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Intergovernmental Group of Experts on
Competition Law and Policy
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**Round Table
Competition Policy and Public
Procurement**

Presentation

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



THE FEDERAL ANTIMONOPOLY SERVICE

Government Procurement System in the Russian Federation

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Control over Public Procurement of the FAS Russia**

Reform of Government Procurement (GP) System

Before adoption of 94-FZ (before 1 Jan 2006)

After adoption of 94-FZ (before 1 Jan 2006)

Procurement information was only advertized in printed mass media



All information on GP is located and advertized on the single all Russian Public Procurement web-site

officials could impose any requirements (administrative pre -qualification)



Unconditioned requirements are substituted by the provision of financial guarantee of contractual quality fulfillment (administrative pre-qualification substituted by economic (monetary) pre-qualification)

Unconditioned choice of the winner for the award of the GP contract , absence of auctions (inclusive of electronic)



Electronic auctions are introduces, competitive environment is created (procurement entity gets the goods of the stated quality at minimal price)

Possibility to change terms of concluded contracts, including the price of the contract



Restriction of possibility of free changing the terms of the contact are introduced

Results of the award of the GP contact can only be appealed against in courts (by the time of the court's decision the contract is fulfilled)



Fast track procedure is instituted to appeal against actions of procurement entity at the FAS Russia. (decision is made within 5 days). Suppliers got the possibility to actually effectively protect their rights

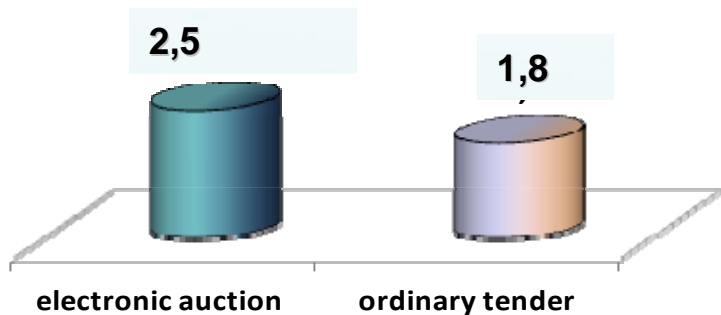
In 2011 the FAS Russia examined **37 770** complaints filed by the suppliers (out of the total amount **42%** considered fully valid).

In 2011 the FAS Russia won **86 %** of cases in courts (out of the total quantity of appealed cases)

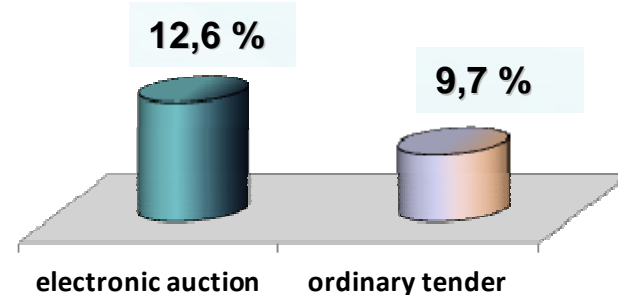
Major achievements of present Government Procurement System

1. The hit rate (by the internet users) to the official GP portal - **more than 8 million a day**
2. Number of accredited companies at electronic trading platforms– **more than 200 thousand**
3. Number of issued electronic digital signatures to suppliers and procurement entities **more than 1 million**
4. Number of procurement entities on the official GP portal – **209,5 thousand**
5. Aggregated economic effect (total budget funds saving) for the mere 6 years(2006-2011) more than **1 448 billion Rubles (more than 36 billion Euro)** – these are new possibilities for acquisition of necessary goods, as well as developing infrastructure

Comparison of number of submitted tender participation applications



Economic effect (reached economizing) according to performed tenders



Main issues of Government Procurement System

Objective problems

- insufficient regulation of the planning and acceptance stages of procurement, as well as right of access to large scale contracts;
- Lack of required regulation of setting the starting (maximum) price of the contact;
- poor financial guarantee of contractual quality fulfillment;
- Imperfection of procedures of contract award in the field of creative intellectual tasks;
- Lengthy procedure of contract termination in courts.

Unprofessionalism of procuring entities

Lack of skills of many procurement entities to use mechanisms of achievement of quality results which are within the law (replacement of 209,5 thousand single procurement entities by 2-3 thousand specialized procuring authorities – procurement centers).

Lobbyism

Considerable opposition to the law at all levels of authority comes from large procurement entities as well as large scale business units which previously shared contracts “according to the agreement”.

Lowering of price at tenders **has no influence** on the rate contracts termination

Number of concluded contracts	% lowering of the starting (maximum) price							
	0-15 %		15-25 %		25-50 %		over 50 %	
	Share of total number of concluded contracts	% of contract termination	Share of total number of concluded contracts	% of contract termination	Share of total number of concluded contracts	% of contract termination	Share of total number of concluded contracts	% of contract termination
742 432	72,8 %	5,9 %	9,3 %	6,5 %	12,9 %	6,1 %	5,0 %	5,2 %

Proposed solution to the major issues of Government Procurement

✓ detailed regulation of all stages of procurement placement: from planning and placement to contract fulfillment and analysis of the acquired results.

✓ centralization of public procurement – public procurement placement mainly through authorized representative units: substitution of 209,5 thousand single procurement entities by 2-3 thousand authorized procurement centers.

✓ detailed procedure of explanation of setting starting (maximum) price of the contract

✓ fast track procedure of contract termination through the FAS Russia in case of wrong-doing according to terms of contracts (within 10 days)

✓ centralized registers of financial guarantees

✓ establishment of additional requirements (criteria) to the supplier on the basis of fulfillment of the previous contracts

✓ organizing the register of improper suppliers not only according to the names of organizations but also including the names of the managers.

✓ establishment of the register of honest suppliers (suppliers which fulfilled contacts at good quality rate) , such suppliers should provide less financial guarantees (2-3 times less)

Thank you for your !



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