



Guidance Note on Financial Proposal Evaluation

**QUALITY AND COST-BASED SELECTION (QCBS)
EVALUATION OF FINANCIAL PROPOSALS
(FOR LOANS AND TECHNICAL ASSISTANCE – EA AND ADB ADMINISTRATION
RECRUITMENT)**

A. BACKGROUND

1. The purpose of the evaluation of Consultants' Financial Proposals (FPs) is to verify that the costs itemized in the FPs adequately cover the services offered in the Consultants' Technical Proposals (TPs). For the purpose of maintaining fairness and transparency in the ranking of Proposals,¹ it should be possible upon completion of the ranking for OSFMD and Executing Agencies (EAs) to provide a debriefing to a Consultant who submitted Proposal advising in broad terms how the Consultant's Proposal was ranked.

2. For evaluation of TPs, the process is structured and well defined as the evaluation is performed using criteria developed by the EA's Consultant Selection Committee (CSC) members during the short-listing meeting and the Request for Proposal (RFP) sent to shortlisted firm contains a copy of the Summary Evaluation Sheet (SES) and the Personnel Evaluation Sheets (PES) with corresponding criteria. However, as similar criteria do not exist for evaluation of FPs, it is important that guidance is given to OSFMD and the EAs as to the procedures to be followed for evaluation of FPs.

B. PROCEDURES

3. Instructions in the RFP require that shortlisted consultants' FPs be in a format which indicates the unit cost and quantities of the various components. In addition, the FP must include provisional sums and contingencies in accordance with requirements indicated in the Data Sheet of the RFP.

4. Following completion of the public opening of FPs, the concerned EA shall evaluate the FPs using the following procedures:

a. Check for Commercial Compliance

- (i) Check if the Proposal validity period accords with that indicated in the RFP Data Sheet.
- (ii) Check if the FP contains any statements which make its contents restrictive or conditional (e.g. requirements that ADB in addition to costs indicated in the FP, should also reimburse the consultant for any tax payable in the consultant's home country or in the DMC where the services are to be performed; or a statement advising "should the implementation period of services exceed 12 months from the date of contract signing, the Client shall increase all unit costs indicated in the Financial Proposal by 5%.") These are just two examples of conditions that consultants might state in the FP.

For such cases, the evaluator must determine if such statements make the consultant's FP a conditional offer and if this is found to be the case, the FP should receive an evaluation score of zero.

¹ A Proposal consists of two components: the Technical Proposal and the Financial Proposal.

However, before such action is taken, the evaluation should be discussed with the Loan Consulting Unit (LCU) Head and if need be with concerned OSFMD Director.

b. Arithmetical Check

- (i) Check multiplications.
- (ii) Check summation of sub-total and total. Where plus (+) or minus (-) errors are found, corrections should be made and details of adjustments recorded.

c. Check Provisional Sums

The Provisional Sums shown in the FP must be the same, both in terms of amount and currency (US\$) as those indicated in the RFP Data Sheet. Where + or - errors or currency errors are found, corrections should be made and details of adjustments recorded.

Example 1: If the Provisional Sums amount proposed is less than the RFP Data Sheet requirement, the missing amount will need to be loaded to the FP. However, since only competitive items of the FP will be evaluated, such missing amount will only be loaded to the FP after the evaluation of the competitive portion of the proposal but before the overall ranking is determined. This is because a loading to the Provisional Sums can bring the FP above the indicated maximum budget (if maximum rather than estimated budget is used) resulting in a zero score on the FP and hence affecting the overall ranking.

Example 2: Similarly, if the Provisional Sums amount proposed exceeds the RFP Data Sheet requirement, no immediate deduction will be made for evaluation purposes since the excessive amount does not affect the competitive portion of the FP. However, after the evaluation of the competitive portion of the FP but before the overall ranking is determined, the Provisional Sums amount shall be deducted to the originally indicated amount in the RFP Data Sheet..

d. Check Contract Contingencies

The Contingency shown in the FP must be the same, both in terms of amount and currency as those indicated in the RFP Data Sheet. Where + or - errors or currency errors are found, corrections should be made and details of adjustments recorded.

Example 1: If the Contingencies amount proposed is less than the RFP Data Sheet requirement, the missing amount will need to be loaded to the FP. However, since only competitive items of the FP will be evaluated, such missing amount will only be loaded to the FP after the evaluation of the competitive portion of the proposal but before the overall ranking is determined. This is because a loading to the Contingencies can bring the FP above the indicated maximum budget (if maximum rather than estimated budget is used) resulting in a zero score on the FP and hence affecting the overall ranking.

Example 2: Similarly, if the Contingencies amount proposed exceeds the RFP Data Sheet requirement, no immediate deduction will be made for evaluation purposes since the excessive amount does not affect the competitive portion of the FP. However, after the evaluation of the competitive portion of the FP but before the overall ranking is determined, the Contingencies amount shall be deducted to the originally indicated amount in the RFP Data Sheet..

For both Loans and TAs, Provisional Sums and Contingencies must be stated in US\$ in the RFP Data Sheet. This is to ensure simplicity and because ADB does not have purchase agreements with all DMC currencies unless they are fully convertible. As such, please ensure that all FPs received not only adhere to the amounts indicated in the RFP Data Sheet but also with the US\$ currency requirement. Should a FP include Provisional Sums and Contingencies in another currency, conversion to US\$ should be made using the exchange rate of the date and source also indicated in the RFP Data Sheet.

e. Check on Consistency between FP and TP

Unit cost items in the FP are shown as either international or local cost under two categories: remuneration and out-of-pocket expenses and checks must be made to determine if these have been provided in accordance with the RFP requirements.

(i) Remuneration

- (a) Check international and national person-months inputs totals shown in TP and compare to the RFP Data Sheet minimum **total person month input** requirements. If the totals indicated in the TP do not match the minimum Data Sheet total requirements, load for the missing person-months by multiplying the highest remuneration rate proposed in the consultant's own Financial Proposal for international and/or national experts and add to the total remuneration amount.
- (b) Check to determine if the inputs shown for each expert (international and national) on the Personnel Schedule of the TP (Form TECH-6) are the same as the inputs for each expert indicated in the FP (Form FIN-3). The Personnel Schedule of the TP in terms of person-month inputs shall prevail. Therefore, if the person-month inputs shown on the FP do not match with the Personnel Schedule, adjustments should be made to the FP and details of adjustments recorded.
- (c) The seven (7) examples below illustrate common situations of discrepancies between inputs in the TP and FP and/ or discrepancies between input requirements in the RFP Data Sheet and proposed inputs in the FP and how to correctly address these situations during evaluation of FPs. Please note that the 10 person months RFP Data Sheet input requirements is for 1 position only in the examples. In practice, it is necessary to determine whether there

is a discrepancy between the total inputs in the Data Sheet and the TP before deciding on whether any loading is necessary and which rate to be adopted for the loading.

	RFP Data Sheet input requirement (in person-months)	TP (person-months proposed)	FP (person-months proposed)	Rate Proposed/ person-month
Example 1	10	10	8	\$ 20,000
Example 2	10	8	8	\$ 20,000
Example 3	10	8	6	\$ 20,000
Example 4	10	0	0	No Rate Proposed
Example 5	10	12	12	\$ 20,000
Example 6	10	10	12	\$ 20,000
Example 7	10	12	14	\$ 20,000

Example 1: In this case, there are two person-months missing in the FP compared to the TP which is held to be correct. Since there is no discrepancy between the TP and the RFP Data Sheet input requirement, there is only need to load the FP with the two missing person-months at the unit rate proposed by the consultant for the position, i.e. $2 \times \$ 20,000 = \$ 40,000$.

Example 2: In this case, there is no discrepancy between the FP and the TP but there are two person-months missing compared to the RFP Data Sheet requirements for the position. However, whether there is a need to load the FP for these two missing person-months depends on whether the RFP Data Sheet minimum **total person-month input** requirements are satisfied or not. If two additional person-months have been proposed to another position in the FP there will be no need to load. However, if the FP is short of two person-months compared to total RFP Data Sheet minimum person month input requirements, we need to load the FP with the two missing person months at the unit rate proposed by the consultant for that position, i.e. $2 \times \$ 20,000 = \$ 40,000$.

Example 3: In this case there is a discrepancy of two person-months between the FP and the TP. Since the TP is held to be correct, there is a need to load the FP with the two missing person months at the unit rate proposed by the consultant for that position, i.e. $2 \times \$ 20,000 = \$ 40,000$. However, there are also two person-months missing compared to RFP Data Sheet requirements for the position. Again, whether there is a need to load the FP for these two missing

person-months depends on whether the RFP Data Sheet minimum **total person-month input** requirements are satisfied or not. If two additional person-months have been proposed to another position in the FP there will be no need to load but if the FP is short of two person-months with regard to total RFP Data Sheet minimum person-month input requirements, there is a need to load the FP with the two missing person-months at the unit rate proposed by the consultant for the position, i.e. $2 \times \$ 20,000 = \$ 40,000$.

Example 4: In this case, there is no discrepancy between the FP and the TP but there are 10 person-months missing compared to the RFP Data Sheet requirements for the position. Again, whether there is a need to load the FP for these 10 missing person-months depends on whether the RFP Data Sheet minimum **total person-month input** requirements are satisfied or not. If 10 person-months have been added to another/ other position/s in the FP there will be no need to load.

However, if the total person-months included in TP (Form TECH-6) is less than the RFP Data Sheet minimum total person month input requirements, there is a need to load the price with the missing person-months at the highest remuneration rate in the Financial Proposal for international and national experts, respectively.

When comparing the Financial Proposal with the Technical Proposal for internal consistency, if an expert position is not priced (no rate has been given), the highest remuneration rate from other Financial Proposals of the same position will be applied.

Example 5: In this case, there is no discrepancy between the FP and the TP but there are two additional person-months to both the FP and the TP compared to the RFP Data Sheet requirements for the position. For evaluation purposes, these two additional person-months will not be deducted from the consultant's FP, but in case the proposal will emerge as the overall first ranked, the need for the additional two person-months will be discussed during contract negotiations.

Example 6: In this case there is a discrepancy between the FP and the TP with an additional two person months included in the FP. Since the TP is held to be correct, we need to deduct the two additional person months from the FP at the unit rate proposed by the consultant for that position, i.e. $2 \times \$ 20,000 = \$ 40,000$. In case the proposal will emerge as the overall first ranked, the EA may want to negotiate the deletion of the additional two person-months from the FP during contract negotiations as they do not support actual technical input.

Example 7: In this case there is both a discrepancy between the FP and the TP (with an additional two person months included in the FP) while there is also a discrepancy of two person months between

the TP and RFP Data Sheet requirements. Since the TP is held to be correct, we need to deduct the two additional person months from the FP at the unit rate proposed by the consultant for that position, i.e. $2 \times \$ 20,000 = \$ 40,000$. This ensures consistency between the TP and FP and the fact that there are additional person months proposed in the TP compared to RFP Data Sheet requirements is irrelevant since these additionally proposed TP inputs will not unfairly affect other proposals during evaluation. In case the proposal will emerge as the overall first ranked, the need for the additional two person-months will be discussed during contract negotiations.

- (d) For cases where a "Director" has an input and the Financial Proposal shows remuneration and out-of-pocket expenses for this expert, no adjustments should be made to the Financial Proposal, however, it should be recorded that the need for the Director's participation will be discussed during contract negotiations.
- (e) Record details of adjustments made.
- (f) Summary of remuneration adjustments

RFP vs. TP: look at a total PM of Key Experts. If it is less than the total PM in Data Sheet of RFP → upload by

$[(\text{Total PM in Data Sheet}) - (\text{Proposed total PM in TP})]$
 $\times (\text{the highest rate among proposed experts in the FP})$

... This applies for international and national Key Experts total PM, respectively (ref RFP Data Sheet 14.1.3).

FP vs. TP: if PMs in FP are not consistent with PMs in TP → adjust individually up/down (TECH-6).

$[(\text{expert's PM in TP}) - (\text{expert's PM in FP})]$
 $\times (\text{rate of the expert})$

will be added to the price. This applies for each expert, home/field separately if their PM in FP is not consistent with corresponding PM in TP.

i.e.,

... if $(\text{PM in FP}) > (\text{PM in TP})$, price will be reduced.

... if $(\text{PM in FP}) < (\text{PM in TP})$, price will be increased.

(ii) Out-of Pocket Expenses

- (a) Data Sheet indicates the essential out-of-pocket expense

components which all consultants must include in their FP. If any of these are not included, no adjustment should be made except for correction or arithmetical error/s. The consultant will be expected to bear this cost at its own expense during implementation of the contract.

In addition to the essential items, consultants may by their own choosing also include other out-of-pocket items in their FP and no adjustments shall be made to such items during evaluation.

(b) International Travel and Per Diem

Check the number of international travel trips and calculate the per diem from the Personnel Schedule (Form TECH-2) and cross check these with the quantities indicated in the FP. If the number of international trips and per diems calculated from Form TECH 2 does not match the quantities for these items shown in the FP, no adjustments will be made to the FP inputs for the purpose of evaluation but details should be recorded. Similarly, no additional costs will be permitted for such omissions during contract negotiations. In the invitation to contract negotiations the Consultant shall be advised that the EA or ADB will not include in the contract cost for any missing trips or per diems as these are assumed to be included elsewhere in the consultants FP.

(c) Duration of Services

The Terms of Reference (TOR) indicate the anticipated duration of the consulting services assignment. If for example the TOR indicates duration of 12 months but the Personnel Schedule (Form TECH-6 shows 10 months and out-of-pocket quantities for items such as communications, vehicle hire, etc. are only priced for 10 months, no adjustments to the quantities for these items. However, during contract negotiations this matter should be discussed and if it is finally agreed that the duration will be longer than that shown by the consultant in its Proposal (i.e. for this example say 12 months), the contract will not provide for increases in out-of-pocket quantities beyond those shown in the FP.

If a Proposal indicates duration longer than that shown in the TOR and the FP shows quantities for out-of-pocket expenses beyond the TOR duration (say 14 months of quantities for TOR duration of 12 months) no changes shall be made during evaluation but this matter will be identified for discussion during contract negotiations. A record of any issues concerning duration of services shown in consultant's proposal compared to the TOR should be recorded for discussion during contract negotiations.

(d) Other Adjustments

Apart from adjustments made for circumstances described above,

no other adjustments shall be made to FPs without the EA first consulting the ADB LCU which may seek guidance from OSFMD Management for cases that differ from the norm.

(e) Invitation to Contract Negotiations

During preparation of the invitation to contract negotiations, concerned staff shall review the file containing details of the evaluation of Proposals and in the letter of invitation to contract negotiations and advise the Consultant of any factors identified during evaluation that will be discussed during the negotiation. In particular, the Consultant should be made aware of any circumstances where it has been determined during evaluation that ADB will not permit the contract to include costs for any items omitted by the Consultant in its FP.

Relevant Clauses from Section 2 – Instructions to Consultants of the ADB Standard Request for Proposals (SRFP) for Loans

Clause 14: Preparation of Proposals – Specific Considerations

14.1.2: The Client may indicate in the Data Sheet the estimated Key Experts' time input (expressed in person-month) and the Client's estimated total cost of the assignment. This estimate is indicative and the Proposal shall be based on the Consultant's own estimates for the same.

14.1.3: If stated in the Data Sheet, the Consultant shall include in its Proposal at least the same time input (in the same unit as indicated in the Data Sheet) of Key Experts, failing which the Financial Proposal will be adjusted for the purpose of comparison of proposals and decision for award in accordance with the procedure in the Data Sheet.

Clause 21: Evaluation of Technical Proposals

21.1 The Client's evaluation committee shall evaluate the Technical Proposals on the basis of their responsiveness to the Terms of Reference and the RFP, applying the evaluation criteria, sub-criteria, and point system specified in the Data Sheet and Evaluation Sheets. Each responsive Proposal will be given a technical score. A Proposal shall be rejected at this stage if it does not respond to important aspects of the RFP or if it fails to achieve the minimum technical score indicated in the Data Sheet.

Clause 24: Correction of Errors

24.1: Activities and items described in the Technical Proposal but not priced in the Financial Proposal, shall be assumed to be included in the prices of other activities or items, and no corrections are made to the Financial Proposal.

a. Time-Based Contracts

24.1.1: If a Time-Based contract form is included in the RFP, the Client's evaluation committee will (a) correct any computational or arithmetical errors, and (b) adjust the prices if they fail to reflect all inputs included for the respective activities or items in the Technical Proposal. In case of discrepancy between (i) a partial amount (sub-total) and the total amount, or (ii) between the amount derived by multiplication of unit price with quantity and the total price, or (iii) between words and figures, the former will prevail. In case of discrepancy between the Technical and Financial Proposals in indicating quantities of input, the Technical Proposal prevails and the Client's evaluation committee shall correct the quantification indicated in the Financial Proposal so as to make it consistent with that indicated in the Technical Proposal, apply the relevant unit price included in the Financial Proposal to the corrected quantity, and correct the total Proposal cost.

b. Lump-Sum Contracts

24.2: If a Lump-Sum contract form is included in the RFP, the Consultant is deemed to have included all prices in the Financial Proposal, so neither arithmetical corrections nor price adjustments shall be made. The total price, net of taxes understood as per Clause ITC 25 below, specified in the Financial Proposal (Form FIN-1) shall be considered as the offered price.