



Gulf of Guinea Northern Regions Social Cohesion(SOCO) Project

WORLD BANK PROCUREMENT FRAMEWORK OVERVIEW **STRATEGIC SOURCING IN PRACTICE**

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1

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OBJECTIVES AND OUTCOMES

By the end of the three-day program, participants would have gained further insights into:

- Understanding of the project through its procurement and institutional / implementation arrangements
- Appreciation of the Broad Procurement Principles, Policies and Practices of the World Bank and their impact or ramifications on Governance
- Understanding and schematisation of the full end-to-end procurement process of the World Bank and its applicability to the SOCO project (i.e. from Procurement Planning to Contract Signing and the subsequent issues of Contracts Management)
- the STEP (Systematic Tracking of Exchanges in Procurement) platform and how it affects procurement management of world bank projects including SOCO
- Overview of the post-contract signing activity of “Contracts Management” and how it is more a responsibility of the user unit rather than the procurement official

LEARNING THROUGH PARTICIPATION



Maximum benefit can only be gained if a delegate fully partakes in classroom discussions and group case studies.

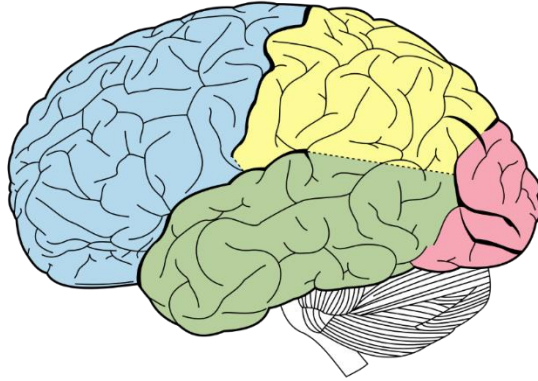
PERCEPTION ABOUT PROCUREMENT



PERCEPTION ABOUT PROCUREMENT

▶ Left-Side of the Brain

- Enhance embezzlement of funds
- Maverick Spending
- Bargaining instead of negotiation
- Anyone can do procurement
- Avenue for kick-backs
- It's simply buying
- No need for certification
- Corruption vehicle
- Avenue for Government Looting
- Job for the boys



Right-Side of the Brain

- Reducing cost
- Operational Efficiency
- Supplier Relationship Management
- Developmental Tool
- Value-adding Opportunity
- Optimising Inventory Levels
- Sustainability and Environmental Protection
- Increased Supplier Innovation
- Supply Chain and product visibility
- Social and economic impact
- SME empowerment

IMPACT OF PROCUREMENT



Why is Procurement important?

Procurement has a direct impact on:

- the successful delivery of business projects and services
- sound financial management by achieving value for money in expenditure
- Improvement of business processes and profitability
- encouraging private sector growth and investment

WHY THIS?



But for Who?

- **AFRICAN CONSUMERS(INDUSTRIAL AND CITIZENRIES)** generally just “buy” and do not strategically procure
- **African WOMEN and YOUTH UNKNOWINGLY** not harnessing the collective value chain resources at their disposal

In addition to raw material exports Africa is also exporting “MONEY” through individual buying habits and **EVEN SKILLED HUMAN CAPITAL!**



REALITY

ARE YOU AWARE

“Whilst the rest of the World is STRATEGICALLY PROCURING FROM AFRICA FOR LONG-TERM ECONOMIC DEVELOPMENT, Africans are generally BUYING FROM THE REST OF THE WORLD FOR SHORT-TERM GAIN”

Professor Douglas Boateng --CIPS Seminar Botswana-- 2012



Procurement decisions made today have a direct impact on YOU, YOUR ORGANISATION, Local INDUSTRIES and the future of the AFRICAN CHILD.



Next generation?

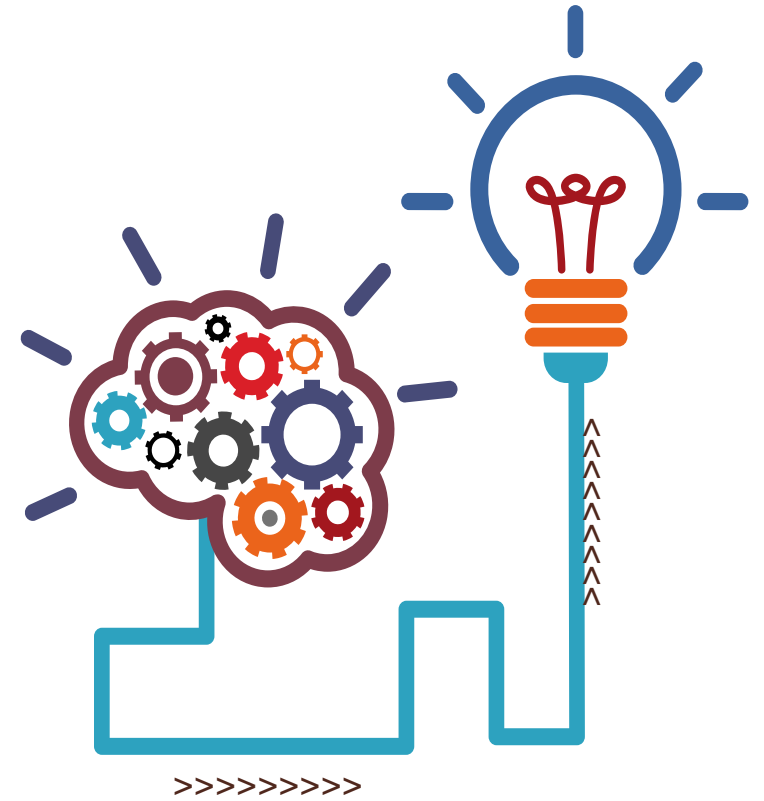


Jobs for the youth



WHAT IS PROCUREMENT?

Rigorous process of acquiring **goods, works and services**, covering both acquisitions from 3rd parties and from in-house providers. The process span the whole cycle from **IDENTIFICATION OF NEEDS**, through to the end of a services contract or the end of the useful life of an asset **AND SOMETIMES THE DISPOSAL OF THE ASSET**. It involves options appraisals and the critical “make OR buy” decision, which may result in the provision of services in-house in appropriate circumstances.



Definition

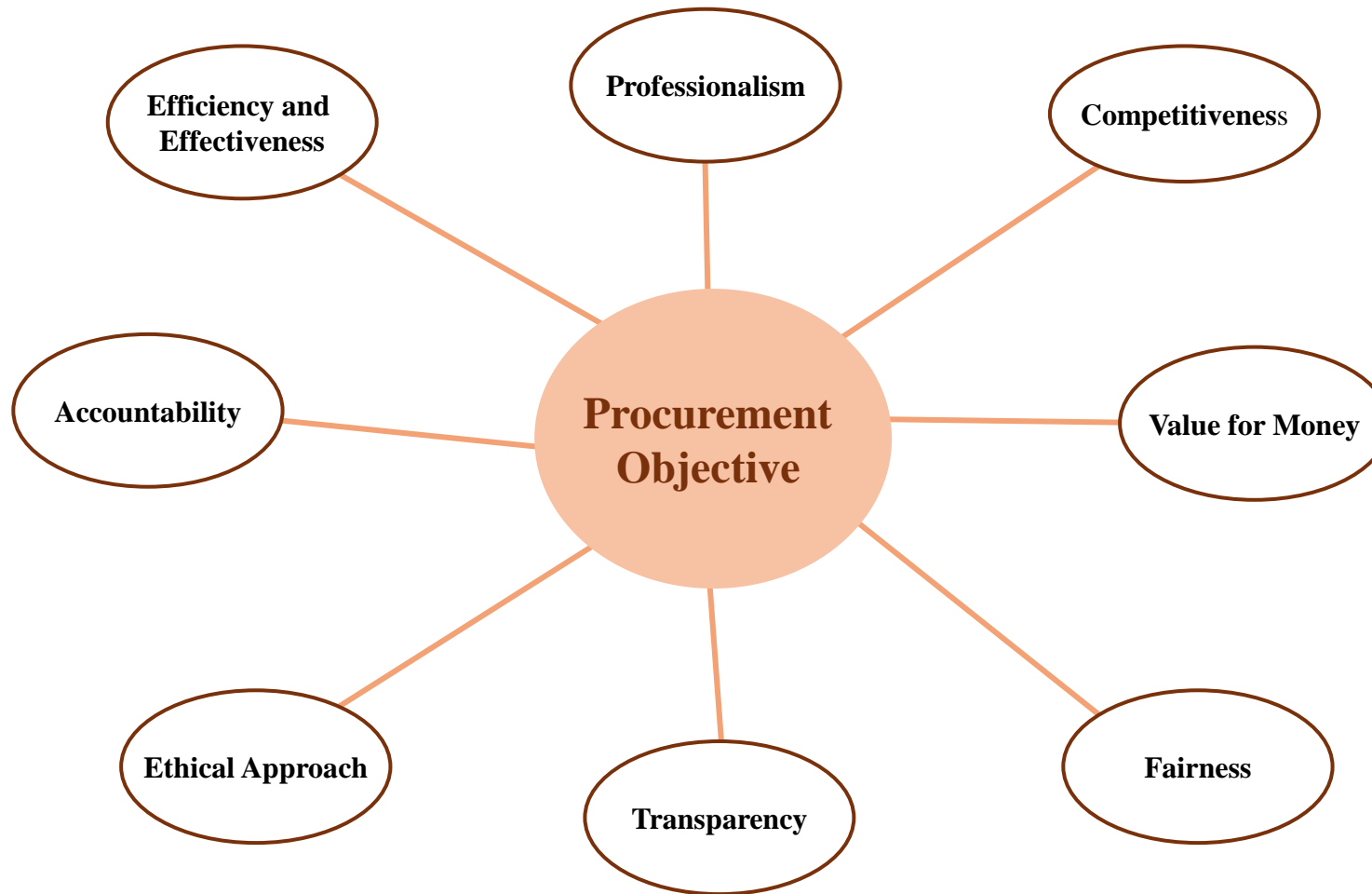
It is a strategic provision of goods, works and services ***solutions*** to private and public organizations to ensure value creation and additions, process and systems efficiencies.



PROCUREMENT PRINCIPLES & ETHICS



PROCUREMENT PRINCIPLES



What is Professionalism

It is the discipline whereby educated, experienced and responsible procurement officers **make informed decisions** regarding purchase operations.



- ▶ Enables the creation of open, fair and transparent procedures
- ▶ Encourages inward investment
- ▶ Encourages competitiveness as your organisation is seen as a responsible business partner

Transparency

This means that the **same rules** apply to all suppliers of goods, works and services and that these rules are publicised as the basis of Procurement decisions prior to their use.

WHAT IS COMPETITIVENESS

Actively encouraging greater supplier participation in the tendering process through advertising, sourcing reviews, pre-qualification and transparent procedures.

- Potential for cost savings
- Increases the potential supplier base
- Greater awareness of new developments

ACCOUNTABILITY

The process of holding an individual(s) or an organisation fully responsible for all aspects of the procurement process over which they exert authority.

- Strengthens the perception of transparency and fairness
- Reduces the incidence of corruption
- Based on regulatory framework and clearly defined responsibilities

FAIRNESS

Showing consideration and impartiality in all stages of the procurement process, especially demonstrating equality in tender evaluations.

- Development of mutual trust
- Increases the potential supplier base
- Underpinned by following procedures in the procurement processes

Ethical Approach

Exemplary approach to all procurement processes that cannot be questioned or criticised.

- ▶ Reduction in corruption
- ▶ Embodies all procurement principles
- ▶ Enhanced profile for procurement
- ▶ Supported by code of conduct (**GIPS Code of Ethics**) and professional behaviour
- ▶ Combination of rules and values

Efficiency and Effectiveness in Procurement

- Better utilisation of funding
- Improved achievement of VFM and objectives (operational, policy and organisational)
- Increased attractiveness to private sector suppliers
- Improved achievement of objectives
- Improved customer satisfaction



Principles of Public Life



Nolan's Seven Principles of Public Life



EXERCISE ON PROCUREMENT PRINCIPLES AND ETHICS

- ▶ Many people outside the procurement profession may not be aware of the fundamental procurement principles, the behavioural guidance that is inherent in the Act and the regulations, or even the existence of the code of conduct. If these things are not widely understood by all the stakeholders involved in the procurement process, then the effectiveness of public procurement in Ghana will be undermined and the professionalization of the procurement function will be jeopardised.

EXERCISE ON PROCUREMENT PRINCIPLES AND ETHICS

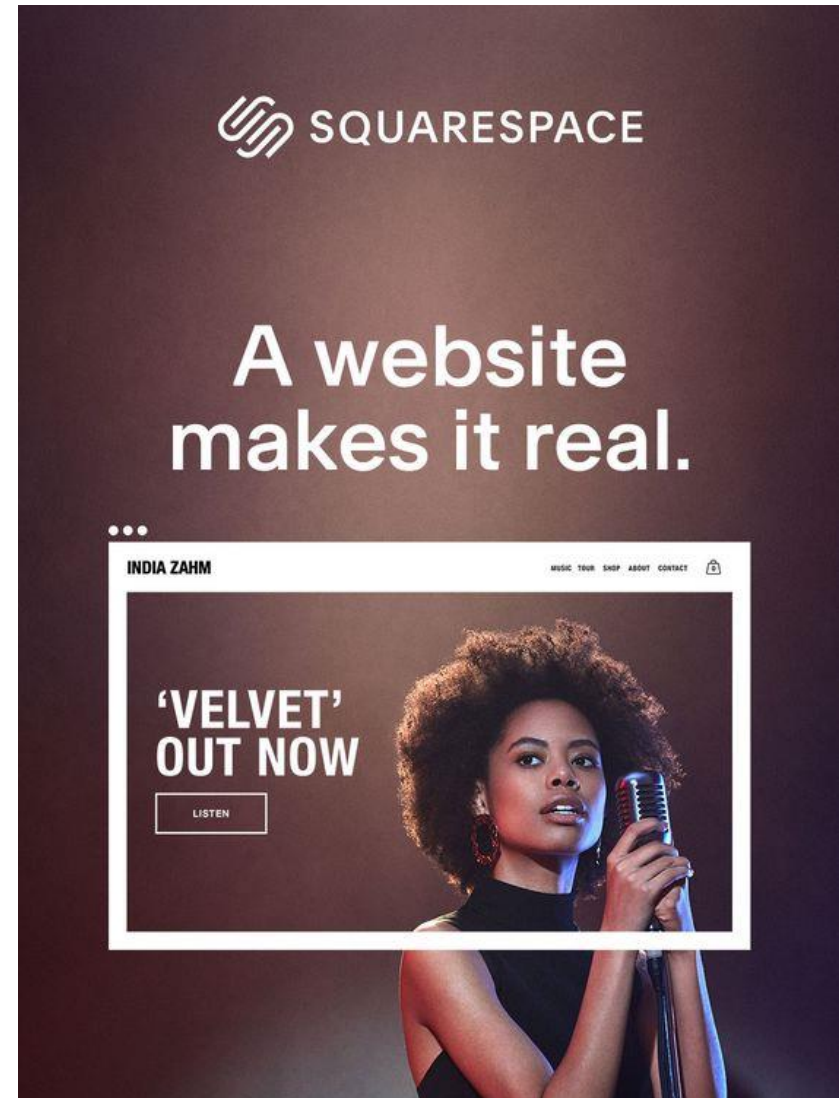
Challenge:

You have been tasked with raising awareness of the importance of the procurement principles and ethical behaviour so that it is more widely understood. Be as imaginative and creative as you can to achieve this result!

- ▶ You should design a poster or leaflet relating to procurement principles and ethical behaviour to raise awareness and capture the imagination of those reading it. It could relate to a specific issue (such as the acceptance of gifts, conflict of interest or the reporting of malpractice) or remind people of the impact of corruption, or the value of integrity.



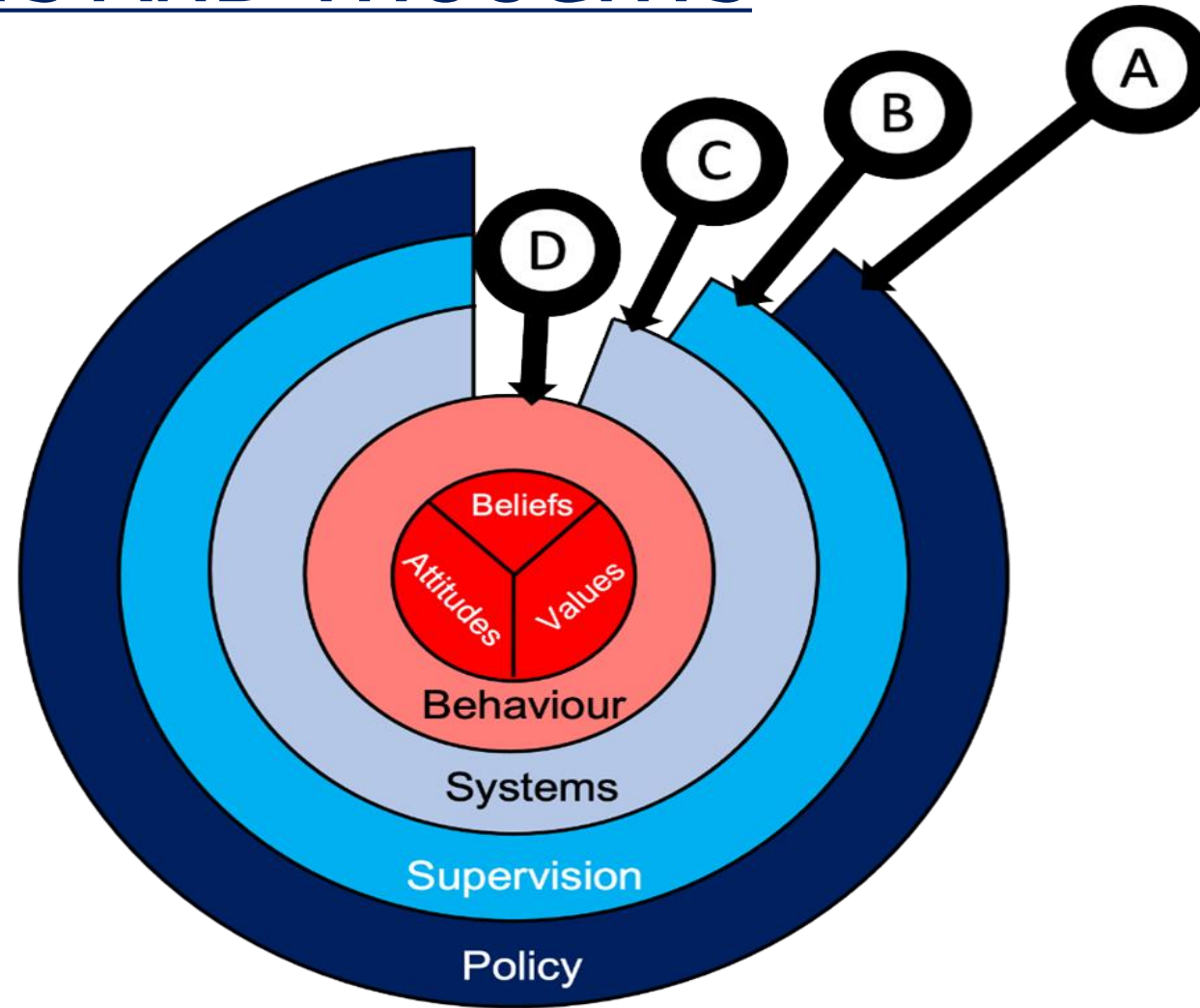
- ▶ Try to come up with a 'catch phrase'. Think of advertising campaigns where a short catch phrase has had an **impact** – it is quite common to have a **key message** of just a few words. (eg 'Just say no!', 'Make poverty history,' etc.)



- ▶ You could use an acronym, a rhyme or mnemonic to help people remember the message. You could also think about how this message can be delivered to a wider audience – through radio, tv, the press, workshops, posters etc.

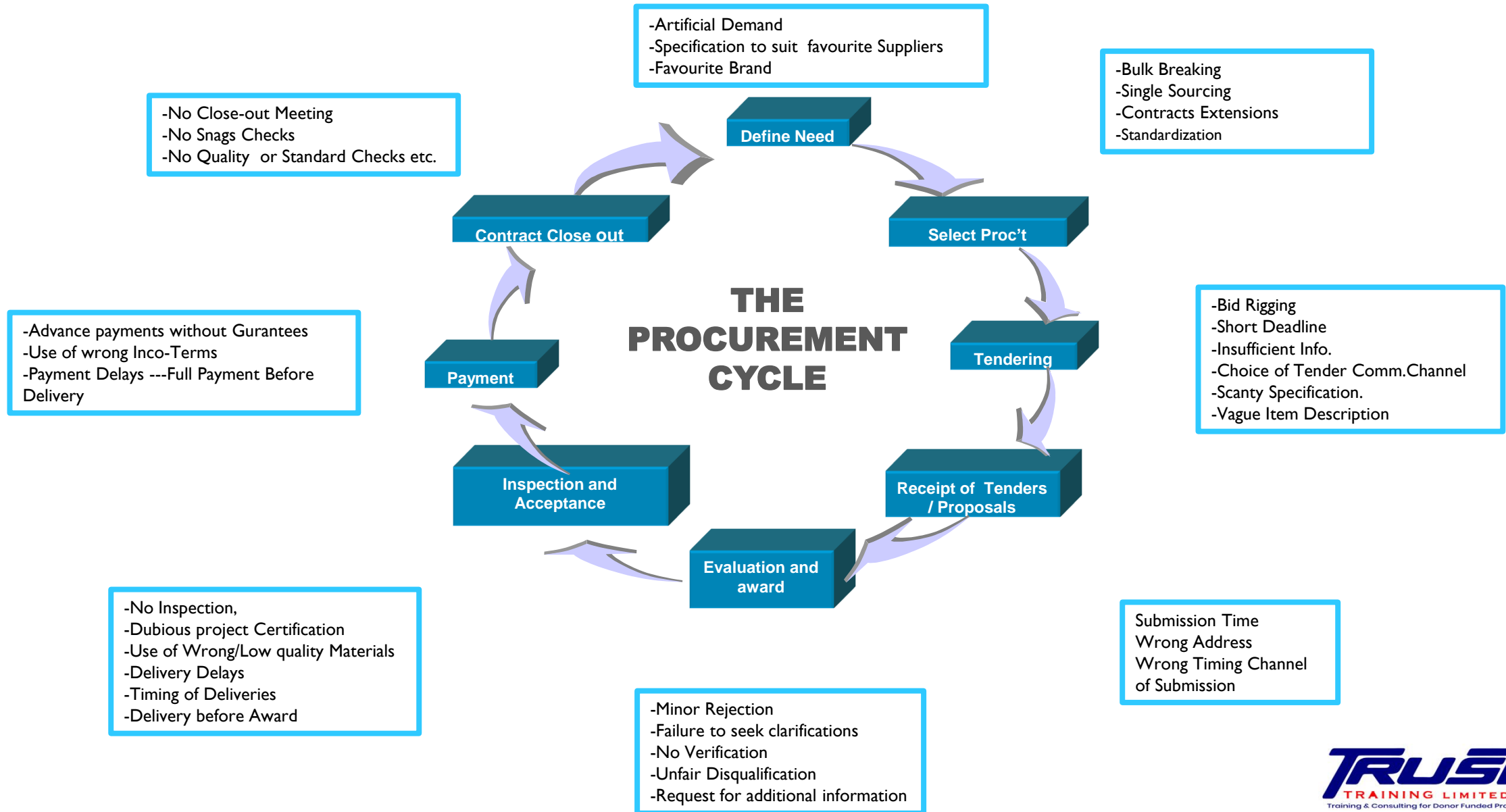


REFLECT ON THIS DIAGRAM AND PROVIDE INSIGHTS AND THOUGHTS



Procurement Pitfalls (Risks)

THE PROCUREMENT CYCLE



SPECIFICATION WRITING



UNDERSTANDING THE TERMINOLOGIES



Terms of Reference (ToR)

a detailed description of what must be procured in terms of services

Scope of Works (SOW/BOQ)

A detailed description of works to be procured

Functional Requirement

A **Functional Requirement (FR)** is a description of the service that the software must offer. It describes a software system or its component.

INTRODUCTION TO SPECIFICATION WRITING

Definition

A specification can be defined as *"a statement of needs to be satisfied by the procurement of external resources"*

It defines what the purchaser wishes to procure or acquire and, consequently, what the supplier is expected to provide.



The Aims of Specification

- ▶ Provide enough information for suppliers to decide cost
- ▶ Permit evaluation against stated criteria
- ▶ State acceptance requirements (test etc)
- ▶ Provide equal opportunity to all suppliers
- ▶ Provide opportunity for alternate technology where appropriate
- ▶ Comply with legal and entity requirements

Importance of Technical Specifications



Specifications of items have to respond to the following three objectives in accordance with basic **procurement principles**:

- their particular function is to define with precision and clarity the products, works, services or performance capacity which the entity wishes to procure;
- they must be drafted in a manner that will maximize competition; and
- they should enable the purchaser to compare and evaluate tenders in an objective and transparent manner, since the products, works or services proposed by the tenderer in its tender must substantially comply with the; specifications.

NOTE

- ▶ A Purchaser may find it difficult to prepare technical specifications which are sufficiently clear and comprehensive to ensure satisfactory tenders from suppliers.
- ▶ The solution to this problem is to *engage experts who will be able to prepare satisfactory specifications*. This activity should start during project preparation.



Technical specifications must be clear and comprehensive. The contents of specifications should include:

- all factors affecting the performance of equipment, such as climatic features, or constraints due to compatibility with other equipment, or transport or installation facilities;
- tests, standards, and methods used to assess the conformity of equipment;
- any technical factors which will be taken into account in evaluating tenders, and the methods used for taking them into account.

TYPES OF SPECIFICATIONS



Technical

defines indicative technical and physical characteristics of a product in terms of physical dimensions, capacity parameters, input and output, chemical formula, printing format, type of material to be used in manufacture, the location and purpose, etc.



Functional

defines the function(s) to be performed by the product, e.g. machine tool, a medical operating block, automated records keeping system.



Performance

defines the performance required of an item, e.g. a compressor, a photocopy machine, a meat grinder suitable to grind three kilograms of fresh meat trimmings per minute through a cutter plate with 0.25 cm holes.



Example of combination of all three types of Specification

A product can be specified using more than one type of specifications.

For example a truck can in principle be specified using:
Technical specifications (e.g. maximum length, minimum wheelbase, maximum weight, number of cylinders, etc;),
Functional (e.g. type of expected load, service conditions, etc.) and
Performance specifications (e.g. fuel consumption, maintenance requirements, etc.)

Quester

6x4 Rigid Truck with GH11E 370 Engine
Petroleum Application



The specifications should include key factors and characteristics, including:



- a description of the goods to be supplied;
- the output required, in amount and quantity (and where appropriate, related to time);
- quality and performance standards to be achieved;
- when and how the performance of the product will be measured in quantitative terms;
- any ancillary services, e.g. training, maintenance, that will be required after delivery; and
- if the contract is for periodic supply of products, a delivery schedule.

Straightforward Requirements

- ▶ Many simple requirements are better defined in technical terms.

Proprietary items

- ▶ In specifying particular equipment indicate that equivalent or equal products to the named one can be offered.
- ▶ Use alternatives in order to avoid suggestions of bias, avoid legal difficulties and provide a wider range of solutions.
- ▶ Refer in the specifications to standard and codes rather than to other products.

Reference to standards and codes

- ▶ Latest Edition

A Good Specification

- ▶ Requirement should be clearly stated
- ▶ Should be concisely written
- ▶ Logical description of items/materials/work
- ▶ Should be unambiguous
- ▶ Non-discriminate against suppliers
- ▶ Not over-specified and/or impractical

Bad Specification Illustration



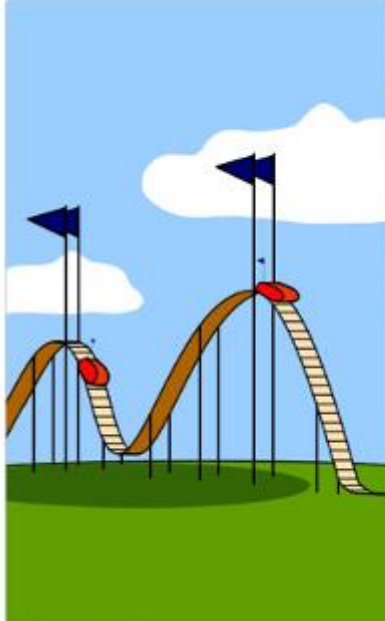
What the client wanted



How the client described it



How the supplier understood it



How the supplier billed the client



What the supplier delivered

Simple Requirements

- ▶ Most purchases are simple and do not justify a complex specification. A technical description is normally sufficient
- ▶ Care must be taken to avoid restring competition
- ▶ Compatibility with existing functions and standardisation should be acknowledged

General Factors to Take into Account in developing and reviewing Specification

- Innovation and reliability
- Standardization
- Brand names
- Environment
- Packaging
- Maintenance



Specs Writing



When Writing Ensure:

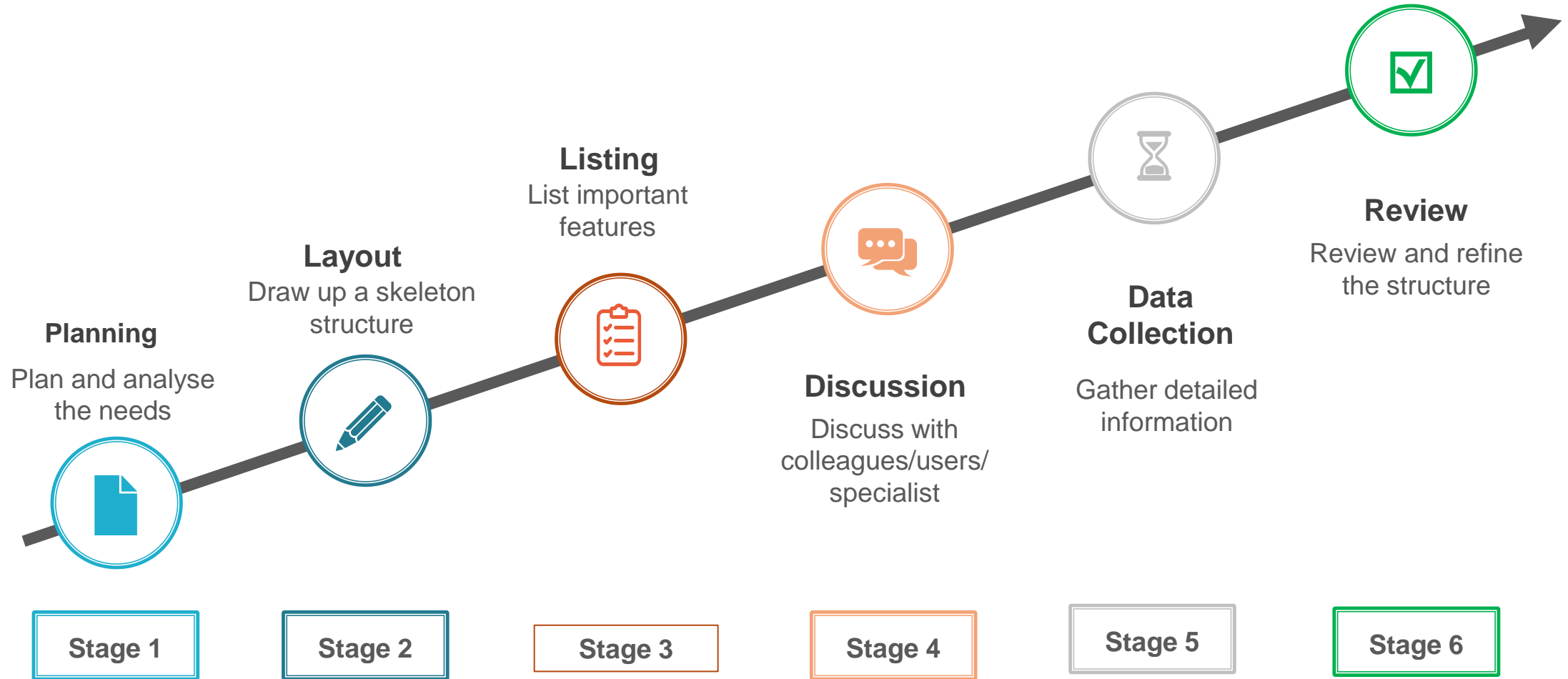
- ▶ Simple language
- ▶ Define terms/acronyms
- ▶ Readability
- ▶ Logical Structure
- ▶ Short Paragraphs
- ▶ Attractive layout
- ▶ Numbered
- ▶ Read by non-specialist

When Writing DO NOT!



- ▶ use Jargon
 - ▶ be vague
 - ▶ over specify
- ▶ use trade names
 - ▶ be too exact
- ▶ use unnecessary standards
 - ▶ provide unnecessary information

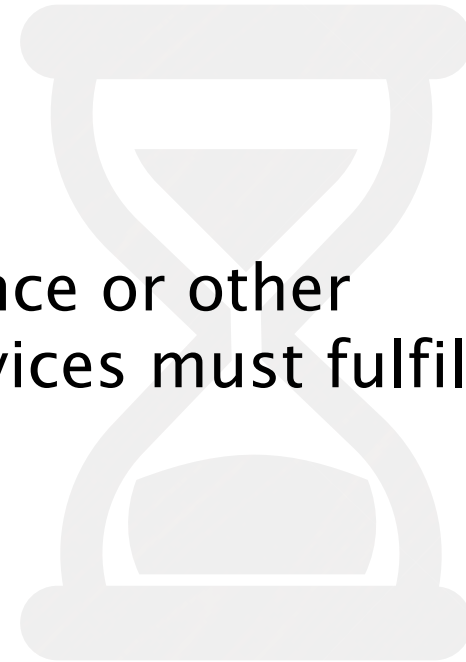
Specs Production



Specifying the Process

Preliminary

- ▶ Originating department or entity
- ▶ A brief title
- ▶ A short description of the function, performance or other characteristics that the required goods or services must fulfil
- ▶ Who approved the specs
- ▶ The date of approval, original issue
- ▶ The issue or revision number and date



A good Specification Should therefore:



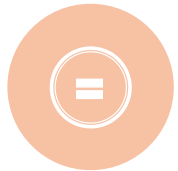
state the requirement clearly, concisely, logically and unambiguously;



contain enough information for potential suppliers to decide and cost the goods or services they will offer, but contain only the essential features or characteristics of the requirement;



state the criteria for acceptance of goods and services and permit offered goods or services to be evaluated against these criteria;



provide equal opportunity for all potential suppliers to offer a product or service which satisfies the needs of the user;



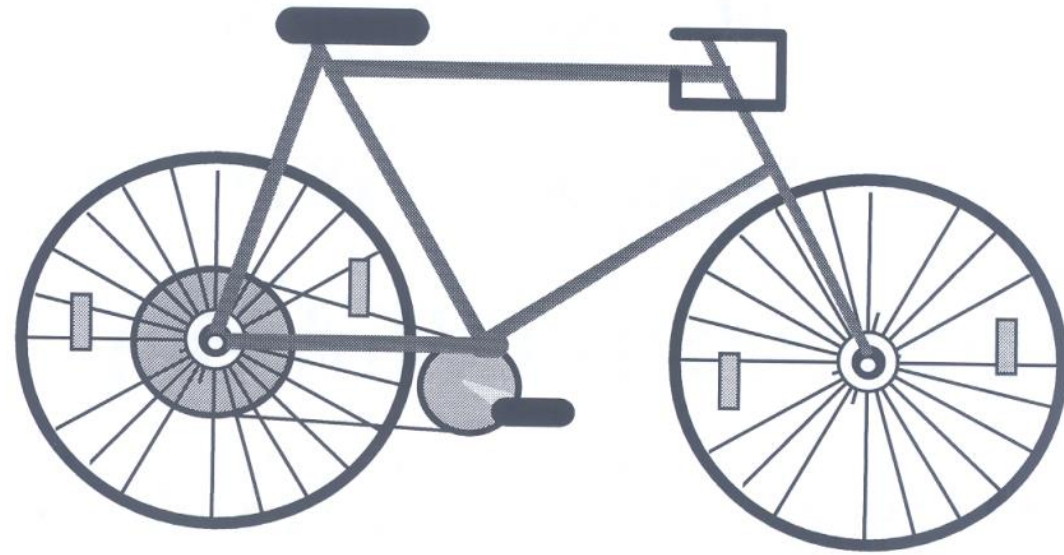
use internationally recognized standards; and .comply with any legal obligations.

Exercise 3

- ▶ **Technical**, which define indicative technical and physical characteristics of a product in terms of physical dimensions, input and output, chemical formula, printing format, type of material to be used in manufacture, the location and purpose, etc.
- ▶ **Functional**, which define the function(s) to be performed by the product, e.g. machine tool, a medical operating block, automated records keeping system. This type would be used when the purchaser knows the functional requirements expected from the product and leaves the design responsibility to the supplier;
- ▶ **Performance**, which define the performance required of an item, e.g. a compressor, a photocopy machine, a meat grinder suitable to grind three kilograms of fresh meat trimmings per minute through a cutter plate with 0.25 cm holes.

Exercise 1

Working in groups, develop specifications for the bicycle shown below:



Exercise 1

Working in groups, develop specifications for the vehicle shown below:



Exercise 1



- Working in groups, develop specifications for the purchase and installation of the item shown below:

Exercise 1

- Working in groups, develop specifications for the purchase and installation of the item shown below:



Exercise 1

- Working in groups, develop specifications for the purchase and installation of the item shown below:



Exercise 4, soln

BICYCLE SPECIFICATIONS

- Frame: Steel, Aluminium
 - Alloy Construction: Welded
 - Type: Racing, Mountain or Street
 - Style: Ladies or Men
 - Two Wheels (Spokes or Disc)
 - Brakes: Front and Rear
 - Handle Bars (Type)
 - Number of Speeds
 - Seat (Type)
 - Fenders: Both Wheels
 - Wheel/Type Size
 - Lights: Electric Generator or Battery
- Roller Bearings
 - Delivered:
 - Knocked Down
 - Instructions to Assemble
 - Language
 - Warranty

Terms
Of
Reference

General Principles & Best Practices

RELATED TOPICS IN THE PREPARATION OF TOR

- ▶ **REQUEST FOR EXPRESSION OF INTEREST (REOI)**
- ▶ **SHORTLISTING AND SHORTLIST REPORT**
- ▶ **PREPARATION OF REQUEST FOR PROPOSALS (RFP)**
- ▶ **CONTRACTING STAGE**
- ▶ **CONFLICT OF INTEREST**
- ▶ **DETERMINATION ESTIMATED MAN-MONTHS/STAFF TIME**

IMPORTANT SECTIONS OF TOR

1 Project Background

2 Objectives Of The Assignment

3 Scope of work

4 List of reports, schedule of deliveries, and period of performance

5 Capacity–building program

6 Data, local services, personnel, and facilities to be provided by the Borrower

7 Institutional and organization arrangements

Project Background

1

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

- Name of the Borrower
- Project location
- Rationale for the project



Project Background Cont.

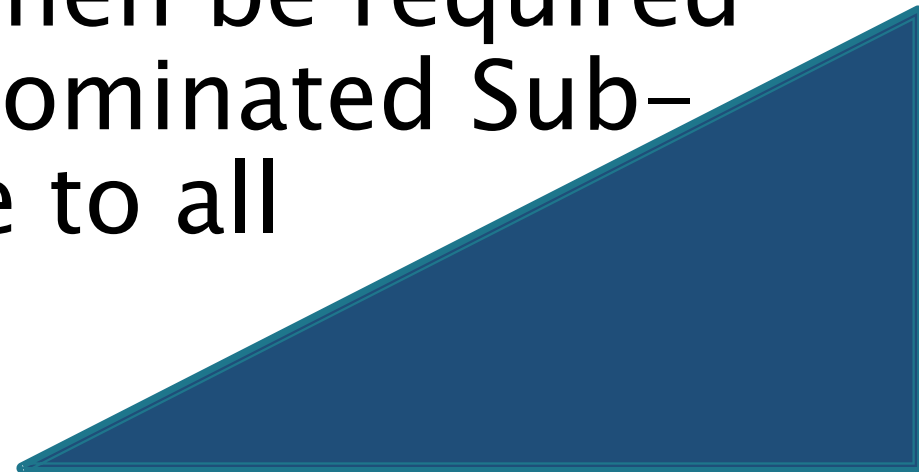
- Project history (what has been done so far and by whom)
- List of relevant studies and basic data
- Need for consultants in the project and issues to be resolved
- Activities to be carried out by the consultants
- Source of financing for the assignment
- Supervision arrangements



Project Background Cont.

- Define in the Terms of Reference (TOR) the services that will be carried out by the national consulting firm and require the firm to indicate its price for these services before issuing the RFP to shortlisted consultants.

The national consultant should then be required to offer the same services as a nominated Sub-consultant and at the same price to all competing consultants.



Objectives of the Consulting Assignment

2

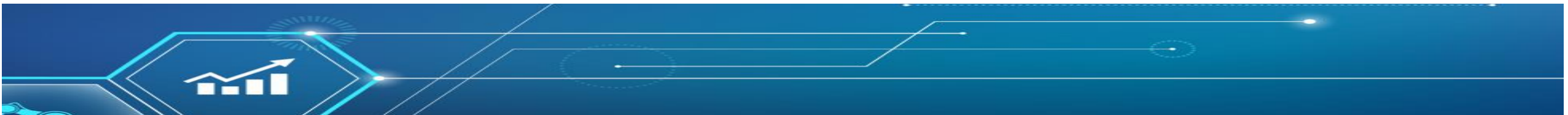
To avoid misleading consultants, the TOR should precisely describe the objectives and expected results of the assignment. Typical objectives of an assignment in Bank-financed projects may include the following:

- Sector and strategy studies or assessments
- Studies on public sector reform, institutional and regulatory reforms, or leadership and management change
- Master plans or project feasibility before investment

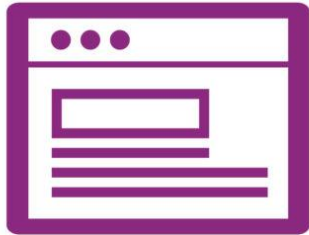


Objectives of the Consulting Assignment (contd)

- Preparation of bidding documents and project detailed design
- Project management and implementation supervision
- Capacity building and training
- Collection and analysis of data
- Evaluation of Borrower assets for sale (such as in privatization projects)



Request



Buyer

Response



Supplier

Award



Buyer & Supplier

Scope Of Work

3

This section of the TOR details all the main activities (or tasks) 1 to be conducted by consultants and the expected results of those activities (or tasks).

The TOR should describe only the activities, not the approach or methodology by which the results are to be achieved, because the latter are the responsibility of those preparing the proposals.

Nevertheless, in certain cases, the TOR may provide strong suggestions on the approach and indications on the methodology that consultants could or should use to execute the assignment



Scope of Work (contd)

Under certain selection methods, the Borrower can disclose its own estimated staff-months or its estimated cost of the services, but not both. Often the project may require a phased consultant assignment. In such cases, the TOR should be more detailed for the first phase and less detailed for the subsequent ones.

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

Scope of Work (contd)

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

The word "SCOPE" is displayed in a stylized, 3D block font. Each letter is contained within a separate, colored rectangular block. The 'S' is light blue on a dark blue background. The 'C' is white on a green background. The 'O' is orange on a dark blue background. The 'P' is dark blue on a light blue background. The 'E' is white on an orange background. The blocks are slightly offset and have a slight shadow, giving them a three-dimensional appearance.

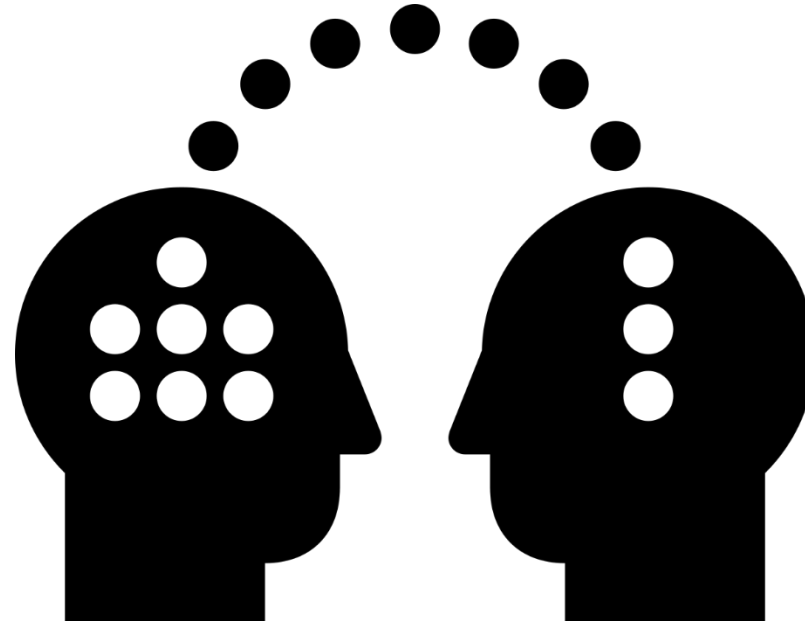
SCOPE

Scope of Work (contd)

SCOPE

- Alternatives to be considered, and the main criteria to be used to compare them
- Required surveys, special analyses, and models
- Special equipment requirements
- Borrower's institutional framework, organization, and legal setting
- Transfer of knowledge, objectives, and scope
- Language requirements
- Units of measurement to be used
- Need for continuity, such as data gathering
- Quality management requirements (if needed)

If capacity building and transfer of knowledge are a specific objective of the assignment,



Then the TOR should provide specific details on the characteristics of the required services and ask consultants to propose approach and methodology

Conflict Of Interest



Conflict Of Interest

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

The TOR should indicate the estimated duration of the assignment, from the date of commencement to the date the Borrower receives and accepts the consultant's final report or a specified completion date.

Other dates may be considered (for example, the date of effectiveness of



The assignment's reporting requirements should be clearly specified.

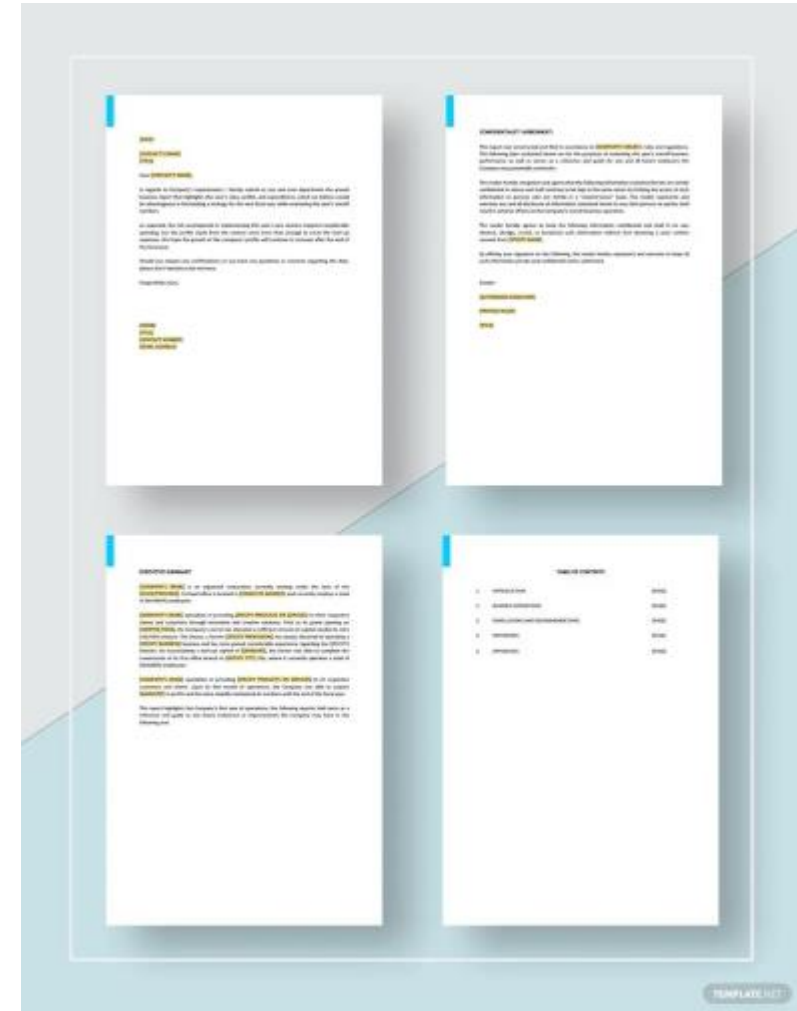
In particular, for inception and progress reports, there should be a balance between keeping the Borrower well informed and not forcing consultants to spend an excessive amount of time preparing minor reports.

Reports and Schedule of Deliveries (Cont'd)

The TOR should indicate the format, frequency, and content of reports, as well as the number of copies, the language, and the names of the prospective recipients of the reports.

For all major reports, an executive summary is recommended as a separate volume.

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



Reports and Schedule of Deliveries (Cont'd)

a. Inception Report

This report should be submitted shortly after the commencement date. Any major inconsistency in the TOR, deficiency in Borrower assistance, or staffing problems that have become apparent during this period should be included.

The inception report is designed to give the Borrower confidence that the assignment can be carried out as planned and as agreed on in the contract, and it should bring to the Borrower's attention major problems that might affect the direction and progress of the work.

Reports and Schedule of Deliveries (Cont'd)

b. Progress Reports

These reports keep the Borrower and Bank regularly informed about the progress of the assignment. They may also provide warnings of anticipated problems or serve as a reminder for payment of invoices due.

Depending on the needs of the assignment, progress reports may be delivered monthly or bimonthly. For feasibility studies and design assignments, delivery of progress reports at two-month intervals is generally satisfactory.

For technical assistance and implementation supervision (in construction, for instance) progress reports are best submitted monthly.

Reports and Schedule of Deliveries (Cont'd)

Progress Reports, cont

They may include a bar chart showing details of progress and any changes in the assignment schedule.] Photographs are a quick and easy way of conveying the status of a project, and their use in progress reports is encouraged.

For technical assistance services, progress reports also serve to set out the work program for the following months. Each team member usually contributes to the preparation of the monthly report.

Reports and Schedule of Deliveries (Cont'd)

c. Interim Reports

If the assignment is phased, interim reports are required to inform the Borrower of preliminary results, alternative solutions, and major decisions that need to be made.

Because the recommendations of an interim report may affect later phases of the assignment (and even influence the results of the project), both the Bank and the Borrower should discuss the draft interim reports with consultants in the field.

The Borrower should not take more than 15 days to review and approve draft interim reports.

Reports and Schedule of Deliveries (Cont'd)

d. Final Report

The final report is due at the completion of the assignment. The Borrower, Bank, and consultants should discuss the report while it is still in draft form.

The consultants alone are responsible for their findings; although changes may be suggested during the discussions, consultants should not be forced to make such changes. If the consultants do not accept comments or recommendations from the Borrower, these should be noted in the report.

The consultants should include in the report the reasons for not accepting such changes.

Reports and Schedule of Deliveries (Cont'd)

Typical Format

S/N	Description of output	No. of Copies	Period after commencement	Payment (%)
1	Inception			
2				
3				
xxxx	Draft Final			
yyyyy	Final			

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

6

The RFP indicates the inputs provided by the Borrower to the consultants in section 2, Instructions to Consultants (ITC).

The TOR should complement the ITC by listing in detail all the information and services that will be made available by the Borrower.

The TOR should also describe the Borrower's available software and computer models to be used by the consultants, if any.

Facilities to be provided by the Borrower may include office space, vehicles, survey equipment, office and computer equipment, and telecommunication systems.

SERVICE

Data, Services, Personnel, and Facilities to Be Provided by the Borrower-cont'd

When possible, the Borrower may provide vehicles for use by consultants during the course of their assignment.

Otherwise, these should be provided for under the consultants' contract and turned over to the Borrower at completion.

The same can apply to items such as office and computer equipment. The Borrower should request compatibility with its own equipment.

Consultants tend to overestimate the Borrower's contribution, and as a result, they reduce their proposal price, particularly if the method of selection takes price into account.

Borrowers also tend to promise more than they can actually deliver. It is therefore important that the Borrower's inputs are defined in the TOR as precisely and realistically as possible.

The TOR should define the institutional setup and the organization surrounding the assignment and indicate the role and responsibilities of all those involved, specifying the type, timing, and relevance of participation.

The TOR should define the hierarchy and level of authority of counterpart personnel, as well as the requested level of experience of the Borrower's personnel who will be integrated into the consultants' team.



GROUP PROJECT



EXERCISE ONE

Consultancy Services

Working as a group, develop ToR for the engagement of a consulting firm for the development of training materials.

Consultancy Services

Working as a group, develop ToR for the engagement of a consulting firm for the development of a 5year strategy for SOCO.

Consultancy Services

Working as a group, develop ToR for the engagement of a consulting firm for the development of ICT policy

Consultancy Services

Working as a group, develop ToR for the engagement of an M&E consultant

Consultancy Services

Working as a group, develop ToR for the engagement of a facility management company

WHAT TO BEAR IN MIND WHEN PREPARING TOR

When preparing the short list, Borrowers must review the qualifications of each of the consultants, determine any conflict of interest that may afflict the consultant, and make an informed decision about its eligibility for the short list.

If a qualified consultant is found conflicted, before deciding for its exclusion, the Borrower should thoroughly analyze the conflict.

ADDITIONAL POINTS TO NOTE

- ▶ Poorly prepared TOR could lead to major challenges in the preparation of shortlist
- ▶ Poorly prepared TOR makes it difficult to prepare detailed cost estimate.
- ▶ Poorly prepared TOR does not help consultants to prepare good proposal.
- ▶ Poorly prepared TOR leads to difficult contract negotiations
and may lead to major disputes
- ▶ Poorly prepared TOR leads poorly prepared contract document

Other Relevant Issues To Bear In Mind In The Preparation Of TOR

Selection Stage

- ▶ During the selection stage, consultants may misrepresent their experience in their expressions of interest to be shortlisted;
- ▶ Bribe the client's officials to be shortlisted;
- Collude with each other or with the client to stifle competition (for example, manipulate the requirements of the RFP to exclude other qualified consultants);
- Bribe the client's officials to obtain confidential information or undue advantage in the evaluation process, such as obtaining the terms of reference (TOR) in advance or favorable scores in the evaluation;

Other Relevant Issues To Bear In Mind In The Preparation Of TOR

- ▶ Exert undue pressure on members of the client's Evaluation Committee by, for example, exerting political, diplomatic, and other coercive pressures;
- ▶ Misrepresent facts in technical proposals and falsify or forge documents submitted in support of their proposals;
- ▶ Collude with the client to fraudulently change essential data of the financial proposal after bid submission;
- ▶ Or withhold information about material conflicts of interest affecting their performance of the proposed assignment and the client's interest.



Other Relevant Issues To Bear In Mind In The Preparation Of TOR

- ▶ The key document in the RFP is the Terms of Reference (TOR). It explains the objectives of the assignment, scope of work, activities, tasks to be performed, respective responsibilities of the Borrower and the consultant, expected results, and deliverables of the assignment.



Other Relevant Issues To Bear In Mind In The Preparation Of TOR



The authors of the TOR should also be familiar with main local conditions, such as climate, environment, institutions, laws, customs, holidays, remuneration levels, transportation systems, and so forth

- ▶ Drafting the TOR requires expertise in the field of the assignment, as well as familiarity with the project background, knowledge of the terrain, the country, and the Borrower's organization.
- ▶ If the capacity to craft a good TOR is not available in-house, the Borrower should hire a specialist, keeping in mind that if he or she is from a firm, the firm may become ineligible for executing the services if the assignment is funded by the Bank

Other Relevant Issues To Bear In Mind In The Preparation Of TOR

If capacity–building activities are required as part of the assignment, the Borrower should include them in the TOR, for which additional time and budget should be allocated.

The TOR should clearly identify and define the output and deliverables required of the consultants, such as reports, data, maps, drawings, or software, and should include all inputs that the Borrower will send to the consultants.



Cost estimates



The preparation of TOR for clearance by the Bank should normally be accompanied by **cost estimates**. The cost estimate of a consulting assignment is prepared by adding the remuneration of consultant staff and the direct expenses to be incurred by consultants for the execution of that assignment.

Those amounts are based on an estimate of staff time (expert per unit of time, hour, month) required to carry out the services and an estimate of each of their related cost components.



Cost estimates CONT'D

A mismatch between the cost estimate and the TOR is likely to mislead consultants on the desired scope, depth, and detail of the service required and may eventually generate serious problems during contract negotiations or (worse) during the implementation of the assignment.

Preparing a staff-month and cost estimate for a consulting assignment is an interactive process necessary to clarify to the Borrower whether the assignment can be carried out in a manner compatible with the project objectives and the resources available

Cost estimates CONT'D

The preparation of the cost estimate can lead to the revision of the TOR, including the scope of work of the services and the organization arrangements of the Borrower.

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

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



Cost estimates CONT'D

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

STAFF ALLOWANCES



Expatriate staff normally are paid overseas and subsistence allowances. The overseas allowance is part of the monthly rate and is meant to represent an incentive for consultant personnel to accept work overseas.

The subsistence allowance is paid separately and generally in local currency to cover out-of-pocket expenses such as hotel and living expenses.

Staff allowances also cover the costs of children's education and are normally paid on a monthly basis for long-term assignments and on a calendar-day basis for short-term assignments.

Communications

Reasonable monthly allocations for international and local telecommunications should be included



Office Rent, Supplies, Equipment, Shipping, and Insurance

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

Foreign currency costs for supplies and equipment (including specific software, when needed) should also be included in the estimate, together with related shipping and insurance costs.



SURVEYS

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

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 indirect taxes (for example, value added or sales taxes), levies, and duties that foreign and domestic consultants may have to pay and then be reimbursed for by the executing agency in the Borrower country. Local indirect tax items are transfers that are not to be taken into account in the evaluation of financial proposals.

Contingencies

The contingency amount, which completes the cost estimate, should cover physical and price items.

Physical contingencies provide for unforeseen work that may be needed, while price contingencies account for monetary inflation and other price increases. Physical contingencies are usually set at 10 to 15 percent of the estimated cost of the assignment.

A higher percentage may be appropriate for assignments in which the scope of work cannot be accurately specified in advance and the amount of work required from the consultant is uncertain (such as emergency



Contingencies cont'd

Price contingencies for foreign and local costs should be considered only when the impact of inflation or of other cost increases is expected to be substantial.

These contingencies should apply not only to the period of the assignment but also to the period between the drafting of the estimate and the start of the assignment if this is likely to be delayed.

When Estimating Cost Components Is Not Possible

There may be assignments whose exact scope of work cannot be clearly defined. In some cases, the need for consulting services originates from expected or unexpected emergency situations for which the scope of work of the consultant assignment cannot be predetermined.

In such cases, a reliable cost estimate is impossible, and a budget may have to be established based on funds availability, and the consultant will be selected based on its past qualifications in similar assignments.

When the assignment to be entrusted to consultants is new or very unfamiliar to the Borrower and to the consultants themselves, the best advice is to let consultants prepare a cost estimate based on their experience and the conditions of the assignment.

In such cases, the Borrower should invite proposals from consultants with a high reputation of capacity and integrity and conduct the selection based on quality only (QBS), followed by financial negotiations with the first-ranked consultant.



Questions





THANK YOU