Kings College
info@kingscollege.edu.np
+977 1 5325909 | 015324520 | 015324574

Where Has the Money Gone? This Isn't Just the Dead-weight Loss – Exploring through the Public Procurement Perspective ||Articles|| 2022-03-07 13:55:26

Contributors

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[1] Besides, the same report also mentions that most of the time, the huge percentage of net spent budget is spent with irregularities, which is, later on, cleared with the support of Office of Auditor General, Nepal Government. In the year, 12 of the staffs have been transferred into the office whereas 11 have been transferred out whereas they had 9 vacant posts which directly affected the effectiveness of work.[2]

Academia joins to efficiencize Public Procurement

A 2013 study by Michael Musanzikwa[3] has highlighted some of the crucial issues facing most of world's developing countries when it comes to dealing with the issues of public procurement. Though there are not sufficient empirical works to check the real issues being faced by public procurements works locally, a 2013 World Bank Country Procurement Assessment Report[4] for Nepal highlighted insufficient capacity for efficient procurement undertakings and few amendments that were made in law are inadequate to bring the expected efficiency in the business. These insufficiencies further hinder desired level of transparency and competitive public purchasing of goods, works, and consultants' services. The change in the system has just started and there are a lot of things yet to be done. For the assurance of effectiveness and efficiency in public procurement, a neutral observation of the system was necessary. In this regards, a third-party participation would always be complementary and thus, King's Center for Research and Development (research center at King's College, Nepal), as an academic institution has become a part for the establishment of the effective and efficient public procurement system through research and publication of relevant evidence-based documents.

There are incidences of corruption and inefficiencies in every stage of the public procurement system (Kuhn & Sherman, 2014; OECD, 2016; World Bank Group, 2016). As per the earlier mentioned reports, the cycle of public procurement consists of phases like preparing bids (where the eligibility and criteria for the bid is established and the preparation starts); submitting bids (after meeting the eligibility requirements, the bid documents are prepared and submitted to the designated office/ institution); evaluating bids (where the public procurement office or the concerned procurement office will evaluate the bids) followed by finally awarding and executing the contracts (where the bid if offered to the selected contractor for the execution). In this cycle, feedback and reporting from contractors and bidders would play a significant role throughout the process but the execution and feedback mechanism has not been as effective as it should have been in Nepal and thus, become a subject of appealing headlines for country's major daily newspapers and online portals.

Necessity of collaboration with OCP

In case of Nepal, there are issues with all the stages of the public procurement system. Before coming to

specific issues in each stage, let us try to see the overall status of problem in public procurement system of Nepal. More than two-thirds of companies expect to give officials gifts or other irregular payments to secure public contracts (WB and IFC 2013; WEF 2016). The newspapers in Nepal have also been highlighting the reception of gifts from clients which, is not a good practice. Systems of patronage are entrenched, and there are frequent reports of the embezzlement of public money (TBF, 2016). Accordingly, companies report that funds are often diverted to individuals and companies due to corruption and find that favoritism towards well-connected companies influences procurement officials' decisions (WEF 2016). The evidences are distinctly seen in medical sector where doctors prescribe medicines of only those companies from where the latter receives gifts, directly or indirectly[5]/[6]. If only the e-procurement web portals could be harnessed well in Nepal, which would ensure adequate transparency of the data, the progress in data transparency would be extremely satisfactory. Nonetheless, the sector lacks transparency and regulation (ICS, 2016). The Public Procurement Act[7] 2007 BS requires open and competitive bidding for public contracts; however, fair bidding processes are impeded by cartels of contractors that pay kickbacks to the government officials to influence final contract decisions (CatC, 2012). For example, in one such case from 2014, Smith & Wesson paid USD 2 million to resolve an SEC probe into corrupt payments made by the company in several countries, including Nepal. Reportedly, Smith & Wesson bribed Nepalese government officials, among others, to win public contracts (Wall Street Journal, July 2014).

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[3] http://article.sciencepublishinggroup.com/pdf/10.11648.j.ijefm.20130102.18.pdf
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Mr. Pandey is Assistant Professor and Coordinator of Center for Research and Development at King's College. He is an alumnus of Cooperation and Development Network (CDN) in Italy and South Asian Economics Students' Meet (SAESM) Secretariat at Dhaka. He specializes with designing methodologies for

researches and activities in areas of resource economics, development economics and macroeconomics.

Public Procurement and its Scale in Nepal

Public Procurement is a well-known phenomenon in countries irrespective of their development statuses. In simple terms, it refers to the acquisitions made by a government department or any government-owned institution of goods or services – that may range from bed sheets for hospitals and textbooks for schools to financial and legal services to clients. The procurement services also include commissioning of large-scale construction works, such as roads, bridges and airports. Like in any other developing economies, public procurement is considered as a tedious and time-consuming task in Nepal.

The scale of public procurement in Nepal is very high (some 60-70 percent of annual budget is consumed through public procurement) and the amount of monitoring budget that the government allocates every year for these purposes validates this notion. As per the annual report of 2016 published by Public Procurement Monitoring Office, government allocated NPR 75,557,760 for the monitoring. Out of which only about 72 percent of the allocated budget could be spent.[1] Besides, the same report also mentions that most of the time, the huge percentage of net spent budget is spent with irregularities, which is, later on, cleared with the support of Office of Auditor General, Nepal Government. In the year, 12 of the staffs have been transferred into the office whereas 11 have been transferred out whereas they had 9 vacant posts which directly affected the effectiveness of work.[2]

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