

Brief Report

Workshop on Public Procurement Practices, 19-20 December 2014 held at State Planning Institute, Lucknow, Uttar Pradesh

Funded by the World Bank Group and established at IIM Lucknow, the public procurement observatory for the state of UP studies public procurement and supply chain practices. The observatory's objective is to work with UP government to make a positive impact on public procurement in the state. Using workshops and deliberations, it tries to highlight the potential for improvements which may have significant impact on effective delivery of services to the citizens in the state in the long run.

In continuation to its earlier efforts, the public procurement observatory for the state of UP in collaboration with the UP state planning department and the World Bank conducted a Workshop on Public Procurement Practices during December 19-20 2014 at State Planning Institute, Lucknow, Uttar Pradesh. Participants were drawn from various Uttar Pradesh Govt. departments and training Institutes (list attached at the end of report), NIC, IIM Lucknow and the World Bank. The participants drawn from various Uttar Pradesh Govt. departments and training Institutes are to work as trainers for state department personnel on procurement practices.

The workshop was inaugurated by the Principal Secretary (Planning), Uttar Pradesh. He also set the agenda for the workshop. He wished that the workshop would serve as a platform for 'training the trainers' who would subsequently carry out extensive training of state department personnel on procurement practices. He hoped that the workshop would result in developing a year long roadmap of working together towards improving public procurement policies and practices in the state. He observed that procurement in public private partnership projects are of utmost importance for the government of UP as the state needs huge investments in creating requisite infrastructure for delivery of services to the citizens in the state. It was followed by a welcome note from the Public Procurement Observatory team. The team highlighted procurement observatory's rationale and the headway it had made since its establishment in July 2013.

The workshop started with the introduction of the concepts of procurement and public procurement. Participants were made aware about various popular sourcing strategies used in corporate sector. Major

emergent trends in sourcing too were discussed along with concepts like Vendor Managed Inventory (VMI). Roadblocks to strategic procurement were also discussed from both corporate and public procurement perspectives. Thereafter, benchmarking as a tool to understand and improve the tendering process was explained to the participants. Features of visualization tool used for benchmarking and comparative analysis at procurement observatory's web site (www.procurementobservatoryup.com) were shared with the participants. They were told that the observatory team intends to add a few more states and public sector undertakings over the next few months whose tendering data is available on NIC e-tendering portal.

Working of NIC e-tendering platform along with its various modules was discussed in detail so that the users become familiar with the interface and its back-end. Modules related to tender management, bid submission, bid evaluation (both technical and commercial), award of contract as well as user and bidder registration were discussed and related doubts of the workshop participants were clarified. The participants were also informed that a post tendering module has been developed by NIC and has been already pilot tested in Orissa and Tamil Nadu.

The second day started by a session on enhancing procurement capacity using the procurement learning portal by the World Bank Group. Capacity building challenges in public procurement in South Asian context were discussed. It was shared that more than 10 million individuals are engaged in public procurement activity at different levels. Therefore, there is an immense need for process and practice standardization and skill up-gradation. Strategies for procurement capacity development were discussed. The participants were told that the Governance Global Practice- Procurement of the World Bank has initiated development of a dedicated procurement learning website and courses in partnership with leading academic and management institutions in South Asia including a few in India.

Procurement in public private partnership projects being of utmost importance for the government of UP, different models of infrastructure provisioning were discussed with the participants by the World Bank personnel. Types of PPP arrangements, distinctions between traditional and PPP contracts as well as PPP project development & procurement process were discussed at length with case examples. Concepts like the Swiss challenge method too were discussed. Further, provisions on PPPs in the World Bank procurement guidelines were also shared. Thereafter, PPP procurement policy and guidelines for the state of UP were shared with the participants by an expert from Pradeshiya Industrial & Investment Corporation (PICUP). It was shared that the PPP & divestment guidelines are in line with the Financial Handbook Rules, Vol. 5(1).

The highlight of the workshop was a brainstorming session on issues in public procurement faced by officers in UP Government which was moderated by the Public Procurement Observatory team. A few interesting observations and reflections of this session are listed below:

1. A very strong need for training and capacity building on public procurement was felt. This could lead to easier, efficient, economic and more transparent procurement process. Vendors also need to be trained extensively for e-tendering. A 3-4 days module needs to be developed for the trainers and subsequently the training programs for state department officials can be carried out. The State Planning Institute agreed to identify the final list of selected resource persons/master trainers. The course agenda and materials for this program on public procurement should follow Uttar Pradesh rules and guidelines. The World Bank offered to extend support through its experts on Indian systems of procurement and its procurement panel members located in Lucknow/Uttar Pradesh.
2. The existing financial rules and guidelines need to be reviewed on urgent basis for goods, services and works. Efforts should be made to harmonize the state and central rules so as to prevent any ambiguity and confusion. Policies for specialized services (e.g. consultancy) and specialized projects (e.g. PPP) need to be framed properly. Archaic rules such as mandatory newspaper advertising for any procurement above Rs 50 thousand needs to be modified/ done away with in these changed times. Many other financial rules and policy changes are required. In fact, a thorough review, updation and standardization of procurement policy is the need of the hour. It was felt that a standardized manuals (similar to handbooks on election law - in terms of comprehensiveness) would make the procurement process quicker, easier, unambiguous, economic and more transparent. Further, periodic review of these rules and guidelines should be followed in future through Periodic Policy Review Commissions.
3. There are some issues related to vendor registration and blacklisting as well as payment which need to be resolved. Vendor registration and blacklisting processes need to be simplified. Perhaps an electronic platform could be a good solution. Presently, the payment has to be approved by the treasury; this process too needs to be streamlined and simplified. For example, government may create a “pooling bank account” for government departments and another one for PSUs. A similar practice is already been followed in the state of Kerala.
4. Presently, procurements are based on budgetary provisions and procurement planning & monitoring do not cover timelines. This needs immediate possible process redesign. Further, using NIC's post tendering module may lead to better and auditable procurement planning & control.

5. A strong case for e-procurement was felt. e-procurement not only brings efficiency in public procurement, it also makes the process more transparent and leaves an auditable trail. Such trail will make state wide procurement management information available for useful analysis or policy formulation. Thus, it is highly recommended that the e-Tendering should be made mandatory for the state of Uttar Pradesh as well.
6. As e-tendering use isn't mandatory in Uttar Pradesh, the number of tenders on e-tendering portal is still quite limited. Presently, departments like PWD carry out e-tendering for procurement over Rs one crore only. The participants felt that e-procurement should be made mandatory for all tenders above Rs 25 lacs.
7. It was further agreed that interested participants and other volunteers may enroll for the free online Certificate Program in Public Procurement (CPPP) for enhancing capability in public procurement. The State Planning Institute and other representatives from various state institutions to enroll their faculty and other resource persons for the program.
8. The participants also felt that the state may think about establishing a nodal agency for government purchasing along with a procurement Ombudsman.
9. Ideas like buy-back for e-waste may be considered in IT procurement policy.
10. E-procurement should be covered in training programs at state training institutes. The deliberations clearly show the potential for improvements in procurement processes in U.P., which may have significant impact on effective delivery of services to the citizens. The observatory team stated that their objective is not finding faults but they are committed to work with U.P. government to have a positive impact on public procurement in the state. The workshop ended with a vote of thanks by the Director of the State Planning Institute.

Please visit www.procurementobservatoryup.com for comparative analysis of public procurement performance and other relevant material. For further information please feel to contact:

Prof Samir K Srivastava
samir@iiml.ac.in
+91-9452903568

Prof Amit Agrahari
amit@iiml.ac.in
+91-9793163170