

TERMS OF REFERENCE

Consulting Services for On-the-Job Capacity Building on Value Engineering/Value Analysis (VE/VA) of Infrastructure Projects

I. Rationale

The Government of the Philippines (GOP) has recognized and identified in its 2011-2016 Philippine Development Plan (PDP), the significance of balanced budget without compromising the realization of GOP's development goals and thrusts. The GOP is exhausting and pursuing cost-efficient and cost-effective measures that support fiscal discipline and economic growth. One of the identified relevant measures is to subject GOP major projects and programs to the concept/principle of Value Engineering/Value Analysis (VE/VA) to ensure that projects/programs achieve full functionality at the most appropriate and least project cost.

Value Analysis, as defined by the Society of American Value Engineers International (SAVE International), is the systematic application of recognized techniques by a multi-disciplined team that identifies the functions of a product or service; establishes a worth for that function; generates alternatives through the use of creative thinking; and provides the needed functions, reliably at the lowest cost.

It has been observed that many of infrastructure projects incur cost over runs upon completion, are delayed or behind their implementation schedule, and usually do not meet the targets set at the tendering stage. Some of the identified causes of deviations are due to inadequate project preparation, inappropriate project configuration/design and absence of policy framework on risk management and performance monitoring of infrastructure projects.

In view of the foregoing, the National Economic and Development Authority (NEDA) Secretariat deems it necessary to procure a consultant to provide services for the conduct of VE/VA of major government infrastructure projects and/or to assist the government in undertaking VE/VA and build the capacity of government staff.

II. Objectives

To capacitate NEDA and other government staffs through training and mentoring by way of close observation and active participation in the VA process. To formulate policies to incorporate the VA concept taking into consideration international practice and/or experience.

III. Description/Scope of Advisory Services

The Consultant will update existing guidance and policy materials, provide on call advisory support and deliver capacity building workshops for three (3) infrastructure projects. The details are as follows:

A. Guidance and Policy Materials

1. Review the VA Handbook¹ (s.2009) and recommend revisions as necessary and appropriate.
2. Review the VA recommendations in the VA Handbook and recommend measures on how these can be carried forward and institutionalized. (See Annex A)
3. Conduct a review of existing practices of other countries on VE/VA, including organizational structure and budgeting, identifying those that may be adopted for the Philippines.
4. Review the ICC Guidelines and formulate policies to incorporate the VE/VA concept based on international practice and/or experience.
5. Formulate a sustainable capacity building program for NEDA and other government staffs on VE/VA.

B. On-Call Advisory Support

6. Undertake VE/VA advisory services for four (4) major infrastructure projects as identified by NEDA. Engage subsector specialists as required.

C. Capacity Building VE/VA Workshops

7. Facilitate VE/VA workshops for each of the four (4) infrastructure projects selected for advisory support. The workshops are to be designed as a learning-by-doing for NEDA, delivery agencies and other relevant stakeholders.

IV. Study Duration and Major Activities

The Advisory Services will be implemented over a period of not more than two (2) years from the Issuance of Notice to Proceed (NTP) or commencement of the undertaking or until contract amount has been fully disbursed/expended in accordance with the contract terms and conditions.

¹The VA Handbook is a comprehensive reference on the principles of value analysis and its application in project development. It was developed by NEDA in partnership with the Australian Government through the Philippine-Australia Partnership for Economic Governance Reforms (PEGR) in 2009.

V. Qualification of Consultant

The Consultant is to put together a core team, comprising a Chief Technical Advisor, Economic and Financial Infrastructure Specialists. The Chief Technical Advisor will be responsible for the project and will be NEDA's point of contact for the project. The Economic and Financial Infrastructure Specialists will provide additional technical support in their respective areas of expertise.

Individuals in the core team must have expertise undertaking VE/VA on the following infrastructure subsectors: transportation (i.e., road, port and rail) and water resources (i.e., water supply). The core team should also have at least five (5) years of experience undertaking public infrastructure project appraisals using VE/VA techniques.

The consultant will be expected to engage local and international sector specialists on an as needed basis, depending on the nature of each infrastructure project selected for advisory support.

Given the diverse field of expertise required, local consultants may associate or tie-up with foreign consultants.

VI. Implementation Arrangement

1. NEDA will act as the executing agency and main recipient for the Advisory Services with IS as focal unit in implementing the services.
2. Coordination meetings will be conducted between the NEDA, the concerned implementing agency and the Consultant for the duration of the activity, as may be needed, the expenses of which are to be charged to the Contract.
3. NEDA will provide the Consultant the necessary documents to enable the conduct of the study. The contents of the documents provided to the Consultant and the results of the study will be kept confidential unless information sharing is warranted as determined by the NEDA.

VII. Cost of Consultancy Services

The **Approved Budget for the Contract (ABC) of Advisory Services is PhP19,500,000.00** for a period of not more than two (2) years. This amount is inclusive of tax, accommodation, plane fare, other incidental expenses and printing of the original Reports (Inception Report, Preliminary Report, etc.).

The Quality-Cost Based Selection Procedure under the Revised Implementing Rules and Regulations (IRR) of RA 9184, with quality of the proposal allocated 80% and costs 20%, will be followed in the procurement of the consulting services.

VIII. Reporting/Deliverables and Payment Schedule

A *detailed Work and Financial Plan* shall be submitted by the Consultant to NEDA for review within five (5) working days from the date of commencement as indicated in the NTP.

The deliverables for the subject study as enumerated below shall be submitted by the Consultant in two (2) hard copies to NEDA for review. An electronic/soft copy shall also be submitted to NEDA.

Deliverable	Timeline	Payment
Inception Report	Within three (3) weeks from receipt of NTP	15% of Contract Amount upon acceptance by NEDA
Formulation of Guidance and Policy Materials	Within seventeen (17) weeks from receipt of NTP	15%
Project 1 Report	On delivery of the first project's VE/VA report	15%
Project 2 Report	On delivery of the second project's VE/VA report	15%
Project 3 Report	On delivery of the third project's VE/VA report	15%
Project 4 Report	On delivery of the fourth project's VE/VA report	15%
Final Report	Two (2) weeks after completion of services	10%

The *Inception Report* shall include the detailed work and financial program for the scope of work of study, and a detailed schedule for all work. It will outline the approach to facilitating each VE/VA workshop and the content of each project's VA/VE report.

The *Formulation of Guidance and Policy Materials* shall include recommendations on how to improve VE/VA processes within the Philippines. It will include updates to existing materials, including the VA Handbook and the ICC Guidelines.

The *Project Reports* shall describe each project, the methodology applied for undertaking VE/VA, the outcomes of each VA/VE workshop and any recommended actions.

The *Final Report* shall include, among others, an overview of the recommendations of the Consultant to items 1 to 6 of the Description/Scope of Services of this TOR.

IX. Criteria for Shortlisting²

1. Qualification of Firm – 20%
2. Key Personnel – 60%
3. Job Capacity – 20%

X. Criteria for the Evaluation of the Technical and Financial Proposal³

1. Technical Proposal (80%)

- a. Experience and Capability of the Firm – 10 points
- b. Qualification of Key Personnel – 50 points
 - i. Chief Technical Advisor – 40 points
 - ii. Other key staff – 10 points
- c. Plan, Approach and Methodology – 40 points

2. Financial Proposal (20%)

XI. Retention Payment

A retention payment of ten percent (10%) shall be withheld. It shall be based on the total amount due to the Consulting Firm prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of study, as determined by NEDA, are completed. If, after fifty percent (50%) completion, the study is satisfactorily done and on schedule, no additional retention shall be made; otherwise, the ten percent (10%) retention shall be imposed.

The total "retention money" shall be due for release upon approval of the Final Report. The Consulting Firm may, however, request the substitution of the retention money for each progress billing with irrevocable standby letters of credit from a commercial bank, bank guarantees, or surety bonds callable on demand, of amounts equivalent to the retention money substituted for and acceptable to NEDA, provided that the project is on schedule and is satisfactorily undertaken. Otherwise, the ten percent (10%) retention shall be made. Said irrevocable standby letters of credit, bank guarantees and/or surety bonds, to be posted in favor of NEDA shall be valid for the duration of the contract.

²See Annex C.1 for minimum requirements

³See Annex C.2 for additional requirements

XII. Liquidated Damages

Where the Consulting Firm refuses or fails to satisfactorily complete the work within the specified contract time, plus any time extension duly granted and is hereby in default under the contract, the Consulting Firm shall pay NEDA for liquidated damages, and not by way of penalty, an amount, as provided in the conditions of contract, equal to at least one tenth (1/10) of one (1) percent of the cost of the unperformed portion of the works for every day of delay. Should the amount of liquidated damages reaches fifteen percent (15%) of the contract amount, NEDA shall at its own discretion terminate the contract without prejudice to any further action it may take to recover whatever losses incurred due to non-performance of the Consulting Firm.

Annex A
Table 4.1: Recommendations on Value Analysis

Recommendations	Document Needed to Implement Recommendation
The Investment Coordination Committee (ICC) requires agencies implementing ODA and BOT-PPP projects to prepare a value analysis report for all projects that require ICC approval.	Adjustments to NEDA-ICC Documents to Introduce Value Analysis sets out revised process flowcharts and suggested adjustments to the ICC Project Evaluation Procedures and Guidelines, including one new section on value analysis and four new Technical Annexes.
Proponent agencies undertake a value analysis study during the pre-feasibility stage for all projects for which a subsequent feasibility study is likely to require ICC approval. This study is documented in a value analysis report that is submitted to NEDA.	Value Analysis Handbook for NEDA provides detailed guidance to proponent agencies on how to do value analysis studies at the pre-feasibility stage and how to document these studies in a value analysis report that complies with NEDA's criteria.
Proponent agencies undertake a value analysis study at the feasibility stage for all projects requiring ICC approval. This study is documented in a value analysis report that is submitted to NEDA-ICC for approval.	Value Analysis Handbook for NEDA provides detailed guidance to proponent agencies on how to do value analysis studies at the feasibility stage and how to document these studies in a value analysis report that complies with NEDA's criteria.
Proponent agencies undertake a value analysis study for project variations requiring approval by the ICC and where the variation includes a change in cost of the project's technical components exceeding PhP100 million. This study is documented in a value analysis report that is submitted to NEDA-ICC for approval.	Value Analysis Handbook for NEDA provides detailed guidance to proponent agencies on how to do value analysis studies at the feasibility stage and how to document these studies in a value analysis report that complies with NEDA's criteria.
NEDA, as the Secretariat of the ICC, evaluates the value analysis reports and determines whether the value analysis report meets required criteria.	Value Analysis Handbook for NEDA provides processes and detailed guidance to NEDA staff on how to determine whether the value analysis report meets NEDA's specified criteria.
NEDA informs the proponent agency of the outcome of the evaluation of value analysis reports and the next steps to be taken.	Value Analysis Handbook for NEDA provides processes and detailed guidance to NEDA staff on what to do following the evaluation of a value analysis report and how and what to communicate to the proponent agency. The actions to be taken depend on (i) the stage in the project cycle at which value analysis is undertaken and (ii) whether the value analysis report complies or fails to comply with internationally accepted standards.
The Government should undertake a full-scale pilot test of the above recommendations on a live project.	To prepare for a full-scale pilot test, the government should identify an appropriate project. It should then determine to what extent the information needed to test the recommendations is available, what additional information is needed, what steps should be followed to test these recommendations, and what team and skills are required to test the recommendations. The expected outcome of this work is clarity on the scope, timing and resources needed to carry out the pilot test. <i>Note that NEDA identified the proposed Manila Light Rail Transit Line 1 Southern Extensions as an appropriate project on which to pilot test the recommendations. Our contract extension helped NEDA prepare for this pilot test.</i>
The Government builds value analysis capacity .	Building Capacity for Value Analysis describes initiatives that will progressively build the value analysis capacity required to effectively implement the recommendations in this report. The appendix also contains a comprehensive training manual for a five-day introduction to value analysis and what this requires of staff in proponent agencies and in NEDA.