

Government Procurement

An emerging tool of global integration and good governance in India

Background & Context

Government procurement (also known as ‘public procurement’) has a significant impact on everyday lives of citizens as it plays a key role in the creation of both social and economic infrastructure like roads, schools, hospitals, provisions for drinking water and sanitation, etc. Thus, it is not only a tool for smooth operations of governmental agencies but is also utilised for promoting and sustaining economic growth and socio-economic development of a country.

In India, the market for government procurement is estimated to be US\$300bn annually, which is almost 29 per cent of its gross domestic product. However, it is surprising that there was no central law governing this vast market until the introduction of the Public Procurement Bill, 2012 at the Central Government level.

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Since 2010 India is an ‘Observer’ to the WTO Plurilateral Agreement on Government Procurement. This subject is also covered in several free trade agreements such as between India and Australia, European Union, Japan.

These significant developments will have important implications for the governance of the public procurement regime of India. However and given the lack of data and literature on Indian government procurement market, it is difficult to provide knowledge-based feedback on costs and

benefits of an improved regime, and assess the gains and challenges for India if it accedes to the WTO GPA or if the subject is covered in a free trade agreement. This project attempted to bridge this knowledge gap.

Goals

- The long term goal is to devise 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
- A secondary goal was to examine what, if any, are the advantages for India to progress from ‘Observer’ status in the WTO Agreement on Government Procurement to become its member

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Beneficiaries

- Indian government officials including trade negotiators
- Indian industries and other major stakeholders of the government procurement market
- Foreign stakeholders: those interested in the Indian government procurement market

Methodology & Outputs

- Desk research of existing literature and analysis of secondary data *vis-à-vis* domestic regulation and market access opportunities

and challenges for Indian government procurement

- Qualitative field research was conducted in some major capitals such as Washington DC, Brussels, London, through

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interviews and discussions with government officials and business representatives involved in public procurement, keeping in view that these countries are major trading

partners of India and also members of the WTO GPA. Discussions were also held with officials of the WTO Secretariat and the European Commission

- In collaboration with the Confederation of Indian Industries, consultations with major stakeholders of the Indian government procurement market were held in six metro cities across the country

Major outputs were as follows:

- In 2012, a study entitled 'Government Procurement in India: *Domestic Regulations & Trade Prospects*' was published. It assessed market access opportunities and alignment of Indian domestic legislation with mandated requirements of the WTO GPA with a focus on the values of transparency and good governance
- In 2013, another study entitled 'WTO Plurilateral Agreement on Government Procurement: *Market Access Opportunities & Challenges for India*' was published. It provided an assessment of opportunities and challenges which India is expected to encounter if it decides to negotiate to accede to the GPA

These were widely disseminated to Indian government officials and other major stakeholders of the Indian government procurement market, to trade officials of

countries with which India has offensive as well as defensive interests on this subject, and to trade delegations in Geneva. These are available at: <http://www.cuts-citee.org/GP/Outputs.htm>

Outcomes

- A revised version of the Public Procurement Bill, 2012 has been tabled in the Parliament of India. It has taken into consideration CUTS comments and suggestions, and those of many other major stakeholders
- The project has provided a comprehensive analysis of domestic regulations and related guidelines on government procurement in India so as to help government officials to do comparative analyses of these regulations and guidelines *vis-à-vis* the WTO GPA, UNCTRAL Model Law on Public Procurement and other relevant international laws concerning public procurement
- Two studies have become a knowledge repository for policymakers and trade negotiators of the Government of India, especially those who are responsible for negotiating India's free trade agreement with countries/groups such as Australia, European Union
- The Public Procurement Division of the Department of Expenditure, Government of India has accepted one of our major recommendations about conducting a long-term, state-of-the-art capacity building programme on 'good governance' aspects of public procurement for the Indian government officials, state government officials and other major stakeholders

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CUTS will continue its advocacy for the implementation of the Public Procurement law at the Central Government level and will urge the central government to convince state governments to adopt it as a model law.