

Project Administration Instructions

PAI 2.02, Part H
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RECRUITING CONSULTING FIRMS

PART H: NGOS, SPECIALIZED INTERNATIONAL AND NATIONAL AGENCIES, UNIVERSITIES AND INSTITUTES, SERVICE CONTRACTORS, AND OTHER SPECIAL TYPES OF CONSULTANTS

A. Introduction

1. This part of project administration instruction (PAI) 2.02 provides procedures for the Asian Development Bank (ADB) and executing agencies (EAs) to recruit nongovernment organizations (NGOs), international organizations, universities, institutes, field level service contractors, and other special types of consulting entities. Also read PAI 2.01, which provides general guidelines on recruiting consultants; PAI 2.02, Part D on recruiting consulting firms for technical assistance (TA); and PAI 2.02, Part E on recruiting consulting firms for loan/grant projects.

B. Nongovernment Organizations

2. ADB and EAs recruit international, national, and local NGOs to work as consultants on a variety of assignments, particularly those requiring a detailed knowledge of local issues, community needs, and/or participatory approaches.

1. International NGOs

3. ADB classifies an NGO as international if it operates in more than one ADB developing member country (DMC). Most international NGOs have sufficient resources to compete with commercial international consulting firms. Therefore, many of the procedures for selecting international NGOs for TA and loan/grant projects are similar to those for recruiting commercial consulting firms, specified in PAI 2.02, Parts D and E.

4. When ADB or an EA specifically requires an NGO and short-lists only NGOs, it normally uses quality- and cost-based selection (QCBS) for assignments expected to cost more than \$200,000 and consultants' qualifications selection (CQS) for assignments expected to cost \$200,000 or less. When ADB and EAs short-list both international NGOs and commercial consulting firms, they use quality-based selection (QBS) or fixed-budget selection (FBS). This is because most NGOs have lower cost bases than commercial firms, and including a cost element in the selection system might give the NGOs an unfair advantage.

5. Since NGOs are not normally commercial entities and have their own particular mandate, they may not actively seek out loan- or TA-funded consultancies. A special effort may thus be needed to contact potentially interested NGOs and ask them to submit expressions of interest (EOIs). If insufficient qualified NGOs are available, ADB or the EA may short-list only three NGOs, but it is important for them to submit EOIs so that their past work experience can be documented and assessed. The short-listed firms must meet basic short-listing criteria, even if the eventual number of firms on the short list is limited.

6. In exceptional cases when not using a competitive selection method is justified, for example where only one NGO is qualified to undertake the work required or the time scale is very short such as

during disaster relief, or for very small assignments costing \$100,000 or less, ADB or an EA may use single-source selection (SSS) to select an international NGO. The procedures described in PAI 2.02, Part A will be used for SSS. For contracting purposes a lump-sum contract may be used, especially when the assignment costs \$50,000 or less.

2. National and Local NGOs in DMCs

7. ADB classifies an NGO as national in an ADB DMC if it is registered in the DMC and operates in various areas of the country. ADB classifies an NGO as local in a DMC if it is registered in the DMC and is community-based, serving a specific population in a narrow geographic area. Many local NGOs in DMCs have limited management capacity.

8. When ADB or an EA uses QCBS to recruit national and local NGOs in DMCs for assignments expected to cost more than \$200,000, the short-listing criteria include, but are not limited to

- legal registration in an ADB member country,
- an operational history of at least 3 years with experience in implementing project activities,
- a management or advisory board, and
- an acceptable accounting and financial system.

9. In general, the same recruitment procedures that apply to international NGOs also apply to national and local NGOs, i.e., when ADB or an EA specifically requires an NGO and short-lists only NGOs, the normal procedure is QCBS for assignments expected to cost more than \$200,000 and CQS for assignments expected to cost \$200,000 or less. When ADB and EAs short-list both national and local NGOs and commercial consulting firms, they use QBS or FBS. In these cases, an abbreviated NGO RFP and STP may be used upon prior approval from COSO with reduced proposal submission periods.

10. In exceptional cases when not using a competitive selection method is justified, for example where only one NGO is qualified to undertake the work required or the time scale is very short such as during disaster relief, or for very small assignments costing \$100,000 or less, ADB or an EA may use single-source selection (SSS) to select an international NGO. The procedures described in PAI 2.02, Part A will be used for SSS. For contracting purposes a lump-sum contract may be used, especially when the assignment costs \$50,000 or less.

11. When ADB or an EA recruits national and local NGOs in DMCs, the EOIs or the technical proposals may require additional information including

- letters of reference from previous clients commenting on the NGO's performance;
- evidence of a sound accounting and financial management system; and
- any evidence of certification, accreditation, or commitment to codes of conduct.

12. An abbreviated STP may be used in particular cases with reduced proposal submission times (see PAI 2.02, Part B, paragraph 14).

C. Specialized Agencies Including United Nations Agencies

13. The relationship among ADB, its borrowers, and specialized agencies such as United Nations (UN) agencies is complex. In some cases ADB and EAs recruit specialized agencies like those in the UN family for consulting services assignments, and in other cases other types of arrangements are made. Particularly in the case of TAs, special cooperation arrangements or memorandums of agreement (MOAs) exist between ADB and a number of agencies and, under such circumstances, a partnership agreement may be a more suitable means of providing expertise than a consulting services contract.¹ In view of this, the existence of any current agreement or operating arrangement should be checked with the Central Operations Services Office, Office of Cofinancing Operations, and Office of the General Counsel prior to formulating the implementation arrangements for TAs and loans that are to include activities by international agencies. Once the basis of any interagency relationship has been established, then the implementation procedures must be clearly spelled out in the TA paper or the report and recommendation of the President (RRP). In certain cases where a special arrangement, such as cost sharing or the provision of local support services exists and a consulting services arrangement rather than a partnership agreement is to be followed, the use of SSS may be justified.

14. If a competitive selection procedure has been decided on during TA or loan preparation, ADB and EAs do not give agencies any preferential treatment. However, EAs may give UN or other international agencies

- the privileges and immunities they and their staff receive under international conventions; and/or
- special payment procedures required under their charters, provided they are acceptable to ADB.

15. Also, in competitive selection, ADB and EAs use QBS or FBS when their short list includes specialized agencies, because their privileges like tax exemption and special payment arrangements, and their facilities, give them competitive advantages over commercial consulting firms.

16. Any specialized national agencies considered for recruitment must comply with the provisions of PAI 2.01, Part C. But in exceptional cases, they must establish that they are legally and financially autonomous; operate under commercial law; and do not depend on the borrowing government, a government agency, or a subborrower.

D. Universities and Institutes

17. From time to time universities and institutes are recruited to provide consulting expertise to ADB or EAs for loan projects. These may range from major, internationally recognized universities to national and local colleges and from established international development institutes such as the International Rice Research Institute to national and local field research agencies. The procedures that apply to

¹ Under an MOA, the terms and conditions of cooperation between the agency and ADB will have been clearly spelled out and the partnership arrangement will be implemented according to this MOA. Supervision is directly by the user division and does not involve the Central Operations Services Office. These arrangements must be clearly spelled out in the TA paper or the report and recommendation of the President.

universities and institutes are similar to those that apply to NGOs and specialized agencies. These include the following:

- When only universities or institutes are being short-listed, QCBS will apply for contracts over \$200,000 and CQS for contracts of that amount or less.
- When universities or institutes are being short-listed along with commercial firms, QBS or FBS will be used.
- In exceptional circumstances and where justified, SSS may be used.
- National or local universities or institutes must comply with the provisions of PAI 2.01, Part C, i.e., other than in exceptional cases, they must establish that they are legally and financially autonomous; operate under commercial law; and do not depend on the borrowing government, a government agency, or a subborrower.

In addition, in cases where the university or institute will be used for routine fieldwork or surveys, rather than to provide specialist expertise, consideration should be given to recruiting it as a service contractor (see section E).

E. Field-Level Service Delivery Contractors

18. Paragraph 2.43 of the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* allows for the recruitment of individuals or specialist organizations that provide services on a contract basis. These types of contracts are important in the social and rural sectors and may cover activities such as beneficiary surveys, beneficiary mobilization, preparation and dissemination of promotional materials, training seminars, and social or environmental monitoring. They may also entail hiring large numbers of individuals at relatively low wages such as field interviewers, field trainers, health workers, and beneficiary organizers. Such activities are usually undertaken at the field level (sometimes in isolated parts of the country or in poor urban areas) and are not amenable to packaging into competitive consulting services contracts or to international or even national bidding. Nonetheless, it is important to ensure that the organizations or individuals chosen are adequately qualified and recruited using transparent procedures. In many cases, local universities, institutes, or NGOs will be the source of the expertise provided. Individual contracts will normally be small—generally less than \$100,000 and often much less.

19. To ensure that appropriate individuals and agencies are chosen in an economically efficient and transparent manner, the job descriptions, minimum qualifications, terms of employment, selection procedures, and extent of ADB review of these procedures and documents should be described in the TA paper or RRP and, for loan projects, sample contracts should be included in the procurement plan.

20. Service contractors may be recruited to help identify and implement the small-scale investment subprojects discussed in PAI 5.12, but their use is by no means limited to the very small investment packages or the limited range of activities covered by that PAI.

F. Procurement Agents

21. EAs sometimes recruit procurement agents (PAs) to help with procurement under loan/grant projects. These PAs must follow the procedures in the relevant financing agreement and the EA's procurement plan.

22. When a PA will procure specific items and generally work in its own office, the EA usually pays a percentage of the value of the procurement, or a percentage plus a fixed fee, and uses QCBS to select the PA, giving the cost a weight of up to 50%. When a PA will only advise on the procurement, or will act as an agent for the whole project, working in the project office, the EA usually pays on a time basis and uses QCBS to select the PA.

G. Inspection Agents

23. EAs sometimes recruit inspection agents to inspect and certify goods before shipment or after arrival in the borrowing country. They usually check the quantity and quality of the goods and the reasonableness of the price. When an EA selects an inspection agent, it uses QCBS, gives the cost a weight of up to 50%, and uses a contract format with payments based on the value of goods inspected and certified.

H. Banks and Financial Companies

24. EAs sometimes recruit banks, financial companies, or fund managers to sell assets, issue financial instruments, and facilitate privatizations. When EAs select banks and other financial institutions, they are required to use QCBS.

25. EAs usually pay banks and other financial institutions similar remuneration to what they pay to consultants, called a "retainer fee," plus a "success fee" expressed as a percentage of the assets or instruments sold. An EA evaluating financial institutions' financial proposals includes their success fees in their evaluated prices. The EA may either fix a retainer fee or invite the short-listed institutions to propose retainer fees in their financial proposals, in which case the EA includes the retainer fees in the institutions' evaluated prices.

26. For larger contracts, EAs usually invite the short-listed institutions to nominate their desired retainer and success fees. The EAs may vary the QCBS procedures by giving the cost a weight of more than 20%, or by choosing the institution that exceeds the minimum technical score and bids the lowest price.

I. Auditors

27. ADB and EAs sometimes recruit auditors for standard auditing assignments. The terms of reference and professional standards are usually well defined. ADB and EAs normally use either QCBS with a weight of up to 50% for price, or least-cost selection, to select the auditors. However, ADB and EAs may use CQS if the estimated cost of the assignment does not exceed \$200,000.

J. Financial Intermediaries

10. ADB occasionally recruits financial intermediaries to on-lend to private sector enterprises or autonomous public sector enterprises. ADB usually allows these intermediaries, or subborrowers, to recruit consultants using well-established private sector or commercial practices that are acceptable to ADB. However, ADB may require the intermediaries to use competitive procedures like those above, particularly for large assignments.