

*Tips on Writing a responsive
Commercial Proposal to EARF*

August 2016

The Outline

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Introduction to the East Africa Research Fund (EARF)

The EARF is a funding facility managed by PwC on behalf of DFID's East Africa Research Hub (EARH).

Through this facility, DFID's country offices in eastern Africa (Kenya, Tanzania, Uganda, Rwanda, Ethiopia, Somalia, Sudan and South Sudan) are supported to use evidence in order to drive development impact and value for money, linking with UK's wider science and research agenda in the region.

The projects that EARF handles are categorized under two funding windows, namely:

- 1. The Regional Research Programme*
- 2. The East Africa Country Research Programme*



Department
for International
Development

Priority Regional Research Themes



How to promote better resilience and livelihoods in the dry lands of East Africa



Understanding drivers of conflict and what works to promote security in eastern Africa.



How to harness the benefits of urbanisation for the poor, particularly women and girls;

Priority Regional Research Themes



What are the barriers and enablers to regional economic integration



How to ensure the discovery of natural resources, such as oil and gas, benefit poor people in the region;



Tackling petty corruption



How to promote economic development that benefits the poor;

Understanding the Commercial Evaluation



Why is there need to conduct a commercial evaluation?

Understanding the Commercial Evaluation

Why is there need to conduct a commercial evaluation?

1. Commercial Bid is a Key Component of EARF Bids.

Each EARF Bid is scored against the below components for every application.

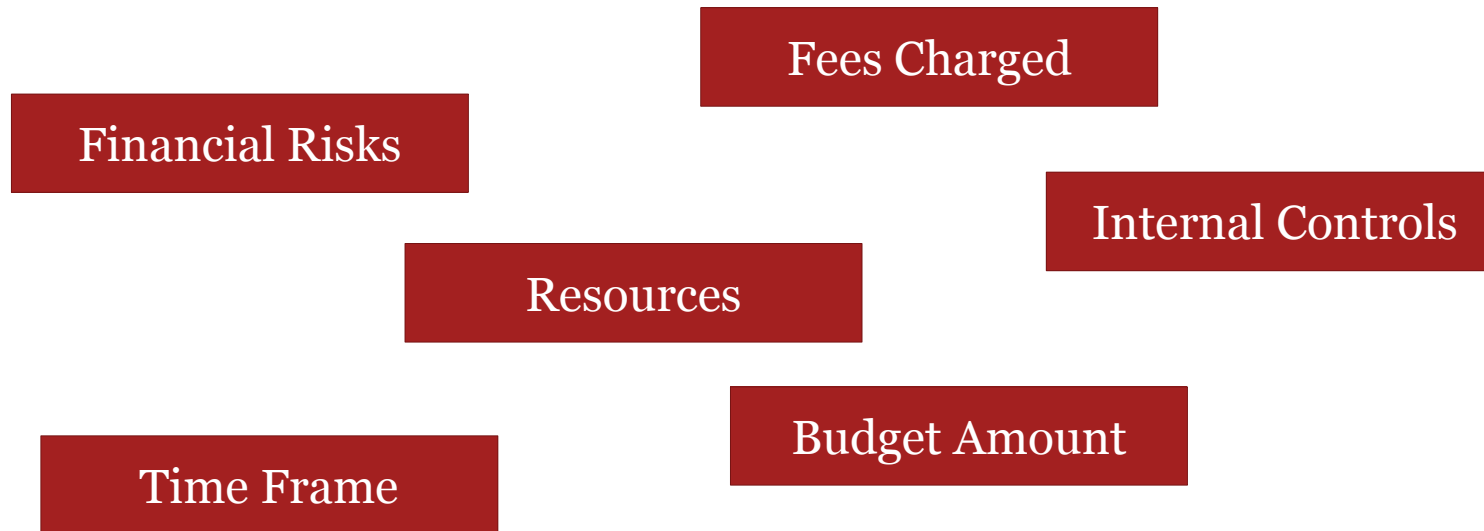
1. Technical Bid - 80%
2. Commercial Bid - 20 %

Refer to Scoring methodology and evaluation criteria detailed in the Invitation to Tender (ITT pack) for specific bids.

Understanding the Commercial Evaluation

Why is there need to conduct a commercial evaluation?

2. To confirm if Tenderers have demonstrated that their overall Tender offers the best mix of quality and effectiveness for the least outlay over the period of providing the services required.



Understanding the Commercial Evaluation

Sections of Commercial Proposal

- Financial Methodology worksheet
- Detailed Financial plan worksheet
- Milestone Breakdown worksheet

Understanding the Commercial Evaluation

a) Financial Methodology worksheet

The Financial Methodology explains the rationale of your organization's Commercial bid and how it offers the best value possible. This section should demonstrate that your business processes are sufficiently robust to ensure delivery of the project as per the Terms of Reference.

Within this section applicant should ensure they include the following information:

- ❑ **Benchmarking and determination of fee rates-** Provide details on how the professional fees have been arrived supported by the basis and evidence used in setting (or benchmarking) the fees.
- ❑ **Risk management-** Analysis of financial risk, programmatic and management risks that may affect the research while providing the mitigation measures put in place.
- ❑ **Value for Money (VfM)** - Analyze how VfM will be achieved with reference to the 3E's- Economy, Efficiency, and Effectiveness.
- ❑ **Others** : Organizations Internal Financial controls, experiences in similar type of donor budgets and reporting e.tc

Understanding the Commercial Evaluation

b) Detailed Financial plan worksheet

- ❑ Provide detailed financial plan / Budget using the templates provided in the excel file of the **Commercial Template.**”
- ❑ **Notes/Budget narrative.** Provide Brief explanations of the budget lines. This enables better understanding of budget costs.
- ❑ Include **proof of exchange rates** if applicable (applicable to organisations submitting in Kenya Shillings)

Understanding the Commercial Evaluation

c) Milestone Breakdown worksheet

- Financial Breakdown by milestone of professional fees charged in the Detailed Financial plan.
- This is completed on the Commercial Template and forms basis of Milestone payments.

Understanding the Commercial Evaluation

Who does the evaluation ?

- ❑ The commercial evaluation is conducted simultaneously with the technical evaluation.
- ❑ The **Fund Manager** is responsible for conducting the evaluation of commercial bids.
- ❑ The team evaluates, compares and scores all the commercial bids in accordance with the commercial criteria set out in Scoring methodology shared with the suppliers in the ITT pack.
- ❑ The Commercial evaluation for each supplier is documented for Supplier written feedback.
- ❑ Suppliers are Free to appeal the Fund Decision based on feedback provided during the 5 Day standstill period.

Understanding the Commercial Evaluation

How is the commercial evaluation done?

Criteria	Weighting	Score (0-6)	Total score
Compliance to format requirements: Providing information as required by Instructions to Suppliers clause 3d; Using the prescribed commercial template	5		
<ul style="list-style-type: none"> • Value for Money: Analysis of how VfM will be achieved with reference to the 3E's- Economy, Efficiency, and Effectiveness over the lifetime of the programme (Weighting 3) • Risk Management: Analysis of financial risk and mitigation measures to be undertaken (Weighing 2) 	5		
Benchmarking of professional fees: Competitiveness of consultant rates and demonstration of Benchmarking of the rate; Competitiveness of reimbursable expenditure	5		
Competiveness of cost of commercial proposal	5		
Total Score (b = Total Score (a) X 20) / 120)	<u>20</u>	(a)	(b)
Maximum percentage score			<u>20%</u>

Understanding the Commercial Evaluation

How is the commercial evaluation done?

Criteria	Weighting	Score (0-6)	Total score
<p>Compliance to format requirements: Providing information as required by Instructions to Suppliers clause 3d; Using the prescribed commercial template</p> <p><u>Basics :</u></p> <ul style="list-style-type: none">✓ <i>Have you used the provided template in specified format ?</i>✓ <i>Have you followed the Instructions provided in the template?</i>✓ <i>Have you completed all required sheets ?</i>✓ <i>Is your Financial methodology completed ?</i>✓ <i>Are your totals tallying ?</i>	5		

Understanding the Commercial Evaluation

How is the commercial evaluation done?

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<ul style="list-style-type: none">• Value for Money: Analysis of how VfM will be achieved with reference to the 3E's- Economy, Efficiency, and Effectiveness over the lifetime of the programme (Weighting 3)• Risk Management: Analysis of financial risk and mitigation measures to be undertaken (Weighing 2) <p>Basics :</p> <ul style="list-style-type: none">✓ <i>Do you understand DFID's value for Money principle ?</i> https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67479/DFID-approach-value-money.pdf✓ <i>Have you provided relevant examples / approaches you intend to apply to achieve VfM utilizing the 3E's ?</i>✓ <i>Have you identified relevant Financial Risks and their Mitigation measures.</i>	5		

Understanding the Commercial Evaluation

How is the commercial evaluation done?

Criteria	Weighting	Score (0-6)	Total score
<p>Benchmarking of professional fees: Competitiveness of consultant rates and demonstration of Benchmarking of the rate; Competitiveness of reimbursable expenditure</p> <p><u>Basics :</u></p> <ul style="list-style-type: none">✓ <i>Have you indicated and justified how you have benchmarked your professional fee rate? (Internally or externally)</i>✓ <i>How realistic and competitive are your cost drivers in comparison to the market ?</i>	5		

Understanding the Commercial Evaluation

How is the commercial evaluation done?

Criteria	Weighting	Score (0-6)	Total score
Competiveness of cost of commercial proposal <u>Basics :</u> ✓ <i>Compared to other submitted bids under review, how competitive was your bid in terms of cost ?</i>	5		

Understanding the Commercial Evaluation

Common Shortcomings in Commercial Proposals

- × Failure to complete Financial Methodology
- × Failure to adhere to Commercial Template provided
- × Incomplete Commercial Templates
- × Copy pasting of DFID's VfM as a description and failure to demonstrate how the 3E's will be achieved.
- × Failure to include relevant taxes (Withholding Taxes and VAT) or wrongly calculating the applicable taxes.
- × Vague explanation of Benchmarking of Fees.
- × Inconsistent Budget Totals especially where Budget Ceiling has been communicated
- × Inclusion of Budget amount in the Technical proposal

Questions?



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