

To

Smt. Nirmala Sitharaman

Hon'ble Finance Minister,
Government of India



December 07, 2020

Dear Madam,

Sub: सम्बन्ध से समृद्धि - Prosperity through Partnership: Union Budget 2021-22 recommendations to transform India's economy via data-driven open contracting.

We, at [CivicDataLab](https://civickdatalab.in), work with the goal to use data, tech, design and social science to strengthen the course of civic engagement in India. [Open Budgets India \(OBI\)](https://openbudgetsindia.org), is one of our flagship initiatives, an open data platform that hosts near real-time fiscal data across different tiers of government and numerous geographies.

As [you](#) have rightly pointed out, Budget 2020-21 is all about boosting growth. To unleash the animal spirits as a path to economic recovery is the need of the hour. Strengthening and empowering our MSME sector is a sure-shot way to reclaim our tag as the fastest growing large economy in the world.

We thank you for the opportunity to provide these suggestions and be part of the service to our nation as we embark on a path of recovery never encountered before.

Yours Sincerely,

Arun Sudarsan (Economist & Policy Researcher)

Gaurav Godhwani (Director & Co-Founder)

Upasana Hembram (Tech & Policy Fellow)

On behalf of whole CivicDataLab team

(Email: public.finance@civickdatalab.in)

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EXECUTIVE SUMMARY

सम्बन्ध से समृद्धि - Prosperity through Partnership:

Union Budget 2021-22 recommendations to transform India's economy via data-driven open contracting

Public Procurement in India

Governments' purchase of goods and services account for more than one-fifth of the country's gross domestic product. At US \$500 billion annually (and growing), public procurement is a significant contributor to India's economic engine.

Transformational change in the public procurement process will ease the path of recovery, and the country can quickly get back to our high growth trajectory.

Challenges in Public Procurement

GeM (Government e-Marketplace), CPPP (Central Public Procurement Portal), and e-Procurement systems have already laid the groundwork for efficient procurement through technological solutions. However, some major challenges still remain. Data on procurement is not openly available, or not in the formats that can be analyzed to make it easier and cheaper for businesses to participate in the process. This is especially true for MSMEs, and entrepreneurs from vulnerable groups (SCs, STs, and women).

Transform Public Procurement: सम्बन्ध से समृद्धि

Towards the goal of making public procurement more efficient, we recommend the Ministry of Finance to initiate a new phase of mission-mode project सम्बन्ध से समृद्धि - **Prosperity through Partnership** covering the following:

1. Ease of Procurement

- a. Single platform for all procurement offices across the country.
- b. Single registration for bidders.
- c. Single tender design.
- d. Procurement information in multiple languages.
- e. Big data analytics to increase procurement efficiency.

2. Openness of Procurement

- a. Procurement data in OCDS format for standardization interoperability.
- b. Linkage between procurement data and treasury transaction data.
- c. Procurement Performance Index for continuous monitoring and improvement.
- d. Unique Project ID based tracking of investment in large infrastructure projects.

3. Making Procurement work for MSMEs

- a. Local government bodies in the single national e-procurement portal
- b. Special incentives for MSMEs
- c. Big Data Analytics for helping MSMEs

Benefits of Open Contracting

Open contracting improves value for money, efficiency and quality of services. It enables effective oversight, exposes anomalies and quicken course corrections. Transparency in public procurement lowers cost of participation in the process, of particular help to our MSMEs. Many countries are now reaping the benefits of open contracting. In Ukraine, the ProZorro procurement platform more than doubled the number of private procurement marketplaces. In instances where three or more companies bid, the Ukrainian government saved on average 30% and the number of suppliers per procuring entity rose dramatically by 45%.

Way Forward

By giving the red-carpet treatment to our MSMEs through a transformational overhaul of India's procurement system, India can show the world that the path to economic recovery is not just through increasing fiscal spending but also through improving fiscal participation. Open contracting is a global norm with over 189 commitments in Open Government Partnership(OGP) National Action Plans (NAPs). However, Asia still needs an open contracting champion and India is well poised to lead the way.

सम्बन्ध से समृद्धि - Prosperity through Partnership

Union Budget 2021-22 recommendations to transform India's economy via data-driven open contracting.

"Procurement is the front face of government with citizens, and if you have a procurement system that is transparent, that has its integrity and is accountable, it is a statement to citizens about the nature of the State"

- Late Shri. Arun Jaitley, Former Union Finance Minister.

Global Landscape of Public Procurement

Every year, governments across the globe spend nearly USD \$13 trillion every year on contracting of goods and services for public works according to a report by Open Contracting Partnership and Spend Network¹. A vast majority of these contracts are opaque, as only a staggeringly low amount of less than 3% (USD \$363 billion) is available in the open. The scenario is no different in India. India spends an astonishingly large amount of \$530 billion in public procurement, which accounts to a whopping 20 to 30% of its GDP². Despite the noteworthy contribution, information related to public procurement in India is inaccessible to citizens. The processes around procurement are often opaque and complex with relevant data being difficult to find and understand. Receiving the largest volume of government spending, this lack of transparency makes public procurement the number one corruption risk.

The need for openness and transparency in public procurement and contracting has also been recognized and endorsed by several organizations such as the G7, the G20, the European Commission, OECD, the World Bank and the European Bank of Reconstruction and Development. In 2016, the World Bank developed a Procurement Framework to provide governments with the right set of tools and

¹ Open Contracting Partnership (OCP), Spend Network, "How Governments spend: Opening up the value of global public procurement" (2020)
<https://www.open-contracting.org/wp-content/uploads/2020/08/OCP2020-Global-Public-Procurement-Spend.pdf>

² Competition Commission of India (CCI), "Public Procurement and Competition Law"
https://www.cci.gov.in/sites/default/files/presentation_document/p4.pdf?download=1

techniques for quicker and more efficient public procurement³. The World Bank also has several Public Procurement Training Courses to empower businesses and governments to address the fundamental problem of corruption.

Article 9 of the United Nations Convention against Corruption (UNCAC) 2005, which India ratified in 2011⁴, highlights the importance of public procurement and public finance management in curbing corruption. India has not pursued this mandate of transparency and accountability in public procurement proactively. In its own capacity, the World Bank in partnership with academia and civil society organizations is already trying to address the problem of government transparency and accountability in public spending through its “procurement observatories” initiative⁵. These observatories publish government procurement data in a comprehensible manner along with information around the processes and policies of contracting and procurement which are useful not just to the taxpayers but also to MSMEs. Without collaboration with the central and state governments, these initiatives amount to nothing more than being a watchdog for public spending.

The key to unleashing the true potential of public procurement is through Open Contracting. Opening up real-time and quality procurement data will not only aid the government in getting value for money and increasing efficiency of procurement processes, but also encourage a wider participation from businesses and MSMEs and increase competition. Besides enhancing transparency and accountability, opening up information pertinent to tenders, awards etc. will also help identify crucial bottlenecks in the system that could be enabling fraud and corruption. In order to ensure completeness and quality of procurement data, we recommend adopting Open Contracting Data Standards (OCDS) and adapting them to the Indian context for maximum efficacy. With public procurement becoming a global priority issue, governments across the world are beginning to adopt OCDS to transform their public spending practices. In fact, over 189 open contracting commitments have already been made by over 70 Open Government Partnership (OGP) members.

³ World Bank, “New Procurement Framework and Regulations for Projects after July 1, 2016” (2016)
<https://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework>

⁴ United Nations Office on Drugs and Crime (UNODC), “India: Probity in Public Procurement”
<https://in.one.un.org/wp-content/uploads/2016/09/India-PPPs.pdf>

⁵ World Bank, “Shining some light on public procurement in India” (2016)
<https://blogs.worldbank.org/governance/shining-some-light-public-procurement-india>

Public procurement in India

The government's enthusiasm to employ digital technologies for improved reach and efficiency must be leveraged further in the area of public procurement. Platforms like the Government e-Marketplace (GeM), Central Public Procurement Portal (CPPP) and e-Procurement systems by the National Information Commission (NIC) have already laid the groundwork for efficacy through technological solutions. However, these systems currently exist in silos and are not consolidated on a single platform. Not only does this discourage interoperability but it makes searching for procurement data on a multitude of platforms, a cumbersome task. Additionally, despite these efforts to migrate to a digital solution, the Ministry of MSME does not publish any procurement data.

Another systemic setback that currently plagues our procurement procedures is the lack of inclusivity and diversity. The opaqueness and complexity of procurement processes in India have not made it easier to encourage participation from marginalized communities. Of the Medium and Small Enterprises (MSEs) that central bodies procured from in the FY 2019-20, participation from SC/ST owned MSEs was a mere 0.55%, and women-owned MSEs accounted for a scant 0.32%⁶. The convoluted and opaque nature of our procurement data and processes are an impediment to not just the growth and prosperity of India, but also to the prosperity of vulnerable sections of our country.

As we see the COVID-19 pandemic unfold before us, it is clear that we live in a world of shocks and risks which require our systems to be resilient and agile, including our procurement system. To respond to the coronavirus outbreak, India was initially relying heavily on import items such as N95 masks, PPEs, medical equipment, during the first quarter of the current financial year; however, it has now started exporting these items within a period of few months. Our procurement system played a significant role in enabling this shift in the production capacity of India that was able to meet the needs of the public⁷.

Benefits of Open Contracting

Open contracting is particularly beneficial to governments in transforming essential government services. Open contracting measures adopted by various countries has proven that it is an effective tool in improving value for money, fighting corruption,

⁶ GoI MSME Sambandh, https://sambandh.msme.gov.in/PPP_index.aspx

⁷ Minutes of the National Validation Workshop on Assessment of Public Procurement System of India. No.F. 19/29/2017-PPD (2020)

increasing competition and enhancing the quality of public service. By tracing the spending in public contracts right from tendering and awards to implementation, open contracting data can enable effective oversight of government services. Whether or not quality and timely services were delivered can be measured through this data which can help expose anomalies and collusion during the procurement process.

In addition, transparency in announcement and awarding of tenders can encourage MSMEs to participate in public procurement, thereby blurring the demographic differences in who is applying. These improvements, in turn, can promote sustainable development and production of higher-quality goods and services.

There is empirical evidence for the advantages of open contracting. A 2017 World Bank study covering 34,000 firms in 88 countries found that greater transparency in the contracting process (as well as effective complaint mechanisms and external auditing systems) leads to greater competition—particularly from smaller firms—and fewer kickbacks to officials⁸.

Many countries are already reaping the benefits of open contracting. In Ukraine, the ProZorro procurement platform more than doubled the number of private procurement marketplaces. In instances where three or more companies bid, the Ukrainian government saved on average 30%⁹ and the number of suppliers per procuring entity rose dramatically by 45%¹⁰. In Paraguay, the lower cost of office supplies, achieved by improving the country's online procurement platform, has saved taxpayers at least PYG 400 billion (about US \$68 million).

The publication and use of open contracting data for monitoring and oversight can help achieve a number of mutually reinforcing goals:

- Deliver better value for money and efficiency for governments
- Create fairer competition and a level playing field for business, especially MSMEs

⁸ Stephen Knack et al., "Deterring Kickbacks and Encouraging Entry in Public Procurement Markets," Policy Research Working Paper 8078 (World Bank Group, May 2017), <http://documents.worldbank.org/curated/en/817871496169519447/pdf/WPS8078.pdf>.

⁹ Karolis Granickas, "Learning insights: The latest impacts emerging from Ukraine's Prozorro reforms" (OCP, 12 Jan. 2018), <https://www.open-contracting.org/2018/01/12/learning-insights-latest-impacts-emerging-ukra-ines-prozorro-reforms/>.

¹⁰ OGP, The Skeptic's Guide to Open Government (2018), https://www.opengovpartnership.org/sites/default/files/SKEPTICS-GUIDE_20180710.pdf

- Drive higher-quality goods, works, and services for citizens
- Prevent fraud and corruption; and
- Promote smarter analysis and better solutions for public problems¹¹

Benefits of Open Contracting Data Standards

OCDS (Open Contracting Data Standard) and OC4IDS (Open Contracting For Infrastructure Data Standards) enables disclosure of data and documents at all stages of the contracting process by defining a common data model. It was created to support organizations to increase contracting transparency, and allow deeper analysis of contracting data by a wide range of users. The two key benefits of OCDS and OC4IDS are **standardization and interoperability**. It is easier to sort, analyze, and compare data across time and geographies. It also opens up a world of reusable tools and methodologies built on top of this stream of open data. As it is a global standard, comparisons can be made, and lessons can be learned from anywhere in the world.

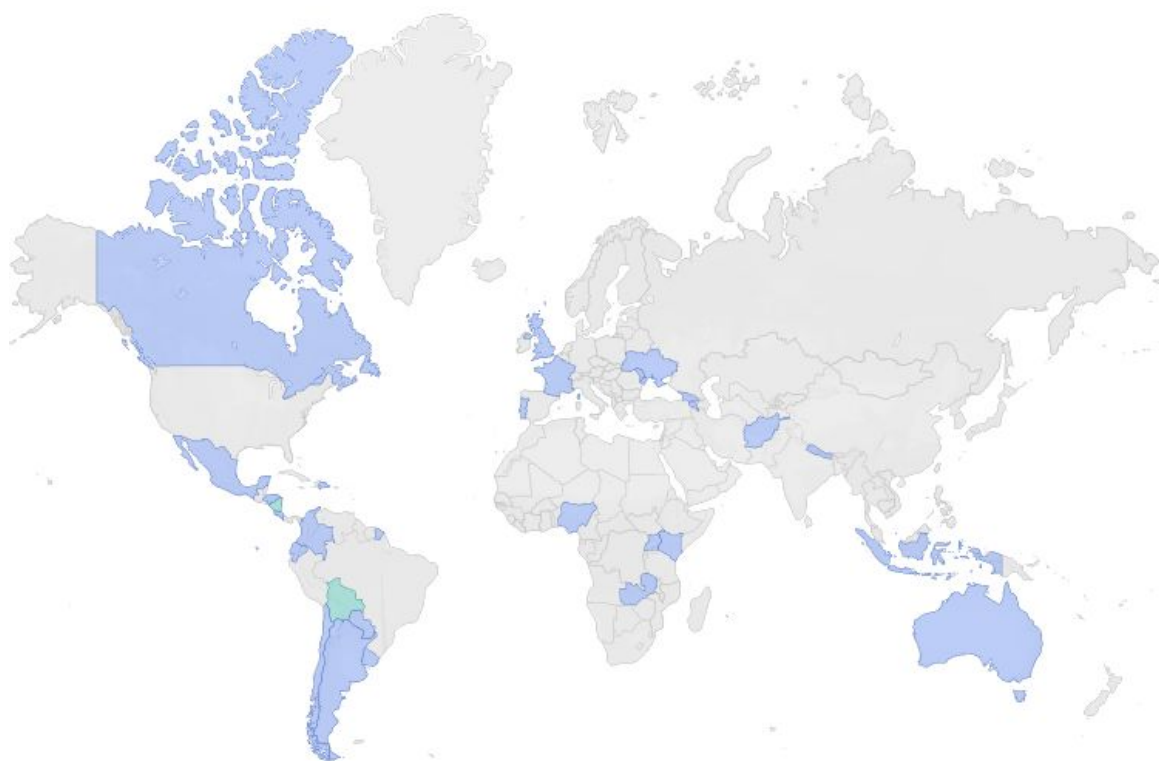


Figure: Countries which have implemented Open Contracting Data Standard

¹¹ Open Contracting Partnership(OCP), "Why Open Contracting" (2019), <https://www.open-contracting.org/why-open-contracting/#what-is-open-contracting>.

Value for public money in procurement: Open contracting data can help government officials across India to get good value for money on the goods and services in the procurement process, and can also help in identifying whether value for money has been achieved in concluded contracts. The procurement agencies can, in turn, analyze trends in prices and supplier performance, including the terms of quality and duration. Comparable data using common code-lists and the availability of unit prices can be made easily accessible to the target audience. Some examples: In the Ukraine, this open contracting approach has made it easy to monitor contracts' awards and prices for masks, gloves and ventilators¹². In Paraguay, DNCP the National Procurement Agency has created a registry of suppliers of emergency items to make it easier for government agencies to identify the best value options¹³.

Monitoring Service Delivery: Monitoring groups ensure that public contracting delivers value to citizens in terms of quality of goods, works, and services provided. Effective monitoring of contracting involves being able to link budgets and donor data to the contracts and results. It also involves being able to verify whether results are being delivered on the ground. With OCDS, the Government of India can proactively publish open machine-readable data concerning budgets, delivery location and subcontracting arrangements that are particularly useful for those involved in contract monitoring.

Competing for public contracts: Open contracting data can be used by private firms to understand the potential pipeline of procurement opportunities. It is a core principle of open contracting that information ought to be made available at the early stages of a contracting process, including information on planned procurement, and invitations for tenders. Information on past contracts can allow firms to identify upcoming opportunities for re-contracting, and can support a more competitive marketplace, as transparency creates a level playing field with information on pricing, contract dates and key deliverables. With OCDS, the Government of India can provide forward-looking and timely information which is particularly important for private sector users, as they will be able to uniquely identify procuring entities, geographic locations, sectors, and the kinds of items which are being procured.

¹²OCP, "COVID-19 data-driven monitoring in Ukraine: how much do gloves cost?" (2020) <https://www.open-contracting.org/2020/05/05/covid-19-data-driven-monitoring-in-ukraine-how-much-do-gloves-cost/>

¹³ COVID-19 - DNCP, Paraguay (2020) <https://www.contrataciones.gov.py/dncp/covid-19.html#registro-productos>

Detecting fraud and corruption: All stakeholders (civil society, the private sector, government and donors) have an interest in identifying and combating corruption in public contracting. Open contracting data can be used to scrutinize procurement documents and data for 'red flags' that might indicate where public money is being misused. There are two main approaches to fraud and corruption monitoring - a 'micro' approach that closely scrutinizes individual procurement and a 'systemic' approach that looks for suspicious patterns, and makes links between datasets in order to map out networks of funding, ownership and interests. With OCDS adoption, data can be linked up using globally unique identifiers for companies for better fraud and corruption detection use cases in the country.

सम्बन्ध से समृद्धि - Prosperity through Partnership

A 3-year project as Phase-II of Mission Mode Project (MMP) of eProcurement under the National eGovernance Plan, to transform India's economy via data-driven open contracting

सम्बन्ध से समृद्धि (Prosperity through Partnership) is envisaged as a 3-year priority project to be led by the Government of India with support from the state and local governments. It will increase competition, thereby increasing efficiency and value for public resources. With its completion, the next phase of India's public procurement will be more **open, easy, and growth-enabling**. Towards this end, the following recommendations are being made.

Ease of Procurement

- 1. Single platform for all procurement offices across the country:** Extend eProcurement MMP portal for various central government ministries and departments, followed by Central Public Sector Undertakings (CPSUs), state governments, State Public Sector Undertakings (SPSUs), and local governments (municipalities and panchayats), to conduct procurement through a single platform. This will help substantially reduce technology and infrastructure costs while still maintaining the federal structure of procurement processes in the country.
- 2. Single registration for bidders:** Extend eProcurement MMP portal to all bidders to register *only once* in the unified portal, linked to GSTIN. This will

reduce the cost of compliance for small businesses working in various geographies.

3. **Single Tender design:** Introduce a uniform tender design throughout the country makes it easier for both the bidders and the government to participate effectively in the marketplace.
4. **Multi-lingual Support:** Incentivize procurement agencies to publish procurement information in their local language, English, and Hindi to increase reach and participation.
5. **Big Data Analytics:** Publish price trends, supplier performance and other metrics. This timely information will enable thousands of government procurement agencies across the country to take data-driven decisions in their geography.

Openness of Procurement

1. **Open Data in OCDS Format:** Publish all data related to procurement and government spending in Open Contracting Data Standard (OCDS) in the public domain in machine-readable formats on data.gov.in as part of NDSAP. This increases public trust in the system.
2. **Treasury Data and Procurement Data:** Link government spending data with public procurement information via uniquely identifiable tender IDs.
3. **Procurement Performance Index:** Create a performance index of procurement agencies based on parameters like Internal Efficiency, Value for Money and Competition that will enable learning from best practices from across the country.
4. **National Infrastructure Progress Platform:** Identify large infrastructure projects across the country and allocate them a unique project ID. By linking procurement to these unique IDs, governments can easily track infrastructure investments.

Making Procurement work for MSMEs

- 1. Add local government bodies to the e-Procurement portal:** Addition of municipalities and panchayats to the e-Procurement portal will help local businesses.
- 2. Special incentives for MSMEs:** Based on the performance of MSMEs (on a range of parameters), automatic incentives can be provided. Same-day payment, advance payments, and priority bidding are a few recommended incentives for MSMEs. These measures will help smaller firms manage their cash-flow better.
- 3. Data insights for MSMEs:** Information on planned procurement, beyond the contracts, can allow firms to identify upcoming opportunities for re-contracting, and can support a more competitive marketplace, as transparency creates a level playing field with information on pricing, contract dates and key deliverables. With OCDS, the Government of India can provide forward-looking and timely information is particularly important for MSME users, as well as being able to uniquely identify procuring entities, geographic locations, sectors, and the kinds of items which are being procured.

We sincerely hope that the Ministry of Finance will consider our suggestions, and we would be pleased to be contacted for further deliberation to help implementation of the above proposed mission mode project.

About CivicDataLab

CivicDataLab works with the goal to use data, tech, design and social science to strengthen the course of civic-engagements in India. We work to harness the potential of open-source movement to enable citizens to engage better with public reforms. We aim to grow data and tech capacity of governments, nonprofits, think-tanks, media houses, universities etc to enable data-driven decision-making at scale. We work in three key sectors - Public Finance, Law & Justice and Urban Development. Our Work in the space of Public Finance:

1. **Open Budgets India :** A comprehensive and user-friendly open data platform that can facilitate free, easy and timely access to relevant data on government budgets in India. The platform provides budget information of different tiers of government in India (Union Budget, State Budgets, budgets of several Municipal Corporations and Expenditure data from District Treasuries across the country) in accessible and open format. Currently, the platform hosts 10.6K+ open datasets and numerous data visualizations on the platform. URL: <https://openbudgetsindia.org/>.
2. **Himachal Pradesh Fiscal Data Explorer :** A unique tool where citizens can explore both budgets and spending data of Himachal Pradesh in an easy to comprehend and simple to use manner. It enables users to obtain answers to their budget-related queries in an interactive fashion. Some key features to assist the users in their exploration are downloadable data in machine-readable formats, easily searchable data tables, dynamic visualizations, etc. The platform has also gained recognition by the President of Taiwan as the work of excellence on public procurement and SDGs¹⁴. URL: <https://hp.openbudgetsindia.org/>.
3. **Himachal Pradesh Procurement Index :** A standardized index to rank and compare districts in a state based on their performance. The procurement index comprises three indices: process efficiency, fiscal planning and participation promotion index. The index provides a user-friendly solution to ranking different districts on their procurement processes, this is of particular use for governments, CSO's and the like. The data on Fiscal Data Explorer is available in public to be downloaded and reused and hence, the solution can be scaled to use the index across different organizations and states.

¹⁴ 2020 Taiwan Presidential Hackathon, "The Teams of Excellence of the International Track" <https://presidential-hackathon.taiwan.gov.tw/en/international-track/NewDraft0918.aspx>