



सत्यमेव जयते

Ministry of Urban Development  
Government of India



## PPP and Procurement Training Workshop for Top 33 Smart Cities

# Overview of Public Procurement

Global Procurement Consultants Limited

Day 2: Session 1

Smart Cities Program – Link to Procurement

Importance of Public Procurement

Public Procurement & Contracting – MDB & International Good Practices

# STRUCTURE OF PRESENTATION



Background and Link to Procurement

# SMART CITIES PROGRAM



# Financing Smart Cities Program

- Centre's investment: Rs. 48,000 crore
- State / ULBs will mobilize additional resources required of Rs. 48,000 crore (50:50 pattern)
- These funds will act as a catalyst to attract funding from internal and external sources – e.g. **Borrowings from bilaterals and multilaterals**



# Smart City Infrastructure

- Will involve procurement related to:
  - Assured water & electricity supply
  - Sanitation & Solid Waste Management
  - Efficient urban mobility & public transport
  - Affordable Housing
  - Robust IT connectivity
  - e-governance & citizen participation
  - Safety & security of citizens
  - Health & Education and
  - Economic Activities & Livelihood Opportunities



Importance

Objectives

Models of Good Policies/ Laws/ Rules

# PUBLIC PROCUREMENT



# What is Public Procurement?

- It is the acquisition:
  - of goods, public works and consultant services
  - by public procuring entities
    - government ministries and agencies, local bodies, municipalities, state enterprises
  - by private utilities holding monopoly as well as any other entity
    - to whom public funds have been allocated for use in public procurement



# Why is it important?

- Large portion of national budget is spent through public procurement
- Public Procurement covers
  - large contracts for infrastructure, energy, communication, defence , health, education, etc (Smart Cities Program is a good example)
- Important component of governance
  - Influences image of any government





# What do the Stakeholders expect?

- **Tax Payers and general public look for:**
  - Value for money *i.e.* economy
  - Transparency of process and decisions
  - Non-discrimination in treatment of vendors
  - Accountability of public officials
  - Quality of goods/services
  - Responsiveness, efficiency
  - Integrity in use of public money
  - Support to public policies e.g. protection of environment, social equality, minimum wages, balanced development, etc



# What do the Stakeholders expect?

- **Domestic private sector looks for:**
  - development of local industry--manufacturing, construction and services ( professional and non-professional)
  - reasonable protection against foreign competition
  - construction particularly is mostly dependent on government contracts



# Objectives

- Get the best **value for money** (economy)
- Ensure and **efficient** process
- Promote **competition**
- Provide **equal** and non-discriminatory access and **opportunity** to all eligible bidders
- Ensure **transparency** and openness of process and decisions



# Objectives – Contd.

- Build in **accountability**
- Strengthen **integrity**
- Develop domestic economy
- Compliment other public policies



# Models of good public procurement policies/ laws/ rules

- MDB Guidelines (World Bank/ ADB...)
- GPA of WTO
- UNCITRAL model law
- European Commission Rules
- NAFTA Procurement Rules
- APEC Procurement Principles



# Common Features

- Clear statement of objectives
- Open tender as the general rule
- Wide publicity of opportunities
- Non discriminatory specification
- Fair bidding procedures
- Disclosure of qualification/ selection criteria



# Common Features - contd.

- Public bid opening
- Evaluation only by pre-disclosed criteria
- Publication of award
- Appeal/ challenge, de-briefing procedures
- Fair conditions of contract
- Quick dispute resolution mechanism



MDB & International Good Practices

# **PUBLIC PROCUREMENT & CONTRACTING**





# Public Procurement Framework

- Policy and Procedures for Procurement & Contracting (Procurement Cycle)
  - National/ Procuring Entity/ Lender
- Contract Management
- Monitoring Compliance



# Basic Considerations

- Economy, Efficiency and Value for Money
- Transparency
- Equal Opportunity

How to achieve the above:

- Procurement Planning – Packaging, Method
- Publicity to invitation to bid and contract awards
- Open Competition and non-discriminatory practices



Typical

# PROCUREMENT CYCLE



Procuring Entity

Bidder/ Contractor

Bill of Quantities

Packaging

Prepare Tender Documents

Decide to Pre-Qualify

No

Yes

Prepare Pre-Qual. Criteria and Docs.

Advertise Tender Documents

Advertise, Issue Pre-Qual. Documents

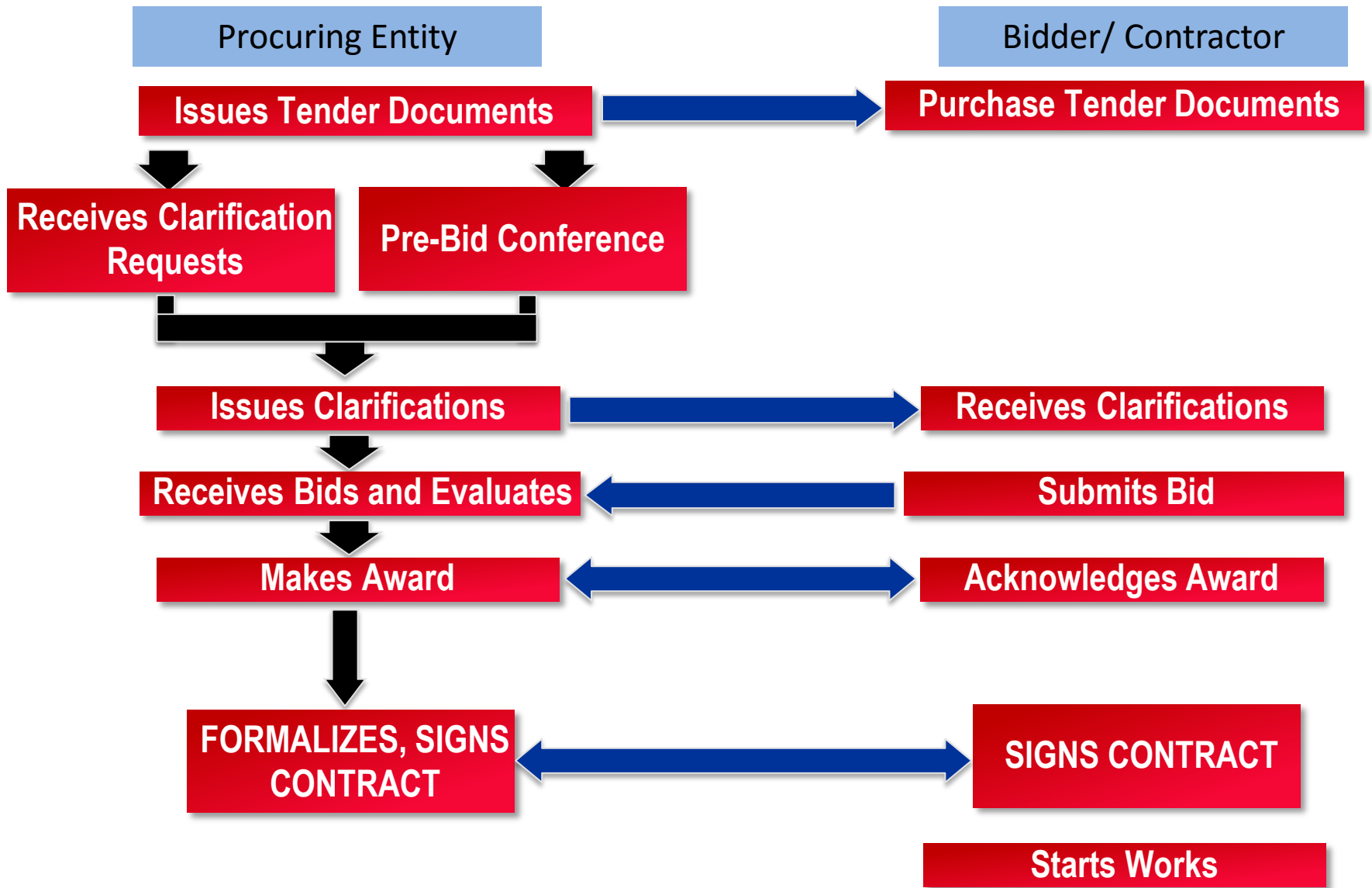
Purchase Pre-Qualification Docs.

Reviews Info. & Evaluates

Submits Information

ISSUES TENDER DOCUMENTS

PURCHASE TENDER DOCUMENTS



# Pre/ Post qualification (Goods/ Works)

- Is the assessment of the suitability of firms to carry out a particular contract **prior** to being invited to submit a bid
- Criteria for Prequalification (Pass/ Fail basis)
  - Documents establishing origin, constitution and eligibility of bidder (singly or in joint venture);
  - Financial Turnover; Past Similar Experience;
  - Availability of required physical, financial, human resources; Current Commitments, etc



# Shortlisting (Consulting Services)

- Procuring Entity is responsible for preparation of short list
  - of about 4 to 6 consultants
  - based on the Expressions of Interest (EOI) received in response to a published request for EOI
- Short list is prepared on the basis of the experience and qualifications of the firm/ consortia relevant to the assignment
- Short listing is through evaluation of the EOIs through point system and not on pass/ fail system



# Procurement Methods

- Competitive
  - Differ in terms of
    - Publicity of IFB/ RFQ;
    - International or Domestic;
    - Currency of bid;
    - Qualifications;
    - Contract Conditions
- Direct/ Single Source
  - Not the regular method
  - To be adopted as an exception with justifiable reasons





# Procurement Methods by Category

- Category
  - Goods, Civil Works, Non-consulting Services
    - Open bidding (International/ National Competition)
    - Limited bidding
    - Request for Quotations (RFQ)
    - Direct
  - Consultants (Individuals)
    - Comparison of at least 3 CVs
    - Single Source (SSS)



# Procurement Methods by Category

- Consultancy Services (Firms)
  - Quality & Cost based (QCBS)
  - Quality based (QBS)
  - Least Cost (LCS)
  - Fixed Budget (FBS)
  - Consultants' Qualification (CQS)
  - Single Source (SSS)



Rules of bidding (Instructions to Bidders or ITB)

Requirement of the Purchaser/ Employer

Conditions of Contract

Forms and Formats

# **BID DOCUMENT – GOODS/ WORKS/ NON CONSULTING SERVICES**



# Bid Document – Basic Considerations

- Rules of bidding
  - Publicity of IFB
  - Source of funds
  - Eligibility
  - Conflict of Interest
  - Post Qualification (if not pre-qualified)
  - Documents comprising bid
  - Currency of bid
  - Language of bid



# Bid Document – Basic Considerations

- Bid Validity
- Bid Security and Validity
- Pre-bid Meeting
- Deadline for Submission and Date & Time of Opening (Public Opening)
- Single Envelope or Two Envelope system
- Criteria for bid evaluation (factors other than cost of goods)
- Notification of Contract Award & Standstill Period
- Performance Security and Validity



# Bid Document (Contd.)

- Requirement of the Purchaser/ Employer
  - Goods:
    - Schedule of Requirements
    - Technical Specifications (avoid brand names)
  - Civil Works:
    - Bill of Quantities
    - Specifications
    - Design/ Drawings



# Bid Document (Contd.)

- Conditions of Contract (e.g. FIDIC/ MDB):
  - Definitions
  - Contract Identification/ Title
  - Identification of Purchaser and Contractor
  - Governing Law
  - Securities and Retention
  - Payment Terms (Concession, Lease, etc)
  - Price Adjustment



# Bid Document (Contd.)

- Liquidated Damages
- Termination
- Arbitration
- Warranty/ Defects Liability Period
- Inspection
- Packing List
- Variations/ Change Orders





# Bid Document (Contd.)

- Forms & Formats
  - Bid form
  - Price Schedule
  - Qualification Information
  - Bid Security
  - Performance Security
  - Contract Form
  - Manufacturer's Authorization
  - Format for Bank Credit Facilities



# INCOTERMS 2010

- What are INCOTERMS
  - INCOTERMS or International Commercial Terms are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC), Paris [www.iccwbo.org](http://www.iccwbo.org)
  - They are widely used in International commercial transactions or procurement processes.
  - Denoted by a three-letter term related to common contractual sales practices
  - INCOTERMS rules are intended primarily to clearly communicate the tasks, costs, and risks associated with the transportation and delivery of goods



# INCOTERMS 2010

- Commonly Used INCOTERMS:
  - FOB or Free On Board (named port of shipment)
  - CIF or Cost, Insurance & Freight (named port of destination)
  - CIP or Carriage and Insurance Paid to (named place of destination)
  - DDP or Delivered Duty Paid (named place of destination)



DBO, O&M, Concession, BOT/ ROT, BOOT, Others

# TYPES OF CONTRACTS



# Types of Contract

- **Service Contracts (including DBO and O&M)**
  - Gives the government access to technology, expertise, knowledge and a short-term financial commitment, but has no private sector investment in new infrastructures, short-term nature
- **Concession**
  - A concession generally covers an entire infrastructure system
  - Government authorizes the concessionaire to exploit governmental resources and derive an agreed percentage of profits
  - Concessionaire typically obtains most of its revenues directly from the consumer and so it has a direct relationship with the consumer
  - Concessionaire pays a fee to govt. and must invest in its own infrastructure to support the general operations
  - The government monitors only the outputs and not the means of service delivery



# Types of Contracts (Contd.)

- **BOT/ ROT (Build/ Rehabilitate Operate Transfer)**
  - BOTs are normally discrete deals for a particular infrastructure
  - Private sector technology, expertise, knowledge and capital investment.
  - Commercial risks of design, construction and operations on the private sector
  - Operator generally obtains its revenues through a fee charged to the utility/ government rather than tariffs charged to consumers
  - Governmental assumes the financial risks of operations of the infrastructure after the “transfer”.
- **BOOT (Build Own Operate Transfer)**
  - Similar to BOT/ ROT model except that instead of a fee for operating - operator receives the net income from the asset as if it owned it
  - Private sector service provider assumes almost all commercial risks, including design, development, operation and financing



# Types of Contract (Contd.)

- Others
  - Build-Own-Lease-Transfer (BOLT)
    - The government grants the right to finance and build a project which is then leased back to the government for an agreed term and fee. The facility is operated by the government. At the end of the agreed tenure the project is transferred to the government
  - Build Own Operate (BOO)
    - The government grants the right to finance, design, build, operate and maintain a project to a private entity, which retains ownership of the project



# Contracts - Important Aspects

- Firm Legal Framework/ Political Climate
- Accurate Base Data
  - Socio-Economic and Financial Analysis
  - Cost and Revenue estimates
  - Maturity of End Users (to pay for use)
- Appropriate PPP Strategy/ Risk Sharing
- Competitive Procurement





# Case Study – Hungary Toll Road

- Hungary M1/M15 toll road tendered on PPP and construction finished in 1995 on schedule and within budget.
- Traffic volumes were about 40% lower than pre-project forecasts
- High toll rate by operator could not cover for low volume.
- Dissatisfied road users filed court case which ruled against the operator
- Consequently, the concessionaire was unable to service its debt
- Government had to take over the concession at a high cost

*Source: EU-PPP Resource Book*

*([ec.europa.eu/regional\\_policy/sources/docgener/guides/pppresourcebook.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/pppresourcebook.pdf))*



# Case Study – WSS, Tanzania

- After 2 failed bidding processes third IFB in 2002 for a PPP lease contract
- Out of 3 bidders earlier, 1 dropped out at second call, another dropped out at third call having had their requests for amendments to the contract dismissed
- Dar es Salaam Water and Sewerage Authority (DAWASA) awarded contract to the sole bidder and operations began in Aug 2003
- Operator inherited database of 115,000 registered accounts but only 22,000 to 25,000 were active and potentially billable and thousands of illegal connections were not on the database
- Average monthly collections in 2004/05 reached just 52% of projections (21% lower than DAWASA's had been in 2002/03)
- By March 2005 accumulated losses amounted to around US\$ 12.3 million
- Political climate led to contract termination in June 2005 (within 2 years)

*Source: World Bank: A Case Study of Public-private and Public-public Partnerships In Water Supply And Sewerage Services In Dar es Salaam ( <http://water.worldbank.org/publications/learning-experience-case-public-and-private-provision-dar-es-salaam> )*



Letter of Invitation to short listed Consultant  
Rules of Selection (Instructions to Consultants)  
Client's Requirements (Terms of Reference)  
Formats for Technical and Financial Proposal  
Contract Form, General and Special Conditions of Contract  
(Time based or Lump Sum)

# **REQUEST FOR PROPOSAL (RFP) – CONSULTANCY SERVICES**



# RFP – Letter of Invitation

- Letter of Invitation to short listed Consultant
  - intention of the Borrower to enter into a contract for consulting services;
  - source of funds;
  - details of the client; and
  - date, time, and address for submission of proposals



# RFP – Instructions to Consultants

- Short listed consultants may or may not associate
- Association may be in the form of:
  - Sub-consultancy (main Consultant responsible)
  - Joint Venture (joint and several responsibility)
- Conflict of Interest
- Eligibility
- Date of Pre-proposal conference



# RFP – Instructions to Consultants

- Define key staff positions
- Staff months of key staff or budget
- Evaluation Criteria
  - Experience of the Firm (10 to 20 marks)
  - Methodology (20 to 30 marks)
  - Key Staff (50 to 60 marks)
  - Nationals in the Team (Up to 10 marks)
  - Training (Up to 10 marks)
  - Total – 100 marks
- Deadline for Proposal Submission



# RFP – Instructions to Consultants

- Minimum pass marks defined – 70 to 80 marks
- For QCBS, weights defined for Technical (T) and Price (P) such that  $T + P = 1$ . Normally  $T = 0.8$  and  $P = 0.2$
- Price proposals of only Technically qualified consultants opened (public opening)
- Conversion to single currency for evaluation using predefined date and source for exchange rate
- Lowest price  $P = 0.2$  and others inversely proportional



# RFP - Formats

- Technical Proposal
  - Technical Proposal Submission Form
  - Firm's References
  - Comments on TOR
  - Approach & Methodology
  - Key Staff – Tasks Assigned
  - CVs of Key Staff
  - Activity wise Staffing Schedule
  - Work Schedule
- Price Proposal
  - Summary of Costs
  - Remuneration Costs
  - Reimbursable Costs





# Lump Sum Contract

- Lump Sum Contracts are used for
  - assignments in which the scope and the duration of the services and the required output are clearly defined.
- Payments are linked to outputs (deliverables)
- Contract shall include a fixed price for the activities and not be subject to any adjustment.
- Easy to administer because of fixed price for a fixed scope



# Time Based Contract

- Used for assignments in which it is difficult to define or fix the scope and duration of the services
- Payment is based upon agreed hourly, daily or monthly rate for experts plus reimbursable items using actual expenses or agreed unit prices
- Specifies a ceiling amount of total payments to be made that includes a contingency amount for unforeseen work, price adjustment for inflation, etc
- Need to be closely monitored to ensure that: (a) assignment is progressing satisfactorily and (b) payments claimed are appropriate



# Salient Contract Conditions

- General Provisions
- Commencement, Completion, Modification and Termination of Contract
- Obligations of the Consultant
- Consultant's Experts and Sub-Consultants
- Payments to the Consultant
- Settlement of Disputes



Procurement & Contract Management

# COMPLIANCE



# Procurement & Contracting

- Compliance in terms of:
  - Procurement/ Selection Method
  - Prequalification/ Post Qualification/ Short listing
  - IFB/ REOI and its publicity
  - Standard/ model bid document / RFP
  - Bid/ Proposal evaluation criteria
  - Approvals by Competent Authority for Procurement Initiation and Contract Award
  - Contract Document and Performance Security



# Contract Management

- Compliance in terms of:
  - Progress/ Completion
  - Inspections/ Tests
  - Approvals for Variation/ Amendment
  - Disputes/ Termination
  - Cost/ Time Overruns
  - Payment (as per provisions)
  - Overall compliance to contract conditions



# Key Take Away

- Public Procurement
  - Definition & Importance
  - Objectives & Models
  - Procurement of Goods/ Works/ Services & Hiring of Consultancy Services
    - Important Considerations and Steps
    - Types of Contracts relevant to Smart Cities
  - Compliance Aspects
- PPP success depends on
  - National PPP Framework (SCP can provide)
  - PPP Strategy/ Types of contracts/ Risk Sharing



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**THANK YOU**

