

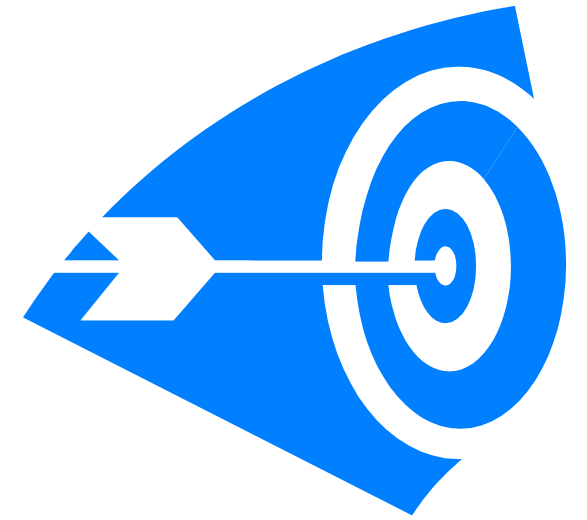
Course: DPR Preparation

Day 3

Session 4

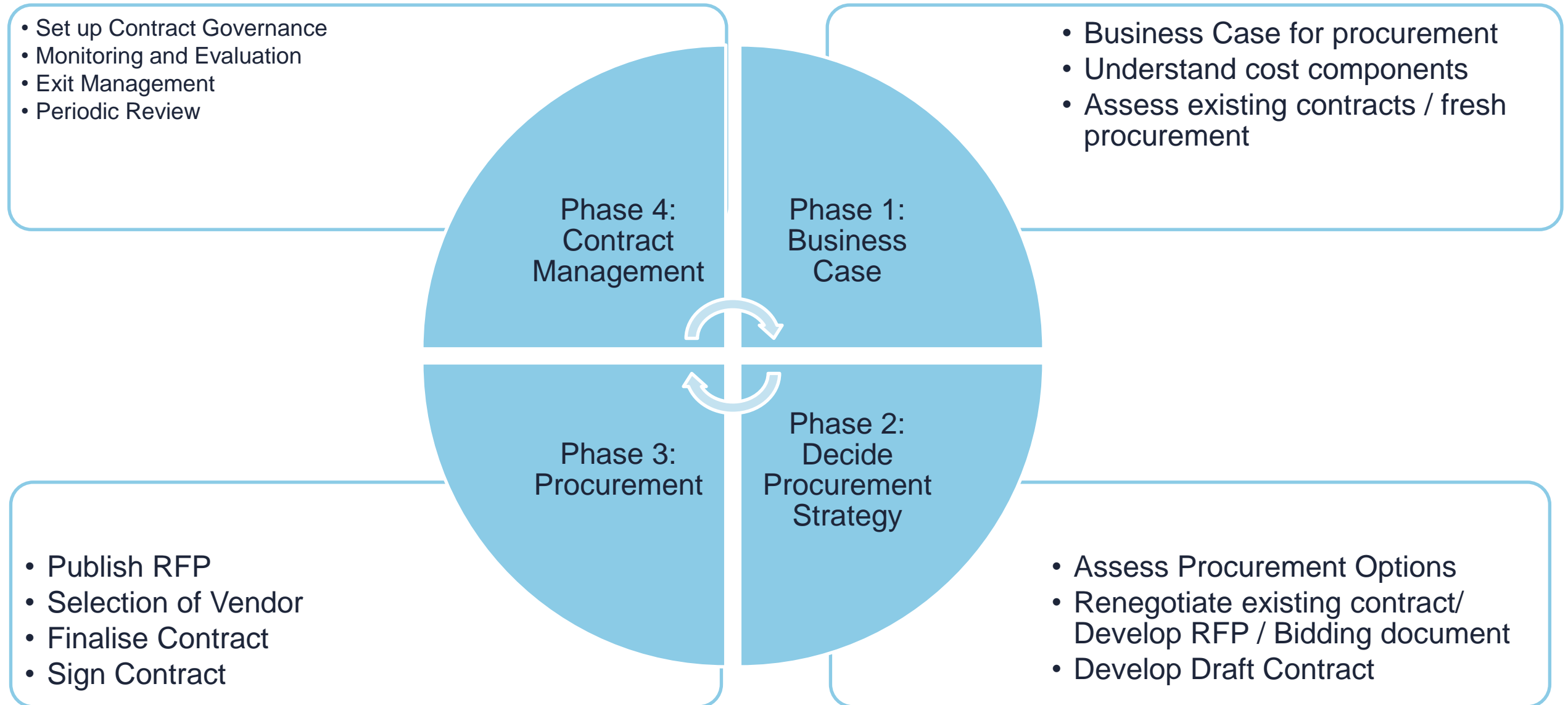
Procurement Theory

Agenda



- Approach for procurement of goods and services in for e-Gov projects
- Key elements of RFP
- Implementation Partner/agency evaluation and selection methods
- Need for KPIs and Service Levels in e-Governance Projects
- Service Level Management

Procurement in e-Governance Projects – Life cycle



Regulatory Framework for Public Procurement

- Public Procurement operates on the backbone of a broad framework of National laws dealing with relevant aspects of procurement.
 - Indian Contract Act, 1872; Sale of Goods Act, 1930; Companies Act, 1956; Arbitration & Conciliation Act, 1996; Limitation Act, 1963; Right to Information Act, 2005
- Public Procurement in India is a State subject, and thereby the Regulatory Framework governing Public Procurement varies from State to State
- ‘General Financial Rules’ (GFR), framed by the central financial ministry acts as the guideline for public procurement, but has only subordinate legislation status
- Various states have adopted their own Legal framework, like **KTPP Act**
- Procurement funded by external donors (World Bank, ADB etc) follows guidelines by the donor in this regard

Planning the Procurement

- Based on the Procurement context, any of the following procurement modes may be employed:
 - Two stage competitive process: Expression of Interest, followed by Request for Proposal open to bidders qualified from EoI process
 - Single stage competitive process: Request for Proposal open to all bidders fulfilling the qualifying criteria
 - Request for Quotes: Used for standardized requirements, in which price is the only deciding factor
 - Procurement from Rate Contracts: For items with standard specification, for which Rates have already been negotiated in the form of a Rate Contract by a nodal agency and economies of scale can be obtained
 - Single sourcing / Nomination: In cases where the required Solution / Product is available from only one vendor and there are no suitable alternatives (strong justification required)

Pre-Qualification Evaluation

- Pre-qualification stage is used to ensure bids from those bidders who have the necessary technical and financial capabilities are evaluated

Pre-qualification criteria	Why is it important	Relevant documentation
Years in operation	To ensure company is an established player	Company Registration Certificate
Company Turnover (last 3 yrs) from relevant operations (e.g. IT / ITES projects)	Turnover should be around 5 times the estimated project cost	Audited Financial Reports
Company profit (last 3 yrs)	To ensure the company is not loss making	Audited Financial Reports
Experience of relevant previous projects	Capability to handle project of the same scale	Citations / Work Orders
Minimum professional strength	To ensure the company has the requisite skills	Undertaking from Authorised Signatory of company
Relevant Certifications (e.g. CMMI Level 5)	To ensure Software Standards	Relevant Certificate copy

Technical Evaluation

- Technical bids of only those bidders who qualify the pre-qualification stage shall be opened
- The Technical Bid is evaluated against pre-defined criteria. The following criteria are used to evaluate technical bids:
 - Technical Solution proposed by the vendor
 - Proposed solution and its compliance to functional requirements
 - IT Infrastructure and Hardware Design
 - Security Architecture
 - Approach & Methodology
 - Project Management, Risk Management & Quality Management approach
 - Past Credentials
 - Specific experience of projects similar to the current project
 - Broad experience in related domains
 - Proposed Personnel
 - Quality of staff proposed for key roles
 - Quality of manpower available with the company

Sample Technical Evaluation Matrix

No	Parameter	Max Score	Min Cut Off
1	Proposed Technical Solution	40	30
1.1	Technologies & s/w platforms proposed	10	
1.2	Solution design & approach	10	
1.3	H/W and Infrastructure design	10	
1.4	Security Architecture & Features	10	
2	Approach & Methodology	20	15
2.1	Implementation Approach	10	
2.2	Project Management	5	
2.3	Quality Management	5	
3	Past Credentials	25	19
3.1	Experience in implementing similar projects <to be defined>	15	
3.2	Experience In large Government Sector Projects in India	5	
3.3	Experience as a systems integrator	5	
4	Proposed Personnel	15	11
4.1	Quality of manpower of the firm	5	
4.2	Domain Exp. and Skill Sets of key personnel	7	
4.3	Proposed team structure	3	
Total		100	75

Defining Technical Evaluation Criteria

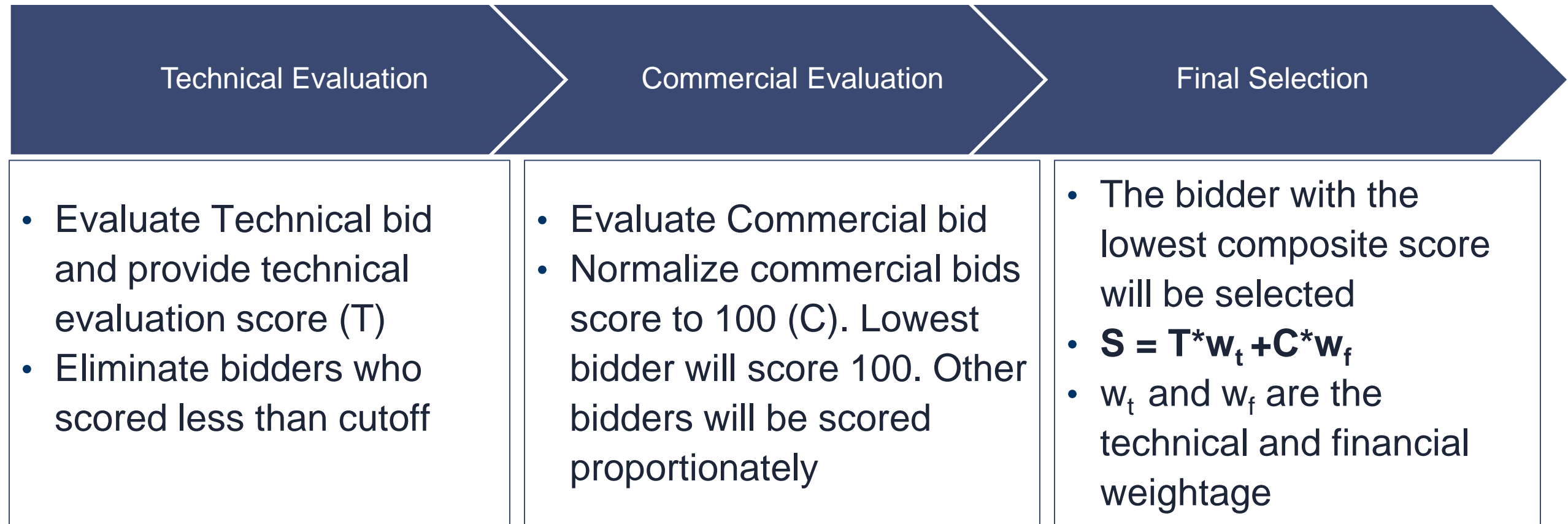
- Break down each criteria into sub criteria and define objective parameters against each criteria

Sl. No.	Criteria	Marks awarded	Max marks
3.1	Experience in implementing Health Management Information Systems (HMIS) in India		10
	<p>Bidder to submit 2 citations (max 5 marks per citation):</p> <p>a. For each citation with the following criteria (3 marks)</p> <ul style="list-style-type: none"> • Web based solution with n-tier architecture • > 200 concurrent users <p>b. If the citation is for government client, 1 bonus mark to be given</p> <p>c. If the project involved service delivery through PPP, 1 bonus mark to be given</p>		

Selection Methods

- Once the Technical Bids are evaluated and Technical score of each bidder is finalized, the final selection can be done based on a number of selection methods
- Based on the requirement of the department, any of the following selection methods may be chosen
 - Quality and Cost Based Selection (QCBS)
 - Quality Based Selection (QBS)
 - Least-Cost Selection (L1)
 - Fixed Budget Selection (FBS)
 - Consultants' Qualifications Selection

Quality and Cost based Selection (QCBS)

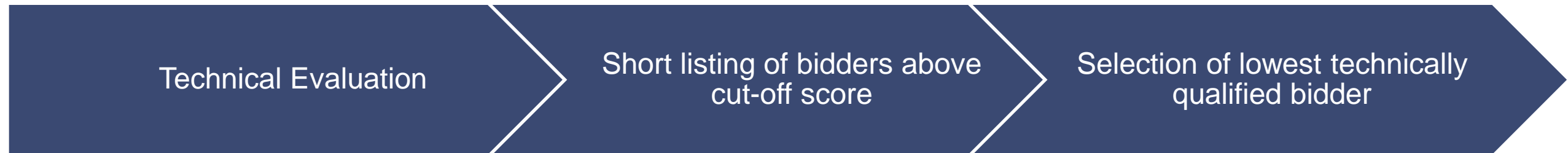


- QCBS takes into account both the quality of the technical proposal and the cost of the services to be provided
- QCBS allows for a reasonable tradeoff between quality and cost
- Technical proposals are given weightage of 60-90%, with minimum cut-off at 60-75%

Quality Based Selection (QBS)

- Quality-based selection (QBS) is a method based on evaluating only the quality of the technical proposals and the subsequent negotiation of the financial proposal and the contract with the consultant who submitted the highest ranked technical proposal
- QBS is appropriate when:
 - assignments are complex or highly specialized making it difficult to define precise Terms of Reference and the requires input from the consultants
 - assignments where the downstream impact is so large that the quality of the services is of overriding importance for the outcome of the project
 - assignments that can be carried out in substantially different ways such that financial proposals maybe difficult to compare
- The Technical Proposals are evaluated in the same way as in QCBS, and negotiations are carried out with the highest ranked bidder for arriving at the cost of services

Least Cost Selection



- Least Cost Selection (LCS) is only appropriate for selecting consultants for very small assignments where well-established practices and standards exist
- Consist in setting a minimum quality mark and selection of the lowest financial proposal from the companies that are above the minimal financial score
- Technical proposals will be opened first and evaluated.
- Bidders securing less than the minimum qualifying mark will be rejected, and the financial proposals of the rest will be opened and compared
- The firm with the lowest price shall then be selected and invited to negotiate and finalize the contract.

Selection under Fixed Budget (SFB)

- Selection under Fixed Budget (SFB) is based on disclosing the budget to the bidders and selection of the vendor with the highest technical score within the estimated budget
- Having the financial constraint, the bidders will adjust methodology and quality to the available budget
- Fixed budget selection (FBS) is appropriate when
 - the TOR are precisely defined,
 - the time and personnel inputs can be accurately assessed,
 - the budget is fixed and cannot be exceeded
- Technical Bids are evaluated and bidders are ranked based on the technical score. Financial bids of bidders with qualifying technical score are opened
- Bidder with the highest technical score within the fixed budget is awarded the contract

Summary of Selection methods

SELECTION PROCEDURE	TECHNICAL EVALUATION	FINANCIAL EVALUATION	COMBINED EVALUATION	SELECTION OF THE WINNING FIRM
QCBS	Points and Scores	Scores	Weighted Scores (e.g. T-80/P-20)	Highest Combined Score
QBS	Points and Scores	Highest Technical Score	N.A.	Highest Technical Score
FIXED BUDGET	Points and Scores	Proposals Within Budget	N.A.	Highest Technical Score within budget
LEAST COST	Points and Scores	Minimum Technical Score	N.A.	Lowest Price among qualified technical bids

Some considerations for defining Commercial Bid Formats

- All bidders should be on a level playing field – with knowledge of all cost components in the project
- In case of bought out mode of operation:
 - Overall commercial quote to be obtained under logical heads (Software development cost, Deployment hardware cost, AMC cost etc)
 - Component level cost to be obtained under each major head
- In case of PPP/ transaction fee based model:
 - Bidder to be provided with all possible cost components and their quantity required over the contract period
 - Bidder to be provided historical data and trends to project the expected transactions during contract period
 - Individual cost components to be sought, in case of items under re-imburement (e.g. hardware, consumables etc)

Introduction to RFP

Request for Proposal

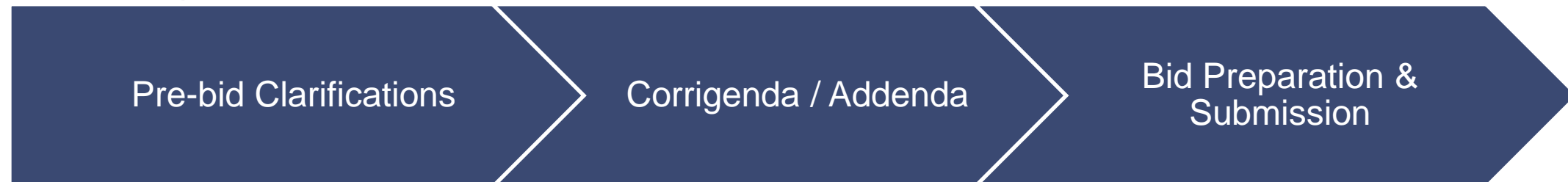
- A Request for Proposal (RFP) an invitation for suppliers, often through a bidding process, to submit a proposal on a specific commodity or service
- The RFP process brings structure to the procurement decision and allows the risks and benefits to be identified clearly upfront
- The RFP will have to specify in great detail, the following requirements of the Buyer:
 - Technical and Functional Requirements
 - Bid Process and Commercial Specifications
 - Contractual and Legal Specifications
- The RFP is usually structured in 3 Volumes with one Volume for each one of the above requirements

Overview of selection through RFP

RFP Preparation and Publishing



Bidding Process



Bid Evaluation Process



RFP Volume I: Functional and Technical Specifications

- Contents of Volume I are:
 - Introduction & Detailed Background of the Project
 - Project Vision, Mission and Objectives
 - Services Definition
 - Detailed Scope of Work for the Vendor
 - Functional Architecture & Requirements
 - Technical Architecture & Requirements (including Security Requirements)
 - Other Requirements (e.g. Data Migration, Digitization etc)
 - Timelines for implementation of the Project
 - Project Deliverables

Illustrative

RFP Volume II: Bid Process & Commercial Specifications

- Contents of Volume II are:
 - Bidding Terms and Conditions (Guidelines for preparing proposal)
 - Pre-qualification Criteria
 - Technical Evaluation Criteria
 - Bid Opening and Evaluation Process
 - Evaluation of Commercial Bids
 - Negotiations, Contract Finalization and Award
 - Formats for providing bid response
 - Pre-qualification
 - Technical and
 - Commercial

Illustrative

RFP Volume III: Contractual and Legal Specifications

- Contents of Volume III are:
 - Roles and Responsibilities of Stakeholders
 - Service Level Agreement
 - Master Service Agreement
 - Scope of Services under the Contract
 - Breach, Rectification and Termination
 - Intellectual Property Rights
 - Disputes & Amendments
 - Change Control Schedule
 - Exit Management
 - Program Governance Structure & Schedule
 - Payment Terms and Schedule
 - Implementation Schedule

Illustrative

To be discussed in detail in the later sessions

End of Session