Chapter 10

Public Procurement Framework in India: An Overview

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ABSTRACT

Studies highlight that public procurement in any country acts as a barometer of public confidence in fairness and transparency of public institutions. A number of cases related to corruption in public procurement in the country have been highlighted by media on regular basis. These incidents raise questions regarding robustness of the procurement framework in vogue in the country. Though no special legislative framework dealing with public procurement exists in the country, the administrative guidelines on the subject are quite exhaustive. Procurement is not a state subject; hence law can be made by the Centre for entire country. However, no separate law governing public procurement has been enacted in India. However, public procurement in India is not bereft of its share of issues. Multiplicity of instructions, absence of procurement law and singular emphasis on upfront value of acquisition without considering life cycle cost mars public procurement in India. Further, social and environmental sustainability has also not received the attention it deserves. Studies highlight that migration of public procurement to Internet could provide us savings of up to 25% by streamlining 30% of Indian Union Budget spent on provisioning of goods / services. However, any such endeavor has 70% chances of failure. With only 13% e-procurement research focusing on public sector make matter worse. In
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INTRODUCTION

In India, by February, finance ministry in Central/ State Government prepare an annual budget for the upcoming financial year (01 April to 31 March next year). This budget brings out anticipated income and planned expenditure for the financial year. The budget is presented in Parliament/ state legislature in the month of Feb/ Mar. Once the budget is passed, Ministry of Finance, Government of India (GoI) allots funds to Ministries/ Departments of the Central Government for meeting their budgeted expenditure. This function is undertaken by the state finance ministry in case of state governments. Available estimates indicate that about 30% of Indian budget (OECD, 2010) or 3.4 - 5.7% of the GDP (DIT, 2011) is spent on procurement of goods / provisioning of services. These huge sums of public funds need to be spent in consonance with laid down rules and regulations which are meant to ensure that public procurement is uniform, transparent, efficient and cost effective.

In succeeding paragraphs, this chapter delves upon the framework used for affecting public procurement in India. The framework in the context of this chapter deemed to cover both processes and powers for affecting public procurement. This chapter is divided in four major sections. In second section, constitutional, legislative and administrative provisions governing public procurement in India are covered. While third section covers general overview of public procurement process in India, section four covers various issues affecting it. In the last section, authors cover generic recommendations for improving transparency and efficiency of public procurement in India. The structure followed for third section is shown in Figure 1.

BACKGROUND

Governments across the world are increasingly embracing ICT for the benefits of their citizenry which entails improvement in delivery of public service, augmenting public access to information and encouragement of e-participation in civic affairs (Kaliannan, Awang and Raman, 2009). However, Moon (2004) underlined that there is general negative perception among the masses about public procurements.
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