Course: Business models and Public Private Partnership (PPP) for e-Governance Project

Day 1

Session 5: Public Private Partnerships Project References in India
Agenda

- PPP Project Case Studies
What is PPP in e-Government?

• “longer-term contracts between public contracting authority & private provider for delivery of specified outputs” (typically combining investment and service provision)

• Citizens may be willing to pay a service fee for most services-making private participation attractive.

• Transfers risk to private sector

• Enhances government accountability
Why PPP for e-Government?

- Transformation means focus on core business of Government

- The task is too large and complex for Government to execute—therefore partnerships are necessary

- Attract private resources. Government resources can be utilized for development infrastructure

- Private sector can bring project management and technical expertise lacking in the Government

- Private sector is better at interfacing with customers

- Partnerships force a certain discipline in project planning and execution.

- Entrepreneurship & local enterprise promotion
Areas of PPP in e-Governance

Infrastructure
- Data centres
- Networks
- Call centres…

G2C projects
- Citizen service portals
- Integrated service centres
- Agency service centres

G2B Projects
- E-procurement
- Shared service centres
- G2B portal…
Examples of PPP from Indian Projects

- Establishment of SWAN and SDCs across all the States
- Property registration in Karnataka (Kaveri): 230 offices (3-03)
- Property Registration in Maharashtra: 400 offices (11-98)
- eSeva center in Andhra Pradesh: 250 locations in 190 towns, Used monthly by 3.5 million citizens (8-01)
- e-Procurement in Andhra Pradesh (1-03)
- Roll out of 100,000 CSC in rural areas
Revenue Models

• Revenue sharing- e.g. shared tax revenue
• Transaction fee reimbursement
• Collect processing fee from customers
• Value from joint creation of IPR
• Cost savings shared
## PPP Revenue Sources: NeGP Example

<table>
<thead>
<tr>
<th>Sources of Revenue</th>
<th>Program Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central projects</strong></td>
<td><strong>State projects</strong></td>
</tr>
<tr>
<td>Citizen, through User fees for value-added services</td>
<td>MCA 21 Immigration</td>
</tr>
<tr>
<td>Government, through cost savings (identifiable costs now, not incurred in future)</td>
<td>Central Excise Income tax</td>
</tr>
<tr>
<td>Capital grants, through GOI budget or donor funds (for projects reflecting social objectives)</td>
<td>National ID</td>
</tr>
</tbody>
</table>
PPP Project Reference in India

eSeva
eSeva - Government of Andhra Pradesh

- One-stop-shop for citizen/ business services
- Open 8 am to 8 pm and 8 am to 3 pm on Holidays
- Over 130 services used by 2 million users.
- Any service at any centre, any counter
- G2C (utility bill payment, register birth/deaths, passport), G2B (sales tax), B2C services
- 35 eSeva Centres in Twin Cities and 250 eSeva Centres in Municipalities
- Investment of Rs 537 million by private partner. Operating expenses of Rs 169 million/year
eSeva - Government of Andhra Pradesh

• Centers were established by AP Government in partnership with private sector

• Services delivered through these center include tax payments, issue of certificates, application for documents from different agencies of state, local, central government and private sector under one roof.

• Each center has a number of counters operated by private contract staff.

• eSeva centers provided with good infrastructure and facilities to cater to the good quality service needs
Ambience: Traditional Vs eSeva

Conventional

![Conventional Ambience Image]

e-Seva Centers

![e-Seva Centers Image]
eSeva: Compared to Conventional System

Conventional System

- Citizen goes to designated departments for different services
- Stands outside counter without shelter
- A manual receipt will be issued
- No online verification of payments
- Works only on working days in office hours.

eSeva Centers

- Citizen goes to any counter in any center for any service
- Many services from state, central, local govt./private sector under one roof
- Centers have seating capacity in a waiting hall and in front of the counters. There is a token system for managing queues.
- Computer generated receipt is issued
- Online verification of payments
- Works outside office hours and on weekends and holidays too.
eSeva Evolution

• Adding services to grow transaction volume-Government departments, private service providers

• Adding service centers to enhance convenience and increase volumes

• eSeva counters in Banks-assisted by operator

• AP online kiosks-assisted by operator

• Access portal directly via Internet

• Cutting costs- contract staff at centers paid by the Banks in return for business

• Expanding into district towns and rural areas

• Enhancing revenues through advertisement

• Increasing use of private contract staff
Indicators of Success

- Limited formal evaluation by an independent agency
- IIMA study- annual travel cost saving of 6.0 mil dollars. Avoid wage loss of 13.0 mil dollars. Saves 11.5 mil hrs
- Growing transaction volume – Currently 3.1 million per month
- Requests for opening centers in specific areas by legislators and associations
- Recognition and awards
- 97% citizen’s prefer eSeva over departmental counters.
- Private sector (banks) keen to partner in providing additional channels
eSeva Coordination - CSF

Role of eSeva Directorate

- IT Department
- Coordination with Govt. Service Providers: Fixation of Transaction fee
- Partnership Arrangements: Bidding for Least Cost Processing per transaction
- Design and Monitoring of Service level Agreement with Private partners
- Financial settlement of payment received: Service providers, Partners, eSeva
- New Business Development: New Service Provider, Expanding Basket of Services
- Strategic Directions: New Channels of Delivery
- Supervision of centers
- Marketing & Awareness: New Citizens

Slide 16
Business Model of eSeva

• 5-year BOOT Model

**Government’s role**

• Site preparation
• Cost of counter operators (outsourced)
• Coordination

**Partner’s role**

• Software development & maintenance
• Hardware, networking, security
• Consumables, power
• Service deliver

Revenue realization for the implementation partner through transaction fee paid for each transaction delivered at eseva centers
PPP Project Reference in India

eProcurement
Objectives of GoAP

- Better value for money for government
- Significantly reduced cost and time of doing business for both government and suppliers
- Level playing field, “fair” competitive platform and single registration for the suppliers
- Increased transparency, monitoring and control of procurement process
- Leverage buying power through demand aggregation
### Overview of GoAP E-GP System

#### Project Implementation Calendar

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestone</th>
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<tbody>
<tr>
<td>2000</td>
<td>Cabinet sub committee recommended e-Procurement</td>
</tr>
<tr>
<td>2001</td>
<td>e-Procurement included in e-Governance roadmap of A.P (prepared by PwC)</td>
</tr>
<tr>
<td>2001</td>
<td>Engaged PwC as Consultant for conceptualizing e-GP system and selection Implementation Partner</td>
</tr>
<tr>
<td>2002</td>
<td>Selected Implementation Partner (C1 India)</td>
</tr>
<tr>
<td>2003</td>
<td>Pilot launched in 4 departments (Procurement Value &gt; Rs 10 million)</td>
</tr>
<tr>
<td>2005</td>
<td>Scale up for Procurement of above Rs 1 million</td>
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</tbody>
</table>
Overview of GoAP E-GP System

E-Procurement Roll-out: Current Status

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Tenders</th>
<th>Value (Rs billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>990</td>
<td>6.33</td>
</tr>
<tr>
<td>2004-05</td>
<td>3614</td>
<td>127.91</td>
</tr>
<tr>
<td>2005-06</td>
<td>7784</td>
<td>61.98</td>
</tr>
<tr>
<td>2006-07</td>
<td>16084</td>
<td>271.43</td>
</tr>
<tr>
<td>2007-08</td>
<td>22675</td>
<td>386.07</td>
</tr>
<tr>
<td>2008-09</td>
<td>26237</td>
<td>317.71</td>
</tr>
</tbody>
</table>

Total Procurement handled ~ Rs.1173 billion (771 billion MUR)
Overview of GoAP E-GP System

Range of Procurements Handled by the System

**Procurement Types**
- Works, Goods and Services contracts
- Design & Build (Turnkey) contracts

**Procurement Value**
- Highest value Rs 23.50 billion Irrigation project
- Lowest value Rs 55,000 by a Municipality

**Volumes handled**
- 65 bidders for a single tender
- 347 tenders closed on a single day (26th May’06)
- 3500 Government users, 17000 suppliers
Overview of GoAP E-GP System

Impact of e-Procurement Roll-out

Saved Rs. 24 billion* of tax payer’s money on account of competitive bids in first 4 years of roll-out

Bidder Participation increased* by 25%

Reduction* in transaction time from 120 days to 35 days

*Source: GoAP Presentations
Overview of GoAP E-GP System

GoAP e-GP System Business Model - Ownership

- Complete Data Ownership by GoAP
- Joint System Ownership by GoAP and PPP Partner
- Option for GoAP to buy the Software Application & Hardware at the end of Contract period (July 2009) at the Residual Value
- Application Source Code maintained in an Escrow Account
- PPP partner customizes the solution as per the department requirements and IT readiness of the department
## Introduction to E-Government Procurement

### Benefits from e-Procurement

<table>
<thead>
<tr>
<th>S No.</th>
<th>Parameter</th>
<th>Paper based System</th>
<th>E-procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Procurement Cycle time</td>
<td>Months</td>
<td>Weeks</td>
</tr>
<tr>
<td>2</td>
<td>Procurement Cost</td>
<td>High</td>
<td>Better value for money</td>
</tr>
<tr>
<td>3</td>
<td>Transaction Cost</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>4</td>
<td>Competition</td>
<td>Limited</td>
<td>High</td>
</tr>
<tr>
<td>5</td>
<td>Demand aggregation</td>
<td>Ministry level</td>
<td>Country level</td>
</tr>
<tr>
<td>6</td>
<td>Spend Visibility</td>
<td>Low</td>
<td>High, Real time</td>
</tr>
<tr>
<td>7</td>
<td>Process Visibility</td>
<td>Low, Restricted</td>
<td>Online</td>
</tr>
<tr>
<td>8</td>
<td>Access to Information</td>
<td>Limited</td>
<td>Faster, Cheaper &amp; Accurate</td>
</tr>
<tr>
<td>9</td>
<td>Auditability</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>
E-Procurement Applications

Role of PPP Partner

• Completely responsible for project investments

• Design, Development, implementation, operations and maintenance of e-Procurement application software and supporting IT Infrastructure

• Capacity building and training of department employees and the suppliers in system adoption

• Helpdesk for government users and suppliers….

Role of Government

• Leadership and commitment

• Design business model and selection of PPP Partner

• Ensure business volumes/conduct procurement through the e-Procurement system

• Audit of systems and transactions to ensure transaction integrity and trust

• Awareness building in government and supplier community
E-Procurement Applications

Revenue Realisation (Illustrative)

- Per transaction payment is made by the supplier to the PPP partner
  - For each bid submitted in the system
- User registration fees
- Value Added Services (alerts on bidding opportunities..)
- Advertising opportunities in the portal

Benefits (Illustrative)..

Suppliers:

- Anywhere and anytime submission of bids
- Reduction in time and cost in bidding (travel, printing, participation…)
- Increased participation and transparency

Government

- Reduced time in evaluation and selection
- Reduced cost of procurement
- Increased transparency…
GoAP is in the process of acquiring the application software from PPP partner post contract period and is working towards sharing its e-Procurement system for procurement requirements of:

- funding agencies,
- governments from other countries and
- other government entities in India…

Sharing of its system with other entities will provide additional revenues to the project, which can ensure project sustainability, operations and enhancements…
Risks to the Private Partner and Government Responsibility

**Risks to Private Partner**

- Poor adoption or uptake of the system by government and its customers post application development and deployment
- Low or no transactions in the system
- Coexistence of manual and IT processes – many prefer manual processes..
- Delays in receipt of payments from government – in case revenues/transaction fees is directly collected by the government from its customers

**What Government Should Do?**

- Ensure system adoption through necessary government orders or legal changes brought about in the department
- Eliminate coexistence of manual and IT processes
- Timely payments to the private partner – they invested in entire capex and opex and delays in receipts/revenues can make the project unsustainable…
Introduction to E-Government Procurement

E-Procurement Applications

Risks to the Government and Mitigation Measures

Risks to Government

- Data and systems in the control of private party
- Discontinuity of vendor’s business or support to the system can lead to severe impact on government business
- Using the e-government portal or system for non related advertisements or private sector services
- Delivering significantly high profits or returns to the private partner – can attract huge criticism on government...

What Government Should Do?

- Appropriate terms and conditions in the contract on security requirements and responsibilities on application and data
- Frequent audits and supervision
- Maintaining latest version of source code or application software programmes/executable in the escrow account during contract period
- In-depth feasibility assessment including IRR calculations and plan for cap on the revenues and returns based on market trends or provision for revenue sharing..
- Contractual provisions to ensure that only authorised content and services are delivered through portal or system
E-Procurement Applications

PPP model may not be applicable for all departments/sectors

High – probable functions/departments for PPP in e-Governance applications

- Revenue Administration Systems
- Tax collection systems (municipalities, commercial taxes, excise department..)
- Fees and duties (Registration department, land records..)
- Registration of business
- Licenses and permits
- Filing of documents/returns
- Public Procurement

No or low probable functions/departments for PPP in e-Governance applications

- Agriculture
- Public Distribution Systems
- Healthcare and Social Welfare (Healthcare, social welfare department..)
- Education (elementary, secondary, higher..)

Departments can explore annuity based payments for both capital and operational expenditure to private partner to minimise high capital investments in early stages....
End of Session