



**Request for Proposal (RFP 30/2008)**

Date: 04 July 2008

**Subject: RFP for the provision of professional services for the project “ FINANCING  
EQUITABLE SERVICE DELIVERY FOR ALL CITIZENS “**

1. You are requested to submit a proposal in USD, VAT expressed separately for consulting services, as per enclosed Terms of Reference (TOR).
2. To enable you to submit a proposal, attached are:
  - i. Instructions to Offerors ..... (Annex I)
  - ii. General Conditions of Contract.....(Annex II)
  - iii. Terms of Reference (TOR).....(Annex III)
  - iv. Proposal Submission Form .....(Annex IV)
  - v. Price Schedule .....(Annex V)
3. Your offer comprising of technical proposal and financial proposal, in separate sealed envelopes, should reach the following address no later than 14:00 local time, July 25, 2008.

UNDP  
Attn. Procurement Unit “RFP 30/2008”  
Str.8ma Udarna Brigada 2  
1000 Skopje  
FYR Macedonia
4. If you request additional information, we would endeavor to provide information expeditiously, but any delay in providing such information will not be considered a reason for extending the submission date of your proposal.
5. You are requested to indicate whether or not you intend to submit a proposal.

## **Annex I**

### **Instructions to Offerors**

#### **A. Introduction**

##### **1. General**

The purpose of the RFP is provision of consultancy services within a frame of a project which will support development of several fiscal scenarios and a distribution formula based on the analysis and estimated revenue gaps of local authorities. The proposed model will make efforts to equalize or reduce the gap between the rich and the poor. This process will entail detailed analysis of the distribution of competencies between the central and local governments, individualized fiscal capacity assessment of municipalities; detailed assessment of the expenditure needs for local provision of social sector competencies; and developing a model/formula for allocation of inter-governmental transfers, which should ultimately reduce the gap between urban and rural communities.

In parallel, the project envisages a capacity-building component for central and local government officials for strengthening their analytical capacities on these issues. The emphasis will be on estimating expenditure needs of local government units, primarily for delivery of social services; assessment of fiscal capacities of local government units, etc.

##### **2. Cost of proposal**

The Offeror shall bear all costs associated with the preparation and submission of the Proposal, the UNDP will in no case be responsible or liable for those costs, regardless of the conduct or outcome of the solicitation.

#### **B. Solicitation Documents**

##### **3. Contents of solicitation documents**

Proposals must offer services for the total requirement. Proposals offering only part of the requirement will be rejected. The Offeror is expected to examine all corresponding instructions, forms, terms and specifications contained in the Solicitation Documents. Failure to comply with these documents will be at the Offeror's risk and may affect the evaluation of the Proposal.

##### **4. Clarification of solicitation documents**

A prospective Offeror requiring any clarification of the Solicitation Documents may notify the procuring UNDP entity in writing at the procurement's mailing address ([procurement.mk@undp.org](mailto:procurement.mk@undp.org)) or at the fax number indicated in the RFP. The procuring UNDP entity will respond on 18 July by posting summary of the Q & A ref. RFP 30 on undp web site to any request for clarification of the Solicitation Documents that it receives by 17 July without identifying the source of inquiry.

At any time prior to the deadline for submission of Proposals, the procuring UNDP entity may, for any reason, whether at its own initiative or in response to a clarification requested by a prospective Offeror, modify the Solicitation Documents by amendment.

All prospective Offerors may find the amendments to the Solicitation Documents on the undp web site.

In order to afford prospective Offerors reasonable time in which to take the amendments into account in preparing their offers, the procuring UNDP entity may, at its discretion, extend the deadline for the submission of Proposals.

**C. Preparation of Proposals**

**5. Language of the proposal**

The Proposals prepared by the Offeror and all correspondence and documents relating to the Proposal exchanged by the Offeror and the procuring UNDP entity shall be written in the English language. Any printed literature furnished by the Offeror may be written in another language so long as accompanied by an English translation of its pertinent passages in which case, for purposes of interpretation of the Proposal, the English translation shall govern.

**6. Documents comprising the proposal**

The Proposal shall comprise the following components:

- (a) Proposal submission form; (enclosed)
- (b) Operational and technical part of the Proposal, including documentation to demonstrate that the Offeror meets all requirements; please also submit your Company profile, including CVs of the team proposed and reference list of similar projects completed in last three years, including their value and clients contacts.
- (c) Price schedule, completed in accordance with clauses 8 and 9;

The price shall be presented by outputs (detailed budget break down per each output)

**7. Proposal form**

The Offeror shall structure the operational and technical part of its Proposal as follows:

**(a) Management plan**

This section should provide corporate orientation to include the year and state/country of incorporation and a brief description of the Offeror's present activities. It should focus on services related to the Proposal.

This section should also describe the organisational unit(s) that will become responsible for the contract, and the general management approach towards a project of this kind. The Offeror should comment on its experience in similar projects and identify the person(s) representing the Offeror in any future dealing with the procuring UNDP entity.

**(b) Resource plan**

This should fully explain the Offeror's resources in terms of personnel and facilities necessary for the performance of this requirement. Please take note that Sub -contracting is not allowed.

(c) Proposed methodology

This section should demonstrate the Offeror's responsiveness to the specification by identifying the specific components proposed, addressing the requirements, as specified, point by point; providing a detailed description of the essential performance characteristics proposed warranty; and demonstrating how the proposed methodology meets or exceeds the specifications.

The operational and technical part of the Proposal should not contain any pricing information whatsoever on the services offered. Pricing information shall be separated and only contained in the appropriate Price Schedules.

It is mandatory that the Offeror's Proposal numbering system corresponds with the numbering system used in the body of this RFP. All references to descriptive material and brochures should be included in the appropriate response paragraph, though material/documents themselves may be provided as annexes to the Proposal/response.

Information which the Offeror considers proprietary, if any, should be clearly marked "proprietary" next to the relevant part of the text and it will then be treated as such accordingly.

**8. Proposal prices**

The Offeror shall indicate on an appropriate Price Schedule, an example of which is contained in these Solicitation Documents, the prices of services it proposes to supply under the contract.

**9. Proposal currencies**

All prices shall be quoted in US dollars, only.

**10. Period of validity of proposals**

Proposals shall remain valid for sixty (60) days after the date of Proposal submission prescribed by the procuring UNDP entity, pursuant to the deadline clause. A Proposal valid for a shorter period may be rejected by the procuring UNDP entity on the grounds that it is non-responsive.

In exceptional circumstances, the procuring UNDP entity may solicit the Offeror's consent to an extension of the period of validity. The request and the responses thereto shall be made in writing. An Offeror granting the request will not be required nor permitted to modify its Proposal.

**11. Format and signing of proposals**

The Offeror shall prepare two copies of the Proposal, clearly marking each "Original Proposal" and "Copy of Proposal" as appropriate. In the event of any discrepancy between them, the original shall govern.

The two copies of the Proposal shall be typed or written in indelible ink and shall be signed by the Offeror or a person or persons duly authorised to bind the Offeror to the contract. The latter authorisation shall be indicated by written power-of-attorney accompanying the Proposal.

A Proposal shall contain no interlineations, erasures, or overwriting except, as necessary to correct errors made by the Offeror, in which case such corrections shall be initialed by the person or persons signing the Proposal.

## 12. Payment

UNDP shall effect payments to the Contractor after acceptance by UNDP of the invoices submitted by the contractor, upon achievement of the corresponding milestones. Payments shall be affected as per the following milestones:

1. Approval by UNDP of the draft initial assessment 20%
2. Approval by UNDP of the draft feasibility study 50%
3. Approval by UNDP of the developed training curricula and delivery of at least 2 workshops 30%

## D. Submission of Proposals

### 13. Sealing and marking of proposals

The Offeror shall seal the Proposal in one outer and two inner envelopes, as detailed below.

(a) The outer envelope shall be:

- addressed to:

UNDP  
Ref. RFP 30 Financing for Equitable Service provision ( do not open before 25 July)  
Str. 8 Udarna Burigada 2  
1000 Skopje  
FYR Macedonia

(b) Both inner envelopes shall indicate the name and address of the Offeror. The first inner envelope shall contain the information specified in Clause 8 (*Proposal form*) above, with the copies duly marked "Original" and "Copy". The second inner envelope shall include the price schedule duly identified as such.

Note, if the inner envelopes are not sealed and marked as per the instructions in this clause, the procuring UNDP entity will not assume responsibility for the Proposal's misplacement or premature opening.

### 14. Deadline for submission of proposals

Proposals must be received by the procuring UNDP entity at the address specified under clause *Sealing and marking of Proposals* **no later than 14:00 local time , 25 July 2008**.

The procuring UNDP entity may, at its own discretion extend this deadline for the submission of Proposals by amending the solicitation documents in accordance with clause *Amendments of Solicitation Documents*, in which case all rights and obligations of the procuring UNDP entity and Offerors previously subject to the deadline will thereafter be subject to the deadline as extended.

## **15. Late Proposals**

Any Proposal received by the procuring UNDP entity after the deadline for submission of proposals, pursuant to clause *Deadline for the submission of proposals*, will be rejected.

## **16. Modification and withdrawal of Proposals**

The Offeror may withdraw its Proposal after the Proposal's submission, provided that written notice of the withdrawal is received by the procuring UNDP entity prior to the deadline prescribed for submission of Proposals.

The Offeror's withdrawal notice shall be prepared, sealed, marked, and dispatched in accordance with the provisions of clause *Deadline for Submission of Proposals*. The withdrawal notice may also be sent by telex or fax but followed by a signed confirmation copy.

No Proposal may be modified subsequent to the deadline for submission of proposals.

No Proposal may be withdrawn in the Interval between the deadline for submission of proposals and the expiration of the period of proposal validity specified by the Offeror on the Proposal Submission Form.

## **E. Opening and Evaluation of Proposals**

### **17. Opening of proposals**

The procuring entity will open the Proposals in the presence of a Committee formed by the Head of the procuring UNDP entity.

### **18. Clarification of proposals**

To assist in the examination, evaluation and comparison of Proposals, the Purchaser may at its discretion, ask the Offeror for clarification of its Proposal. The request for clarification and the response shall be in writing and no change in price or substance of the Proposal shall be sought, offered or permitted.

### **19. Preliminary examination**

The Purchaser will examine the Proposals to determine whether they are complete, whether any computational errors have been made, whether the documents have been properly signed, and whether the Proposals are generally in order.

Arithmetical errors will be rectified on the following basis: If there is a discrepancy between the unit price and the total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail and the total price shall be corrected. If the Offeror does not accept the correction of errors, its Proposal will be rejected. If there is a discrepancy between words and figures the amount in words will prevail.

Prior to the detailed evaluation, the Purchaser will determine the substantial responsiveness of each Proposal to the Request for Proposals (RFP). For purposes of these Clauses, a substantially responsive Proposal is one which conforms to all the terms and conditions of the RFP without material deviations. The Purchaser's

determination of a Proposal's responsiveness is based on the contents of the Proposal itself without recourse to extrinsic evidence.

A Proposal determined as not substantially responsive will be rejected by the Purchaser and may not subsequently be made responsive by the Offeror by correction of the non-conformity.

**20. Evaluation and comparison of proposals**

A two-stage procedure is utilized in evaluating the proposals, with evaluation of the technical proposal being completed prior to any price proposal being opened and compared. . The price proposal of the Proposals will be opened only for submissions that passed the minimum technical score of 70% of the obtainable score of 700 points in the evaluation of the technical proposals (expertise of the firm in similar projects, methodology and approach and qualifications of the staff with relevant experience) and the price has allocated 300 points.

The offer with the lowest price will receive the total 300 points. Other offers with higher prices will receive their respective scores according the following formula:

$$300 \times \frac{\text{Lowest Bid}}{\text{Proposed Bid}}$$

The company will be awarded a contract with the highest aggregate score based on technical and financial proposal.

**Technical Evaluation Criteria**

Summary of Technical Proposal Evaluation Forms		Points Obtainable	Company / Other Entity				
			A	B	C	D	E
1.	Expertise of Firm / Organization submitting Proposal and its reference list of similar projects of size and nature, including client contacts for reference check	175					
2.	Proposed Methodology and Approach	350					
3.	Personnel (qualifications and experience)	175					
<b>Total</b>		<b>700</b>					

The technical proposal is evaluated on the basis of its responsiveness to the Terms of Reference (TOR).

Evaluation forms for technical proposals follow on the next two pages. The obtainable number of points specified for each evaluation criterion indicates the relative significance or weight of the item in the overall evaluation process. The Technical Proposal Evaluation Forms are:

Form **1**: Expertise of Firm / Organization Submitting Proposal

Form **2**: Proposed Work Plan and Approach

Form **3**: Personnel

Note: The score weights and points obtainable in the evaluation sheet are tentative and should be changed depending on the need or major attributes of technical proposal.

Technical Proposal Evaluation Form 1		Points obtain able	Company / Other Entity				
			A	B	C	D	E
Expertise of firm / organisation submitting proposal							
1.1	Reputation of Organisation and Staff (Competence / Reliability)	25					
1.2	General Organisational Capability which is likely to affect implementation, (size of the firm / organisation, strength of project management support and project management controls)	25					
1.3	Relevance of: - Specialised Knowledge - Experience on Similar Programme / Projects - Experience on Projects in the Region	125					
		175					

Technical Proposal Evaluation Form 2		Points Obtainabl e	Company / Other Entity				
			A	B	C	D	E
Proposed Work Plan and Approach							
2.1	To what degree does the Offeror understand the task?	40					
2.2	Have the important aspects of the task been addressed in sufficient detail?	20					
2.3	Are the different components of the project adequately weighted relative to one another?	20					
2.4	Is the proposal based on a survey of the project environment and was this data input properly used in the preparation of the proposal?	40					
2.5	Is the conceptual framework adopted appropriate for the task?	50					
2.6	Is the scope of task well defined and does it correspond to the TOR?	110					
2.7	Is the presentation clear and is the sequence of activities and the planning logical, realistic and promise efficient implementation to the project?	70					
		350					

Technical Proposal Evaluation	Points	Company / Other Entity				
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			A	B	C	D	E
3.1	Team Leader		75				
		Sub-Score					
	General Qualification	20					
	Suitability for the Project						
	- International Experience	10					
	Training experience	5					
	- Professional Experience in the area of specialisation	30					
	- Knowledge of the region	10					
		75					
3.2	Expert No1		50				
		Sub-Score					
	General Qualification	10					
	Suitability for the Project						
	- International Experience	5					
	Training Experience	5					
	- Professional Experience in the area of specialisation	25					
	- Knowledge of the region	5					
		50					
3.3	Expert No.2		50				
		Sub-Score					
	General Qualification	10					
	Suitability for the Project						
	- International Experience	5					
	- Training Experience	10					
	- Professional Experience in the area of specialisation	20					
	- Knowledge of the region	5					
		50					
	<b>Total Part 3</b>		175				

## F. Award of Contract

### 21. Award criteria, award of contract

The procuring UNDP entity reserves the right to accept or reject any Proposal, and to annul the solicitation process and reject all Proposals at any time prior to award of contract, without thereby incurring any liability to the affected Offeror or any

obligation to inform the affected Offeror or Offerors of the grounds for the Purchaser's action

Prior to expiration of the period of proposal validity, the procuring UNDP entity will award the contract to the qualified Offeror whose Proposal after being evaluated is considered to be the most responsive to the needs of the organisation and activity concerned.

**22. Purchaser's right to vary requirements at time of award**

The Purchaser reserves the right at the time of award of contract to vary the quantity of services and goods specified in the RFP without any change in price or other terms and conditions.

**23. Signing of the contract**

Within 30 days of receipt of the contract the successful Offeror shall sign and date the contract and return it to the Purchaser.

## **Annex II**

### **General Conditions of Contract**

#### **1. LEGAL STATUS**

The Contractor shall be considered as having the legal status of an independent contractor vis-à-vis UNDP. The Contractor's personnel and sub-contractors shall not be considered in any respect as being the employees or agents of UNDP or the United Nations.

#### **2. SOURCE OF INSTRUCTIONS**

The Contractor shall neither seek nor accept instructions from any authority external to UNDP in connection with the performance of its services under this Contract. The Contractor shall refrain from any action which may adversely affect UNDP or the United Nations and shall fulfil its commitments with the fullest regard to the interests of UNDP.

#### **3. CONTRACTOR'S RESPONSIBILITY FOR EMPLOYEES**

The Contractor shall be responsible for the professional and technical competence of its employees and will select, for work under this Contract, reliable individuals who will perform effectively in the implementation of this Contract, respect the local customs, and conform to a high standard of moral and ethical conduct.

#### **4. ASSIGNMENT**

The Contractor shall not assign, transfer, pledge or make other disposition of this Contract or any part thereof, or any of the Contractor's rights, claims or obligations under this Contract except with the prior written consent of UNDP.

#### **5. SUB-CONTRACTING**

In the event the Contractor requires the services of sub-contractors, the Contractor shall obtain the prior written approval and clearance of UNDP for all sub-contractors. The approval of UNDP of a sub-contractor shall not relieve the Contractor of any of its obligations under this Contract. The terms of any sub-contract shall be subject to and conform with the provisions of this Contract.

#### **6. OFFICIALS NOT TO BENEFIT**

The Contractor warrants that no official of UNDP or the United Nations has received or will be offered by the Contractor any direct or indirect benefit arising from this Contract or the award thereof. The Contractor agrees that breach of this provision is a breach of an essential term of this Contract.

#### **7. INDEMNIFICATION**

The Contractor shall indemnify, hold and save harmless, and defend, at its own expense, UNDP, its officials, agents, servants and employees from and against all suits, claims, demands, and liability of any nature or kind, including their costs and expenses,

arising out of acts or omissions of the Contractor, or the Contractor's employees, officers, agents or sub-contractors, in the performance of this Contract. This provision shall extend, inter alia, to claims and liability in the nature of workmen's compensation, products liability and liability arising out of the use of patented inventions or devices, copyrighted material or other intellectual property by the Contractor, its employees, officers, agents, servants or sub-contractors. The obligations under this Article do not lapse upon termination of this Contract.

## **8. INSURANCE AND LIABILITIES TO THIRD PARTIES**

8.1 The Contractor shall provide and thereafter maintain insurance against all risks in respect of its property and any equipment used for the execution of this Contract.

8.2 The Contractor shall provide and thereafter maintain all appropriate workmen's compensation insurance, or its equivalent, with respect to its employees to cover claims for personal injury or death in connection with this Contract.

8.3 The Contractor shall also provide and thereafter maintain liability insurance in an adequate amount to cover third party claims for death or bodily injury, or loss of or damage to property, arising from or in connection with the provision of services under this Contract or the operation of any vehicles, boats, airplanes or other equipment owned or leased by the Contractor or its agents, servants, employees or sub-contractors performing work or services in connection with this Contract.

8.4 Except for the workmen's compensation insurance, the insurance policies under this Article shall:

(i) Name UNDP as additional insured;

(ii) Include a waiver of subrogation of the Contractor's rights to the insurance carrier against UNDP;

(iii) Provide that UNDP shall receive thirty (30) days written notice from the insurers prior to any cancellation or change of coverage.

8.5 The Contractor shall, upon request, provide UNDP with satisfactory evidence of the insurance required under this Article.

## **E. 9. ENCUMBRANCES/LIENS**

The Contractor shall not cause or permit any lien, attachment or other encumbrance by any person to be placed on file or to remain on file in any public office or on file with UNDP against any monies due or to become due for any work done or materials furnished under this Contract, or by reason of any other claim or demand against the Contractor.

## **10. TITLE TO EQUIPMENT**

Title to any equipment and supplies that may be furnished by UNDP shall rest with UNDP and any such equipment shall be returned to UNDP at the conclusion of this Contract or when no longer needed by the

Contractor. Such equipment, when returned to UNDP, shall be in the same condition as when delivered to the Contractor, subject to normal wear and tear. The Contractor shall be liable to compensate UNDP for equipment determined to be damaged or degraded beyond normal wear and tear.

## **11. COPYRIGHT, PATENTS AND OTHER PROPRIETARY RIGHTS**

UNDP shall be entitled to all intellectual property and other proprietary rights including but not limited to patents, copyrights, and trademarks, with regard to products, or documents and other materials which bear a direct relation to or are produced or prepared or collected in consequence of or in the course of the execution of this Contract. At the UNDP's request, the Contractor shall take all necessary steps, execute all necessary documents and generally assist in securing such proprietary rights and transferring them to UNDP in compliance with the requirements of the applicable law.

## **12. USE OF NAME, EMBLEM OR OFFICIAL SEAL OF UNDP OR THE UNITED NATIONS**

The Contractor shall not advertise or otherwise make public the fact that it is a Contractor with UNDP, nor shall the Contractor, in any manner whatsoever use the name, emblem or official seal of UNDP or the United Nations, or any abbreviation of the name of UNDP or the United Nations in connection with its business or otherwise.

## **13. CONFIDENTIAL NATURE OF DOCUMENTS AND INFORMATION**

13.1 All maps, drawings, photographs, mosaics, plans, reports, recommendations, estimates, documents and all other data compiled by or received by the Contractor under this Contract shall be the property of UNDP, shall be treated as confidential and shall be delivered only to UNDP authorized officials on completion of work under this Contract.

13.2 The Contractor may not communicate at any time to any other person, Government or authority external to UNDP, any information known to it by reason of its association with UNDP which has not been made public except with the authorization of UNDP; nor shall the Contractor at any time use such information to private advantage. These obligations do not lapse upon termination of this Contract.

## **14. FORCE MAJEURE; OTHER CHANGES IN CONDITIONS**

14.1 Force majeure, as used in this Article, means acts of God, war (whether declared or not), invasion, revolution, insurrection, or other acts of a similar nature or force which are beyond the control of the Parties.

14.2 In the event of and as soon as possible after the occurrence of any cause constituting force majeure, the Contractor shall give notice and full particulars in writing to UNDP, of such occurrence or change if the Contractor is thereby rendered unable, wholly or in part, to perform its obligations and meet its responsibilities under this Contract. The Contractor shall also notify UNDP of any other changes in conditions or the occurrence of any event which interferes or threatens to interfere with its performance of this Contract. The notice shall include steps proposed by the Contractor to be taken including any reasonable alternative means for performance that is not prevented by force majeure. On receipt of the notice required under this Article, UNDP shall take such action as, in its sole discretion, it considers to be appropriate or necessary in the circumstances, including the granting to the Contractor of a reasonable extension of time in which to perform its obligations under this Contract.

14.3 If the Contractor is rendered permanently unable, wholly, or in part, by reason of force majeure to perform its obligations and meet its responsibilities under this Contract, UNDP shall have the right to suspend or terminate this Contract on the same terms and conditions as are provided for in Article 15, "Termination", except that the period of notice shall be seven (7) days instead of thirty (30) days.

## **15. TERMINATION**

- 15.1 Either party may terminate this Contract for cause, in whole or in part, upon thirty days notice, in writing, to the other party. The initiation of arbitral proceedings in accordance with Article 16 "Settlement of Disputes" below shall not be deemed a termination of this Contract.
- 15.2 UNDP reserves the right to terminate without cause this Contract at any time upon 15 days prior written notice to the Contractor, in which case UNDP shall reimburse the Contractor for all reasonable costs incurred by the Contractor prior to receipt of the notice of termination.
- 15.3 In the event of any termination by UNDP under this Article, no payment shall be due from UNDP to the Contractor except for work and services satisfactorily performed in conformity with the express terms of this Contract. The Contractor shall take immediate steps to terminate the work and services in a prompt and orderly manner and to minimize losses and further expenditures.
- 15.4 Should the Contractor be adjudged bankrupt, or be liquidated or become insolvent, or should the Contractor make an assignment for the benefit of its creditors, or should a Receiver be appointed on account of the insolvency of the Contractor, UNDP may, without prejudice to any other right or remedy it may have, terminate this Contract forthwith. The Contractor shall immediately inform UNDP of the occurrence of any of the above events.

## **16. SETTLEMENT OF DISPUTES**

### **16.1. Amicable Settlement**

The Parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of, or relating to this Contract or the breach, termination or invalidity thereof. Where the parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation Rules then obtaining, or according to such other procedure as may be agreed between the parties.

### **16.2. Arbitration**

Unless, any such dispute, controversy or claim between the Parties arising out of or relating to this Contract or the breach, termination or invalidity thereof is settled amicably under the preceding paragraph of this Article within sixty (60) days after receipt by one Party of the other Party's request for such amicable settlement, such dispute, controversy or claim shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining, including its provisions on applicable law. The arbitral tribunal shall have no authority to award punitive damages. The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.

## **PRIVILEGES AND IMMUNITIES**

Nothing in or relating to this Contract shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including its subsidiary organs.

## **TAX EXEMPTION**

18.1 Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, inter-alia, that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize the United Nations exemption from such taxes, duties or charges, the Contractor shall immediately consult with UNDP to determine a mutually acceptable procedure.

18.2 Accordingly, the Contractor authorizes UNDP to deduct from the Contractor's invoice any amount representing such taxes, duties or charges, unless the Contractor has consulted with UNDP before the payment thereof and UNDP has, in each instance, specifically authorized the Contractor to pay such taxes, duties or charges under protest. In that event, the Contractor shall provide UNDP with written evidence that payment of such taxes, duties or charges has been made and appropriately authorized.

## **19 CHILD LABOUR**

19.1 The Contractor represents and warrants that neither it, nor any of its suppliers is engaged in any practice inconsistent with the rights set forth in the Convention on the Rights of the Child, including Article 32 thereof, which, inter alia, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical mental, spiritual, moral or social development.

19.2 Any breach of this representation and warranty shall entitle UNDP to terminate this Contract immediately upon notice to the Contractor, at no cost to UNDP.

## **MINES**

20.1 The Contractor represents and warrants that neither it nor any of its suppliers is actively and directly engaged in patent activities, development, assembly, production, trade or manufacture of mines or in such activities in respect of components primarily utilized in the manufacture of Mines. The term "Mines" means those devices defined in Article 2, Paragraphs 1, 4 and 5 of Protocol II annexed to the Convention on Prohibitions and Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects of 1980.

20.2 Any breach of this representation and warranty shall entitle UNDP to terminate this Contract immediately upon notice to the Contractor, without any liability for termination charges or any other liability of any kind of UNDP.

## **OBSERVANCE OF THE LAW**

The Contractor shall comply with all laws, ordinances, rules, and regulations bearing upon the performance of its obligations under the terms of this Contract.

## **AUTHORITY TO MODIFY**

No modification or change in this Contract, no waiver of any of its provisions or any additional contractual relationship of any kind with the Contractor shall be valid and enforceable against UNDP unless provided by an amendment to this Contract signed by the authorized official of UNDP.

## **Annex III**

### **TERMS OF REFERENCE**

#### **Consultancy services to be provided by a consultancy company or relevant institution related to " FINANCING EQUITABLE SERVICE DELIVERY FOR ALL CITIZENS "**

##### **Background**

The decentralization reform process in Macedonia was primarily perceived as part of the political reform pursued to improve political cohesiveness and strengthen democratic representative institutions in the country. Nonetheless, with the progress of the reform, the issue of quality and access to public services as well as the overall efficiency of the local institutions became considered equally important for developing the decentralized system of governance.

While the decentralization legal framework is in place and a large number of competences have been already transferred, there is common agreement that the existing model of fiscal decentralization in Macedonia does not ensure equitable level of public service provision for all citizens. Namely, the fiscal decentralization process, which started in July 2005, was designed to be implemented in two phases. In the first phase, the process envisaged establishing of four earmarked grants i.e. for education, social policy, culture and fire-fighting. Those earmarked grants, for municipalities that met the established criteria for moving into second phase, were transformed into block grants. The earmarked grants were introduced as a transitional form of financing local services, as they faced certain constraints in terms of being inflexible mechanisms because once approved by the respective line ministries, could have not been altered by municipalities. Second, the initial financial allocation for the earmarked funds was set up based on the historic costs borne by the responsible line ministries in the previous years, departing from the assumption that provision of local services by local authorities shall cost less than if that service would be provided by the central level institutions. Nonetheless, some of the surveys conducted by the Decentralization Working Group revealed that around 40 percent of municipalities felt that the earmarked grant for primary education covered only between 41 and 60 percent of the actual needs in 2005-2006. Perception was similar with regard to the adequacy of the earmarked grants for secondary education and social services. With the recent revisions, the allocation formulas for the earmarked and lately for the block grants, several objective variables were included in the allocation criteria such as population density, number of students, number of accommodations, routes length etc., which significantly improved the cost estimates.

Notwithstanding the recent revisions, the current model of financing is considered to be effectively regressive, especially towards the rural areas. It significantly widens the gap between rural and urban, since the current formula for transfer finances the facilities rather than the actual needs of communities. Some services, including education and social services, have been significantly underfunded in rural municipalities given that no or few such facilities exist on their territories. Also, the existing model is not considerate of the higher costs for provision of services in rural areas and it does not allow for any flexibility in seeking innovative solutions to occurring problems. The issue of rural-urban discrepancies also extends to the capacities of municipalities to locally generate revenues. The current design of tax revenue structure faces the constraint of different fiscal capacity base between rural and urban municipalities. Namely, prior to recent reforms, local

government units had almost no authority in tax collection. Most revenues were collected by regional branches of the Public Revenue Office of the Ministry of Finance and deposited in the national treasury account and then the funds were distributed back to the municipalities in accordance to defined criteria. Starting with the first phase of the fiscal decentralization in July 2005, the collection of revenues from municipal revenue instruments was assigned directly to the municipal administrations. Although the authority for collecting local tax and non tax revenues was transferred to municipalities, due to administration difficulties, outdated tax payers databases, low rates and underestimated values of real estate etc, local revenue sources are still underperforming and further reinforce the horizontal disparities in fiscal capacities. For example, in average, the own revenues cover about 70 percent of local expenditures of municipalities. However, in some rural municipalities it is as low as 6 percent, while in Skopje, the capital of the country, fiscal sufficiency reaches 88 percent of total local expenditures.

The conclusion is that the existing model for allocation of intergovernmental transfers is still in transition and lacks explicit equalization features that would lead to gradual convergence of local financing capacities and thus create more equitable conditions for provision of local public services across the country. In the case of Macedonia, the Value Added Tax (VAT), as the most resourceful revenue source, is used as pool of funds for allocation of unconditional intergovernmental transfers. Since the start of the fiscal decentralization process in July 2005, a share of the VAT has been allocated to the municipalities as an unconditional general purpose grant. The amount shared with municipalities was set at 3 percent of the VAT revenues collected in the previous fiscal year, aside of Skopje, where 4 percent of the total VAT revenues go the City of Skopje and 6 percent for the municipalities within the City of Skopje. The remaining 90 percent of the total pool have been distributed across the other municipalities according to agreed formula. The formula has not been well defined in the law, yet. The general parameters that allocation criteria shall follow are the number of population, the surface area of the municipality, and number of settlements within the municipality. Although in theory, VAT was supposed to address the equalization aspects, the current model has often created tensions between different jurisdictions i.e. primarily between Skopje, the capital of the country and other municipalities, without succeeding to offer a model to tackle the disparities in the revenue-raising capacity and different revenue requirements of municipalities for delivering public services for the local population. This weakness in the transfer system has triggered intensive discussions between representatives from central and local governments. Local government units, for their part, have been lobbying for radical reforms of the fiscal decentralization model and introduction of a system that will be more considerate of the actual fiscal capacities and needs of local jurisdictions.

### **Institutional framework for monitoring the implementation of the decentralization process**

While the political and coordination role of the entire decentralization process is assumed by the Ministry of Local Self-Government, the leadership over the fiscal decentralization reform is concentrated with the Ministry of Finance. Ministry of Finance has established two commissions a) the Committee on Monitoring and Evaluation of the fulfillment of conditions by municipalities to transfer into the second phase of the decentralization process and b) the Commission for Monitoring the Development of the System of Municipal Financing. In addition to central government representatives, both commissions have representatives of the local government units. The issues of planning and monitoring of capacity building of local government units are coordinated by the Trilateral Committee for Training Coordination, consisted of representatives from the Ministry of Local Self Government, ZELS and the Civil Servants Agency.

The role of the above mentioned coordination and monitoring bodies will become even more prominent with the increase of the proportion of local government budgets in the overall public finance. With the implementation of the formula-based block/sectoral grants, the need for developing a coherent institutional framework for monitoring local government finances and coordinating intergovernmental fiscal arrangements will be even more essential.

### **Project Objective**

In order to address the situation described above, UNDP Macedonia has developed a project aimed to assist in introducing better predictability of available funds for local government units, while simultaneously promoting equalization among municipalities. Such re-defined model for financing the decentralized social services will incorporate national and local disparities and differing capacities relative to the real expenditure needs.

More specifically, the project will support development of several fiscal scenarios and a distribution formula based on the analysis and estimated revenue gaps of local authorities. The proposed model will make efforts to equalize or reduce the gap between the rich and the poor. This process will entail detailed analysis of the distribution of competencies between the central and local governments, individualized fiscal capacity assessment of municipalities; detailed assessment of the expenditure needs for local provision of social sector competencies; and developing a model/formula for allocation of inter-governmental transfers, which shall ultimately reduce the gap between urban and rural communities.

In parallel, the project envisages a capacity-building component for central and local government officials for strengthening their analytical capacities on these issues. The emphasis will be on estimating expenditure needs of local government units, primarily for delivery of social services; assessment of fiscal capacities of local government units, etc.

### **Scope of work**

For the purposes of implementation of the project, UNDP requires an international consultancy firm that would offer a team of international consultants to work on a feasibility study for restructuring of the system of inter-governmental transfers in Macedonia and proposal for curricula for strengthening the capacity of the Ministry of Finance and local government units in fiscal decentralization analysis. The consultancy process will encompass several aspects throughout the implementation of the entire project, including in-depth technical assessment of distribution of the competency assignments between central and local authorities, assessment of fiscal capacities of local government units, financial gaps and equalization formulas for inter-governmental transfers as well as simulation of the potential fiscal implications. The entire process will entail regular consultations with the key counterparts and development of several policy scenarios for consideration and endorsement by the Ministry of Finance.

More specifically, the team of experts will need to perform the tasks within the following scope of work:

- 1) In cooperation with the relevant ministries and input from the programme and project staff, to review the distribution of competencies between the central and local authorities. This initial mapping and assessment of actual functional responsibilities of local government units will serve as a basis for calculating the revenues requirements for provision of local services. This step shall result into a

- detailed matrix of distributed competencies between the central and local governments and development of instruments for data collection.
- 2) The team of consultants will work on computing the expenditure needs that are associated with the decentralized competencies. The expenditure needs assessment will allow to define the funding necessary to cover all expenditure responsibilities assigned to the jurisdiction at a standard level of service provision. Depending on the assessment of the data availability, the most applicable methodological approach will be selected and pursued. The best option would be that the expenditure needs be measured from the bottom, up, by costing the current expenditure obligations of local governments or costing a standardized basket of local government services. However, this approach could be quite demanding as it is based on robust data-disaggregated quantitative analysis, and very explicit and detailed understanding of the administrative processes and procedures used by local-level institutions. Based on the preliminary analysis of the data availability, this step shall result into a proposal for alternative methodologies and accurate proxy indicators that may serve the purpose.
  - 3) The team of consultants will work on determining the level of fiscal capacity, i.e., the ability of each jurisdiction to collect own source revenues. Analysis of the fiscal capacities shall take due consideration to socio-economic potentials for raising revenues at local level, and not only the current tax and non-tax collection levels. The consultants are expected to revisit the tax instruments and other sources that could be assigned to local governments. In this regard, the consultants shall offer policy advice and specific measures of how municipalities could influence and better utilize their potential fiscal capacities.
  - 4) The consultants will work on assessment of the fiscal gap for each municipality, i.e. a financial difference between expenditure needs and the potentially available resources from own fiscal capacity, shared revenues and other transfers. For calculation of the level of equalization transfers that will be apportioned to each municipality, it will be important to also define the "relative fiscal imbalance" for each municipality and define the proportion of fiscal imbalance that the equalization transfer will compensate.
  - 5) Based on the conclusions relating to the above steps, the consultants will work on development of a contextualized methodology for assessing municipal fiscal capacities as well as a transparent and unbiased formulas for apportioning the equalization funds among local governments, which will provide more resources to local governments with lower tax capacity and greater fiscal needs, and yet create incentives for revenue mobilization by local governments.
  - 6) Before finalization of the study, the consultants shall also lead at least two workshops for reviewing the proposed draft study and a national forum for reaching consensus on the proposed model. At the workshops, the consultants shall be ready to present and defend the proposed model in front of all relevant stakeholders;
  - 7) Based on the steps described above, the consultants shall develop curricula with relevant areas/topics of training that needs to be provided to local authorities for improving capacities in forecasting fiscal capacities and implementing the fiscal scenarios/models for collecting local revenues.
  - 8) Based on the conclusion of the entire process and the final inputs from the Ministry of Finance and UNDP, the consultants shall finalize the study and the training curricula and submit it to UNDP. The final report shall also summarize the lessons learned and key issues and propose a follow up strategy to support the implementation of reformed model of inter-governmental transfers.

The primary strategy of the project is that the technical level analyses such as the fiscal capacity assessment, expenditure needs assessment and fiscal revenue gaps cover all

municipalities, individually. This has been recommended approach by the national counterparts having in mind the significant diversity of the socio-economic profile of municipalities (urban developed; urban-undeveloped; rural-developed, rural-undeveloped; multi-ethnic etc). Such analyses will be instrumental for assessing the overall viability of the existing municipalities and help to define a customized approach for overcoming the fiscal capacity constraints. Moreover, a very close technical level coordination will be established with the ongoing projects of European Agency for Reconstruction, USAID, OSCE, British Government etc, which will address complementary issues related to fiscal decentralization and capacity building of local government units.

### **Tasks and outputs**

Based on the above-described scope of work, the following outputs and the related tasks shall be performed:

#### ***Output 1: Draft initial assessment***

- Review of the distribution of competencies between central and local authorities;
- Assessment of individual fiscal capacities of local government units;
- Assessment of expenditure needs of municipalities for provision of decentralized public services.

#### ***Output 2: Draft the feasibility study***

- Based on the assessment, to develop fiscal scenarios and proposed models of intergovernmental transfers that will ensure equitable financial conditions in all municipalities in the country.

#### ***Output 3: Development of training curricula and organization of workshops***

- Development of training curricula for strengthening capacities of the Ministry of Finance and local government units in fiscal analysis as per identified needs in consultation with the Ministry of Finance;
- To lead two workshops for reviewing the draft documents organized and a national forum for reaching consensus on the proposed model organized.

### **Proposed team composition and qualifications**

The proposed team shall be composed of three international experts one of whom will be the Team leader with primary responsibility for timely and quality delivery of all outputs specified in the consultancy engagement. However, the outputs shall be shared by the entire team.

- The Team Leader shall hold an advanced degree in economics, public finance or related field and have over ten years of proven, experience in fiscal policy analysis, preferably from the SEE region. Experience in delivering training is also required.
- The second member of the team shall also hold an advanced University degree in economics, public finance or a related area and over five years of experience (preferably international) in fiscal policy analysis. Experience in delivering training is also required.
- The third member of the team shall hold an advanced University degree in economics, public finance or a related area and over five years of experience (preferably international) in fiscal policy analysis or related assignments. Experience in training and curricula development is also required.

In addition to the necessary competences in fiscal analysis and inter-governmental transfer models, all consultants shall be knowledgeable of the context of the SEE region and issues of fiscal decentralization processes in general with some degree of specific understanding of the situation in Macedonia. They shall also have strong analytical, presentation and statistical skills.

#### Approach, duration and commencement of activities

The team shall start working as soon as possible but not later than beginning of September 2008 and complete the tasks at the end of December 2008. The proposal for the consultancy work shall elaborate on the approach towards the tasks and include a work plan with specification of the number of days for field work, desk work and on-line consultations. The DSA costs shall be calculated based on the standard UNDP DSA rates for Macedonia given in the Request for Proposal (RFP).



**Annex V  
PRICE SCHEDULE**

The Contractor is asked to prepare the Price Schedule as a separate envelope from the rest of the RFP response as indicated in Section D paragraph 14 (b) of the Instruction to Offerors.

All prices/rates quoted must be exclusive of all taxes, since the UNDP is exempt from taxes as detailed in Section II, Clause 18. '

The Price Schedule must provide a detailed cost breakdown. Provide separate figures for each functional grouping or category.

Estimates for cost-reimbursable items, if any, such as travel, and out of pocket expenses should be listed separately.

In case of an equipment component to the service provided, the Price Schedule should include figures for both purchase and lease/rent options. The UNDP reserves the option to either lease/rent or purchase outright the equipment through the Contractor.

The format shown on the following pages should be used in preparing the price schedule. The format includes specific expenditures, which may or may not be required or applicable but are indicated to serve as examples.

In addition to the hard copy, if possible please also provide the information on a CD.

<b>Price Schedule:</b>				
<b>Request for Proposals for Services</b>				
<b>Description of Item per Output</b>		<b>Number of Staff</b>	<b>G. Daily Rate</b>	<b>Estimated Amount</b>
<b>Output 1</b>				
<b>1.</b>	<b>Remuneration</b>			
1.1	Services in Home office			
1.2	Services in Field			
<b>2. Out of Pocket Expenses</b>				
2.1	Travel*			
2.2	Per Diem Allowances **			
2.3	Communications			
2.4	Reproduction and Reports			
2.5	Equipment and other items			
<b>Output 2</b>				
	....			
<b>Output 3</b>				
	.....			

- \*NOTE: The authorized class of travel for UNDP consultants is economy fare.
- \*\* NOTE:The authorized UN DSA for Skopje is US\$ 158.00