# ANNEX 4

# SELECTION OF CONSULTANTS

# I. Quality- and Cost-Based Selection (QCBS)

## The Selection Process

1.1 This method of selection is used for large[[1]](#footnote-1) contracts. QCBS uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. Cost as a factor of selection shall be used judiciously. The relative weight to be given to the quality and cost shall be determined for each case depending on the nature of the assignment.

1.2 The selection process shall include the following steps:

* 1. preparation of the TOR;
	2. preparation of cost estimate and the budget;
	3. advertising;
	4. preparation of the short list of consultants;
	5. preparation and issuance of the RFP [which should include: the Letter of Invitation (LOI); Instructions to Consultants (ITC); the TOR and the proposed draft contract];
	6. receipt of proposals;
	7. evaluation of technical proposals: consideration of quality;
	8. public opening of financial proposals;
	9. evaluation of financial proposal;
	10. final evaluation of quality and cost; and
	11. negotiations and award of the contract to the selected firm.

## Terms of Reference (TOR)

1.3 The Government, trough Central Fiduciary Unit (CFU) attached to the Ministry of Finance, shall be responsible for preparing the TOR for the assignment. TOR shall be prepared by a person(s) or a firm specialized in the area of the assignment. The scope of the services described in the TOR shall be compatible with the available budget. TOR shall define clearly the objectives, goals, and scope of the assignment and provide background information (including a list of existing relevant studies and basic data) to facilitate the consultants’ preparation of their proposals. If transfer of knowledge or training is an objective, it should be specifically outlined along with details of number of staff to be trained, and so forth, to enable consultants to estimate the required resources.TOR shall list the services and surveys necessary to carry out the assignment and the expected outputs (for example, reports, data, maps, surveys). However, TOR should not be too detailed and inflexible, so that competing consultants may propose their own methodology and staffing. Firms shall be encouraged to comment on the TOR in their proposals. The Government’s and consultants’ respective responsibilities should be clearly defined in the TOR.

## Cost Estimate (Budget)

1.4 Preparation of a well-thought-through cost estimate is essential if realistic budgetary resources are to be earmarked. The cost estimate shall be based on the Government’s assessment of the resources needed to carry out the assignment: staff time, logistical support, and physical inputs (for example, vehicles, laboratory equipment). Costs shall be divided into two broad categories: (a) fee or remuneration (according to the type of contract used) and (b) reimbursables, and further divided into foreign and local costs. The cost of staff time shall be estimated on a realistic basis for foreign and national personnel.

## Advertising

1.5 To obtain expressions of interest, the CFU shall advertise a request for expressions of interest for each contract for consulting firms in the national gazette or a national newspaper or in an electronic portal of free access. CFU may also advertise requests for expressions of interestin an international newspaper. The information requested shall be the minimum required to make a judgment on the firm’s suitability and not be so complex as to discourage consultants from expressing interest. Not less than 14 days from date of posting shall be provided for responses, before preparation of the short list.

## Short List of Consultants

1.6 The CFU is responsible for preparation of the short list. The CFU shall give first consideration to those firms expressing interest that possess the relevant qualifications.Firms that expressed interest, as well as any other firm that specifically so requests, shall be provided the final short list of firms.

1.7 The short list may comprise entirely national consultants (firms registered or incorporated in the country). However, if foreign firms express interest, they shall be considered.

1.8 The short list should preferably comprise consultants of the same category, similar capacity, and business objectives. Consequently, the short list should normally be composed of firms of similar experience or of not-for-profit organizations (NGOs, Universities, etc.) acting in the same field of expertise. The short list shall not include Individual Consultants.

## Preparation and Issuance of the Request for Proposals (RFP)

1.9 The RFP shall include (a) a Letter of Invitation, (b) Information to Consultants, (c) the TOR, and (d) the proposed contract.

## Letter of Invitation (LOI)

1.10 The LOI shall state the intention of the Government to enter into a contract for the provision of consulting services, the source of funds, the details of the client and the date, time, and address for submission of proposals.

## Instructions to Consultants (ITC)

1.11 The ITC shall contain all necessary information that would help consultants prepare responsive proposals, and shall bring as much transparency as possible to the selection procedure by providing information on the evaluation process and by indicating the evaluation criteria and factors and their respective weights and the minimum passing quality score. The ITC shall indicate an estimate of the level of keystaff inputs (in staff time) required of the consultants or the total budget, but not both. Consultants, however, shall be free to prepare their own estimates of staff time to carry out the assignment and to offer the corresponding cost in their proposals. The ITC shall specify the proposal validity period, which should be adequate for the evaluation of proposals, decision on award, and finalization of contract negotiations.

## Contract

1.12 CFU shall use the appropriate Standard Form of Contract with minimum changes, as necessary to address specific country and project issues. Any such changes shall be introduced only through Contract Data Sheets or through Special Conditions of Contract and not by introducing changes in the wording of the General Conditions ofContract included in the Standard Form.

## Receipt of Proposals

1.13 The CFU shall allow enough time for the consultants to prepare their proposals. The time allowed shall depend on the assignment, but normally shall not be less than four weeks or more than three months (for example, for assignments requiring establishment of a sophisticated methodology, preparation of a multidisciplinary master plan). During this interval, the firms may request clarifications about the information provided in the RFP. The CFU shall provide these clarifications in writing and copy them to all firms on the short list (who intend to submit proposals). If necessary, the CFU shall extend the deadline for submission of proposals. The technical and financial proposals shall be submitted at the same time. No amendments to the technical or financial proposal shall be accepted after the deadline. To safeguard the integrity of the process, the technical and financial proposals shall be submitted in separate sealed envelopes. The technical envelopes shall be opened immediately by a committee of officials drawn from the relevant departments (technical, finance, legal, as appropriate),after the closing time for submission of proposals. The financial proposals shall remain sealed and shall be deposited with a reputable public auditor or independent authority until they are opened publicly. Any proposal received after the closing time for submission of proposals shall be returned unopened.

## Evaluation of Proposals: Consideration of Quality and Cost

1.14 The evaluation of the proposals shall be carried out in two stages: first the quality, and then the cost. Evaluators of technical proposals shall not have access to the financial proposals until the technical evaluation is concluded. Financial proposals shall be opened only thereafter. The evaluation shall be carried out in full conformity with the provisions of the RFP.

## Evaluation of the Quality

1.15 The CFU shall evaluate each technical proposal (using an evaluation committee of three or more specialists in the sector), taking into account several criteria: (a) the consultant’s relevant experience for the assignment, (b) the quality of the methodology proposed, (c) the qualifications of the key staff proposed, (d) transfer of knowledge, if required in the TOR, and (e) the extent of participation by nationals among key staff in the performance of the assignment. Each criterion shall be marked on a scale of 1 to 100. Then the marks shall be weighted to become scores. The following weights are indicative. The actual percentage figures to be used shall fit the specific assignment and shall be within the ranges indicated below. The proposed weights shall be disclosed in the RFP.

|  |  |
| --- | --- |
| Consultant’s specific experience: | 0 to 10 points |
| Methodology: | 20 to 40 points |
| Key personnel: | 30 to 60 points |
| Total: | 100 points |

1.16 The Government shall normally divide these criteria into subcriteria. However, the number of subcriteria should be kept to the essential. The weight given to experience can be relatively modest, since this criterion has already been taken into account when short-listing the consultant. More weight shall be given to the methodology in the case of more complex assignments (for example, multidisciplinary feasibility or management studies).

1.17 Evaluation of only the key personnel is recommended. Since key personnel ultimately determine the quality of performance, more weight shall be assigned to this criterion if the proposed assignment is complex. The CFU shall review the qualifications and experience of proposed key personnel in their *curricula vitae,* which must be accurate, complete, and signed by an authorized official of the consulting firm and the individual proposed. The individuals shall be rated in the following three subcriteria, as relevant to the task:

1. general qualifications: general education and training, length of experience, positions held, time with the consulting firm as staff, experience in developing countries, and so forth;
2. adequacy for the assignment: education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and
3. experience in the region: knowledge of the local language, culture, administrativesystem, government organization,and so forth.

1.18 CFU shall evaluate each proposal on the basis of its responsiveness to the TOR. A proposal shall be considered unsuitable and shall be rejected at this stage if it does not respond toimportant aspects of the TOR or it fails toachieve a minimum technical score specified in the RFP.

1.19 At the end of the process,the CFU shall prepare a Technical 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 the evaluation, such as individual mark sheets, shall be retained until completion of the project and its audit.

## Evaluation of Cost

1.20 After the evaluation of quality is completed, the CFU shall inform the consultants who have submitted proposals, the technical points assigned to each consultant and shall notify those consultants whose proposals did not meet the minimum qualifying mark or were considered nonresponsive to the RFP and TOR that their financial proposals will be returned unopened after the signature of the contract. The CFU shall simultaneously notify the consultants that have secured the minimum qualifying mark, the date, time, and place set for opening the financial proposals. The opening date shall be defined allowing sufficient time for consultants to make arrangements to attend the opening of the financial proposals. The financial proposals shall be opened publicly in the presence of representatives of the consultants who choose to attend (in person or online). The name of the consultant, the technical points, and the proposed prices shall be read aloud (and posted online when electronic submission of proposals is used) and recorded when the financial proposals are opened. The CFU shall also prepare the minutes of the public opening and a copy of this record shall be promptly sent to all consultants who submitted proposals.

1.21 The CFU shall then review the financialproposals. If there are any arithmetical errors, they shall be corrected. For the purpose of comparing proposals, the costs shall be converted to a single currency selected by the CFU (local currency or fully convertible foreign currency) as stated in the RFP. The CFU shall make this conversion by using the selling (exchange) rates for those currencies quoted by an official source (such as the Central Bank) or by a commercial bank or by an internationally circulated newspaper for similar transactions. 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 date of expiration of the period of validity of the proposal.

1.22 For the purpose of evaluation, “cost” shall exclude local identifiable indirect taxes[[2]](#footnote-2) on the contract and income tax payable to the country of the Government on the remuneration of services rendered in the country of the Government by non-resident staff of the consultant. The cost shall include all consultant’s remuneration and other expenses such as travel, translation, report printing, or secretarial expenses. The proposal with the lowest cost may be given a financial score of 100 and other proposals given financial scores that are inversely proportional to their prices. Alternatively, a directly proportional or other methodology may be used in allocating the marks for the cost. The methodology to be used shall be described in the RFP.

## Combined Quality and Cost Evaluation

1.23 The total score shall be obtained by weighting the quality and cost scores and adding them. The weight for the “cost” shall be chosen, taking into account the complexity of the assignment and the relative importance of quality.The weight for cost shall normally be 20 points out of a total score of 100. The proposed weightings for quality and cost shall be specified in the RFP. The firm obtaining the highest total score shall be invited for negotiations.

## Negotiations and Award of Contract

1.24 Negotiations shall include discussions of the TOR, the methodology, staffing,CFU’s inputs, and special conditions of the contract. These discussions shall not substantially alter the original TOR or the terms of the contract, lest the quality of the final product, its cost, and the relevance of the initial evaluation be affected. Major reductions in work inputs should not be made solely to meet the budget. The final TOR and the agreed methodology shall be incorporated in “Description of Services,” which shall form part of the contract.

1.25 The selected firm should not be allowed to substitute key staff, unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives of the assignment.[[3]](#footnote-3) If this is not the case and if it is established that key staff were included in the proposal without confirming their availability, the firm may be disqualified and the process continued with the next ranked firm.The key staff proposed for substitution shall have qualifications equal to or better than the key staff initially proposed.

1.26 Financial negotiations shall include clarification of the consultants’ tax liability in the Borrower’s country (if any) and how this tax liability has been or would be reflected in the contract. As Lump-Sum Contracts payments are based on delivery of outputs (or products), the offered price shall include all costs (staff time, overhead, travel, hotel, etc.). Consequently, if the selection method for a Lump-sum contract included price as a component, this price shall not be negotiated. In the case of Time-based Contracts, payment is based on inputs (staff time and reimbursables) and the offered price shall include staff rates and an estimation of the amount of reimbursables. When the selection method includes price as a component, negotiations of staff rates should not take place, except in special circumstances, like for example, staff rates offered are much higher than typically charged rates by consultants for similar contracts. Consequently, the prohibition of negotiation does not preclude the right of the client to ask for clarifications, and, if fee are very high, to ask for change of fees. Reimbursables are to be paid on actual expenses incurred at cost upon presentation of receipts and therefore are not subject to negotiations. However, if the client wants to define ceilings for unit prices of certain reimbursables (like travel or hotel rates), they should indicate the maximum levels of those rates in the RFP or define a per diem in the RFP.

1.27 If the negotiations fail to result in an acceptable contract, the Government shall terminate the negotiations and invite the next ranked firm for negotiations. The consultant shall be informed of the reasons for termination of the negotiations. Once negotiations are commenced with the next ranked firm, the Government shall not reopen the earlier negotiations. After negotiations are successfully completed, the Government shall promptly notify other firms on the short list that they were unsuccessful.

## Publication of the Award of Contract

1.28 After the award of contract, the following information shall be sent to all consultants who have submitted proposals.: (a) the names of all consultants who submitted proposals; (b) the technical points assigned to each consultant; (c) the evaluated prices of each consultant; (d) the final point ranking of the consultants; (e) the name of the winning consultant and the price, duration, and summary scope of the contract.

## Debriefing

1.29 In the publication of contract award referred to in paragraph 1.28 the Government shall specify that any consultant who wishes to ascertain the grounds on which its proposal was not selected, should request an explanation from the Government. The Government shall promptly provide the explanation as to why such proposal was not selected in writing.

## Rejection of All Proposals, and Reinvitation

1.30 The Government will be justified in rejecting all proposals only if all proposals are nonresponsive because they present major deficiencies in complying with the TOR or if they involve costs substantially higher than the original estimate. The new process may include revising the RFP (including the short list) and the budget.

## Confidentiality

1.31 Information relating to evaluation of proposals and recommendations concerning awards shall not be disclosed to the consultants who submitted the proposals or to other persons not officially concerned with the process, until the publication of the award of contract.

# II. Other Methods of Selection

## General

2.1 This section describes the selection methods other than QCBS, and the circumstances under which they are acceptable. All the relevant[[4]](#footnote-4) provisions of Section I (QCBS) shall apply whenever competition is used.

## Least-Cost Selection (LCS)

2.2 This method is only appropriate for selecting consultants for assignments of a standard or routine nature (audits, engineering design of noncomplex works, and so forth) where well-established practices and standards exist. Under this method, a“minimum” qualifying mark for the “quality” is established. Proposals, to be submitted in two envelopes, are invited from a short list. Technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark[[5]](#footnote-5) are rejected, andthe financial proposals of the rest are opened in public. The firm with the lowest price shall then be selected and the publication of the Award of Contract shall be as described in paragraph 1.28. Under this method, the minimum qualifying mark shall be established, understanding that all proposals above the minimum compete only on“cost.”The minimum qualifying mark shall be stated in the RFP.

## Selection Based on the Consultants’ Qualifications (CQS)

2.3 This method may be used for small[[6]](#footnote-6) assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, the Government shall prepare the TOR, request expressions of interest and information on the consultants’ experience and competence relevant to the assignment, establish a short list, and select the firm with the most appropriate qualifications and references. The selected firm shall be asked to submit a combined technical-financial proposal and then be invited to negotiate the contract.

2.4 The Government shall inform the consultants that submitted EOI on the name of the consultant to which the contract was awarded, and the price, duration, and scope of the contract.

**Single-Source Selection (SSS)**

2.5 Single-source selection of consultants does not provide the benefits of competition in regard to quality and cost, lacks transparency in selection, and could encourage unacceptable practices. Therefore, single-source selectionshall be used only in exceptional cases. The justification for single-source selection shall be examined in the context of the overall interests of the client and the project, and responsibility to ensure economy and efficiency and provide equal opportunity to all qualified consultants.

2.6 Single-source selection may be appropriate only if it presents a clear advantage over competition: (a) for tasks that represent a natural continuation of previous work carried out by the firm (see next paragraph), (b) in emergency cases, such as in response to disasters and for consulting services required during the period of time immediately following the emergency, (c) for verysmall[[7]](#footnote-7) assignments, or (d) when only one firm is qualified or has experience of exceptional worth for the assignment.

2.7 When continuity for downstream work is essential, the initial RFP shall outline this prospect, and, if practical, the factors used for the selection of the consultant shall take the likelihood of continuation into account. Continuity in the technical approach, experience acquired, and continued professional liability of the same consultant may make continuation with the initial consultant preferable to a new competition subject to satisfactory performance in the initial assignment. For such downstream assignments, the CFU shall ask the initially selected consultant to prepare technical and financial proposals on the basis of TOR furnished by the CFU, which shall then be negotiated.

2.8 If the initial assignment was not awarded on a competitive basis or was awarded under tied financing or if the downstream assignment is substantially larger in value, a competitive process shall normally be followed in which the consultant carrying out the initial work is not excluded from consideration if it expresses interest. The CFU will consider exceptions to this rule only under special circumstances and only when a new competitive process is not practicable.

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# III. Selection of Individual Consultants

3.1 Individual consultants are employed on assignments for which (a) teams of personnel are not required, (b) no additional outside (home office) professional support is required, and (c) the experience and qualifications of the individual are the paramount requirement. When coordination, administration, or collective responsibility may become difficult because of the number of individuals, it would be advisable to employ a firm.

3.2 The mandate is awarded to the bidder offering the best match between the qualifications, quality and price. Advertisement is not required[[8]](#footnote-8). Consultants shall be selected through offer comparison of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Government. The whole process must be transparent, clearly documented showing that all steps, listed below have been followed.

## 3.3 Evaluation of the Quality

3.3.1 The Evaluation Committee (EC) shall review the qualifications and experience of the candidate in their *curricula vitae,* which must be accurate, complete. The individuals shall be rated in the following three criteria, as relevant to the task:

* general qualifications: general education and training, length of experience, positions held, and so forth;
* adequacy for the assignment: education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and
* experience in the country: knowledge of the local language, culture, administrativesystem, government organization,and so forth.

3.3.2 EC shall evaluate each CV on the basis of its responsiveness to the TOR. A CV shall be considered unsuitable and shall be rejected at this stage if it does not respond toimportant aspects of the TOR.

3.3.3 At the end of the process,the EC shall prepare an Evaluation Report of the “quality”of the candidates. The report shall substantiate the results of the evaluation and describe the relative strengths and weaknesses of the CVs. All records relating to the evaluation, such as individual mark sheets, shall be retained until completion of the project and its audit.

## 3.4 Evaluation of Cost

3.4.1 After the evaluation of quality is completed, the financial proposals shall be opened in the presence of EC and the proposed prices shall be read aloud and recorded when the financial proposals are opened.

3.4.2 The EC shall then review the financialproposals. If there are any arithmetical errors, they shall be corrected.

## 3.5 Combined Quality and Cost Evaluation

3.5.1 The total score shall be obtained by weighting the quality and cost scores and adding them. The weight for cost shall normally be 20 points out of a total score of 100. The candidate obtaining the highest total score shall be invited for negotiations.

3.6 Individual consultants may be selected through a direct award, with the threshold amount as per Serbian procurement law. With due justification in exceptional cases such as (a) emergency situations resulting from natural disasters and enforceable events; and (b) when the individual is the only consultant qualified for the assignment.

**PROCUREMENT OF GOODS**

IV Shopping

4.1 Shopping is a procurement method based on comparing price quotations obtained from several suppliers (in the case of goods), with a minimum of three, to assure competitive prices, and is an appropriate method for procuring readily available off-the-shelf goods or standard specification commodities of small value. Requests for quotations shall indicate the description and quantity of the goods, as well as desired delivery time and place. Quotations may be submitted by letter, facsimile or by electronic means.

4.2 The bid that met technical requirements with the lowest evaluated cost, , shall be selected for award.

4.3 The bid price shall be adjusted to correct any arithmetical errors. Also, for the purpose of evaluation, adjustments shall be made for any quantifiable nonmaterial deviations or reservations.

The evaluation and comparison of bids shall be on CIP (place of destination) prices for the supply of imported goods[[9]](#footnote-9) and EXW prices, plus cost of inland transportation and insurance to the place of destination, for goods manufactured within the Government’s country, together with prices for any required installation, training, commissioning, and other similar services.[[10]](#footnote-10)

4.4 Bidding documents shall also specify the relevant factors in addition to price to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the lowest evaluated bid. For goods and equipment, other factors may be taken into consideration including, among others, payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and related training, safety, and environmental benefits. The factors other than price to be used for determining the lowest evaluated bid shall, to the extent practicable, be expressed in monetary terms, or given a relative weight in the evaluation provisions in the bidding documents.

4.5 The CFU shall prepare a detailed report on the evaluation and comparison of bids setting forth the specific reasons on which the recommendation is based for the award of the contract.

 4.6 The terms of the accepted offer shall be incorporated in a purchase order or brief contract.

V Direct Contracting

5.1 Direct contracting is contracting without competition (single source) and may be an appropriate method under the following circumstances:

(a) An existing contract for goods may be extended for additional goods of a similar nature if no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provisions for such an extension, if considered likely in advance, shall be included in the original contract.

(b) Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original Supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the advantages of another make or source of equipment shall have been considered and rejected.

(c) The required equipment is proprietary and obtainable only from one source.

(d) The Contractor responsible for a process design requires the purchase of critical items from a particular Supplier as a condition of a performance guarantee.

(e) In exceptional cases, such as in response to natural disasters.

1. Contracts that exceed US$ 200,000 [↑](#footnote-ref-1)
2. All indirect taxes levied on the contract invoices, at National, State (or Provincial) and Municipal levels. [↑](#footnote-ref-2)
3. Defining realistic proposal validity periods in the RFP and carrying out an efficient evaluation minimizes this risk. [↑](#footnote-ref-3)
4. All provisions of Section I shall be applied with the modifications and suppressions required by the method for selecting consultants used in the specific case. Advertisement for expression of interest is not required when single-source selection is used. [↑](#footnote-ref-4)
5. This method shall not be used as a substitute for QCBS and shall be used only for the specific cases of very standard and routine technical nature where the intellectual component is minor. For this method the minimum qualifying mark shall be 70 points or higher. [↑](#footnote-ref-5)
6. Dollar thresholds defining “small” shall be determined in each case, taking into account the nature and complexity of the assignment, but shall not exceed US$200,000 [↑](#footnote-ref-6)
7. Dollar thresholds defining “very small” shall be determined in each case, taking into account the nature and complexity of the assignment, but shall not exceed US$100,000. [↑](#footnote-ref-7)
8. However, in some cases Government may consider the advantage of advertising at their option. [↑](#footnote-ref-8)
9. Borrowers may ask for prices on a CIF basis (and bids compared on that same basis) only when the goods are carried by sea and the goods are not containerized. CIF shall not be used for anything other than sea transport. In the case of manufactured goods, it is unlikely that the choice of CIF will be appropriate, because these goods are usually containerized. CIP can be used for any mode of transport, including sea and multimodal transport. [↑](#footnote-ref-9)
10. The evaluation of bids shall not take into account: (a) customs duties and other taxes levied on imported goods quoted CIP (which are excluded of custom duties); (b) sales and similar taxes levied in connection with the sale or delivery of the goods [↑](#footnote-ref-10)