceiling and can only be exceeded if additional funds are provided by the client.
COSO	the acronym for ADB's Central Operations Services Office. COCS is a division of COSO.
cost estimates	a calculation of the probable costs of the consultant's services. It is approximate but should be fairly accurate.
cost overrun	a cost which exceeds the contract amount or any particular contract item.
cost plus fee contract	a contract that includes agreed rates (including fees) per time unit and provides for disbursements according to the time the consultant actually spends on the assignment. (This is also called the remuneration part of the contract). Other direct costs incurred in the contract are called out-of-pocket expenses.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

counterpart facilities	facilities which are provided by the client to the consultant free of cost. May include office accommodation, transportation, equipment and other services.
counterpart staff	staff of the Executing Agency (EA) or a related Government department/ ministry, assigned to work together with the consultant(s) on a project. The cost of counterpart staff participation is funded by the EA or Government.
criteria for evaluation	factors to consider when evaluating consultants' proposals. The criteria are given weights to indicate their relative importance.
criteria for shortlisting	factors to consider when shortlisting eligible consultants.
CSC	acronym for Consultants Selection Committee
currencies, foreign	currencies of countries other than the project country or countries for RETA.
currencies, local	currencies of the project country or countries for RETA
currency of payment	currency in which the consultant is paid, which may be the currency of the consultant's home country or another currency as agreed in the contract.
CV	acronym for Curriculum Vitae. See "bio-data".
DACON	acronym for Data on Consulting Firms. This is the computer database used by ADB to register consulting firms/organizations which may register directly on line thru the Internet at the following address = http://www.adb.org .
date of arrival	the date on which the consultant arrives in the field to commence fieldwork in accordance with the contract.
deliverable	a project output such as report or other documents submitted by the consultants during the course of a project (see progress payment)
Developing Member Country (DMC)	a member country of ADB to which ADB may provide funds and technical assistance.
DICON	acronym for Data on Individual Consultants. This is the computer database used by ADB to register individual experts who may register directly on line thru the Internet at the following address = http://www.adb.org .
direct costs	costs incurred by the consultants for travel, per diem, communication, report production and other items related to the services. Direct costs are usually reimbursed at cost against receipts or other documentation, unless agreed otherwise in the contract. Also known as out-of-pocket expenses.
dispute, settlement of DMC	the clause in the contract that describes the procedure that will be followed to resolve any disputes or differences between the consultant and the client that they cannot amicably settle. ADB's model contract indicates that disputes will be settled under the Conciliation and Arbitration Rules of the International Chamber of Commerce.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

DMC	acronym for Developing Member Country of ADB
domestic consultant	a consultant who is a national of the country in which the project is located. A consultant's nationality is based on the country that issued his or her passport.
draft final report	before the consultant prepares and submits the final report, he or she prepares a draft version of the report. The draft is discussed at a meeting between the parties so that comments can be incorporated in the final report.
duty station	the place where the consultant will stay while working on a project. The duty station is usually in the project country.
EA	acronym for Executing Agency
effective date	the date on which a contract becomes effective, which is usually the date that the client gives notice to the consultant to proceed with the services.
employer	The client, executing agency, project authority, or other institution which contracts for consulting services and to which the consultant is directly responsible.
engineering design	the design and detailed drawings prepared by the consultant to be used during the implementation and construction of the project.
environmental analysis	an analysis of the environmental aspects of a project. Intended to ensure that appropriate precautions will be taken to protect the environment.
environmental impact assessment (EIA)	an assessment of the impact of a project on the physical environment and the culture of the region.
EOI	acronym for Expression of Interest.
equipment hand over of	the procedures specified in the contract that the consultant will follow to dispose of data and equipment when the services are completed or terminated.
equipment, procurement of	the clause in the contract that defines the part of the consulting services that deals with procuring equipment. Procurement is usually done by the consultant in accordance with the ADB's Guidelines for the Procurement of Goods and Services.
evaluation worksheet	a form used when evaluating consultants' proposals. The evaluators use the work sheet to record the rating and points subsequently allocated under each evaluation criterion.
Executing Agency (EA)	the organization or authority in the project country responsible for administering and/or implementing the project. Usually a government entity.
experience, previous	the consultant's past experience in providing services similar to those required for the current project.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

experts	people who are trained and have skills in specific fields. Consultants are often called experts.
expression of interest (EOI)	a consultant's written registration of interest in helping a client by providing services for a particular project. The expression of interest is usually conveyed thru a letter or thru the Internet version of the ADB-BO (automated EOI) and should contain information about the consultant's experience that is relevant to the input to be provided for the project.
fact-finding	obtaining detailed information on all the aspects of a proposed project. Fact-finding is necessary to provide sufficient justification to proceed to the next stage, which is project appraisal. Conducted by a fact-finding mission sent by ADB to the project country.
feasibility study	a study of the feasibility of a proposed project. It may include preliminary designs, preliminary engineering, cost estimates and technical, financial, economic and socio-economic analysis. A feasibility study is normally part of ADB's preparation for financing a project.
fee	one of the cost components in a consultant's billing rates, representing the consultant's profit margin. Also called profit.
field	the work area outside of the consultant's home office.
field rate per month	the amount paid by the client to the consulting firm for each month the consultant works in the field on the project.
final report	usually the last report the consultant submits to the client upon completing the services, in accordance with the contract. The final report incorporates as appropriate the comments made on the draft final report.
financial analysis	a quantitative and qualitative assessment of the financial data related to a project. Includes the reliability of the data.
financial institutions	organizations which provide funds and technical assistance to developing countries to promote investment and foster economic growth.
financial proposal	the proposal the consultant submits to the client specifying the consultant's estimates of the costs of providing the services. It is reviewed during contract negotiations.
financial terms	the terms the consultant and the client agree on during the contract negotiations regarding the cost of the services the consultant will provide. These agreed terms are stated in the contract.
fixed sum	a fixed amount negotiated for specific outputs by the consultant. Equivalent to lump sum.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

force majeure	usually means events that neither party to the contract can control or avoid by exercising due diligence. Examples are acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances and explosions.
foreign currency expenditure	costs incurred in currencies other than that of the project country.
funding source	the lending agency, bilateral or multilateral financing institution, bank, government, departmental or ministerial budget that will provide the funds for a project or part of a project.
General Conditions and Undertakings	sections and clauses of a contract that are standard for that type of contract and that usually should not be changed.
geographical representation	ADB's Guidelines on the Use of Consultants require that firms on shortlists must represent ADB's member countries in a reasonably geographically balanced manner.
government	the government of the project (recipient) country.
grant funds	funds provided by a financier on a grant basis. In other words, the receiver does not have to repay them.
Guidelines	Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers.
home office	the consultant's office in its home country.
home office rate per month	the amount the client pays to the consulting firm for every month a consultant works in the firm's home office on the project.
implementation	the process of carrying out the work on a project.
Inception report	usually the first report submitted by the consultant, four to six weeks after the services start.
income statement	a consulting firm's statement of annual income and expenditure. ADB requires the selected consulting firm to present its income statement during contract negotiations.
individual consultants	experts offering consulting services as self-employed experts (independent individuals) or through consulting firms.
individual contract	a contract with an individual consultant.
input	the time an expert takes to provide services under a contract.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

institutional strengthening	help provided to agencies to improve their technical, managerial and financial capabilities.
insurance	systems the consultant uses to protect the client against losses. The coverage is usually specified in the contract.
insurance, professional indemnity	the insurance that the consultant must maintain while providing the services, to make up for any loss or damage that occurs because the consultant fails to fulfill its responsibility in the contract.
interim report	a report presented at the end of a phase of a project. It normally summarizes the work done so far and recommends a program for the next phase.
invitation documents	the documents the client sends to the consultants on the shortlist, asking them to submit technical proposals by a specific date. The documents usually include an invitation letter, background information, the terms of reference, the various formats the client wants the consultant to follow and ADB's Guidelines on the Use of Consultants.
lead firm	a consulting firm which is leading a project in association with other firms and is responsible for providing the services.
letter of authority	a document issued to a person giving that person the power or right to make decisions or to take action on behalf of the issuer.
letter of invitation (LOI)	component of Request for Proposal (RFP)
loan funds	funds provided by ADB under a loan to finance a project in a DMC.
local consultants	equivalent to domestic consultants.
local currency	see currencies, local
LOI	acronym for letter of invitation.
long list	an initial list of the consulting firms which may be considered for a specific assignment because they have expertise and work experience relevant to the assignment.
lump sum contract	a contract for which a fixed amount is negotiated. The consultant is paid in installments against deliverables such as reports.
Management	usually means handling, controlling, directing, etc. an activity. Also used to describe the President and Vice Presidents of ADB.
man-month	ADB prefers to use "person-month".
manning schedule	ADB prefers to use "personnel schedule" or "staffing schedule".

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

maximum payment	equivalent to the maximum contract amount.
member countries	the countries which are members of ADB and therefore have subscribed to ADB's capital stock. The current list of ADB's member countries can be found in the ADB's internet home page.
memorandum of understanding (MOU)	a tentative or preliminary agreement on the objectives and plans for a project.
minutes of negotiations	a detailed record of the subjects discussed and the agreements reached during contract negotiations.
mobilization	the consultant's preparation of its team just before the services start.
mode of travel	the method and class of transport and the travel route.
multiplier	the factor by which the basic monthly salary of an expert is multiplied in order to arrive at the expert's billing rate per month. The multiplier normally applies to the home office billing rate.
negotiations (by fax)	contract negotiations with consultants for small and relatively straight forward projects are often conducted by fax rather than face-to-face.
negotiations (face-to-face)	usually the selected consultant is invited to negotiate a contract face-to-face: 1) to ADB headquarters for a TA project; 2) to the client's country for a Loan contract.
non complying	an action which is inconsistent with a request, order, rule etc. For example, a consultant might undertake work that is inconsistent with the terms of the contract.
notice to proceed	the client's instruction to the consultant to mobilize and start the services in accordance with the contract. The consultant should not start work before receiving the "notice to proceed".
objectives	the aims or goals to be achieved by the project
obligations	responsibilities the parties legally accept under the contract.
observer	a third party attending contract negotiations to help the negotiating parties to reach an agreement. For TAs, observers are usually representatives of Executing Agencies and for loan contract negotiations, observers are usually representatives of ADB.
office consumables	items used by the consultants while performing their services in the field. Examples are stationery and office supplies.
office facilities	the office space and office equipment the consultant needs to perform the services. Usually provided free of charge by the client.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

organizational chart	a diagram showing the relationship between ADB, the Executing Agency and the consultant..
other allowances	usually payments made by the consulting firm to the experts while they work overseas, such as overseas allowances, team leadership allowances, etc. The allowances are agreed in the contract.
out-of-pocket expenses	the costs incurred by consultants in addition to remuneration. Include travel costs, per diem allowances, communication costs and any incidental expenses related to projects.
output	the results or deliverables expected from the completion of a project or of consulting services.
overhead	a cost component in consultant's billing rates; usually the cost of business operation excluding professional salaries, social charges, and fee.
overseas allowance	a contractual agreed inducement paid by some consulting firms to staff assigned for long periods of time away from their home office.
ownership of reports	reports prepared by the consultant during the performance of the services in accordance with the contract are the property of the client.
parties	the persons or representatives who participate in or are concerned with contractual matters between the consultant and the client.
payment schedule	a list of deliverables against which the consultant is paid. This schedule is usually part of the cost estimates (Appendix C) of the consultant's contract.
per diem	a fixed amount paid for every day experts are away from their home office whilst working on the project. It covers a subsistence allowance and accommodation cost of the experts.
person-month	every month during which an expert is working on a project.
personnel	the experts in the consultant's team specified in the contract.
personnel (replacement)	only in few cases and with a very good justification will the client accept a replacement of an expert previously approved.
personnel schedule	a bar chart showing the estimated duration (separately for home office and field) and the probable timing of the assignment of each expert to be used (both foreign and domestic). Also called Staffing Schedule.
phasing of work	dividing the consultant's input into stages. Usually one stage has to be completed and the output accepted by the client before work can proceed to the next stage.
PPTA	acronym for Project Preparation Technical Assistance.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

profit	the fee paid on the remuneration of experts. No fee or administrative charges are payable on out-of-pocket expenses.
progress payment	payment linked to a deliverable output such as report or other document. See payment schedule. This type of payment is adopted by the ADB for TA contracts with consulting firms.
project	can refer to (i) the subject of a consultant's assignment, or (ii) the facility or activity to which the consultant's services are related. Thus, the "project" could be a feasibility study, engineering design, advisory service, training activity or completion reviews; or, alternatively, roads, schools, agricultural equipment, a dam, a highway maintenance program, rural development, etc.
project advisor	a consultant engaged to provide guidance and support during the implementation of a project.
project coordinator	an officer or staff member in the employer's organization or hired by that organization to provide liaison and support for the administrative and organizational aspects of a project.
project country	the country in which the project is situated. Also called recipient country.
Project Division	the user Division of the ADB responsible for specific projects.
Project Manager	the employer's or executing agency's designated representative (usually a permanent staff member) responsible for supervising the project and for dealing with the consultant's team leader and the funding source.
Project Officer	the staff in the ADB being in charge of handling a specific project.
project preparation	usually a feasibility study undertaken by a consultant to bring a project to the stage of being ready for investment financing.
Project Preparation TA (PPTA)	the ADB's assistance to the recipient country in the preparation of a project to bring it to the stage of being ready for ADB consideration for financing.
project site	the location where the project is to take place.
project sponsor	unit or agency which undertakes the initial tasks of identifying a project and defining its potential consultant needs. The project sponsor may or may not subsequently assume the role of executing agency.
QBS	Quality-Based Selection method for selecting consulting firms
QCBS	Quality and Cost-Based Selection method for selecting consulting firms; 80% weightage for technical quality and 20% weightage for price.
qualifications	the experience and expertise of consultants relevant for a particular assignment.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

ranking	the order of merit (i.e. 1, 2, 3 etc) of consultants' technical proposals based on their evaluation by the Consulting Selection Committee.
records	anything that is written down and preserved as evidence.
receiptable expenses	items in the cost estimates of the contract which have to be substantiated by the consultant by submission of receipts, evidence of payment, etc. Also known as reimbursable expenses.
Regional TA (RETA)	technical assistance provided for sectoral studies, surveys and training covering a group of DMCs in a region, i.e., taking place in more than one country.
registration	usually a consulting firm's inclusion in the ADB's DACON or an individual consultant's inclusion in the ADB's DICON.
regular full-time employee	an expert hired by a firm to work on a regular full-time basis
remuneration	Represents a monthly salary or daily rate payable to an expert.
report	a presentation of the findings of the consultant during the performance of the services with recommendations and conclusions made on basis of such findings.
reporting requirements	the client's requirement, as usually expressed in the TOR, for the number and timing of reports to be submitted by the consultant during the performance of the services as well as the outline of the content of each of these reports.
Request for Proposal (RFP) (for QCBS method)	consists of the following components: Section 1 -Letter of Invitation Section 2 -Instructions to Consultants Including Data Sheet and Evaluation Criteria Section 3 -Technical Proposal Standard Forms Section 4 -Financial Proposal Standard Forms Section 5 -Terms of Reference Section 6 -Standard Form of Contract Section 7 -List of ADB member countries
RETA	acronym for Regional Technical Assistance.
salary	usually used as an equivalent to basic monthly salary.
scope of services	the task descriptions in the consultant's terms of reference.
sectors	distinct development activities for which the ADB provides financing i.e. agriculture sector, power sector, road sector etc.
selection	part of the recruitment process, including the preparation of a longlist and shortlist of consultants and the evaluation and ranking of proposals, to choose the first ranked proposal.
selection committee	refers to the Consultants Selection Committee (CSC).

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

seminars	courses which the ADB or consultant organizes and conducts covering various topics related to ADB activities or a particular project. It could be for ADB staff, for Executing Agency's staff or for consultants.
services	professional work performed for a client under a consultant's contract.
shortlist	a list of five to seven firms, derived from a long list, considered to be among the most technically qualified and suitable to be invited to submit proposals for a particular assignment. The short list is prepared by the Consultants Selection Committee.
sick leave	the period of time during which an expert is sick and for which the firm does not receive payment for that expert. To compensate the firm for the costs covering sick leave a certain percentage of the basic monthly salary is included in the social charges component of the billing rate.
Simplified Technical Proposal (STP)	a proposal which contains only the biodata of nominated experts and a limited description of approach and methodology. Usually used by the ADB for contracts where the required methodology is stated clearly in the TOR and the TOR define in detail all the tasks to be undertaken by experts in the consultant's team.
site visit (visit to field)	the consultant's official inspection, investigation etc. in the project area done prior to preparation of technical proposal.
social analysis	analysis of the social aspects of a project.
social charges	specific employee benefits such as paid vacation, contributions to pension funds, insurance, and similar costs directly attributable to the employee. A component of the billing rate.
social charges, breakdown	a presentation of the components of the total social charges percentage representing the social charges for each expert. Each component is expressed as a percentage of the total basic salaries of professional staff paid by a firm annually.
specific assurance of the Government	guarantee from the Government that it will provide assistance to the consultant in specified areas such as office accommodation, local transportation, access to reports and documents etc.
staff consultant	individual expert hired by the ADB to complement or supplement its own staff for missions, or as a resource within the ADB to undertake work under the direction and supervision of regular staff.
staffing schedule	equivalent to Personnel Schedule
Steering Committee	a small group of key officials from government agencies having principal interest in the project (usually chaired by a senior official), to oversee and provide guidance during the course of project implementation.
STP	acronym for Simplified Technical Proposal.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

sub-consultant	a consultant (firm or individual) hired by the lead consultant to supplement the team for a particular project.
Subcontract	a contract to provide part of the work required of the contractor.
supporting documents	information submitted by the consultant to substantiate certain elements of the financial proposal presented at contract negotiations.
suspension of services	a temporary stoppage of the consultant's services usually caused by of a force majeure situation or the client's inability to provide the agreed input or some other reasons stipulated in the contract.
TA	acronym for Technical Assistance
TA Agreement	the paper signed by the ADB and the Recipient of the TA stating the obligations and responsibilities of both parties.
TA budget	the amount approved by the ADB for a particular TA.
TA Framework Agreement	an umbrella TA agreement signed by a member country which applies to all TAs to be implemented in that country.
team leader	the manager of a team of experts responsible, on behalf of the consultant, for controlling and directing the services and for liaison with the client.
Technical Assistance (TA)	assistance provided by the ADB to help DMCs identify, design, implement and operate development projects and to strengthen their ability to formulate strategies, policies, programs and plans. (See PPTA, ADTA and RETA)
technical proposal	a detailed submission made by a consulting firm, providing information on the firm's experience, its explanation as to how it will provide the required services, and details of personnel to be assigned to the project.
termination of contract	to bring to a close the consultant's services, either party can terminate the contract which includes clauses stipulating how and under which circumstances it can be terminated.
Terms of Reference (TOR)	the client's instructions to the consultant describing the services required to complete a specific assignment.
time frame	the time required by the consultant to complete a specific assignment.
TOR	acronym for terms of reference.
travel time	time spent by the consultant traveling from the consultant's home country to the project country/site.
unsatisfactory performance	the fact that the consultant has not worked to the satisfaction of the client.

GLOSSARY OF ADB CONSULTING TERMS *(continued)*

user	equivalent to employer/client.
user Division	the Division of the ADB which requires the services of consultant(s).
vacation leave	the time spent by the experts away from work. Usually firms grant the employees a certain period of time per annum for vacation and the cost is part of the social charges included in the remuneration rate. The same applies to sick leave or public holidays.
variations	changes or amendments to the contract during project implementation. Variations are mostly caused by the actual situations encountered some of which turn out to be different from those on which the contract is based.
weight (for selection factors)	the importance (measured in points) given by the employer to a specific category, section or aspect of consultants' proposals in the evaluation process. In the evaluation sheet each item to be evaluated is allocated a maximum number of points the sum of which is usually set as 1000 in the ADB's procedure.
work program	a program of tasks or actions with listing of the time required or estimated for the completion of each.
workshops	seminars or series of meetings for intensive study, work, discussion etc. in various fields related to the ADB's activities or a particularly project/study being undertaken by a consultant.