



Department of Electronics & Information Technology  
Ministry of communications Information Technology  
Government of India



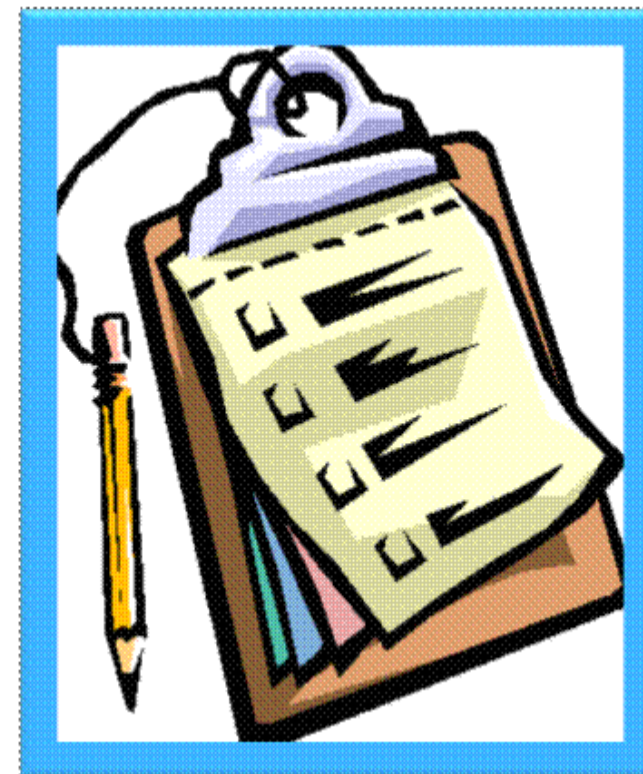
# Procurement Theory

## Detailed Project Report

# Agenda

By the end of the session, you will be able to:

- ❑ Explain the approach for procurement of goods and services in e-Governance projects
- ❑ Describe the evaluation parameters of the Implementing Partner/Agency and identify the different selection methods
- ❑ Identify the key elements of RFP



# General Perceptions About Government Procurement

- ❖ Long cycles for procurement - many a times it may take anywhere between 3-6 months for finalisation of vendor
- ❖ Unable to procure right product/right vendor
- ❖ Procured goods/services not inline with the business requirements
- ❖ Qualifications and evaluation criteria not inline with project objectives and requirements
- ❖ Lack of clarity in evaluation and selection criteria
- ❖ Open ended scope /ambiguous requirements - expected to be finalized post award of contract
- ❖ Unlimited liability of the implementation partners
- ❖ SLA's are not realistic and not inline with the business requirements
- ❖ Ambiguity in SLAs - not measurable
- ❖ Penalty clauses
- ❖ Payment schedules not inline with the efforts and investments expected from vendors during project phases

# General Perceptions About Government

## Procurement...

- ❖ Not guaranteeing timely payments (funding agencies provision payment of interest on fees if payment is delayed)
- ❖ detailed contractual obligations/terms and conditions not known at the time of bidding (RFP doesn't include draft contract)
- ❖ Short procurement cycles in some cases
- ❖ Lack of clarity on right solution (COTS or Bespoke???)
- ❖ Expected to deliver best value solution at least cost – commercially not feasible

# Outcomes

- ❖ Ending up with wrong vendor
- ❖ Ambiguous requirements at RFP stage leading to conflict in understanding between Govt. and vendor - leading to delays and terminations
- ❖ Long cycles for procurement - many a times it may take anywhere between 3-6 months for finalisation of vendor
- ❖ Procured goods/services not inline with the business requirements
- ❖ Efforts of vendor and project costs overshooting budgets
- ❖ Unable to measure SLAs leading to delays in payments
- ❖ Levying penalties leading to delays/terminations
- ❖ delayed payments and loss to the vendors - leading terminations
- ❖ Litigations/court cases by vendors or government

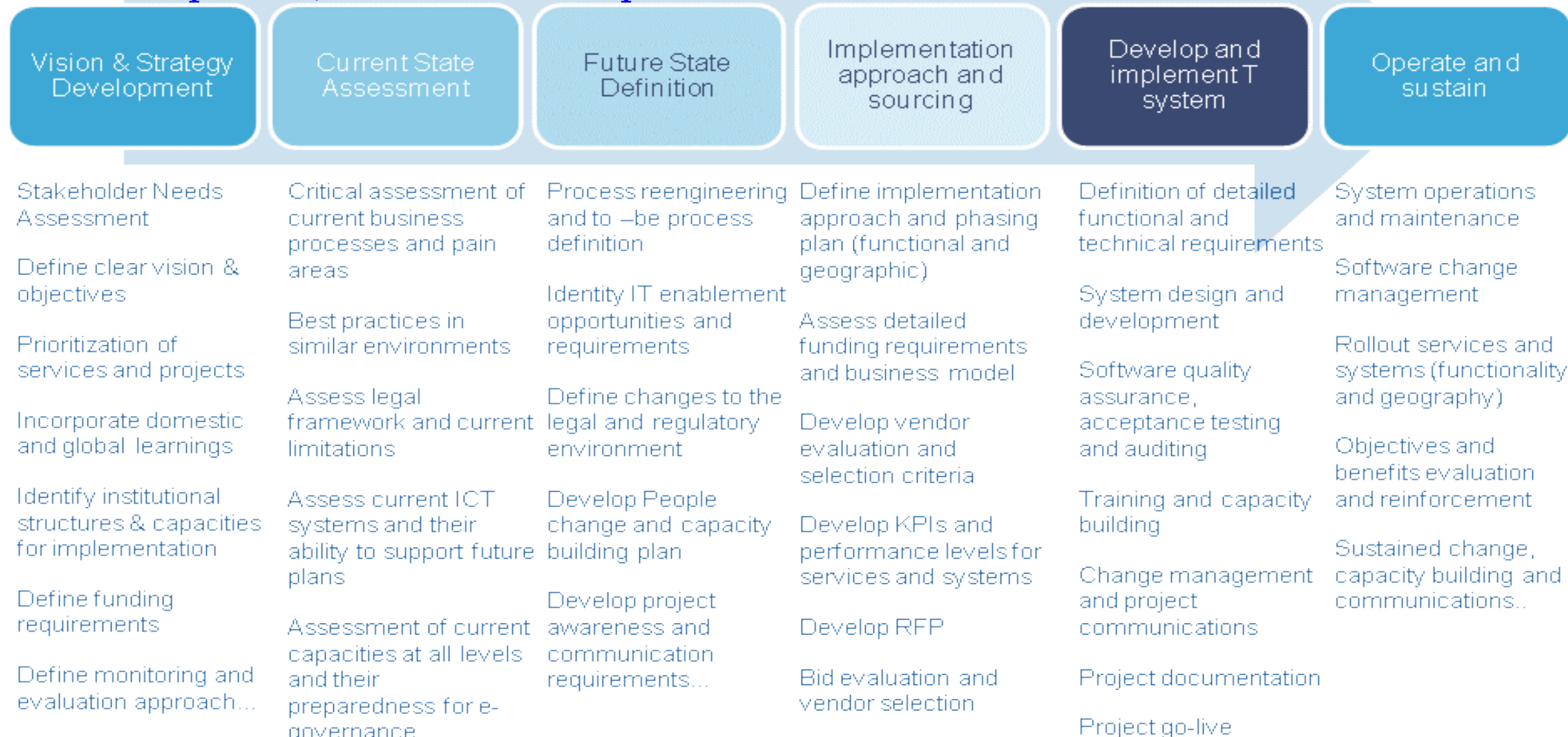
**Objectives not met, Investment loss, significant delays in projects - eventually leading to winding up projects and Creating negative trend/perceptions on IT/e-Governance**

# Procurement Approach Determines Project Success

- ❖ It requires in clarity in getting what is needed
- ❖ Clarity in what is needed from solution – requirements
- ❖ Clarity in what is expected from vendor – scope of work
- ❖ Clarity in capabilities needed to deliver solution – qualification and evaluation criteria
- ❖ Clarity in what matters – cost or quality (L1 vs QCBS/QBS)
- ❖ Clarity in how to measure solution and serviced delivered by vendor – KPIs/SLAs
- ❖ Clarity in investments needed in project lifecycle - payment schedule & business model
- ❖ Clarity in efforts needed in delivering solution – project/implementation schedule

# Procurement Approach Determines Project

- ❖ Need to spend sufficient time and energies in getting the ‘clarity’
- ❖ Should avoid hurrying up to get into RFP writing
- ❖ Like DPR, RFP is only a culmination of work performed in earlier stages of project development, but not an output on its own



# Procurement Approach Determines Project Success

- ❖ Need to spend sufficient time and energies in getting the 'clarity'
- ❖ Should avoid hurrying up to get into RFP writing
- ❖ Like DPR, RFP is only a culmination of work performed in earlier stages of project development, but not an output on its own

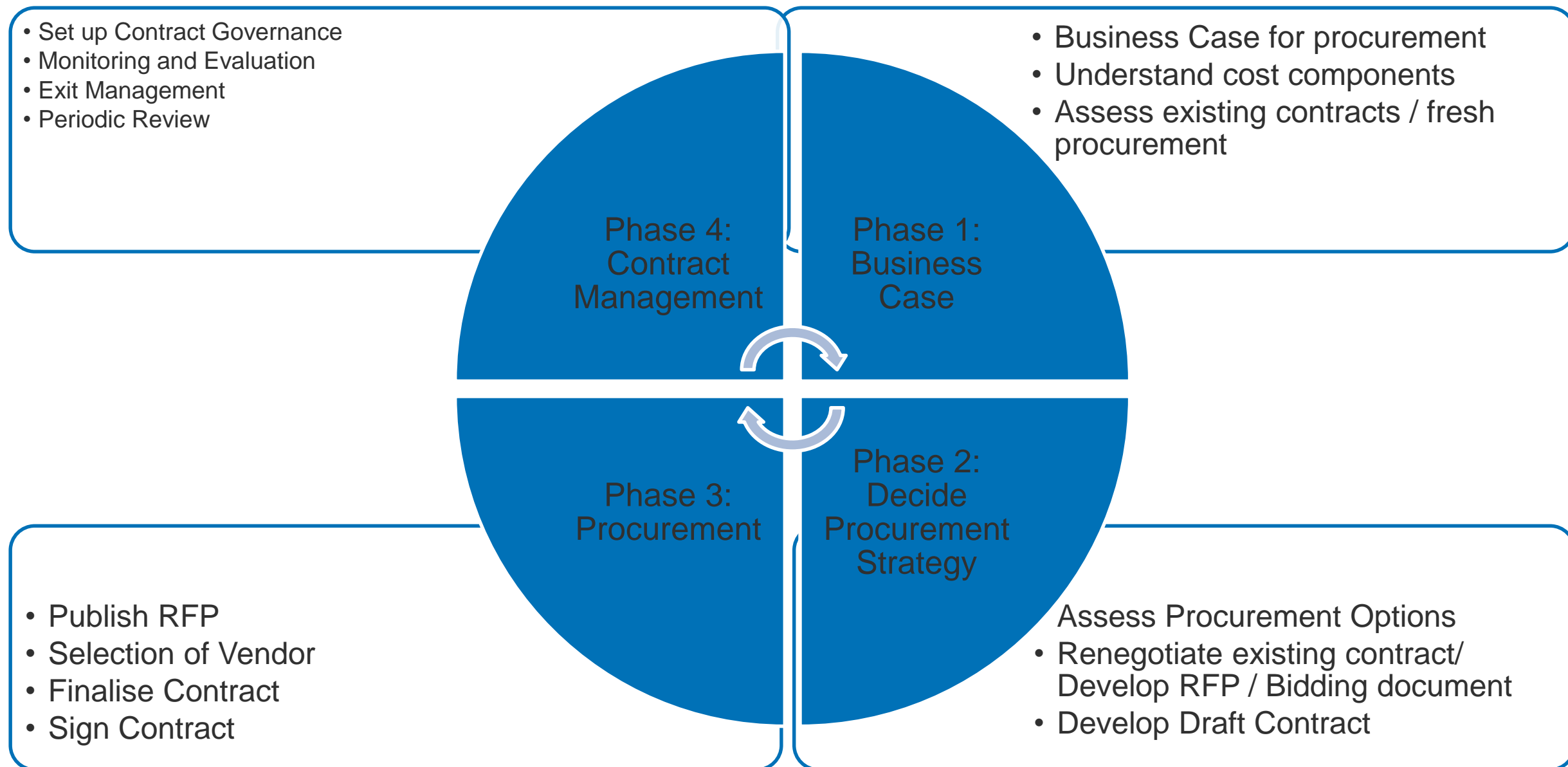




# Procurement Of Information Systems Is Challenging

- ❖ Information Systems are highly affected by changing business objectives, organizational politics, and institutional capacity of the end-user
- ❖ They are subject to rapid technological change over the project life-cycle
- ❖ They entail mixtures of professional engineering services and supply of diverse hard and soft technologies
- ❖ Their technical content is diverse and difficult to define
- ❖ Procurement in e-Governance projects are even more challenging
- ❖ Projects range from straightforward Supply and Installation of products to complex development, integration and operation of mission-critical Information Systems
- ❖ Varied Business Models including Public Private Partnership

# 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
<b>1</b>	<b>Proposed Technical Solution</b>	<b>40</b>	<b>30</b>
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	
<b>2</b>	<b>Approach &amp; Methodology</b>	<b>20</b>	<b>15</b>
2.1	Implementation Approach	10	
2.2	Project Management	5	
2.3	Quality Management	5	
<b>3</b>	<b>Past Credentials</b>	<b>25</b>	<b>19</b>
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	
<b>4</b>	<b>Proposed Personnel</b>	<b>15</b>	<b>11</b>
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	
<b>Total</b>		<b>100</b>	<b>75</b>

# Defining Technical Evaluation Criteria

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

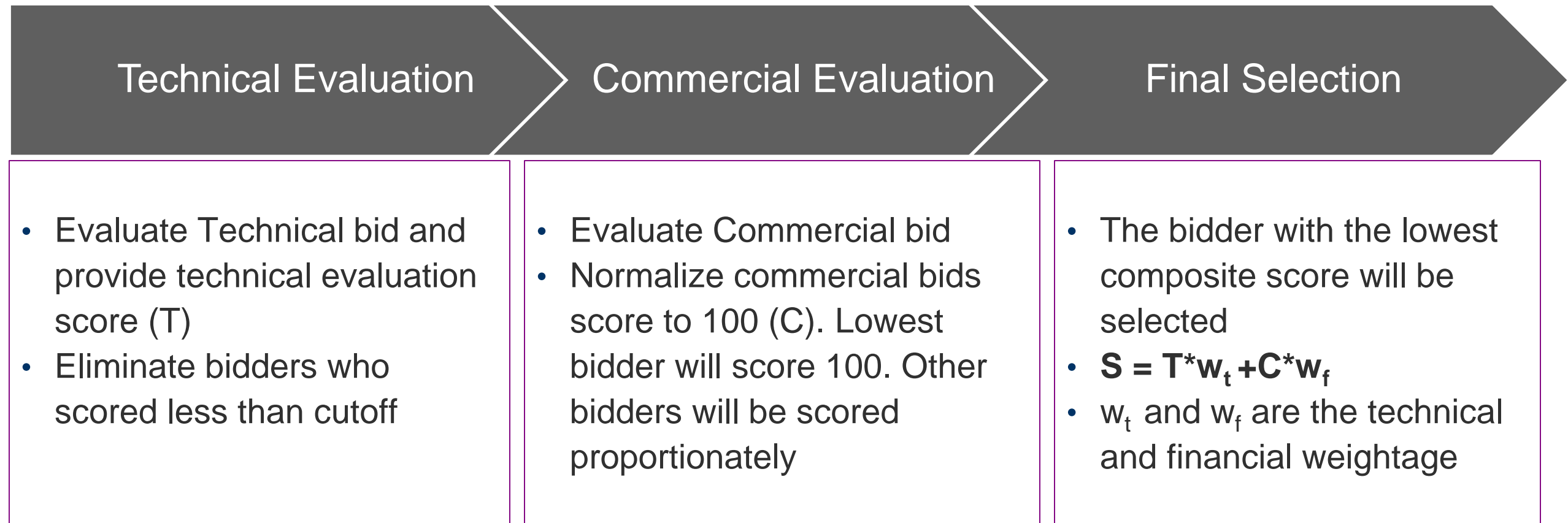
Sl. No.	Criteria	Marks awarded	Max marks
3.1	Experience in implementing Health Management Information Systems (HMIS) in India		10
	Bidder to submit 2 citations (max 5 marks per citation):  a. For each citation with the following criteria (3 marks) <ul style="list-style-type: none"><li>• Web based solution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



# 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)

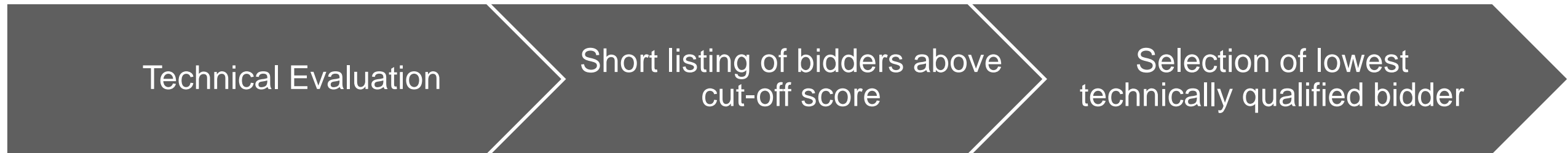


- QCBS takes into account both the quality of the technical proposal and the cost of the services to be provided
- QCBS allows for a reasonable tradeoff between quality and cost
- Technical proposals are given weightage of 60-90%, with minimum cut-off at 60-75%

# 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
<b>QCBS</b>	Points and Scores	Scores	Weighted Scores (e.g. T-80/P-20)	Highest Combined Score
<b>QBS</b>	Points and Scores	Highest Technical Score	N.A.	Highest Technical Score
<b>FIXED BUDGET</b>	Points and Scores	Proposals Within Budget	N.A.	Highest Technical Score within budget
<b>LEAST COST</b>	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 reimbursement (e.g. hardware, consumables etc)

# Request for Proposal

- ❖ A Request for Proposal (RFP) is 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

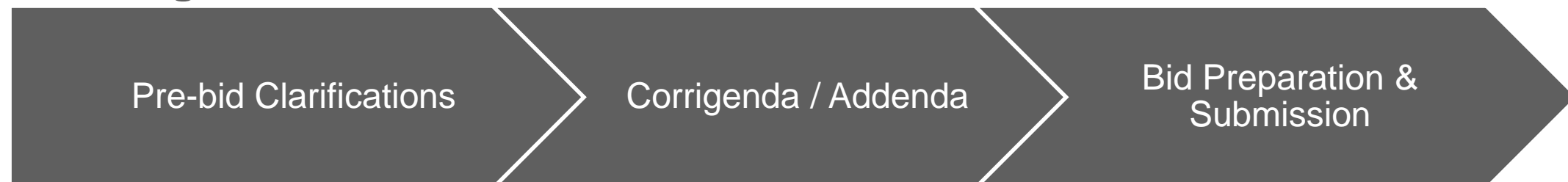


# Overview Of Selection Through RFP

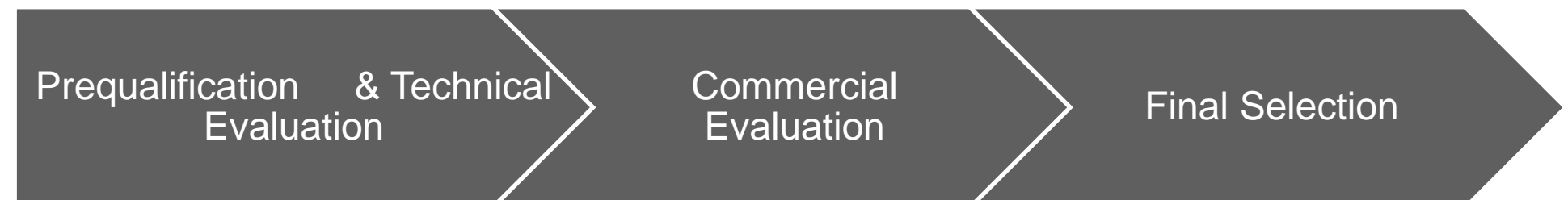
## RFP Preparation and Publishing



## 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**