**Price of a pen?**

BY MICHAEL CARLOS BEST & ADNAN QADIR KHAN | 10/23/2019

|  |  |
| --- | --- |
| THE words `public procurement` do not raise strong feelings in the minds of most readers. But they should. The way the government spends taxpayers` money on everything from pens to highways has great bearing on how efficiently it functions. Wasteful procurement means that the government`s budget is able to provide fewer of the services that really matter to taxpayers, while a lean government that keeps unnecessary expenses at a minimum can serve its citizens better.  Public procurement is a substantial part of national income and the budget; estimates suggest that it is about 19.8 per cent of GDP in Pakistan. Our research has revealed a lowcost policy that can make this money go further.  First, the context: many policies have been tried out around the world, but they often contradict each other. For example, international organisations have often advocated a policy of writing strict rules and strong monitoring and oversight to ensure compliance. This has a downside: procurement officers have to deal with red tape, filling out extensive forms and providing complete documentation.  Other governments and businesses have pushed in the other direction, to give greater power to procurement officers, trusting them to use their discretion to seek out value for money, and using lighter monitoring techniques and strict enforcement only in cases of wrongdoing. Such policies are often accompanied by pay-for-performance schemes that reward procurement officers when they perform well: spend more efficiently and receive a bonus.  We had the chance to test these two policies against each other, and our results can guide policy.  Over the past several years, in a research project with Oriana Bandiera (LSE) and Andrea Prat (Columbia University), we have engaged with the Punjab government to deploy a methodology for measuring value for money of generic goods and developed a web portal named Punjab Online Procurement System. The project was conducted with the Public Procurement Regulatory Authority and Punjab Information Technology Board.  We found a big difference in prices paid by different public bodies for exactly the same good. The online version of this article uses graphs to illustrate this: high-performing buyers pay as little as Rs3.50 for pens worth Rs25, while poor performers pay up to Rs115. There is a similarly wide range for other products.  Why are offices paying such different amounts for simple, off-the-shelf items? Is it possible to find ways to get poor performers to stop overpaying and behave more like high performers? We worked with the government to design and experimentally test two policy initiatives to improve the perfor-mance of front-line procurement agents.  Our first initiative reduced the red tape faced by procurement officers when making purchases, simplifying or bypassing much of the pre-audit monitoring of their procurement of generic goods. Our second initiative introduced performance pay for procurement officers, rewarding them financially for achieving greater value for money.  After running the experiment for two years, we learned that both giving procurement officers autonomy and performance pay can improve the value for money achieved in public procurement in Pakistan.  The autonomy initiative saved the government Rs13 million, or around 8pc of the spending by the offices we worked with, and was virtually costless to the government. The pay-for-performance initiative saved Rs4m, and cost Rs2.65m, providing a 45pc return on investment for the government. Offices where both initiatives were implemented together displayed a 261pc rate of return. Again, the online version features further details.  The results of these initiatives in a rela-tively small sample of offices are encouraging, suggesting that real savings are possible across the government without cutting back on items being purchased to provide services with, and guiding us to how to achieve them.  So, perhaps we need to check our instinct toreact to the inefficiency and corruption in government procurement by imposing additional monitoring on bureaucrats. In many places, the elaborate system of pre-audit monitoring they face is probably doing more harm than good, and should be replaced with greater autonomy and rigorous post-audit of purchases.  More broadly, creating a civil service that empowers bureaucrats who want to make a difference, while reining in the excesses of bad apples who exploit the system, will serve Pakistan better than a rule-bound behemoth. For Pakistan to develop as a nation, it is imperative for the design of that civil service and all public policies to be based on evidence of what works, what doesn`t, when and why. This is as true of procuring pens and paper as for any other policy. Michael Carlos Best is an assistant professor of economics at Columbia University.  Adnan Qadir Khan is a co-founder of the Centre for Economic Research in Pakistan.  A longer version of this article appears on the newspaper`s website. |  |