

S E L E C T I O N O F C O N S U L T A N T S



**FIDIC Guidelines
for the Selection of Consultants**

INTERNATIONAL FEDERATION OF CONSULTING ENGINEERS

Fédération Internationale des Ingénieurs-Conseils
International Federation of Consulting Engineers
Internationale Vereinigung Beratender Ingenieure
Federación Internacional de Ingenieros Consultores



First Edition, 2003

p r e f a c e

The consulting engineering industry remains largely responsible for the planning, design, construction, inspection and management of the infrastructure needed to meet the world's ever-increasing demand for food, water, sanitation, shelter, health services, transportation and energy. It tackles on a daily basis the problems of how to improve peoples' lives while preserving natural resources in a world with a growing population.

The role of the professional consulting engineer is at least as important today as it was fifty or more years ago. A certain degree of mystery still surrounds the expertise offered by these professionals, together with a lack of understanding of the fine balance of art, science and skilled judgment that is Engineering. Some clients and authorities have attempted to overcome their limited understanding by using prescriptive tender and selection procedures. A number of these procedures are in widespread use. However, it should be recognized that few, if any, of these 'one off' procedures acknowledge the underlying value of the consultant's expertise – that of the trusted advisor. Most of these selection procedures concentrate on deliverables.

The overriding concern should be the maintenance of appropriate quality of the professional services provided, with due attention to suitability of purpose, economy and value, sustainability, efficiency, integrity, management of risks, public welfare, fair opportunity for all consulting firms and transparency of processes.

The paramount importance of the selection of the right consultant for each particular project is widely acknowledged. At recent public meetings, experienced senior officials of major multilateral development banks have stated that "Clients should become better aware of the importance of consultant selection, and of the impact of the choice of the consultant on the overall quality of the completed project", and "Consultant selection is highly critical to the success of the entire project; to save a small percentage, perhaps 1% or less of project cost, is not worthwhile, considering the potential risks."

The purpose of these guidelines is to present the commonly used methods of consultant selection, to explain the respective procedures and to combine them all into one compact document, as well as to emphasize and explain FIDIC's policies on the subject of selection.

c o n t e n t s

	page		page
preface			
contents	1		
definitions	2		
useful terms	2		
1 introduction	3		
1.1 Purpose			
1.2 Importance of proper consultant selection			
1.3 Preparatory steps			
2 FIDIC recommendations	4		
2.1 Recommended selection method			
2.2 Transparency			
2.3 Capacity building			
2.4 Integrity			
2.5 Fair competition			
2.6 Harmonisation			
2.7 Limitation of liability			
2.8 Insurance			
2.9 Life-cycle costs			
2.10 Monitoring outcomes			
3 selection of individual consultants	6		
4 selection of consulting firms – Quality Based Selection	7		
4.1 Announcement and pre-qualification			
4.2 Short listing			
4.3 Request for Proposals			
a Letter of invitation			
b Terms of Reference			
c Information to Consultants			
d The proposed agreement			
4.4 Preparation and submission of proposals			
4.5 Receipt and opening of proposals			
4.6 Evaluation of proposals			
4.7 Selection of the consulting firm and negotiations			
4.8 Agreement			
4.9 Notification			
4.10 Debriefing			
5 selection of consulting firms – Other methods	13		
5.1 Quality and Cost Based Selection			
5.1.1 Announcement and pre-qualification			
5.1.2 Short listing			
5.1.3 Request for Proposals			
a Letter of invitation			
b Terms of Reference			
c Information to Consultants			
d The proposed agreement			
5.1.4 Preparation and submission of proposals			
5.1.5 Receipt and opening of proposals			
5.1.6 Evaluation of proposals			
a Evaluation of the technical proposals			
b Evaluation of the financial proposals			
c Combined technical and financial evaluation			
5.1.7 Selection of the consulting firm and negotiations			
5.1.8 Agreement			
5.1.9 Notification			
5.1.10 Debriefing			
5.2 The Budget Method			
5.3 Design competitions			
5.4 Price negotiation			
5.5 Cost based selection			
5.6 Single source selection			
6 evaluation of consulting firms within PFI projects			18
7 other issues			19
7.1 Conflict of interest			
7.2 Strategic alliances			
7.3 Fraud and corruption and the need for business integrity			
8 sustainable development			21
9 capacity building			21
10 informed purchasers			22
references to FIDIC documents			23
general references			23
appendices			24
1 JWCI Proposal on consultant selection <i>Joint Working Group of the Consulting Industry</i>			
2 FIDIC matrix of attributes for scoring at the evaluation phase			

definitions

National Consulting Firm: a consulting firm with a registered office and centre of activities in the country where a project is realized, and the majority (more than 50%) of the firm's capital is provided independently of foreign interests, by nationals of the subject country.

Foreign Consulting Firm: a consulting firm which is not a National Consulting Firm, in that it does not comply with the two above criteria.

Locally Based Foreign Consulting Firm: a Foreign Consulting Firm with a registered office in the country where the project will be realized.

useful terms

Consulting services: technology based intellectual services for the built and natural environment, which may include:

- Project planning and feasibility studies
- Project assessment studies including financial analysis
- Environmental studies and environmental impact assessments
- Sustainability studies
- Geological and soils investigations; maps
- Architectural/engineering design
- Preparation of tender documents
- Evaluation of bids
- Construction supervision
- Project management
- Quality management
- Construction management
- Cost management
- Contract management
- Commissioning and decommissioning
- Valuation services
- Failure investigation
- Forensic services
- Technical training
- Risk analysis and management
- Operation and maintenance
- Research and development
- Technical assistance
- Institutional development
- Quantity surveying and value engineering

Individual consultant: independent engineer, architect or scientist (e.g., environmental scientist) who provides consulting services for a fee.

Consulting firm: independent for-profit firm (or a joint venture partnership) which provides consulting services.

Consultant: either an individual consultant or a consulting firm.

Client: individual or organization which employs the consultant. Also referred to in contracts and agreements as the Employer.

Owner: individual or organization which holds the ownership of the investment.

Agreement: contract signed between the client (Employer) and the consultant for carrying out consulting services.

Contract: contract signed between the client (Employer) and the contractor responsible for construction.

Design-build: the system where the contractor undertakes the final design as well as the construction of a project, conforming to the preliminary design and/or technical performance specifications prepared by the client. FIDIC recognizes that there are a number of variations on the form of design-build contractual arrangements, but the basic feature is that the design is undertaken by the contractor and not by the client.

Private Finance Initiative (PFI): the system where the client, usually government, defines quality and service to be provided and where the concessionaire provides managerial, commercial and creative skills for the provision of a public service, through private funds with or without some contribution from government. The service provider (concessionaire) runs and maintains the development for a fixed number of years in return for an annual fee.

Non-governmental organization (NGO): an organization which is eligible for favourable tax treatment and is often able to cover 'core' expenses through donations (e.g., foundations, associations).

Not-for-profit organizations: organizations providing consulting services which are not legally and financially autonomous and/or do not operate under commercial law and/or are non-profit entities, such as government owned institutions, UN agencies, universities, etc.



1 introduction

1.1 Purpose

The purpose of these guidelines is to present the commonly used methods of consultant selection, to explain the respective procedures and to combine all in one compact document, as well as to emphasize and explain FIDIC's policies on the subject.

The overriding concern should be the maintenance of appropriate quality of the professional services provided, with due attention to suitability of purpose, economy and value, sustainability, efficiency, integrity, management of risks, public welfare, fair opportunity for all consulting firms and transparency of the process.

1.2 Importance of proper consultant selection

Selecting the project consultant is one of the important decisions an owner or client makes in the life of the project. The success of any project often depends upon obtaining the most able, experienced and dependable expertise available at an appropriate cost.

The paramount importance of the selection of the right consultant for each particular project is widely acknowledged. At recent public meetings, experienced senior officials of major multilateral development banks have stated "Clients should become better aware of the importance of consultant selection, and of the impact of the choice of the consultant on the overall quality of the completed project", and "Consultant selection is highly critical to the success of the entire project; to save a small percentage, perhaps 1% or less of project cost, is not worthwhile, considering the potential risks."

The best project results are achieved when there is a true professional relationship of absolute trust between the client and the consultant. This is because the consultant must make sound, objective decisions

and act in the best interest of the client (and the owner where not the client) as well as of the public. The method of selection should therefore seek to develop mutual confidence and trust.

A consulting engineering industry comprising consulting firms operating independently in a competitive market can make substantial contributions to sustainable development, by undertaking work that is performed less effectively by government entities, and by increasing the industry's maturity and effectiveness. These are other strong reasons for the adoption of proper consultant selection.

1.3 Preparatory steps

As a first step, a future client should carefully assess the needs for consulting services, comparing them with the other alternatives available. An outline of the services required should be worked out as a basis for determining the appropriate type of consultant (individual or firm) and the selection method to be used, as well as for initially securing financing (see below). If appropriate, and particularly for larger projects, a consultant serving as a client's adviser during the selection process would be engaged at this stage.

At an early stage, the client should prepare an initial cost scope and the corresponding estimate based on the client's own assessment of the resources needed to carry out the consulting assignment: staff time, logistical support and physical inputs such as vehicles, laboratory equipment and similar. Costs should be divided into two broad categories:

- consulting fee
- reimbursable expenses.

This cost estimate should be confidential and kept for the client's use only, for comparative and budget purposes, as well as for securing external financing as may be needed.

2.1 Recommended selection method

FIDIC stresses the pre-eminence of quality in the selection process. The fees paid to a consultant are invariably a small fraction of the total project life-cycle cost and yet the consultant's work is key to project success.

For these reasons, FIDIC recommends that the preferred selection method for consulting services be the Quality Based Selection method (QBS, see Section 4). In particular, FIDIC recommends the QBS method as the only method for those projects where there is a multiplier effect, or significant complexity, or damage should the project fail.

If the Quality and Cost Based Selection method (QCBS, see Section 5.1) is considered, then the maximum weight given to the financial component should be within the range of 0 and 10%, with 20% as the absolute maximum in exceptionally simple or straight-forward cases.

For a detailed comparative discussion of the two selection methods, reference should be made to Appendix 1, the *JWCI Proposal on Consultant Selection*.

2.2 Transparency

FIDIC recommends, in the interests of all parties (stakeholders) in a project, that the maximum degree of transparency be maintained during any consultant selection, regardless of the method used and the source of the project financing.

To improve transparency, FIDIC recommends that the scope of work for each assignment be clearly defined in advance, that the quality standards for all projects be clearly set forth and rigorously enforced, and that risk allocation be fair and clearly understood to all parties.

It is also recommended that details of the evaluation system, including weighting, be disclosed with the request for proposals, or at least before any proposals are due to be submitted, and that consultants having submitted proposals have the right to an open briefing following the selection.

FIDIC also recommends that clients be informed purchasers (see Section 10), and that the selection panel has the necessary skills and independence to make a fair and proper selection.

2.3 Capacity building

FIDIC favours and works for building the capacity of the consulting industry at large, and especially of National Consulting Firms in developing and transition economies [1]. FIDIC therefore recommends that, in international or internationally financed projects, special attention be paid during the selection process to meaningful partnerships between National Consulting Firms and internationally operating Foreign Consulting Firms or Locally Based Foreign Consulting Firms. FIDIC considers that important contributions to the development of a country's consulting industry are made by the involvement in international assignments of National Consulting Firms rather than of individual consultants.

2.4 Integrity

FIDIC recommends that consulting firms adopt the *FIDIC Business Integrity Management System* (BIMS) wherever possible, and that clients have regard to this policy during selection [1].

It is recommended that clients should subscribe to Business Integrity Management principles within their own organization. Experience has shown that lack of integrity in client authorities is self-defeating in that good quality consultants will not bid.



2.5 Fair competition

FIDIC recommends that, in the public interest, consulting firms compete with each other for providing consulting services on a transparent, “level-playing field” basis.

Furthermore, whenever publicly funded bodies such as government enterprises, universities or similar, and not-for-profit organizations compete (upon acceptable reasoning) with independent consulting firms, selection should be made exclusively by QBS. Normally, these not-for-profit organizations will be best employed in a sub-consultant role.

2.6 Harmonisation

FIDIC recommends that consulting firms and/or their national associations be consulted on the development or implementation of selection procedures, particularly where these differ from standard selection procedures. The costs to an economy of any unilaterally developed procedures can be high, and may impede the future export of services.

2.7 Limitation of liability

FIDIC recommends that it is in the interest of clients as well as consultants to limit the liability of the consultant at a fair level, and in accordance with the principles reflected in the provisions of Clauses 16 – 18 of FIDIC’s *Client – Consultant Model Services Agreement* [2].

2.8 Insurance

FIDIC recommends that insurance required from the consultant be limited to what is provided for in Clauses 19 and 20 of FIDIC’s *Client – Consultant Model Services Agreement* [2], and in no case be requested for risks that are insured by other parties, or otherwise reasonably to be carried by them.

2.9 Life-cycle costs

FIDIC draws the attention of owners and clients to the life-cycle costs of projects, which can generally be shown to be two to four times the initial capital cost, depending on the nature of the project. Life-cycle costs should be identified, with expert advice if necessary, and will logically influence the choice of design solution and emphasize the importance of quality in the selection of the consultant.

2.10 Monitoring outcomes

Clients such as government agencies, which have a series succession of projects over time, have the opportunity to monitor and analyze the outcomes and assess the performance of consultants against the methods adopted for selection. FIDIC recommends that this be done, and that the client assesses the information so gained to modify or at least fine tune the approach.

The overriding concern should be to maintain an appropriate quality of the professional services provided, with due attention to suitability of purpose, economy and value, sustainability, efficiency, integrity, management of risks, public welfare, fair opportunity for all consulting firms, and transparency of the process.

3 selection of individual consultants

Individual consultants are normally employed on assignments for which:

- the project size is such that teams of personnel are not required;
- no additional professional support is required;
- the experience and qualifications of the individual are the paramount requirement.

Individual consultants are generally engaged to carry out the following assignments:

- to prepare, review, supplement or update feasibility studies;
- to offer specialist consulting or sub-consulting services;
- to assist clients in carrying out sector studies and development plans;
- to assist clients in the tender preparation, evaluation and selection processes;
- to assist clients as extension of their own staff;
- to undertake peer reviews;
- to assist in forensic studies;
- to work as short- or long-term advisers for policy development and application, institutional development, capacity building and training.

Individual consultants are selected on the basis of their qualifications for the assignment. They may be selected on the basis of references, or through a comparison of capabilities among those expressing interest in the assignment or approached directly by the client.

Some clients who regularly have the need for individual consultants maintain a data bank to choose from. Individuals employed in this way shall meet all relevant qualification requirements and shall be fully capable of carrying out the assignment.

Capability is judged on the basis of academic background, skills, experience and, as appropriate, knowledge of the local conditions such as language, culture, building codes and practices, administrative systems, etc. The consulting fee is established through negotiations between the client and the consultant, similar to the Quality Based Selection method.

From time to time, permanent staff or associates of a consulting firm may be available as individual consultants. In such cases, the conflict of interest provisions described in these guidelines shall apply to the parent consulting firm.

FIDIC emphasizes that quality is paramount in the selection of consultants, and that Quality Based Selection is the recommended method.



4 selection of consulting firms

Quality Based Selection

In the Quality Based Selection (QBS) method [5], the client selects the consulting firm on the basis of professional competence and experience, managerial ability, availability of resources, professional independence, fairness of fee structure, professional integrity [1], and quality management systems [6]. The client prepares the Terms of Reference (TOR, see Section 4.3b) together with a budget for the consulting services. Consultants submit technical and, usually, financial proposals, in separate envelopes. Only the technical proposals are evaluated and used for the selection. However, if a financial proposal exceeds the maximum financing available, and this amount and its importance have been clearly stated in the request for proposals, then this would be a reason for rejection of the consultant's proposal.

The procedures to be followed are explained in the following sections.

4.1 Announcement and pre-qualification (long-listing)

Establishing a list of consulting firms which appear to be qualified for the project is often referred to as the pre-qualification, or long-listing.

When it can be reasonably expected that several, competing National Consulting Firms are fully capable of providing the services, the client normally advertises (announces) the contract in one or more national newspapers, or in other media, or on a web site, calling for expressions of interest. Alternatively, a long-list may be prepared using various resources, based on the country's (or International Funding Institutions', if applicable) relevant legislation or procedures. The client may contact professional organizations (such as FIDIC Member Associations), or persons or organizations which have employed consultants for similar projects, to prepare a long-list. The client may also use internal and external databases for preparing a long-list.

When international expertise is required, the client should also advertise the job in international newspapers and/or on web sites and/or technical

magazines, seeking expressions of interest.

The following information should be included in the announcement (advertisement) which invites consultants to submit their expressions of interest for the project.

- information about the client and the contact person;
- source of finance and the estimated budget (only if there are firm limits on the available financing);
- name, location and size of the project;
- whether the services will be procured nationally or internationally, or a combination;
- limitations on eligibility (as may be set by sources of financing);
- type and scope of services required (a brief summary of the job);
- areas of expertise deemed be critical;
- estimated time schedule for the project;
- the forms of agreement and any special terms or conditions;
- insurance requirements;
- information required from the applicant consulting firms (general and similar experience, staff, resources, partnerships, brochures, financials, etc.);
- method of consultant selection;
- deadline for the submission of expressions of interest;
- limit of page count for submittals (when appropriate).

The information requested should be the minimum required to make a judgment on the firms' suitability, and not be so complex as to discourage consultants from expressing interest nor to create undue cost burden on consultants. Sufficient time (normally not less than 30 days) should be provided for responses, before preparation of the short list.

Firms applying for short listing should be required to give a commitment to proceed with a proposal if short listed, provided that the Terms of Reference remain in line with the information given during the prequalification stage.

Some clients maintain a data bank of qualified firms from which a short list can be established

4 selection of consulting firms

without the long-listing process. Firms on such a data bank should be required to update their information at regular intervals.

4.2 Short listing

The client (or a consultant adviser) shall examine the expressions of interest submitted by eligible consultants, and prepare a short list. Consideration of firms other than those which have expressed interest in accordance with the client's imputation is not recommended.

Short lists should comprise three to six firms; normally three or four for complex projects, and four or five for straightforward projects. For international or internationally financed projects, they should provide a good geographic spread.

As applicable, the client should bear in mind the following factors during short-listing, ensuring that it is done in accordance with instructions given when requesting expressions of interest:

- general and relevant experience – technical competency;
- capacity to complete the work – resources within the firm;
- access to support resources and established associations;
- availability of key personnel;
- managerial capacity to perform;
- financial capability to perform (if applicable);
- past performance on client contracts (e.g., delivered on time and to budget);
- location of the firm's office in relation to the work;
- meaningful partnerships/associations with National Consulting Firms;
- Quality Management System established in the firm;
- details of staff, but limited to all relevant staff who will be available;
- Business Integrity Management System;
- political, social, cultural and environmental sensitivity (without contradicting conflicting with integrity principles);
- security level required.

FIDIC recommends that the client have access to appropriately experienced and knowledgeable people when forming the short list. Where the resources are not available in-house, consultants can be retained.

4.3 Request for proposals (RFP)

The client formally writes to each of the firms on the short list and invites proposals, that are sometimes called Requests for Tender (RFT). The client should normally inform the firms which expressed interest but were not invited, that they have not been retained on the short list.

The RFP should contain the following:

- a Letter of invitation
- b Terms of Reference (TOR)
- c Information to Consultants (ITC)
- d The proposed agreement

a Letter of invitation

The letter of invitation shall state the intention of the client to enter into an agreement for the provision of consulting services, the source of funds, and the date, time and address for the submission of proposals.

b Terms of Reference (TOR)

The client is responsible for drafting the TOR for selection, which should include an assessment of the physical magnitude and resource requirements of the project. The TOR shall be prepared by the client, or by an independent consultant(s) retained by the client and specialized in the area of the assignment.

The brief or scope of the services described in the TOR shall be compatible with the available budget. The TOR shall define clearly the objectives, goals and scope of the assignment, and provide background information (including a list of existing studies and basic data) to facilitate the consultants' preparation of their proposals. If the transfer of know-how or technical training will be an objective, it should be specifically outlined along with details of number of staff to be trained, and so forth, to enable the consultants to estimate the required resources. The TOR shall list the services and surveys necessary to carry out the assignment and the expected outputs (reports, data, designs, tender documents, maps, surveys, etc.).

However, the TOR should not be too detailed and inflexible, and should be such that competing consultants may propose their own methodology and staffing. The client and consultant responsibilities should

be clearly defined in the TOR. The firms should be encouraged to comment on the TOR in their proposals.

The minimum information required in the TOR is summarized below:

- scope of services compatible with available budget;
- objectives, goals of the project;
- background information (listing of existing studies, data, etc.);
- transfer of know-how terms (if applicable);
- training requirements (if applicable);
- list of services, surveys necessary;
- expected deliverables (reports, designs, tender documents, maps, etc.);
- a time schedule and phasing of the assignment, duration of commission;
- regional factors such as geographic location, language, logistics, allowances, and duration of commission;
- the expected input of key professional staff (staff time) required of the consulting firm with indications of minimum experience, academic degrees, and so forth (consultants should be left free to prepare their own staff time necessary to carry out the assignment);
- respective responsibilities of the client and the consulting firm.

c Information to Consultants (ITC)

The ITC shall contain all necessary information that would help the consulting firms prepare responsive proposals and, without being limited to the following list, shall include adequate information on the following aspects of the assignment:

- a short statement of the assignment;
- the contact person(s) of the client whom the consultants should apply/refer to, when and if necessary;
- the list of invited firms together with clarification about whether or not the short-listed firms can collaborate to submit a proposal;
- formalities in preparing and submitting the proposal, such as (and when applicable): language, number of copies, maximum page number, size – format or other limitations on the submissions; standard formats to be used in the proposals (for joint-venture agreement, presentation of past experience, CVs, etc. – these should not be unduly prescriptive); envelopes or the like to be used and their labelling or other identification, and in particular, if a separate financial proposal should be prepared and submitted for purposes of subsequent price negotiation; latest date

- and time for submission; address for submission; method or means of submission; requirement for numbering of the pages to be submitted;
- the form of agreement which will apply (see Section 4.3d);
- details of the evaluation and selection procedures to be followed, including a listing of the technical evaluation criteria and the weight given to each criterion;
- the minimum passing score (threshold) for quality (if applicable; care needs to be taken with this approach to avoid misuse and abuse of process);
- the date for submission and details of the proposal opening procedure;
- a clear statement of the information required from the consulting firm. This would normally include details such as:
 - past experience with projects of a similar nature;
 - details of organization;
 - project control;
 - financial control;
 - size and responsibilities of staff;
 - type of organisation and managerial method proposed for executing the work;
 - Quality Management System;
 - Business Integrity Management System;
 - knowledge of local conditions;
 - project methodology, availability of resources;
 - the alternatives to be considered (invitation for innovation);
 - approach and commitment to transfer of know-how;
 - level of participation and roles of National Consulting Firms;
 - target cost estimates for the project implementation;
 - compliance with the desired time schedule.

Note: this Statement of Information required from the consultant should clearly align with the technical evaluation criteria for selection.

- location where the work will be performed;
- the total budget (if a given amount should not be exceeded);
- details and status of any external financing;
- information on negotiation of the agreement; (financial and other evidence that may be required of the selected firm);
- currency(ies) in which the costs of services shall be paid;
- any bonuses or penalties which may be applied as a function of the performance of the consultants;
- whether fee escalation shall be applied or not, and the relevant conditions;
- terms of payment including any retention requirements
- reference to any laws of the client's country that may be relevant to the proposed agreement, including tax laws;

4 selection of consulting firms

- a statement that the firm and any of its affiliates shall be disqualified from providing goods, works or services that would fall into a conflict of interest with the subject of the agreement;
- brief explanation of conditions of professional liability insurance required under the agreement (if applicable);
- limitation of liability (see Section 2.7);
- a request for the receipt of the RFP and notification of the client whether or not the short-listed (invited) firm will be submitting a proposal;
- a request for cost estimate details in a particular format, including rates and reimbursables. These details will form the basis for contract price negotiations and must be submitted in a separate, sealed envelope;
- the period for which the consultants' proposals shall be held valid (normally 60 – 90 days) and during which the consultants shall undertake to maintain, without change, the proposed key staff; and, in case of a later request for the extension of the validity of the proposal, a statement confirming the right of the consultants not to maintain their proposal;
- for consulting services to be procured internationally, a statement indicating whether or not the consultant and personnel shall be tax exempt; and if so, under which conditions, and if not, what the likely tax regime will be or where this information can be obtained;
- any conditions for subcontracting part of the assignment (if applicable);
- the expected date of commencement of the assignment;
- likelihood of follow-up assignments or possible downstream work;
- the procedures for handling clarifications about the information given in the RFP;
- any relevant copyright or intellectual property issues;
- a statement of encouragement to visit the site and meet the client, in order to better evaluate the scope of work, and the conditions for such visits (see Section 4.4);
- request for comments on the TOR (this will normally be related to the evaluation criteria);
- a requirement for a brief statement of the methodology proposed, in order to give an indication of the consultant's understanding of the project;
- page number, size, format or other limitations on the submissions (if required). FIDIC recommends that clients should sensibly limit the length of proposal to about 10 to 20 pages plus attachments.

d The proposed agreement

The FIDIC *Client – Consultant Model Services Agreement* [2], is recommended as an instrument which establishes a fair, sound and tested agreement between

the client and the consulting firm, with properly and carefully filled in appendices. In any event, the short-listed tenderers must be provided with a full copy of the agreement which is to apply to the commission.

4.4 Preparation and submission of proposals

The client shall allow enough time for the firms to prepare proposals. The time allowed shall depend on the assignment, but normally shall not be less than four weeks or more than three months. During this time, firms may request, in writing, clarification about the information provided in the RFP. The client shall provide this clarification in writing, and copy it to all firms on the short list.

It is advantageous for clients and consultants to make arrangements for site visits as stated in the ITC, and for providing additional information on the project, as applicable, well before the last day for submission of proposals.

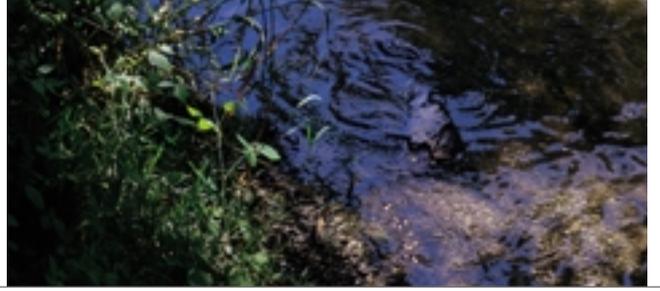
All consultants invited to submit proposals must be given fair and equal possibility to participate and to obtain information. A 'pre-proposal' conference convened by the client and attended by the representatives of all short-listed bidders is considered an advantage, although cost is a factor.

The proposals shall be prepared according to the requirements set out in the RFP. They must be accurate, complete and duly signed by (an) authorized official(s) of the consulting firm and, in the case of CVs, by the individuals proposed.

Even if only 'technical' aspects will be used for evaluation under QBS, it is advantageous if the consultants also provide a financial proposal which may serve as a basis for later negotiations, should the proposal be retained. Whenever both technical and financial proposals are so requested, they shall be submitted in separate, sealed and correspondingly marked envelopes, normally put together in one outer envelope.

4.5 Receipt and opening of proposals

The proposals submitted shall be registered by the officer-in-charge at the time they are submitted. They shall be kept safe until they are to be opened. Any proposal received after the announced closing time for submission of proposals shall be returned unopened, unless otherwise required by law.



Q B S method

Only where there is good reason, should the client extend the deadline for the submission of proposals. No amendments shall be given and/or accepted after the agreed deadline.

When the deadline has passed, the proposals submitted shall be opened without delay. The envelopes containing the technical proposals shall be opened; any financial envelopes shall be retained unopened until the technical evaluation is finished. In some countries, it has been practice to deposit the financial proposals with a reputable notary public or other independent authority until they are opened.

The consultants invited to submit proposals should be invited to attend the opening of both technical and financial proposals. Minutes shall be prepared and signed by the legal representatives of both the client and the consultants, at the times of the openings.

4.6 Evaluation of proposals

The client shall systematically evaluate and rank each proposal against the basis for selection outlined in the RFP. This process helps to maintain the integrity of the selection process, and can involve:

- formation of a selection committee (FIDIC recommends balanced inter-agency evaluation teams with appropriate competence and commitment to integrity and independent decision making);
- a weighting or score for each criteria, as set down in the ITC;
- independent evaluation of firms by each member of the selection committee;
- individual score sheets being collated and a documented record of the selection process retained.

Clients may be assisted in this evaluation process by an independent consultant or a consulting firm. In some countries, public sector clients use a combined public-private panel, with suitably qualified evaluators mandatory for certain projects. FIDIC will provide details of these approaches on request.

If the project size and complexity warrant it, the client can include in the evaluations: interviews of key consultant team members; a visit to the consultants' premises; discussions with the consultant's past clients and project end users; and inspections of past projects. These activities can be carried out by teams of experts including client representatives and individual consultants. Care must be taken to ensure that such

measures are carried out in a perfectly fair and equitable manner, with appropriate transparency.

The following steps shall be taken during technical evaluation:

- The client (or the client's selection committee) shall evaluate each technical proposal, taking into account several criteria, as set out in the RFP:
 - a the consulting firm's relevant experience for the assignment;
 - b the quality of the methodology proposed;
 - c the qualifications of the key staff proposed;
 - d training or transfer of know-how provisions (if applicable);
 - e the extent and quality of participation by National Consulting Firms in the assignment (in internationally financed projects);
 - f the support facilities (if applicable) of the consultant; and
 - g overall quality of the presentation.
- Each criterion shall be marked on a scale of 1 to 100. Then the marks shall be weighted to become scores. Indicative weights are given in Appendix 2 and should be adjusted for different circumstances. The proposed weights shall be disclosed in the RFP.
- These criteria are normally divided into subcriteria. For example, subcriteria under methodology might be innovation and level of detail. However, the number of subcriteria should be kept to the essential only. The use of excessively detailed lists of subcriteria may render the evaluation a mechanical exercise more than a professional assessment of the proposals. The weight given to general experience can be at the lower end of the range, since this criterion has already been taken into account when short-listing the consulting firm. More weight shall be given to the methodology in the case of more complex assignments.
- For short-listing purposes, all relevant available staff should be considered, but for final selection, evaluation of only the key personnel is recommended. Since the key personnel ultimately determine the quality of performance, more weight shall be assigned to this criterion if the proposed assignment is complex. The client shall review the qualifications and experience of proposed key personnel in their CVs. When the assignment depends critically on the performance of key staff, such as a project manager in a large team of specified individuals, it may be desirable to conduct interviews. The individuals shall

4 selection of consulting firms

typically be rated under the following three subcriteria, as relevant to the task:

- a general qualifications (general education and training; length of experience; positions held; time employed with the consulting firm; experience in developing countries; and so forth);
 - b adequacy for the assignment (education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and
 - c experience in the region (as applicable); knowledge of the local language, culture, administrative system, government organization, and so forth.
- The client shall evaluate each proposal on the basis of its responsiveness to the TOR. A proposal shall be considered unsuitable, and shall be rejected at this stage if it does not respond to important aspects of the TOR or if it fails to achieve a minimum technical score (threshold) specified in the RFP. It is also very important that the client should accurately follow the steps described in the RFP to evaluate proposals, and not create other measurement methods to those stated in the RFP.
 - At the end of the process, the client shall prepare an evaluation report of the 'quality' of the proposals. The report shall substantiate the results of the evaluation and describe the relative strengths and weaknesses of the proposals. All records relating to evaluation, such as individual marking sheets, shall be retained until the completion of the project and its audit.
 - If financial proposals have been requested, only the one corresponding to the best placed technical proposal shall now be opened and examined as the basis for fee negotiations. The other financial proposals must be returned unopened once a contract has been concluded.

4.7 Selection of the consulting firm and negotiations

The top ranked firm (the firm with the highest overall technical score) is invited to negotiate an appropriate fee after mutually agreeing upon changes in the details of the TOR as they would be retained in the contract. If price details have been requested together with the technical proposals, they will serve as the basis for the negotiations. The fee will reflect the scope of services to be provided, taking into consideration contractual and legal requirements, time schedules, payment terms and appropriate risk allocation between the parties.

If agreement cannot be reached with the top ranked firm, the negotiations are terminated and begun

with the second ranked firm, and so on down the list until agreement is reached. Fee negotiations should be conducted in an atmosphere of cooperation. This should strengthen and build the confidence and trust which are absolutely essential to a healthy client-consultant relationship. Once a firm has been rejected, it should not be recalled for further negotiations.

4.8 Agreement

The recommended form of agreement is the *FIDIC Client – Consultant Model Services Agreement* [2] or at least a recognized standard contract, with appendices filled in as appropriate, reflecting the scope of the work. The final TOR and the agreed methodology shall be incorporated in the scope of work. The selected firm should not be allowed to change the key staff or any major items included in its proposal, unless both parties agree that undue delay in the selection has made it necessary.

4.9 Notification

When the agreement has been signed, all those firms which have submitted proposals should be informed by the client within a reasonable time that they were not successful.

All tenderers should receive the following:

- a Name of the successful consultant and its overall score;
- b Price of the contract; and
- c Number of proposals received.

In order to maintain transparency (and to promote competition), the client should provide the interested parties with the evaluation results by publishing them in national and international newspapers, technical magazines and/or on its web site, as appropriate.

4.10 Debriefing

If, after notification of award, a consulting firm wishes to ascertain the grounds on which its proposal was not selected, it should address its request to the client within a reasonable time and the client should then invite the firm without delay to discuss the issues. In this discussion, only the merits or otherwise of the consulting firm's own proposal should be discussed and not those of competitors. Further detail should then be provided on that consultant's technical scores, as well as where the firm was ranked in the evaluation.

FIDIC emphasizes that quality is paramount in the selection of consultants, and that QBS is the recommended method. Cost as a factor of selection must therefore be used with great care and an understanding of what is involved.



5 selection of consulting firms

Other selection methods

Appendix 1 sets out an approach for determining which selection method is appropriate for a particular project. The client, taking advice if necessary, should make this determination at the outset of the selection process.

5.1 Quality and Cost Based Selection

Quality and Cost Based Selection (QCBS) uses a competitive process among short-listed firms that takes into account both the technical quality and the cost of the services proposed in the selection of the consulting firm.

The most commonly used method of QCBS is the cost-weighted method (alternatively referred to as the two envelope system), in which selection is based both on the quality and the cost of the proposed consulting services to be provided.

The relative weight to be given to quality and cost should be determined for each case depending on the nature of the assignment. FIDIC recommends that, when cost is an element in the selection process, it should normally be kept between zero and ten percent; with 20 percent being the maximum weight in simple and straightforward cases.

The weight of quality in no case should be less than 80 percent. In addition, the client usually announces a threshold value for technical points, under which the proposals would be returned to the relevant consultant, with financial proposals unopened, and the consulting firm is disqualified during the evaluation phase.

Under certain circumstances (where the overall scope cannot be well defined), the client may elect to use a modified QCBS system based on unit rates. In this case, the client estimates the level of effort that might be required, and publishes these by staff category. This level of effort is then utilised by the consultant to apply unit rates to obtain an estimated cost that is used in the comparative evaluation. All other procedures stated below for this system are the same.

The procedures for this selection process are explained under the following items. Apart from the price component, the procedures are the same as for QBS, and should be applied with equal vigour.

5.1.1 Announcement and pre-qualification (long-listing)

Procedures are the same as for Quality Based Selection (see Section 4.1).

5.1.2 Short listing

Procedures are the same as for Quality Based Selection (see Section 4.2).

5.1.3 Request for Proposals (RPF)

Procedures are generally the same as for Quality Based Selection (see Section 4.3).

a Letter of information

Procedures are the same as the same as for Quality Based Selection (see Section 4.3a).

b Terms of Reference TOR)

Procedures are the same as the same as for Quality Based Selection (see Section 4.3b).

c Information to Consultants (ITC)

The ITC shall contain the same information as for QBS in Section 4.3c, with the following additional requirements relating to price:

- the minimum passing score (threshold) for quality (when applicable);
- standard formats for the financial proposals (the cost of staff time shall be estimated on a realistic basis for both National and Foreign or Locally Based Foreign Consulting Firms, separately for each);
- necessary information about the proposal submission procedure, including the requirement that the technical proposals and financial proposals be sealed and submitted separately in a manner that shall ensure that the technical evaluation will not be influenced by price;
- details of the the two-stage evaluation process, a listing of the technical evaluation criteria and weights given to each criterion, the details of the financial evaluation, the relative weights for quality and cost;
- the procedure for the announcement of the technical scores together with the public opening of the financial proposals;

4 selection of consulting firms

- the formula by which the financial scores shall be calculated;
- whether or not a threshold shall be applied to the financial proposals, and the cost below a certain percent of the client's pre-estimated (see Section 1.3.) cost for consulting services shall be announced as non-conforming and shall not be evaluated;
- currency(ies) in which the costs of services shall be expressed, compared and paid;
- the period for which the consultants' proposals shall be held valid (normally 60 to 90 days) and during which the consultants shall undertake to maintain, without change, the proposed key staff and shall hold to both the rates and total price proposed, in case of an extension of the proposal validity period, the right of the consultants not to maintain their proposal. This validity period is particularly important where a price has been tendered.

d The proposed agreement

Procedures are the same as for Quality Based Selection (see Section 4.3d).

5.1.4 Preparation and submission of proposals

Procedures are the same as for Quality Based Selection (see Section 4.4) except the last paragraph, which shall be deleted and replaced with:

"Both technical and financial proposals shall be submitted in separate, sealed and correspondingly marked envelopes, with both envelopes put together in one outer envelope."

5.1.5 Receipt and opening of proposals

Procedures are the same as for Quality Based Selection (see Section 4.5).

5.1.6 Evaluation of proposals

The evaluation of the proposals shall be carried out in three stages:

- a evaluation of the technical proposals (quality)
- b evaluation of the financial proposals (cost)
- c combined technical and financial evaluation.

Evaluators of technical proposals shall not have access to the financial proposals until the technical evaluation, including any clarification, client reviews and/or approvals required is accomplished. Financial proposals shall only be opened publicly, following

completion of the technical evaluation. Both evaluations shall be carried out in full conformity with the provisions of the RFP.

a Evaluation of the technical proposals

The technical proposals shall be evaluated exactly as set down for QBS in Section 4.6.

b Evaluation of financial proposals

After the evaluation of the technical proposals is completed, the client shall notify as soon as possible, those consultants whose proposals did not meet the minimum passing score, or were considered non-conforming with the RFP and TOR, indicating that their financial proposals will be returned unopened after the completion of the selection process.

The client shall simultaneously notify the consultants who have secured the minimum passing score, and indicate the date and time set, for publicly disclosing the technical scores and opening the financial proposals. The opening date shall be as soon as appropriate after the notification date, allowing consultants sufficient time for making travel arrangements, etc., as necessary. The financial proposals shall be opened publicly in the presence of representatives of the consulting firms which choose to attend. The names of the consulting firms, their technical scores and the proposed prices shall be read aloud and recorded when the financial proposals are opened.

The client shall then review the financial proposals. If there are any arithmetical errors, they shall be corrected in front of the competitors. For the purpose of comparing proposals, the costs shall be converted to a single currency as selected by the client (local currency or fully convertible foreign currency) and stated in the RFP. The RFP shall specify the source of the exchange rate to be used, and the date of that exchange rate, provided that the date shall not be earlier than four weeks prior to the deadline for submission of proposals, nor later than the original deadline for submission of the proposals.

For the purpose of evaluation, 'cost' shall exclude local taxes, but shall include other reimbursable expenses, such as travel, translation, report printing or secretarial expenses.

Very low and unreal financial proposals with respect to a reference cost pre-estimated with regard to

Other methods

Section 1.3 by the client (e.g., 30 percent lower than a properly prepared budget) should be considered as non-conforming to the RFP and the TOR, and should not be evaluated; provided that this situation is clearly explained in the RFP. FIDIC strongly recommends that proposals with unrealistically low prices should be discarded by the client.

The proposal with the lowest cost will be given a financial score of 100, and the other proposals given scores that are inversely proportional to their prices, i.e., if the lowest conforming price is A, then the score for price B is $(A/B) \times 100\%$.

Alternatively, a direct proportion, average cost model or other methodology may be used in allocating the marks for the cost component. The methodology to be used for financial scoring shall be described in the RFP.

c Combined technical and financial evaluation

The total score shall be obtained by weighting the technical and financial scores and adding them. The respective weightings for quality and cost shall be specified in the RFP.

The weighting for the 'cost' shall be chosen, taking into account the complexity of the assignment and relative importance of quality. As has been explained above, FIDIC recommends that the weighting for price should normally be in the range of 0 to 10 points, but in no case should exceed 20 points out of a total score of 100 points.

If the scores for quality and cost as percentages are Q and C and the weighting for cost is W (e.g., if the weighting is 10%, '0.1' is used in the formula for W) then the combined score becomes:

$$\text{Score} = (1 - W)Q + WC$$

5.1.7 Selection of the consulting firm and negotiations

The consulting firm which obtains the highest total score (weighted technical plus weighted financial score) shall be invited for negotiations. Negotiations shall include discussions of the TOR, the methodology, staffing, client's inputs and any special conditions of the agreement. Only minor changes shall be made, if necessary. Financial negotiations shall

include clarification of the consulting firm's (or each partner firm's) tax liability in the country of the investment, and how this tax liability has been or would be reflected in the agreement. Proposed unit rates for staff time and reimbursables shall not be negotiated, since these have already been a factor of selection in the cost component of the proposal.

If the negotiations fail to result in an acceptable agreement, the client shall terminate the negotiations and invite the consulting firm with the next highest total score. The first invited firm shall be informed of the reasons for this termination and the client shall not reopen negotiations with the same firm. Negotiations should be conducted in an atmosphere of cooperation. This should strengthen and build the confidence and trust which are absolutely essential to a healthy client – consultant relationship.

5.1.8 Agreement

Procedures are the same as for Quality Based Selection (see Section 4.8).

5.1.9 Notification

Procedures are the same as for Quality Based Selection (see Section 4.9).

5.1.10 Debriefing

Procedures are the same as for Quality Based Selection (see Section 4.10).

5.2 The Budget Method (Target Price Method)

The Budget Method is usually adopted where outputs are difficult for the client to specify or quantify, and a limited budget exists. The types of contracts suited to this method are strategic studies, feasibility studies, transportation studies, and site investigations.

The client supplies a budget figure to short-listed firms accompanied by Terms of Reference (TOR) outlining the consulting services required. These TOR need to be flexible enough to enable consultants to meet the requirements of the client in an optimum way, and they should clearly state what the client expects the consultant's proposal to contain.

Selection is then made on the basis of the Quality Based Selection procedures (see Section 4 above). The method allows the client to budget for the cost of professional services, but it puts more responsibility on clients to define the Terms of Reference precisely.

Exceptionally, proposals only need to be submitted in one envelope as price is fixed in the information to Clients. If two or more tenderers score the same overall index, the client should consider the relative outputs proposed in the methodology as a means of selecting the preferred tenderer.

5.3 Design competition

On some very large and important projects, clients may feel that, to obtain the best benefit from the available technology, a design competition should take place between a small group of short-listed consulting firms (see Section 4.2 for selection of the short list). The firms are sometimes requested to submit their fee proposals and/or estimates of construction costs with the design proposal. In addition, the form of presentation (i.e., proposal, computer generated graphics, models, etc.) should be specifically limited in size and magnitude (number and scale of drawings, scale of model, etc.). The preliminary design services of all competing consultants are normally paid for, at cost. If this is not done, design competitions have the effect of putting up overall prices.

The client has the advantage of having a clear idea of the consulting firm's proposed solutions and the costs, as the quality and scope of work is more clearly defined. The approach has the disadvantage of

being expensive and time consuming up until selection, and it can mean that too much emphasis is put on technical rather than managerial ability.

In such design competitions, the intellectual property will remain with the consulting firms and only be transferred, if at all, if the submitting firm is awarded a contract to continue with the design.

The firms whose proposals are not accepted, shall have the right of not transferring their intellectual property rights to the client, and are strongly recommended not to do so.

5.4 Price negotiation

A small group of consulting firms is short listed on quality (See Section 4.2) and then invited to negotiate fees. The method often degenerates into an auction on which the prices quoted are dropped successively until all but one consultant drops out.

It is unlikely that reputable firms will agree to these kind of negotiations and, even if they do, they will be unable to provide a service which bears any resemblance to the quality that they are accustomed to giving or which the client should be seeking.

FIDIC strongly recommends against this approach.

5.5 Cost based selection (Lowest Price Conforming Method)

This system – if used at all – could be applicable only for cases dealing with very small, simple and well-defined projects. It causes the client to take serious risks, and in the long run contributes tremendously to a weakening of the consulting industry in the country.

The client directly calls for proposals, usually through advertisement in local newspapers, etc., and in addition to fee quotations, asks for the preparation of documents such as registration with relevant chambers, and various certificates and similar, attesting to eligibility. The firms are given a deadline to submit their price proposals together with the required documents. All the envelopes are opened at a pre-determined time in front of the competitors and the consultant with the lowest priced proposal is normally invited to sign an agreement with the client.



O t h e r m e t h o d s

In this method, there is normally no short listing and therefore no limitation on the number of firms which will submit proposals. However, the TOR may specify certain minimum requirements or any features which would be unacceptable. Proposals which do not meet the minimum requirements are considered as non-conforming.

FIDIC strongly recommends against this method for consultant selection.

5.6 Single source selection

Single source selection is used where national policies or laws allow for the fast tracking of certain types of tender (particularly within the public sector), usually up to a certain cost limit. Consultants approached to submit proposals under this method will normally be known to the client, or may have previously been short listed (see Section 4.2) or pre-selected under certain quality criteria as outlined under QBS. Certain attributes of these consultants may already be known to the client, thereby simplifying the selection process and allowing a concentration on criteria such as methodology.

This method is particularly useful where the total administration costs associated with a full tender and evaluation process would exceed the project efficiency gains likely to result from use of the full process, or where the project is the extension of a previous project.

6 evaluation of consulting firms within PFI projects

Private Finance Initiative (PFI) contracts have become a popular way for government departments to promote capital projects without revenue demands on the government. PFI projects usually are, and should be, advertised publicly.

Inquiries are generally directed to the concessionaire. The concessionaire is normally the prime equity holder in a Special Purpose Vehicle (SPV), which will be established for the duration of the project, e.g., 25 – 30 years. The concessionaire will then partner with a founder and a contractor who are also likely to be equity holders.

The contractor within the SPV usually has the responsibility to select the consultant (who is unlikely to be an equity holder) for the project, although the concessionaire may occasionally recommend a consultant with whom there has been a successful partnership in the past.

It is preferable and normal for the consulting firm to be paid a fee for its services in the bid preparation phase. This fee is usually on a discounted basis with a catch-up payment to full fee, plus a bonus if the project goes through to financial closure. Contractors understand that a large part of the bid success will be a direct result of the consultant's skill, innovation and ingenuity, and for this reason, many teams offer bonus payments as each stage milestone is achieved.

The concessionaire and the contractor select the consultant on the basis of the past track record, and are particularly interested in innovation and cost saving ideas, especially where these have resulted in previous successes. The SPVs appreciate that, in comparison with the cost of taking the project through to financial closure, the consultant's fee is small and a wise investment.

Selection of a consultant by bidding for fees is virtually unknown for PFI projects. Reputation is everything. A consultant with a good track record also has an important role to play in assuring the client that the SPV has assembled a quality team, able to understand and correctly interpret the client's brief.

The selection of the Special Purpose Vehicle tends to follow the procedures set out in Section 4 (Quality Based Selection). Consultants normally are not 'selected' by the client, but evaluated within the whole PFI group. Clients must pay special attention to the consultant's quality during the selection process for SPV's, and concrete evaluation criteria must be incorporated for consultants in the RFP, similar to QBS. At least 10 percent of the technical points for the selection of the SPV should be allocated to the consultant within the SPV tenderer's team. Details of the selection methodology for SPV's are further described in the FIDIC draft guide to best practice for PFI projects [7].

7.1 Conflict of interest

Consultants shall provide professional, objective, and impartial advice, and at all times hold the client's as well as the public's interests paramount, without any consideration for future work, and shall avoid conflicts with other assignments or their own corporate interests. Consultants shall not accept any assignment that would be in conflict with their prior or current obligations to existing clients, or that may place them in a position of not being able to carry out the assignment in the best interest of the client in an impartial manner.

FIDIC recommends that consultants shall not be engaged on a particular project under the circumstances set forth below:

- A consultant previously engaged by the client for providing consulting services on the project, shall be disqualified from subsequently providing works or services which would be in conflict with the original assignment. Engagement of a consultant for different components for the same project at different times would not *per se* be considered a case of conflict of interest.
- A consultant which takes a role in the preparation of the RFP for the procurement of consulting services of a specific project may be restricted from offering any other kind of consulting services described in the Terms of Reference, for that same project.
- A consultant, or any affiliates assigned for a specific project, shall not undertake any other assignment which, by its nature, may be in conflict with any of its other past or present assignments.
- A consultant must advise if it owns any proprietary products or systems which it may recommend to a client, or if any other interest is held in such products, to ensure transparency and that no conflict shall arise in the evaluation and application of the recommendations.

7.2 Alliances

Consulting firms may associate with other firms to complement their respective areas of expertise and resources, and also to participate in organizations created to maximize capabilities and strengths when bidding for project delivery systems such as PFI's and turnkey projects. These associations may be for a specific assignment only, and may take the form of a joint venture, a consortium of companies, some form of alliance, or a Special Purpose Company (SPC) created solely for that purpose [3, 4].

In each case, the client's selection process will have to carefully address the liability issues related to the association or the SPC since, depending on its legal structure, the association or SPC members may, jointly or independently, be liable for the entire venture or for a limited participation only. The contracting entity must be clearly identified in the proposal.

Once the short list is finalized and the RFP issued, any association in the form of a joint venture, alliance, consortium or sub-consultancy among short-listed firms shall be permissible only with the approval of the client, unless otherwise stated in the RFP. Any short-listed firm should be free to establish associations with consulting firms other than the consultants within the short-listed firms before proposal submission, providing the establishment of any such association is made clear in the proposal, and shall neither cause conflict of interest, nor violate the terms of the RFP.

7.3 Fraud, corruption and the need for business integrity

Corrupt practices, such as bribery, fraud, collusion or extortion are morally, socially and economically damaging, and illegal in most if not all countries. They jeopardize the procurement process, and are basically wrong because they undermine the values of society. It is more than stealing funds, it is stealing trust.

FIDIC has taken a proactive role in joining the worldwide effort to combat corruption by supporting international anticorruption initiatives, and by promoting high ethical standards. FIDIC has developed and recommends to its member firms the implementation of the FIDIC Business Integrity Management System (BIMS) [1]. FIDIC also recommends that clients subscribe to Business Integrity Management principles within their own organizations.

BIMS is aimed at assuring business integrity related to the firm's ability to fulfill in practice its commitment to a code of conduct on behalf of all its stakeholders, with Business Integrity Management encompassing the holistic implications of all elements of the management of a consulting firm's services.

Consulting firms are strongly advised to commit to integrity through the implementation of a Business Integrity Management System involving all levels of management and every employee, focusing on corruption prevention. FIDIC recommends that clients give credit in the selection process to those consulting firms which have a BIMS in place.

Consulting firms should only participate in private or public competitive bidding under the highest standards of corporate ethics and competitive practices, and with total integrity in its transactions. If this is done, then in the long term, the firm, the industry and the public will be the beneficiaries.



8 sustainable development

FIDIC is committed to the principles of sustainability. Sustainable development integrates the environmental, economic and social dimensions of human endeavour into a single, comprehensive concept.

Clients should ask for and give credit during the selection process to consultants which adopt sustainability principles [8]. In many countries, considerable importance is already being placed on the economic, environmental, social and cultural aspects related to activities impacting on the built and natural environment. Clients should take into account the track record and relevant expertise of consulting firms in this area, as well as the principles adopted within the firms.

The strategy for sustainability [9] must focus on two main aspects, namely professional policies (comprising professional attitudes, public relations and

co-operation) and professional services. Overall objectives and detailed strategies and action plans for each aspect need to be formulated.

These objectives are in line with the trend towards increased participation during project development, where all parties and disciplines are integrated at the earliest stage. This active inducement of enhanced communication between stakeholders represents a new role for consultants.

Professional policies define the role that consultants should play in society, as reviewed in the FIDIC report *Engineering Our Future* [10].

9 capacity building

In order to contribute to the capacity of the National Consulting Firms in developing countries, FIDIC recommends that clients include the following provisions in their consultant selection guidelines, and evaluate each whenever possible during the selection process [11]:

- Involvement of National Consulting Firms rather than individuals;
- Meaningful participation of National Consulting Firms that operate competitively in the private sector, throughout the whole assignment;
- Presence of Quality Management and Business Integrity Management systems in the National Consulting Firms;
- Engagement of firms or consortia to provide a complete service for a project, rather than subdividing projects to 'spread the work around';
- Transfer of know-how provisions, whenever appropriate.

FIDIC is strongly committed to the principle that purchasers of consulting services must be fully informed on both the technical aspects of specific projects and on proper processes for the procurement of consulting services. Well-informed purchasers – whether government or private clients – are far more likely to carry out successful projects than purchasers who are inadequately informed or who are lacking in expertise. For a project to be successful in the best interests of the client, the consultants and the end user (the public), both the purchaser and consultant must have an identical vision for the project. A well-informed purchaser:

- has the technical knowledge to articulate and share the vision of the project;
- has a clear understanding of the methodology required to execute the project;
- can evaluate the skills of consultants for projects using a proper selection process;
- understands the risks associated with the project and is willing to allocate these in a fair and appropriate manner;
- understands the adverse impact of demanding an earnest money deposit or a security deposit for consulting services;
- knows the significance of specifying a time frame for submissions and for approval of a project, and the monitoring system;
- understands the importance of specifying unambiguous payment terms and methodology for approval; and
- knows the essential difference between a consultant and a contractor.

At the outset or conceptual stage of a project, purchasers should evaluate their in-house capabilities and assess whether they have the expertise to properly develop and manage the required programme. Proper expertise goes beyond the need for a contract administrator who may not have the technical understanding of the details required for successful programme.

With the downsizing of government departments around the world, it is particularly important that government retain staff with core competencies. It may be necessary to retain outside expertise to perform programme development tasks, including the procurement of consulting services. FIDIC member firms can provide suitably qualified and experienced experts to assist clients in preparing RFPs, TORs, and ITCs, and in evaluating bids and negotiating agreements.

references to FIDIC documents

FIDIC publications listed below are either referred to throughout these guidelines, or they provide the user and reader with more detailed information relevant to all aspects of consultant selection.

- 1 *Guidelines for Business Integrity Management in the consulting engineering industry*, FIDIC, 2001.
- 2 *FIDIC Client – Consultant Model Services Agreement (The White Book)*, 3rd Edition, 1998. See also [3, 4]
- 3 *FIDIC Joint Venture (Consortium) Agreement*, 1st Edition, 1992.
- 4 *FIDIC Sub-Consultancy Agreement*, 1st Edition, 1992.
- 5 *Quality Based Selection for the procurement of consulting services*, FIDIC, 1995.
- 6 *FIDIC Guide to Quality Management in the consulting engineering industry*, 2nd Edition, 2001.
- 7 *Draft Guide to best practice in PFI*, FIDIC, 2003.
- 8 *Sustainable development in the consulting engineering industry: a unique capacity to address the priorities*, FIDIC, 2001.
- 9 *FIDIC Strategy on sustainable development in the consulting engineering industry*, 1999.
- 10 *Engineering Our Future*, FIDIC, 1998.
- 11 *Capacity building: Building the capacity of consulting firms*, FIDIC, 2001.

general references

Guidelines: selection and employment of consultants by World Bank borrowers
The World Bank, 1997, last revision 2002.

Guidelines on the use of consultants by the Asian Development Bank and its borrowers
Asian Development Bank, 1968, last revision 1998.

Rules of procedure for the use of consultants
African Development Bank, 1996.

Procurement policies and rules
European Bank for Reconstruction and Development, 1992, last revision 2000.

Practical guide to EC external aid contract procedures
European Commission, 2001.

Manual of instructions
Common Service for External Relations, European Commission, 1999.

Business opportunities for consulting firms
Interamerican Development Bank, 1991.

Basic procurement policies and procedures of the IDB
Interamerican Development Bank, 1998.

Guidelines for the use of consultants
Islamic Development Bank, 1995.

1 JWCI Proposal on consultant selection

Joint Working Group of the Consulting Industry

At the 1999 *Biennial Meeting between the International Lending Agencies and the Consulting Industry* (BIMILACI '99), a Joint Working group of the Consulting Industry (JWCI) proposed a methodology of how price could be used in the selection of consultants, if borrowers were to consider using the Quality and Cost Based Selection (QCBS) method.

The JWCI methodology recommended the use of six parameters, namely:

- 1 The multiplier effect of the assignment.
- 2 The uniqueness of the assignment.
- 3 The potential damage as a result of failure of the project.
- 4 Pre-contract conditions (clearness of the TOR; client experience).
- 5 Post-contract conditions (control of consultant; remedial actions).
- 6 Complexity/specialty of the assignment.

Each parameter was given a score of one to four, where one stood for 'low importance' of the parameter, and four stood for 'high importance'. If the total of these scores exceeded 15, the project was deemed too important to be selected by QCBS; that is, the weight given to cost (or price) should be zero. If the score was less than 10, price could be considered, and the JWCI recommended a maximum weight of 10 percent.

In the workshop that discussed the JWCI proposal, attendees agreed that there was an overlap in parameters 2 and 6, and that parameters 4 and 5 should not be considered, as there was some overlap between them and the other parameters. Thus the workshop recommended that the JWCI submit a simplified methodology, using only the three parameters, namely:

- 1 The multiplier effect of the project.
- 2 The complexity of the project.
- 3 The potential damage if the project fails.

Potential damage if the project fails

There can be little doubt that if failure of the project, such as in the case of a dam, [or major bridge,

power facility, etc.] would lead to catastrophic financial or social loss, the client (Employer) should never select a design and construction administration services for the project on the basis of price. Thus, the client should examine the consequences of failure of the project, and if the consequences prove to be too high, selection of the consultant designing (and subsequently supervising the construction), should be done by Quality Based Selection.

Complexity of the project

If the project is highly complex or specialized, again the client should be using the QBS system for consultant selection.

Multiplier effect

If the impact of the consultant's assignment would be major, such as in a strategic study for the development of a sector, or of a large project, or for government decision-making purposes that will have long-term effects, again the consultant should be selected by QBS.

Obvious QBS assignments

These three parameters, if they prove to be of high importance, call for the selection of the consultant by the QBS method. The *Guidelines: selection and employment of consultants by World Bank borrowers* stresses the above points in its section 3.2 Quality-Based Selection (QBS), and extends the list of 'QBS Assignments' to include those "that can be carried out in substantially different ways, such that proposals will not be comparable (for example, management advice, and sector and policy studies in which the value of the services depends on the quality of the analysis)."

Therefore, there seems to be unanimity of agreement in all banks, and all consulting federations, that: assignments with high complexity, or requiring specialization; or leading to a high multiplier effect or downstream impact; or having disastrous impact if the related project fails; or assignments that are difficult to compare; should all be assigned on the basis of Quality Based Selection.



QCBS assignments

The challenge for the JWCI was to propose a reasonably straightforward methodology that can be used by borrowers who believe that the assignment for the consultant does not fall into the above QBS category, and hence can be assigned using Quality and Cost Based Selection (QCBS).

Steyn Laubscher, a FIDIC Past President, prepared for FIDIC's *Annual Review* for 1998-1999 the accompanying two dimensional diagram which was intended to be a simple guide to borrowers, on when QBS should be used, and when QCBS could be used.

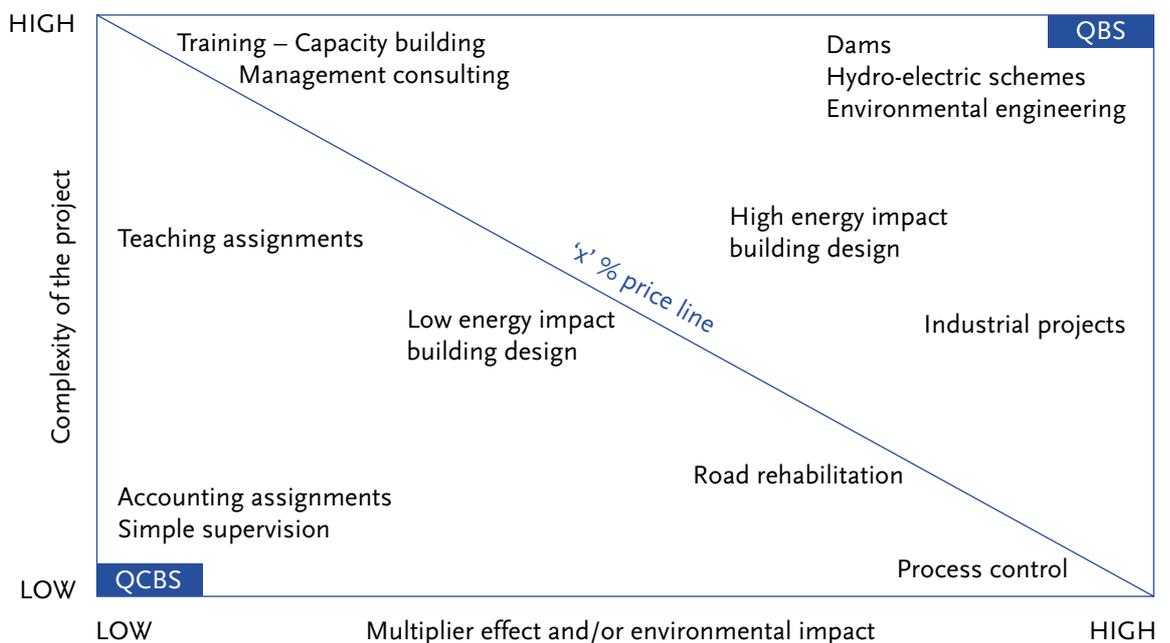
The diagram uses 'complexity of the project' on the vertical axis and 'multiplier effect and/or environmental impact' on the horizontal axis. Projects in the upper right hand corner are obvious QBS projects, and those in the lower left hand corner are obvious QCBS assignments. However, the difficult part of the chart is the area between these two 'corners'. Steyn Laubscher avoided the difficulty by placing an 'x' percent price line from the upper left corner to the lower right corner, and stating that "All we need to agree is the value of 'x' in the diagram".

FIDIC's policy is to recommend a maximum of 10 percent weight for 'cost' (price) in the QCBS methodology, arguing that the use of a higher weight for price risks making the selection virtually a 'price selection'. It is argued that many evaluators may be tempted to give very close evaluations on quality, letting the price component, which requires no evaluation, be the deciding factor. The World Bank, in Section 2.22 of its *Guidelines*, recommends that "the weight for cost shall normally be in the range of 10 to 20 points, but in no case shall exceed 30 points out of a total score of 100".

If one examines the diagram, it is apparent that all projects in the upper right hand half of the chart above, the x% price line should be selected by QBS. These projects are either highly complex and/or have a high multiplier effect and/or environmental impact, or have a relatively high combination of these parameters. Thus, the 'x' quantity in the x% price line should be, in fact, zero. For projects placed in the upper right half of the chart, the consultants who will plan, design and supervise the construction of these projects should be selected on the basis of quality, not price.

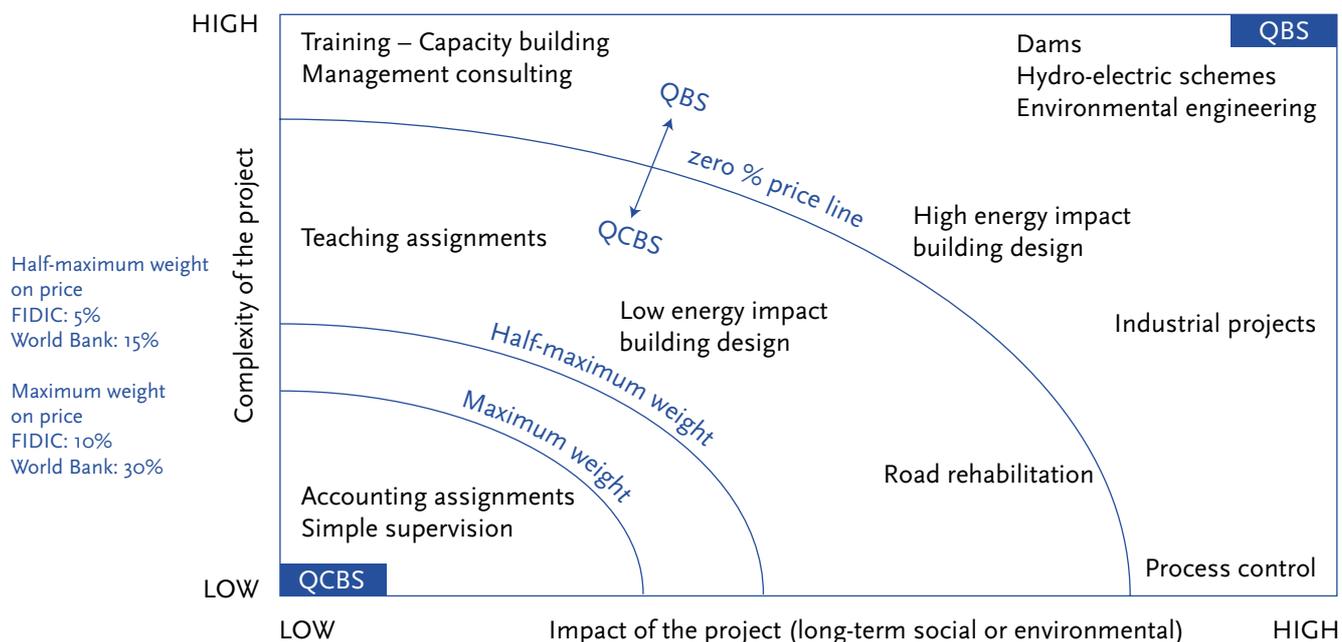
For those assignments in the lower left half of the chart, price can be an element of the selection

The QBS diagram



appendices

The QBS vs QCBS diagram



evaluation, with the weight close to zero; if the project/assignment is near the 0% price line, up to a maximum of 10 percent (if one follows FIDIC's advice) or 10-20, but no more than 30 percent (if one follows the World Bank's advice), as the project/assignment location on the chart approaches the lower left corner.

JWCI curve: QCBS vs QBS

If one examines the 'Laubscher QCBS/QBS diagram' and the World Bank *Guidelines*, one can determine that an adjustment could be made to the diagram which would make it reflect the World Bank (and other development banks) policy on QBS and QCBS, and allow it to be used as a fairly simple tool by borrowers to decide how to select consulting assignments.

If one changes the horizontal axis to read 'impact of the project (long-term social or environmental)', and one uses 'complexity of the project' on the vertical scale to also be a measure of whether the assignment could be carried out in substantially different ways, then the 'three parameter' methodology described in Section 3.2 of the World Bank's *Guidelines* could be demonstrated on a two dimensional chart, similar to the 'Laubscher Chart'.

The separation line (zero percent price line) between QCBS and QBS projects would start high on the complexity (vertical) axis, moving horizontally and then curving downward to join the impact of the project (horizontal) axis at a high impact point (see the QCBS vs QBS diagram above). All highly complex and/or high impact projects or assignments, that is QBS assignments, are found in the upper right of this curve. QCBS are on the lower right of the 'zero price line'. The closer the project/assignment type is located to lower left corner (low complexity - low impact), the more weight that the proposal evaluators can place on the price (cost) component of the World Bank's QCBS system.

JWCI recommendation

The Joint Working Group of the Consulting Industry (JWCI) recommends that a chart similar to that shown above be prepared for users of the *Guidelines: selection and employment of consultants by World Bank borrowers*, to demonstrate how borrowers would be expected to decide when to use QBS, when to use QCBS, and to decide on how much weight should be placed on the cost component (the financial proposal) when QCBS is used.

FIDIC recommendation

The Joint Working group of the Consulting Industry proposed a methodology of how price could be used in the selection of consultants, if borrowers were to consider using the Quality and Cost Based Selection (QCBS) method. FIDIC recommends that the Quality

Based Selection (QBS) method be adopted in all cases if best value is desired, and that the QBS versus QCBS diagram opposite be used to decide when QCBS is not appropriate should this methodology be considered by a client.

2 FIDIC matrix of attributes for scoring at the evaluation phase

Evaluation criterion	Project category			
	Simple		Innovative – complex	
	Small – medium	Large	Small – medium	Large
Company characteristics (similar to below) Similar experience QMS, BIMS, EMS Availability of resources	70	50	10	30
Managerial capability (similar to below) Organization Key personnel Compliance with time schedule	20	25	40	35
Approach (similar to below) Methodology Meaningful partnerships Transfer of know-how Innovation	10	25	50	35

Notes

QMS: Quality Management System

BIMS: Business Integrity Management System

EMS: Environmental Management System

c o n t e n t s

preface

definitions

introduction

Purpose

Importance of proper consultant selection

Preparatory steps

FIDIC recommendations

Recommended selection method

Transparency

Capacity building

Integrity

Fair competition

Harmonisation

Limitation of liability

Insurance

Life-cycle costs

Monitoring outcomes

selection of individual consultants

selection of consulting firms

– Quality Based Selection

selection of consulting firms

– Other methods

evaluation of consulting firms within PFI projects

other issues

Conflict of interest

Strategic alliances

Fraud and corruption and the need for business integrity

sustainable development

capacity building

informed purchasers

i n f o r m a t i o n

For information, consult www.fidic.org/selection

s u m m a r y

Presents the commonly used methods of consultant selection, explains the respective procedures, and emphasizes and explains FIDIC's policies on selection.

Prepared by the Selection Task Force of the FIDIC Business Practices Committee (BPC)

- Richard Kell, *Australia* (Chair, BPC)
- Fatma Çölaşan, *Turkey*
- Mahbub Haque, *Bangladesh*
- Panos Panagopoulos, *Greece*
- Henning Puggard, *Denmark*
- Enrico Vink, *New Zealand*

f u r t h e r r e a d i n g

FIDIC Guidelines for Business Integrity Management in the consulting engineering industry, 2001

FIDIC Client – Consultant Model Services Agreement

FIDIC Joint Venture (Consortium) Agreement

FIDIC Sub-Consultancy Agreement

Quality Based Selection for the procurement of consulting services, FIDIC, 1995

FIDIC Guide to Quality Management in the consulting engineering industry, FIDIC 2001

Draft Guide to best practice in PFI, FIDIC, 2003.

Sustainable development in the consulting engineering industry, FIDIC, 2001

FIDIC Strategy on sustainable development in the consulting industry, 1999

Engineering Our Future, FIDIC, 1998

Capacity building: Building the capacity of consulting firms, FIDIC, 2001



Fédération Internationale des Ingénieurs-Conseils
International Federation of Consulting Engineers
Internationale Vereinigung Beratender Ingenieure
Federación Internacional de Ingenieros Consultores

FIDIC

Box 311

World Trade Center II

Geneva Airport

1215 Geneva 15

Switzerland

Tel: +41 22 799 49 00

Fax: +41 22 700 49 01

E-mail: fidic@fidic.org

Website: www.FIDIC.org

© FIDIC 2003