

Workshop on Key Performance Indicators & Vendor related issues in Public Procurement

Organizer: *Procurement Observatory Cell,*

Assam Institute of Management, Guwahati, Assam

Venue: *Hotel The Lily, Guwahati*

Date: *14th November, 2014*

Time: *11:00 AM to 4:15 PM*

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1. Rationale:

In the first workshop conducted by the Procurement Observatory, AIM on 18th February, 2014 at Hotel Nakshatra, Guwahati, certain Key Performance Indicators were developed to measure the procurement performance of the participating departments. This was administered to measure efficiency, economy, transparency and fairness in the participating departments. The second Workshop is a continuation of the efforts in that regard.

2. Objective of the workshop:

- To share the findings of the survey conducted on the basis of the Key Performance Indicators identified to assess the performance of the departments of the state government.
- To share the findings of the vendor survey conducted amongst vendors working for various Assam State Government Departments.
- To provide a platform to the departments to share issues with respect to having transparency, economy, efficiency and fairness in the procurement process.
- To find out the problems faced by the state government departments in adopting/ implementing e-procurement in their respective departments.
- To find out the problems faced by the government departments in vendor management and their suggestions for solution of the same with respect to- Complaint & Grievances, Timely Completion, Transparency in execution and E-procurement of the tendering process.
- To probe into the problems faced by the vendors in dealing with government departments and suggestions for solution of the same.
- To understand the preference of the vendors towards e-procurement v/s manual procurement.
- To build a strong network of public procurement specialists for sharing of knowledge and best practices on procurement.

3. Participants:

Dr. N.N. Sarma, the Director, Assam Institute of Management and Ms. Swayamsiddha Mohanty, Procurement Specialist, World Bank, New Delhi extended the warm welcome to all the participants in the workshop. About thirty two participants from various state government departments/bodies and vendors' associations participated in the day-long workshop. A few senior officials like Joint Commissioner, Transport; Asst. Chief Engineer, Water Resources; Asst. Director, Agriculture; Asst. Director, Animal Husbandry & Veterinary Services; Technical Director, NIC (Assam) etc. were also present in the workshop. *A list of the participants is attached in Annexure 1.*

The participating departments were:

- Public Works Department, Govt. of Assam
- Department of Irrigation, Govt. of Assam
- National Informatics Centre (NIC)
- Water Resource Department, Govt. of Assam
- Directorate of Agriculture, Govt. of Assam
- Animal Husbandry and Veterinary Department, Govt. of Assam
- Planning and Development Department, Govt. of Assam
- Directorate of Health and Family Welfare, Govt. of Assam
- Transport Department, Govt. of Assam
- Nextenders (I) Pvt. Ltd.
- Agriculture Contractor Association.

4. Structure of the workshop:

The workshop was broadly divided into two interactive sessions.

The structure of the two sessions was, group formation, group discussion, presentation, summary discussion and conclusion. The first session was on issues related to the Key Performance indicators (KPIs) and e-procurement. The second session was on Vendor related issues.

A copy of the Session Plan is attached in Annexure 2.

5. Session wise report:

5.1 Inaugural session:

The welcome address was delivered by Dr. N.N. Sarma, the Director of Assam Institute of Management and Ms. Swayamsiddha Mohanty, Procurement Specialist, World Bank. In the welcome address by Dr. N.N. Sarma, highlighted the objectives of the workshop and welcomed the participants. Ms. Swayamsiddha Mohanty in her address emphasized the importance of having a procurement observatory and creating a knowledge repository in the state for public procurement.

The base paper of the workshop was presented by Dr. Mreeshi Agarwal, Asstt. Professor, AIM. *A copy of the Base Paper is attached in Annexure 3.*

5.2 First interactive session:

The theme of the session: KPIs and related issues

A presentation on KPIs and survey findings was made by Ms. Himadree Phookan, Research Associate (*A copy of the KPI presentation is attached with the mail*). After the presentation, Dr. Nripendra N. Sarma, the moderator of the session and Ms. Swayamsiddha Mohanty briefed the participants about the theme of the discussion and divided them into five groups consisting of participants from various departments/bodies. The groups were provided with the following two questions for discussion and presentation:

1. What are the problems in having transparencies, economies, efficiency and fairness in the procurement process by the state government departments?
2. What are the problems of state government departments in taking up e-procurement practices?

5.2.1 Findings:

Group 1:

- Theoretically there is no problem with transparency. Through RTI transparency can be attained. But practically accessing data from the files is difficult. So, all the departments should maintain systematic data.

- In manual process transparency is theoretical. Therefore, e-procurement is a solution for transparency.
- In manual tendering, document verification takes more time and delays the whole process. Delay affects the costs associated with procurement due to price escalation.
- Many a times, decision making in procurement is influenced.
- There is no standard bid document for the departments.
- The departments do not have a standard procurement plan.
- The departments are understaffed. They do not have the sufficient number of staff to handle procurement.
- Awareness about e-procurement is less amongst the departments.
- Verification of scanned documents may be an issue in e-procurement.

Group 2:

- Scope of corruption is more in manual tendering.
- There is less scope for transparency in manual tendering than in e-tendering.
- In manual tendering, the reach of the NIT will be higher due to wide circulation in newspapers. At the same time, the cost of advertisement is also high.
- In case of e-tendering, data retention is easier.
- Tampering is difficult in e-tendering.
- In case of tampering the data, it can be retrieved in e-tendering.
- E-tendering is not a problem in the engineering departments.
- There is need for capacity building and infrastructure development.
- E-tendering ensures more vendor participation.
- The departments which are yet to practice e-tendering, a pilot e-tendering project should be introduced.
- Manual tendering is more costly.
- E-tendering is user friendly.

Group 3:

- Pre-bid meetings are not held. To increase the efficiency of the bidders, pre-bid meetings should be organized. Interaction with the vendors is important before tendering.
- There should be training in public procurement for the officials.
- E-procurement is a good system of procurement as it can bridge some of the gaps although not the whole system.
- NIT advertisements of the state government departments are published through Directorate of Public Relations. The publication of NIT is not done in a wide circulated newspaper, which is a major problem.
- The sanction for procurement is very late and due to inflation departments incur losses.
- Also, due to delay in the work, the price of goods varies from the quoted rate.
- Due to geographic constraint, work is delayed and it goes beyond 90 days of the bid validity days.

Group 4:

- E-procurement is a part of the solution not a complete solution. E-procurement will be good only if manual procurement is good.
- Clear evaluation criteria should be disclosed in the tender document.
- Pre-bid meeting is essential for fairness in the procurement process.
- There should not be a fixed amount or threshold limit for e-tendering.
- E-procurement is proved good only if the procurement process and the department doing the e-tendering is good.
- There should be clearly defined procurement process.
- For evaluation of the tenders, parameters need to be made public.
- For success in e-procurement, well equipped manpower and a cell to develop the online process is necessary.
- Vendors should be able to access the e-procurement process. Network connectivity for vendors can be a problem.

Group 5:

- The e-procurement is transparent as it discloses the information to the stakeholders.
- In bid opening, key information on selection and rejection is not clearly provided.
- Proper monitoring of work is an issue in contract management. Geographical factors also pose problems in monitoring.
- Creating awareness on e-procurement is needed.
- Non-availability of technical persons for e-procurement is a major problem.
- Electronic literacy is an issue.
- There should be proper guidance to the departments about how to do procurement.
- For e-procurement, training of the stakeholders, vendors should be organized.
- Entire procurement procedure should be online including the digital certification to the vendor.
- There is no monitoring institute to monitor the public procurement process either in the state level or in the department level. There should be analysis and monitoring of performance of the departments. To that extent, the Procurement Observatory of AIM can play a decisive role.
- Every department should publish an Annual Procurement Report.
- Strong internet connectivity is needed.
- Model e-tendering system process and MIS system for each department is needed.

5.3 Second interactive session:

The theme of the session: Vendors' services in procurement and related issues.

A presentation on a survey on Vendor related issues was made by Ms. Gayatri Baruah, Research Associate (*A copy of the presentation is attached with the mail*). After the presentation, the Director AIM, moderator of the session briefed the issues and questions that were to be discussed in that session. The participants were divided into five small groups and the discussion in the session was moderated by Dr. N.N. Sarma and Ms. Swayamsiddha Mohanty. The groups were provided with the following questions for discussion and presentation:

1. What are the problems faced by the state government departments in vendor management?
2. What are the problems faced by the Vendors in dealing with government departments?
3. How best the state government departments could solve the problems associated with vendor management in areas like: Complaint & grievances, Timely completion, Transparency in execution, e-procurement?
4. What would the vendors prefer more: e-procurement OR manual procurement?

5.3.1 Findings:

Group 1:

- The state government needs to formulate a Procurement Policy.
- The rules of the tender documents need to be followed.
- The procurement process needs to cater to a dispersed group of people (vendors).
- Number of bidders is large in some departments. So while evaluation, verification process of vendor is difficult and requires a lot of time.
- Vendors are having problem in distributing goods to remote areas of the state within a short period of time.
- Financial capacity of the vendors is also an issue.
- There should be complaint and grievances cell in every department.
- Fairness in decision making is required.
- Transparency is needed in the tendering process.
- More transparency is needed in the process through formulation of policy.

Group 2:

- Registration process of vendors takes a lot of time. There is a lot of paper work. Therefore, online system is needed.
- Vendors should be educated and trained.
- There is need for a sample bid document of the state government departments.
- There is no proper procurement plan. Every department should have a procurement plan for every financial plan.

- Funds and payments should be available on time.
- For e-procurement, there should be availability of power, proper network and infrastructure.
- The different processes of tendering for different departments create problem. Therefore, a standard procurement plan is needed.
- There is no complaint and grievance redressal mechanism in the departments.
- For timely completion of the procurement process, techniques like Program Evaluation Review Technique (PERT), Critical Path Method (CPM) etc. can be used.
- A more developed infrastructure is required to implement e-procurement.

Group 3:

- Sometimes tenders are submitted late (at the last moment) by the vendors. Vendors fail to give bank guarantee etc.
- The departments need to set up grievance management cells. Persons specialized in contract management or well versed with the contract rules should handle those cells.
- Lack of coordination among different departments delays project implementation. Interdependence / interrelation in the departments should be increased.
- Vendors should be updated on the progress of the tender from time to time.
- Imparting education to the vendors is important.
- Engaging the vendor community in the procurement is important.
- There should be contract management training for the departments and the vendors.

Group 4:

- There is a need of a grading system for vendors.
- There should be program on vendor capacity building.
- There should be involvement of the vendors in monitoring (like social audit).
- Vendor peer monitoring may also be done.

- Timely sanction and release of fund is needed.
- Law and order problems in Assam are impacting the transactions.

Group 5

- All the departments need to have a standard procurement plan for goods/works/services.
- Completion time of the project should be strictly mentioned and penalty should be imposed for delay or non-fulfilment of the terms of the contract.
- Penalty should also be imposed on departments for delay in releasing the funds.
- Timely payment to vendors is required.
- Cooperation of the departments with the vendors is less. The vendors should be treated at partners not as subordinates.
- Capacity building is needed both for the vendors and the departments.

6. Conclusive Discussion

A major outcome of the workshop was that, the problems and issues which have marred the efficient functioning of the procurement of the state government departments have been identified.

Except PWD, none of the departments present had adopted e-procurement. The procurement process in these departments is manual. The departments have been facing a number of issues with regards to procurement of goods, works and services. Some of the major issues which have been recognized are:

1. Delay in the process of getting government approvals and sanctions for the procurement is a major issue. Thus, before a tender is floated, initiating the process of procurement itself takes more time.
2. There is no standard bid document or a procurement plan which the state government departments can follow while designing their own bid document or plan for procurement.

3. The departmental staffs responsible for handling the procurement process are not well trained. There is need for capacity building of the departments to make them efficient. Moreover, departments are understaffed.
4. Influenced decision making is another major issue. Manual procurement provides enough scope for corruption and other malpractices in the procurement process.
5. When the number of vendors submitting tender is more, verification of the documents takes more time and delays the process.
6. The departments do not have a control over publication of the NIT advertisement. The Directorate of Public Relations, Govt. of Assam, is the decisive authority in this regard. Vendor participation is affected by publication of the NIT advertisement in less circulated newspapers, due to which the visibility and reach of the advertisement is also less.
7. The other problems which make the procurement process inefficient are, geographical constraints, law and order situation in Assam, lack of coordination among the state government departments with respect to projects jointly handled and absence of a monitoring agency to assess the procurement performance of the departments and the vendors.
8. With respect to vendor management, cooperation and coordination between the departments and the vendors is found to be less. Pre-bid conference is often not held and information sharing with the vendors is less. Many a times the evaluation criteria for the tender are not clearly shared with the vendors. Timely payment to vendors is also a major issue. Also, there is no cell in any of the departments handling only tender complaints.
9. According to the departments, e-tendering is not the ultimate or the complete solution for the issues related to procurement. It is just a part of the solution. A good manual tendering process will only ensure a good e-tendering process. Although the departments are interested in adopting e-tendering, awareness and knowledge about the subject is very less. The departments are not equipped with qualified manpower to handle e-tendering. Electronic literacy among the vendors is very less. Moreover, lack of power, proper infrastructure and proper internet connectivity in Assam are issues due to which the departments are sceptical about

adopting e-tendering. None the less, there have been some positive developments in recent times and some state government departments have initiated e-tendering with the support from National Informatics Centre, Govt. of Assam. The departments are:

- ✓ Public Health Engineering
- ✓ Irrigation
- ✓ Water Resources Department
- ✓ Guwahati Metropolitan Development Authority
- ✓ Guwahati Municipal Corporation
- ✓ Assam Power Generation Corporation Ltd.

7. RECOMMENDATIONS

Through some brain-storming sessions the workshop was successful in bringing out solutions and recommendations from the departments, vendors and other stakeholders who participated in the workshop. The following are some of the major recommendations:

1. Capacity building is the need of the hour. As the departments as well as the vendors do not have sufficient knowledge of procurement/e-procurement, a well-designed training should be imparted to all the stakeholders in the procurement. Training in contract management is important. This will ensure more efficiency, economy, transparency and fairness in the process.
2. Penalty should be imposed both on the department and the vendor for non-fulfilment or violation of the contract. This will protect the vendors from the usual delay in payments by the departments. Also, the departments can penalise the vendors for not completing the work within a period fixed in the contract.
3. Monitoring the procurement practices of the departments and the works of the vendors is important to ensure quality and proper utilization of the public money used in procurement. There should be a proper monitoring agency either set by the departments or the state government to assess the procurement practices of both the departments and the vendors. Involving the vendors in monitoring or vendor peer review will also help in the process in the long run.

4. Empanelment of the vendors in the departments or grading them according to their capacity/quality of work etc. can also save time and effort in procurement. A central online registration system for the state government vendors can also make the process more effective and less time and effort consuming.
5. For the smooth functioning and success of the procurement, cooperation and coordination between the departments and the vendors is very necessary. They should act as partners rather than as beneficiaries. And also, the departments should have coordination among them and build a strong network of procurement specialists to ensure effective and efficient procurement.
6. Last but not the least, formulation of a Procurement Policy for the state government departments will go a long way in solving the issues of efficiency, economy, transparency and fairness in procurement. A standard bid document and a procurement plan will help in guiding the departments towards following standard procurement practices and rules.

8. Annexure 1: List of Participants

Sl. No.	Name	Office/Department with Address	Designation	Mobile/Contact No	Mail address
1	Dr. R. Hussain	O/O DHS, Assam, Store Office, Central Drug Ware House		9435123802	rakibul35@gmail.com
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Programme Outline

KPIs and Vendor related issues in Public Procurement

(Organized by the Procurement Observatory, AIM;
a project commissioned by The World Bank)

November 14th, 2014

Hotel The Lily, Guwahati

The purpose of this workshop is to share

- The Key Performance Indicators designed to measure *Efficiency, Economy, Transparency and Fairness in Procurement* practices in the state government departments
- Findings of the Vendor Survey conducted by the Observatory among the vendors across the government departments
- The perspectives of participating departments about procuring goods, services and works
- Ideas towards effectively taking the “Procurement Observatory, Assam” forward

<u>Session Time</u> <u>(Hrs)</u>	<u>Activity</u>	<u>Facilitator</u>
10.30-11.00	Registration	Mr.Chandan Borah/Mr. Kishore Hazarika
11.00-11.10	Welcome address	Dr. Nripendra N. Sarma , Director, AIM
11.10-11.20	Welcome address	Ms. Swayamsiddha Mohanty Procurement Specialist, The World Bank

11.20-11.35	Inaugural address	The Chief Guest
11.35-11.50	Base paper presentation	Dr. Mreeshi Agarwal, Assistant Professor, AIM
11.50-11:55	Vote of Thanks	
11:55-12:10	Tea- Break	
12:10-1:30	<i>Workshop Session 1: KPIs and related issues</i>	
12:10-12:30	Presentation on KPI & survey findings	
12:30-1:30	Discussion on KPIs, concretization of ideas and presentation by participating groups	
	i) e-Procurement in Assam	
	ii) Perspectives of the departments	
	iii) Exploring the scope for improvement	
1:30-2:15	Lunch Break	
2:15-3:30	<i>Workshop Session 2: Vendors' Services in procurement and related issues</i>	
2:15-2:30	Presentation on findings of Vendor Survey	
2:30-3:30	Discussion on Vendor Survey findings, concretization of ideas and presentation by participating groups	
	i) Perspectives of the departments	
	ii) Exploring the scope for improvement	
3:30-4:15	<i>Summary Discussion & Valediction</i>	
	i) Open discussion on expectations from the Procurement Observatory	
	ii) Valediction and Vote of thanks by AIM and the World Bank	

10. Annexure 3: Base Paper

Base Paper

Workshop on Public Procurement, November 14, 2014, Guwahati Assam

The Assam Institute of Management as commissioned by the World Bank has set up a Procurement Observatory w.e.f 7th October 2013. The aim of the observatory is to document and review the existing procurement practices of the Government of Assam and other related departments in the state. It also intends to put forward recommendation and action plan for the improvement of the processes.

After successfully trying the Public Procurement Observatory model in many countries, the World Bank has come forward to implement this model in India with the objective of helping the state governments improve its public procurement practices and outcomes in the state. After setting up the observatory at IIM, Lucknow and IIM, Raipur for the states of Uttar Pradesh and Chattisgarh respectively, the World Bank has partnered with Assam Institute of Management for the state of Assam.

For the first phase of the study the departments which were selected were

- i. PWD
- ii. Irrigation
- iii. Education
- iv. Health and Family Welfare

For the second phase of the study the departments selected are

- i. Agriculture
- ii. Transport
- iii. Rural Development
- iv. Animal Husbandry & Veterinary Services

Progress so far:

As regards the first phase of the study and the deliverables of the procurement observatory certain key performance indicators had to be developed. To concretize the process, a workshop was organized on 18th February 2014 at Hotel Nakshatra. The focus of the workshop was to share

- Procurement practices followed by the World Bank sponsored projects, state government departments / bodies, to ensure *Efficiency, Economy, Transparency and Integrity* in the processes
- Purpose, functioning and requirements of the Procurement Observatory, AIM for developing the Key Performance Indicators in the areas of *Efficiency, Economy, Transparency and Integrity*.
- Create awareness about the World Bank's effort on setting up the procurement observatory at Assam Institute of Management for the state of Assam.
- Building a strong network of public procurement specialists for sharing of knowledge and best practices on procurement.

The event was inaugurated by the Chief Guest, Shri. P.P.Varma, IAS, Chief Adviser to the Chief Minister, Government of Assam. Mr. Abduljabbar Hasan Al-Qathab, Head of the New Delhi Procurement Team, World Bank, was also present at the event. Other designated participants who came to grace the event were, Commissioner & Secretary, IT & Power; Addl. DGP (Border); Chief Engineer Public Works Department(PWD) etc. The workshop was attended by twenty four participants from various departments/bodies of Government of Assam and World Bank sponsored projects.

There were participants from nine departments and organisation engaged in procurement practices.

1. Department of Information Technology
2. Assam Police Department
3. Public Works Department
4. Department of Irrigation
5. Directorate of Industries & Commerce
6. Directorate of Higher Education
7. National Informatics Centre (NIC)
8. Assam Electronics Development Corporation Ltd.
9. Assam State Roads Project

The major outcomes from the first workshop:

- The insights received from sharing of knowledge by the participants in the workshop helped in identifying the best practices and designing the Key Performance Indicators for assessment of the procurement performance of the departments.
- Through the workshop awareness on the NICs e-procurement services was created amongst the departments
- State government departments which did not adopt e-procurement expressed their interest in doing so.
- The workshop provided a platform for networking of public procurement specialists of these departments and NIC.

A website www.procurementobservatoryassam.in has been created to provide virtual access to information related to procurement practices in Assam.

Objectives of today's workshop

On the basis of the recommendations of the 1st Workshop on 18th February, 2014 and the subsequent discussion with the World Bank officials, a survey was conducted amongst vendors and an exercise was worked out to develop the benchmark KPI's as regards procurement practices. We propose to present these findings and invite suggestions for participation in today's workshop. More specifically the purpose of this workshop is to share

- The Key Performance Indicators designed to measure *Efficiency, Economy, Transparency and Fairness in Procurement* practices in the state government departments
- Findings of the Vendor Survey conducted by the Observatory among the vendors across the government departments
- The perspectives of participating departments about procuring goods, services and works.
- Ideas towards effectively taking the "Procurement Observatory, Assam" forward.

Workshop Agenda

In view of the above we have structured the workshop and prepared the agenda. We look forward to enlightened views and suggestions for smooth functioning of the procurement observatory.
