
Criteria for contractors

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My attention has been drawn to the announcement that a single firm should not be given contract repeatedly. Is that really an effective policy? As far as I know, there is a secondary market of the contractors' jobs, similar to the one found in case of dealerships. One may, therefore, win a contract and get the job done by another contractor in exchange for a commission. That's why, the proposed policy of giving contracts to new firms may effectively give legal umbrella to on-going practices of commissions forced by players from outside the regular business. It is almost impossible for policymakers to stop such practices at the field level. Field-level observations generally suggest that contractors in a region collaborate among themselves and are aware about relative strengths of each in carrying out a job. After all these jobs are location-specific and the business of a "contractor" (Thikedar) requires an organisation and management of different groups of labour, each coordinated, often, at more than one tiers.

While there may be instances of potential new entrants who are barred from engaging in the business by established oligarchs, are we to conclude that e-tendering has failed to give them the access? Moreover, encouraging so-called competition may not necessarily ensure greater efficiency. Instead, what is more important is to ensure quality of the work assigned and ensure cost efficiency to maximise the value for public money. These may only be achieved by making the officers, particularly the technocrats and administrators, accountable (with clearly defined punishments) for faulty or costly jobs.

I am pleading to go back to the basics - what criteria to apply in choosing a contractor to do a job? Old and new? Or, past performance, clear and relevant specification of the offer, cost and timeline for completion? How long should we keep our eyes shut and mess with policies, losing sight of basic rationality?

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[Opinions are of the writer, not that of Economic Research Group where he works.]

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