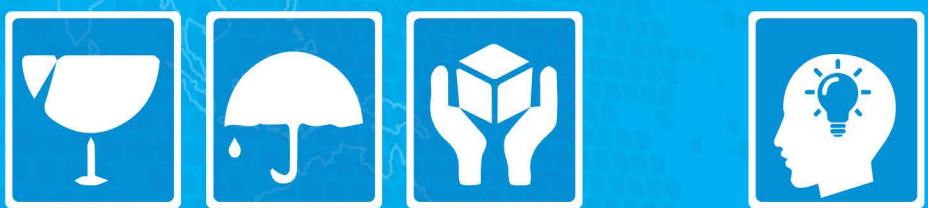

Innovation... It's what sets you apart!

South Asia Procurement Innovation Awards 2016

ADB | THE WORLD BANK IBRD • IDA | WORLD BANK GROUP | iNET Information Network: Education, Transaction In PROCUREMENT

This publication is a compilation of abstracts of submissions made by procurement entities from Government, Public Sector, Autonomous, University or Research and Training Institutions following the Public Procurement regulatory framework, and NGOs/CBOs involved in Public Procurement Management and Oversight Support in the South Asian countries of Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka for South Asia Procurement Innovation Awards 2016. This compilation of abstracts is prepared as a knowledge product for wider dissemination of innovative procurement practices in South Asia. It is based on the original submissions, edited and with additional researched inputs, for providing a consistent presentation of all cases. The original submissions by the Award Winners are available at "https://www.procurementinet.org/southasiappinnovationawards/".

Foreword

South Asia Public Procurement Network (SAPPN), an initiative of Heads of Public Procurement in the region, supported by ADB and World Bank, is actively involved in knowledge exchange and networking for collective improvement of procurement management in the South Asian countries. Successful regional public procurement conferences conducted at Kathmandu in 2011, Islamabad in 2014, Dhaka in 2015, and the 2017 conference in Colombo are a testimony to this partnership. Knowledge exchange programs for Heads of Procurement in South Asian countries, organized in Brazil and Mexico in 2014, and Australia in 2015; Launch of jointly certified learning programs through www.procurementinet.org, Knowledge and Networking portal of World Bank in Public Procurement etc. are some of the other major initiatives of the partnership between SAPPN and World Bank.

In continuation of these technical cooperation and knowledge development / dissemination initiatives, World Bank has launched the South Asia Procurement Innovation Awards 2016, in partnership with SAPPN and Asian Development Bank, through Procurement iNET. The key objective of these Awards is to enhance learning and promote knowledge sharing through innovative approaches adopted and adapted by Procurement entities and systems across the region.

I am pleased to note that all Public Procurement offices of SAPPN have promoted the Awards and encouraged entities in their countries to participate in the competition. We have received an overwhelming response of 84 entries in the very first edition of the Award. Government and public sector procurement organizations, universities, research institutions, and NGOs / CBOs have actively participated.

The Awards Secretariate reports that more than 50 submissions have very rich elements of (i) Innovation (ii) Replicability, and (iii) Sustainability. The entries show a very wide diversity, width, and depth of innovative efforts. They range from using technology for e-marketplace to mobile app for rural roads' monitoring and applying procurement as a tool for regional development objectives of the Government. This augurs well for development objectives of the respective Governments and the procurement fraternity as a whole.

With awards and recognitions adorning the efforts of entities and individuals, we are committed to wide dissemination of these innovative ideas and institutionalizing this Award for the coming years. This publication is one of those efforts. I congratulate all winners and participants and hope you will find this compilation of award winning submissions interesting and useful.

Felipe Goya Goddard

Practice Manager
Solutions and Innovations in Procurement (SIP)
Governance Global Practice (GGP), The World Bank

Introduction

"Never before in history has innovation offered promise of so much to so many in so short a time."

Bill Gates, Microsoft

Estimated globally at US$ 9.5 trillion, procurement is no more considered a transactional or compliance function in public expenditure management. Till recently, procurement meant reporting mundane non-compliance instances in audit reports and the focus remained on ensuring that rules are met when spending the money, rather than getting 'value for the money' spent. However, the discourse on procurement is now changing to using procurement as an effort towards 'effective service delivery of a Government', 'as a testimony for transparency and openness', 'using procurement as a tool for local development', etc. among many others. Digitization, Open Contracting, Citizen Engagement, and Strategic Sourcing are now being welcomed with open arms by Government and public sector staff.

A new wave of procurement reforms and modernization has been underway for more than 10 years in most countries of South Asia. All countries have an institutional structure at the national level for policy development and are modernizing procurement operations using the advances in technology and e-GP. Beyond these, inspired by individual and institutional leadership, there are many other innovations undertaken by public procurement entities in South Asia. The desire to identify and disseminate impactful innovations saw the birth of 'South Asia Procurement Innovation Awards'.

The competition received 84 submissions and out of these, 12 submissions were selected for Awards based on the criteria of extent of innovation, replicability, and sustainability. The awarded submissions from 8 countries reflect the socio-economic and political diversity we have in the region. They range from adapting advanced private e-commerce principles for setting up a Government electronic marketplace to value addition offered by close monitoring of procurement in a fragile and difficult environment. Seen from the specific context of stability, development, and capacity, each of these submissions offers immense lessons for others to emulate.

This compilation is brought out as a knowledge product for wide dissemination of select innovations to benefit procurement practitioners in South Asia and other parts of the World. The abstracts in the compilation are adaptations of the original submissions – abridged in a standardized format, along with additional researched details incorporated for ease of understanding the context. The original submissions by the Award Winners are available at "https://www.procurementinet.org/southasiappinnovationawards/".

South Asia Procurement Innovation Awards 2016 became a reality due to the efforts of a large number of partners and many well-wishers and supporters. We would like to express our sincere gratitude to Mr. Felipe Goya, Practice Manager – Governance, World Bank, for the leadership and guidance in conceptualizing and implementing the program. We are

also grateful to Mr. Priyanga Algama and Mr. Md. Faruque Hossain, current and outgoing Chair, SAPPN, for their active support in launching the awards. Mr. Hiro Maruyama from Asian Development Bank and Mr. Issa Modi Ide from Islamic Development Bank have actively contributed towards making the regional network cooperation a reality. Without the support of Heads of Procurement from all the South Asian countries, who actively promoted, disseminated, and solicited submissions, we would not have had the participation of 84 institutions that made these Awards such a success. World Bank Country Focal Points for Procurement and staff have actively encouraged their counterparts to participate. We would also like to thank Mr. Abduljabbar Al-Quathab, Mr. Plamen Kirov, Mr. Naushad Khan, Ms. Payal Malik Madan, and Mr. Varun Malhotra, colleagues from the World Bank, who played pivotal roles in the Awards Secretariat and in its delivery. We are also thankful for the technical and publication support offered by C&K Management team led by Mr. Ravi Ramakrishnan.

I do hope these innovative experiences fuel your curiosity and spark your imagination to venture into more rewarding innovations. Limits are only in the mind!

A K Kalesh Kumar

Coordinator, South Asia Procurement Innovation Awards
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Governance Global Practice (GGP), The World Bank

Contents

Close and Personalized Procurement Monitoring, Leading to Procurement Efficiency in Irrigation Sector in Fragile and Challenging Environments of Afghanistan

> *“Due to personalized and close monitoring of procurement process and execution of works, most of the works got completed in time. This has been a significant factor for the overall project rating being changed from “Unsatisfactory” to “Satisfactory” with regard to award and completion of irrigation works in Afghanistan”*

{This article is an abridged version of the submission on “Expediting Procurement, Reducing Procurement Time, and Achieving Cost Savings through Innovative Procurement and Contract Management Solutions for Challenging and Fragile Environments” made by Mr. Pervaiz Ahmad Naseri, Project Manager, Ministry of Agriculture, Irrigation, and Livestock, Government of Afghanistan, for the South Asia Procurement Innovation Awards.}

Summary

The On-Farm Water Management (OFWM) Project mainly aims at improving the efficiency of water use to increase agricultural production, building capacity of local staff in implementing similar projects in the country, and educating farmers about the need to improve their agricultural practices and adopt high-efficiency irrigation.

A Kabul-based Project Implementation Unit, headed by the Project Director / Manager, with assistance from a Core Team of Specialists and Support Staff, is responsible for execution of the project. By following a desk-oriented approach of designating one staff responsible for end-to-end management of procurement, using IT for followup, and through regular interactive sessions with contractors, the project team gained considerable efficiencies in process management.

Background

The OFWM Project, funded by Afghanistan Reconstruction Trust Fund (ARTF) under the Ministry of Agriculture, Irrigation, and Livestock, was approved in January 2011. Five regional area teams – one each in Kabul, Nangarhar (Jalalabad), Mazar-i- Sharif (Balkh), Baghlan, and Herat, have been established for implementation of various field activities under the OFWM Project.

The Project Implementation Unit found that the following were needed for successful implementation of the OFWM Project: i) Expedite the designing of various irrigation schemes, which have already been surveyed, but preparation / finalization / review / approval of designs is pending at various stages in the five area offices / regions of the project as also at the head office in Kabul. ii) Prepare the bidding documents immediately after completion of designs. Advertize all irrigation schemes as soon as drawings and BoQs are made available to the Procurement Unit. iii) Expedite selection and survey of new irrigation schemes, so that momentum is maintained to achieve the periodical targets stipulated by World Bank. iv) Arrange meetings of Bid Evaluation Committees and prepare / finalize draft Bid Evaluation Reports (BERs) immediately after the meeting. v) Deploy an efficient monitoring system for supervising all procurement activities to expedite technical scrutiny of bids, seek clarifications from bidders, and verify credentials of the recommended bidders. {It is worth mentioning that due to wide-spread submission of fake qualification documents by many bidders in Afghanistan, World Bank has made it mandatory (for all cases) to verify the documents for similar works and liquid assets from the concerned employer and bank respectively.}

Challenges Addressed

The OFWM Project was delayed by about 15 months, resulting in extremely poor utilization of the funds granted. The country's environment was then fragile and quite challenging, with several problems being faced: i) Though the post-conflict environment in Afghanistan was gradually improving after the prolonged civil wars, infrastructure facilities were very much limited, particularly skills related to the use of high technology. ii) Due to frequent terrorist and suicide bombers' attacks, the overall working environment was very much insecure. iii) This was the first On-Farm Water Management Project in Afghanistan. As such, there was limited technical experience of survey and design, procurement of irrigation works, and implementation of such works by the Ministry of Agriculture, Irrigation, and Livestock. iv) The Procurement capacity within Afghanistan in general and OFWM Project in particular for proper / timely bidding and evaluation of bids for various goods, works, and consultancy contracts was very much limited. v) Due to a number of development projects going on under different ministries, the turnover of staff was very high and their level of involvement / devotion / initiative was quite low. vi). An inappropriate decision for major use of high technology

Pre-Cast Parabolic Structures (PCPS) for lining the various irrigation channels had already been taken. The procurement of these PCPS was imposing a major challenge because of inadequate technical capabilities and skills available within Afghanistan for manufacturing them. In addition, unreasonably high prices were being sought by vendors for manufacturing and transporting PCPS.

Innovations in the Solution

Following were the innovations made in implementation of the OFWM Project: i) Introduction of a "Desk-Oriented" system of working, making one procurement staff responsible for all procurement activities of a particular procurement package. ii) Designing / Developing and introducing standard formats for almost all non-standard procurement documents, such as Procurement Requests, Requests for Quotations, Minutes of Bid Openings, Bid Evaluation Reports, Proposal for Variations / Contract Amendments etc. iii) For preparing most of the documents listed above, using Mail/Merge option of MS Word. iv) Introducing Procurement Request Registers and other related documentation. v) Improving interaction with vendors by having frequent Vendor's Workshops and educating them about proper preparation of their bids, and providing proper response to various requests for clarifications and proper execution of contracts. vi) Introducing monitoring and follow-up procedures at various stages. vii) Proper training and capacity development of the procurement staff.

Impact Generated

Innovative solutions to the problems / issues faced led to the following impacts: i) Due to proper and timely coordination with design units, and monitoring of receipts related to Procurement requests, the average time taken in completing survey and designs was reduced from the earlier 219 days to 59 days. ii) Total time taken in awarding NCB works' contracts was reduced from about 165 days to 76 days {by completing bid evaluation only in average 5 to 13 days (averages of latest 2 periods of year 2016) against earlier average of about 40 to 53 days (averages of earlier 2 periods of the year 2012)}. iii) Due to quick evaluation of bids and award of contracts and also improved monitoring of payments, the confidence of bidders / contractors in the project increased day by day. They got encouraged to bid for various other work packages, resulting in healthy competition among bidders / contractors. Thus, in most of the later cases, award of contracts was at prices about 25% lower than the estimated costs. {The award cost of all works awarded in the year 2016 has been about 8.4 Million USD (against the estimated cost of about 11.2 Million USD), leading to saving of about 2.8 Million USD}.

Due to close monitoring of execution of works, most of the works got completed in time. It is worth mentioning that this has been a significant factor in timely award and completion of irrigation works, due to which the overall project rating was changed from "Unsatisfactory" to "Satisfactory".

Scalability and Sustainability

Though they seem to be simple in a normal environment, these steps have already been replicated within the OFWM Project. The innovation has also positively impacted other processes and projects under the Ministry of Agriculture, Irrigation, and Livestock.

Being related to only general initiatives, common sense, and use of MS Office products (with MS Access), and email facilities, which are available everywhere these days, replication of these innovations can be made within the other organizations of Afghanistan or even in a different country.

Lessons Learned

The OFWM Project experience shows that following are the prime factors for its success: i) Regular interaction within the Technical and Administration teams, Finance Unit, and World Bank. ii) Commitment of the management in monitoring various procurement activities, motivating the procurement staff, and taking interest in solving various procurement and contract management problems and issues. iii) Timely updating of data in the database and proper use of various exception reports, and iv) Regular training of the staff.

It is also essential that various procurement delays and issues are properly analyzed within time and remedial actions taken in a timely manner. This will help avoid similar delays and issues in future.

Establishment of Grant and Service Contract Management Unit (GCMU) to Manage Contracting Out of Health Services in Afghanistan

> *"GCMU's system of open and transparent competitive procurement has considerably lowered the costs of providing medicare in Afghanistan. Its ability to manage contracts successfully has steadily grown since 2003, when only 9 contracts (value USD 30 million) were contracted. This has increased to 49 contracts (value USD 129 million) as on 2016"*

{This article is an abridged version of the submission on "Establishment of Grant and Service Contract Management Unit (GCMU) to Manage Contracting Out of Health Services in Afghanistan" made by Mr. Khwaja Mir Islam SAEED, Head of Grant and Service Contract Management Unit (GCMU), Ministry of Public Health, Government of Afghanistan, for the South Asia Procurement Innovation Awards.}

Summary

Established by the Government of Islamic Republic of Afghanistan in 2003, Grants and Service Contract Management Unit (GCMU) is a consultancy service procurement unit / department of the Ministry of Public Health (MoPH). Its main goal at the time of its formation was to contribute to reduction of high levels of maternal and child mortality and morbidity, by ensuring efficient and effective use of available resources and providing equitable and quality health services.

GCMU, now a highly respected institution in GoA., has been certified by the USAID, World Bank, EU, and GAVI as a capable and transparent entity to conduct procurement and management of health services financed under the ordinary and development budgets. In a fragile and

conflict-affected environment, GCMU has successfully met its pre and post formation challenges by being professional and innovative, and producing impressive procurement / contract management results.

Background

The Ministry of Public Health in Afghanistan (MoPH), in collaboration with donors, introduced in 2003 the Basic Package of Health Service (BPHS) for rural setting, defining and targeting primary curative and preventive interventions as integrated packages. Later, in 2005, Essential Package of Health Services (EPHS) was launched to provide further specialized curative healthcare and referral service to the needy people of Afghanistan. Under strong international community support, the required institutional capacity within the Ministry was built to fulfill its stewardship role and to proceed with a contracting out mechanism through a competitive procurement process.

Thus, a consultancy service procurement unit / department, called Grants and Service Contract Management Unit (GCMU), was established within the structure of the Procurement Directorate to proceed with service procurement and to manage grants for the Health Sector, particularly the BPHS and EPHS packages. The scope of work of the GCMU mainly involves service procurement, contract management, and coordination of the external and internal assistance provided by international donors, such as ARTF, World Bank, EU, USAID, GAVI, Global Fund, and other donors, as well as the fund extended by the Ministry of Finance, Government of Afghanistan.

Challenges Addressed

In addition to the challenges posed by a fragile and conflict-affected environment, problems were faced by GCMU prior and post its establishment. In 2003, the newly formed Afghan Government and foreign donors faced numerous challenges in rebuilding the country. They grappled with providing health care services to people of Afghanistan, where Public Health Care system was almost non-existent / in dismal condition. The multiple challenges included: (1) Institution Development, (2) To acquire stakeholders' acceptance, and (3) To gain credibility and respect required for developing a competent management system, along with robust procurement management of consultancy services by utilizing qualified procurement management staff.

GCMU was able to transform itself into a credible institution by providing relevant training to its staff for increasing capacity, adopting new innovative systems, such as performance-based payments / new monitoring techniques, and by handling large procurements successfully. Difficulties it faced at the beginning were overcome gradually.

Innovations in the Solution

GCMU has displayed considerable innovation, including introduction of third-party monitoring to verify a contractor's performance and introducing payment to contractors based on results. There were difficulties in knowing whether the services were delivered by the contracted health providers in a satisfactory manner, as many locations are in security-sensitive areas, not normally accessible to the government. To solve this issue, GCMU devised an innovative approach by placing a further contract to a qualified third party having access to such localities. The results show a steady improvement in performance by the health providers, documented through "The Balanced Scorecard Report". For example, in 2016, 18 BPHS indices showed improvement in standard when compared to 2015, while only 5 showed a decrease in standard. The innovation of third-party monitoring is sustainable, as the GCMU will have funds to continue its initiatives in the future.

To improve performance by contractors delivering health services (normally NGOs), GCMU moved away from payment of a basic fee to an innovative incentive system, where payment was based on performance. The third-party monitoring system has allowed improved monitoring of contractors delivering health services, particularly in remote areas. The concept is innovative, as extra costs are outweighed by the benefits of ensuring delivery of proper health care to provinces.

Impact Generated

GCMU, since its formation, has made a significant impact. Some of the positives have been institutional strengthening, improved health outcomes, ability to manage contracts with civil society organizations, inbuilt technical capacity due to its constant interaction with health issues, and general capacity improvement / development in Afghanistan government procurement. Procuring health consulting services has been institutionalized. Before the formation of GCMU, procurement was in an ad-hoc manner. With the formation of this institution, Government of Afghanistan has been able to create an infrastructure that has enabled procurement of health consulting services worth hundreds of millions of dollars, and has provided delivery of government health services to all the provinces in Afghanistan. Health outcomes have improved – Maternal Mortality Rate (MMR) of 1,600 per 100,000 live births in 2002, fell to 327 in 2010; Under 5 Mortality Rate (MR) in 2000 of 257 per 1,000 live births has come down to 97 in 2010.

Assistance of GCMU has often been requested by other MoPH departments in technical matters related to policy and planning, child health and immunization, nutrition, communicable diseases, and reproductive health sectors. Its success has been noted by other organizations within the Government of Afghanistan and they are using it as a role model for developing their own procurement capability.

Scalability and Sustainability

The GCMU success in creating a strong internal government organization, with good capability in management of procurement, has been noted by other organizations. Replication of its structure and operating methodology is now being evidenced in other Afghanistan government institutions. The staffing structure of GCMU has clear lines of decision-making and contains all positions needed for successful procurement, not only procurement specialists, but personnel of other disciplines, such as legal, finance, information technology, and health experts. All procurement decisions of GCMU are subject to audit by the government and fund donors. GCMU's performance-based system for payments is providing more value for money in its procurement.

These innovative ideas are measures that can be studied by other countries looking at ways to achieve better outcomes in their health procurement, particularly when they are operating in difficult and fragile environments, and performance requires measurement and improvement.

Lessons Learned

There were many lessons learned while establishing and running the GCMU. Among these were procurement cost reductions, institutional structure, necessity for monitoring, and the role of medical doctors in health procurement. GCMU's system of open and transparent competitive procurement has considerably lowered costs. Continuing to operate since fourteen years, GCMU procurement provides ample evidence of cost savings. An analysis of GCMU costs showed that its cost of procurement to the value of consultancy services / services procurement is 2%. This contrasts with an accepted international norm of 10%.

Initially, in the early GCMU operations, medical practitioners did not view any potential career role in procurement. Their role in procurement was seen by both management and medical practitioners themselves as transitory, with the thinking that after a relatively short period, they would move to positions in the medical mainstream. This thinking, however, gradually changed, as it became apparent that medical expertise was a very vital resource in both the GCMU and health procurement. Contract management involved in managing / monitoring of district health public resources requires considerable health knowledge to execute it properly. One of the lessons learned by GCMU was that better outcomes are obtainable by having medical doctors as permanent staff for all health procurement, particularly in contract management. Significantly, all the above lessons were learned while delivering health services in a fragile and geographically challenged country as Afghanistan.

Citizen Engagement During Public Procurement Implementation in Bangladesh

> *A Pilot Project of Bangladesh has shown that citizens' voluntary involvement in public procurement projects substantially reduces the cost of monitoring, ensures quality, bridges the information gap, develops ownership among local people, and builds trust*

{This article is an abridged version of the submission on "Citizen Engagement in Public Procurement Implementation in Bangladesh" made by Mr. Mirza Hassan, Social Accountability Consultant, PPRP II, BRAC Institute of Governance and Development, BRAC University, Dhaka, Bangladesh, for the South Asia Procurement Innovation Awards.}

Summary

A significant portion of the expenditure of Government of Bangladesh is on public procurement. Each year, Bangladesh spends more than BDT 72,000 Crores {USD 9 Billion (1 BDT = 0.013 USD)} on government procurement (Lomborg 2016). This huge investment, if not managed efficiently, can result in substandard output, cost overruns, and project implementation delays. Citizen engagement in public procurement can deter these by ensuring greater accountability and transparency, and consequently increase in quality of public goods and services. The challenge, however, is to devise a mechanism for citizen engagement that offers sustainability (in terms of cost efficiency) and potential replicability (in wider societal contexts).

Background

The Government of Bangladesh is currently implementing with World Bank financial assistance its Public Procurement Reform Project (PPRP) II, with project design, management, and research support from the BRAC Institute of Governance and Development (BIGD), BRAC University, Dhaka. One of the main focuses of this project is to successfully engage citizens in the monitoring of public procurement. For the purpose, BIGD has designed a citizen engagement strategy that includes establishment of a Citizen Committee, complemented by Local Community Mobilization surrounding the project sites. To identify and test which strategy, or rather, combination of strategies, produced the best results, BIGD implemented a Pilot Project in four Upazilas in two districts of Bangladesh: Rangpur and Sirajganj.

Challenges Addressed

The project aimed at addressing a few major challenges at the implementation level. The first is improving the project quality (ensuring that appropriate materials and procedures are being used). Through close monitoring, Citizen Committee members and the Local Community attempted to ensure that quality specified in the contract is maintained. Another major challenge is reducing the transaction cost. Citizens' voluntary involvement substantially reduces the cost of monitoring and also ensures quality.

Incentive / motivation problem of local people (sense of ownership over projects) is another major challenge, which is felt at the local level. As a result, project monitoring remains the responsibility of only government officers. The project utilized several strategies to reduce citizens' lack of sense of ownership: it ensured supply of relevant information to the local people, made community aware of the importance of local monitoring and, most importantly, by acting on their feedback, ensured that the community felt engaged.

Innovations in the Solution

Even though similar projects are being implemented by engaging local citizens, the BIGD Pilot Project adds more to this aspect for a few reasons. Firstly, it includes two alternative designs of monitoring, which work simultaneously, reinforce each other, and also produce comparable results. By testing the two models together, this project gives great insights into the intervention, which can be very helpful for replication. While other projects in citizen engagement do not directly involve government authorities, the Pilot Project ensures effective participation of government officials. Since the beginning of the project monitoring, the Citizen Committee members maintained close coordination with engineers. This actually turned out to be a more effective mechanism than Citizen Committee acting as an independent actor. Citizen

Committee members received updates of the project work from engineers and planned their visits at crucial stages of project. Contractors also took the committee visits seriously due to Citizen Committee's affiliation with engineers.

Impact Generated

The project successfully addressed the challenges and ensured significant improvement in quality of the procurement process. The project had impact on all three stakeholders: citizens, government officials, and contractors, who were in charge of the implementation. The impact was by way of:

1. Reduced information gap,
2. Developing ownership among local people,
3. Information at low cost, and
4. Trust.

Of these, the most important impact is reduced information gap. The project made information available at the local level, which raised the interest of local people regarding the project. They learned about specifications and could oversee whether these were being met during the construction process. The project also successfully reduced the incentive problem of local people in relation to monitoring. By engaging people from the locality in monitoring by equipping them with information and technical details, along with briefing about the need of local ownership, the classic problem of free riding on public good was reduced. The project had a major impact by reducing the information cost. The local people and Citizen Committee members frequently visited project offices and reported anomalies to the engineer's office. It thus solved monitoring-related transaction costs of the state agency significantly. Along with that, the engagement of citizens in monitoring reduced the need for frequent visits from Local Government Engineering Department (LGED) office, which also reduced the transaction costs.

Significant lack of trust among relevant actors is a major problem, which impedes transparent and efficient working of the project. Citizens do not trust contractors and contractors view citizens as opportunity seekers. Citizens also perceive engineers as corrupt and having a corrupt nexus with contractors. By engaging citizens in the monitoring process, the project was able to generate trust among all stakeholders. Contractors, when brought under group monitoring, were then trusted by the community. Since citizens are monitoring the projects based on specifications, contractors are compelled to follow the project specifications.

Scalability and Sustainability

One major concern of this project was to ensure its replicability in other regions and other projects. The simplicity of the design makes it easier to replicate it in other places and other projects. All it needs is commitment from government officials that they will motivate and engage local people to get involved in the monitoring. The cost is minimal, as it does not need any facilitation activities or travel. The model can also be replicable in any other context, any other country, or level. For example, if instead of village-level roads, the project includes a district-level road, all it needs to do is to inform more people living close to that highway. Government officials can hold public meetings at every few miles and provide people with necessary information to initiate a local monitoring system.

Pilot PPRP II project has already been tested in three different types of implementation of procurement process, such as road and school constructions, and textbook monitoring. The same citizen engagement model has worked in every case.

Lessons Learned

Substantial difference in response to citizen engagement has been noticed among government officials (engineers specifically) within the hierarchy. Executive engineers at the districts and upazilas provided considerable assistance by providing necessary information and guidance to the Committee Members. However, such assistance was difficult to obtain from the field-level officials (sub-assistant engineers, supervisors etc). This was evident from their use of dilatory tactics in handing out the necessary documents to Citizen Groups or deliberately providing incorrect information regarding the status of the project. Further probing indicates that such avoidance and non-cooperation actually originated from their fear of losing control over

the construction processes. The involvement of third-party actors in monitoring projects is viewed by them as interference by unwelcome external actors.

In this regard, one major learning of the project is to develop the strategy further to ensure better engagement of field-level government officials. The project tested two different methodologies – Monitoring Through Committee and Monitoring Through Local Citizens. The findings suggest that compared to the committee-based approach, monitoring through local citizens generates a more efficient result. Committee-based approach needs facilitation role from third-party actors to ensure group formation and group functionalities. It also involves travel cost and organizing cost.

It has been also felt that incentives of monitoring vary and in certain areas, citizen committees are more proactive compared to other areas. In such cases, site-specific monitoring by local people seems a more plausible option compared to committee formation. It has near zero transaction cost, as no travel cost or third-party engagement is necessary, and ensures better ownership.

Another major learning of the project is that the citizen engagement process needs to be built into the official system. Government officials should start the initiative to engage local citizens effectively. Any third-party engagement would not be necessary then. Local people will get the information directly from officials and will report back to them. The project experience also suggests that to make citizens more engaged in the process, the feedback system should be strengthened. Grievance should be filed properly and it should be addressed properly. In such a case, a systematic complaint-filing mechanism needs to be developed, such as telephone hotlines or mobile messages. This way, local government officials can also be brought under monitoring and would feel accountable to act on the feedback they receive from citizens.

Development of Procurement Cadre as Part of Holistic Procurement Reforms in Bhutan

> *Bhutan's efforts towards developing a Procurement cadre with defined competency framework based on National Occupational Standards were spearheaded by the Royal Civil Services Commission and the Finance Ministry. This focus on human resources, along with introduction of e-GP and standardization of procurement documents, made the country's procurement reform initiatives holistic*

{This article is an abridged version of the submission on "Procurement Cadre in Bhutan" made by Ms. Jamyang Dema, Ministry of Finance, Thimphu, Bhutan, for the South Asia Procurement Innovation Awards.}

Summary

The Royal Government of Bhutan embarked on reforms in its National Procurement System very early (September 2005). The Royal Civil Service Commission has played an enormous role in taking these procurement reforms forward. The Government recognized the need to professionalize procurement within its civil service and also approved the creation of the Public Procurement Policy Division (PPPD) under the Ministry of Finance to allow the latter to take procurement reforms forward in an exponential way.

Coupled with other initiatives, like e-procurement and standardization of bidding documents, these reforms in human resources for procurement have contributed significantly towards development of an efficient and effective procurement system in Bhutan.

Background

Landlocked between China and India, Bhutan is a small kingdom covering nearly 38,500 square kilometers in the eastern Himalayas. In the last couple of decades, the Kingdom of Bhutan has experienced rapid social and economic development, as a result of prudent macroeconomic management, beneficial exploitation of hydropower resources, and substantial support from development partners. As part of the reforms to ensure good governance, the Royal Government of Bhutan (RGoB) has undertaken various steps towards creating an efficient, effective, transparent, and fair national procurement system.

The Public Procurement Policy Division (PPPD) was established within the Ministry of Finance in August 2008 to facilitate policy and professional development in the field of procurement. After establishment of the PPPD, the Royal Civil Service Commission felt the need to create a Cadre of Procurement staff and station procurement officers in different departments to carry out Government procurement efficiently. The Competency Framework for Procurement positions and job descriptions was approved by the Royal Civil Service Commission. The Procurement Cadre System has been so integrated that it ensures career development of civil servants in the country, which makes it a unique innovation from Bhutan. This experiment of stationing procurement officers in Ministries, Dzongkhags and Autonomous agencies, coupled with other initiatives like e-procurement and standardization of bidding documents, has led to major improvements in efficiency of procurement and public expenditure management in RGoB.

Challenges Addressed

The challenges addressed by introduction and establishment of procurement cadre are as follows: 1) Introduction of the Procurement Cadre System to establish a clear line of reporting, where Procurement personnel report directly to the Public Procurement Policy Division (PPPD). 2) Capacity development issues were addressed by imparting awareness and training on public procurement. 3) Professionalization of procurement personnel under Government agencies was taken up as one of the topmost priorities after implementation of Cadre System. 4) Performance of procurement personnel was improved. 5) Under-utilization of procurement expertise issues were addressed through clear lines of responsibilities within the job description and Competency Framework.

Innovations in the Solution

Procurement cadre is one of the tools used by RGoB to professionalize Procurement personnel and improve the efficiency, effectiveness, and efficacy of the Procurement process. The Cadre System has enhanced the

competence of national procurement, and strengthened the Procurement Competency Framework. It will enable individuals to identify gaps in their current competencies related to their current roles, and assist in training needs analysis and development of future personnel development plans. A consistent point of reference and benchmark for procurement performance can be set with implementation of the Cadre System.

The Procurement Competency Framework, based on National Occupational Standards in Procurement Management and collective analysis of other Government procurement frameworks internationally, provides an opportunity for procurement to be consistent across all departments at each of the levels in the Himalayan Kingdom. This will enable RGoB to be more confident in its capability internationally.

Impact Generated

The Cadre System, introduced and implemented by the Royal Government of Bhutan, has brought in many positive impacts. They are:

- Introduction of training course - Certificate in Procurement Compliance (CPC) for all personnel involved in procurement, including tender committee members at all levels of the Government.
- Incorporation of a Module on Public Procurement in Post Graduate Diploma in Financial Management (PGDFM) Course at the Royal Institute of Management.
- The Competency Framework enables RGoB to align procurement roles with its objectives and overall business requirements. It can be used to design different roles for different levels of seniority. The identification of key core business skills versus procurement skills can be balanced against the requirements of different Government departments and contextualized to individuals who operate in these departments.
- The aim is that in the future, the Competency Framework will align the skills for the job role, and not the job holder, which will assist in recruitment and career progression.

Job description for Procurement Personnel, revised to include core responsibilities, included:

- Timely procurement and supply of goods, works, and services essential for smooth running of the Government organization.
- Consolidation and restructuring of the procurement Human Resource cadre, with creation of an additional level, making it more amenable to efficient and effective delivery of procurement and supply services.
- Provision is also being made for supporting staff to assist officers of the cadre.

Scalability and Sustainability

The Procurement Cadre System can be replicated in other countries across the world, weighing the benefits that the Cadre System brings in the Government Organization, from the impact it makes, and the lessons learned from such a system. Organizations in other countries can set Bhutan's Cadre System as an example and pilot it in their organizations and, if proven successful, they can adopt the Bhutan's Procurement Cadre System itself. The Competency Framework and job description of Procurement personnel are designed in a very systematic and motivational way, which facilitates its replication anywhere in the world.

Lessons Learned

With implementation of the Procurement Cadre System, the Royal Government of Bhutan has learned lessons, including:

1. A detailed research on the existing system will have to be carried out before introducing a new system.
2. Acquire necessary approvals and recommendations from the relevant agencies for support during implementation.
3. Incorporate feedback, comments, and suggestions from the relevant stakeholders to keep them informed.
4. Carry out consultative workshops with the stakeholders concerned to incorporate their needs and opinions on the cadre system.
5. There is a need to incorporate international best practices from other countries that have implemented such a system.
6. Harmonization of existing Government policies and practices within the Cadre System.
7. Attainment of transparency, competitiveness, cost effectiveness, and professionalism in the Public Sector Procurement System.

Government e-Marketplace (GeM), India

> *An online procurement system for commonly used items, developed using private e-marketplace design and processes, resulting in about 10% cost savings*

{This article is an abridged version of the submission on "Government e-Marketplace (GeM)" made by Mr. Binoy Kumar, Director General, Supplies and Disposal, Government of India, for the South Asia Procurement Innovation Awards.}

Summary

Government e-Marketplace (GeM) is an end-to-end online procurement system for commonly used items of the Directorate General of Supplies and Disposal, (DGS & D), Government of India. Developed using private e-marketplace design and processes, GeM offers buyers a huge list of products for individual categories of Goods/Services to shop for. Search, Compare, Select and Buy facility, a continuous Vendor-Rating system, and an easy Return policy makes GeM a convenient platform for buyers.

GeM is revolutionizing Indian public procurement scenario by making it paperless, cashless, and faceless. It is helping in cutting down administrative and transaction costs significantly for buyers and bidders. The innovation, built on modern e-commerce technologies, coupled with verifiable means of authenticity of suppliers and purchasers, allows a fully reliable procurement transaction to be done completely online. Within a few months of launch, GeM has become

popular with over 19,000 users registering on the platform. It has integrated 1,036 Government department-buyers, 2,580 sellers, 81 service providers, 8,270 products / services, and delivered 1,074 orders worth USD 16 million as of January 2017.

Background

The Good Governance initiative of the Government had a stated objective of Minimum Government and Maximum Governance. As part of this, two Groups of Secretaries to the Government of India recommended that the current Government procurement system be reviewed and redesigned. They went on to state their preference for a market-based, open, and transparent framework in line with the Digital India Vision — Paperless, Cashless, and Faceless.

Procurement operations in India are typically delegated to procurement entities on a deconcentrated model based on the financial delegation levels permitted. These are covered by the regulatory framework of General Financial Rules (GFR). Directorate General of Supplies and Disposal, established for procurement for the Union Government, has a facilitating role in establishing rate contracts (similar to framework agreements). Over the last 65 years, DGS & D has set up over 3,000 rate contracts covering over 20,000 products. In an economy with a $2.3 trillion GDP and an estimated 15% of that being public procurement, around 700,000 tenders are issued every year by Government procuring entities. The aspiration was to leverage the technologies that were available and transform the way Government procured its daily use goods and services, leading to higher efficiency in cost, time, and efforts.

GeM (https://gem.gov.in/) was developed under the guidance of Directorate of Supplies and Disposal, Department of Commerce, Government of India, with technical collaboration of National e-Governance Division, Ministry of Electronics and Information Technology, Government of India.

Challenges Addressed

The key challenges that are addressed by GeM include:

1. Crafting a solution that cut down significantly on administrative and transaction costs on commonly and repeatedly procured items for both Government buyers as well as suppliers, for example transportation (or taxi) services.
2. Eliminating multiple levels of manual, sequential verification and decision-making to bring down lead-time in procurement.
3. Instilling confidence amongst all stakeholders, including vendors, of an open, inclusive, and competitive process.

4. Reducing the physical means of financial transactions of various types of payments.

Innovations in the Solution

The idea of a Government procurement marketplace was an out-of-the-box approach to the challenges faced and has many elements of innovation.

1. The ability of Government-buyers to interface and transact directly with potential suppliers in a manner that was faceless, paperless, and cashless conformed completely to the Digital India vision of governance.
2. The end-to-end platform was able to get a strong buy in from multiple stakeholders with varied objectives on the aspect of procurement. They ranged from Finance, Audit, Accounts, and Vigilance functions within the Government to market providers that included Industry, OEMs, Retailers, and Banks, among others.
3. GeM introduced many new ways of efficient procurement, particularly for services, which the Government had not done ever before e.g. the provisioning of transportation (taxi) services with spot-hiring, leasing, renting, among other options, in collaboration with global leaders Uber and Ola.
4. GeM successfully addressed various entry barriers for vendors by simplifying the onboarding process and reduced the time frame dramatically. The traditional vendor rate contract cycle that lasted for 6 to 8 months was transformed to an online vendor registration that just took 20 minutes! This was achieved by securing offers through eSign that established an audit trail.
5. GeM leverages cross-platform authentication of seller credentials, with individual identities verified through Aadhaar (the Unique Identification program of the Government of India) and the financial standings of individuals and supplier organizations through their Permanent Account Number (PAN) issued by the Income Tax Department.
6. The platform features include best-of-breed e-commerce functionalities, such as Easy search, Price comparisons, Selection, Order placement, e-Bidding, Reverse auction, Demand-aggregation, Dynamic pricing by sellers/service providers amongst many more.

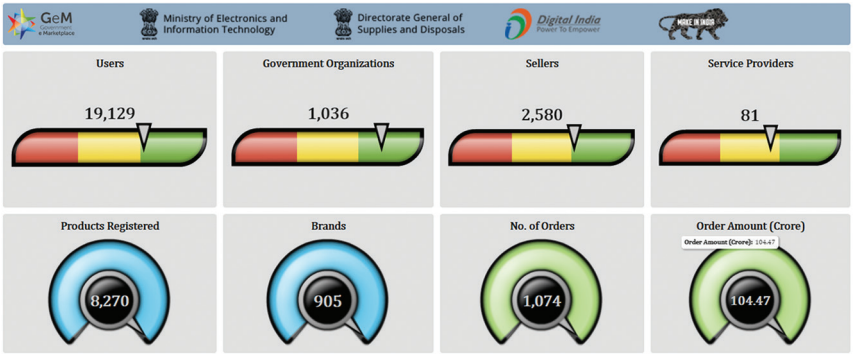
Impact Generated

GeM has rationalized the procurement processes, brought in complete transparency and traceability, reduced lead-time, enabled parallel auditing, and increased the overall effectiveness of procedures.

Successful roll out of GeM has impacted many facets of procurement policy and management, and demonstrated high value. At a policy level, a new service level

of "Payment within 10 days of delivery and its acceptance" was introduced as a new Rule in the GFR to enable procurement through GeM. In a very short time, GeM has gained the confidence of multiple stakeholders, as seen from the high number of vendor and product registrations.

Within 120 days of launch, GeM has integrated 1,036 Government department-buyers, 2,580 sellers, 81 service providers, 8,270 products / services, and delivered 1,074 orders worth USD 16 million as of January 2017. GeM's acceptance by various Government departmental buyers is a testimony of its success. Trends indicate that there will be bigger growth in procurement transactions with more Government-buyers, national and state, queuing up to be onboarded on GeM. The World Bank has permitted purchasing of up to USD 30,000 on GeM portal for bank-funded projects.



Above all, GeM is setting the benchmark for Government agencies to adopt usage of newer and faster technologies, even if it means borrowing from the private sector. It is a proud addition to the national repository of effective, transparent, user-friendly IT-based platforms that take the Digital India agenda forward to a digitally-empowered society and nation.

Scalability and Sustainability

GeM is conceptualized around generally acceptable / prudent financial rules in Government departments, making it easy to replicate, adopt, or adapt the solutions by any Government entity, be they from the central or state governments, PSUs, or autonomous-bodies. GeM's architecture has been designed to make it easy to scale-up and up-scope, as it is modular. Functionalities of the portal have been so formatted to allow modification for use by other institutions or national states with minimal efforts, thereby reducing wastage. By doing this, GeM curbs the need for Government buyers starting individual e-solutions and seeks to bring them all under one roof of

a universal procurement solution. GeM is developed as a full stack Open Source application platform and deploys effective load balancing and caching to make it a high-availability solution even during peak loads.

Lessons Learned

While a number of lessons came up during the design, development and deployment of GeM, the key lessons include:

1. The architecture and technology stack for a solution like GeM needs to be agile to dynamically keep up with demands of both vendors and buyers. On an average, the team addresses about 250 queries per week.
2. To build confidence in a buyer, concurrent oversight and auditing by competent agencies need to be enabled.
3. To keep up with the pace of such e-solutions, there needs to be constant feedback and repetitive training sessions of levels that operate the system to ensure no inadvertent errors or erroneous decisions are taken. Buyers, vendors, and providers need training and continuous handholding on registering and on-boarding products.
4. Any process-oriented application that generates documents needs to have a foolproof audit trail with an efficient document management system.

Citizen Monitoring of Rural Roads Under Pradhan Mantri Gram Sadak Yojana (PMGSY), India

> *Introduction of 'Meri Sadak', the citizen feedback mobile application, has paved the way for promoting self-sustainable rural road asset management and better contract management during construction and the five-year defect liability period*

{This article is an abridged version of the submission on "Citizen Monitoring of Rural Roads Under Pradhan Mantri Gram Sadak Yojana (PMGSY)" made by Mr. Rajesh Bhushan, Joint Secretary, Ministry of Rural Development, and Director General, NRRDA, for the South Asia Procurement Innovation Awards.}

Summary

The national rural roads development program of Government of India, "Pradhan Mantri Gram Sadak Yojana (PMGSY)", launched in 2000, aims to provide road connectivity to 167,000 unconnected habitations in India. About 65% of the targeted 740,000 km roads, either new or under upgradation, have already been achieved. To ensure the program's effectiveness, with citizen / user involvement in service planning and delivery, NRRDA, the national authority under Ministry of Rural Development, has also implemented a pilot Citizen Engagement program in 7 Indian States, defining the responsive role of citizen / user in PMGSY, from construction to maintenance of the rural roads constructed.

The pilot program involves identifying volunteers and their capacity building, developing a citizen-friendly toolkit to test various basic parameters of roads, IEC leaflets on awareness,

and the role of citizen in monitoring and training modules. “Meri Sadak”, a mobile app launched to enable users to give their feedback regarding the pace of works, quality of works etc. using photographs and simple data entry, has had more than 500,000 downloads in 3 years. The inclusion of citizens in the PMGSY has paved the way for promoting self-sustainable rural road asset management, better contract management, and better service from contractors during the five-year defect liability period.

Background

Government of India launched the Pradhan Mantri Gram Sadak Yojana (PMGSY – Prime Minister’s Rural Roads Scheme) in 2000 to provide connectivity to Unconnected Habitations, as part of a poverty reduction strategy. According to the latest figures from a survey to identify the Core Network as part of the PMGSY program, about 167,000 Unconnected Habitations are eligible for coverage under the program. This involves construction of about 371,000 km of roads for New Connectivity and 368,000 km under upgradation. So far, 493,300 km of road works have been completed under both the categories. The PMGSY Program is implemented under the aegis of National Rural Roads Development Authority (NRRDA), Ministry of Rural Development, Government of India.

PRIs or Panchayat Raj Institutions and the local community are involved in identification of the networks to be constructed and upgraded. This facilitates involvement of users, citizen community, and all stakeholders in Government programs at the lowest level and makes PMGSY a sustained initiative across sectors. The emphasis of this citizen engagement is to bring in an aspect of ownership among local communities. Using the “Meri Sadak” mobile app, users of PMGSY roads can also contact the Nodal Departments in State Governments / NRRDA and give their feedback on the pace and quality of road works. According to Google Play Store, total downloads of “Meri Sadak” Mobile Application crossed 500,000 by December 2016. In addition, the overall increase in reviews rose from 718 to 7,508 in its three-year period, demonstrating the success of NRRDA’s efforts.

Challenges Addressed

The pilot program faced many challenges during design and development due to the diversity in target rural population across the country:

- The most significant challenge addressed was establishment of a unified process / methodology of responsive involvement of citizens in PMGSY across the country.
- Another major challenge in defining a responsive citizen engagement process in PMGSY was the need to create awareness among citizens on their role in construction and maintenance of rural roads, and

capacity building of identified volunteers on technical aspects in a much simpler way.

- Addressing the issue of reaching out to ordinary citizens with technology was also a significant challenge.
- Willingness of the political system is one significant concern, which draws limitations in implementation of various programs.
- Finally, women's participation is one serious issue the program addressed, particularly the anticipation that women need to travel to different places.

Impact Generated

Inclusion of citizens in the PMGSY has paved the way for promoting self-sustainable rural road asset management. The major benefits from citizen engagement in terms of monetary and non-monetary terms are as follows:

- Though the Government nodal department is in-charge of the quality of construction and maintenance, impact on road condition and maintenance due to involvement of citizen monitoring led to in-time corrective measures, thus reducing depreciation of assets.
- Constant monitoring and persuasion to maintain these roads keeps them in a serviceable condition during all seasons.
- This led to empowerment of citizens from the grass-root level. With requisite technical knowledge, citizens are now able to also address technical issues. It has empowered women and ordinary citizens in monitoring the rural roads of PMGSY and similar projects in their locality.
- The engagement led to huge sustained increase in connectivity to markets, healthcare and education centres, and local area headquarters.
- Vigil of the community ensures adept monitoring of rural roads in their region.

Innovations in the Solution

The innovativeness of the solution was in developing, testing, standardizing, and piloting in two phases over 3 years (a) Simple citizen-friendly toolkit to capture and analyze data during construction and in maintenance. (b) A methodology for selecting Citizen Volunteers. (c) Data sheets for reporting. (d) Comprehensive training module including audio-visual and hands-on components in the module, considering the socio-economic-educational background of volunteers. (e) Developing master trainers on this.

The "Meri Sadak" mobile application developed is so simple and hassle-free that rural citizens have been able to embrace this technology and provide feedback

on condition of roads. Inclusion of ICT has made it effortless to establish a healthy information cycle, from citizens to authorities and vice versa.

The tools developed and practices enabled data collection and reporting through a simplest process, which can be easily undertaken by an ordinary citizen. Making citizen as an asset in the system of PMGSY, which brings in benefits across sectors in rural development, was another innovation that directly contributed to more effective Social Audit processes in many other grassroot-level programs. Above all, this has efficiently and effectively brought in transparency and accountability into the system of rural roads.

Scalability and Sustainability

This process of citizen engagement can be replicated in all similar rural roads' projects. "Meri Sadak", the mobile application, is a state-of-the-art Citizen Feedback system that can be taken up as a redressal system for infrastructure. Capacity building by the program at grassroot level organizations, like Panchayati Raj Institutions (PRI) and Women Self Help Groups across the country, has built a critical mass of empowered stakeholders for any developmental efforts of the Government. Since the Indian sub-continent has a varied socio-economic status across geography, this system of citizen engagement can be easily adopted by developing countries in their programs. The ability of the program to instill ownership of roads within the community ensures sustainability of this monitoring system.

Lessons Learned

Ensuring effective contract management of rural assets by involving and empowering community is the most significant lesson from PMGSY experience. Citizen engagement in monitoring of these roads has led to a more systematic maintenance of roads as well as quality assurance during construction and maintenance of these roads. The five-year Defect Liability Period (DLP) under the contract makes the contractor responsible for

maintaining the constructed road in a serviceable condition for 5 years post construction. However, it has been found that contractors were not responsible enough in maintaining these roads.

Participation of women was found to increase when their involvement was sought for assets in their proximity. As training of volunteers through Master Trainers took place in the respective village itself, there was increased women participation. This ensured that the volunteer group had a mix of both genders.

Citizen engagement in monitoring was found more effective when technology was used in the simplest way for data collection and analysis. Access to technical data on Online Monitoring Management and Accounting System (OMMAS) regarding the respective road of their village made it easier to monitor the roads during construction. Use of “Meri Sadak” mobile application to upload pictures easily as evidence when reporting has made the application a real-time monitoring tool.

Redefining Procurement as an Innovative and Collaborative Centre of Excellence for Best-in-Class Sourcing Solution

> *"Project VIVARTAN, implemented to transform transactional procurement function to strategic category management in HPCL, demonstrates the will of Management and possibilities of out-of-the-box solutions within the regulatory framework and oversight arrangements"*

{This article is an abridged version of the submission on "Redefining Procurement as an Innovative and Collaborative Centre of Excellence for Best-in-Class Sourcing Solution" madeby Mr. S. K. Chowdhury, Head – Integrated Support Function, Central Procurement Organization, HPCL, India, for the South Asia Procurement Innovation Awards.}

Summary

Project VIVARTAN is an organizational transformation initiative of changing transactional and process-oriented procurement to strategic category management, implemented by Hindustan Petroleum Corporation Limited (HPCL), a US$ 30 Billion Government of India Undertaking. Within all constraints of following public procurement regulatory requirements, Project VIVARTAN has become instrumental in achieving the end objective of value creation from the supply base.

Through a structured bottom-up cost estimation method; creating 150,000 unique structured and standardized items' codes; category-based annual procurement planning and sourcing strategy; and using an end-to-end, state-of-the-art E-platform handled by certified employees

on higher levels of procurement learning, Project VIVARTAN resulted in 10% cost savings, 40% time savings and 70% increase in vendor participation in the very first year.

Background

Hindustan Petroleum Corporation Limited (HPCL) is a Government of India Enterprise, with its annual procurement spend at 1.5 Billion US$. Procurement by HPCL used to operate as more of a transactional, process-oriented function at different Strategic Business Units (SBUs), with limited focus on strategic, category concept. In the aftermath of globalization and eroding bottom lines, Project VIVARTAN, a transformation initiative, was launched to redefine HPCL Procurement as an innovative and collaborative center of excellence. It was implemented under a cross-functional Project team headed at Executive Director level, with members from SBUs, Refineries, Zones, Regions, Plants, Terminals, Legal, and Finance, with support from Consultants, M/s AT Kearney (ATK).

Project VIVARTAN was undertaken in 2 phases (i) As Is Study: The study of past procurement data, interviews, meetings, discussions, and workshops on existing procurement landscape and improvement areas, against global benchmarking. Based on the study's assessment, a design road map was laid down starting with a visioning exercise, where CPO Vision / Mission statement and Logo for Project "VIVARTAN" were finalized. Sourcing spectrum was strategically divided into several category buckets with a clear transition road map. (ii) Phase II: With requisite manpower positioned, the pilot categories identified were taken up for implementation with handholding of consultants. Category-centric sourcing and contracting approach was adopted with introduction of the Category Management Concept. The Strategy for each category was finalized after an in-depth market research and study of global best practices.

Challenges Addressed

Following are the major challenges addressed:

1. Challenges of consolidating demand due to distributed spending without specification standardization and item codification.
2. Capability Building – Procurement was not a cadre comprising trained and certified professionals with adequate domain knowledge fit for strategic sourcing.
3. Apprehension within SBUs of losing control over the function.
4. Cumbersome processes followed without SoPs posed issues for switching over to a complete E-platform.

5. Limitations of being part of Public Procurement regulations (GFRs), wherein open tendering has limited flexibility and there is restricted level of collaboration with vendors.

6. Socio-economic obligations of adhering to policy needs for preferential procurement that limits competition.

Innovations in the Solution

Innovation has been the hallmark of this project and was instrumental in achieving the end objective of value creation from the supply base. It involved:

Category Strategy: Basis the Past spend pattern, Suppliers profile, Market analysis and Global trends witnessed within the best-in-class companies, HPCL spend is categorized into different buckets, allowing Category Managers to draw the right category strategy.

Innovative short-time / long-time strategies were introduced, such as Change in Share of Business, Global Tenders, Developing Alternative Specification / Material, Life Cycle Costing, and Costing-Based Net Value Realization.

Cost Estimation Cell as Centre of Excellence and Price Banding: Introduced as an innovative tool to break the Vendor Cartel under select categories, CPO could use the Bottom-up Costing tool very effectively for getting a competitive price from bidders at markets, which have historically seen high quotes as results of cartel.

Reverse Auction: The online tender platform was strengthened with additional features, such as Reverse auction, Online collection and refund of Tender fee / Deposits / Retention money etc., to make it an end-to-end online solution. With higher business volumes at stake as a result of consolidation, reverse auction saw a stiff competition among bidders, resulting in very competitive rates being finalized and providing huge saving to the corporation.

Specification Standardization and Uniform Item Codification: Uniform item codification project was executed, wherein more than 1 million past procurement data were scrutinized, cleansed, and standardized to obtain 150,000 Unique specifications with Items codes in Master data format. This was done with the help of domain experts as external consultants.

Vendor Data Base Rationalization: HPCL Vendor Database had around 200,000 Vendor Codes, most of them duplicates created in a decentralized environment by different business units. The Vendor Management team of CPO initiated the activity of cleansing the Vendor base to come out with 96,000 Unique Vendor Codes to facilitate consolidated order placement, vendor performance evaluation and tracking.

Capability Building: Building suitable capability among the workforce is one of the prerequisites for any organization to be successful. The Certification course conducted by United Nations Development Program at CIPS Level II and Level III Certification in Public Procurement for all CPO personnel was the step taken to create a pool of certified professionals in the field of procurement.

Impact Generated

The shift from transactional model to strategic category management led to the following impacts:

1. Establishment of a Cost Estimation cell introduced price banding for categories with structured bottom-up cost estimation method for arriving at Costing and Price Banding. Apart from breaking the threat of Vendor Cartel, a saving up to 10% over benchmark was witnessed in initial tenders itself.
2. Uniform Item Codification project led to standardization of specifications as a prerequisite for demand consolidation across the Corporation. Unique 150,000 items' codes were created in a structured, standardized format by the item codification team. This enabled Accurate Annual Procurement planning, eliminated ambiguities and queries at bidding stage, provided accurate inputs for analytics, and supported business intelligence.
3. Category-based sourcing strategy, based on past procurement data, annual procurement plan, and detailed supplier market assessment, led to a tangible saving of approximately 10% over past spends, with the larger volume attracting Global Vendor Participation. 70% increase in vendor response was observed in the very first year.
4. End-to-end, state-of-the-art E-platform contributed to reduction of the cycle time by 35-40%, while promoting the green initiative of the Corporation.
5. Rationalization of Vendor Database and Unique Vendor Code: This made tracking of project progress easier and also simplified the process of Vendor Performance evaluation.

Scalability and Sustainability

Project VIVARTAN is used for all procurements in HPCL. Its implementation shows that these innovative approaches, if replicated in the Public or Private sector, can bring in tremendous value in terms of increased quality, reduced purchase cycle time, increased saving, and discipline in procurement processes. Standardization and codification of items led to ease of

consolidation in demand across the company and helped lower the inventory holding cost. The E-platform, which is transparent and secure with rich features, such as Reverse Auction, E-collection / Refund of EMD / Tender fee etc., will also boost the green initiative.

Developing a robust category strategy, based on in-depth supplier market assessment for high spend items, is the direction in which the public sector needs to move. Initiatives like Project VIVARTAN are implemented within the same regulatory framework and vigil or oversight institutions that are often pointed to as determinants of red tape and inefficiency. Evidence of cost savings, efficiencies achieved in time, as well as increased bidder participation, proves the financial and organizational value addition of the project.

Lessons Learned

Following are the lessons learned as a result of successful implementation of Project VIVARTAN:

1. Establishing an appropriate benchmark by investing time and leveraging global best practices for developing a robust procurement category strategy at the planning stage is essential. Category Profiling and Supplier Market Assessments are the two most important ingredients for development of Category Strategy.
2. Collaborating with Vendors: The Pre-Tender Meets started at HPCL CPO were instrumental in getting crucial inputs, which helped in firming up Specifications, Terms and Conditions, apart from developing the right category strategy for improved Vendor Response and better Value for Money.
3. The E-platform with features, such as reverse auction, E-collection and refund of Tender Fee / Deposits, E-chartering etc. complemented the process efficiency in total.

4. It is important to launch a Certification Program to develop a procurement cadre of certified professionals, with complete knowledge about best practices in public procurement at global level. This effort must be at the professional level with strategic procurement coverage.

5. Strong Management Focus and Support is an important factor for the success of any project of this magnitude. Management commitment towards the project was reflected in formation of CPO project team headed by Executive Director, engaging renowned consultants, and establishing a Steering Committee of higher management for periodically assessing project progress and providing quick policy decisions. These played a vital role in completion of the project as per schedule.

Establishment of Technology-Based Health Procurement and Supply Chain Management System, and Capacity Development in Tamil Nadu Medical Services Corporation

> *"The TNMSC initiative in health sector procurement and supply chain management led to consolidation of hitherto dispersed activities of demand estimation, localized indenting, procurement of drugs, vaccines, and medical equipment with standardized specifications, and improved distribution, stock, and expiry management"*

{This article is an abridged version of the submission on "Procurement Reforms and Capacity Development Activities at Tamil Nadu Medical Services Corporation Limited" made by Ms. Selvi Apoorva, Managing Director, TNMSC, Tamil Nadu, India, for the South Asia Procurement Innovation Awards.}

Summary

Tamil Nadu Medical Services Corporation Limited (TNMSC), a Tamil Nadu Government undertaking in India, is successfully implementing healthcare-related schemes throughout the State having a population of 77.88 million. The Corporation has put in place a transparent procurement process to make available for free Generic Drugs in Government health facilities, greatly reducing the Out-of-Pocket Expenditure of people of the State on drugs. TNMSC is also actively managing the Supply Chain of drugs in the State and ensures continuous availability of drugs at all Government health facilities. Further, it is effectively facilitating Public-Private Partnership in the Healthcare services in coordination with multiple stakeholders.

Background

TNMSC was established in 1994-95 to procure drugs, medical equipment and other healthcare-related products, and distribute them to public health facilities throughout the State. Through an innovative ICT-based automation of demand forecasting, procurement, distribution, warehousing, and stock management, the Corporation facilitates a Rational Drug Distribution system, adhering to applicable laws of the land and other regulatory requirements pertaining to drugs and medicines.

From its inception, in the last two decades, TNMSC has rendered valuable services for effective implementation of all Healthcare-Related Schemes in the State, and to achieve the Goals and Targets of the Health Department. The Corporation has also established a continually improving Quality Management system and is certified with ISO recognition (ISO 9001:2008). Based on the success of the model, TNMSC has rendered Consultancy services to various State Governments in India, like Rajasthan, Andhra Pradesh, Odisha, Uttar Pradesh, Karnataka, Madhya Pradesh, and Kerala. It has also delivered training courses on Drug Logistics and Warehousing for personnel from Karnataka, Assam, Sri Lanka, Myanmar, and Nepal.

Challenges Addressed

Following were the challenges faced in Drugs Procurement in the State of Tamil Nadu prior to establishment of TNMSC Limited:

- Acute shortage of drugs and medicines at Government facilities.
- More than 1,000 drugs were procured, some of them even branded. There was no concept of essential drugs.
- Drugs procured in bulk packing – unhygienic storage and distribution.
- Post-delivery quality assurance was non-existent and pre-shipment inspection was perfunctory.
- Poor quantification led to excess procurement and wastage.
- Delays in procurement process also led to shortage.

The above challenges led to lack of faith in Government health services, resulting in a decline of public participation in the healthcare delivery system.

Innovations in the Solution

The TNMSC initiative led to consolidation of hitherto dispersed activities of demand estimation, localized indenting, procurement of the same items with standardized specifications, and improved distribution, stock, and expiry

management. Innovation was brought in at every point and the significant ones included:

- Rationalization of Drug Procurement for the Government Health facilities, eliminating shortage and excess.
- Introducing packaging standards with measures to prevent pilferage.
- Totally transparent process throughout the procurement cycle with a simple and clear standard bidding document.
- Elimination of quantification with tenders based on past consumption, and purchase orders based on actual monthly consumption – a genuine pull system.
- Effective implementation of Information and Communication Technologies (ICT) in the Drugs Supply Chain Management system. The system generates online information on inventory at district warehouses, enabling the management to prevent stockouts and excesses.
- An innovative passbook system, something like a debit card to health facilities, to enable lifting of the required goods from district warehouses. This has simplified the supply chain up to the facilities.
- Scientifically developed Quality Assurance procedures to ensure the Quality of Drugs.

Impact Generated

The technology-driven model followed by TNMSC has had a lasting impact on health services delivery not only in the State, but across the country. Its innovative approach has become the norm for all progressive States and at the national level for health sector procurement and supply chain management. Some of the significant and visible impacts are:

- Based on a detailed survey in 2015 by the National Sample Survey Organization, the Out-of-Pocket expenditure on drugs was lowest in Tamil Nadu among the major states, Rs. 145 per capita as against Rs. 2,284 for the country.
- The Corporation's transparent procurement process has become a model for other States in India. This has also been much appreciated by international organizations, such as the World Bank and WHO.
- Upgrading skills of service providers in Drug distribution services, Human resource development, Efficient distribution through decentralization at district-level drug warehouses, Simplified indenting system (Including Online Indent), Usage of ICT system for monitoring of warehouse inventories, and Training and sensitization of all stakeholders towards effective implementation of the Free Drugs Policy of Tamil Nadu are some of the reasons for its success.

Scalability and Sustainability

TNMSC is a pioneering organization functioning for more than two decades, with a well-noted innovation in transparent Public Procurement System and other Diagnostic services at Healthcare facilities. The model of TNMSC has already been replicated in other states of India, such as Kerala, Rajasthan, Chhattisgarh, Haryana, Karnataka, Andhra Pradesh, Jharkhand, Bihar, Madhya Pradesh, and Odisha. The Central Government too has set up a similar agency for procurement of essential drugs. TNMSC is steadily visited by various Governments, including from abroad, for Training and Institutional Building purposes on various occasions from its inception, which shows the keen interest in replication of the TNMSC Model.

Lessons Learned

The Corporation has learned to manage the supply chain effectively even when there was failure of all modes of transportation due to natural calamities and various strikes. Tamil Nadu faced unpredicted rainfall during the North East Monsoon in the month of November and December 2015, and most parts of the North Tamil Nadu were inundated. To eradicate infectious diseases due to bacterial and viral proliferation, TNMSC procured and supplied chemicals, such as Bleaching Powder for use in the wet soil to control bacterial growth, Chlorine tablets to control the spread of diseases by contaminated water, Lysol to clean the floors and control bacteria, and Sodium Hypochlorite solution to control the spread of bacterial diseases due to stagnated water. These chemicals were procured by TNMSC on war footing basis for immediate requirements of Corporations of Tamil Nadu and Municipalities and Panchayat Unions to control infectious diseases.

In addition, the Health and Family Welfare department of Tamil Nadu organized mobile dispensaries in flood-affected areas. It carried out door-to-door diagnostic services, provided medical assistance to flood-affected patients, and catered to the need of medicines, such as diagnostic kits, antibiotics, intravenous fluids, analgesics etc., required for mobile medical camps. These were arranged by TNMSC on war footing basis from suppliers and nearby warehouses. The Corporation warehouses were working on round-the-clock basis for catering to the need of hospitals and patients. Thereby, contagious and infectious diseases were totally controlled by the Health Department effectively and in a time-bound manner. TNMSC also played a vital role in mobilizing quality drugs in time and assisting mobile medical camps. TNMSC is thus capable of adapting to the dynamic changes in Public Procurement.

Community-Based Procurement in AACP, Assam, India – Power of Grassroots Procurement Leading Assam to a New Green Revolution

> *"The Assam Agriculture Competitiveness Project (AACP) has pioneered a highly innovative Community Procurement system, with a unique procurement process that not only enhances community's role in procurement decision-making, but also brings in economies of scale, which enables beneficiary farmers to buy pump-sets at rates cheaper than market rates, without compromising on quality"*

{This article is an abridged version of the submission on "Power of Grassroots Procurement – A Way for Tapping the Vast Agricultural Potential of Assam for a New Green Revolution" made by Mr. Siddharth Singh, State Project Director, ARIAS Society, Assam, India, for the South Asia Procurement Innovation Awards.}

Summary

While implementing a project for enhancing agricultural yield and market competitiveness of small rural farmers, the State of Assam in India faced a situation of repeated failure of pump-sets procured through International Competitive Bidding (ICB). Due to unfamiliar brands, farmers were slow to acquire the pump-sets. The sets that were installed experienced breakdowns and received little after-sales service from the large outside suppliers, who were the only ones to qualify in the ICB process. Halfway through the project, the situation turned into a major concern, which affected the progress of the project, with even suggestions that it be closed.

The Project addressed the challenge through an innovative paradigm shift approach called "Community Procurement". The shift allowed developing a Rate Bank of about 13 technically acceptable models of pump-sets widely available in local areas of Assam, with adequate after-sales service facilities for farmer groups to choose from. This has revolutionized the supply and intake – the Project achieved a mammoth 105,000 STWs in just 7 years, as against 5,000 STWs in the initial 3 years.

Background

Assam a small state in the North Eastern part of India, where agriculture and allied sectors are the principal occupation, directly or indirectly supporting more than 75% of the population. Assam's farming families are predominantly small and marginal (85%), with an average landholding of only 0.63 hectare. Though Assam has an abundance of rainfall in the monsoon season and its land is fertile, farmers are unable to maximize their income from farm-fields because they lack access to water during the long, dry winter months. Without access to water in winter season, farmers were unable to increase yields, enhance cropping intensity, or diversify away from growing rice to other crops. This is primarily due to lack of capital with the farmers to invest in Shallow Tube Wells (STWs) to tap into the significantly high and abundant groundwater. Irrigation was the key to enable farmers to maximize income from their farm fields by increasing cropping intensity.

In 2005, State Government of Assam took up the World Bank-aided Assam Agricultural Competitiveness Project (AACP), which was managed and coordinated by the Assam Rural Infrastructure and Agricultural Services Society (ARIAS Society), an Autonomous body under the Government. Irrigation through STWs was the core intervention of the AACP, amongst others. The Project sought to provide groups of 3-5 small-scale farmers with a 30% grant (later enhanced to 50%) to purchase a shared irrigation pump set. At first, the project focused on centralized procurement of these pumps through International Competitive Bidding (ICB) process. This, however, proved to be difficult. The Project tried four times to carry out ICB processes (worth about US$5 million each) to procure tranches of 10,000 pumps centrally, but none of them were successful. Few large manufacturers submitted bids, resulting in unpopular pump manufacturers winning the bids. Due to unfamiliar brands, farmers were slow to acquire the pump-sets. The sets that were installed experienced breakdowns and received little after-sales service from the outside suppliers, resulting in complaints from farmers. Farmers also enquired why the Project should solely decide which brand / model of the pump-set they must acquire when they too are required to pay half of the cost of pump-sets.

Challenges Addressed

The challenges faced by the Project were multifaceted. The uptake of STWs was very low, affecting implementation of the Project and the developmental objectives set by it. On another side, the situation posed serious challenges about the procurement process for ensuring confidence within the grassroot-level farmer groups, who were the end beneficiaries, in getting products with which they are familiar and have adequate after-sales service support etc. Need for designing a procurement strategy that is inclusive of most of the suppliers, and one that does not create a barrier because of the high quantum of procurement, was also a challenge. This is because conventional approaches suggested aggregation of demand to drive value for money from economies of scale. The challenge also included defining value for money, as making available STWs tested and proven in localities, where variations in electricity supply, water availability etc. affect the performance of the pump-sets and requires adequate after sale-service facilities from the suppliers.

Impact Generated

The Community Procurement process transformed an apparent failure into a significant success. Importantly, it was instrumental in increasing productivity and diversification of agriculture in Assam. The impacts included:

- Increased uptake of pumps: The project provided cost-effective STWs to 100,000 farmer groups each, comprising 306,167 farm families (88% were small and marginal). The empowerment of communities accelerated the implementation pace of irrigation.
- Acceptability to community: As the process empowered community groups, it was widely accepted. The process allowed manufacturers with varying capacities and sizes to apply. Instead of a single supplier selected through ICB, the first process resulted in 15 qualified suppliers, with over 25 models for farmers to choose from.
- Lower costs: The unit cost of pump-sets was reduced by up to 7% below the market price. As suppliers were local, it did not require distribution of pump-sets across the state. Local dealers reduced prices due to margin of scale, as they got repeat supply orders from the neighbors of satisfied farmers.
- Better after-sales service: As the dealers belonged to towns nearer to farmer groups, farmers were able to get prompt after-sales service. Dealers provided service proactively at farmer's doorstep as a part of their marketing strategy.
- Significant improvements in productivity and cropping intensity: The impact assessment report of the project stated that – Productivity of Bodo Paddy, where STWs are used, has risen to 267% over baseline.

Further, Cropping Intensity increased to 200% from 130% at baseline. Marketed Surplus of Bodo Paddy, Mustard and Vegetables increased by 45%, 279% and 255% respectively from baseline.

Innovations in the Solution

- The most significant innovative step in the Community Procurement model was the 'Rate-Bank' developed by the Project through a transparent competitive process. The 'Rate-Bank' facilitated local community-level procurement by farmer groups by listing the names of manufacturers with their local dealers, and brands/models of pump-sets available with corresponding prices. The competitive selection process guaranteed cost-effectiveness and quality. The Rate-Bank was given wide publicity. Information dissemination campaigns at village level were organized through NGOs and application forms were distributed. Workshops with manufacturers, project engineers, NGOs and social coordinators were held to enlighten the community about the new procurement model. An independent third-party audit firm was engaged for Financial Audit to conduct 2% random check of the pump-sets installed. Another independent consultant was engaged to verify 10% of every 4,000 pumps procured.
- To ensure that pump-sets of acceptable standards were procured, technical standards were defined by the Project. Pump-set manufacturers were invited to submit offers through a widely-published open competitive process, called 'FOE' i.e. 'Floating of Enquiry'. The FOE sought manufacturers' willingness to sell pump-sets of laid-down technical specifications to the farmers' groups directly at predetermined prices, and provide after-sales service.

After evaluation, the Rate-Bank of qualified manufacturers, their brands, models, prices and names and addresses of local dealers were given wide publicity.

Scalability and Sustainability

Each individual pump-set acquired by the farmer groups through Community Procurement process is helping unleash an agricultural revolution in Assam and has become a testament to the strategy's success. Considering its huge popularity, the Project leveraged the Community Procurement process for other community initiatives of the Project, like mechanization (Tractors and Power Tillers), Low Lift Pumps, etc. Building on the success of this model, the Government of Assam's Agriculture Department has already mainstreamed this Community Procurement process for procurement of all farm equipment and machinery. Government of India (GoI) too has recognized this model as one of the 'good practices'. It has also circulated its details to all the States within India for adoption, as appropriate. The process is replicable and sustainable for all developmental schemes. Community Procurement is a replicable demand-driven process for farmers – by farmers and is transparent, economical and efficient. The State Government, considering its replicability, has included Community Procurement in the draft Assam Public Procurement Bill, which is likely to be approved within this financial year.

Lessons Learned

Shifting from the conventionally used procurement method of International Competition to Community-Based Procurement has offered many lessons on planning, designing, implementation and monitoring of the process and outcome. These include:

- Adaption of regulations, where needed, is essential to bring efficiency: New procedures can sometimes stall due to regulations designed for a previous system. For example, delays arose during implementation owing to limited number of officials allowed to certify the depth of STWs used in conjunction with the pump-sets. This obstacle was eliminated by opening up the certification of boreholes to a wider number of officials. As a result, farmers no longer had to wait, as village-level project officials and NGOs' staff were empowered to certify the depth of boreholes for wells.

- Change management is essential for all innovative processes: Community Procurement model, being new to everyone, faced issues, including resistance to change among field-level functionaries and NGOs, and led to shortages in supply of pump-sets. Some local dealers ran out of stock resulting in delivery delays. With experience, supply of pump-sets has got stabilized, as dealers have become aware of the farmers' choices.

- Decentralized payment is essential to expedite process flow: After initial payment delays due to a centralized payment system, payments to local dealers had to be decentralized to district level to streamline the payment process, so that suppliers do not have to wait for payment to restock.

Implementation of National e-GP System in Nepal

> *Nepal now has a full-fledged e-GP system covering all aspects of procurement, from planning to contract management, including the Public Procurement Management Information System (PPMIS). Public entities have already started phasing out their own individual e-submission systems and are coming into national e-GP System*

{This article is an abridged version of the submission on "National E-GP System Implementation in Nepal" made by Mr. Ramesh Kumar Sharma, Secretary, Public Procurement Monitoring Office, Kathmandu, Nepal, for the South Asia Procurement Innovation Awards.}

Summary

e-Government Procurement (e-GP) initiation in Nepal was started by a comprehensive study "Electronic Government in Nepal" carried out in December 2003. Several building blocks for implementation of e-GP in Nepal were already in place. Internet connectivity was available in almost all government administrative premises up to the local level. There were also a significant number of Rural Community Centers, Cyber Cafes, and Business Centers with ICT facilities across the country. An e-GP Readiness Assessment conducted in 2007 established that the level of readiness for e-GP in Nepal was reasonable. The only major problem was lack of an appropriate lead agency to drive and sponsor the electronic procurement reform.

Background

Government of Nepal formed the Public Procurement Monitoring Office (PPMO) as the Regulatory Authority for Public Procurement to develop and operate the national e-Government Procurement (e-GP) system in the country. PPMO is strongly fulfilling its mandate of governing the Public Procurement sector in Nepal, including introduction of a unitary National e-GP System. Every public entity should mandatorily use the national e-GP system for its procurement above {NPR 6 million (USD 60,000 (1 NPR = 0.0093 USD)). Thus, all public entities receiving funds from the Government of Nepal are in the scope of the e-GP system.

In 2010, PPMO prepared the Nepal Public Procurement Strategic Framework (NPPSF) Phase I (2010-2013). Its Phase II (2013-2016) adopted a strategic policy for implementation of national electronic-Government Procurement (e-GP) system, instead of using individual e-submission systems. In the journey of PPMO to streamline public procurement proceedings and modernize the procurement activities through electronic means, Asian Development Bank (ADB) and World Bank (WB) too provided their support to PPMO. World Bank and Asian Development Bank have already assessed the system and have committed to use the national e-GP system for their funded projects.

Challenges Addressed

Lack of transparency in government procurement has been a systemic problem in Nepal. In addition, inefficiency due to manual and paper-driven procurement processes has resulted in poor service and limited participation of bidders. The 2003 study under Electronic Government in Nepal found that establishing an e-GP System could help improve transparency, efficiency, and value for money in government procurement. Stakeholders (government agencies and suppliers) also showed their support to the e-GP concept.

Innovations in the Solution

A strong commitment at the highest political level, reflected through an amendment to Procurement reforms and a demand-driven process, with extensive consultations involving all stakeholders at the time of developing the e-Procurement solution, make e-GP innovative in Nepal's economic and political context. In 2011, through the third amendment to the PPR (Public Procurement Reform), PPMO was mandated to operate a single national e-GP portal. The amendment also clearly stated that public entities should carry out their procurement transactions through the single e-GP Portal established by PPMO. Thus, developing and implementing the e-GP system became national agenda.

PPMO conducted a study to envisage the functionality of national e-GP system and make it compatible with international e-GP best practices. As per the study's recommendation, a national e-GP system was developed in two phases – Phase I and Phase II. e-GP Phase II is the upgraded version of e-GP Phase I. e-GP Phase I covers up to only bid opening and e-GP Phase II covers all the functions after bid opening i.e. bid evaluation, contract awarding, contract management, dispute management, and payment. At the moment, Government of Nepal and its various entities are using Phase I and Phase II parallelly.

Impact Generated

Since the market demand of e-GP was already high, and national-level effort on e-GP implementation was much delayed, different government organizations had started developing and implementing some form of their own e-GP functionalities. At that time, Nepal did not also have any e-GP Policy in place for implementation of a unitary e-GP system for the Government.

Now, PPMO is ready with the latest system from January 2017 for all public entities across the country, including all local-level agencies. This system is the full-fledged e-GP system covering all aspects of procurement, from planning to contract management, including the Public Procurement Management Information System (PPMIS). All Standard Bidding Documents (SBDs) of procurement of works, goods, and consulting services issued by PPMO and Single Stage Two Envelope system are integrated in the application. Public entities have already started phasing out their own individual e-submission systems and are coming into national e-GP System.

Scalability and Sustainability

e-GP Phase II caters to all the functionalities of public procurement. The system is developed based on scalable architecture and international best practices, so that it can be integrated with other ICT systems. There is no need to install, manage, and operate the system in each public entity; they just have to register into the system and use it as per their need.

Lessons Learned

The separate development of e-Submission System within individual departments / public entities has the following shortcomings:

- Duplication and waste of national resources for development and operation of multiple systems.
- Difficult to control and check the compliance with legal framework.
- Fragments the opportunities to bidders.
- Government's public procurement information is scattered.

These shortcomings, in turn, impact the development of an efficient and effective high quality management framework for public sector procurement.

PPAF Community-Driven Development (CDD) Procurement Model, Pakistan

> *Pakistan Poverty Alleviation Fund (PPAF) strategized procurement function in a way that empowered community organizations right from selection of assets to be procured till their handing over to the beneficiaries, thereby enhancing their means of livelihoods*

{This article is an abridged version of the submission on "PPAF CDD Procurement Model" made by Mr. Abdul Rehman, General Manager (Procurement), Pakistan Poverty Alleviation Fund (PPAF), for the South Asia Procurement Innovation Awards.}

Summary

In response to rising poverty, Government of Pakistan, with World Bank support, established an Apex institution, the Pakistan Poverty Alleviation Fund (PPAF), to serve as a specialized funding institution that guides poverty reduction through civil society organizations. It operates as an independent entity to identify and develop civil society organizations, and funds them for specific interventions, leading to socio-economic development.

At present, with 134 Partner Organizations, PPAF is working with Community Organizations present in 100,000 villages and 130 districts of Pakistan. With 70% of the funding spent on procurement, the engagement of Community Institutions (CIs) in procurement process has enhanced the livelihood of people.

Background

The interventions of PPAF are by and large in far-flung areas, where basic necessities of life are scarcely available. Initially, the Procurement Unit of PPAF did not have resources to design and deliver customized training programs on Financial Management, Record Keeping, and Community Procurement and Asset Management to over the then 1,200 Community Institutions (CIs). Responding to the situation, PPAF prepared "CDD Procurement Guidelines" in the local language Urdu, and presented all relevant procurement formats by way of animated films and pictorial booklets, so that they could be understood easily.

Around 70-80% of funding by PPAF is centered on procurement of assets to enhance livelihood options, schools and the community's physical infrastructure schemes. Over time, there has emerged a shared understanding of accepting community-level procurement as a strategic underpinning to development.

Challenges Addressed

The Community Institutions (CIs) that the PPAF involved initially lacked expertise of managing financial and procurement activities, and thus needed capacity building to make them self-sufficient. CIs were hence brought under the supervision of Partner Organizations (POs), with PPAF as the apex body. Together with the other relevant members from PPAF and Task teams, processes were developed that met the objectives of participation, efficiency and cost-effectiveness, quality of goods and services, and transparency. Such departure from a standoffish procurement support to a participative one at community level paid dividends. Help also came by way of Community Resource Persons (CRPs) to build local capacities. Over 4,000 CRPs (both male and female) were trained to further train members of Community Institutions.

In case of Community Procurement, goods are generally manufactured at local level. Resorting to competitive procurement methods proved counter-productive to principles of procurement. The PPAF thus developed a Community Procurement Manual in local language, with animated films and pictorial booklets for easy understanding of the CIs and local communities. The manual provides solutions to overcome difficulties while carrying out different types of local procurement. It also provides different formats pertaining to procurement and suggests how community can procure goods in case of non-availability of verifiable quotations, goods, and vendors.

Innovations in the Solution

Animated movies have been prepared on Community-Driven Development (CDD), covering the core concept of CDD, formation of CRPs, how to develop Union Council Development Program (UCDP), Financial management,

Procurement process, Record keeping, and Capacity building. The animations pertain to the procurement process, informing how to initiate the procurement process; how to prepare the procurement plan, and why it is important to prepare the plan before initiation of any procurement process. It highlights how to establish procurement committees and what should be their composition.

Similar pictorial booklets have also been prepared and disseminated among community members, which have become hands-on source of learning at any time and any place. To fortify the outcome, a similar mobile application will soon be developed and launched for community members.

Impact Generated

The Procurement Unit (PU) of PPAF intended to mainstream communities into the process, so as to reduce their dependency on social intermediaries. Turning this into a reality required that communities had a sound and sustainable financial, procurement and administrative systems. PPAF strategized procurement function in a way that empowered community organizations, i.e LSOs (Local Support Organizations, VOs (Village Organisations) and COs (Community Organizations). These were involved right from selection of assets to be procured till their handing over to the beneficiaries. Such empowerment has changed their lives and, now, they have become the custodians of the process, which has also given them a sense of ownership.

Further, the engagement of Community Institutions (CIs) in procurement process has enhanced the livelihood of people. Now, the livestock procured by beneficiaries themselves, with support of the procurement committee, is better in terms of health and breed than the ones they were handed over without their involvement. Healthier animals enhance income of the household and ultimately boost the economy of the area. The CIs are now working as proper institutes and are transparent in their approach. Goods and services are being procured more economically and efficiently. Women have been made part of the Community Procurement process by including them in procurement committees for the first time, which was almost impossible in far-flung and remote areas of the country. Involvement of women in decision making has also considerably enhanced the overall productivity.

Scalability and Sustainability

The PPAF is the pioneer of Community-Driven Development (CDD) approach in Pakistan. Earlier, there was no such concept in the country, though such models have been in place in neighboring countries, India and Bangladesh, where they are operating successfully. Pakistan's implementation of Community-Driven Development model is highly replicable as marginal communities throughout the world have almost similar problems that the communities are facing in Pakistan. They are illiterate, non-technical and reside in far-flung areas. Lack of capacity is their major problem. Their requirements are also the same as those in Pakistan i.e. education, food, hygiene, physical infrastructure schemes etc.

The innovative idea of training Community Resource Persons (CRPs) to further train communities would help a lot to prepare them to get ready for the driving seat. The manual, animation, and pictorial booklet would be the best approach for other organizations to implement Pakistan's CDD model successfully.

Lessons Learned

The building of local capacities by training young people as Community Resource Persons (CRPs) has been a successful strategy to engage youth and create a network of development activists at the community level. PPAF has developed an innovative approach for the ultra-poor, which has successfully helped increase income and expand the livelihood opportunities of the poor in a more effective and efficient manner through provision of productive assets and income-enhancing vocational and technical training opportunities.

An impact study on LEED (Livelihood Employment and Enterprise Development) beneficiaries in Kharan, a remote district in Balochistan, reports high degree of satisfaction with assets and training, and pulling out of around 54 percent of households out of the ultra-poor and vulnerable categories. Eighty percent of beneficiaries expressed a high degree of satisfaction with the asset transferred to them and reported utilizing it for income generation and positive effect on their household income.

Procurement for Regional Development – Public Policy Initiative in Sri Lanka

> *"The preferential procurement initiative of Sri Lankan Government, through its policy directive for reserving Procurement of Works up to Rs. 50 Million (USD 330,000) to eligible Regional Contractors, is an effective illustration of using public procurement for development objectives of the Government"*

{This article is an abridged version of the submission on "Regional Development through Public Policy" made by Mr. Priyanga Algama, Director General, Department of Public Finance, Sri Lanka, for the South Asia Procurement Innovation Awards.}

Summary

The Government of Sri Lanka has brought in a Regional Development Policy to ensure growth and check regional disparities in the country. As part of it, it has taken a policy decision to limit the invitation of bids for small scale construction contracts, with a value up to Rs. 50 million {USD 331,917 (1 USD = 150.64 LKR)}, to contractors of the respective regions. The objective is to help increase employment opportunities in regions, reduce income inequalities, and minimize delays in construction. Local resourses within the region are utilized at competitive cost, while maximizing the value for money in constructions in the respective region. Further, it enhances economic well-being and living standards in all regions, from cities to rural areas, develops resilient societies, and improves their contribution to national development.

Background

Regional development is a broad term widely used in countries to reduce disparities by supporting economic activities, such as employment and wealth generation in the regions. In the past, in Sri Lanka, the Regional Development Policy tended to achieve these objectives by means of large-scale infrastructure developments and attracting inward investments, where investors and contractors were from other regions or countries. Although there were a sufficient number of regional contractors capable of undertaking various construction and renovation projects, there were reports that such contracts were being awarded to large-scale, national-level contractors coming from outside the respective regions. This was felt to be leading to regional disparities.

Use of procurement as a policy tool in acheiveing developmental objectives of the Governments is gaining momentum across the world, as seen from reservation for small and medium scale industries and other preferential procurement means. This innovative effort from Sri Lanka addresses issues of regional imbalances in development using procurement.

Challenges Addressed

The absence of adequate comprehensive development policies and programs for sub-national regions in the periphery of the country has led to the following major issues Sri Lanka (i) Growing polarization between the Colombo Metropolitan Region; (ii) Lagging and slow growth of some regions, and (iii) Spatially imbalanced growth patterns. These challenges were addressed through this initiative.

Past policies have failed to reduce regional disparities significantly. They have not helped individually lagging regions to catch up with development objectives, despite allocation of significant public funding. These have resulted in underused economic potential, poor quality infrastructure, and weak social cohesion. Moreover, the territorial strength and opportunities remained unused.

Innovations in the Solution

The new mechanism to limit invitation of bids for construction contracts of small scale, with a value up to Rs. 50 million (USD 331,917) to regional contractors, immensely helps promote the development of regions. The policy encourages regional contractors to ensure regional development, with focus on the following objectives: Sustain competitive advantage in the regions, Create livable regional economies, Promote efficient and innovative / transparent governance, Increase employment opportunities at the provincial / regional levels, Minimize delays in constructions and utilize local resources at competitive cost within the regions, Professionalize the regional

procurement process, Provide fair, equal, and maximum opportunity to eligible interested parties in the region to participate in procurement through competition, and Maximize economy and quality in procurement, resulting in value for money.

Impact Generated

The Government of Sri Lanka has since established Registration Grades to ensure that regional contractors are able to participate in constructions implemented under domestic funds. This, in turn, has helped development of regions and benefitted the people therein. The following are the Registration Grades:

Total Cost Estimate of the Procurement CIDA Grade Value below or equal to Rs. 2 million (USD 13,276) C9. Value below or equal to Rs. 5 million (USD 33,191) and above Rs. 2 million (USD 13,276) C8. Value below or equal to Rs. 10 million (USD 66,383) and above Rs. 5 million (USD 33,191) C7. Value below or equal to Rs. 25 million (USD 165,958) and above Rs. 10 million (USD 66,383) C6 and C5. Value below or equal Rs. 50 million (USD 331,917) and above Rs. 25 million (USD 165,958) C5 and C4. In procurements coming under the value up to Rs. 50 million (USD 331,917), bidding process will be conducted through National Competitive Bidding and limited to bidders who have registered within the administrative boundary of the relevant province of Sri Lanka. The administrative boundary of the word "Regional" is defined as the respective provincial territory, represented by nine provinces of Sri Lanka.

Scalability and Sustainability

Financial disciplines and Government Procurement procedures have a significant impact on economic and social development in any country. The use of public procurement to achieve social outcomes is widespread. Public procurement in Sri Lanka is a mapping exercise describing the current use of government contracting as a tool of social regulation. Efficient, effective, and competitive public procurement is a touchstone for a well-functioning market as well as an important opportunity for gaining reputation for the public sector, as public procurement could be used for achieving social well-being and sustainable development.

Regional development strategies are inherently complex because of the need to involve and coordinate provinces and their various agencies, and a multitude of stakeholders. However, they constitute a cost-effective approach to help regions achieve development. Public authorities in all countries design and administer various forms of financial support to incentivize organizations to reach development targets, such as growth and employment. Rather than giving incentives, the strategy of the Government of Sri Lanka enhances promotion of regional contractors by facilitating their access to markets. This case is easily replicable to public agencies in any country, which has regional disparity among contractors participating in contracts. Therefore, the policy directive of Sri Lankan

Government on “Procurement of Works up to Rs. 50 Million (USD 331,917) from Regional Contractors under Domestic Funds” is an effective means to address regional constraints.

Lessons Learned

Though the focus of the Government of Sri Lanka is to ensure participation of regional contractors in regional procurements up to Rs. 50 million (USD 331,917), it was not able to achieve the same successfully in the first instance, as it had not clearly defined the eligible Grade with the total cost estimate. Therefore, action had to be taken to rectify this situation and, accordingly, instructions were issued to all Ministries, Departments, Provincial Councils, District Secretariats, Local Government Authorities, Government Corporations, Statutory Boards, and Government-Owned Companies to execute the policy directive. At present, regional contractors, who had been rejected when competing with large-scale contractors previously, have received the opportunity to participate in regional contracts up to Rs. 50 million (USD 331,917).

The strategy developed and the results achieved through this change demonstrate the possibility of progressing toward the fulfillment of regional development. The expansion of opportunity for regional contractors to participate in regional procurement activities, coupled with public investment on regions, can help reduce the serious economic inequalities amongst regions.

For more information, visit:

www.procurementinet.org/southasiappinnovationawards

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