



INCSOC

5TH DECEMBER WORLD COMPETITION DAY

6th Call from CUTS International

“Competition Issues in Public Procurement”



“In general, if any branch of trade, or any division of labour, be advantageous to the public, the freer and more general the competition, it will always be the more so.”

Adam Smith, The Wealth Of Nations, Book II, Chapter II

CUTS once again urges countries and competition agencies worldwide to gear up for observing 5th December, this year as the **World Competition Day**. Through this platform, we intend to spread awareness among the citizens on the benefits of a competitive market structure as well as the harmful effects of anti-competitive practices not only at national but also at the international level. For greater emphasis, we continue the theme of last year “**Competition Issues in Public Procurement**”. However, countries and competition authorities can choose their own themes and CUTS would be grateful to be kept informed of your respective countries’/agencies’ activities in this occasion.

CUTS believes that an agenda for proper functioning of public procurement would enhance the economy of the country by generating demand and consumption. The present Finance Minister of India has also emphasised on redesigning and implementing procurement policy which can improve financial management and bring large financial and governance benefits. However, lack of transparency and fair competition and unequitable treatment to suppliers would adversely affect public procurement process, causing unnecessary flow of cash from government’s pockets.

A well-functioning procurement system indicates procuring best possible goods and services at the lowest price. Hence, healthy competition amongst suppliers helps this objective. Public Procurement plays a critical role and requires greater efficiency as well as effectiveness and infusing healthy competition into it could be a principal policy tool to achieve the goal. Competition concerns in public procurement can be seen from both the

demand side i.e., the procurer side and from the supply side. Bid rigging in forms of bid suppression, complementary or proxy bidding, bid rotation, subcontracting etc. disrupt the procurement process. Also, collusive bidding which involves strategic boycotts, quantity restrictions or capacity constraints to boost demand artificially ruins healthy competition in the market.

In 2015, African countries reported loss of about US\$148bn per annum due to corruption associated with public procurement. Also in Spain, cartelisation in paper envelopes for 33 years and absence of necessary competitive environment caused a loss of about €47.5bn. Lack of experience and specific knowledge, no clear incentives for the contracting public entities to contact Competition Authorities makes it challenging to eliminate such anti-competitive practices from the public procurement process.

The present call is to create awareness among relevant stakeholders regarding competition issues involved in procurement process and provide the Competition Authorities effective tools such as dawn raids and leniency programme to enhance competitive principles in public procurement.

CUTS suggest the following tools/methods which could be adopted by Competition Agencies for celebrating the WCD:

- ◆ Organising seminars/ roadshows.
- ◆ Preparing advocacy material, such as pamphlets, posters, etc.
- ◆ Publishing newspaper articles/press releases.
- ◆ Undertaking SMS campaign, etc.

Interested countries/ competition agencies are encouraged to contact *Udai S Mehta* (usm@cuts.org; +91-9829285926) /*Ashutosh Soni* (ash@cuts.org; +91-9950177012) for assistance, providing feedback on actions taken.