

# Chapter IV

## Preparing a Consulting Services Package

### Part C: Method of Selection, Type of Proposal, and Finalization of the Package

#### A. Deciding on the Method of Selection

91. For loan-funded consultants or TA consultants (PPTA, ADTA, and RETA), the RRP or TA paper must indicate the method of selection for consulting services. For loan projects, this is normally decided when preparing the procurement plan in conjunction with the borrower’s EA during the loan fact-finding or appraisal mission. Preparation of the procurement plan is normally preceded by an assessment of the capacity of the borrower to recruit and supervise the implementation of consulting services. The selection method chosen, as well as the degree of ADB supervision of the selection process, depends to some extent on this assessment. For TA consultants, the method of selection is chosen by the project officer, in conjunction with COSO.

92. Consultants may be selected as individuals<sup>18</sup> or as a team, normally recruited from a firm but sometimes from an institute or international agency. The following discussion refers to teams of consultants selected from a firm. Chapters VIII and IX deal with other types of consultants.

93. ADB uses six methods for selecting teams of consultants:

- quality- and cost-based selection (QCBS),
- quality-based selection (QBS),
- fixed-budget selection (FBS),
- least-cost selection (LCS),
- consultants’ qualifications selection (CQS), and
- single-source selection (SSS).

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<sup>18</sup> Staff consultants are almost always recruited as individuals.

These are described in detail in PAI 2.02A (available at [www.adb.org/Documents/Manuals/PAI/default.asp](http://www.adb.org/Documents/Manuals/PAI/default.asp) on the ADB website). The normal selection method for TA and loans is QCBS. Flexibility exists to use other methods if they appear more appropriate to the circumstances within which the consultancy will be implemented. Justification must be provided in the TA paper or RRP, and agreement received from (i) COSO in the case of TA (where recruitment is by ADB), or (ii) the user division and COSO (for loans where recruitment is undertaken by the borrower) if a selection method other than QCBS is to be used. The three methods most commonly used to date have been QCBS, QBS, and SSS. All six methods are discussed below.

### **1. Quality- and Cost-Based Selection**

94. QCBS is ADB's preferred method of selection, since it allows for both efficiency and economy. It allows a sorting mechanism for technical quality as well as a weighting mechanism for cost. Consultants submit both a technical proposal and a financial proposal at the same time. The technical proposals are opened first and evaluated against a maximum of 1,000 points. Any firm scoring less than 750 points is considered technically nonresponsive and is dropped from the list. Financial proposals are then opened and ranked. The lowest proposal is allocated a financial score of 1,000, and the financial proposals of other firms are prorated and provided a score according to their value relative to the lowest proposal. A final score incorporating a cost factor is then calculated, based partly on the technical scores and partly on the financial scores. The ratio normally used is 80% for technical score and 20% for financial score, but this may, at the discretion of the project officer (with appropriate justification and the agreement of COSO), be set at either a ratio of 90:10 or 70:30 if circumstances warrant. For consultancy services with a high level of complexity or impact, the ratio chosen may be 90:10. For those with a lower level of risk and where cost is a factor, 70:30 may be chosen. (The mechanics of the selection process are described in detail in Chapter VI.)

95. As noted above, QCBS provides efficiency (qualifying firms must attain a minimum technical score) as well as economy (firms with lower priced proposals may still have an advantage). QCBS is considered suitable for recruiting consultants from firms in most situations. It is important, though, to ensure that the initial technical selection process is rigorous enough to ensure that only technically qualified firms are selected for financial proposal opening.

### **2. Quality-Based Selection**

96. In certain cases, the importance of technical quality may be overriding to the extent that it is counterproductive to consider cost

factors in the selection. In the *Guidelines*, these situations are listed as

- ❑ assignments that are complex or highly specialized, making it difficult to define precise TOR and the required input from the consultants;
- ❑ assignments where the downstream impact is so large that the quality of services is of overriding importance for the outcome of the project, since there may be a high negative impact or cost if the services fail; and
- ❑ assignments that can be carried out in substantially different ways such that financial proposals may be difficult to compare.

97. In such cases, it is possible to use QBS rather than QCBS. Another case when QBS might be used is when recruiting expertise from a United Nations (UN) agency, NGO, or academic institute. Such organizations may have an undue cost advantage vis-à-vis commercial firms and—to present a more level field of competition—proposals based purely on technical criteria may be considered more appropriate than QCBS.

98. In QBS, initially only technical proposals are submitted. After these are evaluated, the highest ranked firm is asked to submit a detailed financial proposal. This is then subject to negotiation and, if unsuccessful, the next ranked firm is asked for a financial proposal. This process continues until a contract is successfully negotiated. In view of the need for lengthy and detailed negotiations and the greater possibility that negotiations will be unfruitful, QBS tends to be a longer process than QCBS. Thus, in the interest of effective work scheduling and project implementation, using QCBS may be preferable even if technical quality is an overriding factor, but with a 90:10 weighting ratio so that the technical aspects of the proposal are not influenced by anomalous, low financial proposals. Another possibility would be to use FBS (see next subsection).

### 3. Fixed-Budget Selection

99. FBS follows a similar process to QCBS but does not include a weighting for cost. Firms are informed of the maximum possible contract amount at the time proposals are requested. Technical and financial proposals are submitted, and an evaluation is first made of the technical proposals. Those scoring less than 750 points out of 1,000 are considered technically nonresponsive, and the firms are dropped from the evaluation. Financial proposals are then opened. Any proposals exceeding the maximum contract amount (which has been specified in the data sheet in the RFP) are also rejected. The firm that had submitted the highest-ranking technical proposal among the remaining firms is then invited for negotiations.

100. FBS may be appropriate when

- the outcome or impact of the consultancy is important enough to favor technical soundness over potential cost savings possible through QCBS;
- the TOR are detailed, specific, precise, and position based; and neither ADB nor the EA will change them during implementation;
- the experts' inputs in person-months are adequate to complete the TOR and unlikely to need revising;
- the budget is sufficient for all the requirements in the TOR; and
- the funding available is fixed and cannot be exceeded.

101. Examples of assignments for which FBS may be appropriate for loan and TA grant funds include sector studies, market studies, and surveys with limited scope; field studies during project preparation; prefeasibility studies and reviews of existing feasibility studies; social, land acquisition, or environmental surveys; reviews of technical designs and proposal documents; and project benefit monitoring.

102. FBS may be more appropriate for TA grants than QBS in situations when a decision has been taken not to use QCBS. Under TA grants, the maximum budget is fixed, having been approved by the President or the Board of Directors based on the TA paper. It is not possible to disburse funds in excess of this amount without going through a cumbersome process of requesting additional funding from the President or the Board. In effect, there is little possibility of exceeding the level of funds approved in the TA paper. FBS would allow, in these circumstances, a rigorous technical evaluation while ensuring that the financial proposals remain within budget. Most firms submitting proposals for TA operations already know the budget in any event, since the TA papers are now public documents published on the ADB website.

103. One advantage of FBS is that negotiations with a first-ranked firm are simpler than QBS and are similar to QCBS. No detailed negotiations about individual salaries, rates, or markups are necessary, and the process is mainly a matter of verifying that all costs will be adequately covered.

#### 4. Least-Cost Selection

104. LCS uses procedures similar to QCBS and FBS. Firms submit both a technical and a financial proposal as in QCBS and FBS. The technical proposals are evaluated first. The firm with the lowest financial proposal of those scoring 750 points or more on the technical proposal is then chosen.

105. LCS may be suitable for use under loan projects if
- contracts are small, with a consulting services budget usually \$100,000 or less;
  - services are standard and routine;
  - well-established practices and standards exist;
  - outcomes are clearly defined;
  - there is a low risk of failure; and
  - the assignment can be completed for different costs.

106. Examples of assignments for which LCS may be appropriate include audits, simple surveys, engineering design and/or supervision of simple construction projects, and routine operation and maintenance work and inspection. Most LCS contracts will be for lump sums.

### 5. Consultants' Qualifications Selection

107. CQS is usually used when specialized expertise is required; recruitment time is critical; few consultants would be qualified for the assignment; or because of special circumstances, the competitive preparation and evaluation of proposals is not justified. Firms are chosen from amplified expressions of interest (EOIs)<sup>19</sup> submitted in response to a detailed advertisement. The three top-ranked firms are identified. The first-ranked firm is then requested to submit a combined biodata technical proposal (next section) and financial proposal as a basis for negotiations with the EA or ADB. Biodata are evaluated and, if considered of sufficiently high caliber, the firm is invited for negotiations. If this firm cannot submit an acceptable proposal (in terms of personnel), then the second-ranked firm is invited to submit a proposal. The upper contract amount limit for this type of selection is usually \$200,000, and the normal contract used is for a lump sum.

108. CQS may be used for brief evaluation studies, high-level and short-term legal assignments, participation in expert panels to review projects, advisory assignments that are highly specialized and narrow in scope, assignments that require the best available qualifications, assignments for NGOs, simple safeguard studies such as the preparation of an environmental impact assessment or resettlement plan for a subproject, and emergency relief.

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<sup>19</sup> These will vary on a case-by-case basis but might include references from previous clients, a detailed indication of staff qualifications, and an indication of the continuity of senior management personnel in the firm.

109. Using CQS can save time, since, normally, only one proposal is evaluated. The technical proposal is based on biodata, and the negotiations may be carried out by e-mail and/or facsimile. If a lump-sum contract is used, administration and supervision are simplified.

## 6. Single-Source Selection

110. SSS entails the selection of a firm without competition from other firms. The *Guidelines* state that, since SSS does not provide the benefits of competition, it should be used only in exceptional cases. These are described as

- tasks that represent a natural continuation of previous work carried out by the firm,
- emergency cases such as in response to disasters,
- very small assignments (i.e., less than \$100,000), and
- when only one firm is qualified or has experience of exceptional worth for the assignment.

At times, UN agencies are used to provide technical expertise (commonly the International Labour Organization or the Food and Agriculture Organization Investment Center). It is possible to use the expertise of such institutions on a single-source basis, but only if they meet the criteria laid out in paragraph 2.29 of the *Guidelines*, which states:

“The justification for SSS shall be examined in the context of the overall interests of the client and the project, and ADB’s responsibility to ensure economy and efficiency and provide equal opportunity to all qualified consultants. Justification for the use of SSS must be given in the TA paper or RRP.”

## B. Deciding on the Type of Proposal

111. ADB uses three types of proposal: (i) full technical proposal (FTP), (ii) simplified technical proposal (STP), and (iii) biodata technical proposal (BTP). FTPs include information on the firm’s experience, a proposed approach and methodology that can be quite lengthy (up to 50 pages), and a section containing the biodata of proposed experts. STPs include only a short approach and methodology section (up to 10 pages) along with a biodata section, while BTPs contain only a graphic work plan, a staffing schedule, and the biodata of each proposed expert. The normal time required for submission of a proposal by a short-listed firm for an FTP is 45 days; for an STP, 35 days; and for a BTP, 21 days. These intervals can be changed if there is a compelling need to do so.

112. Unless special considerations prevail, choosing a proposal type is straightforward:

- FTPs are normally used for contract budgets over \$1,000,000.

- STPs are the normal type chosen for contract amounts between \$600,000 and \$1,000,000.
- BTPs are normally used for contracts below \$600,000.

113. If adequately justified, it is possible to require a proposal type more complex or simpler than the norm. Thus, it is possible to use an FTP for a contract of less than \$1,000,000 if more detail on the methodology is required, or a BTP for a contract of more than \$600,000 if there is a justifiable need to do so. The project officer must indicate in the TA paper or the RRP which type of proposal is being recommended. More information on the types of proposal and how they are used is contained in PAI 2.02G.

### C. Finalizing and Confirming the Consulting Services Package

114. Finalizing the consulting services package entails a final review of the implementation schedule, staffing schedule, cost estimates, and TOR. The most important step is to determine whether all tasks required to achieve the desired output have been included in the outline TOR. The next step is to ensure that sufficient time has been allocated in the staffing schedule to implement the TOR. The last is to determine whether adequate budget has been allocated to implement the TOR as designed. Since the budget may be fixed or limited, a series of iterations may be required before a final, acceptable package is formulated. For loan-funded consultancies, the selection method decided upon and the type of proposal will be included in the procurement plan.

115. Once finalized, the consulting services package needs to be confirmed. Consulting services packages, except for staff consultancies, are normally prepared during a TA or loan fact-finding mission. For a TA, they are normally prepared by the ADB project officer (and/or possibly a staff consultant) in conjunction with the proposed EA. For a loan, they are normally first prepared by a team of PPTA consultants in consultation with the EA, and then firmed up by the ADB project officer in conjunction with the EA. Further refinements of the proposal are possible in both cases. During the final meeting of the TA or loan fact-finding mission, other government departments will have a chance to comment on the proposed consulting services package. Then, upon the return of the mission to ADB headquarters, the proposal will be reviewed by a number of departments. Changes in cost, implementation arrangements, staffing, and TOR are often made during this process. In the case of loan projects, the EA and other government departments/agencies have a final chance to review and comment on the consultancy package during the appraisal mission. The final version of the consulting services package is produced during preparation of the RFP during the consultant selection process and as outlined in Chapter V.

## Self-Study Questionnaire – Chapter IV

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1. **Q.** What are the six methods of selecting consultants used by ADB?  
**A.** QCBS, QBS, FBS, LCS, CQS, and SSS.
2. **Q.** Which method does ADB prefer?  
**A.** QCBS.
3. **Q.** Why is it preferred?  
**A.** It allows for both efficiency and economy by selecting first for technical competence and then adding a cost factor into the selection system.
4. **Q.** When might QBS be used?  
**A.** When the importance of technical quality may be overriding to the extent that it is counterproductive to consider cost factors in the selection.
5. **Q.** Instead of QBS, what other type of selection method could be considered if quality is overriding and the budget is fixed?  
**A.** FBS.
6. **Q.** What are the normal upper budget limits for CQS and LCS?  
**A.** \$200,000 and \$100,000, respectively.
7. **Q.** What are the three types of proposal and when are they normally used?  
**A.**  FTPs are normally used for contract budgets over \$1,000,000.  
 STPs are normally used for contract amounts between \$600,000 and \$1,000,000.  
 BTPs are normally used for contracts less than \$600,000.