

FAQ on Public Finance Circular No 03/2020 on Policy on Supporting Domestic Industries (Software and Hardware) dated October 09, 2020

1. What are the organizations within the scope of the above circular?

This circular is valid for government organizations including ministries, state ministries, provincial councils, district secretariats, local government authorities, government corporations, statutory bodies and all government owned companies.

2. What are the objectives of this circular?

This circular intends offering a preference for domestic firms, over one that are not, giving a value to domestic investments and with the presumption that such encouragements will eventually result in making domestic firms internationally competitive in long term. It also offers exclusive bidding rights to start-ups in ICT purchases below LKR 2 million, with the intention of supporting them in their early years.

3. Does this circular valid for bidding activities started before October 09, 2020?

No. The circular is valid only if the bidding process has started after October 09, 2020.

4. According to the said circular, does the tender process vary depending upon the tender value?

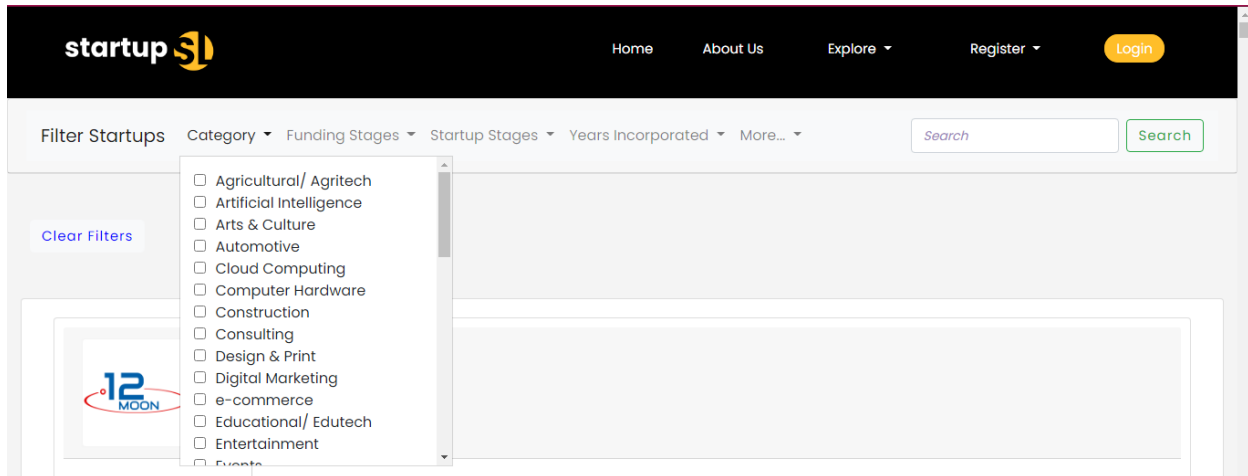
Yes, but only a minor variation. The process is different for tenders of estimated value of LKR 2 million from the rest.

5. What is special about tenders of estimated value of LKR 2 million?

For projects (software alone, hardware alone or composite) of budgets less than LKR 2 million bids must be called exclusively from startups registered at Information and Communication Technology Agency (ICTA) and registered (listed) with the web portal <https://startups.lk>. The objective of this move is to give a boost for the local startup industry.

6. So, in the case of tenders for less than LKR 2 million, what is the procedure for a government client organization to call a tender exclusively from startups? From where should it begin?

The starting point is the portal <https://startups.lk>. If you visit the page <https://www.startups.lk/masterSearchMainWindow> it provides facilities to select a list of startups for your individual requirements. The startups can be filtered according to the category (i.e. Agricultural/Agritech, Artificial Intelligence, Arts and Culture, Automotive, Cloud Computing, Computer Hardware, Construction, Consulting, Design and Print, Digital Marketing, e-commerce, Educational/Edutech, Entertainment...etc) Please see below.



7. Is there any more guidance on this?

Yes there is a user guide available at [<insert link>](#). It will provide all the details necessary for searching for the list of companies.

8. Are there any restrictions for some startups to be eligible?

Yes. To be eligible to be considered a startup should be incorporated for more than 6 months but not older than 5 years from its date of incorporation.

9. Are the startups, not registered with the portal, ineligible? If so, what they must do?

Only the startups registered with the portal are eligible to be considered for exclusive preference. If others want to be considered they can proceed to register. But please note they will be considered only after a period of six months.

10. Do firms already registers with web portal <https://startups.lk> have to re-register with ICTA?

No. Registering at web portal <https://startups.lk> is same as registering with ICTA.

11. Are there any restrictions for startups to bid for tenders more than LKR 2 million?

No. They can bid for any tender. But for tenders above LKR 2 million they will not be getting a exclusive preference as a startup.

12. Who gets the priority in tenders of more than LKR 2 million estimated value?

According to the circular preference must be given to Domestic majority ownership firms' also offering software solutions with a minimum 25 percent local value addition. A "Domestic majority ownership firm, Domestic firm or Local company" is defined as an entity first registered with a relevant authority in Sri Lanka with more than 51 percent ownership held by Sri Lankan nationals.

13. Should they fulfill all conditions above to benefit from domestic preference?

Yes. However, nothing prevents any firm from bidding. The objective of the said circular was not elimination of the competition.

14. How does a government client organization know whether a certain firm is eligible to be given preference under these criteria?

If a firm wishes to get the advantage of this facility, it must provide evidence. That includes a certification from an authorized auditor certifying such value addition. The value addition would be recognized in the following categories in hardware:

- Material - minimum 5 percent of local material out of 25 percent of local value addition
- Expertise/ Labour
- Local overheads Support/ Maintenance Software

15. Are the categories different for software purchases?

Yes. For software procurements the contribution of any of the following will be considered:

- Local Material
- Expertise (Minimum 10 percent of expertise out of 25 percent of local value addition).
- Local overheads Support/ Maintenance/Systems Integration.

16. How does the Procurement Committee or Technical Evaluation Committee of a Government Client Organization identify the local value addition?

According to the circular, the bidder should submit detailed cost breakdown of local value addition (stating from which categories make them as above) along with the financial proposal and at the evaluation stage, the bidder should provide a certification from an authorized auditor certifying such value addition and the cost breakdowns of foreign and local components in USD and LKR respectively.

17. How the preference is given for an eligible firm?

The preference (30 percent additional marks) should be given only in the financial evaluation. Not in the technical evaluation. Final marks should be compared only after this adjustment.

18. Why additional marks are given only in the Financial Evaluation?

The overarching principle is a technically inferior product should not be selected as a result of domestic preference. No quality compromises will be made. So the technical evaluation happens in the standard manner while the marks are adjusted only in the financial evaluation.

19. Can we have some examples how this will be done?

Yes. Please see below:

Example 1: Local firm technically superior

Before adjusting			Before adjusting			After adjusting		
	Technical Evaluation out of 100%	Financial Evaluation out of 100%	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total Before adjusting	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total after adjusting
A. Local	83	100	66.4	20	86.4	66.4	26	92.4
B. Local	91	81	72.8	16.2	89	72.8	21.06	93.86
C. International	85	95	68	19	87	68	19	87
D. International	82	87	65.6	17.4	83	65.6	17.4	83

Example 2: Local firm bids low, not necessarily the quality solution

Before adjusting			Before adjusting			After adjusting		
	Technical Evaluation out of 100%	Financial Evaluation out of 100%	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total Before adjusting	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total after adjusting
A. Local	83	100	66.4	20	86.4	66.4	26	92.4
B. Local	85	74	68	14.8	82.8	68	19.24	87.24
C. International	91	81	72.8	16.2	89	72.8	16.2	89
D. International	82	67	65.6	13.4	79	65.6	13.4	79

Example 3: International firm bids low; quality almost equal

Before adjusting			Before adjusting			After adjusting		
	Technical Evaluation out of 100%	Financial Evaluation out of 100%	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total Before adjusting	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total after adjusting
A. Local	83	99	66.4	19.8	86.2	66.4	25.74	92.14
B. Local	85	87	68	17.4	85.4	68	22.62	90.62
C. International	83	100	66.4	20	86.4	66.4	20	86.4
D. International	85	87	68	17.4	85.4	68	17.4	85.4

Example 4: Local International same quality and international bids low

Before adjusting			Before adjusting			After adjusting		
	Technical Evaluation out of 100%	Financial Evaluation out of 100%	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total Before adjusting	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total after adjusting
A. Local	82	36	65.6	7.2	72.8	65.6	9.36	74.96
B. Local	83	84	66.4	16.8	83.2	66.4	21.84	88.24
C. International	83	100	66.4	20	86.4	66.4	20	86.4
D. International	81	49	64.8	9.8	74.6	64.8	9.8	74.6

Example 5: Just like Case Study 3 but local bids too high

Before adjusting			Before adjusting			After adjusting		
	Technical Evaluation out of 100%	Financial Evaluation out of 100%	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total Before adjusting	Technical Evaluation weighted 80%	Financial Evaluation weighted 20%	Total after adjusting
A. Local	82	56	65.6	11.2	76.8	65.6	14.56	80.16
B. Local	83	76	66.4	15.2	81.6	66.4	19.76	86.16
C. International	83	100	66.4	20	86.4	66.4	20	86.4
D. International	81	82	64.8	16.4	81.2	64.8	16.4	81.2

20. In case studies above you have taken the weightage 80:20 for Technical to Financial proposals. Is that a mandatory requirement?

No. Although evaluators typically take this as 80:20, other ratios like 70:30 are also possible. However more marks are normally given for technical features to obtain a superior product. Also this ratio must be decided before calling for bids, not after.

21. Does the new rule restrict anyone from bidding for a tender?

Except for tenders of less than LKR 2 million, for which only startups can bid, the rest are open for anyone. No restrictions.

22. Can a firm that does not fall to the “domestic” category can still win a tender after these rules?

Yes, of course. If any such firms offering superior solutions at reasonable prices can still win an award. Discouraging competition is not among the objectives of this initiative.

23. Does the circular also specify when purchasing PCs (desktops and laptops) one must follow the standards offered by ICTA? Why?

Yes. It has been noted that some organizations procure computers too advanced for the purpose at a relatively higher cost. So as cost optimization measure standards for selected categories of computers and peripherals are proposed.

24. Should a government client organization always follow these standards? Will it not restrict it from purchasing a more advanced machine when there is a genuine need?

Yes, these guidelines must always be followed. To avoid the issue mentions standards in three levels are proposed instead of one. Most of the times (let’s say above 70%) an organization requires only basic computers. If the need is higher, a more advanced solution can be selected on the discretion of the Technical Evaluation Committee or Procurement Committee.

25. From where one can obtain the machine standards?

The standard specifications are available at ICTA web site at <http://www.icta.lk/ict-equipment-specifications>

26. If a government client organization finds a difficulty of following the said rules for some reason what must it do?

In such rare cases, one can always contact ICTA for clarifications. Under special circumstances, ICTA may propose an alternative way. (mostly a workaround)

27. Please provide us the contact details at ICTA.

You may contact Head of Policy, ICTA by:

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