

# Context setting for “Delayed payments in public procurement contracts”

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22<sup>nd</sup> January, 2021

# India's crisis of state capacity

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- ▶ A more parsimonious explanation is that there are problems that cut across every area of government.
- ▶ This suggests the importance of:
  - ▶ Constraining and channeling state coercion into just and sensible paths
  - ▶ Regulation and regulators
  - ▶ Government contracting
  - ▶ Human resources
  - ▶ The finance function
  - ▶ Transparency
- ▶ These six areas create the foundations in which one government organisation (e.g. DRDO / ISRO / RBI / NHA / PDMA / EC / a district court) function.
- ▶ All six areas have major problems in India. Fundamental change in the Indian state requires research and researchers in each of these.

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  3. Institutional development: measurement of delays on a reliable, regular frequency.

This panel focuses on the second and third part: attempt a bottom-up approach on why payment delays are so endemic in the Indian public procurement process. From this, find solutions to permanently address and reduce existing delays in payments.

# Perceptions about causes of payment delays

- ▶ Delays come from contract term renegotiations post the contract-award.  
Solution: Fix the L1 process.
- ▶ Government has dominant power leading to corruption at the stage of project delivery and payment.  
Solution: Accountability mechanisms for government procurers.
- ▶ Budget overruns  
Solution: Better fiscal and liquidity management

Called 'Perceptions' because these derive from anecdotal evidence rather than established data.

Unclear whether these will solve the problem, either individually or together.



## Building an *input to output* analysis framework

- ▶ Government procurement is a contract.
- ▶ Procurement payment is (measureable) output of the contracting process.
- ▶ Contracting is a multi-stage set of processes.

<b>Stages of procurement</b>		<b>Processes</b>
Stage 1:	Pre-award to award	<ol style="list-style-type: none"><li>1. Procurement planning</li><li>2. Eligibility and registration of suppliers</li><li>3. Tendering</li><li>4. Bidding</li><li>5. Dispute settlement</li></ol>
Stage 2:	Award to completion	<ol style="list-style-type: none"><li>6. Contracting</li><li>7. Initial payment</li><li>8. Monitoring</li><li>9. Dispute settlement</li></ol>
Stage 3:	Completion to payment	<ol style="list-style-type: none"><li>10. Completion</li><li>11. Final payment</li><li>12. Dispute settlement</li></ol>

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- ▶ Contract performance (such as timely payment for timely delivery) will be an output of all these processes together. Trying to solve for any one stage or process (such as tendering) will not necessarily solve for problems at all stages.

# Our work

- ▶ Since government contracting is increasingly a choke point in Indian public policy, whether buying submarines or a PPP highway or buying drugs – we have started on such a first-principles inquiry into the problems of government contracting
- ▶ This aspires to be grounded in local conditions, achieve authenticity. For instance, we are developing datasets on measuring procurement process performance and payments delays from newly available sources of data:  
*Budgeted procurement across departments and expenditure heads (DDG, CPSE balance sheets), tendering performance (CPPP website), delayed payments (CPSE balance sheets, MSME Samadhan), litigation with government as a counterparty.*
- ▶ We aspire to build a community of researchers and practitioners, who:
  - ▶ Develop deep domain knowledge on the problem, the existing research literature
  - ▶ Will write papers out of this work program, will influence future research
  - ▶ Will diffuse this knowledge back into the Indian policy process
  - ▶ Potentially might get some opportunities to support some state organisations that desire reform of government contracting.
- ▶ All the material will come together at our website.

Thank you.

<https://www.ifrogs.org>