



**Democratic Socialist Republic of Sri Lanka**

# **CONSULTING SERVICES MANUAL**

**November 2007**

**(To be used along with the Guidelines for Selection and Employment of  
Consultants August 2007)**

**NATIONAL PROCUREMENT AGENCY**

## **Acronyms**

<b>AO</b>	-	Accounting Officer
<b>CAO</b>	-	Chief Accounting Officer
<b>CAPC</b>	-	Cabinet Appointed Procurement Committee
<b>CPC</b>	-	Consultants Procurement Committee
<b>CPCC</b>	-	Cabinet Appointed Consultants Procurement Committee
<b>CPCD</b>	-	Department Consultants Procurement Committee
<b>CPCM</b>	-	Ministry Consultants Procurement Committee
<b>CPCP</b>	-	Project Consultant Procurement Committee
<b>CQS</b>	-	Selection Based on Consultant's Qualifications
<b>EOI</b>	-	Expression of Interest
<b>FBS</b>	-	Selection on Fixed Budget
<b>GOSL</b>	-	Government of Sri Lanka
<b>LCS</b>	-	Least Cost Selection
<b>LKR</b>	-	Sri Lanka Rupees
<b>NPA</b>	-	National Procurement Agency
<b>PC</b>	-	Procurement Committee
<b>PE</b>	-	Procuring Entity
<b>QBS</b>	-	Quality Based Selection
<b>QCBS</b>	-	Quality and Cost Based Selection
<b>RFP</b>	-	Request for Proposals
<b>SRFP</b>	-	Standard Request for Proposals
<b>SSS</b>	-	Single Source Selection
<b>TOR</b>	-	Terms of Reference

## CHAPTER 1 - GENERAL

PROCUREMENT GUIDELINE REFERENCE: 1.2.1

### OBJECTIVES

#### **Why proficient public procurement so important?**

Public procurement is the process by which the PEs, purchase the inputs for vital public-sector investments. Those investments, both in physical infrastructure and in strengthened institutional and human capacities, lay foundations for national development. In procurement terms, those inputs are generally grouped into three categories:

- Works - for example, bridges and buildings, harbors and highways;
- Goods - typically equipment, materiel and supplies, commodities, textbooks, medical supplies; and
- Services -expert advice and training, conventionally labeled Technical Assistance, as well as such things as building maintenance, computer programming, etc.

The quality, timeliness, appropriateness and affordability of those procured inputs can largely determine whether the public investments will succeed or fail. So the beneficial impact and contribution of the input, particularly in the case of technical assistance services, can exceed their direct costs, by several orders of magnitude. Yet procurement costs can be substantial, consuming scarce resources of tightly constrained government budgets. Often the required funding must be borrowed. Moreover, the process also consumes scarce skilled public-sector human resources. It takes time, not merely for procurement planning and contracting but also for contract supervision and execution. And much of this process is highly visible, as well as controversial; exposing politicians and public officers to scrutiny and second-guessing for procurement choices they made deferred or discarded.

On the other hand, the desired impact of procurement is also to inspire the confidence and willingness-to-compete of well-qualified suppliers and contractors. This directly and concretely benefits the Government and the PE, responsive contractors and suppliers, and the funding agencies.

A sound procurement system is one that combines all the following hallmarks:

- Maximizing Economy, efficiency and effectiveness (Value for money);
- Adhering to prescribed standards, specifications, local laws rules and regulations and international obligations
- Fair, equal and maximum opportunity for interested parties to participate in Procurement;
- Expeditious execution of Works and delivery of Goods and Services;
- Compliance with local laws and international obligations
- Ensuring Transparency and consistency; and
- Retaining confidentiality of information

**OBJECTIVES**

**Maximizing Economy:**

Procurement is a purchasing activity of which is to give the purchaser best value for money. For complex purchases, value may imply more than just the price, since quality issues also need to be addressed. Moreover, lowest initial price may not equate to lowest cost over the operating life of the item procured. But the basic point is the same: the ultimate purpose of sound procurement is to obtain maximum value for money.

**Adhering to prescribed standards, specifications, local laws rules and regulations and international obligations**

Good procurement holds its practitioners responsible and accountability for enforcing and obeying the rules. It makes them subject to challenge and to sanction.

**Fair, equal and maximum opportunity for interested parties to participate in Procurement:**

Good procurement is unbiased, consistent, competitive and therefore reliable. It offers all interested contractors, suppliers and consultants a level playing field on which to compete and thereby, directly expands the purchaser's options and opportunities.

**Expeditious execution of Works and delivery of Goods and Services:**

The best public procurement is simple and swift, producing positive results without protracted delays. In addition, efficiency implies practicality, especially in terms of compatibility with the administrative resources and professional capabilities of the PE and its procurement personnel.

**Ensuring Transparency and consistency in the evaluation and selection procedure:**

Good procurement establishes and then maintains rules and procedures that are accessible and unambiguous. It is not only fair, but should be seen to be fair. The officials involved in a procurement action shall not abuse their powers. An official who abuses one's position in a procurement action to derive benefits for oneself or one's close associates would deem to be engaged in corrupt practices. Officials shall not take advantage of their involvement in a procurement action for personal gain.

**Retaining confidentiality of information:**

Parties associated with procurement actions, namely, suppliers/contractors and officials shall ensure that they maintain strict confidentiality throughout the process. No information on the evaluation of bids shall be disclosed to bidders or any person other than those officially involved in the process.

### TYPES OF CONSULTING SERVICES

The Consulting Services may be grouped in to three: Advisory Services, Preparation Services and Implementation Services.

Advisory services	Preparation services	Implementation services
Policy and Strategy	Sector Studies	Bidding Documents
Restructuring/privatization	Master Plans	Procurement Assistance
Capacity Building	Feasibility Studies	Construction Supervision
Training/knowledge transfer	Design Studies	Project Management
Management Advice		Quality Management
Technical/Operating advice		Commissioning
Engineering Services		
Architectural Services		
Quantity Surveying Services		

However, it is important to distinguish between consulting services and other types of services in which the physical component of the activity is crucial. These types of services often involve equipment-intensive assignments using established technologies and methodologies that have measurable physical outputs.

e.g.: field investigations and surveys such as cartography, aerial surveys, satellite mapping, drilling, computer services and installation of information systems, and plant operation and maintenance, Janitorial Services, Courier Services, Transport Services

These services are procured based on guidelines for procurement of goods and works. In some cases, such as utility management and plant operation, it may be necessary to determine the predominant features of the assignment to decide whether to award the contract following methods of selection and engagement of consultants or in accordance with the Procurement Guidelines. In cases of doubt, NPA may be consulted.

## **CHAPTER 2 - INSTITUTIONS, PROCUREMENT COMMITTEES AND THEIR FUNCTIONS**

PROCUREMENT GUIDELINE REFERENCE: 2.1.1  
**NATIONAL PROCUREMENT AGENCY (NPA)**

**The objectives and functions of NPA**

The NPA is the principle authority for formulating and effecting amendments to these Guidelines; issuance of manuals, SBDs, evaluation methodologies, standard contracts, and specifications. Any clarification of the provisions of the Guidelines or the aforementioned documents should be sought from the NPA.

NPA was established under the directive issued by H.E the President of Sri Lanka with the following objectives.

- To streamline the government procurement system and standardize the same to be of equal application to all government institutions.
- To ensure better transparency and good governance in relation to government procurement awards
- To ensure that all parties who are eligible and desirous of participating in public bidding are given an equal opportunity.
- To ensure that the government will get the best value of money in terms of price, equality and timely delivery at procurement.
- To ensure that the government procurement system is made efficient and simplified in order to promote development needs of the country.
- To put in place a monitoring system in relation to selection of successful bidders and award of government tenders.

**Key Functions of NPA**

- Develop, implement and review policies in procurement of goods, works and services
- Advise the Ministries and Tender Boards on procurement Activities
- Standardizing of goods and equipment
- Simplification of Review and Approval Process
- Review Procurement Procedures & Procurement Plans of all Government Institutions
- Monitor quality and progress on procurement projects
- Formulate accreditation system on selection of members for TECs and Tender Boards
- Appoint Tender Board and Technical Evaluation Committee members for procurements of higher values -- Cabinet Appointed Tender Boards, Cabinet Appointed Negotiating Committees and Project Committees

- Introduction of code of conduct and ethics for Procurement Procedures
- Introduction of performance and technical auditing
- Capacity Building in the field of Procurement Management

Prior to a request been made for the appointment of a CPC, the PE shall confirm to the appointing authority that it has completed all the documents required for inviting Request for proposals documents;

The PE shall follow the requirements given in the National Budget Circular No 128 - Accelerating Government Procurement Activities- of March 24, 2006 issued by Ministry of Planning.



PROCUREMENT GUIDELINE REFERENCE: **2.6.1**  
**CABINET APPOINTED CONSULTANT PROCUREMENT  
COMMITTEES (CPCC)**

NPA will appoint CPCC to handle Selection of Consultants as indicated in Guideline 2.6.1. NPA will follow the following requirements in appointing CPCC:

**Composition**

- a) The number of members in a CPCC shall be not less than four;
- b) The Secretary to the line ministry shall be the chairperson;
- c) The other members shall be conversant with outcome expected from the proposed consultancy and in addition one of them shall be a person knowledgeable on consultant selection procedures.

The Liaison Officer for procurement or where a Liaison Officer is not available, a senior officer from the Line Ministry, shall be the non-member Secretary of the CPCC.

Each CPCC member other than the chairperson shall carry out the evaluation of technical proposals individually. The CPCC first reviews each proposal to confirm that it is substantially responsive, that is, that there are no important omissions or deviations from the stated objectives, TOR, or other key requirements of the RFP. Individual evaluators' results shall be recorded on pre-established worksheets. By applying the criteria and subcriteria specified in the RFP, CPCC shall establish the absolute, not the relative, quality of the proposals. After the independent evaluation by the members, the CPCC should meet to review, and if necessary discuss the merits of, individual evaluations and scores. The chairperson of the CPCC shall review the large differences and discuss with the members at the joint meeting

**Request for appointment of CPCC**

The request for the appointment of a CPCC shall be made to the CEO (NPA), by the Secretary to the Line Ministry using the Format given in this manual.

The composition, names or any other details of the CPCC shall be divulged to the prospective consultants until the negotiation stage. The CPCC members should not communicate directly with the prospective consultants except at the negotiations. The communications other than that required during the negotiations should be done through the PE.

**FORMAT FOR REQUESTING THE APPOINTMENT OF CPCC**

- 1 Details of the Ministry and Procuring Entity:**
  - i. Details of Ministry;**
    - i. Name of Ministry
    - ii. Address:
    - iii. Name of Secretary:
    - iv. Contact details of Secretary:  
phone; .....; fax; .....; e-mail .....
    - v. Name of Procurement Liaison Officer:
    - vi. Contact details of liaison officer:  
phone; .....; fax; .....; e-mail .....
  - ii. Details of Procuring Entity (PE);**
    - i. Name:
    - ii. Name of Officer in charge:
    - iii. Contact details of OIC:  
phone; .....; fax; .....; e-mail .....
    - iv. Name of Procurement Liaison Officer (if any):
    - v. Contact details of liaison officer:  
phone; .....; fax; .....; e-mail .....
- 2 Title/s of the proposed contract/s (if package of contracts list them separately)**
  - i. Title:
  - ii. Contract Reference number:
  - iii. Procurement Plan Ref:
  - iv. Works/Goods/Service/Consultancy Service:
- 3 Description of the Contract/s:** (describe type of goods/works/services proposed to procure)
- 4 List of connected procurement in reference to Guideline 2.4** (give a detail description stating that what option is selected):
- 5 Cost estimates** (indicate separately for each connected procurement as above)
- 6 Status of procurement preparedness activities:**
  - i. Environmental/ social and other required clearances:
  - ii. Land acquisition (if needed):
  - iii. Land clearance from obstacles:
  - iv. Pre-qualification/ bidding documents/RFP (including drawings, specifications, drawings, etc.)
- 7 Draft Procurement Time Schedule** (Should be a separate attachment see Guideline 5.2.2 for format)

**8 Indicate any special requirements for experience and qualification of CPCC/TEC members. (Indicate area of expertise)**

9 Any special requirement for experience and qualification of CPCC/TEC members (Indicate area of expertise)

**10 Suggested members for the CPCC/TEC(option B):**

i. Name 1: .....

Designation: .....

Area of Specialty: .....

Address .....

Phone; .....; fax; .....; e-mail .....

ii. Name 2: .....

Designation: .....

Area of Specialty: .....

Address .....

Phone; .....; fax; .....; e-mail .....

iii. Name 3: .....

Designation: .....

Area of Specialty: .....

Address .....

Phone; .....; fax; .....; e-mail .....

**I certify that the current status of procurement preparedness activities as indicated in paragraph 6 above will not hinder the contract implementation.**

**Signature of the Secretary:**

**DATE:**

**Name**

**MINISTRY CONSULTANTS PROCUREMENT COMMITTEES  
(CPCM)**

CAO will appoint CPCM to handle Selection of Consultants as indicated in Guideline 2.6.2. CAO shall follow the following requirements in appointing CPCM:

**Composition**

- d) The number of members in a CPCM shall be not less than four; In the case of selection of Individual consultant the minimum number may be three.
- e) The Secretary/Additional Secretary to the line ministry shall be the chairperson;
- f) The other members shall be conversant with outcome expected from the proposed consultancy and in addition one of them shall be a person knowledgeable on consultant selection procedures.

The Liaison Officer for procurement or where a Liaison Officer is not available, a senior officer from the Ministry, shall be the non-member Secretary of the CPCM.

Each CPCM member other than the chairperson shall carry out the evaluation of technical proposals individually. The CPCM first reviews each proposal to confirm that it is substantially responsive, that is, that there are no important omissions or deviations from the stated objectives, TOR, or other key requirements of the RFP. Individual evaluators' results shall be recorded on pre-established worksheets. By applying the criteria and subcriteria specified in the RFP, CPCM shall establish the absolute, not the relative, quality of the proposals. After the independent evaluation by the members, the CPCM should meet to review, and if necessary discuss the merits of, individual evaluations and scores. The chairperson of the CPCM shall review the large differences and discuss with the members at the joint meeting

**Request for appointment of CPCM**

The request for the appointment of a CPCC shall be made to the CAO, by the Head of the Department/Project Director/Senior officer of the Ministry as appropriate. Please refer next page for the Format.

The composition, names or any other details of the CPCM shall be divulged to the prospective consultants until the negotiation stage. The CPCM members should not communicate directly with the prospective consultants except at the negotiations. The communications other than that required during the negotiations should be done through the PE

**FORMAT FOR REQUESTING THE APPOINTMENT OF CPCM**

- 1 Procuring Entity:**
  - (a) Name:
  - (b) Name of Officer in charge:
  - (c) Contact details of OIC:  
phone; .....; fax; .....; e-mail .....
  - (d) Name of liaison officer (if any):
  - (e) Contact details of liaison officer: phone; .....; fax; .....; e-mail .....
- 2 Title/s of the proposed contract/s (if package of contracts list them separately)**
  - (a) Title:
  - (b) Contract Reference number:
  
  - (c) Works/Goods/Service/Consultancy Service:
- 3 Description of the Contract/s:** (describe type of goods/works/services proposed to procure)
- 4 List of connected procurement in reference to Guideline 2.4**(give a detail description and whether different TECs are recommended):
- 5 Cost estimates** (indicate separately for each connected procurement as above)
- 6 Status of procurement preparedness activities:**
  - (a) Environmental/ social and other required clearances:
  - (b) Land acquisition (if needed):
  - (c) Land clearance from obstacles:
  - (d) Pre-qualification/bidding documents/RFP (including drawings, specifications, drawings, etc.)
- 7 Draft Procurement Time Schedule** (Should be a separate attachment see Guideline 5.2.2 for format)
- 8 Any special requirements for experience and qualification of CPCM/TEC members**
- 9 Any special requirement for experience and qualification of CPCM/TEC members**

10 **Suggested number of members for the CPM/TEC:**

(a) Name 1: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address ..... ;  
Phone; .....; fax; .....; e-mail .....

(b) Name 2: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address ..... ;  
Phone; .....; fax; .....; e-mail .....

(c) Name 3: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address ..... ;  
Phone; .....; fax; .....; e-mail .....

**I certify that the current status of procurement preparedness activities as indicated in paragraph 6 above will not hinder the contract implementation.**

**Signature of the HD/PD:**

**DATE:**

**Name:** .....

cc: CEO,(NPA)

**DEPARTMENT CONSULTANTS PROCUREMENT COMMITTEES  
(CPCD)**

CAO will appoint CPCD to handle Selection of Consultants as indicated in Guideline 2.6.3. CAO shall follow the following requirements in appointing CPCD:

**Composition**

- g) The number of members in a CPCD shall be not less than four; In the case of selection of Individual consultant the minimum number may be three.
- h) The Head of the Department shall be the chairperson;
- i) The other members shall be conversant with outcome expected from the proposed consultancy and in addition one of them shall be a person knowledgeable on consultant selection procedures.

A senior officer from the Department, shall be the non-member Secretary of the CPCD.

Each CPCD member other than the chairperson shall carry out the evaluation of technical proposals individually. The CPCD first reviews each proposal to confirm that it is substantially responsive, that is, that there are no important omissions or deviations from the stated objectives, TOR, or other key requirements of the RFP. Individual evaluators' results shall be recorded on pre-established worksheets. By applying the criteria and subcriteria specified in the RFP, CPCD shall establish the absolute, not the relative, quality of the proposals. After the independent evaluation by the members, the CPCD should meet to review, and if necessary discuss the merits of, individual evaluations and scores. The chairperson of the CPCD shall review the large differences and discuss with the members at the joint meeting

**Request for appointment of CPCD**

The request for the appointment of a CPCD shall be made to the CAO, by the Head of the Department/Project Director as appropriate. Please refer next page for the Format

The composition, names or any other details of the CPCD shall be divulged to the prospective consultants until the negotiation stage. The CPCD members should not communicate directly with the prospective consultants except at the negotiations. The communications other than that required during the negotiations should be done through the PE

PROCUREMENT GUIDELINE REFERENCE: **2.6.3 (Cont)**  
**FORMAT FOR REQUESTING THE APPOINTMENT OF CPCD**

- 1 Procuring Entity:**
  - (a) Name:
  - (b) Name of Officer in charge:
  - (c) Contact details of OIC:  
phone; .....; fax; .....; e-mail .....
  - (d) Name of liaison officer (if any):
  - (e) Contact details of liaison officer:  
phone; .....; fax; .....; e-mail .....
- 2 Title/s of the proposed contract/s (if package of contracts list them separately)**
  - (a) Title:
  - (b) Contract Reference:
  - (c) Works/Goods/Service/Consultancy Service:
- 3 Description of the Contract/s:** (describe type of goods/works/services proposed to procure)
- 4 List of connected procurement in reference to Guideline 2.4** (give a detail description and whether different TECs are recommended):
- 5 Cost estimates** (indicate separately for each connected procurement as above)
- 6 Status of procurement preparedness activities:**
  - (a) Environmental/ social and other required clearances:
  - (b) Land acquisition (if needed):
  - (c) Land clearance from obstacles:
  - (d) Pre-qualification/bidding documents/RFP (including drawings, specifications, drawings, etc.)
- 7 Draft Procurement Time Schedule** (Should be a separate attachment see Guideline 4.2.2 for format)
- 8 Suggested members for CPCD members**
  - (a) Name 1: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address ..... ;  
Phone; .....; fax; .....; e-mail .....
  - (b) Name 2: ..... ;  
Designation: ..... ;  
Area of Specialty: .....



Address .....; ;  
Phone; .....; fax; .....; e-mail .....  
(c) Name 3: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....; ;  
Phone; .....; fax; .....; e-mail .....

**9 Suggested members for the TEC (if required):**

- (a) Name 1: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....; ;  
Phone; .....; fax; .....; e-mail .....  
(b) Name 2: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....; ;  
Phone; .....; fax; .....; e-mail .....  
(c) Name 3: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....; ;  
Phone; .....; fax; .....; e-mail .....

**I certify that the current status of procurement preparedness activities as indicated in paragraph 6 above will not hinder the contract implementation.**

**Signature of the HD:**

**DATE:**

Name: .....

**PROJECT CONSULTANTS PROCUREMENT COMMITTEES (CPCP)**

CAO will appoint CPCP to handle Selection of Consultants as indicated in Guideline 2.6.4. CAO shall follow the following requirements in appointing CPCP:

**Composition**

- j) The number of members in a CPCP shall be not less than four; In the case of selection of Individual consultant the minimum number may be three.
- k) The Project Director shall be the chairperson;
- l) The other members shall be conversant with outcome expected from the proposed consultancy and in addition one of them shall be a person knowledgeable on consultant selection procedures.

A senior officer shall be the non-member Secretary of the CPCP.

Each CPCP member other than the chairperson shall carry out the evaluation of technical proposals individually. The CPCP first reviews each proposal to confirm that it is substantially responsive, that is, that there are no important omissions or deviations from the stated objectives, TOR, or other key requirements of the RFP. Individual evaluators' results shall be recorded on pre-established worksheets. By applying the criteria and subcriteria specified in the RFP, CPCP shall establish the absolute, not the relative, quality of the proposals. After the independent evaluation by the members, the CPCP should meet to review, and if necessary discuss the merits of, individual evaluations and scores. The chairperson of the CPCP shall review the large differences and discuss with the members at the joint meeting

**Request for appointment of CPCP**

The request for the appointment of a CPCP shall be made to the CAO, by the Project Director. Please refer next page for the Format

The composition, names or any other details of the CPCP shall be divulged to the prospective consultants until the negotiation stage. The CPCP members should not communicate directly with the prospective consultants except at the negotiations. The communications other than that required during the negotiations should be done through the PE

PROCUREMENT GUIDELINE REFERENCE: **2.6.4 (Cont)**  
**FORMAT FOR REQUESTING THE APPOINTMENT OF CPCP**

- 10 Procuring Entity:**
- (a) Name:
  - (b) Name of Officer in charge:
  - (c) Contact details of OIC:  
phone; .....; fax; .....; e-mail .....
  - (d) Name of liaison officer (if any):
  - (e) Contact details of liaison officer:  
phone; .....; fax; .....; e-mail .....
- 11 Title/s of the proposed contract/s (if package of contracts list them separately)**
- (a) Title:
  - (b) Contract Reference:
  - (c) Works/Goods/Service/Consultancy Service:
- 12 Description of the Contract/s:** (describe type of goods/works/services proposed to procure)
- 13 List of connected procurement in reference to Guideline 2.4** (give a detail description and whether different TECs are recommended):
- 14 Cost estimates** (indicate separately for each connected procurement as above)
- 15 Status of procurement preparedness activities:**
- (a) Environmental/ social and other required clearances:
  - (b) Land acquisition (if needed):
  - (c) Land clearance from obstacles:
  - (d) Pre-qualification/bidding documents/RFP (including drawings, specifications, drawings, etc.)
- 16 Draft Procurement Time Schedule** (Should be a separate attachment see Guideline 4.2.2 for format)
- 17 Suggested members for CPCP members**
- (a) Name 1: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....;  
Phone; .....; fax; .....; e-mail .....
  - (b) Name 2: ..... ;  
Designation: ..... ;  
Area of Specialty: .....

Address .....; ;  
Phone; .....; fax; .....; e-mail .....  
(c) Name 3: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....; ;  
Phone; .....; fax; .....; e-mail .....

**18 Suggested members for the TEC (if required):**

- (a) Name 1: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....; ;  
Phone; .....; fax; .....; e-mail .....  
(b) Name 2: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....; ;  
Phone; .....; fax; .....; e-mail .....  
(c) Name 3: ..... ;  
Designation: ..... ;  
Area of Specialty: .....  
Address .....; ;  
Phone; .....; fax; .....; e-mail .....

**I certify that the current status of procurement preparedness activities as indicated in paragraph 6 above will not hinder the contract implementation.**

**Signature of the PD:**

**DATE:**

Name: .....

**Payments for Chairperson and Members of Consultants Procurement Committees and Secretaries to Consultants Procurement Committee**

Members of the CPCs, staff officers and clerical officers assisting procurement activities shall be paid for participation at such works. However it should be noted that the payment scheme shall not be applied and no payments should be made for the selection of individual consultant (IC) or selection is made following Single Source Selection (SSS) procedures.

The members may scrutinise the documents or perform any other work connected with the selection procedure outside the meetings and outside the normal legitimate working hours. However, it is mandatory that the members shall meet to discuss and agree on the matter connected to the selection procedure.

The total payments a government or any state organization officer is entitled as fees for participating in procurement process, during any quarter shall not exceed the aggregate of basic salary of that officer for the quarter concerned.

To implement this requirement the following method shall be followed:

- a) The officer shall receive all the payments paid to him as explained above by his/her own organization or any other outside organization as fees for serving in procurement process;
- b) At the end of any quarter, if the aggregate of such payments received exceeds the aggregate of basic salary of the officer for the quarter concerned, the officer shall refund such excess amount to the organization of which he/she is regularly employed; and
- c) If any officer has not refunded such excess money it will be considered as a fraudulent practice. Any officer who is noted/reported to have acted in contradiction to the above shall be disqualified to serve as member in the procurement process and may be subjected to disciplinary procedures.

Instances where CPC is unable to accomplish their tasks due to reasons beyond their control, and if the CAO is of the view that the members spend considerable amount of time, the CAO may approve a reasonable payment to the members.

<b>GUIDELINE REFERENCE: 2.7.1</b>		
<b>Payments for Chairperson and Members of Consultants Procurement Committee's and Secretaries to Consultants Procurement Committee</b>		
<b>Estimated Value of the Consultancy Assignment</b>	<b>When QCBS, QBS, FBS and LCS methods are used</b>	<b>When CQS Method is used</b>
>= LKR 200 m	30,000	10,000
< LKR 200 m and >= LKR 100 m	25,000	8,000
< LKR 100 m and >= LKR 50 m	20,000	6,000
< LKR 50 m and >= LKR 20 m	15,000	5,000
< LKR 20 m and >= LKR 10 m	10,000	3,000
< LKR 10 m	5,000	2,000
<b>GUIDELINE REFERENCE: 2.7.1</b>		
<b>PAYMENTS FOR STAFF OFFICERS AND CLERICAL OFFICERS ASSISTING THE CONSULTANTS PROCUREMENT COMMITTEES</b>		
	<b>Staff Officer</b>	<b>Clerical Officer</b>
>= LKR 100 m	5,000	2,500
< LKR 100 m and >= LKR 50 m	3,000	1,500
< LKR 50 m and >= LKR 20 m	2,000	1,000
< LKR 20 m and >= LKR 10 m	1,000	500
< LKR 10 m	500	250

**DECLARATIONS BY MEMBERS OF CONSULTANT PROCUREMENT COMMITTEES AND TECHNICAL EVALUATION COMMITTEES**

Member's ref No:

Contract Title:

Contract Reference:

Date:

1. I, the undersigned .....<sup>1</sup> member appointed for the above contract, fully understand the “commercial-in-confidence” nature of the proceedings of the consultant selection process and declare that I will not discuss any matters pertaining to the proceedings, including our determinations with any party other than the members of the CPC appointed for this procurement and who are officially involved in the process;
2. I, the undersigned declare that I am in no way linked, associated or involved with any of the potential consultants of the assignment under consideration;
3. At the first instance that I come to know that a participation of any consultant known to me may cause or may be interpreted as a conflict of interest, I will so inform to the appointing authority and request for a replacement;
4. I will maintain strict confidentiality of information throughout the process.
5. I will refrain from receiving any personal gain what so ever from any action related to this procurement;

I am fully aware of the responsibilities of the CPC and also the Ethics in Procurement as spelled out in the Guidelines

**NAME & Signature of the Member**

**DECLARATIONS BY STAFF OFFICER AND CLERICAL OFFICERS ASSISTING CPCs**

Contract Title:

Contract Reference:

Date:

1. I, the undersigned .....<sup>2</sup> assisting the above contract, fully understand the “commercial-in-confidence” nature of the proceedings of the procurement process and declare that I will not discuss any matters pertaining to the process with any party other than who are officially involved in the process;
2. I, the undersigned declare that I am in no way linked, associated or involved with any of the potential consultants of the procurement under consideration;
3. At the first instance that I come to know that a participation of any consultant known to me may cause or may be interpreted as a conflict of interest, I will so inform to the appointing authority;
4. I will maintain strict confidentiality of information throughout the process.
5. I will refrain from receiving any personal gain what so ever from any action related to this procurement;

**NAME & Signature**

<sup>1</sup> Indicate CPCC//CPCM/CPCD/CPCP

<sup>2</sup> Indicate CPCC//CPCM/CPCD/CPCP

**AUTHORITY OF CONSULTANT PROCUREMENT  
COMMITTEES FOR CONTRACT AWARD  
RECOMMENDATION/DETERMINATION**

**FIRMS - When Competitive Procedure (QCBS, QBS, FBS, or LCS) following Guideline 3.8, 3.9, 3.10 or 3.11 respectively is used:**

<b>Authority</b>	Nationally Publicise	Internationally & Nationally Publicise
Cabinet Appointed Consultant Procurement Committee (CPCC)	Greater than or equal to Rs. 100 m	Greater than or equal to Rs. 200 m
Ministry Consultant Procurement Committee (CPCM)	Less than Rs. 100 m	Less than Rs. 200 m
Department Consultant Procurement Committee (CPCD) or Project Consultant Procurement Committee (CPCP)	Less than Rs. 20 M	Less than Rs. 50 M

**FIRMS - When CQS Procedure (Guideline 3.12) or SS Procedure (Guideline 3.13) is followed:**

Cabinet Appointed Consultant Procurement Committee (CPCC)	Greater than or equal to Rs. 25 m	Greater than or equal to Rs. 100 m
Ministry Consultant Procurement Committee (CPCM)	Less than Rs. 25 m	Less than Rs. 100 m
Department Consultant Procurement Committee (CPCD) or Project Consultant Procurement Committee (CPCP)	Less than Rs. 5 M	Less than Rs. 20 M
CAO Upon a recommendation made by a committee appointed by CAO	Less than Rs. 500,000	Less than Rs. 5 M
AO/PD Upon a recommendation made by a committee appointed by CAO or by delegation	Less than Rs. 250,000	Less than Rs. 3 M

**INDIVIDUALS :**

Cabinet Appointed Consultant Procurement Committee (CPCC)	Greater than or equal to Rs15 m	Greater than or equal to Rs. 25 m
Ministry Procurement Committee (CPCM)	Less than Rs. 15 m	Less than Rs. 25 m
Department Consultant Procurement Committee (CPCD) or Project Consultant Procurement Committee (CPCP)	Less than Rs. 5 M	Less than Rs. 10 m
CAO	Less than Rs. 3 m	Less than Rs. 5 m
AO/PD	Less than Rs. 1m	Less than Rs . 3m



**Approving Authorities:**

Before the contract is awarded approval from the following authorities should be obtained for the recommendation/determination made by the CPCs: However, the CAO may delegate the above approval authority to HD/AO/PD

- CPCP** - CAO
- CPCD** - CAO
- CPCM** - CAO
- CPCC** - Cabinet

## CHAPTER 3 - SELECTION METHODS

GUIDELINE REFERENCE 3.3

### PREPARATION OF TERMS OF REFERENCE

#### **Main Considerations**

The Terms of Reference (TOR) is one of the key documents in the RFP. It should explain the objectives, scope of work, activities, tasks to be performed, respective responsibilities of the PE and the consultant, and expected results and deliverables of the assignment. Adequate and clear TOR is important for the understanding of the assignment and its correct execution.

#### **Drafting TOR**

The following considerations must guide preparation of the TOR:

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

If transfer of knowledge and training are required as part of the assignment, the PE should include such requirements in the TOR. The TOR should clearly define the output and deliverables required from the consultants, such as reports, maps, drawings, or software, and should list information and facilities that the PE will furnish to the consultants. This information may include past studies, maps, or records of surveys carried out in the assignment area. The TOR also should identify the PE's institutional arrangements for the supervision of consulting work. Additionally, the TOR should specify the facilities and counterpart staff to be provided or designated by the PE.

#### **Outline of the Terms of Reference**

The TOR should normally consist of:

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

#### **BACKGROUND OF THE PROJECT**

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

- name of the PE;
- location of the assignment;
- rationale of the assignment;
- project history (what has been done so far and by whom);

- list of relevant studies and basic data;
- need for consultants in the assignment and issues to be resolved; and
- source of financing for the assignment;

## **OBJECTIVES OF THE CONSULTING ASSIGNMENT**

To avoid misleading the consultants, the TOR should precisely describe the objectives and expected results of the assignment. Typical objectives of an assignment may include:

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

## **SCOPE OF WORK**

This section of the TOR details all main activities (or tasks) to be carried out by consultants and the expected results. The TOR should describe only the activities, not the approach or methodology by which the results are to be achieved, since these are the task of the consultants.

Nevertheless, the TOR may provide suggestions on the approach or the methodology that consultants could or should use to execute the assignment and, under certain selection methods, can indicate the estimated staff months required.

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

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

- definition, scope, limits, and criteria of acceptance of the assignment;
- desired level of detail (level of design, accuracy, composition of cost estimates, and so forth);
- span of projections (time horizon, life span of project components, and so forth);
- necessary comparison of the assignment with similar projects;
- main issues to be addressed;
- alternatives to be considered;
- necessary surveys, special analyses, and models;
- special equipment requirements;
- institutional and legal framework of the project;
- transfer of knowledge, objectives, and scope;
- language requirements;
- units of measurement to be used;
- need for continuity, such as data gathering; and

- quality management requirements (if needed).

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

### **TRANSFER OF KNOWLEDGE**

If transfer of knowledge is an objective of the assignment, the TOR should provide specific details on the characteristics of the required services and ask consultants to propose training approaches and methods

### **REPORTS AND SCHEDULE OF DELIVERIES**

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

### **DATA, LOCAL SERVICES, PERSONNEL, AND FACILITIES TO BE PROVIDED BY THE PE**

The RFP shall indicate the inputs that will be provided by the PE to the consultants. The TOR should list in detail all the information and services that will be made available by the PE. The TOR also should describe the PE's available software and computer models to be used by the consultants. Facilities to be provided by the PE may include office space, vehicles, survey equipment, office and computer equipment, and telecommunication systems.

### **INSTITUTIONAL ARRANGEMENTS**

The TOR should define the institutional setup surrounding the assignment; indicate the role and responsibilities of everybody involved; and specify the type, timing, and relevance of everyone's participation, including the PE's. The TOR should define the hierarchy and level of authority of counterpart personnel as well as the requested level of experience of the PE's personnel who will be integrated into the consultants' team.

## Preparation of Cost Estimates

*((the information printed in italic may be applicable only for international consultants))*

### Main Considerations

The cost estimate of an assignment is prepared by adding the remuneration of consultant staff and the direct expenses to be incurred by consultants during the execution of their duties. Those figures are based on an estimate of the staff time (expert per unit of time, hour, month) required to carry out the services and an estimate of each of the related cost components. Since the estimate of the needed staff time is derived from the TOR, the more exhaustive and detailed the TOR, the more precise the estimate.

A mismatch between the cost estimate and the TOR is likely to mislead consultants on the desired scope and detail of the proposed assignment. Preparing a cost estimate is an interactive process necessary to clarify that the assignment will be carried out in a manner compatible with the objectives and the resources available. The preparation of the cost estimate can lead to the revision of the TOR.

In general, a cost estimate includes expenses relating to:

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

The cost estimate is based on an estimate of the personnel (expert per month) required for carrying out the services, taking into account the time required by each expert needed, and then making estimates for each of the related cost components.

When preparing cost estimates, it is useful to draft bar charts indicating the time needed to carry out each main activity (activity schedule) and the time to be spent by the consultant staff (staffing schedule).

When part or all of the consultant services are to be carried out by expatriates, the cost estimate should identify those portions to be paid in foreign currency such as monthly rates for professional staff, imported equipment, international travel, and backstopping. Cost estimates include a breakdown of the total costs of the assignment in foreign and local currency.

### Estimating Cost Components

#### CONSULTANT STAFF REMUNERATION

Staff remuneration is generally broken down into foreign and local staff, which may be further subdivided into professional or high-level specialists and support staff. Foreign personnel may be split into field and home office personnel. Remuneration rates for staff

vary according to the experience, qualifications, and nationality of the consultants. Adopting realistic rates for estimation purposes is difficult when proposals from different nationalities are expected. The estimated staff months should not be priced on the basis of the highest international rates, but rather using rates that allow for quality work at reasonable prices. To encourage global competition and flexibility in the type and nationality of consultants. Rates of NGOs and nonprofit organizations are generally lower than those of private consulting organizations.

In general, staff remuneration rates include different proportions of the following components:

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

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

#### *TRAVEL AND TRANSPORT*

To estimate travel and transportation expenses, may assume that all foreign personnel will originate from the farthest country. For assignments expected to last more than six months, a good rule is to assume that two-thirds of the team members have dependents, and to allow three round-trip economy class airfares per year for each of the families and one such trip for the remaining one-third of team members. Local transport costs should be based on market rates.

#### *MOBILIZATION AND DEMOBILIZATION*

Each staff member is allowed reasonable travel time, a medical checkup, hotel costs, local transportation, and miscellaneous items. Costs for shipping personal effects should also be estimated where necessary.

#### *STAFF ALLOWANCES*

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

#### *COMMUNICATIONS*

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

#### *OFFICE RENT, SUPPLIES, EQUIPMENT, SHIPPING, AND INSURANCE*

Depending on the assignment costs for office rent and supply of equipment (including hardware) should be estimated separately according to market rates.

#### SURVEYS AND TRAINING PROGRAMS

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

#### REPORT TRANSLATION AND PRINTING

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

#### TAXES AND DUTIES

When preparing cost estimates, it is important to be aware of the local taxes (value-added tax or sales tax), levies, and duties on the contract that foreign and domestic consultants may have to pay and be reimbursed. Local tax items are transfers that are not to be taken into account in the evaluation of financial proposals (Nevertheless, local taxes and duties may represent a substantial cash-flow burden for the executing agency,

#### CONTINGENCIES

The contingency amount, which completes the cost estimate, should cover physical and price items. Physical contingencies provide for unforeseen work that is needed, while price contingencies account for monetary inflation. Physical contingencies usually consist of 10 to 15 percent of the estimated cost of the assignment.

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

**FORMAT FOR INVITING EXPRESSION OF INTEREST**  
**Foreign Funded Project**

**Expressions of Interest****DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA****Ministry of .....****Name of Procuring Entity:****Name of Project: ..... Loan Number:****TITLE OF THE CONSULTING SERVICE**

The Democratic Socialist Republic of Sri Lanka [*has received/has applied for/intends to apply for*] a [*loan/credit/grant*] from the [*name of the funding Agency*], and intends to apply part of the proceeds of this [*loan/credit/grant*] to payments under the contract for [*insert title of the Consulting Service*].

The services include [*brief description, organization, implementation period...*].<sup>3</sup>

The [*appropriate Consultants Procurement Committee*] on behalf of the [*name of the Procuring Entity*] now invites eligible consultants to indicate their interest in providing the services. Interested consultants must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Consultants may associate to enhance their qualifications.

A consultant will be selected in accordance with the procedures set out in the (*indicate the appropriate Guideline reference*)

Interested consultants may obtain further information at the address below [*state address at the end of document*] from [*insert office hours*].<sup>4</sup>

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

[*Insert name of office*]

[*Insert name of officer*]

[*Insert postal address and/or street address*]

Tel: [*Indicate country and city code*]

Fax: [*Indicate country and city code*]

E-mail:

<sup>3</sup> The intent is to enable potentially interested consultants to decide whether or not to prepare an expression of interest.

<sup>4</sup> For example, 0900 to 1200 hours.



**FORMAT FOR INVITING EXPRESSION OF INTEREST  
GOSL Funded Project**

**Expressions of Interest**

***DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA***

**Ministry of .....**

**Name of Procuring Entity:**

**TITLE OF THE CONSULTING SERVICE**

The [*appropriate Consultants Procurement Committee*] on behalf of the [*name of the Procuring Entity*] invites eligible consultants to indicate their interest in providing the services described herein. Interested consultants must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Consultants may associate to enhance their qualifications.

A consultant will be selected in accordance with the procedures set out in the Guidelines for Selection and Employment of Consultants, published by National Procurement Agency.

Interested consultants may obtain further information at the address below [*state address at the end of document*] from [*insert office hours*].<sup>5</sup>

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

[*Insert name of office*]

[*Insert name of officer*]

[*Insert postal address and/or street address*]

Tel: [*Indicate country and city code*]

Fax: [*Indicate country and city code*]

E-mail:

<sup>5</sup> For example, 0900 to 1200 hours.

## Criteria for Selection of Shortlist

It is too time consuming and expensive for the PE to invite and evaluate proposals from all consultants who expressed their readiness to participate. Therefore, unlike in procurement of goods and works in which all interested bidders are publicly invited to present their bids, the process of consultant selection is based on obtaining a limited number of proposals from a shortlist of consultants prepared by the PE. Selection is based on limited competition among qualified firms that are capable of delivering the required services and desired level of quality.

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

Unless specifically stated in the Guidelines or in this manual consultant opportunities are first advertised. Then, on the basis of those Consultancy Organisations who submitted expressions of interest in response to the advertisement and from other sources of information, the PE shall prepare a shortlist of consultants who will be invited to submit proposals.

The main objective of advertising is to inform all eligible Consultancy Organisations about consulting opportunities. Advertising promotes transparency, enhances competition, and facilitates the participation of smaller and larger Consultancy Organizations.

If international participation is required PE shall advertise these assignments in international newspapers or technical magazines. For unusual or very large assignments, a Request for Expression of Interest (REI) may also be sent to consulting and professional associations, embassies, or Consultancy Organisations that are known.

The REI should request sufficient information for the PE to judge the Consultancy Organisations' capabilities in the field of the assignment. The response might include, for example, descriptions of similar assignments conducted, experience in similar conditions, and possibility of deploying the appropriate staff. Given the large number of such submissions, the advertisement should stress the importance of information in a summarized form. No legal documents, such as certificate of incorporation of the firm, power of attorney, or translations of standard brochures, should be requested. Not less than 30 days should be provided for responses if international consultancy organizations are expected to submit EI, and all other cases a minimum of 14 days shall be given.

### General Considerations

The shortlist shall comprise of not more than seven. The PE shall review the credentials of those who submitted expressions of interest and gives first consideration to those that possess the relevant qualifications. The shortlist may comprise of less than seven organisations when suitably qualified Consultancy Organisations have not expressed their interest to submit a proposal and no other qualified Consultancy Organisations are known. When a shortlist cannot be

completed from the expressions of interest, the PE may add known Consultancy Organisations or that obtained from any other reliable source.

In selecting the shortlist, the PE shall carry out a diligent review of key aspects such as:

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

In reviewing the above aspects rather than using a point system, it is recommended to use the judgment of the PE.

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

- If a shortlisted Consultancy Organisation considers that it does not have all the expertise for the assignment, it should be allowed to obtain a full range of expertise by associating with individual consultant(s) and/or other consultants or entities in a joint venture or subconsultancy, as appropriate;
- A shortlisted Consultancy Organisation may associate with another shortlisted organisation only with approval of the PE;
- Consultancy Organisation must obtain the approval of the PE to enter into a joint venture with consultants not invited for this assignment.
- Consultancy Organisation should be required to confirm their intention to submit proposals shortly after the invitation to submit proposals is issued;
- The PE should identify one or two additional firms to include in the shortlist in case any of the shortlisted firms decides not to submit its proposal.

## USE OF QUALITY AND COST BASE SELECTION

Quality and Cost Based Selection (QCBS) is a method based on the quality of the proposals and the cost of the services to be provided. It is the method recommended for most of the assignments.

Since the cost of the proposed services is a factor of selection, this method is appropriate when:

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

QCBS is appropriate (but not limited to) for assignments such as:

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

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

Under QCBS the technical and financial proposals are submitted simultaneously in separate sealed envelopes (two-envelope system). Proposals received after the submission deadline should be rejected.

Evaluation of proposals is carried out in two stages:

- quality; and
- cost.

The technical envelopes are opened by a committee of officials of the PE immediately after the closing time for submission of proposals; the financial proposals remain sealed and shall be placed securely until the technical evaluation and the evaluation report are completed and approved and the technical scores are disclosed publicly.

The financial envelopes of those consultants who submitted responsive technical proposals meeting the minimum qualifying mark are opened in the presence of the consultants or their representatives. The financial proposals are then evaluated.

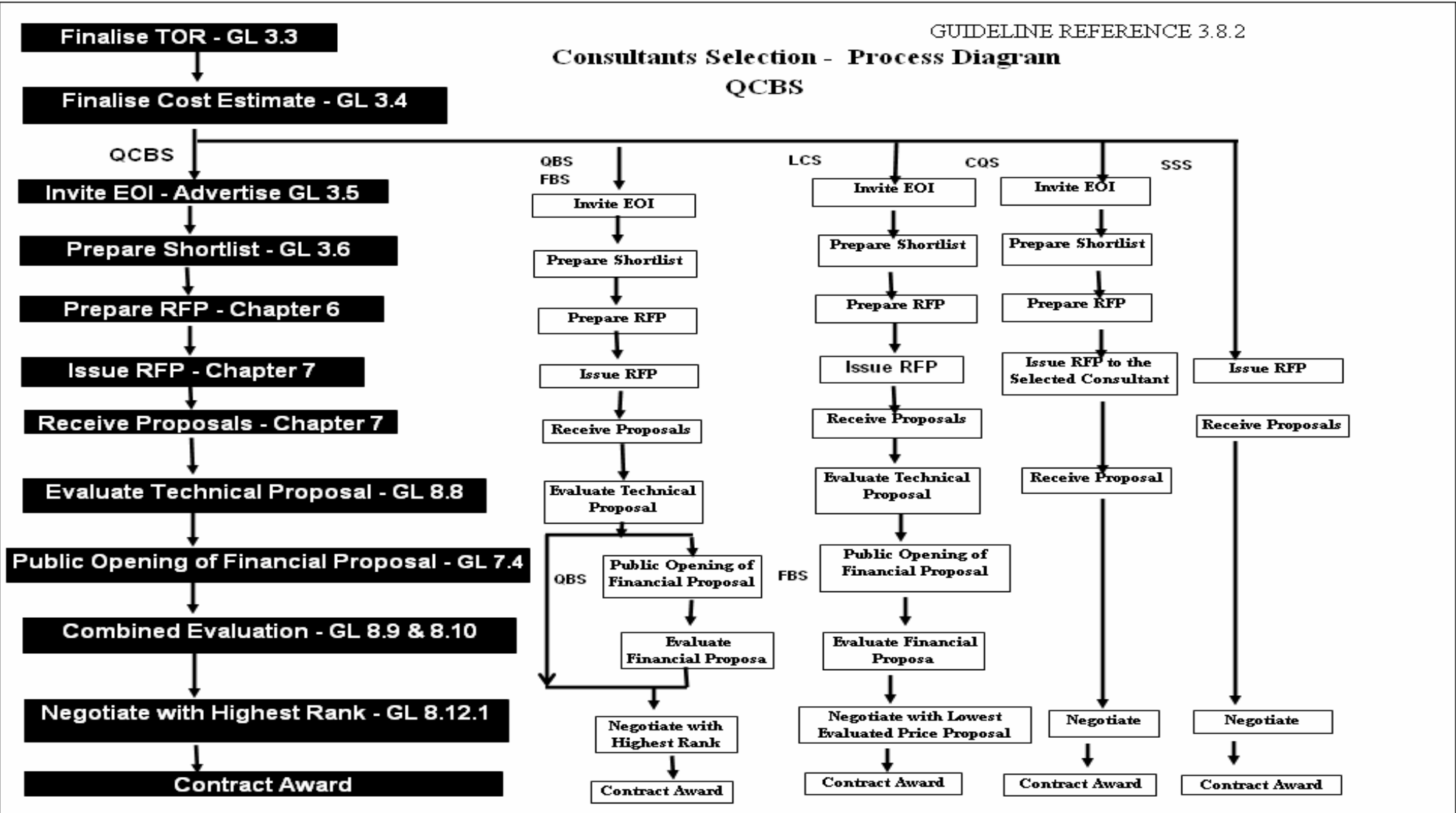
Once the financial proposals are evaluated, a combined evaluation of the technical and financial proposals is carried out by weighting and adding the quality and the cost scores, and the consultant obtaining the highest combined score is invited for negotiations. Since price is a factor of selection, staff rates and other unit rates shall not be negotiated

QCBS permits the PE to select a preferred trade-off between cost and quality and to benefit from price competition, even if only to a limited extent. Transparency is increased under QCBS with public opening of the financial proposals. Another advantage is the possibility that contract negotiations will be easier because of the limited scope for financial negotiations.

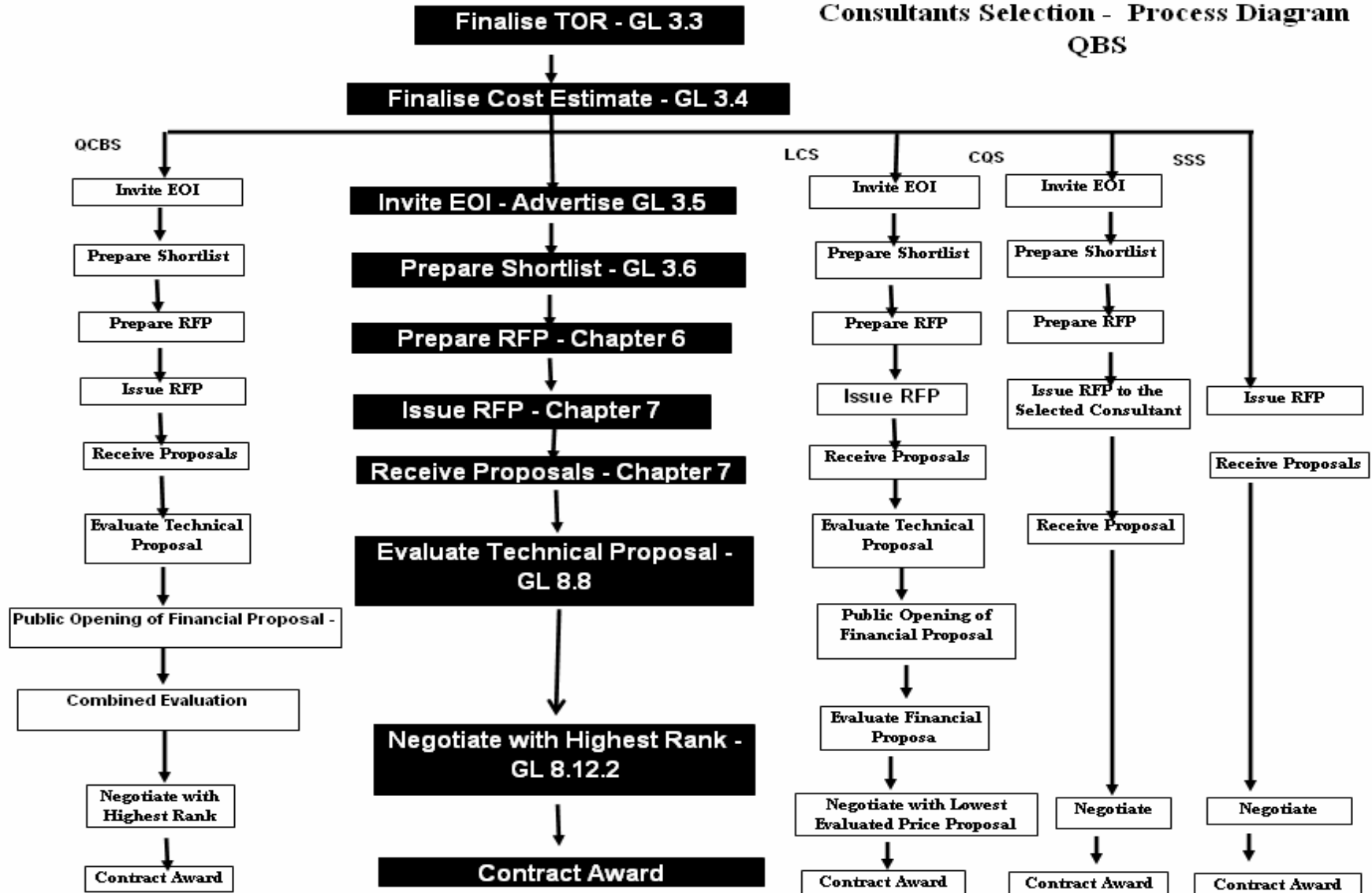
The main disadvantage of QCBS is its rigidity. Since consultants are required to compete on the basis of price besides quality, barring exceptional reasons discussion of the proposed remuneration rates for staff months and for reimbursable expenses during contract negotiations is not permitted, even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

QCBS may be inappropriately used for complex or specialized assignments in which the scope of work is not precisely defined and staff months are difficult to estimate. Since price is a factor of selection under QCBS, when this occurs competitors will tend to propose more conventional approaches and tested methodologies to keep the cost of services low, rather than making full use of their capabilities to propose the most effective or innovative way to carry out the assignment. This may ultimately affect the quality of the project, especially where the downstream impacts are complex, large, or unknown.

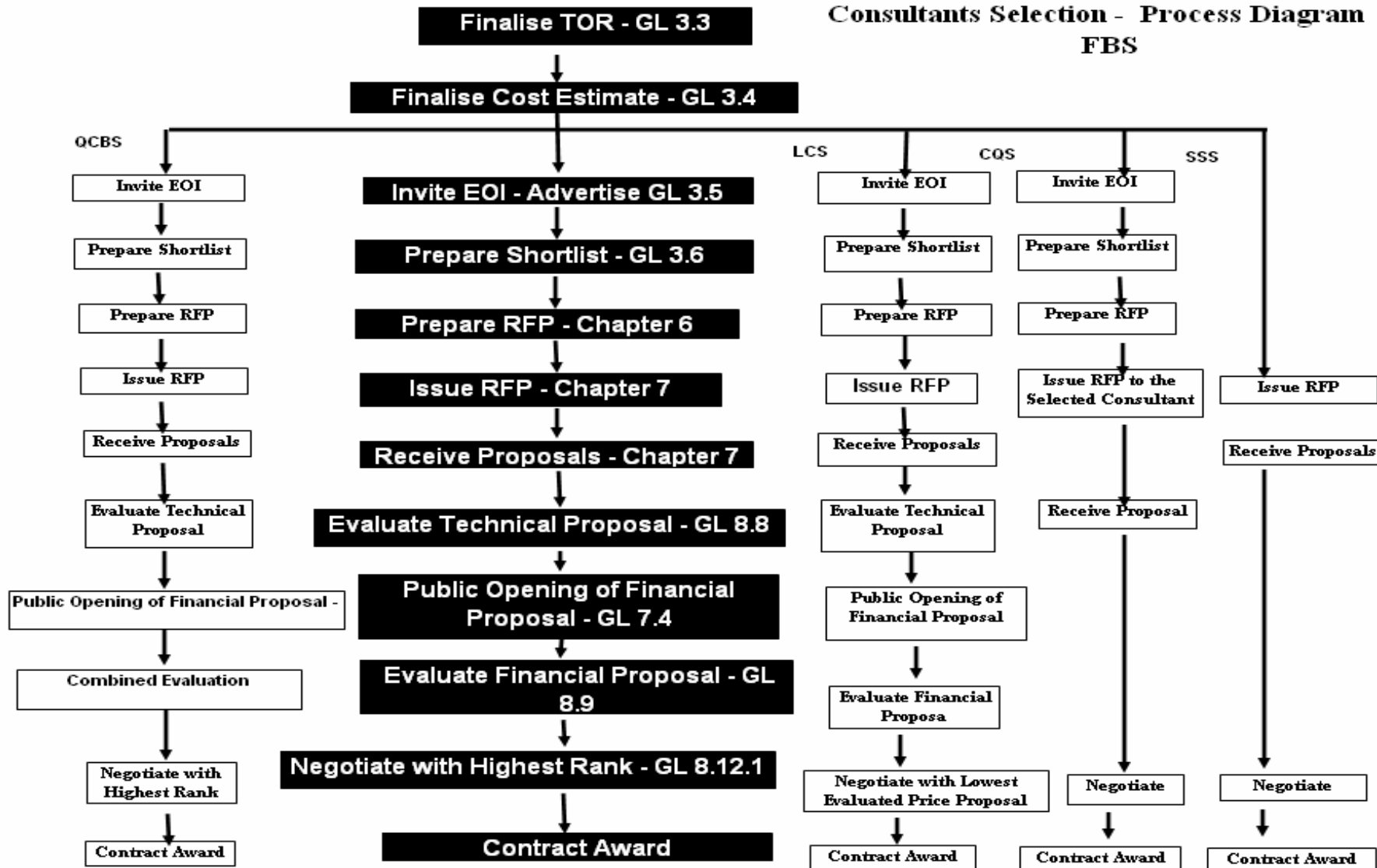
**Consultants Selection - Process Diagram**  
**QCBS**



**Consultants Selection - Process Diagram  
QBS**

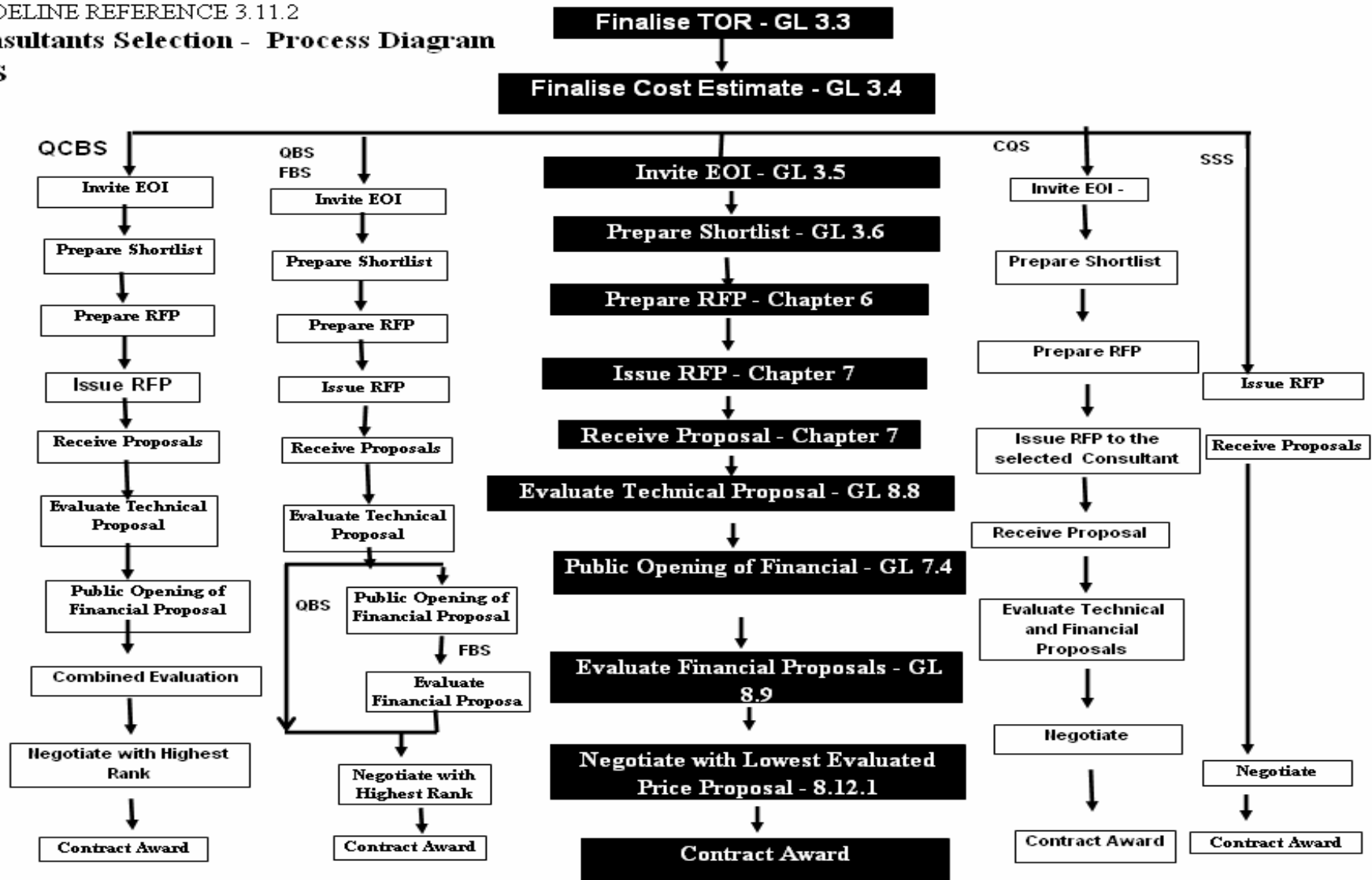


**Consultants Selection - Process Diagram  
FBS**





**Consultants Selection - Process Diagram**  
**LCS**



**FORMAT FOR INVITING EXPRESSION OF INTEREST  
CQS METHOD**

**Expressions of Interest**

***DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA***

**Ministry of .....**

**Name of Procuring Entity:**

**TITLE OF THE CONSULTING SERVICE**

The [*appropriate Consultants Procurement Committee*] on behalf of the [*name of the Procuring Entity*] invites eligible consultants to indicate their interest in providing the services described herein. Interested consultants must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Consultants may associate to enhance their qualifications.

A consultant will be selected in accordance with the procedures set out in the Guidelines for Selection and Employment of Consultants, published by National Procurement Agency following CQS method.

Interested consultants may obtain further information at the address below [*state address at the end of document*] from [*insert office hours*].<sup>6</sup>

Expressions of interest should include the following information:

- (a) description of similar assignments, experience in similar conditions indicating the name of client, nature of assignment, location, contract value;
- (b) status of the firm including the names of the owners and names and qualifications of the key staff
- (c) any suggestions to associate with another firm or individual
- (d) any other relevant information

EOI must be delivered to the address below by [*insert date*].

[*Insert name of office*]

[*Insert name of officer*]

[*Insert postal address and/or street address*]

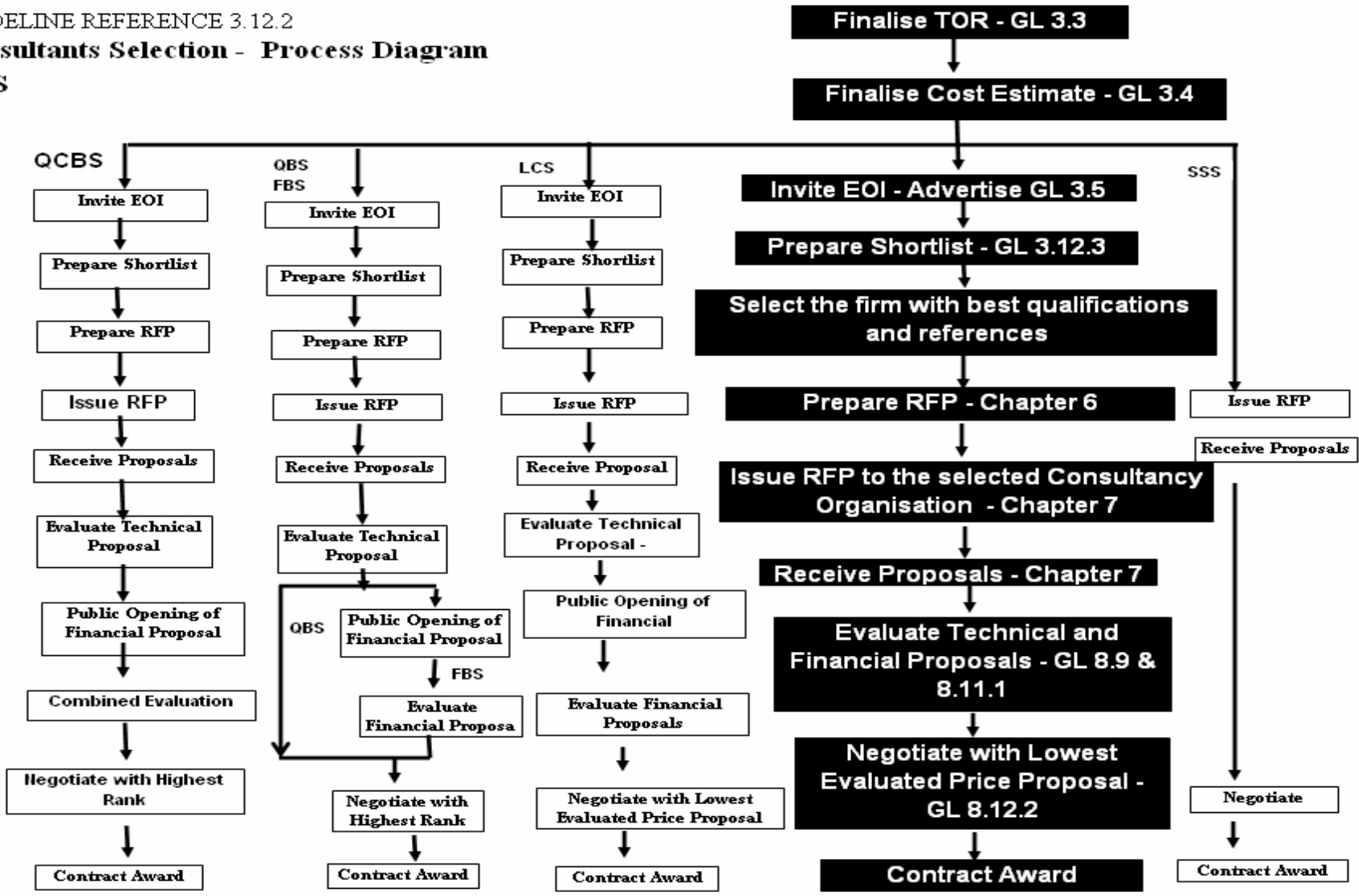
Tel: [*Indicate country and city code*]

Fax: [*Indicate country and city code*]

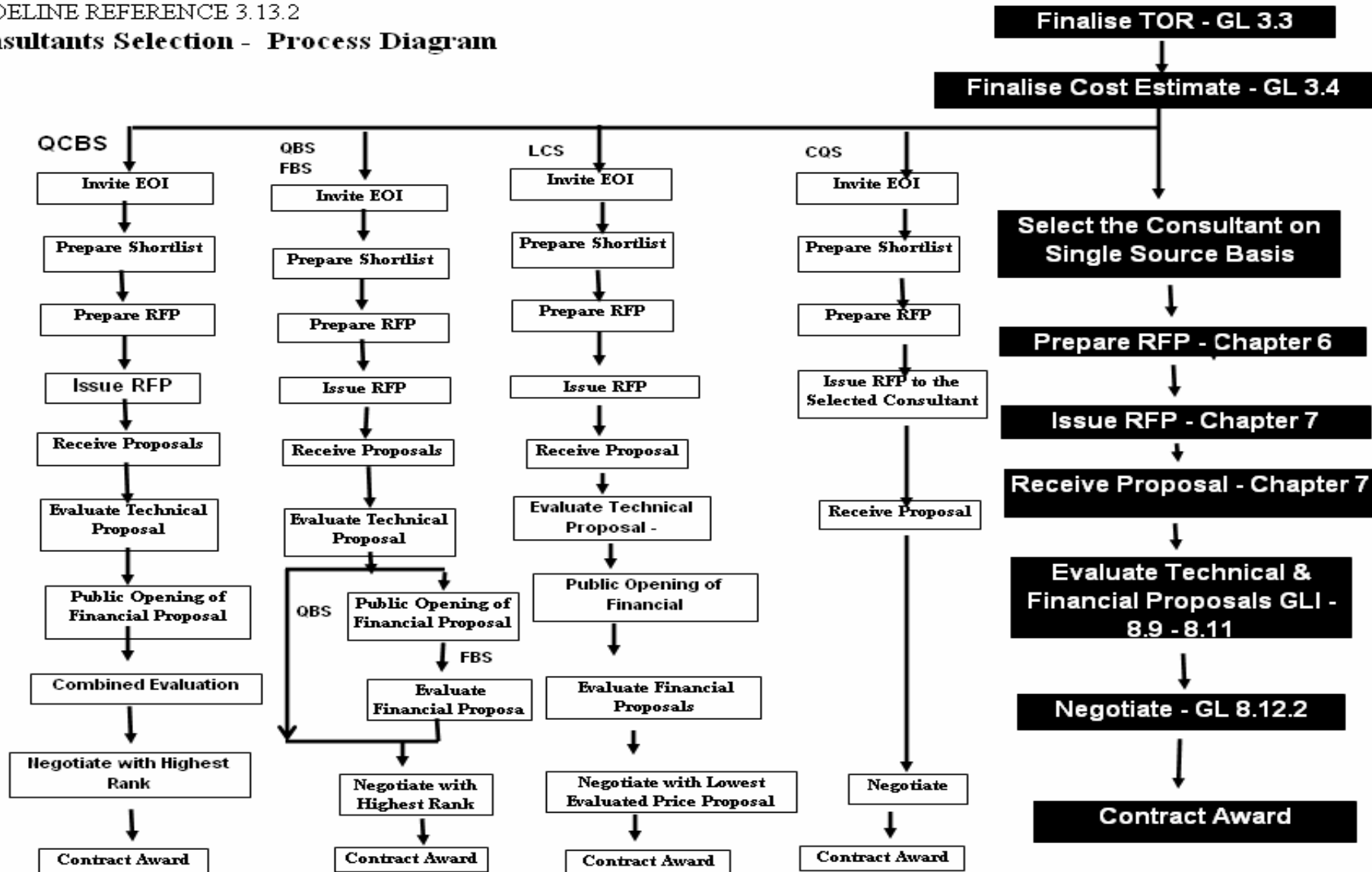
E-mail:

<sup>6</sup> For example, 0900 to 1200 hours.

**Consultants Selection - Process Diagram**  
**CQS**



**Consultants Selection - Process Diagram**  
SSS



## **Requirements when Consultancy Services are awarded to Universities and Research & Development (R & D) Centers**

The accepted policy of the Government is that Universities and R & D Centres generate income through training, R & D and consultancy services, considering the emphasis being laid on institute/industry partnership. Such assignments for consultancy services shall be subjected to the following:

1. All consultancy shall have the prior approval of the Vice Chancellor of the University (with the authorized delegation by the University Council) or the CEO (with the authorized delegation from the Board or/and duly authorized officer where applicable) of the R & D institution concerned on case to case basis.
2. The consultancy services undertaken shall not in any way be detrimental to their contractual responsibilities to the institution or in conflict with the law of the country and international standards.
3. Priority shall be given to consultancy services directed towards improvement of efficiency and productivity of the local industries and helping to realize the country's socio-economic, environmental and human development policies. The nature and the level of the consultancy service must be adequate standard so as to bring credit to the institution.
4. The Vice Chancellor of the University or the CEO of the R & D Centre (or the duly authorized officer) reserves the right to withdraw the approval given to any staff member or members to carry out consultancy services, if the member or members are found to violate any of the conditions under which consultancy services were allowed.

### **Estimating Procedure**

Whenever the consultancy services are carried out by the institution the fees for consultancy services charged shall be based as follows:

#### **Direct expense costs**

- (a) The direct costs such as traveling, subsistence, materials consumed etc. and equipment usage charges related to the capital costs of the high-value equipment including vehicles;
- (b) Field expenses, surveys, meetings etc.;
- (c) Payment to outside consultants and team members who are not employees of the institution, if included in the consultancy team;
- (d) Government taxes if any.

#### **Overhead Costs**

- (e) Other overhead costs such as for utilities etc. (minor laboratory equipment usage charges could also be included);

(f) Staff time in person days as described in the Guidelines

The total estimate shall include a profit margin, to be added at the discretion of the institution, depending on market factors for the specific job.

**Disbursement Procedure**

Disbursement of revenue earned, as fees for consultancy shall be on the following basis:

After deducting the direct costs [ (a) + (b) + (c) + (d)] from the received, the balance shall be disbursed as follows:

- a) 10 % to 25% shall be retained by the institution, the exact percentage to be decided by the institution.
- b) In addition 5% to 10% shall be retained to meet the cost of (e), utilities, stationary etc., the exact percentage to be decided by the institute;
- c) 65% to 85% to the staff directly and indirectly involved. The proportion of distribution shall be decided by the institution based on the input of each individual to the consultancy services;
- d) In the case of an individual undertaking consultancy services, lower percentages given at 'a' and 'b' above shall apply.

Funds received under 'a' and 'b' above by the institution shall not be transferred to the Consolidated Fund but shall be transferred to a special fund maintained for this purpose in the General Treasury, In order to minimized the work involved, this transfer will be done once every 3 months. Funds thus received will be transferred back to the respective institution by the Treasury, immediately on receipt of the same, to be used for improvement of facilities and research, eg. Acquiring new equipment, state of the art technology and staff on contract. These funds are to be utilized in addition to the normal Treasury allocation to the institutions concerned.

## CHAPTER 5

GUIDELINE REFERENCE: **5.1.1**

### AVERAGE TIME FRAME FOR PROCUREMENT ACTIONS IN SELECTION OF CONSULTANTS

Each method of selection involves different steps and/or different time requirements. Indicative time periods for different procurement actions, from the time the procurement process is started until a winner is selected and a contract signed are given below.

Action	QCBS	QBS	FBS	LCS	CQS	SSS
	<i>Unless otherwise specified, all time periods given are working days unless specified</i>					
<b>Prepare TOR</b>			5 - 10			3 - 5
<b>Prepare Cost Estimates</b>			3 - 5			3 - 5
<b>Advertise for EOI</b>			3 - 5			
<b>Receive EOI</b>			2 weeks if national only; 1 month with international			-
<b>Prepare Shortlist</b>		5 - 10			10 - 15	
<b>Prepare RFP (including Evaluation Criteria)</b>		5 - 10			3 - 5	3 - 5
<b>Issue RFP</b>		3 - 5			2 - 3	2 - 3
<b>Receipt Proposals</b>		1 month			2 weeks	
<b>Evaluate Technical Proposals</b>	1 month	6 weeks	1 month		2 weeks	
<b>Public Opening of Financial Proposals</b>	1 week (increase if international firm is selected)		1 week			
<b>Evaluate Financial Proposals</b>	1 week		1 week	1 week		
<b>Combined Evaluation</b>						
<b>Invite for Negotiations</b>		3 - 5			2 - 3	2 - 3
<b>Negotiations</b>		2 - 3			1 - 2	1 - 2
<b>Contract Award</b>		1 week				
<b>Total Process</b>	<b>20 weeks</b>	<b>18 weeks</b>	<b>18 weeks</b>	<b>18 weeks</b>	<b>12 weeks</b>	<b>8 weeks</b>

PROCUREMENT GUIDELINE REFERENCE: **5.2.1**  
**The Format for Master Procurement Plan**

**Procurement Plan for year 20\*\***  
**Ministry of .....**

Department/ Line Agency/ Ministry	Procurement Category (Goods, Works, & Services etc.)	Estimated cost (Rs. Mn)	Source of Financing / Name of the Donor	Procurement method (QCBS, QBS, FBS, LCS, CQS, SSS etc.)	Level of Authority	Priority status U= Urgent P= Priority N= Normal	Current status of procurement preparedness activities	Scheduled date of commencement	Scheduled date of completion	Remarks

.....  
Prepared by

.....  
approved by the Secretary to the Ministry

Date:



**The Format for Detailed Procurement Plan  
Procurement Plan for year 20..  
Ministry of .....**

Sl.No	Ref.No	Description	Estim. Cost (SLRM)	Selection Method		App CPC	Prepare TOR	Advertise for EOI	Receive EOI	Prepare shortlist	Prepare RFP	Approve RFP by CPC	Issue RFP	Receive Proposals	Evaluate Technical Proposals	Evaluate Financial Proposals	CPC Approval	Negotiations	Contract Award	Completion of Assignment
					Schedule	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
					Actual															
					Schedule															
					Actual															
					Schedule															
					Actual															
					Schedule															
					Actual															
					Schedule															
					Actual															
					Schedule															
					Actual															

## Procurement Time Schedule

S – Schedule; R – Revised; A - Actual

Title of Consultancy	Estimate in Rs. m	Selection Method		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
			<b>2007</b>														
			S					B23									
			R														
			A								B15						
			<i>e.g. Means action item 'B', Prepare Cost Estimates is scheduled on 23 rd day of May 2006</i>					<b>2008</b>					<i>e.g. Means action item "B", Prepare Cost Estimates was actually completed on 15 day of Jun, 2006</i>				
			S														
			R														
A																	
			<b>2007</b>														
			S														
			R														
			A														
			<i>e.g. Means action item "Q", combined Evaluation is Scheduled on 10 day of Feb 2006.</i>					<b>2008</b>									
			S			Q10											
			R														
A																	
<b>SELECTION METHODS**</b>		<b>SELECTION PROCESS</b>															
QCBS Quality and Cost Based Selection QBS Quality Based Selection FBS Fixed Budget Selection LCS Least Cost Selection CQS Selection on Consultant's Qualifications SSS Single Source Selection IC Individual Consultant ** Select only appropriate		A Prepare TOR B Prepare Cost Estimates C Appoint CPC D Approval of TOR and REI by CPC E Advertise for EOI F Receive EOI G Prepare Shortlist by CPC H Prepare RFP J Approve RFP by CPC K Issue RFP							L Receive Proposals M Technical Evaluation by CPC N Public Opening of Financial Proposals P Evaluation of Financial Proposals Q Combined Evaluation R Negotiations Q Award of Contract								

## CHAPTER 6- PREPARATION OF REQUEST FOR PROPOSALS

GUIDELINE REFERENCE: **6.4.1**

### Sample Letter of Invitation

[insert: Location and Date]

Dear [insert: Name and Address of shortlisted Consultancy Organisation]:

1\*. The Democratic Socialist Republic of Sri Lanka [select: has received or has applied for] a [select: loan or credit] (hereinafter called “loan”) from the [indicate source] toward the cost of [insert: Name of Project] and intends to apply a portion of this loan to eligible payments under this Contract.

2. The [insert: Name of PE] now invites proposals to provide the following consulting services: [insert: short description of objectives and scope of the assignment]. More details on the services are provided in the attached Terms of Reference.

3. The RFP has been addressed to the following shortlisted Consultancy Organisations:

[insert: List of Shortlisted Consultancy Organisations]

4. A Consultancy Organisation will be selected under [insert: Selection Method] and procedures described in this RFP.

5. The RFP includes the following documents:

Section 1 - Letter of Invitation

Section 2 - Information to Consultants

Section 3 - Technical Proposal - Standard Forms

Section 4 - Financial Proposal - Standard Forms

Section 5 - Terms of Reference

Section 6 - Standard Forms of Contract.

6. Please inform us, upon receipt:

- (a) that you received the letter of invitation; and
- (b) whether you will submit a proposal alone or in association.

Sgd  
Name  
Designation

\* only for foreign funded projects

GUIDELINE REFERENCE: **6.5.7**

**Suggested Proposal Validity Periods**

Consultants shall be required to submit proposals valid for a period specified in the RFP documents. The PE shall ensure that the period so specified is sufficient to enable the CPC to complete the evaluation of proposals, obtain all requisite approvals and in the case of a Foreign Funded Project to obtain the concurrence of the Foreign Funding Agency for the recommendation of award in order that the contract can be awarded within the proposal validity period. The minimum proposal validity periods are suggested below.

**PROPOSAL VALIDITY PERIOD (in Days)**

<b>Contract Value in Rupees Million</b>	<b>GOSL funded</b>	<b>Foreign Funded</b>
More than equal to 100	140	189
More than or equal to 50 and less than 100	119	140
More than or equal to 20 and less than 50	91	119
More than or equal to 5 and less than 20	91	
Less than 5	63	

## Setting the Evaluation Criteria

### Main Considerations

The project objectives and the underlying TOR determine the qualifications and experience required from the consultants who will carry out the assignment. In adopting evaluation criteria, the PE seeks to ensure that the proposal selected will offer the best quality for the services required.

The following criteria shall be used as a basis for evaluation of technical proposals:

- specific experience of the consultants relevant to the assignment;
- adequacy of the proposed methodology and work plan in responding to the TOR; and
- key staff's qualifications and competence for the assignment.

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

- suitability of the transfer of knowledge program (training); and
- participation by nationals among proposed key staff, when international consultants are competing.

When the transfer of knowledge is important and the nature of the assignment allows, the suitability of the transfer of knowledge program (training) should be included, and the desired characteristics of the transfer should be specified in the TOR. The participation by nationals criterion should be included to encourage the participation of nationals among key staff proposed by consultants.

The RFP shall disclose the points allocated to each of the evaluation criteria and subcriteria.

The Table below shows a range of points that may be allocated to each criterion on a scale of 1 to 100. The weights may be adjusted for specific circumstances. The actual distribution should depend on the type of assignment and the relative importance of each criterion for the success of the assignment. A good practice is to have those who prepared the TOR advice in the selection of subcriteria and relative weights.

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

The criterion “qualifications and competence of key staff” is divided into the following three subcriteria:

- general qualifications;
- adequacy for the assignment; and
- experience in the region for international consultants, and experience with similar institutes in the case of national consultants.

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

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

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

When subcriteria are provided, which is always the case for “adequacy of the proposed methodology and work plan” and “qualifications and competence of key staff”, for practical reasons the number of subcriteria should be kept to a minimum (typically no more than three for each criterion). Since subcriteria and their weighting determine the outcome of the evaluation, they should be chosen considering the aspects that are critical to the success of the assignment.

All adopted subcriteria should be specified in the RFP. The points allocated to each of the subcriteria under “qualifications and competence of key staff” must be indicated. It is also recommended to disclose in the RFP the points allocated to the subcriteria of “adequacy of the proposed methodology and work plan” and “suitability of the transfer of knowledge program” (when more than 10 points are allocated to the latter), since it increases the transparency of the evaluation.

The weight of each subcriterion will vary according to its relative importance to the specific assignment. To avoid over detailed lists of subcriteria, it is recommended that no fewer than three subcriteria be allocated to each subcriterion. Allocation of fewer than three subcriteria would imply that the subcriterion is of only minor importance to the overall evaluation.

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

When cost is a factor of selection, the RFP has to indicate the relative weight assigned to the technical and financial proposals. For standard assignments, the weight for quality is normally 80 percent with 20 percent given to cost. More than 20 percent weight to the cost of the services is justified only in relatively routine and straightforward assignments (such as design

of very simple structures), whereas in no cases should it exceed 30 percent. For assignments in which quality considerations are relatively important, a minimum weight of 10 percent should be given to cost, and when considerations of quality are of primary importance, QBS is preferable to QCBS.

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

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

### **Specific Experience**

A maximum of 10 points will be assigned to the specific experience of Consultancy Organisations in the field of the assignment because the PE has already shortlisted them on the basis of their capabilities, that is, relevant qualifications and experience in projects of a similar nature. Ideally, there should be little difference in the level of quality between shortlisted competitors from the point of view of their specific experience. However, the experience of shortlisted Consultancy Organisations must be evaluated to identify more specific aspects of their qualifications that make them suitable candidates for the assignment. Depending on the importance of such specific aspects, the PE will decide how many points (between 5 and 10) to allocate to this criterion.

### **Methodology and Work Plan**

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

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

### ***Technical Approach and Methodology.***

Here consultants explain their understanding of the objectives of the assignment, highlight the issues and their importance, and explain the technical approach they would adopt to address them. They should then explain the methodologies they propose to adopt, demonstrate the compatibility of those methodologies with the proposed approach (for instance, the methods of interpreting available data; carrying out investigations, analyses, and studies; and comparing alternative solutions), and any modifications to the TOR proposed by the consultants. In case the TOR require the Consultancy Organisation to provide a Quality Plan and carry out the assignment according to its provisions, an outline of the Quality Plan (its list of contents, for example) should be included in this section of the proposal.

### ***Work Plan.***

Here Consultancy Organisation propose the main activities of the assignment, their content and duration, phasing and interrelations, milestones (including interim approvals by the PE), and delivery dates of the most important reports. The consistency of the technical approach and methodology with the proposed work plan is a good indication that Consultancy

Organisations have understood the TOR and are able to translate them into a feasible working plan. A list of the final documents, including reports, drawings, and tables to be delivered as final output, should be included here. The work plan will enable the Consultancy Organisations to prepare the Activity Schedule.

### ***Organization and Staffing.***

In this section the Consultancy Organisations propose the structure and composition of their team. It will list the main disciplines involved, the key expert responsible and proposed technical and support staff. The roles and responsibilities of key experts should be set out in job descriptions. In case of association, this section will indicate how the duties and responsibilities will be shared. Completion of the organization and staffing section will allow Consultancy Organisations to summarize the team composition and task assignments and prepare the time schedule for professional personnel. An organization chart illustrating the structure of the work team and its links to the PE and institutions involved in the project also should be provided. The importance of organization and staffing increases with the size of the team; in fact, larger teams, such as those required by multidisciplinary projects, are far more difficult to manage.

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

In very complex assignments, when the TOR requires Consultancy Organisations to carry out activities that differ substantially from each other, additional evaluation subcriteria may be inserted. Take, for example, a feasibility study of a new sea port in which the TOR assign major importance to traffic forecast, comparison of different layout alternatives, and design of large maritime structures. In this case, the subcriterion “technical approach and methodology” might be split into four sections, increasing the total number of subcriteria to six, as follows:

- traffic forecast;
- analysis of alternative layouts;
- geotechnical studies;
- other aspects of technical approach and methodology;
- work plan; and
- organization and staffing.

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

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

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

The total points that can be allocated to methodology and work plan (20 to 50) have to be split among the subcriteria depending on their relative importance for the assignment. Even in these



cases the number of subcriteria should be kept low. Otherwise, the features being evaluated may become individually irrelevant and render the evaluation a mechanical exercise rather than an informed professional assessment of quality.

**Qualifications and Competence of Key Staff**

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

- **General Qualifications:** This subcriterion covers the general experience of the candidate (total duration of professional activity), level of education and training, positions held by the candidate, time spent with the Consultancy Organisation as staff, experience in the location where the assignment is to be carried out (for international personnel), and so on.
- **Adequacy for the Assignment:** This relates to the education, training, and experience of the candidate in the specific sector, field, subject, and so on directly relevant to the assignment and the proposed position. This factor is critical and should be given the highest weight among the three subcriteria.
- **Experience in the Region and Language.** This illustrates the international candidate’s knowledge of national or local conditions, including culture, administrative systems, and government organizations, and his or her ability to communicate in the national language. For national consultants it could be the experience with similar institutes.

The points allocated to the criterion “qualifications and competence of key staff” are distributed among the above subcriteria according to the percentages set out in following Table

<b>Range of Percentage in Point Distribution of Key Staff Qualifications and Competence Subcriteria</b>	
<b>Subcriteria</b>	<b>Range of percentage</b>
General qualifications	20–30
Adequacy for the assignment	50–60
Experience in region and language or experience with similar institutes	10–20
Total	100

The RFP should indicate the distribution of points and what fraction of the total refers to the team leader and to the remaining key staff. Since the success of the assignment depends to a large extent on the performance of the team leader, in no circumstances should he or she be given less weight than any other staff member. In small teams the team leader may be given more than 50 percent of the points.

The evaluation of key staff may require interdisciplinary weighting, particularly for assignments requiring large teams. In this case, the RFP should indicate not only the weight

relevant to the team leader but also the weight given to each of the most relevant staff members. The proposal should group the experts by discipline (or activity), and the PE should evaluate them by applying the established weight to each group.

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

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

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

<b>Distribution of Points between Team Leader and Remaining Key Staff</b>					
		<b>Team Leader</b>	<b>Traffic Forecast Experts</b>	<b>Alternative Layout Experts</b>	<b>Geotechnical Experts</b>
<b>Subcriteria</b>	<b>Points</b>	<b>Relative weight 40%</b>	<b>Relative weight 10%</b>	<b>Relative weight 30%</b>	<b>Relative weight 20%</b>
General qualifications	10	40% of 10 = 4	10% of 10 = 1	30% of 10 = 3	20% of 10 = 2
Adequacy for the assignment	30	40% of 30 = 12	10% of 30 = 3	30% of 30 = 9	20% of 30 = 6
Experience in region and language	10	40% of 10 = 4	10% of 10 = 1	30% of 10 = 3	20% of 10 = 2
		Subtotal = 20	Subtotal = 5	Subtotal = 15	Subtotal = 10

### **Transfer of Knowledge (Training)**

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

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

### **National Participation**

The Guidelines encourage international consultancy organizations to maximize the use and expertise of nationals by factoring it into the evaluation of proposals with a specific criterion. Depending on the importance given to participation of nationals and the characteristics of the assignment, a maximum of 10 points may be given to this criterion. National participation is assessed on the basis of the percentage share of national consultants covering key positions in terms of staff months over the total staff months of key staff proposed for the assignment. Foreign Consultancy Organisations may satisfy national participation requirements either by associating (joint venture or subcontract) with their national branch, if one exists, or with independent national firms, or incorporating national individual experts into the work team. In all cases, for national participation to be effective and rewarded in the evaluation of proposals, Sri Lankan experts should be part of the key staff.

**ACCEPTABLE FORMAT FOR ADVANCE PAYMENT  
GUARANTEE**

Advance payment securities issued in the format given below is acceptable:

----- *[ Name and address of Agency, and Address of Issuing Branch or Office ]* -----

**Beneficiary:** ----- *[Name and Address of Client]*

**Date:** -----

**ADVANCE PAYMENT GUARANTEE No.:** -----

We have been informed that ----- *[name of Consultancy Organisation]* (hereinafter called "the Consultant") has entered into Contract No. ----- *[reference number of the contract]* dated ----- with you, for providing consultancy services for ----- *[name of contract and brief description]* (hereinafter called "the Contract").

Furthermore, we understand that, according to the conditions of the Contract, an advance payment in the sum ----- *[amount in figures]* ( ----- ) *[amount in words]* is to be made against an advance payment guarantee.

At the request of the Consultant, we ----- *[name of issuing agency]* hereby irrevocably undertake to pay you any sum or sums not exceeding in total an amount of ----- *[amount in figures]* (-----) *[amount in words]*<sup>1</sup> upon receipt by us of your first demand in writing accompanied by a written statement stating that the Consultant is in breach of its obligation under the Contract.

This guarantee shall expire, *[Insert the date, 28 days beyond the expected expiration date of the Contract]*

Consequently, any demand for payment under this guarantee must be received by us at this office on or before that date.

\_\_\_\_\_  
*[signature(s)]*

<sup>1</sup> The Guarantor shall insert an amount representing the amount of the advance payment and denominated either in the currency(ies) of the advance payment as specified in the Contract.

## CHAPTER 7 - ISSUING OF RFP AND CLOSING/OPENING OF PROPOSALS

GUIDELINE REFERENCE: 7.4.1

### Proposal Opening Procedure

Under QCBS, QBS, FBS and LCS selection methods, it is essential that both technical and financial proposals must be submitted at the same time. Proposals must be submitted at the designated place (exact address, office, and room number to avoid any ambiguity), no later than the date and time indicated in the RFP. Proposals received after the deadline for submission are disqualified and must be returned to the Consultancy Organisations unopened.

#### **Opening of Technical Proposals:**

Opening of proposals shall be done by a committee appointed with the concurrence of the respective CPC. Proposal opening committee (POC) must ensure that the clock that will be used for deciding the closing time is set correctly. Just before the bids are closed the POC shall ensure that all the proposals that are posted, personally delivered, deposited in the tender box or any other means allowed for submission of proposals have been brought to the proposal opening room. The proceedings of the proposal opening shall be recorded in the prescribed format and should be signed by all members of the POC. The time for proposal opening shall be same as for the deadline for receipt of proposals or promptly<sup>7</sup>. The proposal opening shall take place at the location described in the RFP.

When submission of both technical and financial proposals is required, POC open the technical proposals immediately after the deadline. They verify that the financial envelopes are sealed and that they are deposited in a safe place under the custody of a designated officer. The POC should disclose the names of consultancy organizations who have submitted the proposals, presence or absence of the financial proposal. Each member of the POC shall sign the outer envelope of the Financial proposal in the presence of the representatives of the consultancy organizations who have submitted proposals and attended the proposal opening meeting. Minutes of the technical proposal opening event are kept, including lists of the firms that presented proposals and of the documents that were submitted. The technical proposals are handed over to the Evaluation Committee for evaluation.

#### **Opening of Financial Proposals:**

On the date and time set for opening the financial proposals, the POC shall verify that the financial proposals have remained sealed and then opens them. In the case of QCBS the quality score of each proposal shall be announced prior to opening of Financial Proposals. Then the name of the Consultancy Organisation, and the proposed prices are read aloud and recorded as each financial proposal is opened. No modification to financial proposals is permitted. The POC prepares the minutes of the public opening, which should be attached to the Financial Evaluation Report.

<sup>39</sup> Only to allow sufficient time for the preparatory works; any shall not exceed 30 minutes from deadline for submission of proposals

<sup>7</sup> Only to allow sufficient time for the preparatory works; any shall not exceed 30 minutes from deadline for submission of proposals.

**Format for Proposal Opening Minutes**

All who are officially attending the proposal opening shall sign the attendance. Just before the proposal opening a request shall be made from all the representatives of the proponents to sign their attendance. The POC may order any representative of the proponents who is refusing to sign the attendance, to move out from the proposal opening room. Any representative of a proponent who arrives late should be requested to sign the attendance and similar procedure described above is applicable.

<b>ATTENDANCE AT PROPOSAL OPENING</b>		
Title of Consultancy		
Date:		
Time:		
Location:		
Type of meeting <sup>8</sup>	Technical Proposals Opening/ Financial Proposals Opening	
We the undersigned were present at the proposal opening		
<b>A: Proponent's Representatives:</b>		
Name of Representative	Proponent's Name	Signature
1.		
2.		
3.		
4.		
5.		
6.		
7.		
<b>B: Proposal Opening Committee</b>		
Name	Capacity (Chairperson/Member)	Signature
1.		
2.		
3.		

---

<sup>8</sup> Select as appropriate

**Format for Proposal Opening Minutes – First Opening**

The proceedings of the proposal opening shall be recorded in the prescribed format and should be signed by all members of POC. In addition to the time, location etc of proposal opening the POC minutes shall include the name of the proponent, presence or absence of financial proposal, and any other special features of the proposals submitted. It may also include and special features happened during the proposal opening.

**PROPOSAL OPENING MINUTES**

Title of Consultancy	
Proposal opening Date	
Proposal opening Time	
Location	

**OBSERVATIONS OF EACH PROPOSAL**

Observation criteria	PR 1	PR 2	PR 3	PR 4	PR 5	PR 6	PR 7
	<i>Insert "Y" if answer is Yes and "N" if answer is No.</i>						
(a) Is outer envelope of proposal sealed?							
(b) Is the financial proposal presence?							
(c) Is the financial proposal sealed?							
(d) Additional comments*:							

\* Describe

PROCUREMENT GUIDELINE REFERENCE: **7.4.4 (cont)**

**Format for Proposal Opening Minutes – Financial Proposal Opening**

The proceedings of the proposal opening shall be recorded in the prescribed format and should be signed by all members of POC. In addition to the time, location etc of proposal opening the POC minutes shall include the name of the proponent, Quality score in the case of QCBS, proposal price and any other special features of the proposals submitted. It may also include and special features happened during the proposal opening.

**PROPOSAL OPENING MINUTES**

Title of Consultancy	
Proposal opening Date	
Proposal opening Time	
Location	

**OBSERVATIONS OF EACH PROPOSAL**

Observation criteria	PR 1	PR 2	PR 3	PR 4	PR 5	PR 6	PR 7
	<i>Insert "Y" if answer is Yes and "N" if answer is No.</i>						
(a) Is the financial envelope remained sealed?							
(b) Any objections rose by any proponent about the status of financial envelope?*							
(a) Quality score announced**							
(d) Additional comments***:							

\* Describe

\* Only for QCBS

\*\*\* Describe



## CHAPTER 8 - EVALUATION OF PROPOSALS

GUIDELINE REFERENCE: **8.4.1**

### **Time Frame for Proposal Evaluation & Extension of Validity of Proposals**

It is required to keep proposals valid for a specific period to allow the CPC to examine and evaluate them, select the best proposal, obtain the necessary approval from different authorities. Thus proposal evaluation shall be undertaken expeditiously, leaving ample time to seek all the requisite formal approvals. Hence proposals shall be evaluated within the period specified in the agreed time schedule i.e. the Procurement Time Schedule. Unless there is a specific reason to allow more time the maximum time periods for proposal validity are given in section 5.3.10.

To enable the PE to award the contract within such proposal validity period after carrying out the other procedures, it is required that CPC should complete the evaluation report generally within 50 % of the proposal validity period.

Where there is a delay in proposal evaluation so that above requirement is unlikely to achieve, the PE with the concurrence of the respective CPC shall request the proponents to extend the period of validity of their proposals.

The proponent has the choice of such extension or not to extent. The proponent may serious problems in retaining the staff proposed beyond the original validity period. Due to the above reason a proponent who has submitted a good proposal may refuse to extent their proposal validity depriving the PE to select the best proposal. Hence the extension of proposal validity should be requested only under exceptional situation.

## **Evaluation of Technical Proposals**

### **Main Considerations**

The CPC members should familiarize themselves with the RFP (in particular the TOR), the evaluation criteria and subcriteria specified in the RFP, and the selection procedure. The CPC should meet shortly before the deadline for submission of the proposals to confirm that there is a common understanding of the evaluation method, the evaluation criteria and subcriteria, and a joint definition of the rating system, including the definition of the grades. It is important not to wait until after the technical proposals are opened to define the rating system, since these definitions could be biased by the knowledge of the contents of the proposals.

The CPC should confirm that its members

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

### **Evaluation of Proposals**

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

The CPC should review the level of responsiveness of each proposal (technical, contractual, and other aspects). If the CPC finds a proposal nonresponsive, it may reject the proposal at this stage. An example of deviation that could lead to rejection of a proposal may include the omission of a component of the services, which reflects a poor understanding of the assignment. The CPC should decide how any acceptable deviations in each proposal should be handled during negotiations, in case that proposal is ranked first. The Technical Evaluation Report is a confidential document and its contents must not be disclosed.

If a proposal is found to be substantial responsive, by applying the criteria and subcriteria specified in the RFP, committee members should establish the absolute, not the relative, quality of the proposals. A relative evaluation singles out the best proposal on a relative scale and still could leave the PE with a poor choice. The evaluation should instead single out the proposal with the best objective quality. The way to establish such quality is to define the grades of the rating system as clearly as possible.

It is good practice for each evaluator to re-review each proposal after having rated all criteria and subcriteria, to check that scores are a reliable reflection of the absolute quality of the proposal. The CPC should not seek clarifications or additional information from the consultants that could change the substance of the proposal. Proposals are evaluated based on

what has been submitted. Material issues to be clarified with the selected consultant will have to be discussed during negotiations.

After each committee member has independently completed the evaluation, the CPCe should meet to review, and if necessary discuss the merits of, individual evaluations and scores. Some evaluators tend to be generous while others will be rigid in their judgment and ratings. Such disparity does not matter, provided each evaluator is consistent and differences in scores are not too large. Large differences should be reviewed and explained since they often are caused by improper or inaccurate use of the rating system. The chairman of the CPC shall take a lead role in discussing these disparities. As a result of these discussions, a committee member may revise some of his or her ratings and scores if necessary; these changes should be recorded. For each proposal, the CPC should then calculate the average of the scores allocated by all members under each criterion, establish the technical ranking of the proposals, and identify the best.

The evaluation report must include the joint as well as the individual evaluations.

During the meeting the committee also should comment on the strengths and weaknesses of all proposals that have passed the minimum technical qualifying mark indicated in the RFP. This will help identify any issues in the winning proposal that need to be clarified during negotiations.

### **Technical Evaluation Report**

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

## **EVALUATION PRACTICES OF TECHNICAL PROPOSALS**

Technical proposals for consulting services are an intellectual product; their evaluation cannot be reduced to a purely mathematical exercise but instead must be based on the professional judgment of competent evaluators. The difficulty is to ensure that this judgment is not exercised in an unreasonable or arbitrary manner. Evaluators may, either consciously or unconsciously, manipulate the points awarded to specific factors in the evaluation for a number of reasons, including inadequate experience in the field of the assignment or in evaluating proposals of this nature. Therefore, it is important that subjectivity be mitigated to achieve the required transparency, consistency, and fairness. One way of achieving this is by adopting a suitable rating system for the evaluation of technical proposals under the criteria and subcriteria established in the RFP.

### **Rating System**

The RFP shall specify the general criteria used to evaluate technical proposals and the points (or weights) given to each of them. The responsiveness of a proposal to the TOR is determined by its responsiveness to the criteria and subcriteria adopted for the evaluation indicated in the RFP.

These criteria generally include the following:

- specific experience of the consultants in the field of the assignment;
- adequacy of the proposed methodology and work plan in responding to the TOR;
- qualifications and competence of key staff proposed for the assignment;

- suitability of the transfer of knowledge program; and
- local participation.

The transfer of knowledge criterion is included wherever it forms an explicit aspect of the assignment. The local participation criterion is only when international experts are expected for the assignment. The RFP should specify the subcriteria for the proposed key staff, as well as other adopted subcriteria, together with the points to be allocated to each of them for evaluation.

In the RFP the points assigned to a particular criterion (or subcriterion) show the maximum score (maximum number of points) that can be allocated to it when evaluating each proposal. The actual score given indicates the degree to which the proposal being evaluated under that particular criterion (or subcriterion) meets the requirements, that is, its level of responsiveness. The level of responsiveness for each criterion (and subcriterion) is rated on a scale of 1 to 100.

Each CPC member other than the chairman scores the technical proposals in two steps. First, the level of responsiveness of the proposals to each of the criteria or subcriteria is estimated on a percentage scale. Second, each percentage rating is multiplied by the maximum number of points assigned to the relevant criterion (or subcriterion) in the RFP to obtain the score (percentage rating x maximum number of points = score).

For example, the criterion “specific experience of the Consultancy Organisation in the field of the assignment” may have been allocated a maximum of 10 points in the RFP. A proposal with a good level of responsiveness to this criterion is given a 90 percent rating and therefore receives a score of 9 points. To make the scoring easier and transparent, the rating scale of the level of responsiveness is usually divided into a number of discrete grades. It is a good practice to give scores based on the following grades:

- Poor;
- Satisfactory;
- Good;
- very good.
- 

Prior to receiving the technical proposals, the CPC should agree on the definition of each grade for each criterion (or subcriterion). That is, the CPC should establish what will be considered poor, satisfactory, good, and very good. Since each of the criteria (or subcriteria) refers to a different aspect of the proposal, the definition of grades will differ from one criterion to the next.

Scoring technical proposals by this method offers the following advantages:

- It provides the CPC with a shared definition of the grades, making the evaluation easier and comparable (this is particularly helpful for less experienced evaluators).
- It minimizes the risk of scoring inconsistencies and discretion.
- It binds each committee member to justify his or her evaluation on the basis of a common definition of grades, discouraging intentionally biased evaluations.
- It adds transparency and fairness to the evaluation process.

Defining the grades is a difficult exercise that requires a thorough knowledge of the terms of reference, the main technical issues to be covered by the consultant assignment, and the qualifications expected from the Consultancy Organisations. However, it is worth going to such trouble because it may substantially improve the quality of the evaluation. Rating

proposals without using agreed upon predefined grades of responsiveness leaves the definition of the grades to each evaluator, very likely making the scoring subjective and difficult to compare.

### Specific Experience of Consultancy Organisations that Relates to the Assignment

#### Rating Scale

The Guidelines allow a maximum of 10 points to be allocated to the specific experience of the firm. The grades indicated in Table below are recommended for percentage ratings related to the evaluation of this criterion. Since all Consultancy Organisations have been shortlisted based on experience, ideally their experience should not be rated normally less than satisfactory, that is, not less than 70 percent.

Recommended Grades and Percentage Rating for Specific Experience	
Grade (level of responsiveness)	Percentage rating
Satisfactory	70
Good	90
Very good	100

#### Aspects to Consider for Evaluation

The CPC should consider the following (as appropriate) aspects in evaluating the relevant experience of the Consultancy Organisations:

- **Experience in Similar Projects.** Evidence of having successfully carried out similar assignments.
- **Experience in Similar Areas and Conditions (international).** The Consultancy Organisations have worked in regions or countries with physical, cultural, social, and institutional characteristics comparable to those of Sri Lanka.
- **Size, Organization, and Management.** The Consultancy Organisations have the capacity—for instance, staff, organization, and managerial skills—to carry out the assignment. For some assignments, consider how long the Consultancy Organisations have been established.
- **Specialization.** For some assignments it may be important to evaluate the Consultancy Organisations' specialized skills and access to particular technologies related to the assignment.
- **Experience in Transfer of Knowledge and Training.** The Consultancy Organisations' experience in transfer of knowledge and training of client's personnel (if relevant).
- **Quality Management.** The availability of a well-established QM system may be taken into account for large and complex assignments.

#### Defining The Grades

Since subcriteria are usually not provided for the specific experience of the Consultancy Organisations the specific experience will be evaluated as a whole using the grades set out in the Table above.

An example of the definition of these grades based on the specifics listed above is given below (definitions may differ from case to case depending on the characteristics of the assignment).

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

Ratings should not be too rigid. In the likely event that a firm does not satisfy all the conditions set forth in one of the grade definitions, but that particular grade appears to reflect the overall specific experience of the firm better than the lower grade, the upper grade may be assigned. If in exceptional circumstances the CPC wants to take into account the possibility that a firm with less than satisfactory specific experience is shortlisted, it may decide to include an additional grade (“poor”) with a rating of or about 40 percent. Such a decision should be made at the time of definition of the rating system and before the opening of the proposals.

### **Adequacy of Proposed Methodology and Work Plan**

#### Rating Scale

The Guidelines allocate between 20 and 50 points to the “adequacy of methodology and work plan” criterion. The grades indicated in Table below are recommended for percentage ratings related to the evaluation of this criterion.

<b>Recommended Grades and Percentage Rating for Methodology and Work Plan</b>	
<b>Grade (level of responsiveness)</b>	<b>Percentage rating</b>
Poor	40
Satisfactory	70
Good	90
Very Good	100

The lowest grade is 40 percent instead of zero because

- a zero rating is not realistic, since it would imply that the Consultancy Organisation has not responded at all to the TOR under this criterion; and
- a zero rating given to a poor methodology may hardly be compensated even by high scores of remaining criteria.

This could lead to rejection of a proposal that is attractive in all other aspects. In case a proposal appears to be unacceptable under this criterion, that is, it doesn't deserve to be rated "poor," it may be considered nonresponsive

#### Aspects to Consider for Evaluation

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

- **Understanding of the Objectives of the Assignment:** The extent to which the Consultancy Organisations' technical approach and work plan respond to the objectives indicated in the TOR.
- **Completeness and Responsiveness:** Does the proposal respond exhaustively to all the requirements of the TOR?
- **Creativity and Innovation:** Does the proposal suggest any new approaches to the assignment or new methodologies that help achieve better outcomes?
- **Clarity:** Are the various elements coherent and the decision points well defined?
- **Efficiency and Resource Utilization:** Is the staffing schedule appropriate, with neither too many short-term experts nor too many generalists? Is the proposed staff permanent or formed by external Consultancy Organisations? In the latter case, check whether the external Consultancy Organisations have worked on previous assignments with the Consultancy Organisations' permanent staff. This aspect should always be considered.
- **Flexibility and Adaptability:** Are the methodology and work plan flexible and easy to adapt to changes that might occur during implementation of the assignment? This aspect is especially relevant when the assignment takes place in potentially changing environments.
- **Technology:** Does the methodology propose the use of appropriate technologies and the adoption of innovative solutions?
- **Timeliness of Output:** Does the proposed activity schedule provide the requested outputs in a timely manner? *Logistics:* If the Consultancy Organisations have to work at remote sites, the Consultancy Organisations' approach to logistics could also be considered.
- **Quality Management:** Especially for large and complex assignments, the TOR may include a requirement to provide a Quality Plan, or its detailed list of contents.

#### EVALUATION WHEN SUBCRITERIA ARE PROVIDED

With the exception of small (less than Rs. 1 m) or simple assignments, the quality and adequacy of the proposed methodology and work plan are evaluated by means of the following three subcriteria. Additional subcriteria may be specified in the RFP when there is a need to focus on particularly important aspects of the assignment.

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

First, the CPC shall define, for each of the three subcriteria above, the definition of the grades. Such grade definitions should be based on the specific aspects. An example of the definition of the four grades for the three subcriteria listed above may include the following (definitions may differ from case to case depending on the characteristics of the assignment).

(a) Technical Approach and Methodology

- **Poor:** The technical approach and/or the methodology to carry out important activities indicated in the TOR are inappropriate or very poorly presented, indicating that the Consultancy Organisation has misunderstood important aspects of the scope of work. The list of contents of the Quality Plan (required in the TOR) is missing.
- **Satisfactory:** The way to carry out the different activities of the TOR is discussed generically. The approach is standard and not specifically tailored to the assignment. Although the approach and methodology are suitable, they don't include a discussion on how the Consultancy Organisation proposes to deal with critical characteristics of the assignment. The list of contents of the Quality Plan (if required in the TOR) is provided, but it is generic and does not reflect the specific features of the assignment.
- **Good:** The proposed approach is discussed in full detail, and the methodology is specifically tailored to the characteristics of the assignment and flexible enough to allow its adaptation to changes that may occur during execution of the services. The list of contents of the Quality Plan (if required in the TOR) is tailored to the specific characteristics of the assignment.
- **Very Good:** In addition to the requirements listed above under "good," important issues are approached in an innovative and efficient way, indicating that the Consultancy Organisations have understood the main issues of the assignment and have outstanding knowledge of new solutions. The proposal details ways to improve the results and the quality of the assignment by using state-of-the-art approaches, methodologies, and knowledge. A detailed description of the Quality Plan is provided in addition to its list of contents (if required).

(b) Work Plan

- **Poor:** The activity schedule omits important tasks; the timing of activities and correlation among them is inconsistent with the approach and/or methodology proposed. There is lack of clarity and logic in the sequencing.
- Satisfactory:** All key activities are included in the activity schedule, but they are not detailed. There are minor inconsistencies between timing, assignment outputs, and proposed approach.
- **Good:** The work plan fits the TOR well; all important activities are indicated in the activity schedule and their timing is appropriate and consistent with the assignment outputs; and the interrelation between the various activities is realistic and consistent with the proposed approach. There is a fair degree of detail that facilitates understanding of the proposed work plan.
- **Very Good:** In addition to the requirements listed above under "good," decision points and the sequence and timing of activities are very well defined, indicating that the Consultancy Organisations have optimized the use of resources. A specific chapter of the proposal explains the work plan in relation to the proposed approach. The work plan permits flexibility to accommodate contingencies.

(c) Organization and Staffing

- **Poor:** The organization chart is sketchy, the staffing plan is weak in important



areas, and the staffing schedule is inconsistent with the timing of the most important outputs of the assignment. There is no clarity in allocation of tasks and responsibilities. The proposed specialists have never worked together as a team.

- **Satisfactory:** The organization chart is complete and detailed, the technical level and composition of the staffing arrangements are adequate, and staffing is consistent with both timing and assignment outputs.
- **Good:** In addition to the definition above in “satisfactory,” staff is very well balanced, that is, they show good coordination, clear and detailed definition of duties and responsibilities, not too many short-term experts, not too many generalists, precise matching of staff skills and needs, and efficient logistic support. Some members of the project team have worked together before to some extent.
- **Very Good:** Besides meeting all the requirements for a “good” rating, the proposed team is integrated and several members have worked together extensively in the past; a detailed explanation of the Borrower’s role and integration in the assignment is provided. The proposal contains a detailed discussion demonstrating that the Consultancy Organisations have optimized the use and deployment of staff from the point of view of efficiency and economy, based on the proposed logistics.

#### EVALUATION FOR SMALL AND SIMPLE ASSIGNMENTS

For small and simple assignments, the PE may choose not to identify subcriteria under the methodology and work plan. Instead, the proposed methodology and work plan are evaluated as a whole using the four grades. An example of how these grades could be defined, based on the aspects given below (definitions may obviously differ from case to case depending on the characteristics of the assignment).

- **Poor:** The methodology for important activities in the TOR is inadequate, indicating that the Consultancy Organisations may have misunderstood relevant aspects of the scope of work; the schedule of activities is incomplete; staffing is inadequate; and the staffing schedule is not fully consistent with the timing of the outputs. The proposed specialists have never worked together as a team.
- **Satisfactory:** Proposed methodologies are standard and generally suitable for the assignment, but no detailed discussion of the specific aspects of the assignment is provided; the activity schedule is complete and clear; composition of the staff is adequate; and staff levels are consistent with timing and outputs.
- **Good:** Approach and methodology are well defined and respond to the assignment. The work plan is detailed and addresses the TOR well; all important activities are indicated in the activity schedule and their timing is correct and consistent with the assignment outputs; and staffing is well balanced (good coordination, clear, detailed definition of duties and responsibilities). Some members of proposed team have worked together on limited occasions.
- **Very Good:** Besides meeting the requirements listed above under “good,” the proposal includes important innovations in approach relevant to the Borrower and makes practical suggestions on how to improve the overall quality and efficiency of the assignment, indicating clearly how they would be implemented. The implementation of key activities is explained in detail. The proposed team is well integrated and several of its members have worked together previously. In the event that the Consultancy Organisations’ approach and methodology do not fully satisfy all the conditions set forth by one of the grade definitions, but that particular grade appears to reflect the overall adequacy of approach and methodology better

than the lower grade, the upper grade may be assigned.

### Qualifications and Competence of Proposed Key Staff

#### RATING SCALE

The Guidelines allocate between 30 and 60 points to “qualifications and competence of key staff. The grades indicated below are recommended for percentage ratings related to the evaluation of the proposed key staff. The lowest grade is 40 percent instead of zero. Grades given below apply to both individual staff members and to members grouped by discipline (or activity) when interdisciplinary weighting is required. When evaluating staff, it is recommended that only those proposed for key positions should be considered. Junior or subordinate staff shall not be evaluated.

Recommended Grades and Percentage Rating for Qualifications and Competence of Key Staff	
Grade (level of responsiveness)	Percentage rating
Poor	40
Satisfactory	70
Good	90
Very Good	100

#### ASPECTS TO CONSIDER FOR THE EVALUATION

The CPC should evaluate key staff by considering the following aspects:

- **General Qualifications.** It is important to consider the number of years of professional experience of the Consultancy Organisations in the field to which they are assigned. For evaluation purposes, the value of previous university education diminishes with age. Experts with more than 10 years’ experience should be evaluated on their current position and the level of responsibility entrusted to them in previous projects rather than on their acquired university degrees. Since experience accumulates with age, staff members who are older are often satisfactorily employed on complex or sensitive assignments. Long-term experience in consulting assignments may be advantageous, but evaluators should not give points to older candidates when age is not especially relevant for the assignment. When knowledge of recent approaches, methodologies, and technologies is critical, younger experts may be preferable.
- **Adequacy for the Assignment.** Is the expert suitable for the job and has he or she recently held similar positions? Has the proposed team leader been a successful team leader before, and has the team leader been proposed mainly because of leadership or professional skills? How well do the knowledge and skills of the staff offered meet the needs of the assignment? Appropriate capabilities, adequate professional skills, and experience should always be the key evaluation aspects.
- **Experience in the Region and Language.** When evaluating experience in the region, consider factors such as the number of assignments carried out in the country and/or in countries with similar cultures, administrative systems, and government

organizations. For expatriate staff the RFP should specify, in addition to capabilities in English, local language requirements for adequate communication within Sri Lanka, if needed. Scores should be given only for the local language. In scoring national consultant staff, their knowledge of the language of the contract should be evaluated. Evaluate key staff in terms of their skill and suitability for the job, irrespective of their nationality. The qualifications of the team leader should be carefully evaluated because that position plays a crucial role in the success of the assignment. If the team leader is acting as both project manager and expert, evaluate his or her qualifications for each function and assign the scores to each function proportional to the time effort dedicated to each of them if the two function overlap. Full marks to each function are assigned only if the functions can be clearly separated without affecting the quality of the services.

### EVALUATION USING THE THREE SUBCRITERIA SPECIFIED IN THE RFP

The qualifications and competence of key staff shall be evaluated using the following three subcriteria specified in the RFP;

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

Under each of these subcriteria, individual staff members are evaluated using the grades in the above Table. The CPC shall determine for each of the three subcriteria the definition of each of the grades indicated. Such definitions should be based on the qualifications listed below.

An example of the definition of the four grades in the Table above for each of the three subcriteria listed above may include the following:

#### (a) General Qualifications

- **Poor:** The proposed expert has less experience than that specified in the RFP or less than 10 years of relevant experience.
- **Satisfactory:** The proposed expert has 10 years or more of overall working experience relevant to the assignment, with relevant academic education and training.
- **Good:** The proposed expert has more than 15 years of overall working experience; a substantial part of that experience relates to consulting assignments similar to the one in question; the expert's professional achievements, such as position within the firm and level of responsibility, have steadily increased over time.
- **Very Good:** The proposed specialist has more than 20 years of specialized experience in the field of the assignment and is recognized as a top expert in his or her specialty. The specialist is fully up to date in the state of the art of the concerned discipline.

#### (b) Adequacy for the Assignment

- **Poor:** The proposed expert has never or only occasionally worked in a position similar to the one required under the assignment. His or her qualifications do not match closely the assigned position. For instance, the position requires a highly experienced project manager, while a relatively junior professional with brief experience is proposed.
- **Satisfactory:** The experience of the proposed expert fits the assigned position; in the past 10 years or more he or she has successfully held positions similar to the one proposed for the assignment in at least one project of a similar nature. The proposed

expert's skills (either professional or managerial as the proposed position may require) are adequate for the job.

- **Good:** The qualifications of the expert are suitable for the proposed position; over the past 10 years he or she has held several similar positions in similar assignments; the expert's skills (either professional or managerial) are fully consistent with the position and characteristics of the assignment.
- **Very Good:** In addition to the criteria under "good," the expert has qualifications and experience that exceed substantially the requirements for positions similar to the one being considered.

**(c) Experience in the Region and Language** (this example refers to expatriate staff)

- **Poor:** The proposed expert has never or only occasionally worked in countries similar to the one of the assignment and his or her knowledge of English and the local language is insufficient to properly communicate orally and in writing.
- **Satisfactory:** The expert has worked in countries with cultural, administrative, and governmental organizations similar to the ones of the country of the assignment; his or her knowledge of one of the official languages of the Bank is adequate.
- **Good:** In recent years the expert has worked in the region of the assignment for at least one year; and he or she is fluent in one of the official languages of the Bank and in the local language.
- **Very Good:** In addition to meeting the above definition of "good," the expert has detailed, direct knowledge of the country and the language through years of professional work in the country. If the key staff proposed by the Consultancy Organisations do not fully satisfy all the conditions set forth by one of the grade definitions, but that particular grade appears to reflect the overall adequacy of the key staff better than the lower grade, the upper grade may be assigned.

**Transfer of Knowledge (Training)**

**RATING SCALE**

The Guidelines allow a maximum of 10 points to be allocated to "transfer of knowledge" except when training is an important component of the assignment. The grades indicated below are recommended for percentage ratings related to the evaluation of transfer of knowledge.

<b>Recommended Grades and Percentage Rating for Transfer of Knowledge (Training)</b>	
<b>Grade (level of responsiveness)</b>	<b>Percentage rating</b>
Poor	40
Satisfactory	70
Good	90
Very good	100

The lowest grade is 40 percent instead of zero for reasons similar to earlier. In cases in which training is a particularly important component of the assignment, more than 10 points may be given to this criterion. In such cases, subcriteria, grades, and grade definitions will have to be determined along lines similar to those indicated earlier.

#### ASPECTS TO CONSIDER FOR THE EVALUATION

The CPC should evaluate the proposed transfer of knowledge program by considering the following or similar qualifications:

- **Methodology and Expected Outcome of the Program.** Definition of outcome and results in agreement with the requirements of the TOR; type and approach to the transfer of knowledge (program based on on-the-job training, stand-alone training, or a combination) and methodology proposed to attain the objectives are clearly explained and appropriate for the target audience. Quality of learning materials proposed.
- **Organization of the Program.** Degree of definition of the program, that is, the activities that will be carried out under the assignment; definition of roles, duties, output, and organizational arrangements of the Borrower's personnel; level of skill and effort required of such personnel; Consultancy Organisation personnel involved and the expected level of effort; and allocation of responsibilities between the Consultancy Organisations and the PE.
- **Experience in Transfer of Knowledge and Training.** The level of previous training experience of the Consultancy Organisation experts involved.
- **Supervision and Evaluation.** Arrangements for supervision, implementation of the assignment, and impact of transfer of knowledge program—for example, progress reports, progress evaluation, and evaluation of knowledge gained by the trainees.

#### EVALUATION WHEN NO SUBCRITERIA ARE PROVIDED

When no subcriteria are provided for transfer of knowledge, the program for transfer of knowledge proposed by the Consultancy Organisations should be evaluated as a whole using the four grades in Table below. An example of their definitions based on the aspects listed is given below (definitions may differ from case to case depending on the characteristics of the program).

- **Poor:** Approach and methodology of the training program respond only partially to the objectives indicated in the TOR, and resources allocated are insufficient.
- **Satisfactory:** Program objectives and approach are generally consistent with the requirements of the TOR; proposed methodology seems suitable, but there is no discussion of its important aspects; training program is complete and well defined; allocated resources are commensurate with the objectives; functions and responsibilities are only broadly defined; and measures to supervise the program are only generally indicated.
- **Good:** The methodology is specifically tailored to the objectives of the program and is discussed exhaustively. Timing of training activities is well defined and fully consistent with the time schedule of the activities on which the training is based. Quality and composition of Consultancy Organisation personnel involved are very well thought out and balanced. Duties and responsibilities of Consultancy Organisation and Borrower personnel involved are clear and defined in detail. Measures to supervise the program and minimize risks of abuses are clearly indicated.

- **Very Good:** In addition to meeting the definition under “good,” approaches and methods proposed represent new best practices. In the event that the training program does not fully satisfy all the conditions set forth by one of the grade definitions, but that particular grade appears to reflect the overall adequacy of the training program better than the lower grade, the upper grade may be assigned.

#### EVALUATION WHEN SUBCRITERIA ARE PROVIDED

There may be cases in which training is an important component of the assignment and the RFP has allocated to “transfer of knowledge” more than 10 points. In these cases subcriteria may be established and points allocated in the RFP to each of them. The Evaluation Committee should establish grade definitions for each one of the subcriteria, considering the aspects indicated in the above paragraph.

#### **Local Participation as Reflected by Nationals among Key Staff**

The Guidelines allow a maximum of 10 points to be allocated to this criterion. In the evaluation these points will be allocated to each proposal in a proportion equal to the percentage share of national key staff in the total key staff time effort proposed. If, for example, 8 points are attributed to the criterion, and 50 percent of total staff months or staff hours of key staff is allocated by the Consultancy Organisations to national experts, the proposal will receive 4 points. This criterion covers only the quantitative aspect of participation by nationals; qualitative aspects such as experience of national key staff are captured by the criterion “qualification and competence of the key staff proposed”. The participation of national consultants as domestic consultants, as local branches of foreign consultants, or as individual experts equally satisfies the Bank’s recommendation of participation by nationals.

**Evaluation of Financial Proposals**  
**QBS, CQS and SSS Methods**

The remuneration rates for staff are made up of salary, social costs, overheads, fee that is profit, and any premium or allowance paid for assignments away from headquarters. To assist the firm in preparing financial negotiations, a sample form giving a breakdown of rates is attached (no financial information should be included in the Technical Proposal). Agreed breakdown sheets shall form part of the negotiated contract.

The CPC shall review the reasonableness of the Financial Proposal, supported by financial statements audited reports for fees proposed for individuals and other reimbursable costs. The fees shall be the gross regular cash salary paid to the individual and shall not contain any premium for work away from headquarters or bonus. Reasonable social which may include staff's non-monetary benefits, medical and life insurance costs, and the cost of a staff member being sick or on vacation may be allowed.

Overhead expenses are the firm's business costs that are not directly related to the execution of the assignment and shall not be reimbursed as separate items under the contract. Typical items are office costs, the cost of support staff not included in the proposal. The CPC should not accept an add-on margin for social charges, overhead expenses, etc., for staff who are not permanent employees of the firm. In such case, the firm shall be entitled only to administrative costs and fee on the monthly payments charged for subcontracted staff.

The profit shall be based on the sum of the salary, social costs, and overhead. Profit shall not be allowed on transport or other reimbursable expenses. Subsistence allowances which are not included in the rates may be paid separately.

The CPC shall further focus on such items as out-of-pocket expenses and other reimbursables. These costs may include, but are not restricted to, cost of surveys, equipment, office rent, supplies, international and local travel, computer rental, mobilization and demobilization, insurance, and printing.

## Negotiations

The objective of negotiations is to arrive at a mutually satisfactory contract between the PE and the selected Consultancy Organisation. The PE and the selected Consultancy Organisation shall discuss the technical proposal submitted, agree on the detailed scope of work, negotiate financial terms, and discuss and finalize contract conditions. A good contract should protect the interests of both parties adequately.

### Preparations for Negotiation

After the recommendation for award, the PE shall notify the winning Consultancy Organisation in writing and invite that firm for negotiations. The PE indicates in the notification the date and time set for negotiations and any issues or comments on the Consultancy Organisations' proposal to enable them to prepare a response and make any necessary arrangements. The CPC should take part in the negotiations. For QBS, SBCQ, and SSS, where the financial conditions of the proposal can be negotiated, the team should have independent information on rates and salaries of consultant staff. Negotiations are based on methodology, work plan, proposed staff, inputs, financial terms, and conditions of the contract.

### Items Subject to Negotiation

Depending on the selection method and proposed type of contract, technical and financial items that may be negotiated include:

- scope of work;
- technical approach and methodology;
- work plan and activity schedule;
- organization and staffing, and time schedule for key staff;
- deliverables;
- counterpart staff;
- counterpart facilities and equipment;
- contract special conditions;
- staff unit rates (QBS, CQS and SSS only);
- reimbursable expenses (QBS, CQS and SSS); and

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

### Outline of Negotiation Procedures

Contract negotiations for small assignments should be completed within one or two days; however, for large assignments at least one full week should be allowed. Negotiations may even be carried out in phases when decisions are needed from other authorities. The financial proposal is negotiated on the basis of the list of deliverables, scope and plan of work, and staff-months effort proposed by the Consultancy Organisation, including the agreed modifications during negotiations. The CPC should keep the minutes of the negotiations. If the issues to be negotiated are many and complex, significant points can be initiated by the counterparts as negotiations progress. When cost is not a factor of selection and the CPC has reason to believe that the staff rates proposed by the Consultancy Organisations are higher than market rates, the CPC may request the Consultancy Organisations to provide financial or administrative records that justify such rates.

During the course of negotiations, the CPC and Consultancy Organisations may initially disagree on some important issues. In rare cases, agreement between the CPC and the Consultancy Organisations may not be possible. If any issue remains unresolved after being referred to the PE, the only recourse may be to call off negotiations. Then PE shall invite the second ranked



Consultancy Organisation for negotiations. If the validity period of the proposals is about to come to an end, the PE should request all Consultancy Organisations for an extension. In that case, the Consultancy Organisations may propose staff modifications without changing their price, or may withdraw their proposal. However, Consultancy Organisations staff can only be replaced with staff that are equally qualified or better, that is, the new staff should be evaluated using the criteria and points specified in the RFP and must receive equal or better scores.

### **Limits of Negotiations**

The technical aspects (approach, methodology, work plan, and staffing) are discussed to reconcile the Consultancy Organisation's proposal and the views of the PE. Technical negotiations impact the quality and the cost of services. The financial proposal (including remuneration rates when price has not been factor of selection) may also be negotiated, thus impacting the financial score of the proposal. Since the quality of the technical proposal is the main factor in ranking the Consultancy Organisations, the discussion shall not substantially alter such quality to reduce the proposed price because doing so may affect the basis of the technical evaluation on which the ranking was determined.

Sometimes, Consultancy Organisations intentionally propose methodology and key staff with qualifications above the requirements of the assignment in order to be selected and called to negotiate. Although this strategy of increasing quality also implies an increase of the offered price, chances of being selected would remain high because either the price is not a factor of selection (QBS) or it is allocated a limited weight (QCBS). During negotiations the Consultancy Organisations could propose to trim the scope of work or the quality of their proposal if the offered price exceeds the budget. This practice should not be accepted, and may require calling for new proposals.

There are also limits to financial negotiations. They should be used by the PE to achieve consistency between the quality and the price of the offered services, and not just a price reduction at all costs. For instance, if staff rates proposed by a Consultancy Organisation are consistent with market rates for similar services, the only negotiable item would be the fee component of the rate.

Under FBS, the cost of the services is indirectly taken into account, since the best technical proposal within the given budget is selected. Therefore, as per QCBS, negotiations should include only technical aspects. Similarly, under LCS, negotiations also should include only technical aspects. However, a price increase related to technical improvements can be negotiated on condition that the proposal remains the least costly.

The following paragraphs discuss in more detail the main items to deal with during negotiations and offer examples of good practices to consider in different cases.

### **Negotiations of Technical Aspects**

Technical negotiations can, within the limits imposed by the selection method, attempt to reduce the proposal price without affecting the quality or the scope of the services by seeking a more efficient use of proposed staff to reduce the staff-months effort, or simplifying the proposed methodology, or a combination of both. When the offered price exceeds the available budget and negotiations fail to bring the price within the budget, the PE may negotiate a reduction in the scope of work of the services.

In some cases, reductions in the scope of work may not be possible without affecting the outcome or quality of the assignment. In such cases, the PE may have to seek additional financing, or as a last resort new proposals may be invited, after revision of the TOR and/or the budget.

### **TECHNICAL APPROACH, METHODOLOGY, AND WORK PLAN**

The technical approach, methodology, and work plan proposed by the Consultancy Organisation

should be discussed, taking into observations of the CPC on the technical evaluation and the Consultancy Organisations' comments on the TOR. Any differences between the Consultancy Organisations' understanding of the TOR and the position of the PE should be examined in detail with a view toward reconciliation.

The Consultancy Organisation's technical proposal is not part of the contract. Therefore, once discussions are completed, the TOR should be revised to include any modification of the scope of work agreed upon between the CPC and the Consultancy Organisation. The final TOR is included in the contract under Description of the Services, and shall supersede both the original TOR and the RFP. The methodology and work plan agreed upon, including the activity schedule with the list of documents to be delivered by the Consultancy Organisations and the staffing schedule, are annexed to the final TOR and also form part of the contract. If needed, the PE may suggest improvements of the work plan on the basis of ideas developed by competitors. It is not permitted, however, to disclose the proposals of competitors to the selected Consultancy Organisations. When a training program is a specific component of the assignment, it should also be discussed in all the necessary detail as any other component of the technical proposal.

## ORGANIZATION AND STAFFING

In the discussion of organization and staffing, clarifications should be obtained on the role of each key member of the Consultancy Organisation's team. Substitutions should not be allowed except where justified by circumstances beyond the control of the Consultancy Organisation, including, for example, undue delay in the selection process. Sometimes the Consultancy Organisation proposes high-quality key staff in the technical proposal in order to win the contract and subsequently seeks to substitute them with other less qualified staff at the time of negotiations, or in the early implementation stage of the assignment. Evidence of such practice would be grounds for contract termination. If substitutions are unavoidable (an expert resigned from the firm or became sick, for instance), each replacement should be evaluated to ensure that the qualifications of the proposed candidate are equal to or better than those of the staff being replaced and the remuneration rate charged by the Consultancy Organisation for the replacement shall not exceed the rate set forth in the proposal.

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

## COUNTERPART STAFF, FACILITIES, AND EQUIPMENT

The extent and timing of provision of counterpart staff and of facilities should be agreed upon. All equipment and supplies required for carrying out the services and all necessary surveys should be identified, agreed upon, and included in the contract. All too frequently, counterpart staff and facilities are not specified clearly during negotiations and are later interpreted differently by the Consultancy Organisations and the Borrower with serious consequences for the smooth and timely execution of the services.

### **Negotiation of Financial Conditions**

Items to discuss during financial negotiations will vary according to the selection method adopted (that is, whether or not cost is a factor in selection) and the payment provisions provided for in the contract (whether the contract is time-based or lump sum). When price is a factor of selection (QCBS, FBS, LCS), negotiation of unit rates should not be done. Negotiation of unit rates for reimbursables is not done either; however, total costs can sometimes be reduced by adopting more efficient solutions, for example, having teleconferences instead of meetings, or adopting electronic automation for technical and administrative functions instead of using draftsmen or clerks. When price is not a factor of selection (QBS, SSS, CQS), negotiation of all financial conditions can be done.

## TIME-BASED CONTRACTS

Under a time-based contract the assignment must be completed within the time and the budget ceiling specified in the contract. These amounts are based on schedules that form part of the contract and give details on the inputs (staff, vehicles, and so forth) and the cost of these inputs. A list of such schedules is given in the appendices to the Form of Contract attached to the RFP. With some limited flexibility, the contract requires Consultancy Organisations to adhere to these schedules. Work done is billed at monthly, daily, or hourly staff rates, which need to be clearly indicated in the contract to avoid any misunderstanding during implementation. If the selection methods did not include price as a factor of selection, financial negotiations include unit rates and reimbursable expenses.

## LUMP-SUM CONTRACTS

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

## CHAPTER 10– TYPES OF CONTRACTS

GUIDELINE REFERENCE: 10.2

### USE OF DIFFERENT TYPES OF CONTRACTS

#### Lump Sum Contracts

Lump-sum contracts are used mainly for assignments in which the content and length of the services and the required output of the Consultancy Organisation are precisely specified. Under a lumpsum contract, the Client agrees to pay the Consultancy Organisation a fixed sum of money for certain products of specified technical out put, such as study report, project design, and bidding document, to be delivered within a specified deadline, the quality of which can usually be assessed.

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

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

The lump-sum contract is easy for the PE to administer and requires little technical supervision, as no matching of inputs to payments is required. This type of contract is also indicated for clients with relatively small or weak administrative and managerial structures.

A lump-sum contract transfers cost risk to the Consultancy Organisations and gives PE certainty about the costs involved in procuring consulting services. However, they can increase the risks for the PE on the quality of the advice. Because fees are fixed, after the contract is awarded Consultancy Organisations have the opportunity of internalizing efficiency gains and have incentives to reduce inputs against levels they had originally planned to increase profit margins.

These incentives can be offset by the PE's ability to assess and enforce quality standards. The PE is advised to engage peer reviewers to monitor the quality of advice and ensure that important issues are completely covered and include such reviews as a condition for release of stage payments.

If quality is not easy to assess, the timely delivery of the agreed output may be a criteria.

For the assignments involve a well define scope for a part of the assignment and the duration and quantity of services depends on variables that are beyond the control of the Consultancy Organisations for the balance part then a combination of lump sum and time based type of contract may be used. [eg: assignments involving design component (well defined scope) and supervision of construction (services depends on variables that are based on the contractor's performance)]

**USE OF DIFFERENT TYPES OF CONTRACTS****Time Based Contracts**

Under this type of contract, the Consultancy Organisation provides services on a timed basis according to quality specifications, and contract price is based on:

- (a) agreed upon unit rates for Consultancy Organisation staff multiplied by the actual time spent by the staff in executing the assignment; and
- (b) reimbursable expenses using actual expenses and/or agreed unit prices.

Time-based contracts transfer cost risk to the PE. They require a system to monitor and control assignment progress and costs because consulting firms have incentives to put more resources on the job, including more costly resources.

Time-based contracts are only recommended when:

- the nature and scope of the services are such that the TOR cannot be established with sufficient precision, as may be the case for complex or unusual assignments that are difficult to define, such as management of complex institutions or studies of new approaches;
- the duration and quantity of services depends on variables that are beyond the control of the Consultancy Organisations, or the services are related to activities by third parties—for instance, supervision of implementation assignments;
- the output required of the Consultancy Organisations is difficult to assess, such as for technical assistance, institutional development, or emergency situations, in which the PE's needs for assistance may evolve during execution of the assignment; and
- transfer of knowledge and training between the Consultancy Organisation and PE trainees is paramount important.

Time based contracts normally include a ceiling on the payments to Consultancy Organisations, and Consultancy Organisations will stop work unless a change in the scope of work is authorized or the deadline for the completion of the services is extended. This ceiling should include a contingency allowance for unforeseen work and its duration and a provision for price adjustment where appropriate. An allowance for price escalation should normally be provided if the contract lasts for more than 12 months.

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

**USE OF DIFFERENT TYPES OF CONTRACTS****Retainer and/or Success Fee Contracts**

This type of contract is often adopted to remunerate financial and management advisers who assist PE in the sale of assets, such as privatization operations. In these cases the QCBS method, in which consultants are asked to quote a retainer fee and/or a success fee, is generally recommended for the selection of consultants.

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

Success fees are appropriate when success is related to the efforts of the firms involved and is relatively easy to quantify. For example, in privatization assignments success fees should not be introduced before the structure of sector reform has been determined. Success fees should be retained for the transaction (sale) stage and should be reserved for those advisers whose efforts can have a significant impact on value. Bankers and lawyers concerned can affect the sale value by ensuring a large number of bidders and that the transaction team delivers transparent, appropriate, and timely information to bidders, as well as by structuring the sale to ensure strong interest.

The success fee is generally structured by taking two parameters into account the:

- (a) value of the asset against which advisers will be rewarded and
- (b) structure of the incentive itself.

One approach for establishing a basis of value to adopt is to have independent experts prepare an estimate. The adviser is then given an incentive for exceeding that estimate.

The incentive can be structured as a lump sum or as a share of the proceeds above the target value. Alternatively, advisers can be given a sliding scale, which is often preferred since it relates the incentive more directly to the outcome of the transaction.

In certain contracts the retainer fee is subtracted from the success fee when this is paid at the end of the transaction. In drafting success fee contracts, emphasis should be given to dealing with termination of the contract before the success fee is earned.

**USE OF DIFFERENT TYPES OF CONTRACTS****Percentage Contracts and Indefinite Delivery Contracts****Percentage Contracts:**

In a percentage contract consultants receive an agreed upon percentage of the actual project cost or of the transaction sale price. This type of contract is discouraged for normal consultant services because it offers no incentive to lower the cost of the services. On the contrary, it may induce consultants to adopt more expensive design solutions in order to increase the absolute value of their remuneration.

The percentage contract may be only used in contracts for procurement and/or inspection agents for services that are directly related to the quantity and cost of the goods or works procured or inspected.

**Indefinite Delivery Contracts**

Indefinite quantity contracts refer to contracts in which an individual consulting firm is hired for a specified time period to undertake tasks as and when the need arises. The specific workload is unknown at the outset; all that is known is that advice is likely to be needed in a particular area. Indefinite delivery contracts anticipated that the services will have two particular characteristics:

- PE will need access to immediately available or on-call services for urgent assignments, and a lengthy competitive bidding process is unacceptable. These services could include experts for urgent remedial actions or adjudicators in dispute resolutions.
- Each individual piece of advice will be quite small, making an expensive competitive selection process inefficient, although, when added together, the amount of advice is substantial.

Since it is not known how often or for what specific tasks companies will be called upon, they may not be able to submit a plan of work or a fixed total price. At the same time the long contract period and the unknown activation dates mean that consultants may always credibly claim that the requested expert is not available.

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