Public Procurement Observatories in India

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### Abbreviations and Acronyms

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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AIM</td>
<td>Assam Institute of Management</td>
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<td>CART</td>
<td>Centre for Consumer Action, Research and Training</td>
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<td>CIRC</td>
<td>CUTS Institute of Regulation and Competition</td>
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<td>CUTS</td>
<td>Consumer Unity and Trust Society</td>
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<tr>
<td>EPC</td>
<td>Engineering Procurement Construction</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IGPRS</td>
<td>Indira Gandhi Panchayati Raj and Gramin Vikas Sansthan</td>
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<td>IIM</td>
<td>Indian Institute of Management</td>
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<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>NGO</td>
<td>nongovernmental organization</td>
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<td>NH</td>
<td>National Highway</td>
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<td>NIB</td>
<td>Notices Inviting Bids</td>
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<td>NIT</td>
<td>Notice Inviting Tender</td>
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<tr>
<td>PHED</td>
<td>Public Health and Engineering Department</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>PSU</td>
<td>Public Sector Undertaking</td>
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<td>PWD</td>
<td>Public Works Department</td>
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<td>RMSC</td>
<td>Rajasthan Medical Services Corporation</td>
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<td>RTPP</td>
<td>Rajasthan Transparency in Public Procurement (Act)</td>
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<td>SOE</td>
<td>State Owned Enterprise</td>
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<td>SPFC</td>
<td>State Procurement Facilitation Cell</td>
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<td>SPPP</td>
<td>State Public Procurement Portal</td>
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<tr>
<td>UNCITRAL</td>
<td>United Nations Commission on International Trade Law</td>
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<td>UP</td>
<td>Uttar Pradesh</td>
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Executive Summary

Transparency and accountability constitute central pillars of any public procurement system and it is widely accepted that public and civic oversight can help in identifying inefficiencies, thereby increasing effectiveness of procurement processes for improved service delivery to citizens. Even though governments in developing countries are working towards modernization of procurement, there is major scope for improvement of procurement policy as well as performance. Also general public and civil society is mostly unable to demystify the policies and data available in the public domain because of the complex/technical nature of policies and raw data in different formats scattered over multiple places.

India is a fairly large country (second in terms of population and seventh in terms of economy in the world) and runs social welfare programs of mammoth size, which require massive procurement of commodities and services. However, there are many high profile public procurement cases under the scanner of supreme auditors, investigation agencies and courts. Thus, there is clear scope for improvement in public procurement.

A model that has been tried in some countries to enhance civil society engagement is the Procurement Observatory. Procurement Monitor in Nigeria (www.procurementmonitor.org) has been an early mover in this domain. In India, the World Bank supported setting up of five procurement observatories (one at the federal level and four at the sub-national level) from 2013 onwards. The main objectives of Indian procurement observatories are collection and analysis of procurement (including contract implementation) related data based on key performance indicators, analysis of procurement policies, rules, and so on, and their actual implementation; and sharing the findings with the government, citizens and other stakeholders through workshops, seminars, websites and other means. Due to different operating environments in each state, Indian observatories followed slightly different models as described in this report.

The purpose of this report is to recap experience of second phase of this Project under which four of the observatories were supported. This report is structured observatory-wise and brief summaries of the activities of the observatories are described in this report. More details are available at websites of respective observatories.

Lessons Learned in India: One of the biggest challenges has been getting data for analysis as many states still predominantly use manual procurement. Even in tenders using e-procurement systems, it is not possible to access back-end data for analysis. To overcome this, more advocacy efforts are required from observatories to promote open contracting. It is also critical to identify most appropriate indicators (not too many) for measuring procurement performance. Constructive dialog with the government is very important as ownership by government provides legitimacy to the observatory and also facilitates faster improvements in procurement policies and performance. Observatories need to add value by analyzing
and interpreting data as well as demystifying policies for the benefit of civil society and taxpayers and they should not end up just accumulating data or compiling policies, rules, and regulations.

Like any other start-up, observatories also require additional efforts and resources in the initial phase, which is now over. They now have some brand equity as well as a business model to continue (this is reflected in website traffic, which is about 1,000 hits/month for all observatories together). One remaining challenge, however, is to sustain the observatories beyond World Bank support by either providing value-added priced products/services to the public or private sector, or by seeking support from other donors or government agencies.
Uttar Pradesh Public Procurement Observatory
1. Uttar Pradesh Public Procurement Observatory

Introduction

Uttar Pradesh (UP) is the largest state of India (in terms of population) and second in terms of state Gross Domestic Product (GDP). The state spends around US$30 billion annually on public procurement. The UP observatory was set up in 2013 by the Indian Institute of Management (IIM), Lucknow (http://www.iiml.ac.in), one of the most reputed business schools of the country. The observatory pursues qualitative and quantitative analyses of public procurement across various Indian states and State Owned Enterprises (SOEs) and shares them with government officers and citizens through a portal, blogs, tweets, newsletters, workshops and training sessions. By observing procurement processes and advocating better procurement practices, it aims to encourage significant savings in public procurement.

Major Activities

Website: An interactive web portal (http://www.procurementobservatoryup.com) was set up in 2013. In 2015, the quality of the website was enhanced significantly with value-added features such as more information, better aesthetics, data on public procurement policies as well as blogs and periodic newsletters aimed at increasing traffic. Figure 1.1 shows a snapshot of the website.

Figure 1.1. A snapshot of the UP procurement observatory website

Designing Key Performance Indicators (KPIs): The observatory designed KPIs covering aspects such as measuring efficiency, economy, and transparency in public procurement; and measuring fair and equitable treatment of vendors and promotion of competition.

Detailed Analysis of Procurement Performance of State Government Entities and SOEs: A unique feature of this observatory is a visualization tool, which allows comparison of procurement performance on
multiple parameters among many Indian states based on extraction of live data. As of now, eight Indian states and a few SOEs are being analyzed. A sample report of this analysis is given in Figure 1.2.

**Figure 1.2. A sample report using the visualization tool**

![Data Extraction for Visualization Tool](image1)

Using states’ e-Tendering portals, data is extracted for successfully awarded tenders.

![Data Visualization Tool](image2)

Allows users to select Key Performance Indicators, Tender categories, form of contracts, it allows comparison across states and departments.

**Research Papers Produced by the Observatory:** A paper entitled ‘A multi-method benchmarking approach to improve public procurement tendering process in the state of Uttar Pradesh’ has been submitted to *The Economic and Political Weekly* for publication. Research work done by the observatory was recently recognized by Emerald Group of Publications, when the observatory was declared a runner-up for the 2015 Emerald/IAM India Research Fund Award. The award was decided based on criteria such as the work should be of significance and, in particular, illustrate how it will benefit the social good; demonstrate originality and innovation; make an outstanding contribution to theory and its application; illustrate the appropriateness and application of the methodology; and demonstrate sound implications for theory and practice.
**Dissemination and Capacity Building Workshops**: The observatory has been conducting workshops on relevant themes (the last two workshops were on how to improve competition in public procurement and on preventive vigilance), where government officials are invited to share their experiences and learn good practices. The observatory team also participated in a Global Procurement Summit (held in New Delhi in April 21-22, 2016) to present its finding to an audience of more than 200 drawn from many countries.

The observatory has also been collaborating within India as well as across the globe with leading institutions such as University of Hull (UK), University of Cincinnati (USA) and Federation University (Australia) for identifying good practices and popularizing them. The institution has contributed to UP’s goods procurement policy; has provided capacity building support to improve the Public Private Partnership (PPP) regime in the state and has provided consulting services to other Indian government bodies to support their procurement process improvement initiatives.

**Citizen Engagement**: The observatory is mainly using its website for citizen engagement. A quick look at the Google analytics report shows that the website was visited by audiences from across the globe with most visitors coming from India, Russia and the USA. A total of 8,344 visitors viewed 12660 pages of the site (during the 27-month period between January 2014 and March 2016). Within India, 2,042 visitors viewed 5,878 pages with most visitors coming from UP, Delhi and Chhattisgarh. In addition, the observatory is mailing its monthly newsletter to about 5,000 citizens. The mailing list is expanding gradually and any interested citizen may register to receive a newsletter through the observatory website.

**Way Forward**

The observatory is looking into consulting and capacity building opportunities to generate additional revenue. Some headway has already been made as the observatory team has secured two consultancy assignments from the Indian Army and a large temple management trust to advice on supply chain management and related issues. The observatory is also planning to launch a management development program in public procurement in the near future.
Rajasthan Public Procurement Observatory
2. Rajasthan Public Procurement Observatory

Introduction

Rajasthan is the largest state of India (in terms of area) and seventh largest in terms of state GDP. The state spends around US$20 billion annually on public procurement and has passed a procurement law based on the UNCITRAL model a few years ago. The observatory has been set up in 2014 by the Consumer Unity and Trust Society (CUTS) Centre for Consumer Action, Research and Training (CART), which is a part of CUTS International, a reputed civil society organization (http://cuts-international.org/cart/).

Major Activities

Website: An interactive web portal (www.procurementobservatoryraj.in) has been set up and news; views, practices and resources relating to public procurement are being uploaded regularly for wider learning and dissemination. A snapshot of the website is given in Figure 2.1.

Figure 2.1. A snapshot of the Rajasthan observatory web page
Use of Social Media: A Face Book page (https://www.facebook.com/ProObRajasthan) has been developed to bring concerned stakeholders together, facilitate discussions, disseminate relevant information and share experiences and knowledge.

Designing KPIs: The observatory has designed eight KPIs covering aspects such as procurement efficiency, transparency, quality of bid documents, registration process for the bidders, complaint management system, and so on. Of these, the following KPIs were then used for measuring and comparing performances of procuring entities:

- Disclosure of Notices Inviting Bids (NIBs) or NITs on State Public Procurement Portal (SPPP), departmental portal and local media;
- Disclosure of contract status for oversight of users/civil society;
- Disclosure of contract award information with quality and rates;
- Disclosure of increase in quantity of the procuring material;
- Disclosure of the time taken in procurement; and
- Disclosure of grievance redressal results.

Detailed Analysis of Procurement Performance of State Government Entities: In the first phase, the Rajasthan Medical Services Corporation (RMSC -- http://rmsc.nic.in) under the Public Health and Family Welfare Department and PWD (http://pwd.rajasthan.gov.in) were selected based on the quantum of their spending as well as importance of their roles. Some info graphs on the actual implementation processes of procurement in the selected entities have been uploaded on the web portal for wider dissemination.

In the second phase, another set of procuring entities such as the Public Health and Engineering Department (PHED) (http://www.rajwater.gov.in); Prosecution and Jail Divisions under the Home Department (http://home.rajasthan.gov.in); all three electricity companies related to electricity generation, transmission and distribution; Jaipur Metro Rail Corporation https://www.jaipurmetrorail.in); and Indira Gandhi Panchayati Raj and Gramin Vikas Sansthan (IGPRS) (http://igprgvs.rajasthan.gov.in) were selected for analysis of their performance.

Research Papers/Notes Published by the Observatory: The first policy note was prepared by the observatory on the overall procurement framework in Rajasthan. The second research paper was on monitoring the implementation of the Rajasthan Transparency in Public Procurement (RTPP) Act, 2012 in Rajasthan. The third research paper is on impact of civic awareness on public procurement performance. All of them are available on website.

Dissemination and Capacity Building Workshops: The first dissemination workshop was organized on July 7, 2015 in Jaipur, which was attended by about 100 officials of the state including Special Secretary (Finance). To evaluate the actual implementation of RTPP Act, 2012 and RTPP Rules, 2013 in selected procuring entities, the second dissemination and training workshop was organized on November 30, 2015 in Jaipur, in collaboration with the State Procurement Facilitation Cell (SPFC), Finance Department, Government of Rajasthan. More than 135 procuring officials from various procuring entities and districts took part in the event.

Citizen Engagement: A brief survey was conducted on the level of consumer awareness about the public procurement framework in Rajasthan. Around 160 respondents were interviewed across 15 districts of Rajasthan. Sixty percent of the respondents were up to 45 years of age and the rest over 45; 71 percent
were males; and 80 percent graduates and above. The majority of the respondents, around 48 percent were working in the private sector, 36 percent ran their own business; 36 percent were self-employed; and around 6 percent were government servants. The survey was conducted from August 3 to 26, 2015, using the structured questionnaires through personal and phone interviews.

The website was also used for connecting with tax payers and papers/notes prepared by observatory are available on it. The number of the visitors to the website total over 17,000, that is, more than 1,000 hits per month. Social media (Face Book) is also being used for citizen engagement.

**Way Forward**

Due to its notable performance, the observatory was able to seek alternative sources of funding for continuing its activities and the Asian Development Bank (ADB) has signed a contract in April 2016 to finance it for another one year. The observatory is also looking into consulting and capacity building opportunities to generate additional revenue.
Assam Public Procurement Observatory
3. Assam Public Procurement Observatory

Introduction

Assam is the gateway to and the largest state of the North-Eastern region of India. The state spends around US$5 billion annually on public procurement, which is rapidly increasing with the development of the region. This observatory was set up in 2013 by the Assam Institute of Management (AIM), Guwahati (http://www.aimguwahati.edu.in), a reputed management education institution of the region. The vision of this observatory is to improve public procurement capacity of Assam’s state departments.

Major Activities

Website: An interactive web portal (http://www.procurementobservatoryassam.in) was set up in 2013 featuring information about the observatory as well as details of research work done by it. A snapshot of the website is given in Figure 3.1.

Figure 3.1: A snapshot of the observatory’s website
Use of Social Media: A Face Book page (https://www.facebook.com/Procurement-Observatory-Assam-619969254805198/info?tab=overview) has been developed to share activities of the observatory will a larger audience. Activities are also shared on Twitter.

Designing KPIs: In the first phase of the project, the observatory designed KPIs covering aspects such as efficiency, economy and transparency in public procurement. It also conducted a survey of 32 vendors to learn about their perspective on the KPIs and the tendering process of Government of Assam departments. In the second (current) phase of the project, the observatory has focused on two aspects: formulation of procurement policy, and analysis of a grievance redressal system of the state government.

Development of Draft Procurement Policy for State Government: In the first phase of the project, an analysis carried out by the observatory pointed to the need for a procurement policy to bring uniformity into public procurement practices. Based on a request from the state government, a draft Public Procurement Policy was designed by the observatory based on models available with various governments. The draft policy has since been shared with the state government.

Survey on Grievance Redressal Mechanism in Public Procurement: To understand the perception of vendors on the state government departments’ grievance redressal system, the observatory undertook a survey. This survey pointed to many areas for improvement in the grievance redressal system.

Dissemination and Capacity Building Workshops: In the current phase of the project, the observatory has conducted two workshops: one in November 2015, and the other in March 2016. The first workshop was organized to share the Draft Public Procurement Policy of Assam with government departments and, in the second workshop, the grievance redressal mechanism in public procurement was discussed. Proceedings of these two workshops are available on website. Assam observatory team also participated in a workshop organized by the Rajasthan observatory.

Citizen Engagement: The observatory is mainly using its website and Face Book and Twitter pages for citizen engagement. The number of visitors to the website since inception totaled more than 17,300, that is, more than 1,200 hits per month.

Way Forward

The observatory is looking into consulting and capacity building opportunities to generate additional revenue. It is also supporting the state government in procurement reforms and capacity building.
National Public Procurement Observatory
4. National Public Procurement Observatory

Introduction

The National Procurement Observatory was set up in 2015 in partnership with CIRC (http://circ.in), which is promoted by CUTS International, a well-known civil society organization working for the protection of consumer rights. This observatory monitors procurement policies and performance at the federal government level including PSUs owned by the Government of India.

Major Activities

Website: An interactive web portal (www.procurement-india.org) has been set up, which has sections on analysis and publications; a repository of laws, regulations, literature and institutions; news about public procurement; and a dashboard linking various e-procurement portals. A snapshot of the website is given in Figure 4.1.

Figure 4.1. A snapshot of the National Procurement Observatory’s website

Use of Social Media: Twitter handle (https://twitter.com/Procurement_IND) has been created to share the latest news, experiences and knowledge about public procurement.
Designing KPIs: The observatory is using two KPIs, namely, procurement cycle time and percentage of contracts where contract award information is disclosed for analysis of procurement performance.

Detailed Analysis of Procurement Policies and Performance: The observatory is currently working on analysis of procurement performance of a large PSU in the power sector as well as analysis of the policies governing competition aspects in public procurement.

Research Papers/Notes Published by the Observatory: The observatory has published seven research papers/notes till date on topics ranging from the arbitration act, open contracting, procurement benchmarking, impact of Make in India on public procurement, a hybrid annuity model for PPP, and transparency in public procurement. Of these, one paper was written by the observatory team while the remaining six were contributed by guest writers. They are available on its website. This observatory is also the knowledge partner of the procurement learning portal (www.procurementlearning.org).

Dissemination and Citizen Engagement: The observatory is relying on its website along with social media to disseminate its findings and connect with citizens and tax payers. The website has received about 7,500 visits during a period of about 15 months, which is about 500 visitors per month. The observatory is also conducting an essay competition on public procurement to generate the interest of citizens, particularly students, in public procurement.

Way Forward

In coming years, the observatory plans to take up additional research work and also share its findings in workshops/seminars, and so on. It will also continue inviting guest experts to contribute papers on relevant topics. The observatory is also looking into consulting and capacity building opportunities to generate additional revenue.