



Stakeholder Consultation Meeting

On

National Public Procurement Policy in India

Hotel Courtyard by Marriott, DB City Mall, M.P. Nagar, Bhopal

Friday 20 December, 2013

Backgrounder

Objectives

1. To generate awareness and sensitise relevant stakeholders on public procurement policies and practises especially the experiences of stakeholders following the use of e-procurement in Madhya Pradesh.
2. To obtain stakeholder-inputs on policy briefs exploring interfaces between procurement policy and other macroeconomic policies such as manufacturing policy, competition policy, sustainable procurement, trade policy, fiscal policy and state-government-level-procurement policy in order to devise a coherent and appropriate National Public Procurement Policy in India.

Background

Government across the world have numerous policy levers that they can use to stimulate positive socio-economic development in a country and public procurement is one such vital tool. Public procurement operates across a wide realm of governmental activities including those of the public sector enterprises. Governments around the world utilise procurement to:

- stimulate local manufacturing capacities and employment
- promote competition in the marketplace
- adhere to good fiscal practices
- promote sustainable production and consumption practices

The significance of public procurement in India becomes more crucial because of it accounts for almost 30% of the total GDP worth US \$ 536 billion annually. While Public Procurement is a vital contributor, it is noteworthy that there is no legislation at the Central government level nor there exists a national public procurement policy. The Public Procurement Bill tabled in the Parliament, is yet to become a law. The implementation of the bill will benefit from a coherent National Public Procurement Policy which addresses interfaces between public procurement and related macroeconomic policies including, but not limited to trade policy, competition policy, sustainable procurement policy, fiscal policy and the new manufacturing policy, amongst others, in order to allow decision-makers to adapt to changes in specific macroeconomic indicators.

Such a policy will encourage the growth of a coherent and cohesive plan of action for all procuring departments of the government including state governments and will help in achieving more and better transparency and competitiveness of the Indian economy.

In view of the above, CUTS is currently implementing a project from August 2013, in order to propose and develop a cogent national public procurement policy titled ‘National Public Procurement Policy in India’ with support from the British High Commission. In this regard, consultation meetings in other cities of India including New Delhi, Mumbai, Bangalore, Jaipur and Bhopal will be organised to discuss the above mentioned issues.

This is of particular relevance to Madhya Pradesh which has consistently used transparent methods in procurement. Of this, the e-procurement venture in Madhya Pradesh is of specific interest. The concerns of industries engaged in production of machine tools, automobiles and security-equipment which may be of strategic interest to PSUs and the government are of importance to this meeting. Some of the government entities in Madhya Pradesh have been undertaking preferential procurement from small industries through their respective Store Purchase Rules. A laudatory example is the M.P. Laghu Udyog Nigam Ltd. Understanding how this exercise has been successfully implemented will greatly aid us in developing similar facets of the National Public Procurement Policy.

The Stakeholder Consultation

Currently, we have conceptualised six (draft) policy briefs on the aforementioned interfaces and linkages by undertaking desk-research of good practices deployed within India, and in other countries. This meeting will discuss following policy briefs and seek inputs form various stakeholders.

1. *Procurement Policy at the State Government Level:* This policy brief explores the extent to which the objectives of procurement can be better realised by downward delegation to state governments. The two individual state policies/legislations which have been covered are the (draft) Jharkhand Procurement Policy and the Rajasthan Public Procurement Rules.
2. *Procurement Policy and Competition Policy:* This brief explores the extent to which anti-competitive practices in public procurement are addressed by existing laws and regulations, and offers suggestions to identify and address such anti-competitive practices in procurement.
3. *Sustainable Procurement:* Targeted procurement by the government can induce adoption of sustainable technologies in production, and facilitate gradual prioritisation of ‘sustainability’ as relevant criteria in procurement.
4. *Procurement Policy and Manufacturing:* Public Procurement can result in facilitating import substitution, encouraging innovation and ensuring the availability of strategically significant goods by inducing local production.
5. *Procurement Policy and Fiscal Policy:* Specific aspects of fiscal policy such as fiscal federalism and fiscal responsibility and its impact of developmental expenditure and taxation policy designed to incentivise manufacturing are addressed in this brief.
6. *Procurement Policy and Trade Policy:* The brief on procurement policy and trade policy address the approach towards negotiating commitments pertaining to government procurement in free trade agreements and the WTO Agreement on Government Procurement.

Way Forward

The consultation meetings will help to understand the main concerns and how they can be address cogently in the proposed National Public Procurement Policy. The inputs of the stakeholders with respect to data-sources, feasibility of inclusion of certain tenets in the policy, and other aspects of the features of the project will be taken on board. The six policy briefs will then be revised in accordance with the findings of these regional consultations, and presented at a national level consultation in New Delhi in February 2013. These six policy briefs will form the base of the draft National Public Procurement Policy which will be drafted in April 2013 onwards.