SELECTION OF CONSULTANTS

FIDIC Guidelines for the Selection of Consultants

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

PREFACE

The world is facing an ever-increasing demand for food, water, sanitation, shelter, health services, transportation, and energy. It is critical that the infrastructure and built-environment required to support these demands is planned, designed, delivered, operated, and maintained appropriately. Consulting Engineering companies have a fundamental role in ensuring this is achieved - helping to improve the quality of peoples' lives whilst working with finite resources in a world with a growing population and significant climate change effects.

Activities related to engineering, surveying, environmental science and other forms of Consultancy are provided globally on a routine basis. The skills and experience requirements, however, are far from routine. Given the complexity of projects, the engineering required to successfully complete them is sophisticated, multi-faceted and multidisciplinary. Understanding, methodology and focus are required for the successful implementation of such projects. Consulting services industry is a mature industry quite capable of fielding just the right team. The role the consulting individual plays cannot be overstated. Modern techniques, highly educated practitioners using refined tools and techniques to deal with increasingly complex circumstances create a clear need for qualification-based selection of consulting teams.

Selecting the right Consult for a project will enhance the value of the project to investors, stakeholders and the community and will reduce the risks associated with it. Enhancing value will result in improved functional, economical, commercial and environmental performance as well as better acceptance by the communities experiencing the project. Risk reduction will be better managed through all phases of the project, from planning to completion and into operations and deliver improved safety and environmental management, better cost control, effective contract management, more confidence in timing and a reduction in disputation. The right consultant will achieve greater certainty of project outcome and deliver value to the client in terms of enhancements and risk reduction many times the value of any fees involved.

Experienced senior officials of major multilateral development banks have consistently stated "Clients should become better aware of the importance of Consultant selection and the impact of the choice of the Consultant on the overall quality of the completed project".

FIDIC has long advocated that the decision of selecting Consultants should be assigned to a group that would base their decisions solely on the concept of quality, guided by their expertise and their ethics. This approach is even more suitable in today's modern world; QBS (Quality Based Selection) underscoring the importance of utilising the most appropriate, experienced and reputable individuals for key project decisions.

While international organisations such as the World Bank employ their own methods in Consultant selection, FIDIC has made a number of significant contributions towards making the procedures more efficient. It has, for instance, recommended that Consultants be selected on the basis of their skills, experience and integrity. – i.e. QBS –qualifications rather than price.

Over the years FIDIC has advocated that the best value for money is to be had by clients who select Consultants on a qualification basis. With such a long history of failures in the selection of Consultants (primarily in the public sector), the lesson has been learned many times over: to achieve successful projects, the most appropriate team should be selected, and not the least expensive one. This is especially true when considering the relatively small cost of engineering services as compared to the construction and Life Cycle Costs (Long Term Ownership Costs) of 1-2% for a built project and the impact on project performance.

Selection processes are sometimes carried out through electronic procurement (e-procurement). The main principles of making announcements, short listing, requests for proposals and evaluation of proposals are not different from the conventional method but there are often modifications in receipt and opening of proposals etc. The methods of conventional selection systems used worldwide are explained in this Guide. The principles should be readily applicable to electronic selection processes as well.

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DEFINITIONS

A/E services: architectural and engineering Consultancy (especially design) Services

BVA: Best Value Approach

CBS: Cost Based Selection

Client: the party named in the Agreement that employs the Consultant, and legal successors to the Client and permitted assignees

Concessionaire: a person or firm that operates a business within the premises belonging to another (the grantor) under a concession

Consultancy Firm: an independent for-profit firm (or a joint venture/consortium partnership) which provides Consultancy Services

Consultancy Services: technology based intellectual services in the built or natural environment, which may include those listed below:

- Project planning and feasibility studies
- Project assessment studies including financial analysis
- Environmental studies and environmental impact assessments (EIAs)
- Sustainability studies
- Field investigation and surveys; maps
- A/E services
- Economic/financial studies
- Conceptual, developed and detailed A/E design services
- Preparation of tender documents
- Evaluation of bids
- Design supervision
- Construction supervision
- Project/programme management
- Quality management
- Construction management
- Cost and financial management
- Contract management
- Consultancy for commissioning and decommissioning
- Valuation services
- Failure/forensic investigation
- Technical training
- Risk analysis and management
- Operation and maintenance
- Research and development
- Technical assistance
- Health &Safety studies
- Institutional development
- Quantity surveying and value engineering
- Social impact studies
- Claim and variation management
- Dispute adjudication
- Mediation, arbitration
- Professional operation and maintenance advisory services (O&M Manuals etc.)
- Similar technology based intellectual services

Consultant: either an individual Consultant or a Consultancy Firm or a team of Consultancy Firms and/or individual Consultants formed for a specific assignment

Consulting Engineering Industry: companies and individuals who provide Consultancy Services as a commercial activity

Contract: Contract signed between the Client (employer) and the Contractor for provision of Works and/or Goods

Contractor: either a construction Contractor, or a firm which provides Goods

Cost: expenditure properly incurred, or to be incurred, by a party for the purpose of the services including overhead and other charges properly allocated to it but excluding profit

Design-build: the project delivery system where the team of Contractor and A/E Designer undertakes the final (detailed) design as well as the construction of a project, conforming to the preliminary design and/or technical performance specifications pre-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/Designer team and not by the Client.)

Employer: a public or private body which conducts the Consultant selection process and has the Consultancy Services and the Construction Works realized (Employer might also be the Owner/ Client of the investment)

Fee (Price): full charge of the Consultancy Services rendered including profit and tax

FIMS (FIDIC Integrity Management System): FIDIC's standards-based integrity management system that can be easily integrated into an organization's quality management system, which may also be based on ISO 9001:2000

Foreign Consultancy Firm: a Consultancy Firm which is not a National Consultancy Firm, in that it does not comply with the two criteria defined for a National Consultancy Firm

Goods: (in the construction sector) Contractor's equipment, materials, plant and temporary works, or any of them as appropriate

Individual Consultant: an independent Engineer, Architect or Scientist (e.g. environmental Scientist) who provides technology based Consultancy Services for a fee

DEFINITIONS

ITC (Information/Instructions to Consultants): necessary information/instructions prepared by the Client that would help the Consultancy Firms prepare responsive proposals. (ITC is a part of the RFP)

Life Cycle Cost (LCC): total cost of a project over the full life of the facility. The cost includes construction, operation & maintenance and disposal costs; LCC is sometimes referred to as 'total ownership cost'

Locally Based Foreign Consultancy Firm: a Foreign Consultancy Firm with a registered company in the country where the project will be realized

Metrics: Verifiable Performance Information (in BVA method)

National Association: an association of Consultants established in the country where the Consultants render Consultancy Services; Association usually being a FIDIC member

National Consultancy Firm: a Consultancy 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 by the nationals of the subject country, independently of foreign interests

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 organization: an organization providing Consultancy Services which is not legally and financially autonomous and/or does not operate under commercial law and/or is not-for-profit entities, such as government owned institutions, UN agencies, universities etc.

Owner: an individual or organization which holds the ownership of an investment, including beneficiary ownership

PIPs (Price Included Selection Practices or Practices Incorporating Price): selection methods for Consultancy Services which range from price only selection to selections which include price as a component in the proposal

Private Finance Initiative (PFI): the system where the Client, usually a Government, defines quality and service to be provided, and where the Private Sector Partner (Concessionaire) provides managerial, commercial, technical and creative skills for the provisioning of a public service, through private funds. Financing is, to a large degree from the private sector with or without some contribution from government and the user fees are paid by the government or directly by the public using the service

Procurement: the process through which Works and Goods are contracted/purchased

QBS: Quality (Qualification) Based Selection

QCBS: Quality (Qualification) and Cost Based Selection

RFP (Request for Proposals): Client's directives formally written to each short-listed firm for inviting proposals. (Sometimes called RFT- Request for Tender)

Selection: process through which the Consultant is engaged

Services: professional services (particularly Engineering Services)

TOR (Terms of Reference): the Client's specification of the Services, that can be input, output or activity based and which is used to evaluate the Consultants' proposals, finalize Clients' expectations of the services and manage /monitor Agreement provisions (TOR is a part of the RFP)

Works (construction): the works to be executed by the construction Contractor (including the goods and equipment to be supplied to the Client) for the achievement of the project

WRR: Weekly Risk Report (in BVA method).

1 INTRODUCTION

1.1 Purpose

The purpose of these guidelines is to present the commonly used methods of Consultant selection world-wide, to explain the respective procedures and to combine all of these in one compact document, as well as to emphasize and explain to a degree, FIDIC's policies on the subject. While FIDIC recognizes QBS as the international best practice for Consultant selection, the purpose is to explain the selection procedures of different methods and not the promotion of any specific selection method.

FIDIC supports the concept of fair open competition in the selection of consultants. In doing so, it notes that the competition should be focused on selection criteria which deliver the best outcome for clients. In professional services, competition focused on delivering a better project for the client drives innovation and efficiency which enhances the performance of infrastructure and the environment for all stakeholders.

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 Consultants and transparency of the process.

1.2 Importance of proper Consultant selection

Selecting a Consultant is one of the most important decisions an owner or Client makes. Every project is unique, and each has its own challenges. At the outset of many projects, it is difficult for most of the Clients to prejudge the likely complexity of his/her project/problem or the variety of professional services that may be required to develop a solution. The success of any project depends upon obtaining the most appropriate expertise available in terms of skill, knowledge, past experience, managerial abilities and reputation. Logic and experience have shown that Clients who shop for Consultancy Services on the basis of appropriate qualifications will obtain a quality of service commensurate with their needs. Correct selection will have a major bearing on the quality, overall project cost, success and hence on the overall value of the end result, including impact on public safety and economy associated with physical infrastructure and superstructure projects.

Selection of the right Consultant for each particular project is of paramount importance. The cost of Consultancy Services including design is usually in the region of 1-2% of the Life Cycle Costs of a project. Experienced senior officials of major development banks have consistently stated "Clients should become better aware of the importance of Consultant selection and 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 over its complete life-cycle; to save a small percentage (from the Consultant's fee), perhaps 1% or less of project cost is not worthwhile considering the potential risks". More and more, the importance of long-term project performance, operation and maintenance costs, and sustainability are being recognized as major factors in assessing project success. The impact of Consultants with appropriate quality on these factors is significant.

Selecting the right Consultant for a project will enhance the value of the project to investors, stakeholders and the community and will reduce the risks associated with it. Enhancing value will result in improved functional, economical, commercial and environmental performance as well as better acceptance by the communities experiencing the project. Risk reduction will better be managed through all phases of the project, from planning to completion and into operations and deliver improved safety and environmental management, better cost control, effective contract management, more confidence in timing and a reduction in disputation. The right consultant will achieve greater certainty of project outcome and deliver value to the Client in terms of enhancements and risk reduction many times the value of any fees involved.

The best project results are achieved when a true professional relationship of absolute trust between the Client and the Consultant can be built. 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.

1.3 Preparatory steps

As a first step, a prospective Client is best placed to carefully assess the purpose and objectives of the project. In doing so it is useful to do so as clearly and succinctly as possible and then to describe the successful project in terms of what attributes it may have. In describing the attributes of a successful project, the prospective Client takes the first steps towards formulating the selection criteria for its Consultants. Similarly, by identifying attributes which might be evident in a failed project, the Client is identifying risks which need to be managed and may require its Consultant to address in its submission.

An outline of the services required should be worked out as a basis for determining the appropriate type of Consultant 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 the initial stage, the Client should consider preparing a rough estimate of the cost of the required Consulting Services for the particular project using outside professional services, if necessary. Such an estimate should be kept confidential and used as a guide during negotiations with the selected Consultant.

Consultancy costs should be divided into two broad categories:

- Consultancy fee (engineering costs inclusive of foreseen profit and tax)
- Reimbursable expenses (inclusive of foreseen profit and tax)

This cost estimate is usually confidential and kept for the Client's own use, for comparison and budget purposes, as well as for securing external financing as may be needed. (On the contrary, the pre-estimated construction cost must be disclosed during the announcement of the tendering of Consultancy Services.).

2.1 Recommended selection method

FIDIC stresses the pre-eminence of quality of services in the selection process. A selection process which is focussed on criteria, developed out of the specific project attributes, outcomes, benefits and potential risks, is most likely to identify the best consultant for the project and increase the certainty of outcome for all stakeholders. Maintaining the integrity of this approach in all aspects of the selection process, the negotiations and the engagement of the consultant, will build mutual respect, confidence and trust between the Client and Consulting Engineer and drive their successful collaboration on the project.

FIDIC acknowledges that many Client organisations see competition based on price as being fundamental to maintaining integrity and probity. While this may be true in respect of product supply against a specification, it is rarely an effective approach when procuring professional services. Professional services are provided from knowledge and experience bases built up over many years, many highly qualified people and thousands of projects. The intrinsic value of these intellectual assets is not reflected in the fees professionals charge their clients, but in the qualifications and quality of the services offered and delivered by the Consultant.

The fee paid to a Consultant including design services is invariably a small fraction of about 1-2% of the Life Cycle Cost of a project and yet the Consultant's service is key to project success. Ultimate project quality is greatly leveraged on the quality of the Consultancy service at every stage of its development and delivery.

For these reasons, FIDIC recommends that the preferred selection method for Consultancy Services be the Quality Based Selection (QBS) method (see Section 4.1 and Ref. F5). QBS is beneficial for all project types; complex and straight forward, big and small, national and international. If not applied to all, FIDIC recommends the QBS method as the only method for those projects where there is significant complexity, or where there is a multiplier effect i.e. where the consequences of failure are significant, or where the competing candidates will all be National Consultancy Firms.

Prior to July 1, 2016, The World Bank utilised the 2014 revised World Bank Consultant Selection Process document for projects where consultancy services were procured. This describes qualification plus cost based selection (QCBS) as their preferred method except in situations where a case can be made for another method. "For example, … ", it continues, "Quality Based Selection (QBS) is appropriate for the following types of assignments:

Complex or highly specialized assignments for which it is difficult to define precise TOR and the required input from the Consultants, and for which the Client expects the Consultant to demonstrate innovation; assignments that have a high downstream impact and in which the objective is to have the best experts; and assignments that can be carried out in substantially different ways, such that proposals may not be comparable.

In QBS, the RFP may request submission of a technical proposal only (without a financial proposal) or request submission of both technical and financial proposals at the same time but in separate envelopes.

If technical proposals alone are invited, after evaluating the technical proposals, the Borrower shall ask the Consultant with the highest ranked technical proposal to submit a detailed financial proposal. The Borrower and the Consultant shall then negotiate the financial proposal and the contract."

Projects starting from July 1, 2016, apply The World Bank's new Procurement Framework. The World Banks "Standard Procurement Documents, An overview for practitioners November 2016" states:

"The Procurement Regulations modernize the Bank's procurement procedures. They replace the Bank's Guidelines for the Selection and Employment of Consultants (2011) and Guidelines for the Procurement of Goods, Works, and Non-Consulting Services (2011) for procurements where the Project Concept Note (PCN) is approved after 1 July 2016."

Under this new framework, The World Bank has produced the following document entitled "The standard - Request for Proposals - Consulting Services, October 2017", it states:

"This SPD can be used with different selection methods described in Bank's Procurement Regulations for IPF Borrowers (available at www.worldbank.org), including Quality-Based and Cost-Based Selection ("QCBS"), Quality-Based Selection ("QBS"), Selection under a Fixed Budget ("FBS"), and Least-Cost Selection ("LCS"). When mandating the use of this SPD on the implementing agency, however, primary consideration should be given to the complexity and value of the assignment"

If the Quality and Cost Based Selection method is considered (QCBS, see Section 4.2.1), 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. (Even if the weight of the cost proposal is 0%, there is still a cost proposal, which makes QCBS differ from QBS.)

FIDIC strongly recommends that Cost Based Selection (CBS), i.e. selection of a Consultant only on the basis of price never be used for Consultancy Services.

2.2 Transparency

FIDIC recommends, in the interests of all parties in a project, that the maximum degree of transparency be maintained during 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 at tender stage, 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 (RFP), or at least before any proposals are due to be submitted. Furthermore, it is recommended that Consultants having submitted proposals have the right to an open debriefing following the selection.

FIDIC also recommends that Clients be informed purchasers (see Section 6.6), and that the selection panel has the necessary skills and independence to make a fair and proper selection.

In seeking transparency, FIDIC also recognises that the consultants making submissions to Clients own the intellectual property rights for all material in their submissions and that Clients must respect those rights and keep details of any submissions or negotiations, "commercial in confidence" between the client and the consultant.

2.3 Capacity building

FIDIC favours and works for building the capacity of the Consulting Engineering Industry at large, and especially of National Consultancy Firms in developing and transition economies (Ref. F11). FIDIC therefore recommends that, in international or internationally financed projects, special attention be paid during the selection process to meaningful partnerships between National/Local Consultancy Firms and internationally operating Foreign Consultancy Firms or Locally Based Foreign Consultancy Firms. FIDIC particularly emphasizes that the best selection method for national biddings should only be QBS in order to build up the capacities of the National/Local Consultancy Firms. Part of capacity building includes the reasonable compensation of Consultants so that they can invest in education, technology, staff development, equipment and tools to perform well.

Capacity building initiatives proposed by the prospective bidders may be given due considerations in ranking during proposal evaluation.

FIDIC also considers that important contributions to the development of a country's Consultancy industry are made by the involvement in international assignments of National/Local Consultancy Firms rather than of individual Consultants.

2.4 Integrity

Delivering a sustainable world to future generations requires Engineers to lead with integrity in all aspects of government, business and projects. Integrity in the context of leadership includes all aspects of honour, honesty, ethics, probity, decency, truthfulness, empathy and trust among many other traits.

FIDIC seeks to reduce corruption, through corporate and personal leadership, systems, training and support. It recommends that Consulting Firms notify Clients and funding agencies of any irregularities, in procurement or practice so that appropriate remedies may be exercised. It recommends that firms should be aware of local laws regarding corruption and should promptly report criminal behaviour to the proper law enforcement authorities. It encourages FIDIC Member Associations to take prompt disciplinary actions against any member firms found to have violated the FIDIC Code of Ethics.

FIDIC recommends that Consultancy firms adopt the FIDIC Integrity Management System (FIMS) (Ref. F1) and that Clients ascribe value to such systems during selection.

It is recommended that Clients should also subscribe to FIDIC's Integrity Management System principles within their own organizations. Experience has shown that lack of integrity in Client authorities is self-defeating in that good quality Consultants will not bid.

Maintaining integrity in a Consultant selection process requires that Clients:

- Provide the same opportunity to all bidders
- Provide the same information to all bidders at the same time
- Provide the same consultation opportunities to all bidders at the same time
- Do not invite, solicit or accept any favours, gratuities, inducements, payments or promises of future consideration in relation to the services
- Do not provide any information to a bidder which may advantage or disadvantage that bidder over any other bidder
- Do not provide information received from one bidder to another bidder
- Provide a mechanism through which any breaches of integrity or probity can be notified, recorded and investigated without any disadvantage to the reporting entity
- Maintaining integrity in a Consultant selection process requires that Consultants:
- Do not seek in any way to gain unfair advantage over any other bidder
- Do not offer any favours, gratuities, inducements, payments or promises of future consideration to the Client in relation to the services
- Do not exchange information to or collude with any other bidder
- Seek the Client's approval, which may or may not be given, to subcontract the Consultant's services to any of the bidders
- Report any breaches of integrity or probity to the Client.

The failure to maintain integrity in Consultant and Contractor selection processes, involving bribery, corruption and fraud, cause significant loss to the countries, governments and communities of the world. FIDIC encourages all persons involved in procurement processes to act with honesty and integrity, so that we can create a better world for all people.

2.5 Fair competition

FIDIC recommends that, in the public interest, Consultancy Firms compete with each other for providing Consulting Services on a transparent, "level-playing field" basis. Government enterprises, universities and their related companies and all Not-For-Profit Organisations having special expertise be best employed in a sub-consultant role and not permitted to compete with independent Consultants.

A detailed Request for Proposals (RFP) with a well defined Terms of Reference (TOR) considerably contributes to fair competition. Sometimes pre-proposal conferences and filed visits are considered desirable for clarification about the information provided in the RFP including TOR. Procedures shall include formal process of dealing with clarifications requests during the tender process. Care is needed to assure that adequate response time is provided to allow all potential candidates to develop teams and provide quality proposals/submittals.

While detailed RFP's and well defined TORs are encouraged, FIDIC recommends that Clients encourage innovation by Consultants and facilitate it in the competitive process. This can be done by inviting "alternative" approaches, processes, technologies or solutions in the RFP. In some circumstances, the innovation may deliver intrinsically greater project value to the Client and should be valued as such in the evaluation process.

2.6 Harmonisation

FIDIC recommends that Consultancy 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 Clause 8.3 of FIDIC's Client – Consultant Model Services Agreement (Ref. F2). Liability should be limited to a Consultant's responsibilities stated in a particular Agreement.

Agreeing to an express limit of liability, provides a clear delineation of financial responsibility for adverse risk outcome as between the Client and the Consultant and as such is the most effective way to allocate and manage risk between the parties.

2.8 Professional Liability (Indemnity) Insurance

FIDIC recommends that Professional Liability (Indemnity) Insurance required from the Consultant be limited to what is provided for in the relevant Clauses of FIDIC's Client – Consultant Model Services Agreement (Ref. F2), 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 Cost (LCC)

FIDIC draws the attention of owners and Clients to the Life Cycle Costs of projects, which can generally be shown to be many times the initial capital cost, depending on the nature of the project. Consideration of estimated Life Cycle Costs, developed with expert assistance, if necessary, will help Clients better evaluate the Consultants' fee amount when selection of Consultants is made via QBS. (Please refer to Appendix 1, LCC Pie-Chart.).

2.10 Monitoring outcomes

Clients such as government agencies, which have a succession of projects over time, have the opportunity to monitor and analyse 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 Consultancy 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;
- expertise is needed in a limited and specialized field;
- 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 Consultancy or sub-consultancy 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 and experience 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. Ideally, individual Consultant assignments should be advertised in freely accessible (preferably web-based) media. Limiting competition to only those firms that the Client has experience with, can limit innovation and new approaches, thereby limiting project success.

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 Consultancy fee is established through negotiations between the Client and the Consultant, similar to the Quality Based Selection method. (Ref. F5.)

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

4.1 Quality-Based Selection (QBS)

Quality (Qualifications) Based Selection (QBS)

Quality Based Selection (QBS) is a selection process to determine the most appropriately qualified Consultant, based on technical competitiveness, integrity, professionalism etc. leading to a negotiated award of Consultancy services on a fair and reasonable basis. In QBS, 'Q' stands for the most appropriate qualification for a certain Consultancy job. Under QBS, the cost of the Consultancy (price or fee) is an outcome of the selection process rather than a criterion. Fees for services are fixed during negotiation, following selection and before an Agreement is reached, thus allowing for negotiation of project scope, and service costing, with the most appropriate technically qualified Consultant. QBS will best identify the most appropriate Consultancy firm on the basis of professional skill, experience and other essential attributes. QBS does not ignore the importance of cost, but endeavours to put this into appropriate perspective within a quality discussion.

The keystone to ensuring quality and best value from a project is the selection of the Consultant who is able to provide the solution to meet the Client's requirements over the whole Life Cycle of the project. The Consultant should be selected by an open and transparent process which focuses upon the ability of that Consultant to meet the project's needs. Selection of a Consultant on this basis should ensure appropriate consideration, in conjunction with the Client, of the principles of environmentally sustainable design (Ref.F9, F13, F15), with the benefits of innovation, local knowledge and cost effective practices, to ensure the best quality outcome.

QBS is only correctly applied if it encompasses both selection and appointment. The use of QBS to prequalify Consultants and to then appoint on the basis of price is not what is meant by QBS. A fundamental benefit of QBS is that the Consultant is able to develop and negotiate the scope of work appropriate for the project without fear of being undercut by a competitor willing to offer the bare minimum or less than complete/adequate service.

In the Quality Based Selection (QBS) method (Ref.F5), the Client selects the Consultant on the basis of professional competence, managerial ability, availability of resources, past performance, approach to the specific project, rapport and commitment to the Client's objective. The Client prepares the Terms of Reference (TOR, see Section 4.1.3b) together with a budget for the Consultancy Services which should not be disclosed to the candidates. Consultants submit technical proposals only and they are evaluated and used for the selection.

Sometimes Clients choose to work with Consultants who they know have appropriate expertise and experience, and negotiate a fee on a mutually developed and agreed scope. This is using the Consultant as The Trusted Advisor. This approach embodies some of the principles of QBS, but by limiting competition, it can fail to achieve identification of the most appropriate Consultant and can put project success at risk.

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

4.1.1 Announcement and pre-qualification (long-listing)

Establishing a list of Consultants which appear to be qualified for the project is often referred to as pre-qualification, or long-listing. Long-listing does not mean listing of all the firms which submit Expression of Interest (EOI) in the project; a prequalification is made among those before the long-listing is done.

When it can reasonably be expected that several competing National Consultancy Firms are fully capable of providing the services, the Client normally advertises (announces) the proposed Agreement in one or more national newspapers, or in other media, such as 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 organisations (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. Full and open public announcement of the opportunity, substantially improves competition and the likelihood of attracting qualified Consultants. The announcement should include the qualifications criteria to be used for evaluation, outline the TOR and disclose the estimated construction cost. This allows responders to focus attainment of that criteria and appropriate project-oriented teaming.

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 for construction works (only if there are firm limits on the available financing);
- name, location and size of the project;
- whether the services will be procured nationally, internationally, or a as 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 to 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 Consultancy Firms (general and similar experience, permanent key staff, resources, brochures, financials, etc.);
- method of Consultant selection;
- deadline for the submission (personally or online) 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. The candidate firms at this phase are evaluated on their general merits and not the particular project team yet. Sufficient time (normally not less than 30 days) should be provided for responses before preparation of the short list.

Firms applying for pre-qualification (long-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 pre-qualification stage.

Some Clients maintain a data bank of qualified firms from which a short list can be established without the long-listing process. Firms on such a data bank should be required to update their information at regular intervals.

4.1.2 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 announcement and pre-qualification conditions is not recommended.

Short lists should comprise three to six firms (seven for EU projects); 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. (The World Bank and similar International Funding Institutions have country-specific limits on the number of short-listed firms.)

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 time and to budget);
- location of the firm's office in relation to the work;
- knowledge of special local conditions (such as seismic conditions, permafrost, ecological constraints etc.;
- meaningful partnerships/associations with National Consultancy Firms in international projects (as recommended by FIDIC for the capacity building of National Consultancy Firms; Ref. F11);
- Quality Management System established in the firm (if applicable);
- Detailed information of permanent key staff;
- Integrity Management System (if applicable);
- political, social, cultural and environmental sensitivity (without 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. Financial resources of the firm must be evaluated realistically to match the needs and must not be exaggerated, keeping in mind that Consultancy Services are intellectual services.

4.1.3 Request for proposals (RFP)

The Client formally writes (or e-mails) to each of the firms on the short list and invites proposals in hard copy or online, which 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 (LOI)

b - Terms of Reference (TOR)

c - Information/instructions to Consultants (ITC)

d - The proposed Agreement

a - Letter of invitation (LOI)

The letter of invitation shall state the intention of the Client to enter into an Agreement for the provision of Consultancy 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. (FIDIC's Definition of Services Guide offers advice on this; Ref. F12.)

The brief or scope of the services described in the TOR shall be compatible with the available construction 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 available 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 firms should also be encouraged to comment on the TOR in their proposals. By doing so, the Client may benefit from Consultants who apply innovation to the scope to save costs, shorten the schedule or enhance the content/quality of the deliverables. The Client and the Consultant responsibilities should be clearly defined in the TOR.

The minimum information required in the TOR is summarised below:

- scope of services compatible with available budget for the project;
- 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;
- 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 Consultancy Firm with indications of minimum experience, academic degrees, and so forth (Consultants should preferably be left free to prepare their own staff time necessary to carry out the assignment);
- respective responsibilities of the Client and the Consultant.
- Supply of equipment/ software, if included in the Agreement
- Clients' contribution to the assignment (office space, access to information, nominated counterpart staff etc.)

c - Information/instructions to Consultants (ITC)

The ITC shall contain all necessary information that would help the Consultants 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 number of pages if applicable; size and format or other limitations on the submissions; standard formats to be used in the proposals (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; latest date and time for submission; method or means of submission (hard copy or online); address for hard copy submission or e-mail address for online submission; requirement for numbering of the pages to be submitted;
- the form of Agreement which will apply (see Section 4.1.8);
- 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 Information required from the Consultant. This would normally include details such as:
  - past experience with projects of a similar nature;
  - details of organization;
  - project control means;
  - financial control of the construction;
  - size and responsibilities of staff;
  - type of organisation and managerial method proposed for executing the work;
  - Quality Management System (if applicable);
  - Integrity Management System (if applicable);
  - knowledge of local conditions;
  - project approach, methodology, availability of resources;
  - the alternatives to be considered (invitation for innovation);
  - approach and commitment to transfer of know-how (if applicable);
  - level of participation and roles of National Consultancy Firms in international projects;
  - compliance with the desired time schedule;
  - personnel/ staff schedule;
  - Conditions of debriefing.

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

- location where the construction work and Consultancy Services will be performed;
- the total construction budget;
- 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;

- 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;
- 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, 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 Consultancy 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 sub-consultancy part of the assignment (if applicable);
- the expected date of commencement or duration of the assignment;
- likelihood of follow-up assignments or possible downstream work and criteria to be applied for downstream assignment;
- 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 4.1.4);
- 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

FIDIC Client – Consultant Model Services Agreement (Ref.F2) is recommended as an instrument which establishes a fair, sound and tested Agreement between the Client and the Consultant, with properly and carefully filled in Appendices. In any event, the short-listed Consultants must be provided with a full copy of the Agreement which is to be signed by the selected Consultant.

4.1.4 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 and until a deadline, 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, at least a week before the proposals shall be submitted.

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 to maintain their proposal.

All short-listed Consultants invited to submit proposals must be given fair and equal opportunity 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 Consultant and, in the case of CVs, by the individuals proposed.

4.1.5 Receipt and opening of proposals

The proposals submitted (personally or online as stated in the RFP) shall be registered by the officer-in-charge at the time they are received. 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.

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 Consultants invited to submit proposals should be invited to attend the opening of proposals personally or online. Minutes shall be prepared and signed by the legal representatives of both the Client and the Consultants who attend personally, at the times of the openings. Consultants who attend on-line should be forwarded copies of the signed minutes so that their signatures can be formally added.

4.1.6 Evaluation of proposals

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

- formation of a selection committee/panel (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 RFP;

- 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 Consultancy firm. In some countries, it is mandatory for public sector Clients to use a combined public-private panel, with suitably qualified evaluators for certain projects.

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/panel) shall evaluate each technical proposal, assessing the extent to which it demonstrates how the Consultant will deliver the Services successfully, taking into account the selection criteria set out in the RFP:
  - a the Consultant's relevant experience for the assignment;
  - b the quality of the managerial and technical approach and methodology to achieve the Client's project objectives and mitigate project risks;
  - c the qualifications, availability and commitment of the key staff proposed;
  - d training or transfer of know-how provisions (if applicable);
  - e the extent and quality of participation by National Consultancy Firms in the assignment (in internationally financed projects);
  - f the support facilities (if applicable) of the Consultant;
  - g schedule of activities and personnel.
- Each criterion shall be marked, usually on a scale of 1 to 100. FIDIC recommends that the individual scoring against each criterion, a spread of scores from highest to lowest, is at least 20 overall so as to effectively differentiate between Consultancy Firms.
- The marks shall be weighted to become scores. Indicative weights should be adjusted for different circumstances. The proposed weightings shall be disclosed in the RFP.
- These criteria are normally divided into sub-criteria. For example, sub-criteria under methodology might be innovation and level of detail. However, the number of sub-criteria should be kept to the essential only. The use of excessively detailed lists of sub-criteria may render the evaluation a mechanical exercise more than a professional assessment of the proposals. General experience should not be evaluated since this criterion has already been taken into account when short-listing the Consultants. More weight shall be given to the methodology in the case of more complex assignments.
- For short-listing purposes, existing key staff of the Consultant should be considered, but for final selection, evaluation of only the key personnel (permanent and/or to be hired) allocated to the specified project is recommended. Since the assigned 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 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 typically be rated under the following three sub criteria, as relevant to the task:
  - a general qualifications (general education and training; length and depth of experience; positions held; time employed with the Consultancy firm; experience in the Client's country; 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 in short time (for example in 1/5th of the time allocated for proposal preparation) 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 assessment 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.

4.1.7 Selection of the Consultant and negotiations

The Client selects its preferred Consultant based upon the total quality score. The top ranked firm (the firm with the highest overall technical score) is invited to fine-tune the methodology, the team and price, incorporating budget considerations. The invitation is often called LOI – Letter of Intent. The discussions help foster a team and partner approach and reduce gaps, overlaps, risks and

misunderstandings. This exercise is beneficial to any third party as well as those who facilitate the negotiations.

The price 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 on price, scope and quality, the negotiations are terminated with the firm's acquiescence in standing aside and begun with the next ranked firm, and so on down the list until agreement is reached. Price 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. Such a policy improves good faith negotiations by all parties.

How price is negotiated in QBS

When QBS is used for the engagement of Consultants, a preferred Consultancy Firm/Team is chosen on the basis of comparative attributes before the final scope and fee is agreed. By this means the Client and the Consultant can mutually agree to appropriate scope of services to be provided by the Consultant. It is a common misconception that this then places the Consultant in a position to 'write his/her own fee cheque'. While this is not true, Clients can be put in a position of not understanding if a proposed fee is appropriate for the services required. The Client always has budget control. Clients need to understand how the proposed fee is developed from the scope of services, where the sensitivities are and what their budget will achieve. This section outlines the principles of fair and appropriate fee determination.

a) For large and complicated projects, the Client and the selected Consultant should jointly fine-tune the pre-prepared and agreed to scope of services without making substantial changes, and concurrently develop fee estimates. In this manner the Client can understand the connection between such issues as scope risk, scope creep and fees. The two parties can as well quickly distinguish between items which are necessary for project success and those which would be «nice to have». Another area of negotiations might be to establish the activities that require inputs of senior Consultants and those that can be undertaken by junior Consultants, while retaining appropriate quality.
b) For projects which are large, technically complex or with long timelines it is important for the Client to be knowledgeable about the specific requirements of the project. When a Client lacks in-house expertise, FIDIC strongly recommends that it engages an independent Consultant to act as a Client representative for the Consultant engagement phase. Note that it is important that this independent advisor is knowledgeable in the matter being considered and acts in a neutral manner without favouring the Client or the Consultant.
c) For complex projects, the design solution and hence the full scope of Consultancy Services is not known at the start of the project. In such cases it is often appropriate to have an incremental fee agreement. An independent, neutral advisor can also give guidance in relation to this.
d) A key consideration in negotiations is the sharing of contractual risk between the Client and the Consultant. There should be an acknowledged relationship between risk acceptance by the Consultant and fees.
e) As part of the negotiation, the two parties should develop and agree upon a schedule of payments and deliverables.
f) Once the parties have determined the schedule, deliverables, communications plan and the team, the determination of price and payment is quite straightforward. It is recommended that Consultants provide Consultancy service fees based on value or cost experience, rather than multipliers of salary. Divulging salary information related to specific staff may contravene the privacy of a firm and the security of such information may be at risk. The practice of basing fees on salaries is not common outside of engineering Consultancy services. For example, the legal and medical professions have a history of using predetermined prices for defined tasks, resulting in a less intrusive approach.

The parties can follow any one of several models for price determination including:

i. payment by the hour using mutually agreed rates. These rates can be those used on previous similar projects or those recommended by the FIDIC Member Association. The rates may also vary by practice type and by region, but FIDIC never encourages the display of salaries.
ii. payment as a percentage of construction cost. This method is commonly used for building projects. The percentages vary with project type and complexity as well as with the amount of risk and scope carried by the Consultant. Recommended schedules of appropriate percentages are available from many national and regional associations of engineers and architects. Care needs to be taken using this method, since Consultant services complexity and risk on individual projects often do not directly relate to the construction cost of a project.
iii. cost or cost plus. With some large Clients, usually governments, international agencies or banks, the parties agree upon an hourly rate based upon engineering costs (the cost of time spent by the Consultant's professional staff), direct project costs (e.g. travel, document reproduction, car rental, air cargo etc.), acceptable overhead which may differ from firm to firm covering such costs as office rent, costs of the administrative staff, advertisement, office equipment maintenance etc. With the 'cost' approach a level of acceptable profit inclusive of corporate tax is built into the rate while with the 'cost plus' approach a profit inclusive of corporate tax is added to the costs incurred by the Consultant. This approach is used by many Clients around the world including government agencies in the UK, Australia, New Zealand, the United States and Canada. The practice is also followed by various International Financial Institutions such as the World Bank, Asian Development Bank, African Development Bank and other donors. Their Standard Request for Proposal (SRFP) document includes Appendix for breakdown of remuneration rates of personnel based on elements of basic engineering costs, social charges, overheads, other fees

such as overseas allowance etc.

iv. fixed fee. This is a true value-based approach. The Client and the Consultant have agreed on the deliverables and how the deliverables are to be attained; now they negotiate on the value of the deliverables to the Client. Sometimes the parties agree on a bonus for the Consultant if it provides the deliverable faster or in a superior condition than originally planned. The Client and the Consultant review progress to date and decide whether to proceed or not. Independent cost Consultants can, for all these methods, provide a 'market range' of fee percentages and rates.

Independent Consultants can, for all these methods, provide a 'market range' of fee percentages and rates supplement to one of the other prices and payment methods described above. This practice has often been used for Contractors and Consultants on Private-Public Partnerships and Design-Build contracts.

Some clients have the ability to develop estimates for costs expected for the professional fees on a project and use those estimates when negotiating with the top ranked Consultant.

4.1.8 Agreement

The recommended form of agreement is the FIDIC Client – Consultant Model Services Agreement (Ref.F2) 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 Services. 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. The Consultant's team, or team member can only be changed for significant reasons after the Agreement is signed. The Client must be informed, and the former team/team member must be replaced with another team/team member of similar qualifications with the Client's approval.

4.1.9 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 other candidates should receive the following:

a) Name of the preferred Consultant and its technical score;
b) Price of the Agreement;
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 limited to the items a, b and c above, by publishing them in national and/or international newspapers, technical magazines and/or on its web site, as appropriate.

4.1.10 Debriefing

If, after notification of award, a Consultancy Firm wishes to ascertain the grounds on which its proposal was not selected, it should address its request to the Client within time given in the ITC and the Client should then invite the firm without delay to discuss the issues. In this discussion, only the merits or otherwise of the Consultant'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.

4.1.11 Change in first-ranked Consultant

If there is a change in the preferred Consultant after de-briefing, the following procedure shall be followed:

a) The LOI (Letter of Intent) of the first preferred Consultant shall be withdrawn.
b) The LOI shall be issued to the next preferred Consultant.
c) Appropriate provisions should be incorporated in the RFP accordingly.

If the above procedures will not be followed, the Client should explain in the RFP which other procedures are to be followed if the preferred Consultant changes after debriefing.

4.2 Other selection methods

4.2.1 Quality and Cost-Based Selection (QCBS)

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 Consultant. The most commonly used method of QCBS is the cost-weighted method (alternatively referred to as the two envelope system). It should be noted that QCBS has no relation to the Negotiated Procedure method of the European Union projects.

The relative weight to be given to qualification 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 0 and 10 percent; with 20 percent being the maximum weight in simple and straightforward cases. Price should never be negotiated in QCBS and the scope must remain the same for all competitors. If required after the Agreement award, only minor changes can be made on the scope, but substantial changes are not allowed. 4.2.1.3.c

For achieving good results, the weight of technical qualification in no case should be less than 80 percent. FIDIC has undertaken extensive investigations on those percentages and concluded that if the weight allocated to technical qualification is less than 80%, the selection process in most cases automatically turns into Cost Based Selection. In addition, the Client usually announces a threshold value for technical points. For scores below the threshold, the proposals would be returned to the relevant Consultants, with financial proposals unopened.

FIDIC also recommends that the selection procedures should allow a proposal to be rejected due to its abnormally low price, if the low price is not correlated to innovation. (Please see Sub-Clause 4.2.1.3.c below). Otherwise, the definition of abnormally low price proposal might be related to the market and the easiest

way is to relate it to the average price of the technically accepted proposals: For instance, the limit could be the average minus a certain percentage) In these cases, such Consultancy Firms should be considered as disqualified during the evaluation phase.

FIDIC believes it is very important to emphasize to Clients that if they want the thought and attention given to the quality criteria by the Consultancy Firms, to count in the competition, they must be prepared to use the full range of available quality marks to distinguish between the submissions. If they do not, a clustering of technical qualification marks all awarded around the same values, actually neutralizes the technical qualification criterion, and leads directly to price-based selection by default.

Under certain circumstances (where the overall scope cannot be well defined), the Client may choose 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 utilized by the Consultant to apply unit rates to obtain an estimated cost that is used in the comparative evaluation.

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

4.2.1.1 Announcement and pre-qualification (long-listing)

Procedures are the same as for Quality-Based Selection (see Section 4.1.1).

4.2.1.2 Short listing

Procedures are the same as for Quality-Based Selection (see Section 4.1.2).

4.2.1.3 Request for Proposals (RPF)

Procedures are generally the same as for Quality-Based Selection (see Section 4.1.3).

a - Letter of invitation (LOI)

Procedures are the same as for Quality-Based Selection (see Section 4.1.3a).

b - Terms of Reference (TOR)

Procedures are the same as for Quality-Based Selection (see Section 4.1.3b).

c - Information/Instructions to Consultants (ITC)

The ITC shall contain the same information as for QBS in Section 4.1.3c, with the following additional requirements relating to price:

- the minimum passing score (threshold) for quality (when applicable);
- a request for cost estimate details in a particular format, including rates (staff costs) and reimbursable costs. The cost of staff time shall be estimated on a realistic basis for both National and Foreign or Locally Based Foreign Consultancy Firms, separately for each. (These details will form the basis for Agreement negotiations and must be submitted in a separate, sealed envelope.);
- 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 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;
- 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 Consultancy services shall be announced as non-conforming and shall not be evaluated. The exception to this is, if a Consultant is proposing an innovative approach to the work which results in a justified lower cost of services. The Consultant should be allowed to defend its approach and, if able to justify it, should not be announced as non-conforming;
- 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 the price is being evaluated.

d - The proposed Agreement

Procedures are the same as for Quality-Based Selection (see Section 4.1.3d).

4.2.1.4 Preparation and submission of proposals.

Procedures are the same as for Quality Based Selection (see Section 4.1.4) except the paragraph below to be included.

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

4.2.1.5 Receipt and opening of proposals

The technical and the financial proposals submitted (either personally or online) by the Consultants shall be registered by the officer-in-charge at the time they are received. 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.

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 and announced to the Consultants as explained below. In some countries, it has been a common 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.

4.2.1.6 Evaluation of proposals

The Client shall systematically evaluate in short time (for example in 1/5th of the time allocated for proposal preparation) 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/panel (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 Consultancy Firm provided that this Consultant will not take place in any of the further project activities. In some countries, it is mandatory for public sector Clients to use a combined public-private panel, with suitably qualified evaluators for certain projects.

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 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 are 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 4.1.6. If A is the technical score of the highest ranked proposal and B is the technical score of a particular proposal, then the technical score (Q) of this particular proposal as a percentage shall be B/A x 100%.

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 Consultants who choose to attend (in person or online). The names of

the Consultants, their technical scores including the break-down by criterion, and the proposed total prices shall be read aloud (or posted online when electronic submission of proposals is used) and recorded when the financial proposals are opened. It is important that complete sets of the financial proposals which were asked from each Consultant must be brought to the room in their sealed envelopes, where all the Consultants are invited for openings.

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, secretarial expenses etc.

Very low and unrealistic financial proposals with respect to a reference cost pre-estimated with regard to 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) x 100%. The proposed overall price must not be negotiated with the preferred Consultant.

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 must 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:

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

4.2.1.7 Selection of the Consultancy Firm and negotiations

The Consultancy Firm which obtains the highest total score (weighted technical plus weighted financial score) shall be invited for negotiations. The invitation is often called LOI – Letter of Intent. Negotiations shall include discussions of the TOR, the methodology, staffing, Client's inputs and any special conditions of the Agreement and confirmation of availability of all staff, nominated in the proposal submitted by the Consultant. Only minor changes shall be made, if necessary. Financial negotiations shall include clarification of the Consultancy 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 reimbursable costs 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 Consultant 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 healthy Client - Consultant relationship.

4.2.1.8 Agreement

Procedures are the same as for Quality-Based Selection (see Section 4.1.8).

4.2.1.9 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 Agreement

c - Number of proposals received

In order to maintain transparency (and to returned 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.

4.2.1.10 Debriefing

Procedures are the same as for Quality-Based Selection (see Section 4.1.10).

4.2.1.11 Change in first-ranked Consultant

If there is a change in the preferred Consultant after de-briefing, the following procedure shall be followed:

a) The LOI (Letter of Intent) of the first preferred Consultant shall be withdrawn.

b) The LOI shall be issued to the next preferred Consultant.

c) Appropriate provisions should be incorporated in the RFP accordingly.

If the above procedures will not be followed, the Client should explain in the RFP which other procedures are to be followed if the preferred Consultant changes after debriefing.

4.2.2 Best Value Approach (BVA)

Due to negative experiences with selections on lowest price, European countries have been using the Best Value Approach (BVA, formerly known as Best Value Procurement BVP) since 2009. BVA focuses on the same goals as Quality Based Selection (QBS) recommended by FIDIC, but includes the cost of services as a selection factor.

The BVA is only correctly applied if it encompasses both selection and execution. The BVA process provides clients with a tool to identify and select the most appropriate Consultants for their projects, based on performance instead of just lowest price. A fundamental goal common to QBS and BVA is that the highest ranked Consultant is able to develop the scope of work appropriate to the task before award, without fear that he/she will be undercut by a competitor who is prepared to offer less than complete/ adequate service.

The selection method was developed by the Performance Based Studies Research Group of the University of Arizona (www.pbsrg.com) and in 2009 introduced by the Dutch under the European Procurement Laws. The Best Value Approach is based on the principles of Information Management Theory (IMT).

[Two books with detailed information are available at the PBSRG website:

ISBN # 978-0-9850496-9-0 (BVA) and # 978-0-9850496-8-3 (IMT)]

The concept of the Best Value Approach is to minimize the need for technical decision- making in the selection process and maximize the need for the Best Value Consultant to prove that he/ she or the firm is an expert. This concept encourages Consultants to show dominant differential in performance through Metrics. The chance in being selected is determined by the vendors, who are expected to show value through expertise together with Verifiable Metrics, knowing that experts minimize both risk and cost, especially Life-Cycle Cost and maximize quality. In BVA, the number of pages in the proposals is much less than for the other selection methods.

The key elements of the Best Value Approach are:

- Hiring experts (experts don't bring risk)
- Pre-planning (experts have an overview from the beginning to the end)
- Minimizing risk (by full transparency)
- Optimizing resources (by minimizing scope) and,
- Performance measurement (as basis for communication and project execution)

In the table below the difference of the Best Value Approach with the traditional approach

Other methods	Best Value Approach
Client is the 'expert' and takes a lot of decisions	Consultant is the expert' and makes sure that the client takes less decisions
'Trust' the Consultant on its word	Deliver demonstrable facts as proof (substantiation)
It's all about 'me' (win-lose)	It's about 'we' (win-win)
Procurement of a scope / activities	Procurement of a problem and solution thereof
Much communication	Only dominant communication
Use many details	Use dominant information
Pushing risks towards each other	Managing risk of the client by the Consultant
Planning project after award	Looking forward: planning before award
Surprised by disruptions	Transparency about disruptions / solutions
Management, inspection and control	Listening, observing and aligning
Low return Consultants	Realistic return Consultants

The BVA process has 3 phases. Each phase is briefly elaborated in the next paragraphs:

Phase 1: Selection Phase

Step 1: Scoring according to Level of Expertise (Capability), Risk Assessment Plan and Added Value Plan (first set of scores)

Step 2: Exclusion of Consultants with low scores and invitation of the remaining Consultants for interviews

Step 3: Interviewing the key staff of the Consultants (second set of scores)

Step 4: Opening and scoring of the price proposals (third set of scores) and ranking based on the completed three sets of Scores to select Best Price Quality Ratio (BPQR) tender

Phase 2: Clarification Phase

Step 5: Clarification of the scope and definition

Step 6: Awarding of the Consultancy Agreement

Phase 3: Execution by Risk Minimization Phase

4.2.2.1 Phase 1: Selection Phase

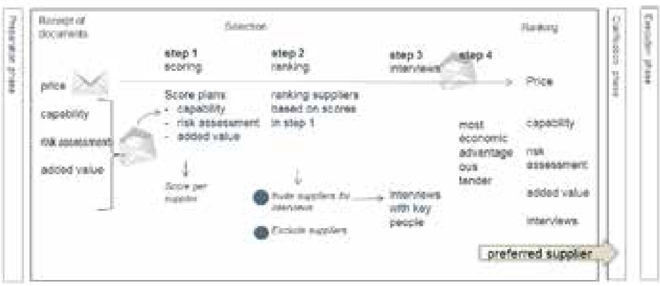
The way the 'Best Value Consultant' is selected is shown in the below figure and each of the activities is described. The idea is to select the Consultant with the best price / quality ratio (BPQR). The candidate Consultants send in their documents based on the RFP. These documents include (at least) the following information:

a. Level of Expertise (Capability)

b. Risk Assessment Plan

c. Value Added plan

d. Price proposal (in a separate and sealed envelope, to be opened after the technical scoring process is completed).



To select the winning Consultant using a BPQR method, the weighting of the different award criteria usually is as follows

Criterion	% of weighing
Level of Expertise (Capability)	25%
Risk Assessment Plan	15%
Value Added plan	10%
Interviews	30%
Price	20%

Consultants can score either a 2,4,6,8 or 10 on the different qualitative award criteria.

In the Best Value Approach, a common practice for selecting the overall Best Value Consultant is often calculated by "monetizing" the qualitative award criteria. The weighting of price/quality takes place on the basis of the lowest formulated (or assumed) tender price whereby the scores on the sub-award criteria are given a 'financial value' and, by doing so, generate deduction or addition to the tender price of the tenderer in question. The higher the score, the greater the deduction, and the lower the formulated (or assumed) tender price, the higher the ranking. This method works as follows:

Tender sum (tenderer's price from the price list) + (total) Addition = formulated (or assumed) tender sum.

The client announces the maximum budget in the RFP. This makes the project transparent for all Consultants.

Scoring is done through giving points to different parts of the proposals and then by multiplying those points by pre-determined weights to obtain scores. Using weight values, results are monetarised later (as published in the RPF) and incorporated in a formulated (or assumed) sum of money.

Step 1: Scoring according to Level of Expertise (Capability), Risk Assessment Plan and Value-Added Plan (first set of scores)

The selection team scores three each documents of the technical proposals; namely, the Level of Expertise (Capability), the Risk Assessment Plan and the Value-Added Plan.

For the Level of Expertise, the Consultants are expected to show that they can provide the required services in order to achieve the goals of the Employer. They are expected to prove their capabilities by providing so called Verifiable Performance Information (Metrics). In practice, this means that there is no room for a first-time service provider to participate in any similar tender. Consultants are expected to have taken roles in earlier projects to be able to provide performance information or hire an expert who has sufficient experience which has resulted in success.

In the Risk Assessment Plan, the Consultants explain the biggest probable risks for the client together with their applicable risk mitigation measures. Also underpinned through performance information, they indicate how these measures have worked out in other situations and why they will work in this specific project. The risks defined should not be related to the Consultancy services but must refer to other risks; otherwise they show that the capability of the Consultant is not as stated in the Level of Expertise (Capability) section. The idea behind this in Best Value Approach is that Consultants should have no risks in their own expertise (in their core competence) but they should be able to explain the outside risks, as experienced in earlier projects. This makes the Best Value Approach a fundamentally different approach. In other methods, the focus is on the risks the Consultant itself controls. An advantage of the Best Value Approach over other selection approaches which include price and quality as selection factors is that it forces the Consultants to think outside their silo.

In the Value-Added Plan, the Consultant further shows his/her expertise by explaining the potential extras that might contribute to achieving the project targets. In this part of the proposal, the Consultants are expected to illustrate what competences they have and how they can use them for the Employer to reach the desired goals. The Value Adds are related to the scope of the project and they improve the delivered performance (beyond what is already required). Value Adds should not address extra work or non-related scope, as that might require a separate proposal.

The members of the selection team first give points individually, and after discussions among themselves, the Consultants' points are decided upon by consensus. Consensus points are not the average of the first given points, but they are decided upon together by the members of the team. Having given consensus points to each candidate, the points are then converted into scores by multiplying the points by the pre-decided percentage weights as announced in the RFP. Ranking of 2-4-6-8-10 (or 1 to 5) are used for the ranking of the Consultants; 2 standing for 'very negative', 4 for 'insufficient', 6 for 'neutral', 8 for 'good' and 10 for 'excellent'. Neutral means there is insufficient Metrics to show capability.

Step 2: Exclusion of Consultants with low ranking and invitation of the remaining Consultants for interviews

Consultants ranked lower than 6 at the end of the first set of scoring, might be excluded from the list of the eligible Consultants and the remaining ones are invited for interviews by the selection team. (If the number of eligible Consultants is found to be less than required or desired, the selection team may accept lower ranked Consultants as well.)

Step 3: Interviewing the key staff of the Consultants (second set of scores)

This step includes interviewing the key staff of the eligible Consultants to be given the second set of scores. The idea behind interviewing is that the Employer wants to know who (in person) is going to achieve the offered performance, knowing that, not companies or organisations achieve the success, but the key persons do. During the interviews, the key personnel get the opportunity to illuminate the real expertise to be brought to the project. Interviewees explain the details of their services with the end result in mind, based on their expertise. The real expert is tested here on the capacity to oversee the whole project (and service) from the beginning to the end.

Step 4: Opening and evaluation of the price proposals (third set of scores) and ranking based on the three sets of Scores to select the Best Price Quality Ratio (BPQR) Tender

After the above stated technical scores are obtained (first set and second set of scores) and recorded by the selection team as described above, the contracting officer sends the pre-opened financial proposals to the selection team to be evaluated with regard to the proposed prices this time. This comprises the third set of scores. The final three sets of scores obtained as described above are evaluated by multiplying them with pre-announced percentage weights and ranking of the Consultants is done for the purpose of finding out the Best Price Quality Ratio (BPQR) tender.

The Consultant with the lowest formulated (or assumed) bidder price is the winner and enters the clarification phase as the preferred Consultant.

The recommended ratio of quality/value to price in the weighting system should be between 70/30 and 80/20%. In the example below there are 4 award criteria next to price. Each criterion had a weighted factor. E.g. Project Capability is "worth" 25% of the budget, hence a maximum of €200.000. The four criteria combined have a value of 80% of the budget; hence a maximum deduction of €640.000 could be gained. If a Consultant is scored a "10" (excellent) on all four award criteria, it would get a formulated (or assumed) deduction" of € 640.000 to his bidding price, leading to a low formulated (or assumed) tender sum.

The scoring for each criterion is as follows

- 2 = very negative: 100% addition of the related maximum quality value
- 4 = insufficient: 50% addition of the related maximum quality value
- 6 = neutral: 0% addition or deduction of the related maximum quality value
- 8 = good: 50% deduction of the related maximum quality value
- 10 = excellent: 100% deduction of the related maximum quality value

This results in the following table, which is published in tender documents of the client. The benefit of this approach is that it is clear and transparent for all Consultants about what the possible scores will lead to. Another benefit of using this monetary approach (instead of using the point system) is that all scores are absolute scores instead of relative scores. (Otherwise the points of Consultant A would depend on the scores of the other Consultants.)

Budget Ceiling Price		€ 800 000,00	
Project Capability	25%	€ -200 000,00	Maximum Formulated Value
Risk Assessment Plan	15%	€ -120 000,00	Maximum Formulated Value
Value Add Plan	10%	€ -80 000,00	Maximum Formulated Value
Interviews	30%	€ -240 000,00	Maximum Formulated Value

Model	Formulated Deduction			Formulated Addition	
	100%	50%	0%	50%	100%
Score	10	8	6	4	2
Criterion	**Value of the Score**				
Project Capability	€ -200 000,00	€ -100 000,00	€	€ 100 000,00	€ 200 000,00
Risk Assessment Plan	€ -120 000,00	€ -60 000,00	€	€ 60 000,00	€ 120 000,00
Value Add Plan	€ -80 000,00	€ -40 000,00	€	€ 40 000,00	€ 80 000,00
Interview 1	€ -120 000,00	€ -60 000,00	€	€ 60 000,00	€ 120 000,00
Interview 2	€ -120 000,00	€ -60 000,00	€	€ 60 000,00	€ 120 000,00

It is up to the client to define the percentages, based on the scope and goals of the project. The range is advised as follows:

Criterion	Range % of weighing	Usually
Level of Expertise (project capability)	15 - 40%	25%
Risk Assessment Plan	5 - 25%	15%
Value Added plan	10 - 15%	10%
Interviews	10 - 30%	30%
Price	5 - 25%	20%

For now, the example from above continues with project capability of 25%, risk assessment of 5%, value add of 10% and interviews of 30%.

	A	B	C	D
Price	€ 700.000,00	€ 760.000,00	€ 775.000,00	€ 790.000,00

Scoring by assessment Comittee

Score Phase 1	A	B	C	D
Project Capability	2	6	8	6
Risk Assessment Plan	4	6	6	8
Value Add Plan	6	6	8	6
Monetary Value				
Project Capability	€ 200.000,00	€ -	€ -100.000,00	€ -
Risk Assessment Plan	€ 60.000,00	€ -	€ -	€ -60.000,00
Value Add Plan	€ -	€ -	€ -40.000,00	€ -
Fictious Value of the document	€ 260.000,00	€ -	€ -140.000,00	€ -60.000,00

Score Phase 2	[redacted]	B	C	D
Interview 1		6	10	6
Interview 2		4	6	8
Monetary Value				
interview 1	does not qualify	€ -	€ -120.000,00	€ -
interview 2	does not qualify	€ 60.000,00	€ -	€ -60.000,00
Fictitous Value of the interviews		€ 60.000,00	€ -120.000,00	€ -60.000,00
Total fictitious value (documen		€ 60.000,00	€ -260.000,00	€ -120.000,00
fictitious Tender sum		€ 820.000,00	€ 515.000,00	€ 670.000,00
Ranking	does not qualify	3	1	2

In this example, Consultant C is the winning Consultant, and it has the lowest formulated (or assumed) tender sum. Consultant D is the 2nd and Consultant B is the 3rd ranked. As Consultant C is the winning Consultant, it is the one who qualifies for the Clarification Phase.

4.2.2.2 **Phase 2:** Clarification Phase

Step 5: Clarification of the scope

Until this point only the technical proposals and therefore expertise of the Consultants is evaluated together with the proposed prices. During the Clarification Phase, the scope (what is 'in' and what is 'out') is discussed in detail between the highest ranked Consultant and the selection team. The Consultant identifies a detailed service schedule and a milestone schedule to track project costs and time deviations based on its previously provided information (Metrics). The proposal of the highest ranked Consultant is discussed in detail (clarified), until the selection team becomes confident that the Consultant is able to undertake the specified job as required. During the discussions, the selection team also checks the validity of the information submitted by the Consultant. If the selection team is not confident after the detailed and intense discussions, it turns to the second ranked Consultant and conducts the same procedures until it reaches a conclusion about the right Consultant to select.

Step 6: Awarding of the Consultancy Agreement

After the decision is made, the other candidates are informed about the result of the selection process. At the same time the Consultancy Agreement is signed between the selected Consultant and the Employer.

4.2.2.3 **Phase 3:** Execution Phase

This phase is not related to the selection of the Consultant but for information only. It describes the monitoring of the Consultant's services. During the execution phase, the Consultant works to follow its pre-prepared schedules and communicates with the Employer primarily through Weekly Risk Reports (WRR).

This is a standardized report which shows the following information:

- Initial performance expectations of the project: costs, time, quality expectations
- Current status of the project: deviations in costs, time, quality
- Explanations on deviations: why, who caused them, what did the Consultant do to minimize the impact of the deviations?
- Identification of foreseeable risks/concerns including a plan for minimizing the impact of those risks/ concerns.

4.2.3 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 Agreements 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 Consultancy 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 Quality Based Selection procedures (see Section 4.1 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.

Proposals should be submitted in one envelope as price is fixed in the information to Clients. If two or more Consultants score the same overall index, the Client should consider the relative outputs proposed in the methodology as a means of selecting the preferred Consultant.

4.2.4 Design competition

On some very large and complex projects, Clients may feel that, to obtain the best benefit from the available technology, a design competition should take place among a small group of short-listed Consultancy Firms (see Section 4.1.2 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 or a pre-fixed price. If this is not done, design competitions have the effect of inflating the overall prices.

The Client has the advantage of having a clear idea of the Consultancy 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 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 Consultancy Firms and only be transferred, if at all, by the submitting firm awarded an Agreement to continue with the design.

4.2.5 Price negotiation

A small group of Consultancy Firms is short listed on quality (See Section 4.1.2) and then invited to negotiate fees. The method often degenerates into an auction on which the quoted prices are reduced successively until all but one Consultant drops out.

It is unlikely that reputable firms will agree to these kinds of negotiations and, even if they do, they will not be able to provide Services which bear any resemblance to the quality that they are accustomed to giving or which the Client should be seeking.

FIDIC strongly recommends against this approach.

4.2.6 Cost-Based selection (CBS) (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 the weakening of the Consultancy 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.

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.

4.2.7 Single source selection

Single source selection is still being used in some countries 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 4.1.2) or

4 SELECTION OF CONSULTANCY FIRMS

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 focus on criteria such as methodology.

Single Sourcing does not embody the full principles of QBS. FIDIC strongly recommends against this method for Consultant selection for the reason that a level playing field for all Consultants of that country cannot be provided. The method is not permitted in many countries and open bidding is required for every project.

5 EVALUATION OF CONSULTANCY 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 Consultancy 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 4.1 (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 candidate's team. Details of the selection methodology for SPV's are further described in the FIDIC Draft Guide to Best Practice for PFI projects (Ref. F7).

6.1 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.

Potential conflicts of interest may also arise where a Consultant's future work opportunity may be enhanced or limited by the alignment of their skills and experience with potential technical solutions, work packaging or technology adopted in advising, planning or design of a project. The Consultant providing advisory or planning services to a Client may also be perceived as holding "inside knowledge", which may advantage them in selection processes for later phases of the project.

At the same time, many Clients recognise the value of retaining a consultant through all phases of a project, to maintain continuity, to build project knowledge and relationships. Continuity usually increases the probability of a successful results when the same Consultant is retained for planning, design, construction supervision/inspection and start up services for the same project Clearly, such an approach requires the Consultant to have the requisite capabilities to do so and to perform well through the earlier phases of the project.

To avoid conflicts of interest, FIDIC advises Clients to carefully consider each project on its merits and to determine its preferred approach before embarking on the planning phase of the project, so that it may be transparent in its approach with all parties, before any selection process is commenced

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

- A Consultant which takes a role in the preparation of the RFP for the procurement of Consultancy Services of a specific project may be restricted from offering any other kind of Consultancy 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.

6.2 Strategic Alliances

Consultancy 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 pursuing project delivery systems such as PFI's 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 other form of alliance, or a Special Purpose Company (SPC) created solely for that purpose (Ref. F3 & F4). (Alliances other than joint venture/consortium partnerships of independent Consultancy Firms cannot be called a Consultancy Firm as given under Definitions above.)

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 Consultancy Firms other than the Consultants within the short-listed firms before proposal submission, provided that 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.

6.3 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. Such activities jeopardize the procurement process and are basically wrong because they undermine the values of society. They are economically wasteful, erode trust and put the public at risk.

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 Integrity Management System (FIMS) (Ref. F1). FIDIC also recommends that Clients subscribe to Integrity Management principles within their own organisations.

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

Consultancy Firms are strongly advised to commit to integrity through the implementation of an 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 Consultancy Firms which have a FIMS in place.

Consultancy 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.

6.4 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. 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 Consultancy Firms in this area, as well as the principles adopted within the firms.

The strategy for sustainability (Ref. F9) 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 sustainably integrated at the earliest stage. This active inducement of enhanced communication between stakeholders represents a new role for Consultants (Ref.F13, F15).

Professional policies define the role that Consultants should play in society, as reviewed in the FIDIC report Engineering Our Future (Ref.F10).

6.5 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 (Ref. F11):

- Involvement of National Consultancy Firms rather than individuals;
- Meaningful participation of National Consultancy Firms that operate competitively in the private sector, throughout the whole assignment;
- Presence of Quality Management and Integrity Management systems in the National Consultancy 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.

6.6 Informed purchasers

FIDIC is strongly committed to the principle that purchasers of Consultancy services must be fully informed on both the technical aspects of specific projects and on proper processes for the procurement of Consultancy services. Well-informed purchasers 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 impacts on public safety of project design relative to construction, operations, and maintenance;
- understands the risks associated with the project and is willing to allocate these in a fair and appropriate manner;
- understands the adverse impact of requiring a security deposit for Consultancy 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 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 a 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 Consultancy 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.

7 REFERENCES

Reference 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.

- F1 *Guidelines for FIDIC Integrity Management System in the Consulting Industry*, 1st Edition, 2011.
- F2 FIDIC Client – *Consultant Model Services Agreement (The White Book)*, 4th Edition, 2006. See also Ref. F3 & F4.
- F3 *FIDIC Joint Venture (Consortium) Agreement*, 2nd Edition, 2017
- F4 *FIDIC Sub-Consultancy Agreement*, 2nd Edition, 2017
- F5 *Quality-Based Selection (QBS) Guidelines*, FIDIC, 2011.
- F6 *FIDIC Guide to Quality Management in the Consulting Engineering Industry*, 2nd Edition, 2001.
- F7 *Draft International Guide for Consulting Engineers in PFI,* FIDIC, 2007
- F8 *FIDIC Procurement Procedures Guide*, 1st Edition, 2011.
- F9 *FIDIC Sustainable Strategy Paper*, 2000.
- F10 *Engineering Our Future*, FIDIC, 2004.
- F11 *Capacity Building: Building the Capacity of Consulting Firms*, FIDIC, 2001.
- F12 *Definition of Services Guidelines (Building Construction)*, FIDIC 2009.
- F13 *FIDIC Project Sustainability Management Guidelines*, 2004.
- F14 *FIDIC State of the World Infrastructure Report,* 2009.
- F15 *FIDIC Risk Management – A Short Guide,* 2009.
- F16 *FIDIC Guide to practice, The Business of a professional Services Firm,* 2015.

General references

- *Guidelines: World Bank, Selection and Employment of Consultants under IBRD. Loans & IDA Credits & Grants by World Bank Borrowers*, The World Bank, 2011, revised July 2014 for projects Prior To July 1.
- *World Bank, An overview for practitioners An overview for practitioners*, November 2016, for projects starting from July 1, 2016
- *World Bank, Standard Procurement Document, Request for Proposals Consulting Services*, October 2018, for projects starting from July 1, 2016
- *Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers*, Asian Development Bank, 2013
- *Rules and Procedures for the Use of Consultants*, African Development bank, 2008 (revised 2012).
- *Procurement Policies and Rules*, European Bank for Reconstruction and Development, November 2017.
- *Practical Guide: EuropeAid Development and Cooperation*, European Commission, 2018.
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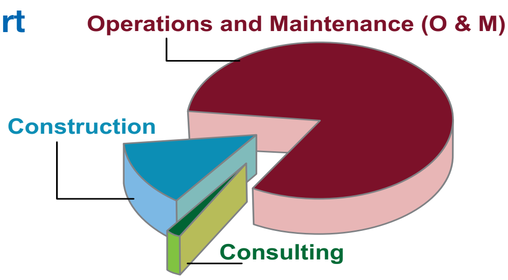
- YouTube: PBSRG Lecture Series (2016) https://www.youtube.com/channel/UCHRWjT7NwFHZN7wC1OXiLtg
- YouTube: Masterclass Best Value Approach (2014) https://www.youtube.com/watch?v=-LVoxK0KP8Q

8 APPENDICES

LCC Pie-Chart



Life-Cycle Costs

SUMMARY

This guide has been prepared by the Selection Task Force of the FIDIC Business Practices Committee (BPC) established in the year 2000. Members come from different regions of the world, as listed below in alphabetical order. The First Edition was printed in 2003. It has been updated in 2013 and also harmonized with the new FIDIC guide 'QBS-Quality Based Consultant Selection', which was published in 2011. The Third Edition is printed in the year 2019, with the addition of the Best Value Approach (BVA) section, together with some other updates.

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FIDIC appreciates Pablo Bueno (FIDIC Past President), William Howard (FIDIC President Elect), Anthony Barry (FIDIC Vice President), Jaap de Koning (EFCA Internal Market Committee Chair), Jan van der Putten (EFCA Managing Director and FIDIC BPC member) and Ieva Liaugaude (FIDIC International Client Manager) for providing comments on the drafts.

THE TASK FORCE (2003, First Edition)

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Mahbub Haque – Bangladesh

Panos Panagopoulos – Greece

Henning Puggaard – Denmark

Enrico Vink – New Zealand

THE TASK FORCE (2013, Second Edition)

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