Presentation on e-GP MMP Implementation

Agenda

- e-GP Indian Experience
- e-GP MMP: A Snapshot
- eGP Framework
- Business Model
- Implementation Model
- Project Costs
- The way forward

niSg
Architecting e-Government
e-GP Indian experience
Tender scam busted in MCD office

The Crime Branch of the Delhi Police today claimed to have unearthed a tender mafia racket in the Municipal Corporation of Delhi with the arrest of eight contractors and an employee of the corporation.

Contractors conspire to seize tenders

File for irrigation projects worth nearly Rs 5,000 cr

Tender process completed amid tension

Situation before eProcurement
After e-GP

Contractor

Departments
## eGP Implementation(s) in India: A snapshot

<table>
<thead>
<tr>
<th>Government entity</th>
<th>Business model</th>
<th>Implementation partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Karnataka</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Northern Railways</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>DGS&amp;D</td>
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<td>-</td>
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<tr>
<td>Gujarat</td>
<td>✓</td>
<td>-</td>
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<tr>
<td>Madhya Pradesh</td>
<td>✓</td>
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</table>
# AP e-Procurement- PPP Model: Case Study

<table>
<thead>
<tr>
<th>Government Departments</th>
<th>20</th>
</tr>
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<tbody>
<tr>
<td>Public sector Units</td>
<td>26</td>
</tr>
<tr>
<td>Municipalities</td>
<td>104</td>
</tr>
<tr>
<td>Universities</td>
<td>10</td>
</tr>
<tr>
<td>Locations across AP</td>
<td>500</td>
</tr>
<tr>
<td>Vendors</td>
<td>11000</td>
</tr>
<tr>
<td>Govt users</td>
<td>2000</td>
</tr>
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</table>

## Costs

<table>
<thead>
<tr>
<th>Costs</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>GoAP Training Cost: 55 Lakhs</td>
<td>As on March 2008 38860 Transactions worth Rs. 61993 Crores yielded a cumulative cost savings of about Rs. 3200 crores</td>
</tr>
<tr>
<td>User-end hardware: 72 Lakhs</td>
<td></td>
</tr>
<tr>
<td>Consultancy cost: 25 Lakhs</td>
<td></td>
</tr>
<tr>
<td>PMU cost (per annum): 20/30 lakhs</td>
<td></td>
</tr>
<tr>
<td>PIP/SI Capex: 5.5 Crores</td>
<td></td>
</tr>
<tr>
<td>Opex: 2.5 Crores per annum</td>
<td></td>
</tr>
</tbody>
</table>

Source: Paper published in World Bank web site and IT&C dept, GOAP
Revenue Model – Andhra Pradesh

**Pilot stage**
- 0.24% of the transaction value of the tender (paid by the department)
- Rs. 4500 per NIT hosted on the website
- e.g. Rs. 24,000 on One Crore

**Rollout stage**
- 0.04% of Tender value payable by each bidder with a Max cap of Rs.10000
- For Tenders above Rs. 50 crore value, fixed fee of Rs. 25000
- e.g. Rs. 4,000 on One Crore

**Scale up**
- 0.03% of Tender value payable by each bidder with a Max cap of Rs.10000
- For Tenders above Rs. 50 crore value, fixed fee of Rs. 25000
- e.g. Rs. 3000 on One Crore

Source: IT&C dept, GOAP
Karnataka e-Procurement – PPP Model: Case Study

- 24 Government Departments
- 1000 Users
- 750 Tenders
- 2000 Crores of Transaction Value

Revenue model:
- 0.025% of the Tender value with a minimum fee of Rs. 500 and Maximum of Rs. 7500
- One-time vendor registration fees of Rs. 500 and annual renewal at Rs. 100

Source: NISG
Benefits of e-GP

• Transparent system- encourages bidder participation
• Savings of 5-8% of procurement value over a period of time
• In India, with a procurement base of 200 bn USD, each 1% savings amount to Rs. 9000 crores per annum
• Procurement reforms, aided by e-GP, has the potential to bring in significant process efficiency in public procurement
Critical success factors for e-GP reform

- Strong political and bureaucratic support
- Empowered Institutional Structures for creating policies, regulations and procedures
- Emphasis on Procurement Management over Technology
- Capacity building and change management given due importance
- Creation of national framework and standards, promoting interoperability
- Process Reforms
e-GP Mission Mode Project: A snapshot
eGP-MMP - Stakeholders
## Key Issues in e-GP Implementations India

<table>
<thead>
<tr>
<th>DIFFERENT VIEWS</th>
<th>ISSUE</th>
<th>APPROACH</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUYER SELLER SYSTEM</td>
<td>Complexity of Procurement Procedures</td>
<td>Procurement Reforms</td>
</tr>
<tr>
<td></td>
<td>Organizational Resistance</td>
<td>Change Management</td>
</tr>
<tr>
<td></td>
<td>Lack of IT Skills among employees</td>
<td>Training</td>
</tr>
<tr>
<td></td>
<td>Difficulties in moving over to new tendering systems</td>
<td>Supplier adoption</td>
</tr>
<tr>
<td></td>
<td>Low levels of technological skills</td>
<td>Training, Help Desk</td>
</tr>
<tr>
<td></td>
<td>Difficulties in access to site</td>
<td>E-Procurement help centres</td>
</tr>
<tr>
<td></td>
<td>Lack of Financial resources</td>
<td>Right business model, service charges</td>
</tr>
<tr>
<td></td>
<td>Concerns of Confidentiality/Authenticity of bids</td>
<td>Digital Signature Certificates</td>
</tr>
<tr>
<td></td>
<td>Varying requirements of Multiple Departments</td>
<td>Process Reforms, Standards-based</td>
</tr>
</tbody>
</table>
Implementation Frame Work
<table>
<thead>
<tr>
<th>Major recommendations on National e-GP strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutional Structures</strong></td>
</tr>
<tr>
<td>• Institutional structures to drive the e-GP reform</td>
</tr>
<tr>
<td>• Autonomous and permanent Procurement Policy Authorities (NPPA and SPPO) set up at National and State Levels</td>
</tr>
<tr>
<td><strong>Legal &amp; Regulatory</strong></td>
</tr>
<tr>
<td>• Legal pre-requisites for e-GP adoption</td>
</tr>
<tr>
<td>• Public Procurement Law to be enacted at National and State levels</td>
</tr>
<tr>
<td>• Independent Grievance redressal and vigilance bodies for public procurement</td>
</tr>
<tr>
<td><strong>Procurement Processes &amp; Practices</strong></td>
</tr>
<tr>
<td>• National Procurement Portal as one stop Information portal for all public procurement in the country</td>
</tr>
<tr>
<td>• Standardisation of policies, documents, codes and classifications</td>
</tr>
<tr>
<td>• Adoption of Framework Contracts for aggregated procurement</td>
</tr>
<tr>
<td>• Centralised Vendor Registration and Vendor Profile Management</td>
</tr>
</tbody>
</table>
Major recommendations on e-GP strategy

**Technology & Functionality**
- Single central portal for the entire state/central government
- An e-GP functional architecture which covers all functionalities required in a full fledged e-GP system
- Security considerations for the e-GP system
- Interoperability, Scalability and Reliability considerations for the e-GP system

**Business Model and Implementation**
- Business Model considerations
- Phased Implementation Plan for rolling out e-GP
- Change Management and Capacity building
- Risk Management Plan
- Monitoring and Evaluation
A Standard Model approach is advocated, which would ensure that there is uniformity in e-GP adoption across the country.

The Standard Model designed at the National level, for core areas of each dimension of reform, would allow States to adopt certain components of reform straightaway, instead of starting out from scratch.
Standard Model Approach

National Ministries & Agencies Mandated Systems

Standard systems & processes developed and maintained nationally

- Standard e-GP system & Webpage V1.0
- Technical Standards, Architecture, Functionalities & Interoperability
- Procurement Law, Regulation & Policies
- Procurement Documentation & Templates V 1.0
- Civil Works Processes and Documents
- Products, Works, Services Codes & Identifiers V 1.0
- Procurement Training & Accreditation V 1.0

State Governments Optional & Mandated systems

A
B
C
D
G
H
AP
K
e-GP Functional architecture

Standards-based Data exchange

Suppliers

Govt Users

Internet

SWAN

e-GP portal (Informational & Transactional services)

Identity & Access management

Procurement Management Information System

Procurement planning & Indent management

e-Tendering

Contract & Purchase management

Catalogue management

e-Reverse auctions & e-Auctions

e-Payment

Finance & Accounting

Data layer

Government Gateway

Certifying agencies

C&AG

Payment gateways

Dept. ERP

Finance dept

Treasury

Income Tax & MCA21 DB

Standards-based Data exchange
Procurement Reform

National Procurement Portal

One stop Information Portal for all procurement within the country

As and when information is published in State portals, an XML message is sent to the National Portal

Vendors will be able to search opportunities across the country based on procurement value, category, geography, agency

Use of the National Portal would not require registration

Aggregated MIS from the State Portals will be made available in the National Portal

Items to be published:

- Rules and Regulations
- Other procurement related info
- Procurement plans
- Tender opportunities
- Early Information Notices
- Download of bid document/Expression of Interest
- Pre-bid clarifications
- Publication of contract award
- Online access to archive of awards
Institutional Structures
# Leadership & Institutional structures

## Institutional structures

<table>
<thead>
<tr>
<th>Perspectives</th>
<th>National Level</th>
<th>Participating Ministries</th>
<th>Participating States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic</strong></td>
<td>National Empowered Committee</td>
<td>Steering Committee</td>
<td>State Empowered Committee</td>
</tr>
<tr>
<td><strong>Operational</strong></td>
<td>National Core Group</td>
<td></td>
<td>State Core Group</td>
</tr>
<tr>
<td><strong>Program/ Project Management</strong></td>
<td>National Program Management Unit</td>
<td>Ministry Project Management Unit</td>
<td>State Program Management Unit</td>
</tr>
<tr>
<td><strong>Department/ Ministry</strong></td>
<td></td>
<td>Ministry Working Group</td>
<td>Department Working Group</td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td>National Procurement Policy Authority (NPPA) and State Procurement Policy Office (SPPO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>Interdepartmental Technology Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td>National and State Institutes for Procurement Training</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
BUSINESS MODEL
Decision 1: Ownership Model

- State Owned
- Shared Services
- PPP
- BOO
- BOOT

Decision 2: Pricing Model

- Annuity
- Fixed Fee per Transaction (with/without slabs) + Optional Bullet payments
- Percentage of ECV with a cap + Optional Bullet payments

Determination of the final model is based on a combination of these modeling options.
Ownership Model – Evaluation

**State Owned Model**
- e-GP infrastructure completely owned by government institutions and O&M through private vendor

**PPP model**
- Entire or part of the e-GP infrastructure is created and serviced by the private vendor
- Government retains the overall control of the procurement process and ownership of the data
State Owned Model – Evaluation

Pros
- Complete control by the Government
- High level of trust and confidence

Cons
- Huge upfront investment for the Government
- Lack of capacity within Government
- Difficulty in enforcing service levels
- Significant cost & customization effort
- Budgetary and resource constraints may become a roadblock for scaling up

State Owned Model
- e-GP infrastructure completely owned and operated by government institutions
- Private vendor will provide the e-Procurement Solution at a cost and maintain it against an annual maintenance fees
PPP Model – Evaluation

**PPP Model**

- Entire or part of the e-GP infrastructure is created and operated by the private vendor
- Government retains the overall control of the procurement processes and policies and ownership of the data

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal investment to govt</td>
<td>Excessive dependence on SI</td>
</tr>
<tr>
<td>Strict SLA enforcement</td>
<td>Exit management issues</td>
</tr>
<tr>
<td>Business Model drives Partner</td>
<td>Migration to new systems could be</td>
</tr>
<tr>
<td>to scale up operations</td>
<td>difficult</td>
</tr>
<tr>
<td>No resource constraints</td>
<td>Data security to be planned properly</td>
</tr>
</tbody>
</table>
## Best-fit PPP model

<table>
<thead>
<tr>
<th>PPP model</th>
<th>Scope of work for SI</th>
<th>Government obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Implementation Partner / System Integrator (SI) to be engaged in Build, Own, Operate (BOO) model</td>
<td>- Development / customization and deployment of e-GP solution</td>
<td>- Ensure e-GP adoption through strict executive order</td>
</tr>
<tr>
<td></td>
<td>- Providing IT infrastructure for the e-GP solution</td>
<td>- Violations and exceptions to be approved only by the Empowered committee</td>
</tr>
<tr>
<td></td>
<td>- Operation and Maintenance of the e-GP solution</td>
<td>- Ensure that parallel manual systems are not allowed for e-GP enabled departments</td>
</tr>
<tr>
<td></td>
<td>- System training for government users and Suppliers</td>
<td>- Ensure no additional e-GP systems are allowed</td>
</tr>
<tr>
<td></td>
<td>- Helpdesk services</td>
<td></td>
</tr>
</tbody>
</table>
Pricing model

- Vendor management
  - Fixed annual vendor registration fee (Rs. 500/750/1000)
- Indent management
- e-Tendering
- Contract Management
- Catalogue management
  - Bid submission fee:
    - ECV – Percentage of ECV with cap applied in slabs
    - Non-ECV – Flat fee per tender as per slabs of Bid quote value
    - Paid at bid submission stage
  - Contract Management fee:
    - Government-fixed fee
    - Paid by successful contractor at the time of agreement
  - Catalogue Management fee:
    - Government fixed fee
    - Paid by Supplier at the time of generation of Purchase Order

- Implementation approach – Business model
  - Payments will be made by Suppliers/Contractors to the Nodal Agency.
  - Nodal Agency will pay the Private Partner based on compliance to SLAs
PHASED APPROACH
e-GP system

**Core modules:**
- e-Tendering
- Indenting/Estimation
- Vendor management
- e-Payments
- Contract management
- Catalogue management

**Optional modules:**
- e-Reverse auctions & e-Auctions
Implementation approach – Implementation strategy

Phasing strategy- Coverage of Depts in Kerala

Pilot stage - Phase I
(6th month – 10th month)
- Public Works Department
- Kerala State Road Transport Corporation
- KELTRON – ITBG
- Stationery Department

Pilot - Phase II
(10th month – 14th month)
- Irrigation Department
- Police Department
- Kerala Tourism Development Corporation
- Kerala Medical Services Corporation Limited

Rollout stage (14th month – 24th month)
- 17 entities in Year 2 of implementation
- 28 entities in Year 3
- Municipal bodies & Universities also to be included

Post - Rollout stage
(24th month – 60th month)
- All Government departments, PSUs, Societies, Urban local bodies etc to be brought on board
Implementation approach – Implementation strategy

**Phasing-Threshold limits (Kerala)**

### Pilot stage

<table>
<thead>
<tr>
<th>Phase</th>
<th>Works</th>
<th>Goods</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>45 Lakhs</td>
<td>15 Lakhs</td>
<td>15 Lakhs</td>
</tr>
<tr>
<td>Phase II</td>
<td>15 Lakhs</td>
<td>5 Lakhs</td>
<td>5 Lakhs</td>
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</tbody>
</table>

- Thresholds may be further reduced during Pilot stage based on experiences

### Rollout stage

<table>
<thead>
<tr>
<th>Phase</th>
<th>Works</th>
<th>Goods</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold</td>
<td>5 Lakhs</td>
<td>5 Lakhs</td>
<td>5 Lakhs</td>
</tr>
</tbody>
</table>

### Post Rollout stage

- Participation in e-GP to be mandatory for procurement value above Rs. 1 Lakh
- Participation for procurement below Rs. 1 Lakh optional

All figures in INR
Sustainability of e-GP program

Need for sustainability plan

- e-GP program needs self-sustenance
- Dependence on budgetary allocations may impair implementation

Corpus fund

- Corpus fund can be set up under the PMU
- Fund sources:
  - Successful bidder contributes amount equal to transaction fee during signing of contract
  - 0.25% of the yearly procurement value to be contributed by each participating department
- Use of fund:
  - Capital & Operational expenditure (PMU & SPPO),
  - Reform process
  - Enhancements to the e-GP platform,
  - Adoption programs for end-users,
  - Buy-out costs at the end of the contract period.

A.P corpus fund has accruals of Rs 1 crore each year
Detailed Project Reports & Funding
### e-GP - Project cost estimates

<table>
<thead>
<tr>
<th>Serial</th>
<th>Name of Entity</th>
<th>Private Investment</th>
<th>Govt Investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Himachal Pradesh</td>
<td>14.25</td>
<td>13.32</td>
<td>27.58</td>
</tr>
<tr>
<td>2</td>
<td>Kerala</td>
<td>13.18</td>
<td>15.46</td>
<td>28.66</td>
</tr>
<tr>
<td>3</td>
<td>Dept of Health &amp; Family Welfare</td>
<td>14.73</td>
<td>17.89</td>
<td>32.62</td>
</tr>
<tr>
<td>4</td>
<td>Madhya Pradesh</td>
<td></td>
<td>20.00</td>
<td>20.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total (INR)</strong></td>
<td><strong>42.15</strong></td>
<td><strong>66.67</strong></td>
<td><strong>108.82</strong></td>
</tr>
</tbody>
</table>

Total Project Cost is INR 109 Crores spread over a period of five years

All figures are in INR Crores
# Pilot Funding Requirements from GoI

The funding is apportioned to critical activities to be taken up in year 1 and year 2 of implementation.

```
<table>
<thead>
<tr>
<th>Serial</th>
<th>Name of The Entity</th>
<th>Central Govt Funding</th>
<th>State Govt Funding</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Kerala</td>
<td>39720268</td>
<td>14864968</td>
<td>54585236</td>
</tr>
<tr>
<td>2</td>
<td>Himachal Pradesh</td>
<td>36816648</td>
<td>27818993</td>
<td>64635641</td>
</tr>
<tr>
<td>3</td>
<td>Department of Health &amp; Family Welfare</td>
<td>67411882</td>
<td>0</td>
<td>67411882</td>
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<tr>
<td>4</td>
<td>Madhya Pradesh</td>
<td>29272455</td>
<td>28671773</td>
<td>57944227</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>173221252</strong></td>
<td><strong>71355734</strong></td>
<td><strong>244576986</strong></td>
</tr>
</tbody>
</table>
```

INR 17.3 Crores  
INR 7.13 Crores

All Figures are in Indian Rupees

The funding is apportioned to critical activities to be taken up in year 1 and year 2 of implementation.
Implementation Issues

Status

- RFPs for statewide e-GP portals are under scrutiny by Kerala and HP
- MP expressed to continue the existing two systems. Upgradation is required
- DoH&FW opted out of the MMP

Issues

- A few States are well advanced in e-GP implementations
- New initiatives under way in some states out side the MMP
- Reinventing the wheel
- Alignment with MMP frame work
Way Forward

- Funding Pilots for State e-GPs in Kerala and H.P
- Set up NPMU for e-GP MMP under JS –MoC
- Kerala & H.P to select IP under PPP model through Competitive Bidding Process
- Application Ownership with MoC
- Scale up to other states
- National e-GP Portal
- Initiate activities to develop various components under Standard Model
THANK YOU

bikshapathithi@nisg.org