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WORLD BANK & ADB JOINT BUSINESS OPPORTUNITY SEMINAR

About ACEP



- Association of Consulting Engineers Pakistan (ACEP) was founded in 1989 to ‘Promote Advancement of the Profession of Consulting Engineers in Pakistan’.
- *At present ACEP has about 124 members, HO located at Karachi and Chapter offices in all provinces of Pakistan and Islamabad.*
- International Representation and Memberships include;
 - International Federation of National Association of Consulting Engineers (FIDIC)
 - ASPAC (The Asia-Pacific Grouping of FIDIC Member Associations)
 - TCDPAP (Technical Consultancy Development Programme for Asia and the Pacific)



Harmonizing Procurement Frameworks currently in practice in Pakistan

Brief look at the Issues and suggestions to achieve coherence



ISSUES OF CONSULTING FIRMS IN PAKISTAN

Complex Procurement Processes

- The procurement processes for World Bank and ADB projects are complex and time-consuming. Local consultants may struggle to navigate these processes, particularly if they are not familiar with the specific requirements of these institutions.

Compliance with international standards

- World Bank and ADB projects often require compliance with international standards and regulations, which can be challenging for local consultants. This could include requirements related to environmental and social safeguards, as well as technical standards for equipment and materials.

Limited access to information

- Local consultants may have limited access to information about procurement opportunities and requirements for World Bank and ADB projects. This could make it difficult for them to identify suitable projects to bid on and to prepare competitive proposals.

ISSUES (Cont.)

Limited competition

- Limited competition can be a significant issue for local consultants in Pakistan when bidding on World Bank and ADB projects. International consulting firms often have more experience and resources, making it difficult for local firms to compete on an equal footing.

Lack of Experience

- Local consultants may lack experience in dealing with procurement processes for international projects, particularly those financed by the World Bank and ADB. This could include understanding procurement guidelines and procedures, preparing bidding documents, and managing the bidding process.

Corruption and fraud

- Corruption and fraud are persistent challenges in Pakistan's construction industry, and these issues can also affect procurement processes for World Bank and ADB projects. Local consultants may struggle to meet the strict anti-corruption and anti-fraud measures that these organizations require.

ISSUES (Cont.)

Non-familiarity of employer's staff to international standards.

- Because of lack of exposure of carrying out large projects, counterpart staff of the Client does not have the capacity to handle, resulting in indecision and delays in the projects. Hence either the project management role may be given to another consulting firm or keep a budget for the client to hire such people from international market

Non-interest of international firms to participate in local contractors due to less scope.

- International firms because of lesser man months are not taking interest in the consultancy and lesser-known firms which don't have strong commitment to the Pakistan keep getting contracts and, in the end, local firms with lowest dollar value of the contract end up taking responsibility for the whole project.

Registration of international firms in Pakistan.

- International consulting firms must be registered in Pakistan and demonstrate a willingness to collaborate with local consulting firms in order to be considered for contracts. Failure to do so may result in the awarding of contracts without the participation of local firms.



SUGGESTIONS



SUGGESTIONS

SYNCHRONISING PROCUREMENT FRAMEWORKS:

- Comparing Procurement frameworks and identifying areas where they overlap or diverge. The goal is to create consistency and to develop uniformity. Legal Due diligence requiring review of existing Contracts , specific regulations and laws in Pakistan.

CAPACITY BUILDING:

- There is a dire need of capacity building for local consultants and government officials who are involved in the procurement process. This may involve conducting seminars/workshops with the assistance of World bank and ADB so as to ensure that everyone involved understands the new procedures and can implement them effectively.

SUGGESTIONS (Cont.)

MONITORING AND EVALUATION:

- Monitoring and evaluating the new procurement process to ensure that it is working effectively and meeting the needs of all stakeholders. This will involve collecting data on procurement outcomes, identifying areas for improvement, and making adjustments as necessary.

DISCOURAGING LOW QUOTED PRICE BIDS

- Mechanism should be put in place where Bids from Consultants with much lower prices than the estimated price is discouraged since Consultants with bids having ridiculously Low Prices usually do not fulfill later their obligations.

CONSIDERATION OF SUB-CONSULTANT'S EXPERIENCE

- Experience gained as Sub-Consultants is to be given weightage while evaluating the Consultant.

SUGGESTIONS (Cont.)

JV ACCOUNT CONDITION

- A condition of JV Account is being imposed on funded projects for receipt of Payments by the JV. This has implications of double taxation. It is therefore suggested that each partner of the JV may be paid as per his share of JV/Inputs and condition of JV Account may not be imposed.

SUGGESTIONS (Cont.)

ELIMINATE THE BID SECURITY & PERFORMANCE GUARANTEE FROM CONSULTANCY CONTRACTS

- Most of the Clients demand for bid security, 10% performance Guarantee and also deduct 10% retention money from consultancy invoices. This creates financial constraints to the consultants for bidding as well as in carrying out their services. As per PEC provisions above requirements pertain to the constructors only. As these requirements from the Consultants are against PEC even ADB & World bank procurement Guidelines, therefore clear directions to the recipient of consultancy services may be issued.

BILLING RATES

- In some cases, Consultant's employees are discussed for their permanent/ non-permanent status and adjustments are made in billing rates. This is wrong interpretation of standard RFP's provision regarding sub-contracted experts which allows 25% management charges on billing rates. We believe that consultant's staff included in the Company's Audit Report cannot be treated as sub-contracted experts, hence, necessary clarification may be issued to all consultancy services recipients.

LINKING THE PRICE ADJUSTMENT WITH FINANCIAL YEAR

- In all consultancy companies, Salary Revisions/Increments of the Consultant's staff is offered on start of the financial year, hence, price adjustment of the billing rates should be linked with financial year with respect to the financial year of the receipt of the proposals. Moreover, for direct cost staff salaries, escalation may also be allowed.

SUGGESTIONS (Cont.)

In fixed cost time-based contracts (with provision of CPI based price adjustment) extent of the audit should be clearly specified which should be up to extent of initial verification of charge rates of the individual staff at the time of their mobilization. Later on, time charge and CPI adjustment claimed w.r.t to Pakistan Statistic Bureau, and direct cost can be verified.

A provision be made in standard format of Consultancy Agreement for settlement of any dispute prior to Arbitration such as Dispute Board in works contracts.

The payment of professional Liability insurance should not be on part of the consultants and may be provided through Provisional Sum under the Contract.

For fair competition of the participating bidders, the reimbursable costs pertaining to key equipment such as Vehicles, Computers, and Furniture etc. should be made part of the provisional Sums under the contract.

Against mobilization advance, Insurance Guarantee from AAA rating agency may also be allowed.

Thank You!

Recent Examples (RFP-C&W Department GoP)

Consultants' performance evaluation (CPE) (Staff & Firms) on monthly basis with stringent conditions and payment deductions (25% to 100%) as per evaluated ratings. Evaluation committee may include representatives of consultants, **contractors**, and PMU field staff. CPE report to be made part of invoice.

No provision of such CPE exists in ADB standard documents.

The insurance terms are also on higher side

Professional Liability Insurance (PLI) required to be two (2) times the Contract value.

Employer's (consultants) liability and worker's compensation insurance requires Rs. 15.30 million per occurrence in case of death, Rs. 7.70 million per occurrence for disability and Rs. 1.0 million per occurrence in case of injury.

Equipment insurance at full replacement cost.

Also Consultants are responsible for the health of the Project.

Consultants to pay double the remuneration in case of unavailability of Key/Non-key staff and thrice in case of unavailability of support staff.