Round Table
Competition Policy and Public Procurement

Presentation
By Mr. Mikhail Evraev (Russia)

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Government Procurement System in the Russian Federation

Mikhail Evraev – Head of the Department of Control over Public Procurement of the FAS Russia
### Reform of Government Procurement (GP) System

<table>
<thead>
<tr>
<th>Before adoption of 94-FZ (before 1 Jan 2006)</th>
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<tbody>
<tr>
<td>Procurement information was only advertised in printed mass media</td>
<td>All information on GP is located and advertised on the single all Russian Public Procurement web-site</td>
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<tr>
<td>Officials could impose any requirements (administrative pre-qualification)</td>
<td>Unconditioned requirements are substituted by the provision of financial guarantee of contractual quality fulfillment (administrative pre-qualification substituted by economic (monetary) pre-qualification)</td>
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<tr>
<td>Unconditioned choice of the winner for the award of the GP contract, absence of auctions (inclusive of electronic)</td>
<td>Electronic auctions are introduced, competitive environment is created (procurement entity gets the goods of the stated quality at minimal price)</td>
</tr>
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<td>Possibility to change terms of concluded contracts, including the price of the contract</td>
<td>Restriction of possibility of free changing the terms of the contract are introduced</td>
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<td>Results of the award of the GP contract can only be appealed against in courts (by the time of the court’s decision the contract is fulfilled)</td>
<td>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</td>
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</tbody>
</table>

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

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<thead>
<tr>
<th></th>
<th>Electronic Auction</th>
<th>Ordinary Tender</th>
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</thead>
<tbody>
<tr>
<td>Number of Submissions</td>
<td>2.5</td>
<td>1.8</td>
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</tbody>
</table>

Economic effect (reached economizing) according to performed tenders

<table>
<thead>
<tr>
<th></th>
<th>Electronic Auction</th>
<th>Ordinary Tender</th>
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<tbody>
<tr>
<td>Economizing</td>
<td>12.6 %</td>
<td>9.7</td>
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Notice: information is taken from the official web-site www.zakupki.gov.ru for the period since 01.01.2011 to 31.12.2011
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 contract;
- 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

<table>
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<tr>
<th>Number of concluded contracts</th>
<th>% lowering of the starting (maximum) price</th>
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<tbody>
<tr>
<td></td>
<td>0-15 %</td>
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<tr>
<td>Share of total number concluded contracts</td>
<td>% of contract termination</td>
</tr>
<tr>
<td>742 432</td>
<td>72.8 %</td>
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</tbody>
</table>

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### 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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