# Chapter 4.26
# Challenges in Implementation of E-Procurement in the Indian Government

**Ramanathan Somasundaram**
*National Institute for Smart Government, India*

## ABSTRACT

In this chapter, the concept of e-government procurement (e-GP), as it is being implemented in India, is explained. Furthermore, a set of six challenges encountered during implementation of e-procurement is discussed in depth. The six challenges discussed in the chapter are: lack of skilled personnel; multi-departmental implementation; inadequate IT and networking infrastructure; challenges in implementation of state-wide system; the need to regulate e-procurement market; and replicating best practices in federal-state setup. A practitioner's perspective is adopted to write this chapter. While this chapter deals specifically with e-GP in India, certain aspects of it can be generalized to e-GP implementations elsewhere in the world. Such generalization is possible since government procurement is driven by the same set of principles such as efficiency and transparency.

## INTRODUCTION

The uptake of e-procurement in the government sector is on the rise. Developed nations such as Australia, Denmark, Singapore, the USA, Korea, and a few South American nations such as Chile and Brazil were the forerunners in implementing e-procurement. The forerunners got into e-procurement during the late 1990s. In India, the State of Andhra Pradesh pioneered with the implementation of e-procurement during early 2000. Elsewhere in Asia, Philippines and Indonesia have embarked on implementing e-procurement recently. Multi-lateral bodies such as the World Bank, Asian Development Bank, and Inter-American Development Bank have joined hands together to constitute a body for implementing e-procurement all across the developing and less-developed nations. This body, named Multilateral Development Bank e-Government Procurement (MDB-e-GP), is actively promoting implementation of e-procurement.

Government procurement is a voluminous activity, and in developing countries such as India, it is fast-growing. As per a country assessment report prepared by the World Bank, the Indian government is estimated to buy for US$100 billion each year. Similarly, across the globe, governments spend significant sums of money in public procurement. It is estimated that public procurement accounts for about 10-15% of a nation's GDP. In a country, the government is typically the largest buying entity. Despite the significance, there have not been many analytical write-ups on implementation of e-government procurement (e-GP). The implementation of e-procurement in the government setup is quite a challenging activity; in order to effectively deal with the challenges, it is vital that the nature of challenges are well-understood, and that the means to address the challenges are analyzed and discussed.

In this chapter, challenges encountered in implementation of e-procurement in India are explained. The explanation is preceded by the following sections:

1. Functional Overview of E-Procurement
2. Benefits of E-Procurement
3. Public Procurement in India
4. State of E-Procurement Internationally
5. State of E-Procurement in India
6. Geographical Scope Discussed in the Chapter

This chapter is written from a practitioner's perspective, one who is attempting to tackle the challenges being explained. While this chapter deals specifically with e-GP in India, certain aspects of it can be generalized to e-GP implementations elsewhere in the world. Such generalization is possible since government procurement is driven by the same set of principles, that is, efficiency, transparency, and accountability.

This chapter is written based on practical exposure, which the author has gained while implementing e-procurement in two state governments in India. The author was involved in preparation of a request for proposal (RFP), based on which a private partner will be selected for implementing an end-to-end e-procurement system in both the states. As part of the effort, the author has had the opportunity to interact with end users in government departments who undertake procurement, application service providers (ASP) community and nodal officers initiating the implementation effort. Moreover, he has been an integral part of the decision-making process within the government. The rich experience gained during the implementation effort is relied upon to write this chapter.

## FUNCTIONAL OVERVIEW OF E-PROCUREMENT

E-procurement, as it is referred to in this chapter, is an integrated end-to-end application with the following modules:

1. Indent management (workflow system administering administrative and technical approval processes)
2. E-tendering (PKI-enabled electronic bid submission)
3. E-auctions (forward and reverse)
4. Contract management (preparation and verification of bills with respect of works and services contract)
5. Order management (for utilization of goods and services rate contracts)
6. Supplier enrollment
7. E-payments
8. MIS
9. Accounting

It is to be noted that in India, e-tendering is customarily referred to as e-procurement. It needs to be clarified that e-procurement is much more comprehensive than e-tendering. E-procurement