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PUBLIC PROCUREMENT AS A FACTOR OF DEMAND IN RUSSIAN REGIONS IN TIMES OF COVID19

Andrei Yakovlev

Institute for Industrial and Market Studies,
Higher School of Economics

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IIMS studies on public procurement

- Public procurement (PP) today is a vital component of developed and developing economies accounting for 15-20% of GDP (**29% of GDP in Russia in 2019 with state-owned enterprises**)
- Main focus of the regulation of this sphere in Russia is traditionally focused on the fight against corruption and ensuring the transparency → all its procedures are strictly regulated
- Practitioners and researchers in public procurement note the need to shift the focus from strict regulation of the procurement process to improving procurement efficiency. But their opinion and the opinion of the participants in the procurement process is still not taken into account...
- In 2017 IIMS first time conducted **large-scale online survey of procurers and suppliers**. In the Spring 2020 we repeated this survey and in October 2020 we pushed additional second wave of this survey – to cover the impact of Covid19 pandemics and economic crisis on public procurement
- One more topic: the **activity of suppliers from Moscow and St.Petersburg in regional public procurement** and factors explaining their share in PP markets

IIMS Survey: Empirical data & Methodology

This study is based on the findings of a large-scale survey of procurers and suppliers in Russia conducted in March-May and October 2020.

- We collected the email addresses of PP participants from the official website www.zakupki.gov.ru. The final sample for e-mailing of questionnaires consisted of 207.8 thousand e-mail of suppliers in Russia and 94.5 thousand e-mails of procurers.
- Finally, we got **792** completed questionnaires from suppliers and **604** completed questionnaires from procurers.

Average work experience for suppliers – 9 years, procurers – 8 years. The majority of respondents on the side of procurers were women, the majority of suppliers - men. 47% of suppliers are located in regional centers and 19% in Moscow, 56% of procurers - in small towns and villages. 59% suppliers had less than 20 employees, 46% procurers had 100 or more employees.

Efficiency of public procurement system

Tab 1. What are the main indicators characterizing efficient procurement? (no more than 3 options)

Indicator	Procurers	Suppliers
The purchase was carried out on time as planned	33,6%	23,8%
The purchase was carried out using a competitive procedure	31,7%	33,8%
The purchase was carried out taking into account environmental requirements	1,2%	0,9%
High competition during procurement procedure	18,3%	11,2%
Significant price reduction in the procurement process	19,2%	4,5%
The contract was concluded with a small business entity	2,6%	15,9%
The contract was executed on time	54,7%	42,5%
Domestic goods delivered	2,0%	6,6%
Quality goods delivered	76,5%	66,8%
No conflicts in the process of contract execution	18,2%	29,5%
No claims from regulatory authorities	21,2%	12,5%
Market price level reached	11,7%	33,2%

Efficiency of public procurement system

Tab 2. What goals should be pursued by the optimal regulation of procurement?
(no more than 2 options)

Goal	Procurers	Suppliers
Procurement efficiency for a specific customer	71,4%	49,5%
Development of the region	23,5%	27,8%
Economic development of the country	29,5%	38,1%
Social development of society	9,3%	11,2%
Government policy priorities	4,6%	3,3%
National security	4,8%	3,2%
Fight against corruption	44,0%	53,5%
Other	1,7%	3,5%

Problems in the public procurement system: 2020 vs. 2017

Tab 3. "Common" problem situations (based on the results of 2017 and 2020 surveys)

Situation	Procurers		Suppliers	
	2017	2020	2017	2020
Collusion between suppliers	16%	32%	25%	29%
Informal relationships between procurer and supplier	12%	21%	38%	53%
Violation of the terms of delivery of goods/works/services	17%	53%	15%	29%
Supply of low-quality goods/works/services	19%	63%	17%	67%
Delay in payment terms	16%	18%	35%	48%
Delay in terms of acceptance of works or signing of acts	5%	14%	16%	37%
Termination of the contract	6%	17%	3%	9%
The presence of a conflict of interest between the parties to the contract	4%	9%	10%	26%

Contracts with a predetermined supplier as a solution?

Tab 4. Comparison of the percentage of customers practicing predetermined suppliers contracting

Share of procurers	Procurers		Suppliers	
	2017	2020	2017	2020
0-10%	26	21	7	8
11-20%	10	12	7	8
21-30%	10	11	9	11
31-40%	6	7	10	8
41-50%	9	14	11	9
51-60%	11	8	13	10
61-70%	5	9	9	9
71-80%	8	8	16	15
81-90%	9	5	11	14
91-100%	6	2	7	7
Average assessment (for those who answered)	40%	38%	53%	52%
No answer	28%	2,0%	15%	1,4%

Experience in PP during Covid19 pandemics

	Procurers		Suppliers	
	number	%	number	%
Extension of deadlines for new procurements	77	46,1%	109	55,9%
Simplification of PP procedures	22	13,2%	14	7,2%
Increase in the number of non-competitive procurements	55	32,9%	52	26,7%
Weakening of control from authorities	4	2,4%	11	5,6%
Unclear enforcement of new norms in PP regulation for emergency situation	80	47,9%	96	49,2%
Increase in the number of conflicts between parties	23	13,8%	39	20,0%
Price increase for supply in PP	71	42,5%	26	13,3%
Violation of timing of contract execution	72	43,1%	94	48,2%
Obtained support from the government	9	5,4%	9	4,6%
Total number of responses	167	100%	195	100%

Moscow and St.Petersburg suppliers in regional PP

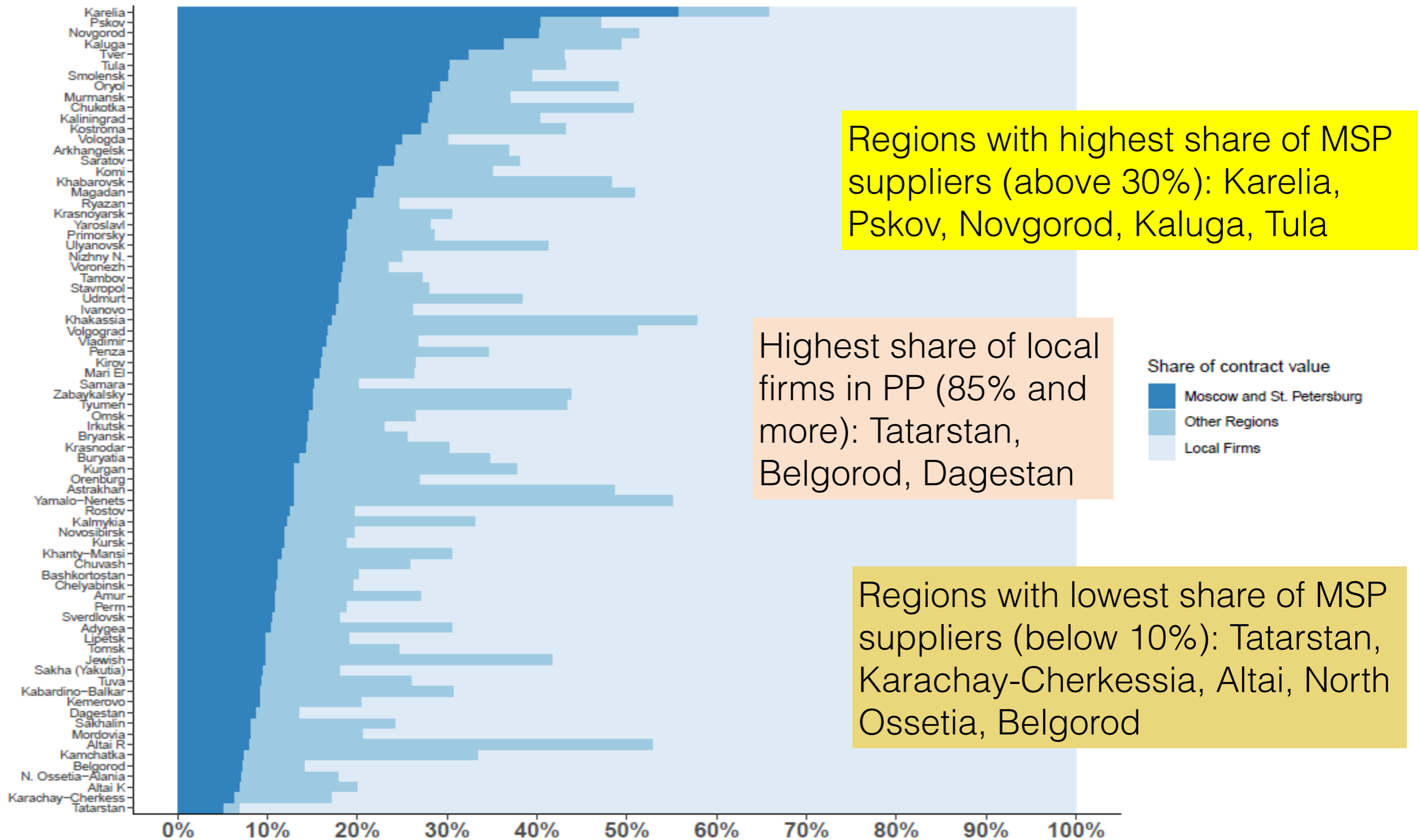
Overall characteristics of the PP dataset:

- We analyze only the contracts with values above 5 million rubles. We suppose, that lower contract values will not be attractive for suppliers from Moscow and St.Petersburg (due to higher transaction costs of these firms);
- Time period from 2012 to 2018;
- All Russian regions except Moscow, St. Petersburg, Moscow Oblast, Leningrad Oblast, Chechen republic, Ingushetia, Crimea and Sevastopol

For governors we consider age, time in office, working experience at federal and local level, local and 'central' education.

Only those governors, who stayed in the office longer than 1 year.

Share of suppliers from Moscow and St.Petersburg in regional PP



Share of MSP suppliers in regional PP markets

Regional governor has...		MSP firms share		MSP firms share
Federal working experience	yes	18,8%	no	15,4%
Central education	yes	19,7%	no	14,3%
Local working experience	no	20,4%	yes	15,3%
Local education	no	18,0%	yes	13,0%

However regression analysis shows that only ‘central education’ (first university degree obtained by governor in Moscow or St.Petersburg) is significant for allocation of PP contracts to MSP firms



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**Thank you
for your attention!**