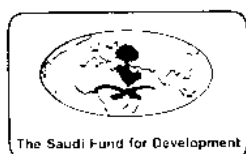
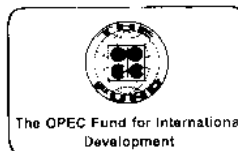


**DEVELOPMENT INSTITUTIONS  
MEMBERS OF  
THE COORDINATION GROUP**



**GUIDELINES FOR THE  
USE OF CONSULTANTS**

**First Edition 1995**

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## INTRODUCTION

These Guidelines cover the policies and procedures of the Development Financing Institutions, members of the Coordination Group comprising Islamic Development Bank, Abu Dhabi Fund for Development, the OPEC Fund for International Development, the Saudi Fund for Development, Arab Fund for Economic and Social Development, Kuwait Fund for Arab Economic Development, and Arab Bank for Economic Development in Africa, hereinafter referred to individually as "the Fund" and collectively as "the Funds", concerning the use of consultants. These Guidelines are to be observed by borrowers and other beneficiaries of financing by the Funds (such borrowers and beneficiaries hereinafter referred to as the borrowers).

The selection of consultants involves some subjectivity and depends on the evaluation of several elements in the consultant's proposal. Different methods can be used for the ultimate selection of consultants. However, some common principles are shared by the Funds and constitute these guidelines.

It is important to note that the degree of satisfactory completion of the project and its total cost will be greatly affected by the expertise and skill of the consultant, his associates, if any, the quality of his staff and the amount of effort put into the project. As such, the selection of a consultant should not be based on the price consideration alone, as the amount of the fee paid to a consultant is of minor importance compared to the total cost of the project. Nevertheless, the remuneration of the consultant has to be considered in the selection process.

It is also necessary to emphasize that there is no comparison between procurement of goods and works on the one hand and the provision of consulting services on the other, for the simple reason that procurement contracts specifically define the extent of the obligations of the parties thereto. Such contracts are based on specifications detailing the required goods and works and often provide for guarantees of quality and performance to protect the purchaser or the owner of the works. In contrast, the relationship between a consultant and a client is entirely different in that the services to be rendered cannot usually be completely defined and there is usually no comprehensive protection to the client in the form of an adequate guarantee. The client in this case is dependent on the skill and integrity of the consultant to produce the best solution. This requires the consultant to keep his relationship with the client on a highly ethical and professional footing in order to best serve the interest of the client.

The main section of the document is devoted to the process of selection of consultants which involves the short-listing of qualified consultants to be invited to submit their proposals on the basis of the terms of reference and subsequently the carrying out of the technical and financial evaluation of such proposals.

According to these Guidelines, the proposals are to be submitted in two separate envelopes, one containing the technical offer and the other containing the financial offer. The technical offer is to be opened first and evaluated on the basis of certain criteria previously determined and agreed upon. The technical evaluation should lead to the selection of a limited number of offers (around three) which are above a certain level according to this evaluation. Only the financial offers of those whose proposals have been so selected are to be opened and the winning consultant will be selected after the overall evaluation is completed.

This document contains other sections relating to the various types of consulting services and consulting firms. It also includes a section on facilitating the transfer of technology and the encouragement of local and Arab consultants as well as consultants from some particular regions. Annexes to this document contain model instructions to consultants and state the main items which should be included in the consultancy contract.

## **1. Scope and Nature of Consulting Services**

The services required can cover many tasks ranging from engineering, architecture, economics and finance to management of projects and, sometimes, a combination of two or more of these tasks. For the purpose of these Guidelines, the types of services required to be furnished by a consultant may generally be classified into the following categories:

### **a) Advisory or Counselling Services**

The Consultant may render advisory services or specialized technical assistance services through in-house support to borrowers on matters such as sectoral planning, staffing, training and institution building. He may also be required to give his professional opinion on specific issues or aspects of a particular project.

### **b) Pre-Investment Studies**

Pre-Investment studies may consist of identification reports, pre-feasibility and feasibility studies. They may be regional or sectoral studies to establish resources, sectoral policies and investment priorities. Feasibility studies are usually carried out for the purposes of establishing the technical and economic viability of projects.

### **c) Engineering and Design Studies**

These include engineering and / or architectural work beyond the feasibility study stage in order to fully define a project. These studies include the preparation of drawings, specifications, detailed cost estimates and complete tender documents required for the invitation of bids for the construction of works and / or equipment procurement. Assistance in the

pre-qualification of contractors, the analysis of bids and the making of recommendations on the award of contracts or other matters as well as participation in negotiations with the chosen contractor, are often included in these services.

d) Implementation or Supervision Services

The purpose of implementation or supervision services is to ensure the execution of the project according to the drawings and specifications, and to provide technical services connected with the interpretation of the contract documents, expenditure control, certification of materials, quantities and invoices submitted by the contractors and suppliers as well as introducing such changes in the design or specifications as may become necessary during the course of execution. This category of services includes construction supervision, inspection and testing of equipment, and expediting services.

e) Project Management

Project management refers to situations where the client engages a Project Management Consultant to undertake the overall responsibility for planning, design, procurement, construction and commissioning of a project. The Project Management Consultant acts as the client's executing arm in all matters connected with the implementation of a project. There is no uniform pattern according to which services under this category are rendered: sometimes a consultant may be engaged to act as the sole project consultant often with vast powers; or an independent consultant may be appointed under a project manager and be entrusted with the discharge of specific tasks.

## **2. Types of Consulting Firms**

The consulting profession is well diversified and consulting services are provided by various organizations which may be grouped as follows:

- i) Independent Consulting Firms (partnerships; private companies or corporations operating internationally),
- ii) Autonomous/Semi-Autonomous Government organizations set up for the purpose,
- iii) Universities / Research Institutes,
- iv) Consulting Firms forming part of, or otherwise affiliated to, or associated with, or owned by, contractors or manufacturers; or Consulting Firms combining the functions of consultants with those of contractors / manufacturers.

As a basic principle, it is essential that consultants should not have any interest, directly or indirectly, in the construction or manufacturing or supply of materials and equipment for the project under consideration and should thus be free from any possible conflict of interest arising therefrom. It is, however, fully recognized that consulting firms which form part of or which are otherwise affiliated to or owned by contractors, manufacturers and suppliers, do exist. Such firms can only be considered eligible to compete for selection as consulting firms for projects financed by the Funds if their role in the project does not involve any conflict of interest, and if they disqualify themselves and their affiliates and associates from any involvement in the same project in a capacity other than that of a consulting firm.

It is important to spell out the difference between a consulting firm and the type of firm generally referred to as an "Engineering Firm" or an "Engineering Contractor". The latter is considered as

a special type of firm which provides services right from the conception and design stage through all stages of implementation covering know-how and licences, construction, procurement, supply and erection leading to the start-up of the project. "Engineering Firms" are used primarily in complex industrial projects and their selection often requires the examination of factors linked to the products to be manufactured, the process adopted and other elements that are assessed on the merits of each case. These Guidelines do not cover the selection criteria for such firms.

### **3. Transfer of Technology**

#### **3.1 The Role of Domestic Consultants\***

With the essential objective of encouraging the transfer of technology to developing countries, the Funds' policy is to encourage the participation of indigenous consultants in projects for which they are qualified and are assessed as capable of performing the particular services, either along or in association with foreign consultants, provided that such participation does not result in compromising the quality of the services.

When it appears necessary for domestic and foreign consultants to form "Joint Ventures" or to associate in order to supplement needed capabilities for providing services for a particular project, the Funds require that the roles and responsibilities of each party shall be clearly defined. The leadership of the joint venture or the association and the ultimate responsibility for the services shall be stipulated in the formal documents setting out such venture or association

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\* A domestic consultant must be defined clearly in the request for proposals for a particular project by reference to factors such as location of principal office, sources of capital, staff and administration, etc., as shall be agreed with the Funds.

between the parties concerned. As a general guideline, the consultant who performs the key functions and who is considered as capable on his own to meet the prequalification criteria should be entrusted with the role of leadership; the contribution of the domestic consultant should be limited to the extent to which it is assessed capable of providing.

In order to use joint ventures and associations as a means of transfer of technology, thereby developing domestic capabilities, the Funds desire that the relevant arrangement provides for suitable training of the indigenous personnel of the borrower.

Although, as a rule, the Funds prefer voluntary joint ventures/associations between foreign and domestic consultants, they may in certain circumstances insist that the particular arrangement between a foreign and a domestic consultant be made a condition for involving the foreign consultant in the performance of the particular services; especially where there is a sufficient number of capable domestic consultants from whom the foreign consultant can choose a partner or an associate. Alternatively, the services may be assigned to the domestic consultant provided that such consultant shall obtain the necessary technical assistance through partnership or association with a foreign consultant to ensure that the necessary expertise in the particular field or fields will be available while securing leadership of the domestic consultant in the provision of the services for the project.

### 3.2 Consulting Firms from other Developing Countries

In the same spirit of encouraging the development of domestic consulting firms and of promoting the transfer of technology, consideration is given to the use of qualified consultants from the Fund's country or member countries or other developing countries.

The preferential treatment and matters of detail should, in such case, be agreed between the Fund (s) and the borrower for that particular project.

#### **4. The Selection Process**

The selection of a consultant is primarily based on the assessment of the quality and judgement of the services that the consultant offers for the project and the price being commensurate with the consultant's input. To be able to formulate the criteria for the selection process, it should be borne in mind that:

- i) Although the consultancy fees form only a small part of the total cost of the project, the quality of consulting services can have the most direct bearing on the project and on project costs in general.
- ii) It is difficult to incorporate in the Terms of Reference a provision that will lead to the precise assessment of the consultant's capability for creative and cost-effective solutions and designs.
- iii) Even for projects of average complexity, experience has shown that when price becomes the most important consideration, the proposals offering deep thought and innovation would not be forthcoming, since there is little reward for creativity or earnest effort to achieve optimum results. The foregoing, however, does not mean that price should not be a factor at all in the selection of a consultant, but rather that a balance between quality and price should be aimed at within the selection criteria, taking into account the nature of the services required and the type of the project in question.

It follows from the foregoing that as the quality of the consultant's work is of paramount importance, the consultants competing for a particular assignment should first be evaluated and ranked on the basis of technical merit alone (technical evaluation); then the prices of the highest ranking technical proposals should be considered.

The preparatory work leading to the selection and appointment of consultants for a project comprises certain essential steps which may be taken in the following order:

- i) Preparation of the Terms of Reference (TOR).
- ii) Preparation of the cost estimate (budget).
- iii) Drawing up a short-list of qualified consultants.
- iv) Agreement on a selection Procedure and criteria between the borrower and the Fund.
- v) Issuing a Request for Proposals (RFP) to the short-listed consultants.
- vi) Evaluation of the proposals and selection of the best offer followed, as necessary, by negotiations with the chosen consultants.

It is to be emphasized that the approval of the Fund is required at all of the above mentioned stages. The staff of the Fund remain available to assist the borrower at all stages of the selection process in order to ensure that the required scope of work is fully covered and that the procedures are suitably applied. In particular, such assistance may include the preparation of the (TOR) by the Fund. Sometimes, it may even be required that complete copies of the proposals be sent to the Fund to enable it to make its own evaluation in parallel with the borrowers.

#### 4.1 The Terms of Reference (TOR)

The "Terms of Reference" form the basic document defining the work that the consultant is required to perform and, together with any modifications thereof at the negotiation stage, becomes part of the agreement that is eventually entered into between the consultant and the borrower. The consultant submits his proposal in response to the "TOR" and, as such, the "TOR" should be carefully prepared and should spell out elaborately the scope and objective of the project, the type of services required, the schedules and programmes of implementation, the method of remuneration for the services, the responsibilities of the borrower (client) and those of the consultant, the conditions of appointment and all other important elements that would enable the consultant submit a comprehensive proposal.

For standard projects of normal or average complexity, it should be possible to prepare the "TOR" in a rather clear and precise manner. For certain projects or for projects of a complex nature requiring research or creativity for achieving optimum solutions, the "TOR" should delineate such areas to the extent known or identified at that stage.

In addition to all the above elements, the "TOR" should contain the input that will be provided by the borrower and the output required from the consultant in terms of periodic reports, documents and end products.

It is not possible within the scope of this document to give any typical format of the "TOR" on account of the variety of projects financed by the Funds and the variety of services that are required under each type of project. Each case demands that the particular "TOR" must be drawn and tailored to suit the merits as well as the technical, administrative and environmental requirements of the project.

On account of the importance of the "TOR" to the success of the assignment and in order to ensure that these are properly and adequately prepared, the borrowers (or executing agencies), as the case may be, are required to submit the draft "TOR" for review and approval by the Fund before proposals for consulting services are invited.

#### 4.2 Cost Estimate (Budget)

The borrower shall estimate the cost of a proposed consulting assignment based on his perception of the requirement of the assignment in terms of the level and type of personnel, the period to be spent in the field and in the home office of the consultant and other relevant matters pertaining to the services. The cost estimate is required for budgetary purposes of both the borrower and the Funds. In order to produce a cost estimate, the borrower's staff need to be familiar with the "TOR" and must consider alternative methods of undertaking the assignment. This will help in the preparation of the short-list, the evaluation of proposals, the negotiation of the contract and the supervision of the consultant.

#### 4.3 Pre-qualification or Short-Listing of Consultants

The Funds normally require the preparation of a list of pre-qualified consultants (short-list) as a first step towards selection and prior to inviting proposals. This requirement is to ensure that the assignment is given to consultants who possess the capability and experience to provide the required services. The short-list of consultants must be approved by the Fund / the Funds.

As a rule, the services financed by the Funds require competition for the appointment of consultants for all sizeable assignments unless an exception is explicitly made.

The short-list may be prepared after obtaining information from Embassies and Professional Associations or from the borrower's and the Fund's registration records. In exceptional cases the short-list may be prepared after an invitation for pre-qualification is advertised in local and foreign newspapers of general circulation as well as in one or more well-known Technical or Professional Magazines and Journals of wide international circulation. In all cases, it is necessary that the procedure followed for the preparation of the short-list be acceptable to the Fund.

If it is agreed to use the media for the purpose of Pre-qualification, the notice of "Invitation for Pre-qualification of Consultants" should contain a brief description of the project and should clearly state the scope of services required. The consultant should be asked to provide in the application for pre-qualification details of its organization, key personnel, past experience, a list of past and present assignments of similar nature and any other information that may show the consultant's ability to carry out the assignment satisfactorily. Interested consultants should be allowed 30 to 45 days, from the date of publication, to respond and should be screened to arrive at a short-list. Normally the short-list would consist of 6-8 consultants, reflecting a reasonable geographical distribution and selected on the basis of the criteria already agreed with the Funds, which comprise the following factors:

- i) The consultant's reputation as a professional body and its reputation for maintaining a satisfactory client-consultant relation-ship.
- ii) The consultant's past experience and performance in the particular field of service.

- iii) The financial ability of the consultant. The longevity of the consultant in the international arena is one measure of its stability and a good indicator of continued solvency throughout the period of services.
- iv) The freedom from conflict of interests. The principle applicable to this factor was explained in item 2 of these Guidelines. Suffice it to add here that freedom from conflict of interest should not only exist at the commencement of the services, but must be maintained throughout the duration of the services.
- v) The staff, organization chart and key technical personnel of the consultant.

In certain exceptional circumstances, sufficient reasons may justify the engagement or continuation of the services of a specific consultant. This situation should be examined on its own merits in the light of the circumstances of the particular project or assignment and, as a result, requires the explicit approval of the Funds.

#### 4.4 The Selection Procedure

Prior to inviting firms to submit proposals for a particular assignment or project, the selection procedure and evaluation criteria to be adopted should be determined in agreement with the Funds. The evaluation criteria need not be disclosed in detail in the request for proposal.

There are, basically, two types of selection procedures: In the first type, the judgement is made on the basis of technical (qualitative) analysis together with a consideration of the price offered for the services. In the second type, the evaluation and judgement are based only on the technical ability of the

consultant. The first method, which is examined in detail below, is usually preferred by the Funds.

#### 4.5 Price Consideration

It is generally accepted that for projects of normal or above average complexity, the selection procedure should include price as a factor so that the borrower or client may take advantage of cost savings, especially where technical proposals are more or less identical. However, for projects of high technical complexity it is certainly prudent that the selection be based exclusively on quality. It is by no means easy to draw a definitive line where "high complexity" begins. Complexity of a project can, and often does, manifest itself in a multitude of forms: it can find expression in the special demand for creativity and innovation for producing a technical solution to a particular situation as well as in situations that require the application of high technology. Success of projects of the latter type, in particular, is largely dependent on the extent and quality of input of the consultant. The impact of the assignment in terms of the loss or additional cost that may be incurred as a result of possible failure attributable to the consultant should be taken into consideration. In this respect, for example, the failure of a multi-purpose Dam is of grave concern, unlike the failure of a feeder road.

In the light of the above, and as a general rule, the Funds require in all ordinary consultancy assignments, the simultaneous submission of a "Technical Proposal" and a "Financial Proposal" in two separately sealed envelopes which must then be enclosed inside a suitably marked third envelope.

As has been emphasized, even when price is taken as a factor in the overall selection, quality remains a paramount consideration in the selection of a consultant and, therefore, the technical evaluation should first be carried out independently and

without the influence of price. To ensure that this will be the case, the envelopes marked "Technical Proposal" are opened first and evaluated. A list of competing consultants is then arranged in the order of merit and in accordance with the agreed criteria, eliminating those falling below a certain minimum standard as may be approved by the Fund. Then the "Financial proposals" of the highest ranking consultants in the order of merit (say the first three or as agreed upon for a particular project) are opened and a price review is undertaken to prepare an overall ranking list on the basis of pre-agreed marks to be given to price vis-a-vis the qualitative technical evaluation. The weight that may be given to price in the overall ranking of the consultants depends on the technical complexity of the assignment and the nature of the project and should be given careful consideration, since at no time should the price consideration be allowed to compromise quality. When evaluating financial proposals, it is extremely important that the comparison is based on realistic man-month estimates of input.

Preferential treatment for domestic consultants or consultants from the Fund's country or Member Countries or from other developing countries should be included in the evaluation criteria.

#### 4.6 The Technical Evaluation (Qualitative Analysis)

The qualitative analysis is essentially based on the following factors:

- i) The consultant's professional qualifications, its general experience and standing. These should be examined in greater depth than was the case at the pre-qualification stage.
- ii) The consultant's experience and expertise in the particular field of the assignment as well as in a similar geographical area to that of the project.

- iii) The thoroughness of the consultant's approach, of its comments on the "TOR" and of the work plan as set out in the technical proposal. These are prime indicators as to a consultant's understanding of the assignment and its implications as well as to the consultant's creativity, which may be the attribute or quality most needed for the accomplishment of the particular task.
- iv) The expertise of the key personnel proposed for the assignment and whether the majority of such personnel are drawn from the permanent staff of the consultant.
- v) The preferential consideration given to domestic consultants and/or consultants from the Funds' countries or the Fund Member Countries.

In order to bring as much objectivity as possible into the process of evaluation, a system of assigning numerical values for the ranking of proposals should be adopted so as to establish a comparative total score for each proposal. The numerical system of grading permits the participation of several evaluators who may form a committee for the purpose.

The procedure requires that each technical proposal be evaluated on a scale of 1 to 100 points according to a pre-determined grading criteria attributing points to each evaluation factor, with the result that a list of ranking proposals in the order of total score is drawn up.

The grading system for any particular assignment must be agreed with the Fund before proposals are invited by the borrower or executing agency.

The relative allocation of points to each evaluation factor is a function of the importance of the particular factor in the Consultancy Assignment. As a general rule, it may be stated

that for pre-investment studies, the consultant's general experience is allocated a range of 8-12% of total points; the consultant's expertise and experience in the field of the assignment, 8-15%; the work plan, methodology and approach, about 30-40%; the key-personnel, 30-40%; and the preferential consideration to Domestic Consultants or Consultants from the Fund's Country or Member Countries, 8-12%.

The allocation of points to the various factors just described will differ for an assignment involving detailed Engineering Design, where greater weight should be given to experience as well as to the past performance of the consultant in the field of the assignment, while relatively lesser weight may be given to personnel, since the production of designs is usually carried out at the head office of the consultant and is largely a collective input depending on accumulated experience. For construction supervision and implementation services, on the other hand, the quality of personnel assumes a much greater importance since it has a direct bearing on supervision and management of the works at the field as well as on quality control and quality assurance.

#### 4.7 The Financial Proposal

After a list has been established on the basis of technical evaluation, envelopes containing financial proposals of a few of the top ranking consultants (usually the three highest ranking or any other number as agreed beforehand with the Fund) are then opened. The financial proposals must then be checked for arithmetical errors, and then arranged in the ascending order of the corrected prices, with the lowest price securing 100 points while other proposals are given proportional points in the ratio of the lowest price to the respective corrected price of the particular proposal.

The overall ranking is determined by weighted points on the basis of pre-agreed weights allocated to the quality and price elements taking into account the nature and complexity of the assignment, the extent to which quality must prevail over other considerations, and the effect that quality and creativity may have on a cost-effective solution.

#### 4.8 Request For Proposals (RFP) to the Short-Listed Consultants

The Request For Proposals or the Letter of Invitation\* (as it is also called) should comprise a complete set of documents on which the consultant is required to submit his "Technical" and "Financial" Proposals. It should be sent to all the short-listed consultants who confirm their interest in submitting a proposal. In addition to the "TOR", the "RFP" should include a "Model Agreement for Consulting Services", the method or preferred method of remuneration for the services, the method of submission of proposals and the closing date for the receipt of the proposal. (Such date is in general 45-60 days from the RFP). The consultants should be informed of the factors on which the proposals will be evaluated, though it is not required that a detailed description of the evaluation procedure be provided.

The consultants should be invited to comment on the "TOR" and be given the opportunity, if they so desire, to visit the site. They should also be supplied with any information as may be reasonably requested and is available, to enable them to make their own assessment of the scope of work and the environment so that, when submitting proposals, they feel satisfied as to the sufficiency of their submissions.

The complete set of documents forming the "RFP" must be reviewed and approved by the Funds before it is sent out.

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\* A recommended format for the "Letter of Invitation" is given in Appendix "A".

#### 4.9 Negotiation with the Consultant

Having selected a consultant on the basis of the evaluation of the technical and financial proposals, as explained above, the borrower will proceed to negotiate with the consultant who ranked the highest in the evaluation. Negotiations are conducted on the basis of a draft Consultancy Agreement with which the consultant is usually familiar since he will have received the same along with the "RFP". It is not always necessary to conduct face-to-face negotiations since the draft may be negotiated through correspondence, but it is significant sometimes for the prospective parties to negotiate in the presence of each other since calling a consultant for negotiations may help to firm up the work plan and to incorporate modifications considered advantageous for the project.

Negotiations in whatever form must not be conducted with more than one consultant at a time. Only when negotiations cannot be successfully concluded with the highest ranking consultant and after the circumstances leading to this situation have been communicated to the Fund and its approval of the measure has been obtained, may negotiations be conducted with the consultant ranking next in the list.

### **5. The Model Agreement for Consulting Services**

Model conditions of contract approved by the Funds are available and recommended for use by the borrower. However, if use of a certain form of contract is mandatory under the borrower's regulations, such form may be used, provided that the contract based on such form shall meet all the requirements of the Fund. A brief account of the type of provisions that must be contained in the Consultancy Agreement is given in Appendix (B) hereof.

## APPENDICES

**Appendix (A) : Letter of Invitation and Instructions To  
Consultants**

**Appendix (B) : Important Provisions To Be Contained In  
Agreements For Consulting Services**



**1- Letter of Invitation**  
**(To be Addressed by the Executing Agency**  
**to Short-Listed Firms)**

SUBJECT: INVITATION TO SUBMIT A PROPOSAL FOR \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1. The Government of \_\_\_\_\_  
has obtained a loan / grant from (name of the Fund) for  
(spell out the name or purpose of the project, e.g. study of  
\_\_\_\_\_ supervision of \_\_\_\_\_).
2. The assignment is to be carried out by a consulting firm to be  
selected on a competitive basis from among a number of short-  
listed firms.
3. This letter is a formal invitation to submit a proposal for  
undertaking the above assignment.
4. You will find attached the following documents which will  
allow you to formulate your proposal:
  - a) Terms of Reference
  - b) Instructions to short-listed consulting firms
  - c) Draft of the Agreement which will be signed between the  
selected firm and the Executing Agency.
5. Attention is drawn to the fact that the last date for submission  
of offers is \_\_\_\_\_
6. Upon receipt of this letter please inform the signatory and  
(name of the Fund) by telex or fax whether you are interested in  
the assignment and willing to submit a proposal for the purpose.

The Executing Agency: \_\_\_\_\_

Signed: \_\_\_\_\_

## **2- Instructions to Short-Listed Consultants**

1. These instructions are mainly intended to define how the short-listed consulting firms should prepare and submit their proposals. These instructions should be read in conjunction with the terms of reference, the draft agreement and any other attached documents.
2. The consultants who have been short-listed are deemed capable of undertaking the assignment with their own staff. Association with other firms would, however, be possible as explained below:
  - 2.1 For the purpose of technology transfer, association with other firms is highly encouraged by the Funds in the following cases:
    - 2.1.1 Association of a non-domestic short-listed firm with a domestic firm.

For the purpose of this Paragraph a domestic firm is defined as a firm which fulfills the following conditions:

      - a) it is registered in the country where the assignment is to be carried out;
      - b) more than 50% of the equity is held by nationals or institutions of that country;
      - c) its chief executive officer is a national from the country;
      - d) more than half of its managerial staff and more than half of its total professional staff are from that country.

2.1.2 Association with a Firm from the Fund's Country or Member Countries or other Developing Countries:

For the purpose of this Paragraph a firm from an Arab/ Islamic / OPEC country\* is a firm which fulfills conditions similar to those indicated in Paragraph 2.1.1 (i.e. it should be registered in an Arab / Islamic / OPEC country and its chief executive officer should be from such a country, etc.).

2.2 Association with consulting firms other than those indicated in item 2.1 would be accepted if it is made with:

- a) one other short-listed firm provided that the client and the Fund are advised within 14 days of receipt of RFP.
- b) with nonshort-listed firms if the latter are given specific responsibilities on one or several parts of the assignment.

2.3 In all cases, a short-listed firm must retain the leadership of the association and must provide more than 50% of the professional man-months through its own regular staff. The associated firm would intervene only through its permanent staff.

2.4 Association with entities other than consulting firms (e.g. universities, contractors, etc.) shall be subject to the prior approval of the Executing Agency and the (name of the Fund).

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\* As the funding agency or agencies may be.

3. If a short-listed firm (or the firm with which it will be associated) combines the functions of consultants with those of contractor or if it is associated with a manufacturer or is a manufacturer with a department or design office offering services as a consultant, its proposal shall include relevant information on such relationship along with a statement to the effect that it shall limit its role to that of a consultant, and neither the firm nor its associates / affiliates shall participate in the project in any other capacity.
4. The proposal must be divided into a technical proposal and a financial proposal.

### **Technical Proposal**

5. The technical proposal must cover the following matters:
  - a) background, organization and experience of the short-listed firm:  
A list of similar assignments undertaken by the firm during the last 10 years must be provided. Similar information regarding the associated firm or firms must also be submitted;
  - b) proposed technical approach and work programme including:
    - i) comments on the Terms of Reference,
    - ii) the general approach proposed for carrying out the consulting services,
    - iii) work plan including the organization and time schedule of the proposed services,

- iv) a bar chart indicating clearly the estimated duration (separately, in the home office and in the field) and the probable timing of the assignment of each professional to be used as well as estimates of the number of man-months to be allocated by each professional,
  - v) detailed description of the specific tasks to be assigned to each member of the proposed team,
  - vi) in case of an association, details of the agreement defining the role of each firm and the relationship inter se.
- c) name, age, nationality, background, education, employment record and detailed professional experience of each professional to be assigned for providing the services.
  - d) arrangement for office space, vehicles, office and field equipment etc. required for carrying out the services.

### **Financial Proposal**

- 6. The financial proposal whether consisting of a lump sum or man-month rates plus reimbursables, should give a breakdown of all time-based rates including basic salaries, benefits, allowances, overheads etc. (a copy of the form in which the breakdown of all time based rates should be presented is enclosed). The proposal must also give an estimate of the cost of any reimbursable items such as per diem, office space, equipment, travel and transportation expenses, office supplies, communications expenses etc.

A breakdown of the individual items of expenditure as between foreign and local currency cost is also deemed necessary.

7. The technical proposal and the financial proposal must be placed in two separate sealed envelopes both of which must be placed in a third outer envelope suitably marked. Three copies of the proposal should reach the following address not later than \_\_\_\_\_.

(Address of the Executing Agency)

\_\_\_\_\_  
\_\_\_\_\_

Only if required by the Fund, one copy of the proposal should be submitted to the (name of the Fund) on the same date at the following address:

(Address of the Fund)

\_\_\_\_\_  
\_\_\_\_\_

8. The proposal must be made in Arabic / English / French\* and should remain valid for 120 days from the date indicated in paragraph 7.
9. It is desirable that a representative of the short-listed firm visits the Executing Agency and/or the project site before a proposal is made in order to obtain first hand information on local conditions and to assess the exact extent of the services to be provided. Advance notice of the visit should be furnished to the Executing Agency.
10. The Executing Agency would welcome any further questions which a short-listed firm may have concerning the proposed services, but any delay by the Executing Agency in providing the required information will not be considered as a reason for extending the submission date of the proposals.
11. The evaluation of the proposals will essentially, but not exclusively, be based on technical considerations involving the following indicative criteria:
  - a) general experience of the firm and particular experience in the sector and region concerned;
  - b) thoroughness of the approach and work plan;
  - c) expertise of key personnel; and
  - d) extent of involvement of domestic firms and firms from Arab / Islamic / OPEC Countries.

Final selection will also take into account the level of the financial proposal.

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\* Indicate the language (s) required.

### Breakdown of Rates for Consultancy Contract

	1	2	3	4	5	6	7	8
Position	Basic Salary Per Month	Social Chares (% of 1)	Overhead (% of 1)	Sub-Total	Fee (% of 4)	Rate per Month for Home Office	Overseas Allowance (% of 1)	Rate per Month for Field Work

- Item 1: Basic salary shall include gross salary before deduction of taxes.
- Item 2: Social charges shall include employer's contribution to social security, paid vacation, average sick leave and other standard benefits paid by the firm to the employee.
- Item 3: Overhead costs shall include general administration cost, rent, clerical and junior professional staff etc.).
- Item 5: Fee shall include the firm's profit, salaries of partners and directors (if not billed individually for the project, etc.).
- Item 7: Overseas Allowance is normally payable only in case of extended stay abroad. Overseas Allowance should be the incentive actually paid to staff members for living overseas.

## **Important Provisions to be Contained in Agreements for Consulting Services**

All Agreements for Consulting Services, whether standard or otherwise, should contain provisions for the following important elements or requirements:

- 1 . A Preamble explaining the borrower's need for the services and confirming the readiness and ability of the consultant to render such services.
- 2 . Definitions and Interpretations of the basic terms used in the Agreements.
- 3 . A list of the documents constituting the Agreement.
- 4 . The date for commencement and the time for completion of the services.
- 5 . The consultant's personnel and any client's counterparts.
- 6 . The rights, obligations and liabilities of the parties, including circumstances of indemnification by one party to the other.
- 7 . Ownership of the Documents.
- 8 . Identification of the insurances that must be taken out by the consultant.
- 9 . Clarification of taxation requirements applicable to the consultant in the country where the project is located.
- 10 . Postponement and Termination of the Agreement, upon notice by the borrower or in case of *force majeure*, and the ensuing rights and liabilities of each party.

- 11 . Remuneration of the consultant and the method of payment.
- 12 . Assignment of the services or any part thereof to sub-consultants.
- 13 . Changes in the status or organisation of the consultant during the course of the Agreement.
- 14 . The addresses of the Client and the Consultant for the purpose of formal notices.
- 15 . The language of the contract and the applicable law.
- 16 . The procedure for settlement of disputes.
- 17 . Boycott requirements.
- 18 . Modification of the Agreement.
- 19 . Entry into force of the Agreement.

Some provisions in this Appendix, viz. the remuneration and method of payment for the consulting services and Boycott Requirements warrant further consideration.

## **Remuneration for the Consulting Services**

Remuneration for Consulting Services varies according to the type of service to be rendered and the degree of flexibility or, otherwise, control, sought to be exercised. Remuneration may assume any one or a combination of more than one of the following forms:

i) **Lump Sum Agreements**

Under Lump Sum Consultancy Services acceptable to the Funds, a lump sum representing all the remuneration due to the consultant is arrived at on the basis of the estimated input of the consultant's personnel, along with the cost of related items. Remuneration to the consultant under such Agreements is effected or disbursed through periodic payments related to the progress of the services as set out in a payment schedule.

The Funds prefer remuneration for feasibility studies and for Design and Detailed Engineering Services to be on a lump sum basis. An adequate breakdown of components must however be furnished.

ii) **Personnel Time Rates plus Reimbursable Costs  
(Man-Month based Agreements)**

Remuneration to the consultant under this type of Agreement is based on the accepted time-based rates for the consultant's staff as detailed by discipline and category in the relevant schedule to the Agreement, in addition to reimbursable items. Such Agreements are most suited for supervision services. The time-

based rates are in fact the man-month rates including all salaries, social benefits, costs, overheads and profits. It is customary to include, subject to the Fund approval, an allowance for contingencies to cover unforeseen expenses.

- (iii) Remuneration based on a percentage of the cost of installed equipment and constructed works plus reimbursable direct costs.

This method directly relates the cost of Consulting Services to project costs on the basis of an agreed percentage. However, in view of its apparent open-endedness, this method is normally not acceptable to the Funds. More often this method can also prove to be a forbidding arrangement where a cost-saving design is sought.

### **Payment Provisions**

Payment to the consultant for the services must be governed by clear provisions in the Agreement, giving details of payments, the currencies in which the payments shall be made, the relevant exchange rates and the proportions payable in local and foreign currencies.

Under man-month Agreements, remuneration is effected through monthly payments. Under Lump Sum Agreements, on the other hand, it is preferable that payments be made against an agreed time schedule or a specified progress schedule representing the stages of completion of the various tasks/ phases of the services.

The Funds allow payment of a mobilization advance to the consultant under all types of Agreements against the issue of an irrevocable, unconditional guarantee by a bank acceptable to the borrower and the Fund for an amount equal to the mobilization advance. Where the consultant's remuneration is co-financed by more than one of the Funds the guarantee must be payable in accordance with the Funds' requirements.

The mobilization advance should reasonably cover the costs of mobilization to the consultant. The ratio of the mobilization advance to total remuneration varies according to the nature of the assignment in question, but it usually ranges between 10-15% and should under no circumstances exceed 20%. The mechanism for the recovery of the advance must be clearly spelt out in the agreement.

### **Price Adjustment**

No increase in the cost or rates of the services on account of inflation is allowed by the Funds during the first year commencing from the date of submission of a proposal. However, if the services continue beyond that year, price adjustments on account of inflation may be made by the application of a parametric formula based on relevant published indices as stipulated in the Agreement.

### **Boycott Requirements**

It is a fundamental policy of the Funds that the "RFP" shall unequivocally provide that the services by the consultant, its associates and sub-consultants shall be provided in strict compliance with the Boycott Regulations of the Organization of Islamic Conference (OIC) and of the League of Arab States.

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