

Contract Management

By R Ramanathan

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Ramanathan's book "Contract Management" is a valuable and timely publication regarding the management and functioning of the contracts and purchases handled by the government and its various outfits. Expenditure on services and purchases by government accounts for a substantial portion of government budget, and if they are handled with efficiency it will bring about not only substantial economy but improve the functioning of the government. Good governance is the crying need in the country today and it is bounden duty of the government to provide high quality, timely services and facilities to the citizens and be sensitive to their needs and aspirations.

The study extensively covers various activities of procurement such as tendering, negotiating, ordering, supply of material, payment, monitoring and implementation. These activities are complex and call for expertise and attention to detail. Lapses in contracting may lead to serious problems such as getting sub standard material, excess payment, time over run with public exchequer invariably the loser. The author discusses various clauses which go into making of a contract such as prices, price adjustment, terms of payment delivery schedule, scope of work, performance, termination, inspection and penal provisions. He rightly points out that which awarding a contract very often proper evaluation of the bid is not done and the government officials have a tendency to play safe and award the work to lowest bidder irrespective of his competence. An incompetent vendor can quote an unrealistically low price and walk away with a contract.

The book covers different type of contracts and its special features such as works contract, equipment contract, consultancy contract, turnkey contract, cost plus contract and foreign contract etc. For example in case of

Works-contract particularly civil works, the quantity of work to be done is to be correctly estimated less it may lead to disputes later on. In case of Equipment-contracts special attention needs to be given to specification, performance guarantee, maintenance support and pre-delivery inspection. Consultancy-contracts are a class apart. As the role of consultancy is critical for success of a project it is important he is selected after making a careful evaluation of his track record. His fees should be based in terms of manpower deployed and it is necessary to obtain these details from him before entering into agreement. Payments should be linked to milestone with identifiable stages and not time related. These facts are often ignored by government departments and many times they find themselves in unfortunate situation where all the money has been drawn even though the bulk of work still remaining to be completed.

Foreign contracts are a category by themselves and there are several special aspects which need to be carefully looked into such as: currency, exchange rate variation, escalation based on foreign indices, commission to local agents, licence fee and royalty payments, taxation, spares, after sales service.

The book raises some fundamental issues on the system of contracting in our country and the accountability of government officials who have been entrusted with public funds. Ramanathan has drawn heavily from C&AG's Audit Reports and has assembled vast amount of data after doing painstaking research.

Ramanathan has done a great service by capturing within the short space of 250 pages various aspects of complex and somewhat dry subject of contract management. With his expertise and vast experience in Central government ministries and Audit department he is uniquely equipped to do this task. The book written in lucid and simple style is a valuable contribution to the literature on the subject. The book should make a compulsory reading for government officials, vendors, lawyers and students of management. ■

The author is former Dy Comptroller & Auditor General and Director National Institute of Financial Management.