

Procurement Process-Urban Projects

Brief Overview

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Key Issues

- The Context
- Typology
- Focus Areas
- Process
- Barriers
- Risk Allocation
- Follow up

The Context

- Time and Cost Overrun-Projects
- Expenditure Imbalance-Atleast half funding
- Political Intervention-Changing Vendor/Partner
- Public Inconvenience-absence of services
- Barrier to Development Process

Typology of procurement

- Working group for 12th Plan estimates potential of 13% to 23% High value, but fewer projects
- Small value but high impact projects
- Viability gap funding
- Focus is on accessing private sector skills. In most cases, costs will be met by ULB

Urban Projects

- Greenfield Development
- Business Development-Technology Parks, Multi purpose Commercial Complexes,
- Water Supply and Waste Management Projects
- Roads and Related Projects(FO,OB,UP,RR, Tunnel etc)
- Recreation-Parks, Play grounds, Convention Centres
- Greenfield development, Smart city projects

Urban Projects

- EPC and PPP
- Consultancy Services
- Value Capture, Bonds, Equity, (Exaction, Impact fee, Valorization , Betterment Levy and VGF)
- Local Elasticity – Community, Private, Public
- CSR, Multilateral /Bi -lateral cooperation

Procurement

Allocation of public funds for purchase of goods, public works and consultant services by private utilities holding monopoly as well as any other entity by public agencies

Focus Areas

1. Value for money *i.e. economy*
2. Transparency of process and decisions
3. Non-discrimination in treatment of vendors
4. Accountability of public officials
5. Quality of goods/services
6. Responsiveness, efficiency
7. Integrity in use of public money
8. Support to public policies e.g. protection of environment, social equality, minimum wages, balanced development, etc

Pre/ Post qualification (Goods/ Works)

- Assessment of firms **prior to being invited to submit a bid**
- Develop Criteria for Prequalification (Pass/ Fail basis)
- Documents confirming origin, constitution and eligibility of bidder (singly or in joint venture);
- Financial Turnover; Past Similar Experience;
- Current Commitments
- Availability of required physical, financial, human resources, etc

Short Listing

- Evaluation of the EOIs through point system and not on pass/ fail system
- Short list is prepared on the basis of the experience and qualifications of the firm/ consortia relevant to the assignment
- Preparation of short list –of select consultants

Procurement Methods

1. Direct/ Single Source (Swiss Challenge Method)
2. Competitive
3. Differ in terms of Publicity of IFB/ RFQ;
4. International or Domestic;
5. Qualifications;
6. Contract Conditions
7. Not the regular method -To be adopted as an exception with justifiable reasons

Consultancy Services (Firms)

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

Bid Document – *Basic Characteristics*

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

BID Specifications

- Goods: Schedule of Requirements
- Technical Specifications (avoid brand names)
- Civil Works, Bill of Quantities ,Design/ Drawings
Conditions of Contract
- Definitions
- Contract Identification/ Title
- Identification of Purchaser and Contractor
- Governing Law
- Securities and Retention
- Payment Terms (Concession, Lease, etc)
- Price Adjustment

Potential Barriers

1. No applications / bids are received...
2. 4 bids are received but only 1 bidder complies with all the requirements prescribed by the tender documents...
3. Preferred Bidder walks out...
4. Preferred Bidder is disqualified due to any reason...
5. Financial Bids are too high/low compared to authorities estimates...
6. Priorities of the Authority appear to have changed...
7. Vocal opposition to the project is increasing post bids have been invited
8. Political barriers/ Force Majeure

Potential Issues affecting consultancy contracts

- Delay in signing of Contract
- Delay in submission of Advance Payment Security and release of payment
- Frequent replacement of key staff
- Delays in approval by Client
- Client not making agreed facilities available
- Non clarity on taxes and duties payable by Client and Consultant.
- Delays in execution by the Consultant

Risks associated with Poor Management of consultancies

1. The Consultants do not spend the requested time working with Client's staff - no actual transfer of knowledge/capacity building is achieved.
2. Consultant is over-charging, especially the "home/office" time.
3. Same consultant charging the same professional time (same days) in two or more assignments.
4. Client is billed for senior costlier consultants, while the actual work is done by less qualified staff (staff substitution).

Risks associated with Poor Management of consultancies

1. Public agency to seek performance security from the selected consultant as repercussions of the report if implemented will be very high
2. During execution, Consultant proposed to substitute a key person with another person with less qualifications and experience, but nevertheless, PIU considered that the proposed key person meets the needs of the assignment
3. One of borrower's key staff (a government official) has taken official leave to join our project as a consultant on temporary replacement basis
4. Consultant, in view of family situation seeks to reallocate time from field to home/office activities
5. Issue of Plagiarism

Layering Risks

- Transferring all risks to private partner – unlikely to succeed in the long run
- **Balanced Risk Allocation – Key to successful PPPs**
- Design, Construction, Operations & Maintenance – Private Partner
- Key approvals / clearances – Concessioneing Authority
- Demand (Volume) Risk – Either public Agency or minimum off-take (Bulk Water Supply or STP) or Private Partner (Multi-level car park or Bus Terminal)
- Tariff risk – Public
- VGF

Follow up

- Transparency and Accountability-Roles and Responsibilities
- Clarity of signed contract respective.
- Effective monitoring and control ,periodical reporting and meetings with action plans .
- Timely payments on contract as per budget
- Effective Risk allocation and alternative arrangement