

Improving Competition in Public Procurement

Experience
from India



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Transaction Costs of Bidders- Study 2013

- Within the ambit of GFRs, central agencies , state governments and state departments are increasingly following their own procurement principles
- Electronic procurement (e-procurement) is increasingly being used across the board - reduced procurement cycle time, improved transparency, reducing risk of cartels etc.
- One way to understand the competitiveness, efficiency and ease of public procurement is to assess the transaction cost of the bidders
- Bureaucratic process of procuring agencies, efforts put in by market participants (i.e. the bidders) , etc. determine the TC
- For generating empirical evidences so as to cut down the avoidable parts of TC incurred by bidders and improve the efficiency and ease of doing business in India, the study was conducted in 2013

Issues

- Complete non cooperation from entities in formally associating with the efforts. They provides details of bidders but does not want to get named , as worried about the intervention from 3Cs (or 5Cs!)
- Bidders are equally “opaque” on data. Willing to share perceptions, but not ready to part with hard data
- No one want to talk about the “invisible costs” of winning
- The e-Procurement portals seldom provides any details after the bidding is completed. Less than 10% award details, that too very scanty information available

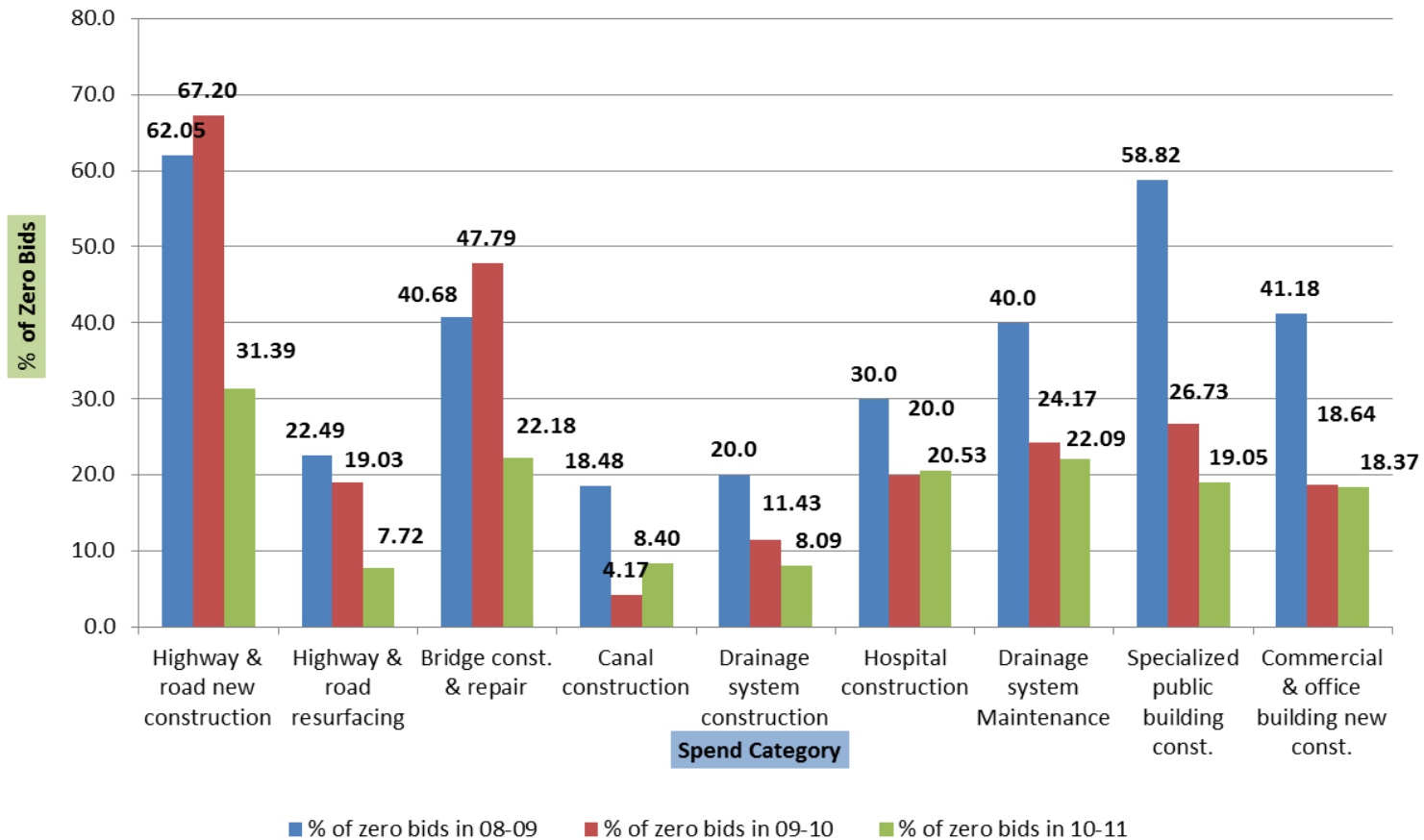
Key Findings

- Estimated absolute values of TCs varied widely across: (i) state and central level agencies; (ii) sectors (electricity, roads, bridges, drugs & equipment, and irrigation); and (iii) type of procurement (goods and works) for the 157 tenders analyzed.
- As ratio to value of the contract, estimated costs ranged between 1% to 2% across central and state level agencies. In case of few central PSEs, calculated average value of cost was more than 1%.
- Vendor/Contractor registration reduces transaction costs significantly and was welcomed by bidding community
- There were preferences shown by Bidders for responding to tender notices in terms of clientele and geography. But the reasons were responded as ease of work and familiarity with systems of procurement
- Among visible TC elements, variance in cost of tenders, time set for award of contracts and delays in return of bid security were raised as concerns by bidders
- Bidders were also appreciative of e-GP adoption by their clients, as they mentioned these reduced costs on travel and visits to client office for purchase and clarifications and thus resulted many “invisible costs”

Competition Improvements since e-Procurement

Government of Odisha

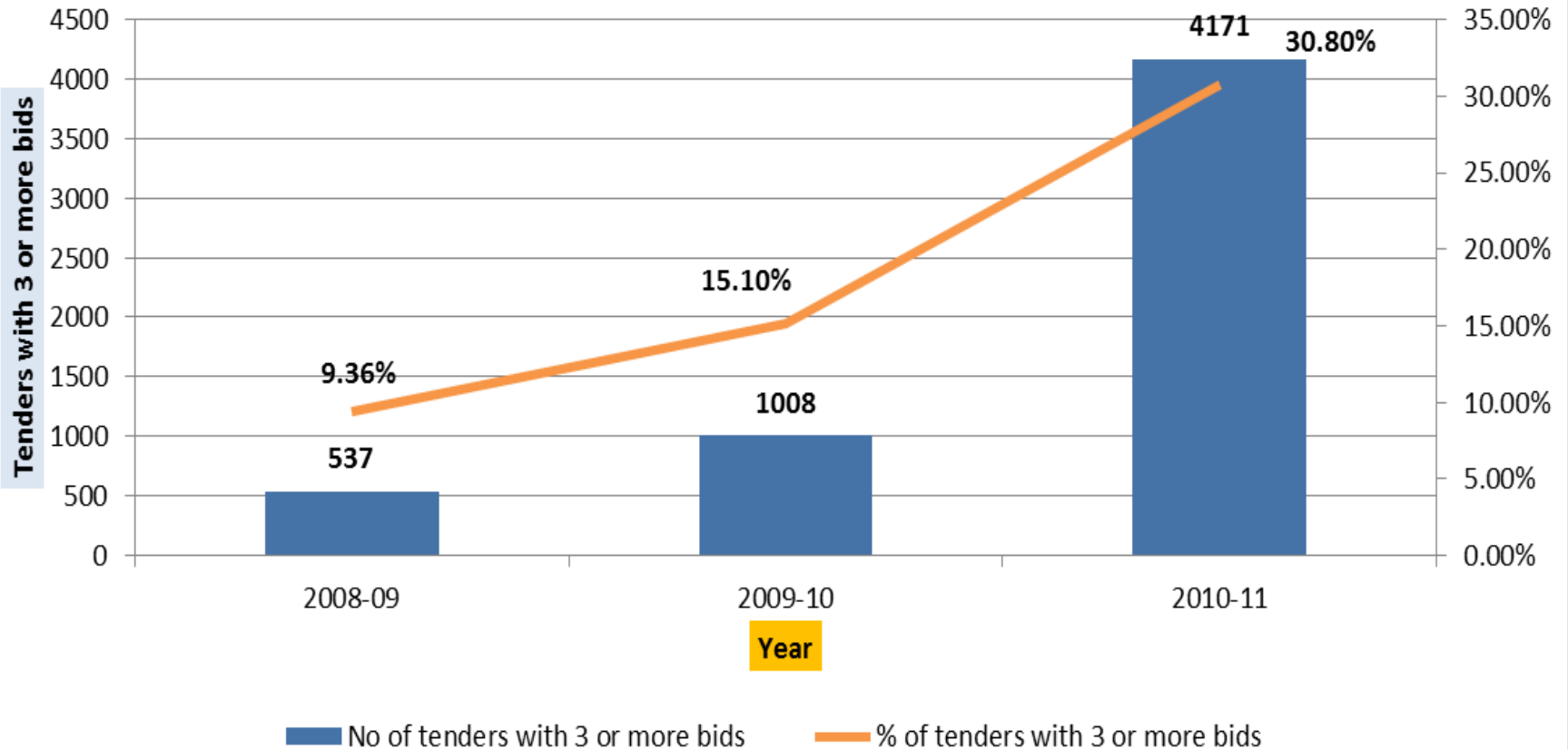
Comparison of Zero Bid Tenders (08-09, 09-10 & 10-11)



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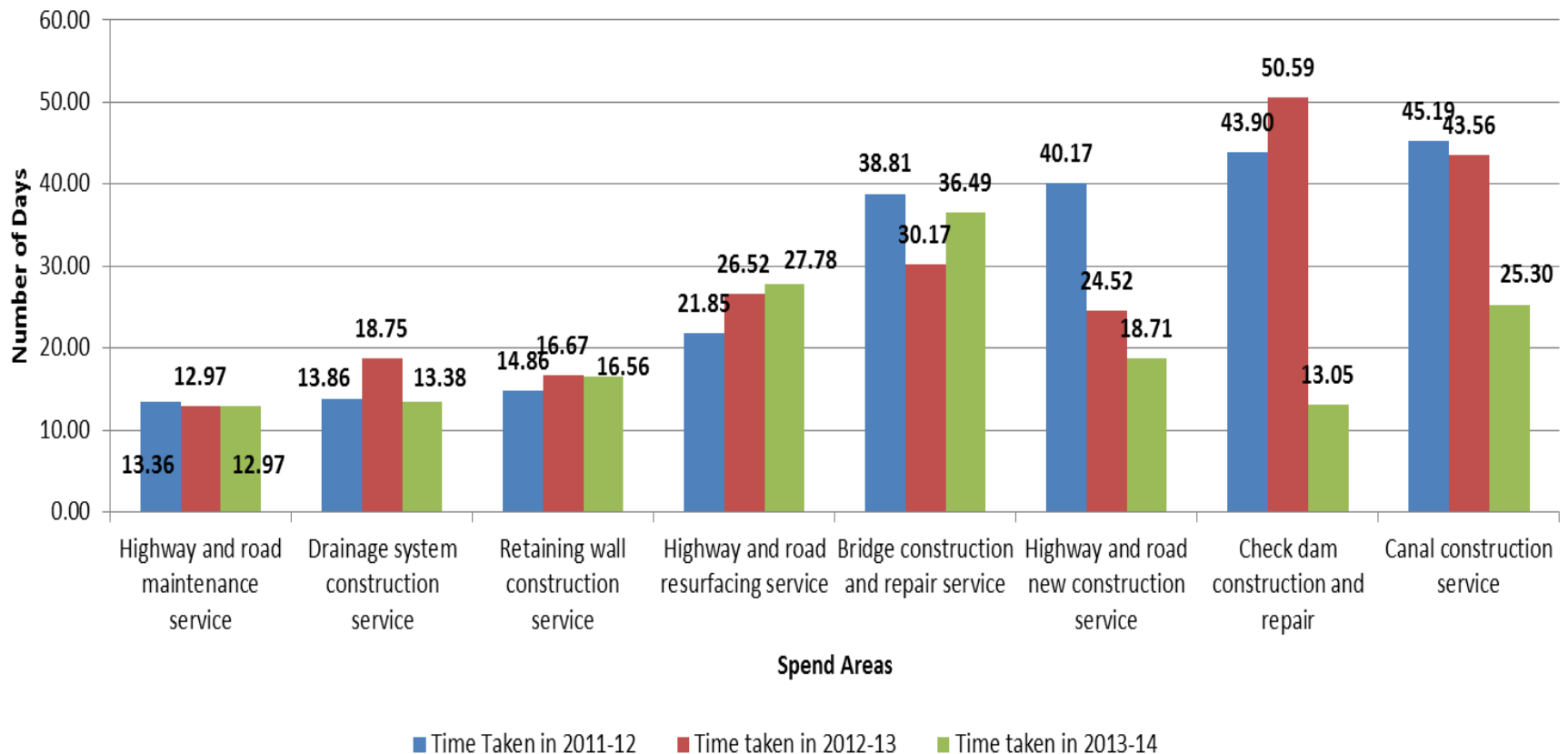
Number and Percentage of Tenders with 3 or more Bids



Improvements since e-Procurement

Government of Jharkhand

Comparative View of Time Taken for Procurement (11-12 vs. 12-13 vs. 13-14)



Impact of e-GP on Competition- Karnataka: Average Bidder participation

Agency	Prior to e-GP	Post e-GP
BBMP	2.8	5.8
BDA	2.2	9.0
PWD	1.6	4.2
KBJNL	4.2	9.4