



# **BEST PRACTICES IN GOVERNMENT IT PROCUREMENT**

**April 2004**



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### Introduction

Expanded use of Information and Communication Technologies (ICT) by governments provides benefits that are exponentially related to their costs. Government Ministries benefit from the increased productivity and reduced costs inherent in the introduction of technology. Citizens benefit from expanded access to government services and the resultant increase in service levels. The ICT industry benefits from the infusion of capital into their industry and the experience gained from performance on generally large and complex projects. This is particularly true in developing economies when procurements provide for participation by local Small and Medium-sized Enterprises (SMEs) that are interested in growing their business. Finally, the local economy benefits from the introduction of ICT into the private sector to interface with the government systems and from the increased familiarity with ICT gained by the government users. This is a true win-win scenario.

**“Government information system projects can create demand for trained people, stimulate the growth of services companies, and establish models for careers for software professionals, while at the same time improving government operations and services to citizens”** – Tessler, S., Barr, A, Aldo Ventures, Inc., and Hanna, N., *World Bank; National Software Industry Development: Considerations for Government Planners, The Electronic Journal on Information Systems in Developing Countries (2003)*

The purpose of this document is to provide governments at all levels with a guide and set of best practices for developing a procurement system that enables them to procure the best value for their investment in ICT. The document outlines both a process and a rationale for the conduct of government bids that, if adopted, will lead to more open, transparent, non-discriminatory, competitive and technology-neutral procurements

WITSA encourages all WTO member governments to sign the WTO Government Procurement Agreement (GPA) as the best means of subscribing to a competitive procurement regime. The practices outlined in this document are consistent with the GPA.

While the procurement process presented is applicable in general to any “best value” procurement, the complexity and specific circumstances of any given procurement should dictate which steps should be undertaken. Further, this paper addresses procurements only up to the point of award. The full life-cycle of procurements to include such items as delivery, contract management, dispute resolution and completion review will be the subject of subsequent documents.

The process is applicable in any competitive bidding situation, whether national or international. Obviously, all aspects of the process are not applicable in those relatively rare situations requiring a limited bidding process.

The document is organized into five sections as follows:

1. **Background** – provides background information and a rationale for introducing good procurement practices.
2. **Industry Bid Decision Process** – provides insight into the decision-making process of private sector companies on whether or not to bid on a particular procurement. By understanding the private sector view, governments are more apt to adopt rational processes to attract more and better-qualified bidders.
3. **Procurement Process** – describes a complete model procurement process that can be used as a guide by governments. Not all steps are applicable to all procurements.
4. **Lessons Learned** – provides concise descriptions of key lessons learned in past procurements that can immediately be applied in the real world.
5. **Conclusion** – summarizes the major theme of the document.

It is hoped that governments will be encouraged to implement many of the practices described, and eventually to join the WTO Agreement on Government Procurement. Ultimately, the results should include reduced acquisition time and cost, more qualified bidders providing increased competition, and improved service and performance to the end-user.

## Section 1 - Background

Governments around the world, both central and local, are significant purchasers of goods and services. A recent OECD analysis estimated that the value of potentially contestable government procurement markets was in excess of \$2 trillion. According to the same study, the value of local procurements exceeded the value of central government procurements by a factor of 2 to 3.<sup>1</sup>

Governments are substantial buyers of information and communications technology (ICT) services. ICT benefits both governments and their citizens by streamlining processes, making services more readily available, and spurring the growth of the use of ICT more generally in the economy. In this way, governments as early adopters help to bring the benefits more generally to local businesses and individuals.

However, procurement practices vary from country to country, ranging from totally open and transparent systems to systems cloaked in secrecy and lacking in real competition. Unfortunately, governments in many countries still often procure on a low bid basis ignoring experience and past performance thus favoring incumbent suppliers, distorting trade flows, limiting competition and increasing prices. While discrimination is sometimes explicit, it often takes the form of opaque bidding processes lacking clarity and transparency.

Within the most open systems, world-class providers are bidding to supply innovative solutions to help governments meet the challenges they face. In less open systems, bidders are often limited to those that have privileged access to information, or to the process itself. Taxpayers, citizens, government officials, and the local markets can be the beneficiaries or the victims of these differential practices. If adopted, the processes in this paper will lead to a more open, competitive, transparent, non-discriminatory and technology neutral procurement that can only lead to lower costs and improved performance. In addition, the process outlined is compatible with the WTO Government Procurement Agreement providing more confidence on the part of governments to becoming a signatory to that Agreement.

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<sup>1</sup> *The Size of Government Procurement Markets*, OECD, April 19, 2002

## **Section 2 - Industry Bid Decision Process**

Any government entity that needs an integrated information system has many choices in selecting an approach to satisfy its needs. At the ends of the spectrum, it can provide the system through internal resources or it can hire an independent contractor. In between are other alternatives such as obtaining specific skills and resources or actually developing a system jointly. There are pros and cons of each approach, However, since many government entities do not maintain, nor wish to acquire, the requisite skill levels internally, the solution is often to contract through a procurement process. The steps in this document are thus oriented toward this more complex type of procurement. The principles, however, apply in general to any type of procurement.

Industry, in deciding whether or not to bid on a given opportunity, answers essentially four questions:

- Is the procurement real?
- Does the business have the requisite capability to perform the work?
- Is it good business
- Can the business win the procurement?

In order to bid on a given procurement, the answer to those four questions must be in the affirmative, and solidly so. Early in the process it is not unusual for the answers to some, or even all, of the questions to be “no” or “unknown”. However, as the process progresses, either the answer to each question becomes “yes” or the effort is abandoned so that the company can pursue more lucrative opportunities.

### **Is It Real?**

This question is usually addressed first. Any opportunity that a company judges not to be “real” warrants little further consideration. There are many considerations in assessing whether or not an opportunity is real:

- Realistic schedule?
- Likelihood of award?
- Scope?
- Good communications?
- Mission critical?
- Buyer support?
- End-user support?
- Funding?

These basic questions address whether the system is really needed by the procuring entity and whether it has sufficient support to enable it to survive the battle for resources within the particular agency. Key factors evaluated include the extent to which the system supports the government's priorities or the core mission of the governmental department, whether key decision makers support the acquisition, and the likelihood that support can be maintained throughout the life-cycle of the acquisition.

Foremost, however is whether the funding is truly available and will remain available throughout the life of the project. In this regard, potential bidders consider funding sources and past experiences.

An acquisition can meet all the apparent tests for reality at one point, and then fail at a later time. Therefore, companies continually re-visit this question throughout the bidding process.

### **Can the Business Do It?**

This is actually a two-part question relating to the bidder's ability to assemble a winning team, as well as its own internal capability to perform under the contract. Basically the issue involves talent, time, other resources, and the ability to make the necessary resources available at the appropriate times.

Bidders compare each acquisition to other opportunities and commitments. They must make objective assessments of the resource requirements and must carefully evaluate commitments from partners. Adequate time must be available to execute successfully both the proposal and operational phases. Comprehensive risk analyses are very important, especially if significant development requirements or other technical or business uncertainties exist. An assessment regarding the stability of the department's requirements definition and acquisition approach must be made and re-visited periodically.

Finally, it is possible to win a contract for which a bidder can do the work, but not make a profit. Obviously, bidders seek to avoid this situation.

### **Can the Business Win It?**

This is the most subjective and problematic of the four questions. It is also the most dynamic, since the answer can change abruptly and irrevocably at any time during the procurement process. In most instances, bidders

do not know definitively the answer in advance of the award. Therefore, bidders seek to evaluate and maximize their probability of winning, in spite of the many unknowns that impinge on the question.

Partnerships and competitive analysis are major factors in assessing the probability of winning. Even though some very large and competent companies bid, sometimes no single one can successfully win and perform alone. It is important on large contracts, particularly with the government, to create partnering relationships for a bid. Forming the right set of relationships can often produce a significant competitive advantage. Conversely, forming the wrong set can preordain a loss in spite of the good work done by the bidder.

Understanding the strengths of the partnerships and the strengths of the potential competitors is crucial. Understanding the current competitive environment is also important. Information about a competitor's current workload and strategies, and the fit between experience and contract requirements are important. Most bidders maintain a significant competitive analysis capability to help them answer these questions and obtain the information.

### **Is It Good Business?**

Bidders use the term "business case" to describe an overall assessment to describe an overall assessment of the potential contract from a bottom line perspective. They compare the investment required in Bid and Proposal (B&P) funds and other resources to the potential life cycle profits under various scenarios. B&P costs can often run as much as 10% of the total contract value in complex procurements. Bidders weigh each potential bid against others that compete for resources, and against corporate expectations. These expectations result from financial performance measures and risk analyses, as well as product, service and growth strategies.

In summary, prospective bidders deploy their marketing forces and management resources to assess the relative merits of a potential bid. They consider first whether or not it is "real"; then they assess their probability of winning the bid and their ability to perform under the circumstances of the contract. Given heavy demands on limited B&P funds and other resources, bidders have no choice but to be selective in deciding which bids to pursue. Recognizing how bidders make their decisions can greatly benefit an organization that desires to maximize competition, attract qualified bidders and benefit from positive relationships with its contractors.

**ANSWERS TO FOUR QUESTIONS DRIVE BID DECISIONS**

**Is the Procurement Real?**

**Can We Perform?**

**Can We Win?**

**Is It Good Business?**

### **Section 3 - The Procurement Process**

The procurement process consists of a number of steps:

- Needs Definition / Requirements
- Request for Information (RFI)
- Request for Comments
- Request for Proposal
- Proposal
- Live Test and Demonstration
- Best and Final Offer
- Award
- Protest Procedures

Depending on the size and complexity of the procurement, a given acquisition may contain some or all of these stages. From a bidder's viewpoint, resources assigned to the effort start out relatively low and then increase dramatically during the proposal development stage. Thus, work done by an acquiring agency early will go a long way to keeping bidders in the process during the latter stages. Bidders are particularly susceptible to dropping out if there are delays in the procurement or changes to the RFP late in the process.

#### **Need**

The acquisition process begins with the recognition of a need by a governmental department for a capability or a service. This need must then be translated into a set of requirements so that eventually a Request for Proposal (RFP) may be issued. The scope of this effort is generally invisible to business.

#### **Request for Information (RFI)**

During this phase of the procurement, government actively pursues business input in the form of recommendations and presentations. The input is generally solicited by the means of an RFI that describes the government's needs and perceived requirements. If done in a manner other than an RFI, governments should be careful that their solicitation does not have the effect of precluding competition. Business thus has the opportunity to better understand the requirements and the true needs of the end user. During this stage, communication is open, and both industry and the government are exploring needs and possible relevant technologies. If it has not already done so, business is also beginning to assess potential partners.

## **Request for Comments (RFC)**

An RFC on a draft Request for Proposals (RFP) is generally the next document that the government issues. It is based on the input that the government has gathered during the RFI stage and is based on a refinement of their needs and available technologies. Again, governments should ensure that the RFC is issued in an open and transparent manner so that it does not have the effect of precluding competition. In addition, if governments use a contractor to help in writing an RFC, or later the actual RFP, that contractor should be precluded from bidding either alone or as a partner in the actual procurement,

Ideally the RFC is a complete document outlining not only the agency's needs but also the proposed terms and conditions for the contract. While it takes considerable effort for the governmental entity to produce a complete document at this stage, it ultimately saves considerable time and effort for both parties later on. In addition, a complete document sends a signal to industry that the government is serious and that the acquisition is for "real". Unavailability of information at this stage, and the inability to comment on it, often causes misunderstandings and delay later on in the procurement process.

## **Request for Proposal (RFP)**

Ideally, the acquiring governmental entity will have indicated in the RFC a proposed schedule for the release of the RFP, and they will adhere to it. As the proposed release date draws near, industry will firm up bidding partners and will begin to staff their proposal efforts. In order to keep ultimate costs down, government needs to adhere to their proposed timeframes because delays and/or extensions at this point become quite expensive for industry, and those costs are ultimately passed on to the government. It is important that governments allow ample time for firms to prepare their proposals and also take into consideration that foreign bidders may need additional time than would a national entity.

## **Proposal**

The proposal contains the bidder's proposed technical solution, management approach, and cost. Proposals usually contain very sensitive, and often confidential, commercial information. It is important that proposals be treated carefully by governments to insure that this sensitive information is not released to competitors.

While often delivery of the technical, management and cost proposals are requested simultaneously, government could save money, and often time, by requiring the cost proposal two to three weeks after the others. Late changes by bidders to their technical proposals are often not adequately incorporated into the cost proposal causing later disagreements and delays.

As the government reviews the proposals, they may request clarifications or additional information from bidders. Due to the sensitivity of interactions with bidders at this stage, it is important that this be done formally in writing and with good documentation maintained.

### **Live Test and Demonstration (LTD)**

On very large and/or complex procurements, the government may require that a Live Test and Demonstration or Operational Capability Demonstration (OCD) be performed to demonstrate and validate the proposed technologies. Governments should provide bidders selected for an LTD as much time as possible to prepare. Bidders must obtain appropriate space, bring in required hardware and equipment, assemble the right software and assemble staff for the LTD. LTDs and OCDs are very expensive efforts for the bidders and for the government that sometimes must assemble large, skilled evaluation teams. Thus they should be required sparingly and in very select situations.

### **Best and Final Offer (BAFO)**

Once the proposal has been submitted and the LTD, if required has been performed, bidders begin to finalize the prices from their vendors, subcontractors and bidding partners and to fine-tune their own costs. The BAFO will also incorporate any changes indicated by the LTD and any clarifications that may have been requested from the government during their review of the technical and management proposal.

### **Award**

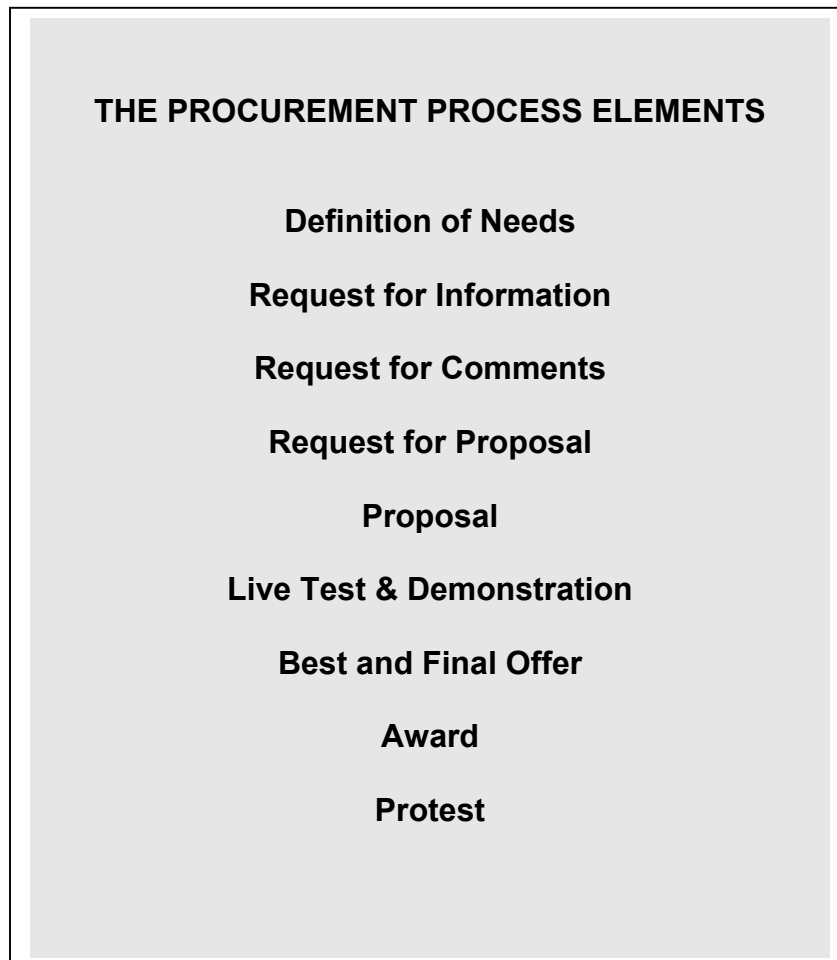
The award process consists of informing the selected bidder of their success, and, more importantly, informing the losing bidders of the reasons they were not selected. Being open and sensitive during this process is important and can help avoid later problems and protests.

Losing bidders want to understand in as much detail as possible areas where their proposals were deficient. Providing the information at this time will allow them to improve their processes for their next effort and also assures them that the process was transparent and fair. If bidders feel information is being withheld, it raises their suspicions about the entire

process and may lead to a formal Protest simply as a means of acquiring more information.

## **Protest**

A formal protest procedure to higher authority and ultimately to an independent authority is important to providing an open, accessible, fair, transparent and documented procurement process. This provides an opportunity for bidders to be heard and to receive an explanation of why a given bid was turned down. Protesting is a significant event that bidders do not take lightly. The process is expensive for both the bidder and the government, ties up critical resources, and potentially negatively impacts the image of the bidder in the eyes of the government. However, an effective protest process will help maintain competition in current and future procurements.



## **Section 4 - Lessons Learned**

Following is a list of Lessons Learned compiled from large government procurements over a period of time. Not all will apply to each procurement, but overall they represent a great deal of knowledge and experience. They are in no particular order of priority.

### **Obtain Top Management Support**

Government ICT acquisitions are difficult endeavors. In most countries, the process must conform to a host of laws, regulations and policies. Experience has shown that many decisions are required from senior government executives if a procurement is to succeed, and these decisions are more likely the larger the procurement and the longer its duration. Executive support should be obtained early and frequent updates to the executive sponsor are necessary to insure timely and realistic decisions.

While top management support is essential, having knowledgeable and skilled procurement officials is equally important. Procuring ICT is highly specialized, and procurement officials need to understand the technology and business practices of the industry. Ideally this should be done through formal education and on-the-job experience. It is also important that these officials maintain their competency and knowledge of new technology through attendance of trade shows and industry visits.

### **Involve End-Users Meaningfully and Continually**

Program success demands that the system be accepted by end-users and that by their use the system performance objectives are achieved. In principle, it is not difficult to achieve end-user participation. The difficulty is in identifying a representative sample of the end-user community and obtaining their commitment to stay involved in the acquisition process throughout its duration. If achieved, the probability of success is enhanced considerably. If not, the risk that the system may not perform as expected or not be accepted and used by the end-users is high.

Roles for end-user representatives in the procurement process are as follows:

- Help define system requirements
- Assist in prioritizing requirements

- Assist in defining “mandatory” and “desired” features.
- Ensure requirements are clear in the RFP
- Help mediate conflicting requirements within the user community
- Continually validate decisions within the user community
- Help to determine whether to incorporate changes in mission, policy or technology into the process
- Participate in risk assessment and mitigation decisions
- Concur with any changes to either requirements or policy during the process
- Provide the end-user perspective in interfaces with bidders
- Help prepare the user community for changes the system will require

To perform these functions, end-user representatives should serve as members of the acquisition team and play a meaningful role in the evaluation and selection process. The challenge for the acquisition team is to ensure the end-user representatives remain a representative sample of the user community throughout the process.

### **Market to Vendors Pre-RFP**

It may seem silly to recommend that the buyers market to the sellers. However, the vendors should be brought into the acquisition process as soon as a need is established by the procuring entity and while requirements are being developed. By getting industry involved prior to the issuance of the RFP, technological and business advice can be obtained without jeopardizing the procurement. In addition, new technologies and capabilities not previously known or understood can be considered as possible alternatives.

While industry input is essential, it must be done in a manner that is open, transparent, fair, does not preclude competition, and does not favor one vendor over another. [.]

While contractors are competing against each other for the procurer’s business, government, in turn, is “competing” for the attention of qualified bidders. Since contractors’ resources and proposal funds are limited, enticing qualified bidders to consider the program is critical to the successful accomplishment of the acquisition. The pre-RFP time period provides a unique opportunity for both industry and government to look at possible alternatives and solutions in an open, non-contentious environment.

## **Develop a Plan to Use the RFC Effectively**

The objective of the RFC is to gather information to prepare an RFP that best reflects the requirements and fulfills the needs of the end-user. Simultaneously, the RFC prepares the vendor community for the upcoming acquisition. Therefore, development of a plan to use the RFC vehicle effectively is important. Some of the goals of the plan should be:

- Improve the overall requirements definition
- Include a complete RFC for review
- Minimize questions and changes after the RFP is issued
- Minimize ambiguities in the RFP
- Minimize delays
- Obtain recommendations for improvement of the RFP
- Attract qualified bidders

Changes and improvements in the solicitation made at this early stage of the procurement process contribute to a much smoother acquisition later on, reducing both time and cost. Changes later in the process may require bidders to adjust partnering arrangements, re-engineer solution designs, and even reverse previously positive bid decisions.

## **Seriously Consider Vendor RFC Comments**

Governments should evaluate carefully comments made by bidders during the RFC process. This must be done in a manner, however, that insures comments that are accepted increase competition and do not inadvertently favor one bidder over another. By and large, vendors have considerable experience with large development projects, and they provide helpful advice based on this experience. It is particularly important to consider comments regarding risk and timeframes. Too often development and implementation timeframes are driven by political considerations rather than by good project management techniques. If a large number of comments are directed toward unreasonable implementation timeframes, government should re-consider their requirements as this is one of the most common reasons for failed projects following award.

## **Use Experience Qualifiers**

It is to the government's advantage to get only qualified bidders. This is especially important on large contracts with high mission risk. Therefore, developing and requiring certain levels of experience or proven

capabilities on the part of the bidder is a valid means of qualifying prospective contractors. This may take several forms:

- Past experience on contracts or projects of similar scope and magnitude
- Proven capability in a particular technology
- Proven software development capability
- Documented software engineering maturity
- Ability to effectively manage inherent risk in the project
- Adequate qualified staff with appropriate experience
- Proven project management experience

While some may see these as limiting competition, they are important criteria in the selection of any qualified team to ensure success. By having clearly stated and valid qualification requirements up front, vendors can make better bid decisions about the acquisition.

### **Use Functional (Performance) Specifications**

Procurement specifications are often “prescriptive” meaning that RFPs ask for specific products or the performance of a service in a specific manner.

The government is usually best served by providing “functional”, “outcome” or “performance” focused specifications that describe the requirement or the need and ask for a solution from industry. Functional specifications should not specify the actual methods, products, design, method of development or technologies to be used, but rather specify the actual functional performance sought by the procuring entity. This permits industry to propose innovative and appropriate technology that best meets the needs of the user.

In addition, technology standards included as technical specifications should be developed under an open, voluntary, consensus-based process, publicly available, vendor neutral, and, where applicable, based on international standards.

### **Distribute Risk Equitably**

Contractors devote a great deal of time and effort to risk assessment in order to identify the risk associated with a particular procurement and to develop a realistic business case for the bid decision. Unreasonable risk allocation limits the competitive field and increases the cost of the procurement. Contractors must either price or mitigate all elements of risk.

Every risk that the government pushes off onto the contractor will increase the price offered by a responsible bidder. Hence, the government must analyze each element of risk to determine whether it can be absorbed by them or is more cost-effectively passed to the contractor. Even in instances where the government cannot manage a particular element of risk, it may be more cost-effective to assume it than to pass it to the contractor who may assign a high cost to its mitigation.

Terms and conditions should be appropriate to ICT contracting. Liability should be capped and intellectual property ownership arrangements should allow further industry commercialisation wherever possible. Such terms can effectively increase bid participation, reduce both parties' negotiation costs and stimulate industry development.

Governments should, wherever possible, use terms and conditions that have been pre-arranged between industry and government. This should be mandatory where contracting is not complex or is low risk. A proliferation of contracts among different agencies will lead to additional negotiation and management costs.

### **Eliminate Ambiguity from the RFP**

Ambiguity is the acquisition team's enemy. Ambiguity allows different interpretations by bidders and results in wildly varying bids. Ambiguity can make performance evaluations and tests difficult or impossible and precipitates delay when amendments are required for correction.

Because various sections of the RFP are often written by different groups of people, integration among the sections is vital and is a separate activity that must be planned for before the RFP is issued. The planning starts with the recognition of the need and the complexity of the task. Care must be given to the preparation of guidelines and standards for RFP section writers. Interim reviews are important. Independent reviews can also help.

The RFP must also be consistent with the overall acquisition strategy and mission of the agency. Eliminating ambiguity from the anticipated relationship between the contractor and the governmental department, the apportionment of risk, change methodology, performance measures, and penalties is extremely important.

## **Publish Detailed Evaluation Criteria and Methodology**

The importance of detailed evaluation criteria cannot be over-emphasized. It is through this mechanism that governments can insure they can select the “best-value” bidder rather than the “low cost” bidder, and support its selection within the governmental procurement environment. The ability to select a vendor other than the low bidder provides governments with a powerful tool to break the “low bid” cycle of failed developments, re-negotiation, and ultimately higher costs. This can only be done with valid, detailed evaluation criteria made public in the RFP.

It is also important that evaluation criteria are fair, and do not favor one bidder over another. In particular, criteria must treat foreign firms the same as national companies. Publishing the criteria is one way of insuring that it is fair.

Publishing full and complete evaluation criteria as early as possible (draft RFP stage) also enables bidders to know what is really important to the buyer. Detailed evaluation criteria allows bidders to design their solutions around what really matters to the government department. When criteria is not published, bidders guess at what is important, and this may lead to the selection of a bidder that was simply better at guessing rather than the one with the best solution. Stating relative importance through detailed evaluation criteria ensures that the most important requirements are adequately addressed in bidders’ proposals.

Publishing detailed evaluation criteria, following it meticulously and debriefing bidders thoroughly after award is perhaps the most effective means of avoiding protests. When bidders understand why they lost (and hence why the successful bidder won), and believe the decision was made fairly in accordance with the evaluation criteria, the principle reasons for protest are neutralized.

It is important for the government to plan for publishing evaluation criteria and to realize that it has two purposes: to select the winning bidder and to debrief the losing ones.

## **Ensure Evaluation Criteria Allow and Require the Selection of the Best Bid Based on Overall Value**

Obviously the evaluation criteria along with the requirements in the RFP drive the solutions proposed. Therefore it is incumbent on the government to evaluate proposals in accordance with the criteria and methodologies

stated in the RFP. Any deviation from these procedures without good explanation and reason will invite questions and probably protests.

It is also important that the evaluation methodologies and criteria enable the selection of the proposal and bidder that best meets the government's requirements for the program. Any criteria that force a selection other than this should be removed. It is important that only the necessary requirements be specifically stated in the RFP. Extraneous requirements or standards that provide no real added-value to the program should be avoided.

### **Tell Bidders Everything**

It is axiomatic that the more bidders know about a customer's requirements, selection criteria and the environment in which the system will operate, the more closely they can design a solution to meet those requirements. Government departments penalize themselves when they withhold information that might materially affect design decisions made by a bidder.

Bidders need to know not only the department's best estimates of performance requirements, but also how those requirements relate to each other in order to design the optimal solution for the department. If information is not supplied by the department, bidders will develop their own estimate, a practice that may lead to wildly varying proposals based on different sets of assumptions.

Many mechanisms are available for information exchange even after RFP release. Government need only to be careful that all bidders receive the same information. In fact, the more information that is released to the entire bidding community, the better the quality and quantity of the proposals will be.

### **Continue Communication with Vendors After RFP Release**

While individual communications with vendors are not advisable once the RFP is released, keeping the community informed as to the progress of the evaluation and of the department's continued program needs. If through lack of communication, bidders feel the procurement is not progressing or is out of control, they may decide to not continue their participation. Vendors continually evaluate the best use of their limited bid and proposal funds.

## **Use Live Test and Demonstrations Only to Reduce Unacceptable Risk and Uncertainty**

Live Test and Demonstrations (LTDs) are expensive, time consuming, and difficult for both government and vendors. They are also essential in some procurements, usually those that are very large and complex. In cases where they are required, it is essential that the methodologies and capabilities are examined in an environment simulating the solution as closely as possible. LTDs should always be rated or scored and not simply be pass/fail.

The capacity of a solution to perform at a given level may need to be tested, especially if the solution is offering new products. It may also be necessary to have bidders demonstrate the corporate resources available to respond to unexpected events. Therefore, an LTD is a way to legitimately evaluate and screen bidders' capabilities to perform.

Some LTDs may not be necessary or even offer increased evaluation knowledge. This is particularly the case when a procurement requires simple commercial off-the-shelf products. In this case, the LTD delivers no added value to the procurement or the evaluation.

## **Integrate Debriefings into the Overall Process**

The acquisition process should produce two products: a successful bidder and a debriefing for unsuccessful bidders. Similarly, the debriefing activity has two objectives: to tell the unsuccessful bidder why it lost and to avoid a protest. To maximize the effectiveness of the debriefing activity, the acquisition team should plan for it as an integral part of the overall process.

Too often, an acquisition team prepares for the debriefing session late in the evaluation process, or even when it is completed. The same level of diligence and the same consideration should go into the rejection of a bid as to the selection of one. The criteria apply equally, the evaluation methodology is applied equally, and the results are weighed equally. The evaluation criteria should be used for the selection of a bid and for the preparation of a debriefing. The most effective line of a defense against a protest is to tell the unsuccessful bidder why it lost in detail against the evaluation criteria.

## **Determine a Small Competitive Range When Possible**

All bidders would prefer to be eliminated from the competition as soon as the determination is made by the evaluation committee that their proposal will not be selected. It is better for them to re-direct resources as soon as possible rather than continue to hold proposal teams together unnecessarily.

The government also benefits from reducing the bidder pool in procurements with four or more bidders because it can also reduce its costs. The department can then concentrate on the most qualified bidders and shorten the evaluation period.

The government should plan from the start to determine a competitive range whenever two conditions are met: a sufficient number of bids is received and rankings among the bids are sufficiently different. Bidders should be informed of the intent and evaluation criteria should support comprehensive debriefings without the need to complete the entire procurement cycle. Senior managers should be informed and ready to support decisions made in this regard.

## **Hold Oral Presentations and Discussions**

There are two major benefits of holding oral presentations and discussions:

- Better understanding of the proposal
- Opportunity to meet key leaders face-to-face

It is often difficult to understand the full capability or advantages of a proposal just by reading the submitted document. A full oral briefing of the proposal and the solution affords the opportunity for a deeper discussion and to raise questions about specific areas. These presentations and discussions should be followed by written exchanges to document the sessions. Oral presentations also allow the government to assess the capabilities of key executives and to get a feel for how effectively they could interface with them.

## **Schedule Cost Proposal After Technical and Management Proposals**

Bidders complete their cost estimates and supporting rationale after completing all other portions of the work. This is necessary in order to incorporate late changing technical specifications or solutions. At the same time, the acquisition team needs to review and evaluate the technical and management proposals before considering the cost proposal. Therefore, it makes sense to schedule submission of the cost proposal at least two weeks after the others. By doing so allows bidders the time to examine their calculations and assumptions more fully so that the cost proposal is more accurate and often less expensive.

## **Allow Reasonable Time for Proposal Preparation and Hold to It**

Government should seek input from the bidders in the Draft RFP for a reasonable amount of time needed to complete the proposal. It is important to consider input from foreign bidders so that timeframes do not effectively eliminate them from the competition. Taking this information into account, the government should then determine the proposal due date and stick to it. Extensions requested by one or more vendors actually penalize those vendors who take the schedule seriously and plan accordingly. Of course, if major amendments are required to the RFP after publication, extensions may need to be granted in order for the changes to be accommodated. Proper planning by the government in the early stages of the procurement process can minimize this eventuality however.

## **Allow Sufficient Time for Best and Final Offers**

When a best and final offer is used in the procurement process, sufficient time must be allowed for its preparation. Ideally, this is four to six weeks. Since the requirements are often changed in conjunction with Best and Final Offers, bidders are unable to do much preparation in advance. When issued, BAFOs require bidders to change technical specifications or management approaches, coordinate with their partners and occasionally obtain new partners, and prepare the BAFO itself. Finally, bidders must normally obtain internal corporate approval for the final pricing.

## **LESSONS LEARNED**

**Obtain Top Management Support  
Involve End Users  
Market to Vendors  
Use Input from RFC  
Consider Vendor Comments  
Evaluate Experience  
Issue Functional Specifications  
Balance Risk  
Eliminate Ambiguity  
Publish Evaluation Criteria  
Insure Ability to Select Best Bid  
Disseminate All Information  
Continue Communication after RFP  
Allow Sufficient Time for Proposal Preparation  
Require LTD Only If Necessary  
Schedule Cost Proposal after Management  
Narrow to Competitive Bids Early  
Hold Oral Presentations  
Allow Time for BAFO  
Debrief Losing Vendors**

## **Section 5 - Conclusion**

Government procurements are typically large and complex. Adding to the complexity generally is a plethora of laws and regulations that govern such procurements. These conditions create in most cases procurements that are lengthy and expensive for both government and bidders. It is hoped, however, that by understanding the process better as described in this document and by incorporating many of its suggestions the end result will be successful procurements that will benefit all parties.

## Appendix: WITSA Members

<b>Argentina</b>	Cámara de Empresas de Software y Servicios Informáticos (CESSI)
<b>Australia</b>	Australian Information Industry Association (AIIA)
<b>Bangladesh</b>	Bangladesh Computer Samity (BCS)
<b>Brazil</b>	Sociedade de Usuários de Informática e Telecomunicações - Sao Paulo (Sucesu-SP)
<b>Bulgaria</b>	Bulgarian Association of Information Technologies (BAIT)
<b>Canada</b>	Information Technology Association of Canada (ITAC)
<b>Chinese Taipei</b>	Information Service Industry Association of Chinese Taipei (CISA)
<b>Colombia</b>	Colombian Software Industry Federation (FEDESOFIT)
<b>Czech Republic</b>	Association for Consulting to Business (Asociace Pro Poradenství v Podnikání - APP)
<b>Ecuador</b>	Association Ecuatoriana de Tecnologia de Informacion y Servicios (AETIS)
<b>Egypt</b>	Egyptian Software Information & Communication Technology Chamber
<b>Finland</b>	Federation of the Finnish Information Industries
<b>France</b>	Syntec Informatique
<b>Greece</b>	Federation of Hellenic Information Technology and Communications Enterprises (SEPE)
<b>Hong Kong</b>	Hong Kong Information Technology Federation (HKITF)
<b>India</b>	National Association of Software and Service Companies (NASSCOM)
<b>Indonesia</b>	ASPILUKI - Indonesian Telematic Software Association
<b>Israel</b>	Israeli Association of Software Houses (IASH)
<b>Italy</b>	Associazione Nazionale Aziende Servizi Informatica e Telematica
<b>Japan</b>	Japan Information Technology Services Industry Association (JISA)
<b>Jordan</b>	Information Technology Association - Jordan
<b>Kenya</b>	Computer Society of Kenya (CSK)
<b>Lithuania</b>	Association of the information technology, telecommunications and office equipment companies of Lithuania (INFOBALT)
<b>Malaysia</b>	Association of the Computer And Multimedia Industry Malaysia (PIKOM)
<b>Mexico</b>	Asociación Mexicana de la Industria de Tecnologías de Información (AMITI)
<b>Mongolia</b>	Mongolian National Information Technology Association
<b>Morocco</b>	l'Association des Professionnels des Technologies de l'Information (APEBI)
<b>Nepal</b>	Computer Association of Nepal (CAN)
<b>Netherlands</b>	Federation of Dutch Branch Associations in Information Technology (Federatie Nederlandse IT - FENIT)
<b>New Zealand</b>	Information Technology Association of New Zealand (ITANZ)
<b>Northern Ireland</b>	Momentum - The Northern Ireland ICT Federation
<b>Norway</b>	ICT Norway (IKT Norge)
<b>Panama</b>	Asociación Panameña de Software (APS)

<b>Poland</b>	Polish Chamber of Information Technology and Telecommunications (Polska Izba Informatyki i Telekomunikacji - PIIT)
<b>Portugal</b>	Associação Portuguesa das Empresas de Tecnologias de Informação e Comunicações (APESI)
<b>Republic of Korea</b>	Federation of Korean Information Industries (FKII)
<b>Romania</b>	Association for Information Technology and Communications of Romania (ATIC)
<b>Russia</b>	Russian Information & Computer Technologies Industry Association (APKIT)
<b>Senegal</b>	Senegalese Information Technology Association (SIT'SA)
<b>Singapore</b>	Singapore infocomm Technology Federation (SiTF)
<b>South Africa</b>	Information Industry South Africa (IISA)
<b>Spain</b>	Asociación Española de Empresas de Tecnologías de la Información (SEDISI)
<b>Sri Lanka</b>	Sri Lanka Information and Communications Technology Association (SLICTA)
<b>Sweden</b>	The Association of the Swedish IT and Telecom Industry (IT-Företagen)
<b>Thailand</b>	The Association of Thai Computer Industry (ATCI)
<b>Turkey</b>	Turkish IT Services Association (TUBISAD)
<b>United Kingdom</b>	The Information Technology, Telecommunications and Electronics Association (Intellect)
<b>United States</b>	Information Technology Association of America (ITAA)
<b>Uruguay</b>	Uruguayan Chamber of Information Technology (CUTI)
<b>Venezuela</b>	CAVEDATOS - Venezuelan Chamber of IT Companies
<b>Vietnam</b>	VINASA - Vietnam Software Association
<b>West Bank &amp; Gaza</b>	Palestinian IT Association (PITA)
<b>Zimbabwe</b>	Computer Suppliers' Association of Zimbabwe (COMSA)