

Tender cancellation issue hits PM Modi's Smart City project

By BHAVNA VIJ AURORA, ET Bureau | 18 Mar, 2015, 07.08AM IST

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NEW DELHI: The Narendra Modi government's ambitious smart city project has run into a hitch with the last-minute cancellation of its first major tender — to hire a consultant — amid allegations of "conflict of interest".

International consultancy firm McKinsey "unofficially" helped out the urban development ministry in preparing the groundwork for the Rs 7,000-crore project and one of its consultants even authored a key tender document for the selection of the consultant, said people in the know. However, the firm itself wasn't barred from bidding for the tender and was apparently working on a bid when the tender was scrapped on March 9, barely 48 hours before the closing date, these people said.

McKinsey's role in the project was revealed after the National Institute of Urban Affairs (NIUA), which is responsible to implement the project, released the tender seeking request for qualification cum request for proposal on February 17. The document was uploaded on the NIUA website and a cursory look at the Word file's properties showed McKinsey consultant Amit Gupta as its author. The document was also uploaded on the government's Central Public Procurement portal.

The tender was cancelled after the ministry and NIUA received several complaints about the "conflict of interest" and that the document was tailored to benefit McKinsey, the people said.

NIUA Director Jagan Shah admitted to ET that he received calls and messages pointing out the possible conflict of interest, but said there was no written complaint. It was withdrawn since the "requirements for the project changed radically and the goalpost got shifted", Shah said. He said the document was written by "a Young Turk from McKinsey" and couldn't confirm whether McKinsey would have been kept out of the bidding process.

AMcKinsey spokeswoman refused to comment on the matter, saying: "It is our long-standing and firm-wide policy not to discuss our work externally."

An urban development ministry spokesman couldn't say whether McKinsey would apply or not when the government releases a new document, with new specifications. The ministry has been taking inputs from private consultants on the crucial project, "and some McKinsey people may have been called for some clarifications", he said.

'WORKING PRO BONO'

According to ministry sources, its officials sought help from McKinsey consultants since there was a serious deficit of manpower. "And they are working pro bono," said an official.

According to him, there was no conflict of interest "yet" since the old tender had been cancelled and the new one had not come out. "So, whether McKinsey would apply or would have applied is speculative as of now," the official said.

OP Agarwal, a former bureaucrat at the urban development ministry and now director-general of the Institute of Urban Transport, said seeking such unofficial help wasn't proper. "Sometimes, the ministries do take the help of private consultants to write project reports or draft RFPs, but then it is explicit that they cannot bid for the same," he added.



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If it were being done pro bono, or public good, without payment, then it is not official. "It is extremely important to maintain transparency in the entire process," Agarwal said. "It is such a big and prestigious project for the government. Everything should be done more carefully and cleanly."

Vinayak Chatterjee, chairman of infrastructure services company Feedback Infra, said while "it is a common practice globally for governments to employ technical experts, and in many cases consulting companies, to prepare RFPs and even manage the bidding process in some cases, then the accepted practice is that the same consultants are barred from bidding."

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