No. 22011/05/2010 SR (CCTNS)  
Government of India  
Ministry of Home Affairs  
CS Division

NDCC-II, New Delhi,  
Dated- 30 June, 2013

To

1. ACS(Home)/Principal Secretary/Home Secretary  
2. DGPs of States  
3. DGP/IGPs of UTs  
4. All the Nodal Officers, CCTNS Project

Sub: Change in SI Payment Terms – CCTNS Project

The Crime and Criminal Tracking Network and Systems (CCTNS) is a mission mode project under the National e-Governance Plan of Government of India and is a 100% centrally sponsored project of the Ministry of Home Affairs aimed at creating a comprehensive and integrated system for enhancing the efficiency and effectiveness of policing. The Union Cabinet while sanctioning the CCTNS project had approved an integrated bundle of services approach wherein services such as site preparation, hardware installation, application customization and implementation, training, digitization of historical data and handholding were bundled together as an exclusive responsibility of the System Integrator and the payment terms were to be staggered based on milestones of completion of activities. However when the draft RFP for the CCTNS project was circulated to State/UTs the payment terms of SIs were also based on delivery of all the services (bundled together) for all the offices in a district which is treated as a unit for payment. The milestones and payment terms as suggested in model SI RFP were released to State/UTs.

2. Almost none of the projects were moving into the fast track implementation phase and the expected expenditures levels were not being met which was leading to adverse criticism from the Parliamentary Standing Committees and internal reviews as this was a flagship project of the Home Ministry which was expected to improve the internal security situation in the country. A project review meeting was held under the chairmanship of Union Home Secretary on 7th November 2012 as the progress of the project was not on expected lines, wherein inter-alia it was directed that the CCTNS project would need to go for an accelerated implementation across all States/UTs irrespective of the milestones given in the project SI contract document. Subsequent to the meeting, the Union Home Secretary directed that all districts must Go-Live by 31st Mar 2013. Post this directive, the matter was discussed with the States and the
NCRB and a revised presentation was made to the Home Secretary on the 7th January 2013 during the NCRB review and the timelines decided were as follows: 1st 2000 sites were to be covered by 31st January, next 6000 sites by 31st March, next 10,000 sites by 30th June and the remaining by 31st August 2013. Accordingly a letter was issued to all State/UTs by the Joint Secretary while directing to complete all the implementation activities, except CAS customization, at all the sites across all State/UTs by 31st August 2013. The letter further specified that each State shall achieve implementation of the project across a certain target sites by 31st Mar 2013, 30th June 2013 and finally across the remaining sites by 31st Aug 2013.

3. Subsequently, reviews were conducted with State Nodal Officers of CCTNS on 1st February, 8th March, 2nd May and 29th May 2013 but unfortunately even though the SIs did respond in most cases to the revised time-schedule by placing orders for the equipment the important activities like site preparation and data digitization were still lagging based on the revised timelines. Feedback elicited in the reviews revealed that there was uncertainty as to whether the SI would be able to realize the investments made project in a realistic period of time due to various dependencies. Hence some of the States as well as the SIs had suggested that the payment terms would need to be revised if the revised timelines would have to be adhered to because of certain adverse situations which are not contemplated within the contract and which are not attributable to the SI.

4. The SI has been entrusted with a bouquet of services and he is expected to ensure that all the delivery of all the services is made satisfactorily on time even if they are inter-linked as he has complete control of all the circumstances with respect to these services. Unfortunately the roll out of the CCTNS project is also dependent on other agencies such as the delivery of certified Core Application Software (CAS) by SDA and the provision of network connectivity in all police stations (VSAT connectivity and point-to-point leased line connectivity which are still not settled) which are lagging behind. Moreover, even though the SI is responsible for all the earmarked services there might not be perfect coherence in activities due to certain incongruities in the supply chain for the services to be provided by him. Hence there is a need for bringing in flexibility to incentivize the supply chain thereby expediting the implementation of the project subject to an overall check to ensure that a particular service is not neglected completely. This implies that a revised payment terms would need to be proposed based on an unbundled and milestone based approach. Under this approach, each activity would need to be treated individually and the payment is linked to either delivery of a component/service or an outcome of a milestone or delivery of a certain output.

5. CCTNS project is at a very critical juncture of implementation at the moment. Considerable hard work has been put by States/UTs, System integrators (SIs) and State
Project Management Units (SPMUs) to ensure smooth implementation of the Project, but still a lot of States/UTs are reporting very slow progress in the Project implementation by System Integrators. The contracts have all been entered into by the States/UTs based on the model RFP which has been circulated by us. It is expected that the proposed payment terms will not only expedite the progress of implementation but also provide the following benefits:

a) Steady cash-flow with the Systems Integrator allowing the SI to deliver at the required pace.

b) Since 25% of the total payment due shall still be retained by the State/UT, the SI will be motivated to deliver, commission and provide the required service to the best of his abilities

c) Reward for the SIs which deliver on time, Penalty for the SIs which fail to deliver

d) Improvement in Funds Utilization levels across the country

6. The revised payment terms & their elementary features and the detailed justifications for the same are placed at Annexure I & II respectively. The States and the UTs may now consider amending their respective contracts in mutual agreement with their SIs, after obtaining approvals from the State Apex Committee, in line with the revised payment terms, as suggested herewith.

(Ashutosh Jain)
Director (CS)
Telefax: 23438147

Encl: Revised Payment Terms & their elementary features and the detailed justifications for the same

CC:
2. All SPMUs
3. All SIs
Annexure - I

The elementary features of the revised payment terms are as follows:

a) **Need for Unbundling of Activities performed by the SI**- As per the proposed payment terms, the services being provided by the SI are being un-bundled into:
   - **Material Supplied**: Example- Hardware Procurement and commissioning for SDC/ DR/ Police Station & Higher Offices.
   - **Output based contract**: Example- Data Digitization, Capacity Building, Trainings etc.
   - **Outcome based contract**: Example- CAS customization.

   The un-bundling becomes necessary to de-link the payment milestones from go-live and to make sure that SI gets paid for whatever it delivers and commissions.

b) **Penalty Clause**- The Payment terms also include a penalty clause, meaning, if they don’t deliver by a stipulated date, they can be penalized up to 10% of the amount due (to be paid to the SI) on that particular date.

c) **Need for deployment of more resources**- Now that the project implementation is expected be done in an accelerated manner, SIs need to put in more resources at the earliest. To meet the demand of the project, SIs will have to finish all implementation activities latest by the stipulated timeline (31st Aug 2013).

The revised payment terms are given below:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Payment Head</th>
<th>Payment Terms (Milestones)#</th>
<th>Type of Contract</th>
<th>Payment Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Advance Payment</td>
<td>The Advance payment clause will remain as specified in the RFP/Contract between the SI and the State</td>
<td>NA</td>
<td>One Time (if applicable)</td>
</tr>
<tr>
<td>2</td>
<td>Site Preparation (Including Electrical fittings, Earthing, LAN cabling, Furniture etc)</td>
<td>Payment to be made monthly on a pro-rata basis for the number of Sites prepared and audited by the State/SPMU/Any other agency specified by the State</td>
<td>Output Based Contract</td>
<td>Monthly - Pro-rata</td>
</tr>
<tr>
<td>3</td>
<td>Hardware for</td>
<td>1. 65% - on Delivery &amp; Material</td>
<td>Monthly – Pro-</td>
<td></td>
</tr>
<tr>
<td>S. No.</td>
<td>Payment Head</td>
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<td>------------------</td>
</tr>
</tbody>
</table>
| 4      | PS/HO (PC, UPS, Printer, Electronic Pen, digicam etc) | 1. Commissioning of all line items (except Genset).  
2. 35% would be retained and paid when go-live happens  
3. Payment to be made Monthly on a pro-rata basis on the items delivered and commissioned with offline CAS application. | Supplied Contract | rata |
| 5      | Hardware - Genset | 1. 65% payment on Delivery & Commissioning of Gensets / inverters.  
2. 35% would be retained and paid when go-live happens  
3. Payment to be made Monthly on a pro-rata basis on the items delivered and commissioned with offline CAS application. | Material Supplied Contract | Monthly - Pro-rata |
| 5      | Data Centre | 1. 65% payment on delivery & Commissioning of Hardware for DC.  
2. 35% would be retained and paid when go-live happens  
3. SI to provide undertaking stating that any movement of installed/commissioned hardware (if required) will be taken up without any additional cost. | Material Supplied Contract | On Delivery & Commissioning |
| 6      | Disaster Recovery Centre | 1. 65% payment on delivery & Commissioning of Hardware for DR.  
2. 35% would be retained and | Material Supplied Contract | On Delivery & Commissioning |
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<th>Payment Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>paid when go-live happens</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>3. SI to provide undertaking stating that any movement of installed/commissioned hardware (if required) will be taken up without any additional cost.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>4. SI to provide undertaking stating that any movement of installed/commissioned hardware (if required) will be taken up without any additional cost.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>5. SI to provide undertaking stating that any movement of installed/commissioned hardware (if required) will be taken up without any additional cost.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>6. SI to provide undertaking stating that any movement of installed/commissioned hardware (if required) will be taken up without any additional cost.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>7. SI to provide undertaking stating that any movement of installed/commissioned hardware (if required) will be taken up without any additional cost.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Data Digitization and Data Migration</td>
<td>1. 65%- On Digitization/Migration of complete Data. 2. 35% would be retained and paid when go-live happens</td>
<td>Output Based Contract</td>
<td>On Digitization &amp; Validation</td>
</tr>
<tr>
<td>8</td>
<td>Training- CB and Change Management</td>
<td>1. 100% payment – pro-rata for each trainee who has passed the training assessment. 2. Payment to be made on a monthly basis on the quantum of personnel trained</td>
<td>Outcome Based Contract</td>
<td>Monthly - Pro-rata</td>
</tr>
<tr>
<td>9</td>
<td>Customization of CAS</td>
<td>1. 15% on Vetting of FRS, SRS and Gap analysis document. 2. 35% on completion of Design and Coding. 3. 35% on completion of System Integration Testing and User Acceptance Testing. 4. 15% on Final Delivery.</td>
<td>Outcome Based Contract</td>
<td>On Deliverables</td>
</tr>
<tr>
<td>10</td>
<td>Handholding</td>
<td>Handholding term shall start from</td>
<td>NA</td>
<td>For a period of</td>
</tr>
<tr>
<td>S. No.</td>
<td>Payment Head</td>
<td>Payment Terms (Milestones)#</td>
<td>Type of Contract</td>
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<td></td>
<td>Support</td>
<td>1st April 2013 as per existing terms of contract for sites which are already on-line. For those sites that will come on-line after 1st April, then handholding support will start to assist the office as and when commissioned or as per the requirements of the Nodal Officer.</td>
<td></td>
<td>6 months/12 months (if single support is deployed for two sites), as applicable</td>
</tr>
<tr>
<td>11</td>
<td>Warranty</td>
<td>The warranty for the hardware and software installed will start from the date of commissioning.</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>against hardware and software</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Penalty Clause</td>
<td>System Integrator shall be penalised, if he fails to deliver on the due dates of 30th June 2013 and 31st August 2013. Penalty shall be to the tune of 10% of the Amount of payment due on a particular date (30th June 2013 or 31st August 2013)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# Wherever 10% of the implementation cost is given as mobilization payment, all payments should be calculated at 90% of the total implementation cost.
Annexure - II

The justification for the change in payment terms is as follows:

a) **Slow progress by SIs and need for Delinking of SI payment terms from Go-Live** – as per the current payment terms, the SI would be paid for the Go-live for completing the entire work for all the police stations and higher offices in a district. This would imply that even if one police station or higher office is not commissioned (site preparation, data digitisation for 10 years, network connectivity to be supplied by BSNL, customised CAS to be installed) under any circumstances then the entire district payment would be held up. Thus as per the existing clauses in the SI agreement, the SI can be released a payment only when a particular milestone is met, i.e. specific numbers of districts to Go-Live. It needs to be pointed out here that Go-live of sites has dependencies on a lot of components, like Data Digitization, Deployment of Hardware, Network Commissioning and CAS customization etc; not all of which fall under the purview of the System Integrator. The concept of de-linking the SI payment from Go-live shall ensure that even if few of the activities (having dependencies on other/external agencies) are not fully completed, SI can still be paid.

b) **Delay in CAS**- A key reason for adopting the proposed payment terms is that CAS development has been delayed and hence its customization by the SI cannot be linked with payment milestones of the SI. CAS release to States/UTs has dependency on development & debugging by the Software Development Agency (SDA) and subsequent testing and certification by STQC. CAS handover to States has been delayed because of un-foreseen reasons on account of the SDA and STQC certification and the process of STQC certification is likely to take a couple of more months. The certified version of CAS shall later on be shared with the SIs which can be customized as per States' needs. Till that time, the SIs shall need to work on uncertified version of CAS. Hence even if the SI were to complete his work in a district due to the non-availability of CAS for customisation he would not be able to get any payment.

c) **SI's need steady Cash-flow for reduction in timelines for rollout**- SIs in the various review meetings at the Center that their slow progress can be attributed to the fact that very few payments have been made by the State/UTs to them in spite of the SIs incurring huge expenditure on procurement of hardware for sites. The roll out plan shared with States is based on implementation completion at a specific number of locations and not on Go-Live of districts with
customized CAS. This roll-out plan had compressed the implementation timelines from 18 months to 6-9 months duration. With the compressed timelines, SIs shall need to complete a greater number of activities but in a reduced time interval. SIs would also be required to invest more money for procurement and commissioning of hardware and other infrastructure components across all locations by 31st August 2013. To do so, the SI will need enough cash-flow, so that they can meet their costs. If the SI does not get paid for what they deliver and commission, they might not be able to complete implementation across all the locations and meet the specified timelines. Hence, the payment is proposed to be made in a staggered way, without necessarily having to wait for the specific number of districts to go-live by a particular date.

d) **Provision of VSATs in some Police Stations** - Over 817 police stations need VSAT connectivity which the BSNL would need to provide. However the solution of the BSNL to provide it through the IPStar satellite of M/s Thaicomm was not accepted as it would be a security risk. This has perforce led to a revision of the approach as Indian satellites would need to be used and the line of action needs to be approved and even after approval, the lead time is not less than 6 months. Hence non-provision of network connectivity in one police station in a district would lead to non-payment as per the current payment terms to the SI and the VSAT problem would impact atleast 100 districts. The BSNL has been able to set up the VPN over Broad Band connections very quickly as the required infrastructure was completely internal to them however in over 10% of the sites, which need to be setup using the State Wide Area Network (SWAN) through the local SWAN operator there are significant obstacles which have come up and need to be addressed through greater coordination with other agencies including the district administration. It is anticipated that there would be delay in this case also for which the SI would be denied payment as the network connectivity would not be completed.

e) **Low Utilization of Funds** - The utilization of the funds released to the State/UTs is very poor, due to which MHA has not been able to release fresh funds to the State/UTs in line with the MoF instructions. As has been pointed out previously, there is very less off take of funds by SIs, the States are having heavy cash balances to the tune of Rs. 250 crores. In case a revised payment schedule is
approved, this would also allow the State/UTs to release funds to the SIs and hence improve their utilization. This would enable MHA to release more funds in line with its budget estimates and the projected expenditure plans.

f) **Execution of other activities**- The States/UTs not only need to complete the project as per the revised timelines, but also need to start implementing other activities like

- Provision of CCTNS hardware and infrastructure across CIPA Phase II and III Sites
- Inclusion of new Police Stations/ Higher offices set up across the country post 31st Mar 2011
- Implementation of Specialized Solutions and infrastructure components

Unless the current CCTNS project plan is completed on time, Ministry shall not be able to begin work on these enhancement initiatives.