

National Meeting

Government Procurement

An emerging tool of global integration and good governance in India

New Delhi, Tuesday, 06 March, 2012

Objective

To share the findings of the study entitled '*Government Procurement - An emerging tool of global integration and good governance in India*', supported by the British High Commission, New Delhi, under its Prosperity Fund India Programme, with the relevant stakeholders and discuss future course of action based on its recommendations

Background & Context

Government procurement is an important aspect of international trade, given the considerable size of the procurement market (often 20-30 percent of gross domestic product of a country). Also, that procurement is one of the core elements of the operation of government and its agencies, bearing impact on key stakeholders in society; it further attains a place of importance in public life. This project has, therefore, a long term goal to explore a more efficient government procurement system in India with greater transparency, efficiency and good governance for the benefit of both domestic as well as foreign enterprises, and consumers at large.

India's intention to become an active player in the government procurement market became clear when it obtained observer's status in the Plurilateral Agreement on Government Procurement at the WTO and also when it agreed to negotiate this subject as part of the EU-India free trade agreement and India-Japan free trade agreement (in latter case, it is a part of the signed agreement).

Since then India's possible accession to the WTO Government Procurement Agreement has become a subject of increasing interest. Such an accession may require legislative changes and simplification in procurement procedures, which may enhance benefits of and may reduce costs for public administration.

Although these are some significant developments, the lack of data and literature on Indian government procurement market makes it difficult to assess the gains and challenges for India if it accedes to the WTO GPA. While foreign players will be excited to gain better access to the Indian government procurement market, however, it is not known if Indian private/public sector will be equally benefited in case India gains access to other markets.

Given this Background, there is little systematic attempt to make the process of acceding to the WTO GPA more scientific and knowledge-based as well as inclusive. This project, supported by the British High Commission, New Delhi, is an attempt to examine various features of the government procurement market of India in three sectors – health including pharmaceuticals/ medical equipment, information technology and IT-enabled services, and rail transport, and is exploring implications of India's possible accession to the WTO GPA on these important markets and otherwise.

Methodology

The project has included desk research of existing literature and analysis of secondary data on the three sectors in India. It has examined issues both at the regulatory and institutional level, as well as at the business level. It has attempted to look at future market access opportunities (of other GPA members) in India as well as its potential defensive interests.

The desk research is coupled with field research in New Delhi and a few other major capitals (Washington DC, Brussels, London) for collecting relevant background material and data as well as for conducting interviews with government officials and business representatives of these sectors.

Major Issues

Following are some of the major issues probed by the study:

- What is the size and structure of the Indian government procurement in general and in select three sectors of health, IT and railways?
- What are the policy objectives in regard to government procurement?
- How transparent and open is the Indian government procurement market?
- Is there any benefit of joining agreements such as the GPA; if yes, what are the major opportunities and challenges for Indian procurement market/system?
- What are the implications of potential foreign competition accrued from an open and transparent procurement regime on efficiency of procurement process, potential economic impact and the domestic preparedness of India in terms of legal, institutional and regulatory requirements?
- Drawing from domestic preparedness, analysis at levels of government involved and possible thresholds to be negotiated, an overview of India's negotiating options in general and in select sectors, and recommendations thereof.

Way Forward

Creating awareness and sensitisation among relevant Indian stakeholders on major issues regarding government procurement legislation and policy in India is a vital step in order to avail the benefits of efficient, transparent and economical procurement system. This is a crucial advocacy for the benefits of consumers and businesses, and for efficient functioning of government.

The objectives of the new Procurement Bill, which is in public domain for comments, are to ensure transparency, fair and equitable treatment of bidders, promote competition and enhance efficiency and economy in the procurement process. This objective of the Bill is aptly supported by the present study's long term goal of discussing the ways and means to achieve a more efficient government procurement system in India with greater transparency, efficiency and good governance for both domestic as well as foreign enterprises, and consumers at large.

Moreover, the Bill contains broad principles and will be supplemented by rules and reportedly would form a base for best practises. Such an emphasis on good practices may pave way towards an increasingly streamlined procurement system of global standards leading to better economic prospects to producers (suppliers) as well as consumers.

In this context, the present study will be useful because it not only provides the extant legal, institutional and regulatory framework alongside the administrative structure of the Indian government procurement market in combination with opportunities and challenges faced by the relevant stakeholders in the Indian procurement market but it also provides policy recommendations that could further improvise the Indian procurement system so as to achieve increased economic development for the betterment of public.