14.1 Microsoft Enterprise Agreement

A proposal was submitted by three companies for the setting up of a National IT Foundation for IT Dissemination and Education, which would be financed by themselves. Government was invited to become a founder member. The main objectives of the Foundation would be:

- Donation of second hand refurbished Personal Computers with Microsoft Licences totally free to 20,000 poor families over the next five years by the Foundation;

- Donation to Non Governmental Organisations (NGO) of some 10,000 second hand refurbished Personal Computers with Microsoft Licences totally free by the Foundation; and

- Setting up of an NGO IT Academy to provide free classes in IT to train IT Teachers and NGO staff and trainers.

Another component of the project was in respect of e-waste and environment wherein one of the companies endeavoured to recover all electronic waste for recycling purposes and resale. The three founder members (the three companies) would each contribute US $ 100,000 yearly for five years to implement the project. Government would not have any financial commitment by being a founder member.

As a counter part to this proposal, one of the companies requested that the Government Microsoft Licences be regularised. The total cost for regularising the Licences was US $ 8.05 million (including VAT) for the coming five years based on an estimation of 7,000 Personal Computers currently being in use in the public sector. The full amount should be paid by Government on signature of the Agreement.

The products included in the offer under the Microsoft Enterprise Agreement were as shown in Table 14-1.


<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity (Units)</th>
<th>Unit Price (US $)</th>
<th>Total Price (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro Desktop Listed Licence</td>
<td>7,000</td>
<td>993</td>
<td>6,949,250</td>
</tr>
<tr>
<td>Configuration Manager Server</td>
<td>2</td>
<td>866</td>
<td>1,732</td>
</tr>
<tr>
<td>Exchange Server</td>
<td>4</td>
<td>6,045</td>
<td>24,181</td>
</tr>
<tr>
<td>Office Sharepoint Server</td>
<td>2</td>
<td>6,687</td>
<td>13,374</td>
</tr>
<tr>
<td>Windows Server</td>
<td>10</td>
<td>1,096</td>
<td>10,964</td>
</tr>
<tr>
<td>Microsoft Support Services</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total without VAT</strong></td>
<td></td>
<td></td>
<td><strong>6,999,501</strong></td>
</tr>
<tr>
<td>VAT @ 15%</td>
<td></td>
<td></td>
<td>1,049,925</td>
</tr>
<tr>
<td><strong>Total with VAT</strong></td>
<td></td>
<td></td>
<td><strong>8,049,426</strong></td>
</tr>
</tbody>
</table>

Moreover, in addition to regularising Microsoft Licences for all computers in Government, 7,000 Microsoft Office Professional Plus Licences would be offered free of charge to 7,000 Civil Servants for their home Personal Computers.

The Agreement was signed on 27 June 2008, and a sum of Rs 223,070,542 was paid.

A Steering Committee had been set up under the chairmanship of the Prime Minister’s Office to ensure and oversee the implementation of the Microsoft Enterprise Agreement.

14.1.1 Stand of the Ministry of Information Technology and Telecommunications

The proposal was submitted to the Ministry of Information Technology and Telecommunications (MITT) (now Ministry of Information and Communication Technology) two years ago, but no action was taken, as the Ministry did not agree to the proposed terms and conditions. MITT was of the opinion that Government was never in an irregular situation and that there were no pirated copies of Microsoft Software in any of the Personal Computers used in Government. All technical specifications for procurement of Personal Computers in the Government’s service were done by MITT and it always ensured that licences were purchased with Personal Computers. Some of them were purchased over the past years without Microsoft licences because they were to be used on non-Microsoft Software.

After discussion, it was agreed that the term "regularisation of Government Microsoft Licences" should not be referred to.
14.1.2 Microsoft Licences

The number of Microsoft Licences that would be required for future procurement of servers and Personal Computers over the next five years was not worked out, nor any study carried out by the Central Informatics Bureau or the Central Information Systems Division to determine the software needs of Government for Microsoft products. It is not known how the figure of 7,000 users was arrived at.

In order to reap the maximum benefit from this Agreement, all licences should be distributed within the shortest possible time frame. As of end of August 2008, Ministries and Government Departments were not yet informed that there is a pool of some 7,000 Microsoft Licences, MS Office and Client Access Licences that had been acquired for future procurement of computer equipment. No procedures have yet been set up to ensure that these licences are not procured together with the computer equipment by Ministries and Government Departments.

Moreover, the Steering Committee has not yet come out with the list of the 7,000 Public Officers who would be provided with the Microsoft Office Professional Plus Licences for their home Personal Computers free of charge, nor have the criteria for the selection of these officers been worked out.

Ministry’s Reply

The implementation of the above facilities would necessitate time and changes in the way Government works. A gradual approach with the involvement of five pilot Ministries is being envisaged before rolling out to all Ministries and Departments.

14.1.3 Price of the Microsoft Licence

According to MIIT, the price of the Microsoft Office Licences was excessively on the high side, costing nearly Rs 25,000 (actually Rs 31,600), when same could be purchased for less than Rs 10,000 in the market. Moreover, the price of each of the Microsoft Licence included four Client Access Licences (CAL), costing altogether more than US $ 200 (Rs 6,300).

The CAL allows Personal Computers to be connected in a network on a Windows Server. According to one of the companies, Government had so far only purchased 785 such licences for over 5,000 users connected to the Government On Line Centre (GOC). However, MIIT was of the opinion that CAL was not required at the GOC, being given that the licensing policy adopted is “per processor based”. It was stated that even if Government had to account for the alleged CAL, this would be for only one (costing less than US $ 30) out of the four CAL. Hence, the three CAL might not be required.
Ministry’s Reply

- The cost of the licences covered the cost of all future upgrades. New versions of the software would be made available for all the Personal Computers covered by the Agreement at no additional cost in the course of the five year period.

- An Implementation Committee set up under the aegis of the Ministry of Information and Communication Technology was looking into the avenues to optimise the use of CALs.

14.1.4 Products to be Provided

Included in the Agreement was the supply of two Configuration Manager Servers (Rs 27,800 each), four Exchange Servers (Rs 192,600 each) and two Office Sharepoint Servers (Rs 213,100 each). According to MITT, most of these software were not required in the Civil Service.

The Ministry has informed me that the Communicate Pro Licence, which is being used by the GOC e-mail Server will expire in December 2008. The Exchange Server and Office Sharepoint Server could be run in parallel and all systems transferred to Exchange and Sharepoint on the expiry of the Communicate Pro Licence.

Ministry’s Reply

The Implementation Committee was looking into the possible uses of these licences.

14.1.5 Performance Bond

A Performance Bond of US $ 804,943, representing 10 per cent of the total contract value, valid for five years from the date of signature of the Agreement was to be submitted to the Ministry. The Performance Bond submitted was dated 27 August 2008, that is some two months after signature of Agreement, and was valid only up to 27 June 2009, instead of up to 27 June 2013.

Ministry’s Reply

The Performance Bond would be renewed every year over the duration of the Agreement.
14.1.6 Creation of the National IT Foundation

As of end of August 2008, no action has yet been taken for the setting up of the IT Foundation. This was one of the main reasons for Government to enter into the Microsoft Enterprise Agreement. It is not known when the Foundation will start its operation and how the distribution of the 20,000 Personal Computers to the poor families and the 10,000 to the NGOs will be done. No mention was made about it in the Agreement signed with Government. The yearly contribution of US $ 100,000 by the three “founder members” has yet to be made.

Appropriate legislations to prevent illegal dumping of e-waste in the country have also not yet been introduced.

Ministry’s Reply

- A first meeting of the Management Committee of the Foundation was held in August 2008. A presentation on the Foundation was also held in September 2008.

- Government was already working on anti-dumping legislation and it was expected that e-waste would also be covered.