## Annex 10.1 Tasks Involved in Government Outsourcing for Policy Research

## Any agency originating a contract for research undertakes a series of actions. Each action is discussed below. Where appropriate, differences in the way the task is executed depending on how the agency has organized such procurements (the three models) are noted. Think tanks are well advised to understand the procurement cycle, since this is the first step in developing a strategy on how they can operate effectively in this environment.

*Determining the annual budget*. As part of regular budget preparation, the agency determines the research budget for each office. The process begins the year before the budget year—that is, the year the funds are spent. In model A, the centralized research and evaluation office, after consulting with the program offices, prepares its recommended budget along with a general description of how it will be used. Its proposal is scrutinized and possibly adjusted by the ministry before being sent to the Ministry of Finance, which performs another round of reviews and determines the amount included in the final budget. In the other models, the overall process is similar, except that each program office prepares the proposed budget and research plan. In some instances, only a budget figure is required without a justification statement. Internal review and coordination within the ministry are typically handled by the procurement office. Under all models, detailed research agendas for the year are developed only when the resources available are known.

Two points should be noted. First, the program office is setting the agenda, except in model A. If a think tank wants to influence an agency’s future research agenda, then this office is its target. Second, staff in every program office I interviewed stated that the research budget available was far below what they needed. In other words, the process for determining the budget systematically results in underfunding research. *This means that price may often be the paramount consideration in deciding the winner among competing firms.*

*Preparing the terms of reference (TOR).* In models B and C, the program office often drafts the TOR. In model B, the TOR is then reviewed and possibly modified by the procurement office. In some countries, the agency creates a panel to prepare the TOR that includes staff from the program and procurement offices and other offices in the agency with interest in the subject matter. In model A, the TOR is drafted by the central research office and reviewed by the program office.

*Distributing the request for proposals (RFP).* The standard procedure is for an RFP to be made widely available. Often, this means it is placed on the agency’s web site on a page where all procurements appear. In some instances, an agency also sends a notice to firms who have submitted proposals in the past.

For procurements with values below critical thresholds, more limited notification is the rule. As noted, in the case of a limited competition usually three proposals are needed. For very small contracts, a single contractor can be invited to submit a proposal. Many program offices are structuring their procurements to avoid full competitions—a practice that can afford certain firms a clear advantage.

This is typically not a matter of corruption. The general view of program office staff is that they know the firms doing research in their area very well; they know the relative strengths and weaknesses of each on various topics. So they want to choose the firm to do the work. In part this reflects the frequent reality of limited capabilities among firms and therefore limited possibilities for true competition. But it obviously discourages existing firms from expanding their areas of expertise if they believe they will not be selected for a contract when there is an established leader. It is even more discouraging to those considering starting a new think tank to work in such an area. The value (and perhaps necessity) of team leaders marketing to the leaders of these offices is obvious.

*Scoring the proposals.* For a full and open competition, proposals are formally scored using factors for award announced in the RFP. Under model B, a panel consisting of staff from the program and procurement offices is usually appointed for this task. In Russia, staff from the program office scores the proposals and two or three experts from outside the agency also score them independently. Both use a standard set of 15 factors. The two sets of scores are discussed and reconciled at a meeting that includes those who scored the proposals, along with representatives from the procurement office and other interested offices within the agency. In the next stage, the program office recommends a winner and the same commission meets to review it. Technical quality and price are both considered.

In model A, the panel scoring the proposals consists of a staff member or two from the program and several from the central research office. The panel recommends the winner to a senior official, who usually makes only a pro forma review before giving approval.

For smaller competitions, the procedures are less rigorous. In Hungary, only the program office assesses the proposals for such procurements. Indeed, the competition in some agencies is strictly on the basis of price. Those interviewed in offices with this practice asserted that research proposals were too subjective to use standard criteria for assessment. The RFP requires that a bidder demonstrate it has the basic competence to do the work, but the RFP does not require the proposal to discuss how the contractor would carry out the work. The deliverables required are stated in the RFP. The winner is the firm offering the lowest price among those firms deemed qualified to do the work. Clearly, with only three firms necessary for a competition and with these firms being invited by the program office, considerable scope for collusion and favoritism exists.

*Negotiating the contract.* For full and open competitions, the universal practice is that strictly contractual matters, such as the conditions stated in the draft contract about the firm’s right to publish the results, are the responsibility of the procurement office. Under model B, the procurement office also negotiates with the contractor about adjustments to the scope of work, presumably on the advice of the program office. In model A, the central research office has a more active role in negotiating these changes but works closely with the procurement office.

Again, practices differ for the smaller awards. In many instances the program office negotiates and signs the contract. In other cases the procurement office executes the contract on the recommendation of the program office.

*Quality control and acceptance of deliverables.* In both models B and C, the program office is responsible for working with the contractor over the life of the project to insure that acceptable quality work is prepared. The same office formally accepts contract deliverables. In model A, these are tasks of the central research office. In short, the program office or central research office is the real client for the research.

In most countries, the responsible offices have some kind of external review of the work being done. In Hungary, one office reported that the oversight consists of checking the physical presence of reports and CD-ROMs submitted for each project. In Russia’s Ministry of Economy, an especially appointed commission reviews the products to certify they meet the contract’s requirements.

The foregoing outlines the workings of the research acquisition cycle common to government agencies in many countries. The starting point for a think tank to be successful in winning contracts is understanding the specifics of the contracting process of the agencies with which it works. As indicated, not all agencies have the same practices. How to market effectively to each office depends critically on how it organizes its procurement process.