The Role and Use of Consultants in Bank Group Projects

December 8, 1977
Operations Evaluation Department

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MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: The Role and Use of Consultants in Bank Group Projects

Attached for information is a copy of a report entitled "The Role and Use of Consultants in Bank Group Projects", prepared by the Operations Evaluation Department.

Attachment

[Signature]

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I. The Use and Country of Origin of Consultants Financed Under Bank/IDA Projects

II. Case Histories Prepared for the Study
The Approach Paper and Status Report

i. An approach paper outlining the objectives and the broad plan of operations for the study of the Role and Use of Consultants in Bank Group Projects was submitted to the Joint Audit Committee in July 1976. Following presentation of the approach paper, an analysis of annual disbursements for consulting services from FY72 through FY76 was undertaken to develop basic information on the use of consultants. In addition, interviews, preceded by questionnaires, were held with 86 Bank staff members about the Bank's procedures and practices in major sectors and all regions and to determine the tasks or which consultants are most frequently required by our borrowers.

ii. A status report (Report JAC 77-5) on progress with the Study was considered by the Joint Audit Committee in February 1977. That report presented a summary of the initial analysis of disbursements and of the interviews, enlarged on the key questions to be examined in the field stage of the study and outlined the work program. The summary statistics are included as Annex I to this report.

The Study

iii. For the field work 26 case histories, embracing 86 individual contracts with consultants financed in 37 projects, were examined. The case histories include 17 borrowers in all Regions except South Asia, a Region which is more a supplier than a user of expatriate consultant services. Five cases, each in a different sector, were in Indonesia, a country which makes major use of consultants and which is, therefore, to be the focus of a separate OED study of technical assistance in FY79. Case histories comprised projects in the electric power, water supply and sewerage, highways, agriculture and rural development, education and urban development sectors. The case histories were chosen to speak to one or more of a range of relationships, consultant tasks, or particular perceived problems. The basis for inquiry was the contract negotiated between the borrower and the consultant. The study entailed a file search and prefiefield-work interviews with Bank staff on the selected case studies; field visits to the selected projects to interview borrower, consultant and, where appropriate, Bank staff concerned; preparation of individual case histories; and an analysis of these to provide a basis for the report which follows. In discussions with governments and with consultants care was taken to recognize the different viewpoints of holders of different positions within these organizations.

1 The case studies are listed in Annex II. They are not identified by name in the text of the report. Seventeen of the contracts involved the local use of local consulting firms. Of these, ten were in subordinate association with a foreign firm; in one case the local firm sub-contracted work to a foreign firm; and the other six contracts were with local firms acting on their own.
iv. The wide variety of tasks for which consultants are hired, the range of sectors involved, the great differences among Bank borrowers and among agencies within borrowing countries, and the varying influences and viewpoints which became apparent as we examined the record of even a relatively limited sample of projects and consultants--all constituted a diversity of experiences not readily generalized. But a manageable report could not include details of each case history, nor the diverse incidental information which they contained or which arose from the data analysis and interviews. The approach taken has been, therefore, to generalize from all these sources where this was feasible; to present the more important conflicting experiences where simple judgments could not be made about them; and to employ examples, mainly from the case studies, to illustrate the main findings.

v. The study involved 43 man-weeks of field interviews, utilizing the services of eight professional staff members of OED and three consultants in the period February through April 1977. The total manpower cost was about 200 man-weeks professional equivalent. Travel expenses were some US$42,000.
HIGHLIGHTS

This study has its origin in a recurrent concern about the cost, appropriateness and effectiveness of the very large and growing amounts of Bank finance provided to borrowers in recent years for the purchase of consultant services.

The 86 contracts examined illustrate many of the problems which can arise in the inclusion of consultant services in Bank projects. Instances were noted of poor conception and planning; wrongly specified tasks; borrower resentment of tasks and costs felt to be imposed by Bank staff; borrower and Bank staff disagreement about the competence of local project or consultant staff to carry out tasks; difficulties with finding and selecting assistance; and failed results. The report discusses ways in which the incidence of these problems might be reduced. However, such problems turned out not to be typical of the cases reviewed. Most of the borrowers were found to welcome Bank support for obtaining the most competent assistance to help them prepare, implement and manage their projects as effectively as possible, and were in most cases satisfied with the results of their consultants' assistance.

Borrower governments were also concerned to enlarge the experience and market for their national consultants and the training benefits to be obtained from their expatriate consultants. The cases suggest that these latter and very valid concerns of member government might be addressed more effectively in future Bank projects and the report discusses ways in which this might be done.
SUMMARY

The Facts

S1. Consultants hired by the Bank's borrowers and paid for in whole or in part from loan funds are used for a wide variety of tasks to assist in project preparation and implementation. These include technical, managerial or financial-control services, ranging from engineering and construction supervision, design and architecture, staff training, project identification and feasibility studies, accounting services, and management and management advice at many levels.

S2. Disbursements for consultants services have comprised around 6% of total disbursements over the five years FY72 through FY76, doubling in amount over this period. Overall, the largest disbursements for consultants services have been in the transportation sector, followed by electric power and agriculture/rural development. The greatest growth rate in the period has been in agriculture/rural development and (rather erratically) water supply and sewerage. It has been projected that there will be a more rapid increase in the use of consultants in education in the immediate future.

S3. About half of the services financed in the period FY72 through FY76 were provided by consultants from the United States, the United Kingdom and France. Organizations and individuals from Part II countries received about 15% of consultants' disbursements for work in their own countries and a further 5% for work in other Part II countries. Over one quarter of the disbursements for consultants services went to the Latin America and Caribbean Region, in which nearly 70% of such services were provided by Part II countries. The largest relative role of Part II country consultants has been in education, in which sector over one-third of disbursements went to them. However, in absolute terms, disbursements to Part II consultants were greatest in the transport and agriculture sectors.

The Issues

S4. The principal concerns addressed by the study arise from questions expressed by borrowers, Executive Directors and Bank staff about the role and use of consultants in Bank projects. The issues have been addressed as four groups of questions. First, is the need for consultants' services correctly identified or is provision made for tasks which are either unnecessary or which could be performed by local talent? Second, is the process by which consultants are selected efficient, and does it meet the needs and wishes of borrowers? In particular, has the Bank role in selection been appropriate? Third, what has been the performance of consultants relative to their cost, and what was the influence of the three parties concerned—the borrower, the consultant and the Bank—on both cost and performance? Fourth, has training by consultants in Bank-assisted projects been appropriate and adequate?
The Findings

S5. Although the type, timing and amount of consultant services needed for specific projects was frequently a matter of judgement and viewpoint, the study did not surface any major cause for concern over how the Bank helped borrowers define their need for assistance. Clients generally approved of the provisions made for consulting services. The easiest and clearest agreement was for detailed engineering and construction supervision tasks, which could be precisely defined. Agreement was also readily obtained concerning feasibility studies, which borrowers recognized as needing special skills. The need for management assistance was less readily agreed upon, and the least enthusiastic response from borrowers was to provisions for planning and sector studies.

S6. In most cases reviewed, greater reliance on local talent would probably have meant planning for more modest project objectives or slower implementation, but with the benefit of a significant increase in training achieved. No evidence was found of excessive provision for consultants being made in loans merely to provide the Bank with assurances that loan agreements would be followed, but there was some evidence of the Bank using consultants to facilitate lending for new-type projects before all the details of project design could be worked out.

S7. Although the Bank's preference is for selection of consultants on the basis of competitive technical proposals, it does not require such an approach and in half the cases reviewed consultants were appointed directly by borrowers without such competition. Where short-lists of consultants were invited to bid, Bank staff frequently played an active role in the process of selection, although this generally stopped short of the final stage and borrowers appear to have exercised their right of selection without unwanted intervention from the Bank. Staff frequently suggested short-lists of suitable people and organizations, in excess of policy prescriptions. They did so at borrowers' request and appear to have taken pains to provide a broadly-based international selection. They did so, however, on an ad hoc basis, relying on personal knowledge of consultants and judgement based on individuals' CVs or firms' proposals because of the lack of any systematic evaluation and record of Bank experience with consultants on which their suggestions could be based. Many borrowers would welcome more help from the Bank with information on consultants sources and on their capacities and past performance: however, the Bank is not now well equipped to provide such information and its present policy is not to make available to third parties on request its evaluations of consultants' performance. 1/

S8. The Bank has been directly engaged in the final selection of consultants for agricultural projects in Africa, through the Agricultural Development Service (ADS) and the Agricultural Projects Management Unit (APMU).

1/ See OPM 2.50, para. 70.
The ADS comprises 26 people; the more recently created APMU totals nearly 100. Selection of ADS experts and early APMU personnel has been largely informal, on the recommendation of people with relevant experience. Nearly all recruits have been British, with previous experience in Africa. This personal approach to staffing has been successful in identifying generally good performers. However, the pool of talent with which the informal information network was acquainted has dried up and the more formal recruiting methods introduced as a result in recent years have been used in the appointment of two-thirds of the APMU staff. Although half of APMU are British or Australian nationals, the staff are now drawn from 16 nations and include 19 experts from Part II countries, 15 of them from South Asia.

S9. It proved difficult to gauge the performance of consultants; and there is, in general, no objective criterion to relate the cost of consultant services with their product. However, no evidence surfaced of widespread and general dissatisfaction with the work of consultants.

S10. The cost of consultants appears to have moved with the general price level. Although some borrowers commented on the unit costs of particular consultants and some attempts to avoid expenditures on consultant services were evident, the cost of consultants was not a prime issue with most borrowers.

S11. Competition among those consultants already in the market appears to be generally keen in virtually all the Regions and sectors studied, and has been effectively encouraged by the Bank. A few Part II country consultants are operating internationally and are competing successfully with those from Part I countries. However, the number of consultants from Part II countries operating internationally is small. Although it is Bank policy to encourage more Part II country participation in the competition for consultancies, the guidelines on selection do not effect this and the information about sources which would make this policy effective is not readily available to the Bank or to potential clients.

S12. Several factors accounted for the performance of consultants in the varying situations examined. There was clear evidence of the importance of the quality of project leadership. The personality of the project manager or team leader, whether a consultant or clients' staff, outweighed either background or, within limits, technical expertise. But borrower support also emerged as vital for successful consultant operations. In a quarter of the contracts reviewed, the client appeared not to have given the support to the consultant that had been expected. This deficiency appeared, for example, as failure to provide promised facilities, data or services; lack of counterparts; or political interference. A widely prevalent cause of poor client support was due to key staff being engaged in outside jobs. On the consultants' side, command of the language, familiarity with the milieu, and adoption of an appropriate work philosophy were important determinants of success.
S13. An important Bank influence on the performance of consultants arose from its role in drafting or checking terms of reference. There was evidence that vagueness in appraisal reports about the consultants' tasks, especially regarding training, adversely affected performance. Bank staff also influenced performance through project supervision. Allegations of Bank supervision missions having interfered with the work of consultants were not substantiated, but those were cases where opportunities for Bank staff to intervene beneficially were not taken. The impact of supervision missions on consultants will be examined more closely in the forthcoming OED study of Bank project supervision.

S14. The performance of consultants as trainers proved variable. It was most frequently effective when the training came from sustained on-the-job experience rather than through formalized courses. It was also particularly successful in management and in detailed engineering and supervision contracts. The transfer of skills to local consulting firms was, similarly, most common and effective through the association of key personnel with foreign consultants on the job, and has been notably successful in the fields of engineering and management services. Such associations only work, however, if the tasks to be performed by the local partners are clearly defined and worthwhile.

S15. Of the contracts in which no training benefits were found to have accrued, training duties had been specified in nearly half. Several reasons for this poor result emerged. Where counterparts were specified, their unavailability or poor quality was overwhelmingly the most important factor. In other cases imprecise provisions were responsible, especially where consultants' training duties were additional to implementation tasks. Both clients and consultants tended in these instances to give physical implementation priority. It was also clear that training requires skills which even good technicians may not necessarily have. The presence of people on consultants' teams with specific skills in training was a factor in several of the more successful contracts with training provisions.

Areas for Operational and Policy Improvements

S16. Notwithstanding the very wide variety of tasks for which consultants were used in the projects reviewed and the great differences among borrowers and consultants, the study surfaced several areas in which the Bank could improve further upon the assistance it now provides to borrowers in assisting borrowers to identify and select consultants, enlarging the effective field of choice of consultants, encouraging the entry of Part II country consultants into the international market, and improving on the definition of consultants' tasks, especially training. It concluded that the argument against the selection of consultants on the basis of competitive prices is persuasive and that alternatives which also allow price to enter into the selection do not offer a clear advantage over present procedures. Help with the selection process, short of the final choice, and the encouragement of new suppliers of consultant services could better be achieved by improving on the information available in the Bank on consultants' performance and capability and on the
systematic retrieval and use of such data. Information on established international consultants is already available; but evaluation of their past performance in Bank projects, although required of supervision missions and done occasionally, appears to be inadequate, unsystematic and not readily retrievable for use. Information on possible new entrants and their capabilities is even more scarce.

S17. The information which might encourage the use of other Part II country consultants relates to their competence and performance. Being new to the field, however, such consultants rarely have overseas experience and must depend for their reputation on client satisfaction within their own country. Bank staff will be aware of such operations only if they have concerned a Bank project. If, therefore, a policy of encouraging Part II consultants to enter the international market is to be effective, special steps would need to be taken to obtain more objective information about them that will facilitate their inclusion in short-lists.

S18. If the Bank is to accept a greater role in assembling information on consultants performance and assisting in the preparation of short-lists, possibly the relevant information should be made available to the borrowers concerned instead of being reserved only for Bank and UNDP staff. Such a departure from present policy would appear to have merit but would also raise important questions with respect to evaluation of performance and equal treatment of all interested firms which would need further study.

S19. Alternatives to APMU might usefully be explored since the demand for management and technical services in African agriculture continues to grow and past sources of supply have dried up. Possibilities include a greater use of consulting firms, especially in francophone Africa, and the greater involvement of other national and international organizations with special expertise in agriculture, including the FAO. Ultimately, however, African borrowers must manage their own development. The Bank might thus further explore how best to provide financial and technical support for the establishment of centers for training local project managers and financial controllers, perhaps staffed partly by ADS and APMU personnel.

S20. The encouragement of the use of local talent is, indeed, part of Bank policy. There may, however, be scope for improvements in practice. Possibilities noted in the study include: increasing in appropriate cases the discretion left to clients to identify, within broad guidelines, the type, quantity and source of consulting services needed; fuller funding of local costs of consultants' services and, where possible and necessary, providing for payment from loans of salary premiums for successful local managers; encouraging effective associations between local and foreign consultants; and helping to identify, finance and fill critical gaps in the expertise of local firms so that they are not excluded from competing as a team for want of a few skills.

S21. Finally, improvements in the effectiveness of training in projects call for better specification of training tasks and more deliberate steps to ensure that possible conflicts between training and implementation objectives
are identified and avoided. These, in particular, call for more assistance to borrowers in the definition of resource needs, including the identification of trainers and trainees, and the determination of the appropriate timing and level of training within projects.
I. INTRODUCTION

A. Consultants and Consultants' Tasks

1.01 The tasks for which consultants are hired for Bank projects vary greatly in terms of complexity and the degree to which they can be specified. They may include engineering and construction supervision work for which manpower required, costs, and performance may be quite readily measured; design and training tasks, and managerial or accounting services (ranging from advice to executive responsibility) for which performance is less easy to gauge; and project preparation work and sector or sub-sector studies and analyses for which the job is hard to specify and the product difficult to evaluate.

1.02 For the purposes of this report a "consultant" is defined to include both firms and individuals, local or foreign, retained to assist borrowers with management, financial and technical aspects of projects. Although the concern of the study is only with projects which are financed out of Bank loans 1/, the specific consultant services examined within any project may be financed wholly or in part from local or non-Bank funds. The study does not examine experience with consultants hired by the Bank for its own project or program operations. Where a distinction is made in the report between a borrower, a client, and a user, a borrower refers to the government signing the loan agreement with the Bank or guaranteeing the loan; the client is the Ministry or parastatal organizations, usually subborrower, which signs the contract with the consultant; and the user where this is different from the client, is the body directly receiving benefit of the consultant services.

1.03 Disbursements for consultants services under Bank loans more than doubled during the period FY72-76, although they declined somewhat as a percentage of total disbursements. Although borrowers may hire consultants from any member country and Switzerland, during that five-year period about half of the US$713 million of consultants services financed were provided by suppliers from three countries: the United States (25%), the United Kingdom (14%), and France (12%). In each case, the bulk of the services was to countries with which the supplying country has been a dominant supplier in international trade. Some 19% of the total disbursements were recorded as paid to consultants from Part II countries, but of this, four-fifths was for the services of locally-owned firms or for individual nationals working in their own country. Consultants from Part II countries working in countries other than their own accounted for under 5% of total disbursements. Overall, suppliers from Part II countries played a significant role in education, water supply and, to a lesser extent, transportation and agriculture; but the incidence has been uneven among Regions.

1/ Throughout the report reference to a loan is used to indicate both a loan and a credit, and reference to the Bank embraces both the Bank and IDA.
1.04 The largest disbursement for consultant services in FY72-76 has been in transportation (35%), with agriculture and rural development a poor second (17%). The most rapid increase in these disbursements over the period has been in agriculture and rural development, education, and water supply and sewerage. General shortages of trained manpower rather than shortages of specific skills seem to explain the high proportions of financing allocated for consultant services wherever they appear. Certainly, the relatively high proportions of such disbursements in the African Regions reflect such shortages; soon, more than half of all Bank-financed consulting work in agriculture and rural development may be concentrated in Africa.

B. The Issues

1.05 The four principle issues addressed by the study concern:

(a) **The Need for Consultants' Services.** Do the consultants' tasks provided for in loans and credits correctly reflect the borrowers' need for services? Are the tasks prescribed excessive because of ill-defined or over-ambitious project objectives or because of a desire on the part of the Bank for assurances on project design and implementation? Is appropriate use made of local talent and would increased reliance on such talent necessarily mean accepting more modest objectives or a longer implementation period for projects?

(b) **The Selection of Consultants.** Does the process by which consultants are selected meet the needs and wishes of borrowing countries? Has Bank participation in the selection of consultants been appropriate, and, in particular, is it appropriate that the Bank is directly involved, through the Agricultural Development Services (ADS) and Agricultural Project Management Unit (APMU) in Africa, in the selection and provision of key manpower for agricultural and rural development projects?

(c) **The Cost and Performance of Consultants.** Have the costs of consultants' services been commensurate with consultants' performance on the tasks assigned to them and are there more effective alternatives? Is there effective competition between consultants, including consultants from Part II countries operating internationally? What is the influence of the borrowers, the consultants, and the Bank on both costs and performance of consultants services?

(d) **The Use of Consultants in a Training Role.** Has training in Bank-assisted projects been adequate? Has correct provision been made for such transfer of skills? Is training, including assistance to the development of local consulting firms, a proper role for expatriate consultants and have they performed effectively in this field? What factors influence the achievement of training benefits in projects?
1.06 These questions are dealt with, as far as they are separable, in the following four chapters. The concluding chapter draws attention to those areas of the Bank's operational policy and procedures which, it appears, could be improved upon to assist borrowers to use consultants more effectively. Although there are many things which borrowers themselves could do to use consultants better, and the report points out some of these, the emphasis in the concluding chapter is on actions which fall directly within the purview of the Bank.
II. THE NEED FOR CONSULTANTS' SERVICES

A. The Determination of Need

2.01 How far do Bank judgements about borrowers' need for consultant services correspond with perceptions of need in the borrowing country, and how far do the financial provisions for, and specifications of, consultants' services set out in project documents reflect these perceptions? Need, it should be noted, is not normally definable with precision and perceptions of need may vary not only between the Bank and the borrower but also within borrowing governments.

2.02 In the majority of the cases studied, the need for assistance was initially identified by Bank staff but agreed to readily by the borrower or client. Agreement also seems to have been readily reached on whether assistance should be sought abroad or at home. Limiting Bank funding for consulting services to foreign exchange costs, thereby encouraging the purchase of imported services, was not widespread. 1/ Although about five-sixths of all Bank disbursements for consulting services currently pay for imported services (see Annex I), loan funds were usually available and adequate to pay for services from the borrowing country.

2.03 There was little evidence that the Bank's specification of need and the financial provisions made for them did not broadly meet the perceived needs of the borrower. In retrospect, most clients 2/ approved of the provisions. However, this finding is expressed tentatively as it was difficult sometimes to disentangle the client's retrospective view of need from his view of the consultant's subsequent performance. We encountered a few clients who originally disputed the Bank's view of needed services but later came to approve of the consultants' assistance.

2.04 Agreement on need was most readily reached at negotiations where the assistance was to be for tasks of immediate importance, which could be clearly specified. This was broadly true of the 23 detailed engineering and construction supervision contracts reviewed, although in two of these cases the client recalled responding to what he perceived to be pressure from Bank staff to use foreign engineering firms, for which adequate loan financing was provided, when in his judgment local firms could have been used. Agreement was less readily reached on the need for project management assistance, a task typically less precisely defined than construction, but we found cases where contracts which had been accepted reluctantly at negotiation gained borrowers' approval afterwards.

1/ The April 1977 directive (Operational Memorandum 2.18, para. 9) that financial provisions should not be limited to foreign exchange costs where the possibility exists of services being locally supplied thus codified what was already general practice.

2/ 71 out of the 86 contracts studied.
2.05 The need for consultants to perform feasibility studies was also found to be readily agreed. Generally, the need to weigh alternative investments in infrastructure was felt strongly; however, the need for assistance with planning and sector studies was much less strongly felt. The clients interviewed quite often did not share the view of Bank staff about the amount of this more general pre-investment assistance proposed.

B. Source and Amount of Assistance

2.06 Generally, it was the amount of expatriate assistance suggested rather than the need for consultant assistance itself which were found to be most controversial. The questions we therefore posed were: was there local talent available which could carry out all or part of the task? would greater reliance on local talent have meant either a longer pre-investment period or more modest project objectives? was the task as written unnecessarily elaborate for the project objective?

2.07 Only in one of the cases examined could the borrower identify local talent which could have substituted entirely for expatriates without adverse effect on either the scope or timing of the pre-investment task. In all other cases, the task would probably have taken longer. However, the general impression we derived from clients was that although most borrowers agreed with the need for expatriates where indicated, the potential for using local firms, with expatriate advice and support where needed, may be greater than the cases reviewed would suggest. Pre-investment schedules might have to extended for less experienced local firms; but with adequate anticipation, this need not constitute a burden on the borrower and substantial local training benefits could result. While we recognize that each task must call for a specific determination of the adequacy of local talent for it, on which judgments could differ, more deliberate effort to seek out and recruit local sources of assistance may sometimes be appropriate.

2.08 As for the amount of consultant services to be provided, Bank staff played a lead role in specifying manpower, timing, sequence and duration. This specification was not always well conceived. We found instances of over-insurance against risk—where the scope and elaborateness of feasibility studies appeared clearly excessive when the cost of these studies was related to the cost of the proposed investment and/or the consequences of a wrong decision. We also found cases of poor specification of schedules: one case where consultants to carry out detailed engineering were hired and the work started before relevant design data were available, and another case where the appraisal underestimated the time it would take a consultant and a client to gather data prescribed in the loan document. But we also found four "new style" cases where provision for consulting services appear in retrospect to have been less than needed. On the whole, we found no pattern of complaints by borrowers about exaggerated Bank insistence on consultants nor on expatriates at the expense of local consultants.
C. The Bank's Interest in Consultant Services

2.09 To clarify whether proposals for technical assistance arose more from a Bank interest than a borrower's need, we asked:

(a) has a desire on the part of the Bank for assurances that money will be spent according to the loan agreement led to unnecessary provision of consultants' services? and

(b) has the Bank made loan commitments for projects when the project design has not yet been agreed, and for which consultants services for project preparation were included in the loan?

2.10 We found one contract for a study and several technical assistance and training contracts which appeared to be of more interest to Bank staff than to the borrower. In one of these cases, provision for technical assistance was agreed to only reluctantly by the client, although it later proved of use to him as well as to the Bank. In the other of these cases, the clients believed they were being "experimented upon" and resented it. However, these cases were not typical of those examined. On the whole, we found clients sharing the Bank's views about the need for consultants and finding even purely protective services, like supervision of construction, as valuable to themselves as to the Bank.

2.11 We examined two "new style" project cases where loans included provision for consultant service to complete project preparation because the loans were made before reaching agreement with the borrower on the precise project design. In neither of these cases does early commitment seem thus far to have resulted in more rapid development of an agreed project design.

D. Findings

2.12 Although the type, timing and amount of consultant assistance needed for Bank projects will always be difficult to specify with precision and will, at the margin, always tend to be a matter of opinion and sometimes a matter for dispute, we looked for but found no evidence of widespread borrower or client concern about Bank practice in this area. In the cases examined, the Bank was flexible in making financial provision for the hire of consultants and allowed borrowers scope for identifying and employing available local talent. We did find evidence that the design of new style projects, in which the Bank plays a major role, makes heavy managerial and technical demands on borrowers and an increased need for expatriate assistance sometimes resulted. In other cases, if pre-investment studies had been planned sufficiently in advance to conform more closely to the borrower's capacity to carry them out, more local talent could have been employed without lessening objectives or causing unacceptably slower implementation.
III. THE SELECTION OF CONSULTANTS

3.01 Except where the Bank acts as executing agent for UNDP or in special pilot or experimental projects, the borrower has the final say in selecting consultants for Bank projects. Whether actual selection may occur before, during or after loan negotiations, the key steps preceding selection are: identification of the assistance for which proposals are to be invited; a review of quality, quantity, time and cost of the proposals received; and negotiation of the contract.

A. Identification

3.02 We found that the major problem in selection was the timely identification of an appropriate source of assistance and financing for it. Although the choices -- directly recruited individuals or firms and bilateral or international financing -- are the borrower's responsibility, the fact that Bank staff were frequently asked for assistance had the result of giving the Bank considerable influence on the identification process. However, borrowers also relied upon their own experience with particular consultants, based on past contracts or chance acquaintance; on solicitations from consulting organizations; and on advice from bilateral or other multilateral agencies or consultants already employed by them.

3.03 We found that firms seem to be preferred to individual consultants, even where their cost was higher. This preference would appear to reflect the difficulties experienced in recruiting and fielding coherent teams of individually recruited advisors or technicians in timely fashion, and the difficulties inexperienced borrowers often have in finding suitable individuals and administering contracts with them. By and large, consulting firms can mobilize more quickly and replace inappropriate staff more expeditiously. We found borrowers clearly appreciative of Bank staff support in identifying sources of assistance. Some suggested that this was an area in which the Bank could provide even more help to them in the form of evaluations of the past performance and currently capabilities of particular consultants.

B. Evaluation and Selection

3.04 Selection was either by direct appointment or by a short-list procedure similar to the Bank's own selection process. 1/ A short-list procedure was employed in roughly half (41) of the contracts we reviewed. In 34 of these contracts, Bank staff had been asked to suggest names to the client and had done so. This information was provided ad hoc, with little or no review in the Regions or in Central Projects, and with little or no recourse to information on alternatives, because the Bank has no established

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1/ As described in "Uses of Consultants by World Bank and Its Borrowers", April 1974.
system for providing clients with names for a short-list nor for preparing such lists. However, even though any individual staff member’s knowledge of available and appropriate assistance is limited, we found no evidence of nationality or company bias in the names suggested. On the contrary, the lists reviewed suggest very conscious effort by Bank staff to ensure broad international representation on them. In fact, they showed a broader range of nationalities than did the actual pattern of use (detailed in Annex I), indicating that borrowers reduced the range in the process of selection. 1/

3.05 The Bank frequently reserves the right to approve the borrower’s short-list and/or the borrower’s choice following selection. In 85% of the projects studied, loan covenants reserved to the Bank the right to approve either the choice of consultant or the firm’s key personnel. However, we found no cases of outright rejection of a consultant by the Bank. What we did find was requests by the Bank that the terms and conditions of contracts to be modified, or individuals in a consultant’s team replaced. Bank staff were occasionally asked to comment on short-lists made up by borrowers without Bank assistance even where no right of approval had been reserved. We found few cases where firms on the borrowers’ short-lists received unfavorable comment by Bank staff. Such staff comment that was made was generally based on the staff member’s own experience with the firm or his opinion of the experience and capacity of the team described in the consultant’s prospectus. These comments probably did influence what inexperienced borrowers did, but for most of the borrowers we talked to, the names suggested or advice given by the Bank staff did not appear to weigh heavily in their final selection. We found cases where borrowers added names of their own to short-lists suggested by the Bank or retained names about which Bank staff had expressed reservations.

3.06 Where a short-list procedure was used to select consultants, some formal evaluation usually took place, usually following recommended Bank procedures. In these cases, the Bank staff’s role in the evaluation was generally limited to suggesting a format for the analysis of proposals and to advising on weights to be given to particular evaluation criteria. Some clients, and some consultants as well, said they wished Bank staff had been more involved. However, we found Bank staff more inhibited about advising on evaluation than in offering names for a short-list. Some Bank Projects Divisions called for consultants’ proposals and conducted evaluations in parallel with the client and found that their view of the “best” submission often differed from that of the client; however, they did not normally offer these findings to borrowers unless they considered the borrower’s first choice clearly technically inferior.

1/ Several lists were too long to be of assistance to a borrower in his choice, especially as they were not accompanied by an evaluation of the people or firms included. The longest list examined contained 36 names from 9 Part I and 8 Part II countries; the borrower did not approach any of them.
3.07 The weight given by borrowers and clients to price as a factor in their evaluation of consultants proved difficult to gauge. Where the preferred Bank approach of initially requesting unpriced proposals was followed, price did not enter into the evaluation and became a factor only later in the negotiations of the contract. However, this approach appeared to be the exception among the borrowers reviewed. In most cases where proposals were invited from a short-list of consultants, it was for a priced submission, but with the price enclosed in a separate envelope which was not usually opened for the first evaluation.

3.08 We were able to examine 31 selections by short-list. In each case, the initial selection appeared to have been made on technical grounds alone. In one case, the technical proposals were deemed to be so close that the accompanying financial proposals were opened at the same time, the award going to the lowest bidder. In another case, negotiations with the two firms first selected on technical grounds broke down later on price grounds and the award was then given to the third firm which offered a lower price (but later failed to perform adequately). We found a number of cases in which selection was made on technical grounds but the consultant’s cost was later reduced in contract negotiations, partly by a reduction in the man-months of work from the original proposal. In one of these cases, the client used the lowest bid, determined by opening the second envelopes, to negotiate down the price of the consultant chosen on technical grounds. We also found a number of cases in which the selection procedure appeared to be a formality, the client having already decided on a particular consultant because of a previously successful working relationship. By and large, however, the short-list selection process and the final choice conformed both to the letter and spirit of the Bank guidelines.

3.09 The amounts provided for consultant’s services in loans were usually generous. The actual costs of most consultants’ contracts we examined were below the appraisal estimate.

3.10 An important criterion in selection was the quality of the individuals proposed for employment; however, it was often impossible to predict from curriculum vitae how individuals would actually perform. The overwhelming evidence in the cases examined was that personality could outweigh technical background and experience in determining actual performance. One conclusion to be drawn from this finding is that borrowers could do more than they now do to assure themselves of the suitability of consultants by following up on references and requiring interviews, particularly of team managers, who could be required to be present at contract negotiations but apparently rarely are.

C. Negotiation of Contracts

3.11 Only in isolated cases did we find Bank project officers invited to take an active role in contract negotiations: one case was an urban development project where the type of investment proposed was new to the client,
the consultant and the Bank. Another was an agricultural project which involved an inexperienced client and a co-financier. A third was a crop processing project involving a co-financed turnkey contract for which the Bank provided a projects officer and a technical consultant to advise a borrower which lacked specialist expertise. In all three cases, the Bank staff were invited to participate in drawing up the contract and, in each case, the client expressed appreciation of the Bank assistance. While interventions such as these can be helpful and may be appropriate if the client invites them, they were unusual, and appropriately so. It is not a job for inexperienced staff, and it is risky. In one case where Bank staff gave an opinion when asked and the chosen consultant performed poorly, the borrower now tends to blame the Bank for the poor selection.

D. ADS and APMU as Consulting Services

3.12 The big exception to the general principle that it is the borrower who selects the consultant is the Agricultural Development Service (ADS) and the Agricultural Projects Management Unit (APMU), which provide management and technical personnel for agricultural projects in Africa. Here, in response to extreme need, the Bank has become directly involved in selecting consultants for borrowers. ADS is administered by the Resident Mission in East Africa (RMEA). All its staff are on short-term contracts to the Bank, which in turn contracts with borrowers on a full-cost basis, including 14% administrative fee. Final selection is by the borrower, but from the limited list of ADS personnel expected to become available. APMU, which operates in the West Africa Region, is administered from Washington. Of the APMU experts recruited so far, 37 were hired directly by the Bank and seconded to the borrower after the pattern established by ADS: the other 53 were recruited by the Bank on behalf of the borrower, with the Bank administering the contracts.

3.13 ADS was created in 1965 to retain the best of a team of agriculturalists with unique experience with African smallholders, in anticipation of a need then developing in the early post-colonial period of East Africa. ADS has grown slowly. Initial recruitment in 1966 was 12 specialists, and by April 1977, the cadre was 26. Altogether 48 individuals have worked for ADS on 26 different projects, typically as project manager or financial controller alongside a considerably large number of technical assistance personnel supplied by bilateral aid agencies. ADS staff on any one project have never exceeded four. Between project assignments, ADS staff have been used to help borrowers identify and prepare projects, but currently all are assigned to projects. ADS personnel have been accepted and usually welcomed by clients, who have rated their performance as superior to alternative sources of technical assistance. There appear to have been only two cases where contracts were not renewed because of unsatisfactory performance.

3.14 The raison d'être of APMU was different. It was formed in 1973 to fill a pressing need for managers, agricultural generalists and specialists arising from a greatly increased Bank lending program in the agriculture
sector in West Africa, especially in Nigeria. In this Region, local management capability was severely limited, consulting firms qualified in agricultural management were few (especially in the anglophone countries) and considered costly, and government machinery to attract, recruit and administer contracts with foreign experts was inadequate. The APMU cadre grew rapidly to 90 by April 1977, and APMU presence in any project may be much greater than for ADS: of its 90 staff 48 were employed on three large rural development projects and a livestock project in northern Nigeria and 12 were elsewhere in that country. Nineteen other staff were employed in six francophone countries and eleven in 3 other anglophone countries in the Region.

3.15 Selection of ADS experts and the early APMU experts was largely informal, on the personal recommendation of people with relevant and common experience. The initial twelve ADS team were, with one exception, recruited from the Kenya settlement program, and all but seven of the 48 ADS staff have been British nationals. The first three project managers in northern Nigeria were personally recruited by a former ADS man who has since joined Bank headquarters staff and was one of the architects of the northern Nigeria projects. He has attracted a few other veterans from the East African agricultural service to Nigeria and most of these also are British. Of the 90 APMU staff, British (33) and Australian (10) nationals make up half the list but 14 other nations are also represented; 19 APMU staff are from Part II countries, 15 of them from South Asia.

3.16 We did not find strong borrower misgiving about the large British presence in these offices. Only in one country was any real feeling identified that it was undesirable. Elsewhere, it was accepted as natural and useful since it provided points of cultural contact and understanding. French speaking advisors were preferred in the former French territories for similar reasons. On performance grounds, we found no evidence that the informal network of contacts through which ADS/APMU personnel were recruited has had undesirable results. We encountered some clients who felt that the assistance they were receiving was not measuring up to expectations in all cases, and one who terminated a contract early. But we also found assistance teams that were well received and appeared to be performing well. It is rather clear that the network was used intelligently to locate and confirm quickly candidates who were experienced in managing projects, prepared to accept hardship posts, and well disposed to working under African administrations. Indeed, to the extent that this network provided firsthand knowledge of a potential candidate's qualifications and abilities, particularly for the rather intangible managerial tasks, it was thought by Bank staff to enhance effective recruitment. Not only did we find no signs of the system having led to inferior appointments; rather, we found concern that the erosion of the recruiting network (the supply of recruits through the informal recruiting process appears to have all but dried up) has already begun to require changes in the recruiting process. Recruitment is now increasingly through the Bank's Personnel Department (44), referral by governments (10), direct applications (9), and other sources (3).
E. Findings

3.17 Borrowers appear to have exercised their right of selection of consultants freely and generally without unwanted intervention by the Bank. The Bank staff role has generally been confined to assistance with identifying potential sources of assistance, and comment on consultant suitability. In the absence of systematic recording of past performance or capability of consultants, staff comment on suitability has been based largely on staff’s own knowledge. Some borrowers would welcome more Bank help in selection, but the Bank is presently not geared to provide it and, as a matter of policy, does not normally make its performance evaluations available to others.

3.18 In spite of the Bank’s preference for competitive proposals, consultants were appointed directly by borrowers in half the cases reviewed, but without any apparent undesirable effects. Bank approval of all or part of the final selection was called for in a majority of cases. Price did not generally appear as a major factor in selection.

3.19 The recruitment of staff for ADS and APMU has been largely informal, by word-of-mouth. The system has thus far operated to the clear benefit of borrowers, but the potential for further recruiting in this manner appears exhausted.
IV. THE COST AND PERFORMANCE OF CONSULTANTS

4.01 Except in cases of glaring failure, we had no objective criterion to relate the cost of consultant services with performance to determine if performance has been adequate. Nor could cost be reviewed separately from performance, which could not be assessed with precision. We found views on the performance of consultants to be highly subjective in most of the projects we studied. What we have endeavored to examine, therefore, is the role of the three parties -- the borrower, the consultant, and the Bank -- in influencing costs and performance and the effectiveness of competition in the supply of consultant services.

A. Competition

4.02 Competition among potential suppliers appears to have been effective in virtually all the regions and sectors we studied: 1/ in spite of increased demand, the prices of consultant's services do not appear to have been rising markedly faster than the prices of other goods and services.

4.03 We found African agriculture to be the one area where competition is severely limited because the supply of competent assistance is so inadequate in relation to the needs of the area. That is why the Bank has itself become a source of such assistance (paras. 3.12-3.16). In other areas and sectors, sources of assistance appear adequate and to have been in effective competition worldwide. This competition has been encouraged by Bank press releases detailing consulting service requirements in projects just approved and by Bank staff directing inquiring consultants towards borrowers and borrower's agents. The case histories did not reveal any obvious limitations on competition among consultants, except for the difficulties which relatively unknown consultants, particularly from Part II countries, have in entering the field.

4.04 We encountered several cases in which the client was able to prepare his short-list by relying solely on the solicitations of consultants that had heard Bank finance was available for the services they were offering. However, one problem with this process that we noted was the tendency for some consulting firms actively seeking new contracts to propose the same lead staff for several projects at the same time. Many firms employ relatively few permanent specialists, relying on other organizations or individual recruitment to complete their staffing after a contract has been negotiated. Such specially recruited staff, who are often untried in the firms'  

1/ Competition in any single market may, however, be limited by both language limitations and the market's technological inheritance. An extreme example of this came to our attention in the telecommunications sector, where there is only one French consultant firm operating in the French-speaking African countries.
teams, do not always work out; we found cases where changes in staff assigned to a project were distressingly frequent, confirming the importance of evaluating proposals not simply on the basis of the firm’s general reputation and prospectus but also on the basis of the individuals proposed for the particular task.

B. Costs

4.05 Individuals hired on direct contract are normally less expensive than firms which multiply the salaries paid to their personnel by a factor of 2.5-3.0 to cover the cost of non-salary benefits, administration, back-stopping and profit. The mark-up of direct man-month costs is typically 1.3-1.6. To cover administrative costs, the UN agency similarly apply a factor of 1.14 to the computed full man-month cost, including pension or gratuity rights, insurance, etc., which is about twice the salary alone. However, we found direct hire contracts which included substantial indirect costs and involved borrowers in an additional administrative burden.

4.06 Clients occasionally have the option of choosing between “free” bilateral assistance and assistance for which loan funds are provided. We found one case in which the borrower opted for the "free" assistance and was able to use the released loan funds for other purposes, but as things turned out the savings proved illusory: the project is now running greatly behind schedule, partly due to the time which the bilateral aid took to recruit. Delays consequent to seeking bilateral aid were noted in two other cases. One borrower, reacting to earlier dissatisfaction with consulting firms and unhappy about costs, tried three different alternatives to hiring an expatriate firm which he considered too costly, but the complications became such that, in the end, the task prescribed in the loan agreement simply was not performed.

4.07 Agricultural Development Service (ADS) and Agricultural Project Management Unit (APMU) staff (charged at full direct cost plus 14%) were regarded as high cost by some borrowers, who therefore try first to fill technical assistance needs from bilateral sources. However, APMU services in French-speaking West Africa have been found to be less expensive than internationally recruited assistance.

C. Consultants from Part II Countries Operating Internationally

4.08 Bank records show that from FY72 through FY76, only US$31 million (under 5% of the total disbursement for consultants) had been disbursed for consulting services from Part II countries for work in other Part II countries (Annex I). Although most of these disbursements paid for individuals working in a wide variety of projects, we reviewed three contracts involving two firms from Part II countries to see what they suggested about the more general question of using Part II consultants services more. One of the firms was an engineering consultant, hired for a feasibility study and later employed for design and supervision. The other was a management consultant with contracts,
in separate projects, to provide advisory and training services to crop processors and to recommend changes in organization and working procedures for local utilities.

4.09 In both cases, we found that both the client and the Bank regarded the services of these two Part II firms as fully satisfactory, especially the management firm whose ability to identify problems and to establish good client relationships in overcoming them was considered exceptional.

4.10 Association with a Part I firm seems to have been important in the selection of these Part II firms. The management consultant won one of its contracts on its own in a short-list competition with three other firms; it was known to the borrower because of earlier work in association with a Part I firm. It obtained the other contract we reviewed through direct negotiations after having performed well in a joint-venture with a Part I firm in a feasibility study financed by a Bank Technical Assistance Credit. The engineering firm, which had had little experience abroad, won its first contract in a short-list competition in a joint-venture with a Part I firm. The Part I firm had minimal duties in the joint-venture, but was needed, the Part II firm believes, for it to get a foothold in a new market where the Part I firm was already well-known to the borrower and the Bank. It won its second contract on its own after a normal short-list procedure. Both these Part II firms’ man-month costs were lower than the cost of competitors from Part I countries, but we found no evidence that these lower costs alone had accounted for either selection.

4.11 The recently issued Operational Manual Statement 2.18 1/ urges that consideration should be given to the use of qualified consultants from other Part II countries for Bank projects. However, the current Bank guidelines on selection do not, in practice, appear to encourage greater use of Part II consultancies on the international market. They essentially describe how the Bank selects consultants, impartially, and recommend that borrowers follow suit. In stressing that it is in the interest of the borrowers to emphasize technical criteria and experience over cost when evaluating proposals, the guidelines can be read as encouraging borrowers to limit themselves to established suppliers of consulting services. Not surprisingly, most borrowers are concerned first to obtain good performance and thus do look first for experience and established competence. Lacking knowledge of Part II consultants’ skills, they tend to choose the known Part I organizations. Most Part II firms thus have real difficulties in entering the international market for consulting services. It appears that the only way of enlarging the market for Part II consultants would be for them to build up their domestic experience and make the information about this experience more readily available internationally.

1/ The Development of Local Capabilities and the Use of Local Consultants. April, 1977.
D. The Influence of the Borrower and the Consultant on Costs and Performance

4.12 We found that the costs of consultant services and the effectiveness of the assistance they provided varied significantly from country to country and project to project.

4.13 Costs were affected by a number of factors. Major influences were the consultants’ approaches to a problem and the productivity of their staffs (both functions of experience), and the clarity of the contract documents and the terms of reference. Vaguely defined or open-ended tasks, instructions to gather data which may not exist and loose provisions for the training of counterparts constituted obligations for the consultant which typically resulted in higher costs than for better specified tasks. However, we found that clients, consultants and Bank staff differed over how detailed and specific terms of reference should be. In one project, an engineering consultant thought that his terms should have been more specific; a management consultant commended his for their flexibility; and the client suggested that competent engineers should not require overly specific terms. Among engineers it appears that practice differs between those from North America—where terms tend to be more specific—and those from Europe, where they tend to be broader. We also noted cases of what appeared to be unnecessary costs: terms of reference for sector and feasibility studies and planning assistance which seemed unduly comprehensive; data to be gathered which were out of proportion to the problem being addressed; and financial analyses which greatly exceeded the client’s needs for decision purposes.

4.14 We found cases of imprecise or improper terms of reference: one where two consultants were given overlapping instruction to “coordinate” tasks the client’s staff was performing; another where an APMU advisor assigned to a ministry was given instructions unacceptable to the client; and a third where a direction that “the personnel of (the client)... will work as full-time counterparts” on a sector study was completely impractical. However, these were isolated, not typical, cases.

4.15 We found costs were also influenced by working and living conditions in the borrowing country—its political stability, the reputation of its administration for honesty and efficiency, climatic conditions, and the absence or availability of housing and social services—and of course, by conditions in the supplying country. Unit costs of consulting organizations from Part II countries were on the whole significantly lower than those from Part I countries; but there were some cases of direct recruitment of Part II nationals (including those recruited by APMU) where costs were the same as for Part I nationals with similar capability and in similar positions.

4.16 Turning to performance, the cases we reviewed suggest that probably the most important single factor influencing the effectiveness of consultant services was the quality of project leadership, whether from the client or the consultant. The project managers who were effective in making good use of their local and consultant staff came from a wide variety of backgrounds. Some of the most outstanding were local officials. One was a district officer
in his country's agriculture service; another was hired away from an international organization (at the suggestion of a member of the Bank staff) to return to his country to manage a rural development project that required coordinating inputs from three government departments and overseeing a team of foreign consultants with 45 counterparts. An education manager was an experienced educator heading a semi-autonomous project implementation unit under a contract which made him largely independent of the civil service structure. He, too, has given firm direction to local staff and expatriates alike, achieving considerable economy in the use of technical assistance in the process.

4.17 The four most successful management contracts of the 29 we studied were characterized by strong leadership from the consultants team. In each of these cases, the consultants worked as executives or alongside executives in the clients' organizations—in one case over several years—which were well-equipped to respond to the leadership offered. But we also found successful leadership by individuals. In one case, a seconded Bank staff member was able to dispel mutual suspicion between the client and the local contractors' association. In another case, the local representative of a foreign engineering firm, as project manager on a series of Bank-financed projects, successfully provided the only continuity in the management of a highway department, the leadership of which changed on average once a year over the period.

4.18 It was clear that personality, rather than technical expertise, much less national origin, is the quality that distinguished the effective project manager from the ineffective one. Personality problems of project managers—particularly lack of drive or abrasiveness towards either their own staff or the clients—were prominent in several of the cases we examined and proved costly to the client because the problem managers were not readily replaced. Although firms replaced problem managers more quickly than borrowers were able to replace directly recruited managers, such changes still were not always expeditious and firms rather frequently provided inadequate staff.

4.19 If the project leadership was the most important influence on the effectiveness of consultants' services, the support which the client and his government gave to those services was probably the second most important influence. In about a quarter (21) of the contracts we reviewed, the client did not give the support to the consultant that had been envisioned. This lack of support took the form of failure to provide promised housing, office space, transport, or customs clearance; failure to assign counterparts as promised; failure to make data available; or simply failure to take any interest in the project at all. In two of the projects examined, lack of support evidenced itself in the form of political interference which resulted in the abrupt termination of contracts. In several of these cases, however, the consultant was able to avoid the worst effects of the lack of client support through his own exertions. In one rural development project, the client had made no preparation for the consultants' coming; but they turned in a respectable, if delayed, performance anyway, tracking down appropriate office space and workshops, and recruiting their own counterparts when
the client failed to assign any. In another case, a management consultant, installed in a client's branch office, introduced significant reforms and innovations despite the disinterest of the client's head office, which failed to make any of several promised staff appointments.

4.20 One rather pervasive reason for lack of client support appeared to be sheer inattention by responsible officials and their immediate subordinates, whose low salaries encouraged them to take outside jobs, a practice which is legal in many of the countries we visited. In one of the cases a key department head in charge of the project was also running a farm and a hardware store; in another, key officials in a planning bureau were doubling as consultants on projects being financed by a foreign aid agency; in two others, staff were occupied with their family business as well as their public posts. Another result of the low salaries, which also limited the usefulness of the consultants, was the steady loss of competent public sector staff to the private sector. Rapid turnover of personnel was a feature of client organization in several countries: in one case, a training program was abandoned because the local staff so regularly departed the project for private sector jobs as soon as they were ready to take up positions within it. Although this movement, so burdensome to the public sector, need not represent a cost to the borrower's economy, it did reduce the effectiveness of consultants and increase the client's dependence on them to make up for deficient in-house capacity. An external "brain-drain", of which we found some evidence, would constitute a greater loss.

4.21 Not surprisingly, a factor found to influence consultants' effectiveness was their command of the working language and familiarity with the culture of the client's country. Language ability was virtually essential where close working relationships with client personnel are involved, but less so where the giving of purely technical advice was concerned. Closely related was the consultant's familiarity with the local work environment. We found some consultants taking as long as a year to adapt; but others adapted quickly and effectively to their work. A consulting firm from the Philippines performed very well in Indonesia and bilateral assistance from India did well in Mauritius, in large part because they had cultural affinities with the borrowing country, were sensitive to its customs and habits, and settled in with little trouble. However, we also found equally adaptable firms and individuals from Part I countries and cases of resentment against consultants from Part II countries. About all that can be said on the subject of sensitivity and adaptability is that it is an important determinant of performance, and evidence of previous successful work in the client's country or in similar environments should therefore figure prominently among the criteria for evaluating consulting proposals.

4.22 The client's organization and the location of the consultant within it was another important influence on the effectiveness of consulting services in Bank projects. We found a number of situations which tended to diminish severely the effectiveness of the consultants' work: one consultant was retained by a ministry to establish a unit which was subsequently made
accountable to a different ministry; one consultant was retained by a department to work with a subordinate corporation which had not been consulted and did not really want his services; advisors were retained by a ministry to work with an organization within the ministry which had very different ideas about what the advisors should do; a consultant was attached to a special project unit to work with a ministry which preferred to act independently from the unit. Although organizational problems cannot always be foreseen at the time of loan negotiations, these cases suggest that the actual user of consulting services should participate in the determination of consultant service requirements and, if possible, in loan negotiations.

4.23 Physical location can also affect performance. We observed success where a consultant was installed in the client's head office with authority to introduce his information and management systems directly through the existing staff, and disappointment where the only difference seemed to be that the consultant was physically located away from the client's project center. Engineering consultants seem to prefer to do all the project design and detailed engineering work they can in their home office rather than in the field. We found this practice tended to lead to delays and misunderstandings. However, in several cases studied, taking the clients' engineers to the consultants' headquarters did prove an effective way of providing experience and training.

4.24 The consultants' organization and home office support also influenced the effectiveness of their work. Unwanted and frequent staff changes were a feature of four contracts we reviewed; tardy action to replace unsatisfactory staff was noted in others. Back-up was weak from the two international organizations whose contracts we reviewed. In two cases where APMU experts were involved, the Bank was said to have failed to give adequate advance orientation to the experts.

4.25 In addition to the importance of the personality of and sensitivity to alien cultures of the consultant or team manager, the work philosophy of the consultant emerged as an important influence on the effectiveness of this assistance. A set of principles, expounded (and practiced) by the manager of a consistently successful consulting firm is worth noting:

(a) to identify and avoid sensitive areas in the selection of the first task to tackle;

(b) to identify and tackle first possible success areas (i.e. work where the need is greatest) in order to gain the confidence of the client;

(c) wherever possible, to be in residence and establish a man-to-man basis with counterparts or clients staff;

(d) whenever possible, when putting out ideas, try to make the idea appear to come from the client.
In addition, the case histories indicate the value of preparedness by consultants:

(e) not to be over-legalistic on the client's responsibilities and to be prepared to assist the client in securing the support and facilities needed for the job;

(f) to ensure that client's staff assigned to him have clearly appointed tasks and clearly assigned authority;

(g) to consult with the client regularly and ensure his participation in advance of implementation of concepts and decisions; and

(h) to give to the client regular accounting of his work.

E. Bank Influences

4.26 We found few cases where the Bank staff had significant influence on the client-consultant relationship subsequent to selection. Such influence as was exerted by Bank staff was through drafting or reviewing terms of reference and during project supervision.

4.27 Although the preparation of terms of reference for consultants is the responsibility of the client, more often than not the client sought the help of the Bank staff, or made use of illustrative terms set out in the appraisal report. There is no uniform practice in the Bank on the inclusion of terms of reference in appraisal reports; sometimes, detailed terms are set down; sometimes, there are none; and sometimes, only indicative terms are included. Most projects officers appear to regard the drafts included in appraisal reports as indicative; but we found situations where these indicative terms of reference took on a definitive character in the eyes either of the consultant or of the client.

4.28 On the whole, Bank supervision missions seem to have had rather little effect on the day-to-day work of consultants, but clients generally expressed their appreciation of the influence that supervision missions had on the general orientation of consultants. We heard isolated complaints from consultants of unjustified "interference" from Bank staff, but were able to satisfy ourselves in each case that the intervention was to the benefit of the project. We did find cases where beneficial intervention could have taken place but did not, apparently because of jurisdictional problems between central and regional Bank staff or between Bank headquarters and regional mission staff.

4.29 Bank staff are supposed to report through supervision missions on the work of consultants (O.P.M. 2.50, para. 69), but this appears not to be
done regularly and the reports which are made are not consolidated. Opportunity to keep track of the performance of consultants is thus largely lost. If clients' wish for more help from the Bank in assessing the worth of solicitations from consultants is to be satisfied, it appears that the Bank should be better equipped than it is now to recover information on the past performance and present assignments of consulting firms.

F. Findings

4.30 It proved impossible to assess or generalize about borrowers' experiences with the costs of consultants relative to their performance. We encountered reservations about the unit costs of individual consultants and attempts to avoid expenditures on consultants services, but the issue of cost was not at the forefront for most borrowers. Nor did we find widespread dissatisfaction with the performance of consultants. The clearest determinant of performance appeared to be the quality of the project leadership and of the support given by the borrowing countries. We found many deficiencies in these respects. We did not find evidence of a major Bank influence on consultants' costs or performance. There is no systematic reporting by Bank staff on consultants' performance.

4.31 The supply of consultants' services appeared generally competitive and the Bank has taken some effective measures to assist this. However, the role of Part II country consultants working internationally is small. Those Part II firms reviewed appeared to be performing well and competing satisfactorily with those from Part I countries.
V. THE USE OF CONSULTANTS IN A TRAINING ROLE

5.01 A major concern of the study was to judge the effectiveness of expatriate consultants in transferring skills and knowledge to local peers, people often of similar education and talent but differing experience. Such transfer may be either formal—on-the-job, in the classroom, or a combination of both—or by consultants working informally with borrowers' personnel or local firms.

5.02 We found consultants' performance as trainers was highly variable and their success in transferring skills was not necessarily linked with the assignment of formal training duties. There were significant training benefits in more than half (50) of the 86 assistance contracts reviewed, but only 14 of these cases had training duties specified in the contract. We also found specific training provisions in another 14 contracts but no evidence of any training benefits in these cases.

A. Informal Training

5.03 Both client personnel and consultants judged the most positive and durable training to have come from relatively informal but sustained on-the-job experience. We found the best evidence of successful training in 14 management contracts and 13 detailed engineering and supervision contracts where the client's staff were able to get rich experience on specified project tasks by working alongside expatriate professionals. One very successful case involved four contracts, extending over 18 years, where the word "training" never appeared. Under these contracts, the client regularly seconded staff engineers, most on graduation, to work with the local representative of a foreign engineering consultant hired for detailed engineering and supervision tasks and for the preparation of feasibility studies. Some 30 staff were seconded in this way to the foreign consultant, some for as long as ten years, the average for seven years. In effect, the consultant's staff was made up of these local engineers augmented only occasionally by technical experts from the consultant's headquarters. Their salaries were paid by the consultant at prevailing government wages and reimbursed by the client. Among those who worked for this consultant are, today, the owners of half a dozen local consulting firms now doing the work formerly contracted to foreign consultants, several local contractors, and a few founders of new businesses in other fields.

5.04 This particular arrangement was possible only because of the unique talent and motivation of the particular consultant and the stability and continuity of this assignment. But we found variations of it in two other countries: one involving several highway improvement contracts and one where a local consulting firm has taken on 11 engineers and inspectors and a larger number of draftsmen and administrative employees from the client's staff to oversee the supervision of construction of a water project. The training was clearly substantial for the individuals involved; however, how much the client will benefit will depend on his ability to retain staff in the face of more remunerative opportunities in the private sector.
B. Formalized training

5.05 A majority of the contracts we examined did not provide for formal training of counterparts, nor were the provisions we did find all successful. We found explicit provision for counterparts in 31 out of 85 contracts and another five contracts in which the client’s staff, in whole or part, were viewed by the client as "counterparts". These five contracts, all for management services, were among the most successful cases of training we found. Most of the formal training provisions were in the management contracts: over half (16) of the contracts with provision for counterparts were management contracts and in 12 of these we found fair to good training benefits resulted. Only two of the 23 detailed engineering and supervision contracts we examined called for counterparts, and under neither did any significant training ensue. Provision for counterparts appeared in only 3 of the 19 planning, sector study and feasibility contracts we reviewed and in 10 out of the 15 technical assistance contracts, including four where training was the sole purpose of the project. In eight of the technical assistance cases, including the four training contracts, we found good, or at least some, transfer of skills.

5.06 There are as many factors that determine success or failure to train counterparts as determine the effectiveness of consultants’ services in general. The availability of the counterparts themselves and their quality were overwhelmingly the most important determinants. Others were the degree of client and Bank staff interest in the training objectives; the clarity with which the role of counterparts was defined; conflicts between the physical and training objectives of the project; and the training skills of the consultants.

5.07 Availability of Counterparts. We found the shortage of suitable counterparts most acute in Africa. In one government department where the Bank is involved under six separate loans, 57 out of the top 58 posts under the department director were filled by expatriates. In the case of two large rural development projects, the client simply acknowledged that he was unable to provide counterparts: there were just too many other important tasks to be performed and claims on staff.

5.08 Even in regions where there was not this absolute shortage of manpower, we found clients highly discriminating in their attitude towards counterparts. Many were not prepared to provide a counterpart to duplicate the work of a foreign expert. This perception of the counterpart as a supernumerary was fairly general, causing several clients to emphasize the importance of giving counterparts specific and separate duties to avoid feeling that they are just "carrying bags" or "messengers". Clients also proved sensitive to the timing of counterpart assignments, and were unlikely to assign staff already in short supply to learn a job that would not be needed for some time. The pressures of widespread shortages of suitable manpower were also evident in the losses of counterparts, once trained, to other agencies and in the assignment of poorly motivated or underqualified staff to these positions.
5.09 **Vague Provisions.** We found that vague references to "training" in a consultants contract or terms of reference could be costly all around. Where a consultant believed that his primary task was design, detailed engineering, and construction supervision, and that the training provision was an afterthought, training was normally given low priority although it was still charged for. In these circumstances, the mandatory provision for counterpart training in all projects involving technical assistance, which is customary in much bilateral and multilateral aid, may not be appropriate. Rather than such automatic inclusion of training requirements, it would appear preferable to require a conscious decision in each case on whether a training role is appropriate to a particular consultancy, or whether expectation of a transfer of skills should be omitted from what is primarily an implementation task. Even where training is judged appropriate and the resources are available, it may be preferable not to specify the training program in the project documents but to specify instead what are the training needs and objectives and provide for consultants and clients to work out the detailed training programs together. Outline terms of reference would, in these cases, make it clear that the consultant would be expected to design his own training program with the borrower and that weight would be given to the consultant’s approach in the evaluation of proposals. We found five cases in which the consultant had mounted a useful formal training program for counterparts without any detailed description of the approach being included in the loan documents. Three of these cases involved expatriate consulting firms, one involved a local engineering consultant, and the other a team of bilateral aid experts.

5.10 **Conflict Between Implementation and Training.** Insofar as major training benefits appear to grow out of the normal, professional tasks of engineering and management consultants, there is no necessary conflict between the training role and the physical implementation of projects. But conflicts do, in fact, occur. In such cases, we tried to identify the causes and ask how the two objectives of developing infrastructure and training leaders and managers could be better reconciled. The major conflicts arose where specific training duties were assigned in addition to implementation tasks without appropriate provision for staff. Such conflicts were found in several projects to which ADS and APMU personnel were assigned. In some, the assignment of counterparts or the start of a training program was deliberately delayed until sufficient infrastructure was in place to make training practical; elsewhere, we found counterparts assigned but the APMU expert could not train them because of other demands on his time. This conflict between implementation and training was usually seen in an inadequate provision for training in the project implementation schedule: but the problem was sometimes personal -- a consultant's impatience with what he felt to be an impediment to "getting the job done". We found clients ambivalent on the priority of these two objectives -- they were typically in a hurry for both the construction and the training. However, in reality, the limited supply of suitable counterparts led them to give priority to physical implementation.

5.11 Some clients considered that a conflict between training and implementation could most easily occur where the consultant had advisory status and
thus preferred the consultant to be in an executive role, with the counterpart assigned specific project tasks. But other clients supported the advisory role as the most effective. One case was noted of perhaps the ideal training sequence: expatriates initially put in executive positions and provided with counterparts progressively changed to advisory positions to assist the local staff as they took the lead responsibility.

C. Development of Local Consulting Firms

5.12 If firms from Part II countries are to enlarge their share of the international market for consultant services, many will first need assistance in the development of their managerial and technical capabilities. It has long been accepted Bank practice to encourage the development of local consulting firms and this was confirmed in April 1977 with the issue of Operational Memorandum 2.18 which, in addition to stressing the need for staff to examine the local implementing capacity and residual needs for outside consultant services, suggests that appropriate associations between foreign and local firms are a means of building up the local capability. Our study confirms this. In 12 out of the 15 engineering and management contracts we reviewed which were let to local consultants, the key personnel had gained their experience with a foreign consultant, contractor or industrial or business enterprise. However, although the association of foreign and local firms does appear to be the most effective means of developing local consultancies, it does not in itself ensure that adequate training takes place. The tasks performed under such an association have to be both worthwhile and clearly defined. We heard of cases where the tasks allocated to local associated firms were unlikely to involve significant learning; and other cases, particularly in joint ventures, where there was confusion over the division of tasks and functions between the local and foreign firm. Some foreign consultants expressed a preference to subcontract with a local firm, apparently because the duties are typically more clearly defined in such cases, but as the transfer of skills is likely to be less in the sub-contract, the better answer appears to be in clearer writing of contracts for joint ventures, the arrangement which borrowers appear to prefer.

5.13 An approach noted in West Africa comprised mixed capital companies, with the government holding the majority of shares and a French organization either having a minority holding or a contract to provide management assistance. This arrangement served several purposes: to provide a professional base for local engineers and technicians with pay higher (but not much higher) than comparable civil service levels; to provide a medium through which experience on feasibility studies, project preparation, and design work could be gained in partnership with foreign firms; and to improve project preparation by introducing local expertise on the political and social environment. The firms are being used for project preparation under Bank loans, sometimes in joint ventures with foreign firms. The work produced has been of varying quality, but at generally lower costs than would have been charged by foreign firms alone.
5.14 The development of the two Part II country firms which are now operating internationally (para. 4.08) demonstrates how growth can take place. The engineering firm was formed by a former Director of Public Works in the colonial service. He apparently still has some financial interest in the firm, but management now is completely national, the president being a professor of engineering at the national university. As its home market for consulting services is minimal, the firm has worked with a number of foreign contractors but has had to sub-contract economic analysis work for lack of necessary expertise "in-house". The management consultant built his business in part by buying out a foreign accounting firm in his country and taking the local partners of that firm on as his own partners. He subsequently assumed the practice of another departing foreign firm and began to establish branches first within his own country and then in three other countries in the region. This growth has taken place over 30 years and the firm is now truly international.

5.15 Some Part II countries have passed laws or adopted administrative regulation requiring foreign consulting firms to engage a local partner as a means of encouraging the development of firms and the transfer of skills. In one country visited, the law reserved for local consulting firms all work involving supervision of construction; however, the law is not now being applied. Such laws can result in relationships that have more shadow than substance. This was clearly the case with one planning assistance "joint venture" in which the local partners, respected professionals, continued to be engaged in their own unrelated business and simply lent their name and a small office to the joint venture. However, in three contracts in another country the local firms each voluntarily took on foreign partners and the relationship worked very satisfactorily. Several experienced foreign consultants we interviewed took the view that forced marriages between foreign and local firms can be costly and are unlikely to be wholly successful.

5.16 In another country, administrative rather than legal pressure is brought to bear on foreign consultants to associate with local engineering firms specifically to transfer skills on assigned project tasks. There are few established engineering consulting firms there with the necessary experience to be full partners in a joint venture, but association by subcontract has been practised. In the contracts reviewed, there was some evidence that this approach gave local engineers needed experience, although in two cases the local firm felt the training effectiveness was reduced because it was given only minor jobs; in one of them, it was further limited because the foreign consultant did much of his design work and decision-making in his home country. In another case, although the training of individuals was apparently effective, the local firm was composed of university staff, available only part-time, and as it now no longer exists as a unit, the development of a consulting firm as such did not take place.
5.17 In general, we found a high degree of volatility in the local consulting firms we reviewed; they tended to organize for a given job and then disperse, perhaps to be re-organized later for a new job. The thin local market for consultants' service makes this volatility understandable in many if not most Part II countries. Two of the local firms which performed most successfully on projects we studied are now out of business: the owner of one and a key employee of the other are both now on the World Bank staff. In each case, the firms went out of business after having contracts terminated abruptly as a result of political, rather than professional, decisions.

D. Findings

5.18 The performance of consultants as trainers proved variable, and was not necessarily linked to the explicitness of training objectives in Bank project documents. The most effective training appeared to arise from on-the-job experience. The major and most common problem with formalized training programs was the lack of, or poor quality of, counterparts. But there were also cases of apparent conflict where other aspects of project implementation were given priority over training tasks. There was no suggestion from borrowers that either formal or informal training was an inappropriate role for consultants. It was, however, recognized that effective formal training may require specialized skills not necessarily possessed by technical advisers.

5.19 Local consulting firms have rather generally developed as the result of the association of key personnel with foreign consultants. This appears to suggest that the most hopeful line for establishing and strengthening local consultants, initially for work within their own country and ultimately on the international market, would be through joint ventures and other forms of association in which the local partner is assigned a clearly specified and meaningful role.
VI. POSSIBLE ACTIONS BY THE BANK TO IMPROVE UPON THE USE OF CONSULTANTS FINANCED UNDER LOANS

6.01 The cases examined confirm the continuing need for consultant assistance to supplement local management and operational personnel in most Part II countries if their desire to speed up development and the transfer of technology and skills is to be fulfilled. They have also shown that the Bank's role in the identification of technical assistance needs, the selection of appropriate consultants, and their efficient use is real, if limited. What follows is an attempt, in the light of these cases, to point out areas in which the Bank's role might be made even more effective: in assistance to borrowers in the identification and selection of technical assistance; encouragement of greater use of borrower's own talent; improvement of opportunities for Part II country experts to provide consultant services overseas; and improving on the definition of, and provision in loans for, appropriate consultant tasks including training.

A. Assistance in the Selection of consultants

6.02 Many clients--and some experienced consultants as well--indicated they would like the Bank to play a bigger role in the various stages of the selection process: the identification of appropriate sources of consulting services; the provision of information on the performance of particular consultants; the evaluation of competing proposals; and even contract negotiation. Clients appear particularly to want help in identifying new sources of consulting services in the education sector and in the newer types of urban and rural development projects, and want guidance in the later phases of selection, partly because of the large and growing volume of unevaluated solicitation from consulting organizations. This section discusses the Bank role in: (a) the method of selection; (b) developing improved information systems on appropriate sources of consultant services; and (c) assistance in evaluation of proposals and contract negotiations.

6.03 The Choice of Method of Selection. The traditional method of selecting consultants, fostered by the engineering profession and commended to borrowers in the Bank's guidelines on selection, calls for evaluation of competitive proposals to be done on the basis of technical information on the consultant, his work methodology, and experience. It deliberately excludes the introduction of price as a criterion in the evaluation phase on the grounds that price considerations might dominate the technical ones; price becoming the major concern only in subsequent contract negotiation with the preferred consultant. A variation of this system is for price proposals to be sent to clients at the same time as the technical submission, but in a separate sealed envelope which is only opened after the selection has been made on technical considerations.
6.04 This process of selection by competition took place in no more than half of the contracts we reviewed. In about a third of the contracts, a consultant was retained because he had worked well for the client on previous projects or had produced a satisfactory feasibility study. Direct selection is not precluded by Bank guidelines, and we have no evidence that negotiations with a known single supplier was damaging to borrowers. Indeed, the approach has the advantage of simplicity, and continuity in the relationship may have a lot to commend it. However, it has the effect of preventing the entry of new suppliers to the consultants market.

6.05 It has been argued (although the point was not made by any of the borrowers or clients interviewed in this study) that consultants should be chosen through international competitive bidding procedures such as those used in the selection of contractors. Under such a system, the borrower would prequalify consulting firms or organizations for a shortlist and those invited would submit priced bids for a given quantity of work expressed in man-month and total costs, the presumption being that the lowest evaluated bidder would be chosen. This approach, it is thought, would encourage the entry of Part II consultants to the international market as their unit costs may be supposed to be lower than Part I competition whose salaries are normally higher. The argument against this approach is persuasive: that price instead of technical competence and experience may dominate the decision process, especially when the quality of services sought are difficult to specify and proposals are often hard to compare.

6.06 An alternative might be to make use of competitive proposals against a fixed budget for the technical assistance package announced in advance. Submissions then would all carry the same cost and the choice would be reduced to a comparison of strategies and levels of effort. This approach may be particularly suitable to contracts for analytical work, formal training programs, and projects in which the design remains tentative at the time of loan negotiations. The approach demands, however, that the financial provisions for the consultant contract to be made in the project should be close to the market price of the services needed. To be workable, it therefore requires that borrowers have means of knowing the current costs of comparable services. A variation of this idea is used by one UN organization under which a ceiling rather than a fixed price is set; in practice, the ceiling has tended to become the price.

6.07 Another alternative is to allow price to enter into the selection process as one of the criteria on which a submission is judged and to be weighted along with other factors such as experience and quality of staff. This approach might be assumed to overcome the worst problem of price as a competitive factor by preventing it from dominating the evaluation, but it remains difficult to establish the weight which it should be given, and once price enters as a selection criterion it may quickly become the dominant one.

6.08 None of the alternatives appears to offer a clear advantage over the present procedure. The problem of broadening the sources of consultant services, and in particular of assisting Part II country consultants to enter
the international market, might therefore be better tackled by improving on
the flow of information about consultants and consulting organizations to
borrowers and clients.

6.09 **Improved Information on Consultants.** We found that Bank staff
assisted in compiling short-lists or consultants in most of the cases where
competitive proposals were called for (para. 3.05). Other evidence suggests
that this practice is the rule; it is not the exception, confined to special
cases, which Bank policy 1/ prescribes it should be. The practice, which
appears to have grown in response to borrower demand, was seen to help reduce
delays in project implementation caused by difficulties in identifying con-
sultants. There would appear to be merit in recognizing the practice and
making it more effective.

6.10 To assist borrowers, it is **policy to make the Bank’s reference
files available to borrowers’ representatives 2/.** However, these files,
which refer to nearly four thousand consultants, are not classified by com-
petence or experience, are not systematically kept up-to-date, and comprise
only the consultants’ own statements of their organization, experience, and
specializations. They do not contain sufficient information to enable either
staff or borrowers to form a judgment on a consultant’s capability for a
specific task, and are, in fact, rarely consulted by borrowers. The informa-
tion which is needed is not only general information on consultants, but also
assessments of their recent performance and of the effectiveness of key
personnel. Data on current work commitments and outstanding job-proposals of
firms which might be invited to offer their services would also be valued.
Individual Bank staff have current knowledge about the performance of con-
sulting firms and organizations which have worked on Bank projects with which
they have been associated, including those for which the Bank is executing
agency, but this information is nowhere brought into a pool nor classified.
Supervision missions are supposed to report on the performance of consultants
on Bank-financed projects, but this is not done regularly and such reports
are extracted only sporadically. Evaluation reports are also required to be
submitted (on Form 679) within 3 months of termination of major works. The
reports are supposed to comment on successes and failures and to provide a
basis for an informed selection of consultants in the future; in the past
3 years only some 30 such reports have been completed, most from one Region.
It appears that a minimum improvement would be for the Bank to make its
existing reporting requirements effective and to organize both the informa-
tion it already has and that which would then be forthcoming.

6.11 The question remains whether the information on consultants’ per-
formance should be available only to staff who are asked to assist borrowers
or clients with short-lists, or whether it should be made available to bor-
rowers seeking specific technical assistance. It is current policy not to

1/ O.P.M. 2.50 (April 1973) paras. 32-34.

2/ O.P.M. 2.50, para. 24.
make evaluations of consultants' performance available to anyone other than Bank and UNDP staff \(^1\). This policy means that if the practice of assisting borrowers with short-lists is to continue, and selection of consultants for these lists is to be based partly on performance, the choice of consultants for inclusion in the lists will remain strongly influenced by Bank staff. True, if the information system is regularized and improved, requests to project officers by borrowers could be referred routinely to the central office responsible, thus avoiding the problem seen with ad hoc recommendations based on individuals' experience \(^2\). But this approach, whilst undoubtedly offering improvements over present practice, still leaves much of the responsibility with the Bank.

6.12 The obvious way of meeting these objections is to allow staff evaluations of consultants' performance in Bank projects to be made available, in confidence, to borrowers who request assistance in the selection of consultants for a loan. The advantage for borrowers is self-evident. Consultants whose business prospects may be affected may think differently, although those to whom the question was posed declared that they would have no objection to their performance evaluations being made available to borrowers. They saw advantage in having their prospectus on Bank files, and anticipated favorable performance ratings which also would be to their advantage. However, problems could well arise when adverse comment on his performance was believed by a consultant to have resulted in his rejection by a later borrower. One possible way of avoiding difficulties in such a situation might be to establish that any firm or individual whose name appeared on the files consented to the Bank passing on to borrowers relevant information on them, including assessments of their performance and capacity as determined by Bank staff on supervision or through ad hoc inquiries. Any consultant who found such conditions onerous could opt not to have his name listed.

6.13 There are other problems, however. Borrowers also might complain if a consultant they selected on the basis of an earlier favorable performance evaluation by Bank staff proved unsatisfactory. The confidentiality of reports sent to borrowers may be difficult to ensure. Moreover, as we have noted (para. 4.01), views on performance of consultants tend to be subjective and performance may be influenced by events largely outside the consultants' control. In these and other cases, performance may be difficult to judge with reasonable objectivity. Further, a consultant's performance, as we have also noted (para. 4.18), is often dependent on his individual staff, and may be very different on one contract from the next.

\(^1\) O.P.M. 2.50, para. 70.

\(^2\) This improvement would also allow information on new entrants to the field to be systematically considered (see para. 6.24 et seq.).
6.14 Reporting will be most objective where it refers to quantifiable performance criteria such as physical output, trainees graduated, staff continuity, or timeliness of completion: such criteria probably can and would need to be developed by the Bank in the process of systematizing data on consultants. Further, an overall evaluation of a consultant’s success or failure on a task should not be necessary: borrowers’ need is for factual information which they can evaluate in the preparation of their own short-lists. Records may, however, need to include a Bank staff analysis of exogeneous influences on the performance of the consultants in specific tasks. They would also need to cover enough recent contracts to present a range of the consultant’s accomplishments.

6.15 Clearly there are many approaches to ensuring that information passed to borrowers is largely objective, is kept in confidence by Bank and borrower alike, and does not result in disputes which would defeat the purpose of helping borrowers to locate the assistance they need to implement projects. The legal and policy ramifications of each approach, and the likely reaction of supplying countries to the policy changes implied, will all need further study. What does seem clear, however, is that the present situation in which the Bank is trying to meet borrowers’ needs, but is doing so on an informal and unsystematic basis, should be changed. A first step should be a change in the character of the Bank’s consultant files to include evaluation data and to facilitate its retrieval.

6.16 Assistance in Evaluation and Contract Negotiations. When asked Bank staff now help clients to evaluate competing proposals, typically by suggesting criteria for evaluation and weights that might be attached to each criterion. In accordance with Bank policy (OPM 2.50), the actual evaluation is customarily left to the client. However, some Bank staff feel that the Bank should be prepared to play a bigger role in evaluation than it does now. As noted in para 3.06, we found that some projects divisions ask clients to have the consultants on a the short-list forward copies of their proposals to the Bank so that staff may conduct evaluations of their own in parallel with those of the client; they do not normally communicate these evaluations to the client. Some consultants we interviewed argued in favor of greater participation by the Bank staff in evaluation to protect them against corrupt practices in selection, some evidence of which appeared in several countries. However, it seems desirable that the client’s right and obligation to make selections himself should be maintained both in fact and appearance, and even the practice of parallel evaluations in any situation where the Bank has not reserved to itself in the loan documents the right to approve an appointment might be questionable. If no information is to be passed to borrowers, the procedure is not only costly in project staff time, but also risky in that the results of any parallel evaluation might become available to borrowers inadvertently.

6.17 The present general practice accordingly seems sound: that the furthest Bank staff should be involved in selection should be: (a) in assistance with short-lists at borrowers’ request; (b) in assistance with the design of evaluation matrices; and (c) with suggestions on the relative
weights to be given to evaluation criteria. We found such assistance to be appreciated by borrowers, many of whom have adopted the Bank selection system and now operate it without Bank staff assistance. One further involvement which might be justified is to assist borrowers to write penalty clauses into contracts which will discourage the practice, noted in para. 4.04, whereby consulting firms field different key staff from those specified in their proposals and agreed at contract negotiations.

6.18 We found isolated examples where Bank staff, on request of the client and with the agreement of a selected consultant, participated in actual contract negotiations—with notably successful results. However, again in keeping with policy, it seems appropriate to confine this practice to those rare instances where the client's lack of experience makes a request for help persuasive.

B. Encouraging Use of Local Skills

6.19 It is axiomatic that in all fields it is preferable to make maximum use of suitable local skills in a project before consultants are called in. Bank policy as spelled out in Operational Memorandum 2.18 is to encourage use of consultants from Part II countries. There are several ways in which the Bank may be able to give effective encouragement to the use of borrower's talent in Bank projects.

6.20 One would be to make more standard the practice, noted in some case histories, whereby the client is left considerable discretion to identify for himself, within broad guidelines set in the loan document, the type, quantity and source (foreign or local) of consulting services needed. In such cases, the provision in the loan document for all consultant services would comprise a single category. The premise of this approach is that the client can identify his needs for consulting services at least as well as Bank staff and can select advisers without undue political interference.

6.21 A client's choice would still be limited if disbursement provisions were written to favor the hiring of expatriates. If funds are provided only for the foreign exchange component of project costs, borrowers with liquidity problems and needing consulting services may be encouraged to use expatriates even when local consultants are available. One borrower interviewed observed that a major reason for accepting provisions in a loan for expatriate consultant services was the finance included to pay them. Bank policy is now to finance and disburse the same proportion of the total cost of consultants regardless of whether they are foreign or local, so that the use of local consultants is not discouraged. 1/ We found file evidence of this policy increasingly being carried out.

1/ OMS 2.18 (April 1977) para. 9.
6.22 In view of the importance of the project manager in most of the case histories examined, funding to permit more appropriate salaries for local personnel occupying key project posts might be provided more generally as a means of attracting and retaining good staff. We found several cases where expert borrower personnel were employed abroad by UN agencies and the Bank while work they could do at home was being done by expatriate advisers. However, some borrowers refuse to consider payment of premium salaries because they create anomalies within local pay scales and pressures for continuing to pay them out of local budgets after loan proceeds are disbursed. The loss of local skills through the external "brain-drain" might also call for some form of bonding of those who benefit from formal training. Such bonding could be encouraged in countries where it is not already practiced by appropriate covenants in projects with a training component.

6.23 The influence of project leadership on consultant (and project) performance also suggests that borrowers should be encouraged to ensure that the implementing agency—and if possible the project management—are represented at loan negotiations, so that they are fully involved in the project from the beginning. Borrowers should, therefore, identify both the agency and project management, whether the latter is a consultant or from agency staff, early in the project cycle.

6.24 The case histories confirm that associations between local and foreign firms 1/ are a major means of developing local talent. They suggest that such associations can be made even more effective by clearer specification of the division of responsibility and the requirements for joint work. Where a local firm has most of the talent required for a contract, use of local skills could be maximized by recruiting the local consultant with the understanding that he would hire specific supporting expatriate expertise, usually individuals, where needed to fill critical gaps in the firm's skills. Although firms themselves are usually in the best position to determine the scope and character of the support they need on a given project, the Bank may be able to assist in specifying the need and helping to identify people with the requisite skills who could be hired on direct contracts by the local firm. In these situations, it is important that financial provision should be made in the loan to enable the borrower to pay in whole or in part for the hire of such expertise. 2/

1/ As envisaged in OPM 2.50, paras. 19, 20.

2/ An interesting approach similar to this was noted in Indonesia where Dutch aid is financing a consultancy development project (PPKI) to upgrade local firms and individuals. The project pays for members of the Netherlands consultants association to provide advice and technical administrative training, both in Indonesia and the Netherlands. Government's role is to provide work opportunities for upgraded firms, often in joint operations.
C. New Sources of Consulting Services

6.25 Encouraging Suppliers From Part II countries. Although the case histories do not suggest any general lack of competition in the supply of consultants services, consideration could be given specifically to encouraging potential suppliers from Part II countries. It is not possible to gauge the numbers of such qualified consultants who might be involved, but there are probably some 15 Part II countries with substantial numbers of skilled manpower and large enough internal markets from which domestic consulting organizations might in due course enter the international market. Without in any way departing from the important principle that the Bank should not usurp the borrower’s right to select qualified consultants from wherever they wish, it would seem a logical extension of Bank aims to encourage Part II consultants to establish themselves in the international market.

6.26 This would be facilitated by more information concerning firms from Part II countries becoming available in the Bank. However, a mere list would be of little value without supporting information on competence and performance. The problem for the Bank is that since Part II country consultants typically have limited overseas experience and must depend for their reputation on client satisfaction within their own country, Bank staff are unlikely to know about them unless they happen to have been involved with Bank projects. Special efforts may, therefore, be needed to develop information about the capabilities of Part II firms and organizations and the experience of local clients with them. Such efforts might include missions to selected Part II countries to verify the capacities of consulting firms and organizations and to record the experience of local clients with them.

6.27 Whether such information should be made available on request to borrowers raises the kind of issues discussed in para. 6.11 above. But even if it were not released, it could be helpful to Bank staff whenever they were requested to help borrowers prepare a short-list of appropriate consultants. With such information, staff might recommend, as a matter of policy, a reasonable proportion of Part II consultants regardless of whether they have had previous experience in Bank-financed projects. An alternative response to such requests from borrowers could be to suggest two lists, the first including only those Part I and Part II country consultants who had performed satisfactorily, either overseas or domestically, in earlier Bank projects and were known to have continuing capability; and the second comprising Part II consultants who, although not previously engaged in a Bank project, were considered to have the required capabilities.

6.28 Alternatives to APMU and ADS. In view of the special need for project management in African agriculture and rural development projects, the Bank’s decision to establish ADS and the more recent venture into APMU to implement a greatly expanded lending program in West Africa seems well justified, and the cases examined confirmed this appropriateness. For the future, the modest growth envisaged for ADS, which is very much smaller in numbers than the cadres of bilateral aid experts at work in East African agriculture, does not appear to pose serious problems. However, the prospect
for APMU in West Africa appears less reassuring because the days of easy recruitment of qualified experts seem to be over and because of the projected growth of that service from 90 at present to perhaps 175 over the next few years. We accordingly considered whether there were reasonable alternatives to this projected growth in APMU.

6.29 One alternative appears to be greater recourse, in the francophone countries of West Africa, to consulting firms. We understand there are firms familiar with the region which are at least as well equipped as individual APMU experts and probably better able than APMU to marry the dual objectives of project implementation and training local personnel. The numbers of excellently qualified individuals working under bilateral aid grants and in bilateral aid agencies provide only a limited alternative because of the slow and awkward procedures for recruiting them and the great difficulties in fielding coherent teams of individual experts in this way. Another alternative could be for the Bank to support the use of new or under-utilized sources of consulting assistance with special expertise in agriculture. One such source of supply may be FAO. Although stronger in the technical specializations than in project management, FAO not only retains on short or medium-term contracts large numbers of technicians but also maintains in each of its three technical departments files on previously hired and potential consultants. For financial reasons, FAO has had to cut back recently on staff and many un-tenured field staff have had their FAO contracts terminated, nearly 100 in December 1976 alone. They might constitute a potentially rich additional source of experienced agricultural field staff for direct contract by borrowers. FAO's staff are optimistic that FAO, with its comparative advantage in agriculture and the roster systems being developed by its departments, has the potential to play a much bigger role than it does now in providing assistance to borrowers in its fields of competence.

6.30 However, even if the supply of expatriate project staff were inexhaustible, the ultimate goal must be to help African borrowers to manage their own affairs. The Bank might, accordingly, further explore the possibilities of supporting centers for training local project managers and financial controllers in agriculture, possibly funded in projects to borrowers who would benefit directly from them. It could be that the real future of ADS and APMU should be to staff these centers and, from them, advise on and oversee the work of African project managers rather than doing the job themselves.

D. Improving on the Definition of Training Tasks

6.31 An area for improvement apparent from the case histories is the definition of tasks for which provision should be made for training. Do the tasks truly reflect the borrowers' needs, in terms of requirement and timing and is it appropriate in size and complexity? In general, the case histories revealed considerable confusion surrounding the subject of training and vagueness in the provisions made for it. Deliberate specification in
projects of the needs for training, the opportunities for learning, and the training provisions to be made were found to be infrequent. 1/

6.32 Although the need for training was nowhere in doubt, the means and timing to meet that need were less clear. The cases suggest that the best training results often grow from the close involvement of client staff in the normal performance of an engineering or management consultant task. The fact that training sometimes occurred when not planned, and sometimes failed to occur when provided for in the loan documents, points to the importance of:

(a) correct identification of the timing and opportunity for training within projects;

(b) correct identification of trainees as well as trainers and their roles in the project;

(c) clear establishment of the scope and approach to training at appraisal and in loan negotiations;

(d) clear terms of reference for consultants where training is appropriately specified as a task for them, with the consultant's response being given deliberate and careful evaluation in the selection process.

6.33 Just how far Bank staff should be involved in the clarification of training provision by consultants will depend on the borrowers and available consultants. Where experienced training consultants are available and borrower management is also experienced, Bank staff may be able to leave the definition of a training program and the recruitment of counterparts to the consultant and the client to work out together. As this situation is probably rare, we conclude that there is a need to encourage an increase in the supply of consultants with proven training abilities; for the Bank to play a continuing, and possibly increasing, role to make training the subject of deliberate decision in project design; and to clarify the steps to be taken and identify the resources needed to implement appropriate training programs.

6.34 The Bank's Training Unit in Central Projects Staff, which is concerned with these questions, agrees and points to improvements in all the above aspects of recent projects.

1/ In a few cases, imprecise terms of reference were also noted as contributing to unnecessary work by, or higher costs of, consultants in non-training roles. As borrowers often follow the lead of Bank project documents, staff should pay close attention to the phrasing and details of TORs included in appraisal reports, or be prepared to assist in drafting or checking those developed by less experienced borrowers who seek such help.
STUDY OF THE ROLE AND USE OF CONSULTANTS IN BANK-FINANCED PROJECTS

THE USE AND COUNTRY OF ORIGIN OF CONSULTANTS FINANCED UNDER BANK PROJECTS 1/

A. The Global Pattern

1. Analysis of disbursements for consultant services under Bank loans during FY72-76 leads to two broad conclusions. First, that such disbursements more than doubled during the period and, second, that they declined somewhat as a percentage of total disbursements.

<table>
<thead>
<tr>
<th>Year</th>
<th>Disbursements for consultant services (US$ million)</th>
<th>Percent of total disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY72</td>
<td>95.6</td>
<td>6.5</td>
</tr>
<tr>
<td>FY73</td>
<td>101.9</td>
<td>6.0</td>
</tr>
<tr>
<td>FY74</td>
<td>138.0</td>
<td>6.0</td>
</tr>
<tr>
<td>FY75</td>
<td>177.0</td>
<td>5.7</td>
</tr>
<tr>
<td>FY76</td>
<td>200.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td>713.0</td>
<td>5.8</td>
</tr>
</tbody>
</table>

It is estimated that $32.5 million, or 31% of the increase in the total amounts disbursed for consulting services during this period represents increases in unit costs.

2. About half of the $713 million of consultant services financed were provided by suppliers from the United States (25%), the United Kingdom (14%) and France (12%). In each case the bulk of the services provided were in regions or countries where the supplying country is, and has been for some time, the dominant supplier in international trade. Thus, just under 40% of the work of consultants headquartered in the United States was done in the Latin America and Caribbean Region; nearly 40% of the work of United Kingdom-based consultants was done in East Africa; a third of the services provided by French-based consultants were in West Africa and another quarter in the Francophone countries in North Africa and the Middle East. Details are shown below.

1/ Reference to the Bank includes IDA and reference to a loan includes a credit.
Suppliers of Consulting Services 1/

Fiscal Years 1972-1976

(a) Disbursements to Consultants by Country of Origin

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount ($ million)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>169.94</td>
<td>24.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>94.61</td>
<td>13.8</td>
</tr>
<tr>
<td>France</td>
<td>79.29</td>
<td>11.5</td>
</tr>
<tr>
<td>Germany</td>
<td>38.18</td>
<td>5.6</td>
</tr>
<tr>
<td>Canada</td>
<td>31.31</td>
<td>4.6</td>
</tr>
<tr>
<td>Japan</td>
<td>18.33</td>
<td>2.7</td>
</tr>
<tr>
<td>Other Part I</td>
<td>121.38</td>
<td>17.7</td>
</tr>
<tr>
<td>All Part II</td>
<td>133.72</td>
<td>19.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>686.76</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

1/ Source: Computing Activities Department

2/ $26 million in disbursements to unspecified suppliers are omitted.

(b) Disbursements by Regions where services were performed

<table>
<thead>
<tr>
<th>Region</th>
<th>US</th>
<th>UK</th>
<th>France</th>
<th>All Part II</th>
<th>Region as a % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAC</td>
<td>65.56</td>
<td>9.75</td>
<td>8.99</td>
<td>69.07</td>
<td>26.75</td>
</tr>
<tr>
<td>EMENA</td>
<td>21.13</td>
<td>16.17</td>
<td>22.20</td>
<td>15.64</td>
<td>15.75</td>
</tr>
<tr>
<td>S. Asia</td>
<td>12.06</td>
<td>10.05</td>
<td>3.44</td>
<td>11.84</td>
<td>9.23</td>
</tr>
<tr>
<td>IFC</td>
<td>-</td>
<td>2.84</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>169.94</strong></td>
<td><strong>94.61</strong></td>
<td><strong>79.29</strong></td>
<td><strong>133.72</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
3. Consultants based in Canada and Germany each provided slightly more than 5% of the services financed by Bank loans during the period. Two-thirds of the work performed by consultants from Germany was in the EMENA and South Asia Regions; two-thirds of the work done by consultants from Canada was in the LAC and West Africa Regions. Consultants based in Japan, Australia, New Zealand and South Africa together supplied about 5% of the services, two-thirds of them in the East Asia and Pacific Region.

4. Of the $134 million (19% of the total) recorded as paid to consultants from Part II countries, four-fifths ($106 million) was paid for the services of locally-owned firms, or for nationals hired as individuals for work on projects located within their own countries. The remaining $31 million of disbursements were for the services of consultants headquartered in Part II countries and working on projects in other Part II countries.

B. The Sectoral Patterns

5. The breakdown of disbursements for consultant services by sector in each of the past five fiscal years shows that, in constant FY76 prices, they increased in all sectors.

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY72</th>
<th>FY73</th>
<th>FY74</th>
<th>FY75</th>
<th>FY76</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Power</td>
<td>17.7</td>
<td>15.0</td>
<td>20.5</td>
<td>27.0</td>
<td>34.7</td>
</tr>
<tr>
<td>Water Supply &amp; Sewerage</td>
<td>1.0</td>
<td>.9</td>
<td>4.5</td>
<td>9.2</td>
<td>6.8</td>
</tr>
<tr>
<td>Transport</td>
<td>25.7</td>
<td>28.7</td>
<td>36.8</td>
<td>51.1</td>
<td>56.3</td>
</tr>
<tr>
<td>Agriculture/Rural Dev.</td>
<td>9.2</td>
<td>11.5</td>
<td>17.9</td>
<td>27.3</td>
<td>37.8</td>
</tr>
<tr>
<td>Education</td>
<td>2.4</td>
<td>2.3</td>
<td>4.8</td>
<td>9.2</td>
<td>9.5</td>
</tr>
</tbody>
</table>

The trend is clear although the pattern within it appears rather erratic because of the relatively small number of projects involved in each sector each
year. The proportional decline in disbursements in the agriculture and rural development sector is predominantly because of substantial loans to India made in this period with no significant provisions for consultant services.

6. The largest disbursement for consultant services in the five-year period has been in transportation. This sector accounted for 35% of all such disbursements, compared to 23% of total loan disbursements during the period. Agriculture and rural development came next, accounting for 17% of all disbursements for consultant services; the sector's share of total disbursements during the period was also 17%. The sectoral pattern shows most rapid increases in amounts disbursed for consultant services in those sectors where lending has increased most rapidly over the past five years: agriculture and rural development, education, and water supply and sewerage.

7. In terms of the future, no clear sectoral trend in disbursements for consultant services as a proportion of total disbursement is discernible; however CPS staff anticipate that the demand for consulting services in loans for education will increase faster, by perhaps 10%, than the overall rate of lending in that sector in the years immediately ahead. This reflects the Education Department's efforts to shift the focus of Bank operations from school construction to school management, improvement of teaching methods, and curricula development. Projections for other sectors are not available.

8. Sectoral statistics of suppliers of consultant services were further analyzed. The analysis suggests that in some sectors, especially education, water supply, and to a lesser extent transportation and agriculture, suppliers from Part II countries have played a significant role.
Annex I
Page 5

Sectoral Distribution of Consulting Services by Major Suppliers (FY72-FY76)

<table>
<thead>
<tr>
<th>Sector</th>
<th>US</th>
<th>UK</th>
<th>France</th>
<th>All</th>
<th>Cons. Ser. as Part II</th>
<th>Part II as % of Sector Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>55.87</td>
<td>21.78</td>
<td>44.67</td>
<td>59.20</td>
<td>35</td>
<td>24</td>
</tr>
<tr>
<td>Agriculture</td>
<td>21.64</td>
<td>18.79</td>
<td>13.30</td>
<td>28.50</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Education</td>
<td>6.29</td>
<td>4.50</td>
<td>4.90</td>
<td>11.15</td>
<td>6</td>
<td>34</td>
</tr>
<tr>
<td>Electric</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>46.36</td>
<td>21.54</td>
<td>5.46</td>
<td>9.65</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td>Water</td>
<td>8.14</td>
<td>3.32</td>
<td>4.32</td>
<td>6.60</td>
<td>4</td>
<td>30</td>
</tr>
<tr>
<td>Industry</td>
<td>15.73</td>
<td>14.81</td>
<td>0.65</td>
<td>2.26</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Others</td>
<td>15.91</td>
<td>9.87</td>
<td>5.99</td>
<td>16.36</td>
<td>9</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>169.94</td>
<td>94.61</td>
<td>79.29</td>
<td>133.72</td>
<td>100</td>
<td>Avg. 19</td>
</tr>
</tbody>
</table>

Source: Computing Activities Department

9. The role of consultants from Part II countries is however very uneven and the above global figures call for some explanation:

(a) the relatively large role of Part II countries in education mainly reflects the situation in two regions. Nearly 70% of all disbursements for consultant services in education in the LAC Region were made to local suppliers 1/ because virtually all architectural work financed for education in this Region was performed by local firms. Similarly, in the EMENA Region well over 40% of disbursements for consultant services have gone to local suppliers. This is largely accounted for by disbursements of $2.3 million to Greece, again predominantly for locally supplied architectural services. In contrast, in the two African Regions only 14% of disbursements for consultant services in education paid for locally supplied services;

(b) in the water supply sector, two-thirds of the disbursements of $6.7 million for consulting services to Part II suppliers went to three countries: to India, on a single project in India; to Israel; and to Colombia;

1/ The word "suppliers" refers here to suppliers of consultant services.
(c) in transportation, about one-half of the $59.2 million paid to Part II suppliers of consultant services was for highway contracts in the LAC Region, carried out by local firms;

(d) in agriculture and rural development, individuals rather than consulting firms supply a large share of consultant services. Disbursements to Part II suppliers in this sector, as in education, are the heaviest in the LAC Region where they account for about half of the regional total. Disbursements for services from Part II suppliers in agriculture and rural development are also relatively heavy in West Africa (25% of the regional total) in contrast to East Africa (6%). This appears to be due in good part to the inclusion in some agriculture and rural development projects to Francophone countries in West Africa of supplements to the pay of local personnel in government extension and related services.

10. Global disbursement statistics are also an imperfect guide to the role of Part II suppliers of consultants' services, both because a larger proportion of the costs of local consultants than of foreign consultants is normally covered by the borrowers' project funds, and because in some cases payments for local consultants working in association with foreign firms may not be differentiated from payments to the foreign firms, which are most often from Part I countries. It is thought that the distortion in the latter case is not large, but overall the figures do tend to understate the part played by Part II suppliers within their own countries. The extent will vary between sectors and regions. The share of Part II consultants in the electric power sector is probably greater than indicated in the above table because, in the LAC and EMENA regions in particular, significant costs of local consultants were paid from borrowers' own funds; and, whilst the cost of local consultants in highway projects has been included in loans in the LAC region, it has generally been excluded in such loans to countries in East Asia and Pacific Region.

11. Foreign suppliers of consultant services dominate the electric power, industries and the transportation sectors. Moreover, under loans for highway improvements and for electric power, it appears that a few engineering and management firms have been winning a large proportion of the consulting business. Apparently, 18 well-established, international firms have supplied 80% or more by contract value of the services required in the electric power sector. These include four firms from the United States, five from the United Kingdom, two from Japan, two from Switzerland and one each from France, Italy, Canada, Germany and Sweden. Ten firms appear to have dominated the supply of services for highway improvements: four from the United States, two from France, and one each from Denmark, Italy, Germany and the United Kingdom.

12. Some insights into the differing use of consultants financed by Bank loans can be obtained from a breakdown of disbursements by region and
sector shown below. In general, the share of consultant services as a percentage of total disbursements in a given sector of a given region probably does reflect inversely the pool of available trained manpower in the country. Certainly the relatively high proportions for the African Regions reflect a serious shortage of trained manpower, and recent provisions for technical assistance services in agriculture and rural development credits to countries in the African Regions suggest that soon more than half of all Bank financed consulting work in this sector will be concentrated in these regions.

**Disbursement for Consultant Services by Selected Sectors Within Regions FY72-FY76**

($ million, and disbursements for consultants as a percentage of total disbursements within the selected Sector and Region)

<table>
<thead>
<tr>
<th>Sector</th>
<th>LAC</th>
<th>EA</th>
<th>WA</th>
<th>EMENA</th>
<th>SA</th>
<th>EA&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>63.7</td>
<td>19.8</td>
<td>85.0</td>
<td>9.2</td>
<td>4.7</td>
<td>32.7</td>
</tr>
<tr>
<td></td>
<td>(7%)</td>
<td>(9%)</td>
<td>(8%)</td>
<td>(2%)</td>
<td>(4%)</td>
<td>(8%)</td>
</tr>
<tr>
<td>Transport</td>
<td>73.2</td>
<td>36.1</td>
<td>46.1</td>
<td>21.5</td>
<td>7.6</td>
<td>53.3</td>
</tr>
<tr>
<td></td>
<td>(10%)</td>
<td>(11%)</td>
<td>(10%)</td>
<td>(3%)</td>
<td>(2%)</td>
<td>(11%)</td>
</tr>
<tr>
<td>Ag/Rural Dev.</td>
<td>15.3</td>
<td>16.8</td>
<td>19.2</td>
<td>30.7</td>
<td>5.6</td>
<td>33.2</td>
</tr>
<tr>
<td></td>
<td>(3%)</td>
<td>(11%)</td>
<td>(11%)</td>
<td>(7%)</td>
<td>(1%)</td>
<td>(8%)</td>
</tr>
<tr>
<td>Water Supply</td>
<td>6.2</td>
<td>2.8</td>
<td>2.2</td>
<td>4.9</td>
<td>5.0</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>(6%)</td>
<td>(14%)</td>
<td>(5%)</td>
<td>(6%)</td>
<td>(29%)</td>
<td>(15%)</td>
</tr>
<tr>
<td>Education</td>
<td>4.8</td>
<td>5.4</td>
<td>9.9</td>
<td>7.9</td>
<td>0.6</td>
<td>4.2</td>
</tr>
<tr>
<td></td>
<td>(7%)</td>
<td>(9%)</td>
<td>(16%)</td>
<td>(21%)</td>
<td>(1%)</td>
<td>(7%)</td>
</tr>
</tbody>
</table>

13. However, these data also require qualification. They reveal in particular the lumpy incidence of technical assistance provisions in loans and credits. Thus, the relatively high proportion of disbursements made to consultants in the East Asia and Pacific Region reflects the Bank's leading role since the early 1970s in financing technical assistance to Indonesia and in coordinating the assistance to that country by bilateral donors. In the years FY72-76, about 12% ($82 million) of all disbursements for consultant services paid for work in Indonesia. During that period, Indonesia's share of global disbursements for goods and services amounted to only 3.8%.
14. A single project can also have a disproportionate effect on the disbursement figures given above. This is illustrated by the $55 million to India for improvements in water supply and sewerage services in Bombay; slightly more than $11 million had been disbursed under this credit, including $3 million for consultant services of which $1.8 million paid for the work of Indian consultants and the remainder for British consultants. This disbursement for consultant services under one loan accounted for about 18% of all disbursements for water supply projects in the South Asia Region in the five years under review.
## Case Histories Prepared for the Study

<table>
<thead>
<tr>
<th>Case History</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Latin America and Caribbean Region</strong></td>
<td></td>
</tr>
<tr>
<td>1. Colombia: Cali Municipal Water Supply</td>
<td>A study of three detailed engineering and supervision contracts (D&amp;S) under which local and foreign consultants worked independently and in joint venture. Strained consultant-client relationships were a feature of this case history.</td>
</tr>
<tr>
<td>---Ln 682-CO---</td>
<td></td>
</tr>
<tr>
<td>2. Colombia: INSFOPAL, Multi-City Water Supply</td>
<td>Two D&amp;S contracts and 5 management contracts under which local engineering and management consultants worked with a financial intermediary and two municipalities financed by that intermediary on the expansion of water systems.</td>
</tr>
<tr>
<td>---Lns 860, 1072-CO---</td>
<td></td>
</tr>
<tr>
<td>3. Honduras: Highway Development</td>
<td>A study which demonstrates the effect of continuity in the client-consultant relationship on the development of local consulting and contracting capabilities, and the lack of effect on the client’s in-house capacity. Four D&amp;S contracts are involved, plus two contracts for planning assistance, one for training and one to demonstrate the economies of labor-intensive road building techniques.</td>
</tr>
<tr>
<td>---Lns 400, 495, 896; Crs 1, 71-HO---</td>
<td></td>
</tr>
<tr>
<td>4. Paraguay: Rural Development and Small Farmer Credit</td>
<td>A technical assistance contract under which a foreign firm, working for a local project manager recruited with the help of Bank staff and paid for out of the credit, helped establish a rural credit system with attendant extension services. The study also includes a D&amp;S contract under which a local consultant, in joint venture with a foreign firm, designed and built feeder roads for the project.</td>
</tr>
<tr>
<td>---Cr 509-PA plus a UNDP grant---</td>
<td></td>
</tr>
<tr>
<td>Eastern Africa Region</td>
<td>Description</td>
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<tr>
<td>5. Kenya: Mombasa and Coast Province Water Supply</td>
<td>A management contract in which a foreign firm designed and installed a management system in a new branch of a national water department despite the failure of the client to make key staff appointments.</td>
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<tr>
<td>6. Mauritius: Rural Development</td>
<td>A study of how a team of experts from a Part II country bi-lateral aid program and a company from a Part I country undertook to organize and train the field and in-house staff of a new rural development corporation with little support or direction from an inexperienced client.</td>
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<tr>
<td>7. Agricultural Development Service (ADS)</td>
<td>Four studies detailing the selection and performance of ADS officers in agriculture/rural development projects involving large numbers of small producers. The ADS officers served as project managers and deputies, financial controller, extension officer, and livestock officer.</td>
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<tr>
<td>a) Tanzania: Livestock and Dairy Development--Crs 132, 382, 580-TAN--</td>
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<td>b) Tanzania: Smallholder Tea Project--Cr 287-TAN--</td>
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<td>c) Tanzania: National Maize Project--Cr 606-TAN--</td>
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<td>d) Lesotho: Thaba Bosiu Rural Development Project--Cr 361-LSO--</td>
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<td>8. Tanzania: Highway Maintenance--Cr 507-TAN--</td>
<td>The Bank’s role in the selection of a consultant for training highway maintenance personnel in the context of considerable borrower resistance. The study reviews a contract to appraise the capabilities of the trucking industry.</td>
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<tr>
<td>Case History</td>
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| 9. Lesotho: Education Project  
---Cr 497-LSO--- | A D&S contract for the design and construction of schools; a contract to organize and supervise procurement procedures; and an individual contract for a project manager in the Bank's first education project in a very poor country. |
| Western Africa Region |
| 10. Liberia: Education Projects  
---Cr 305, Ln 1266-LIB--- | A D&S contract for the design and construction of schools and several contracts with two international organizations for the provision of 99.5 man-years of technical assistance for project implementation, teacher training, vocational and general educational planning, curriculum development, and university planning. |
| 11. Liberia: Highway Development  
---Lns 907, 1156; Cr 395-LIB--- | Three sets of feasibility and D&S contracts (one set with a consultant from a Part II country); a planning and management contract; and two study contracts, all directed at improving highway administration and construction for a client with a severe shortage of in-house talent. |
| 12. Agricultural Projects Management Unit (APMU)--Francophone countries-- | Two studies involving six APMU experts working under local project managers. APMU experts are serving as deputy project managers, accountants, ranch manager and lowland engineer. A seventh APMU expert under the second project is serving as advisor to the Ministry of Plan, Rural Development and Tourism. |
| a) Upper Volta: Livestock Development  
---Ln 557-UV--- | |
| b) Upper Volta: Bougouriba  
Agricultural Development Project  
---Cr 496-UV--- | |
| 13. Upper Volta: West Volta Cotton Project  
---Cr 496-UV--- | A contract with a consulting firm serving as management and training agent under a local project manager on a crop project—a contrast to the above APMU projects. |
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<tr>
<th>Case History</th>
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<tr>
<td>14. Agricultural Project Management Unit (APMU)—Anglophone countries—</td>
<td>A study involving two teams of ten and eleven APMU experts filling key posts in the project management units of two large rural development projects. A second study involving two APMU experts serving as irrigation engineer and rice mill engineer respectively. The third study details an APMU experience in a francophone country.</td>
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<tr>
<td>a) Nigeria: Funtua and Gusau Agricultural Development Projects --Lns 1099, 1092-UNI--</td>
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<td>b) Nigeria: Rice Project --Ln 1103-UNI--</td>
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<td>c) Senegal: Eastern Senegal Livestock Project--Cr 633-SE--</td>
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<tr>
<td>15. Parastatal Consulting Organizations in Francophone West Africa</td>
<td>A review of the development of four local consulting organizations, each connected with a former French parent company, and their uses on Bank-financed projects.</td>
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<td>a) Senegal: SODEVA, SODEFITEX, SONED</td>
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<td>b) Upper Volta: SAED</td>
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<tr>
<td>Europe, Middle East, North Africa Region</td>
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<td>17. Afghanistan: Agricultural Credit and the Management of the Agricultural Development Bank. --Crs 202, 593-AF and a UNDP grant--</td>
<td>A case study of a management contract extending over ten years during which the client and the consultant demonstrated the advantages of continuity in the client-consultant relationship. The case study includes a review of a contract to install an irrigation unit in the client’s organization that failed of its purpose.</td>
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<td>18. Turkey: Fruit and Vegetable Export Project --Ln 762, Cr 257-TUK--</td>
<td>A D&amp;S contract, a credit survey and a technical assistance contract, each of which was seriously flawed and resisted by the client. This is an example of how a project can prosper in spite of a series of mistakes in the selection and performance of consultants.</td>
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<td>19. Tunisia: Tunis District Urban Planning and Public Transport Project --Ln 937, Cr 432 TUN--</td>
<td>A contract to an international joint venture for technical assistance and training in a new area of investment where good preparatory work by the client, the Bank staff and the consultant paid dividends.</td>
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<td>East Asia and Pacific Region</td>
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<td>20. Indonesia: Power Projects --Lns 1127, 1259, 1365; Crs 165, 334, 399-IND--</td>
<td>A study of a large management and training contract where the consultant operated sector-wide. The case illustrates inter alia the time it can take for a foreign consultant to learn and adapt to the client's needs.</td>
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<td>21. Indonesia: Third Highway Project --Cr 388-IND--</td>
<td>A case study of a training contract where the consultant chosen was promoted by the Bank staff, where the consultant’s frequent staff changes adversely affected performance, and where the installation of a training organization has not led the client to give the training function important status.</td>
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<td>22. Indonesia: Sugar Project --Cr 405-IND--</td>
<td>Part of a program to rehabilitate sugar factories, the project includes a management contract to a firm from a Part II country; a contract to advise a bank on how to appraise investments; a D&amp;S contract let on price with poor results; a study contract and a research advisor. The study illustrates how training can be part of project implementation, and the problems that arise with inexperienced management and conflicting opinions in client organizations.</td>
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<td>23. Indonesia: Five Cities Water Supply --Ln 1049-IND--</td>
<td>An urban water project, preceded by Bank-financed feasibility studies, and including a D&amp;S contract, a management contract (to a Part II country supplier) and a piggy-backed planning and feasibility contract</td>
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<td>Looking to future lending. Special features include the employment of local consultants in joint ventures to provide opportunities to gain experience; a foreign consultant who preferred to do most of his work at home.</td>
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<td>24. Indonesia: Jakarta Urban Developement Project</td>
<td>An urban project where the strategy was laid down by the Bank and the client has yet to accept it. Five consultants' contracts are involved: two for planning, feasibility and pre-investment studies; two to provide management assistance and monitoring; and one to provide an advisor to a housing finance institution.</td>
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<td>--Lns 1040-IND--</td>
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<td>25. Philippines: Education Project</td>
<td>A text-book publishing project, where an experienced client identified and selected consultants services including a firm of management consultants; two firms with contracts for planning and pre-investment assistance; two individual advisors; and a planning contract with an international organization.</td>
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<td>--Ln 1224T-PH--</td>
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<td>26. Philippines: Highway Improvements</td>
<td>A study of the evolution of the use of consultants from foreign firms to local firms in voluntary joint ventures with foreign firms. The report reviews five D&amp;S contracts; three management contracts; and two contracts for feasibility studies.</td>
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<td>--Lns 731, 950-PH and a UNDP grant--</td>
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(Note: In addition to these formal studies the report draws for its illustration on a number of other projects cited in interviews with the Bank staff and others.)