

Public procurement

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Objectives

At the end of 2 sessions, participants will be able to:

1. Name the source documents for public procurement
2. List at least four principles of public procurement
3. Describe a few features of GeM
4. Respond to a quiz on public procurement
5. Locate the relevant rules in the General Financial Rules, 2017

Resource documents

- General Financial Rules, 2017
- Manual on policies and procedures for purchase of goods, 2017
- Manual on policies and procedures for employment of Consultants, 2017
- Manual on policies and procedures for procurement of Works
- CVC guidelines
- State Government Acts, Rules, etc.

Also need to know

1. Indian Contract Act, 1872 [Procurement contract is both a commercial and a legal transaction]
2. Sales of Goods Act, 1930
3. Prevention of Corruption Act, 1988
4. Central Vigilance Act, 2003
5. RTI Act, 2005
6. Information Technology Act
7. Competition Act, 2002
8. Arbitration Act, etc.

Where to find the resource documents?

- www.finmin.nic.in
- <https://eprocure.gov.in/eprocure/app>
- <https://www.cvc.nic.in/>

Financial propriety

1. Exercise vigilance while spending from public money
2. Expenditure should not be more than the occasion demands
3. Moral: Financial powers not to be used to sanction expenditure which will directly or indirectly be for one's own benefit
4. Equity: Public money not to be spent for the benefit of particular person or section of people
5. Responsibility & Accountability
6. Transparency

Public procurement of

1. Goods
2. Services
3. Works

Hallmark of public procurement

1. Transparency
2. Fairness & equality of treatment to prospective bidders, bidders and successful contractors
3. Efficiency & economy
4. (Promote) competition
5. Responsibility & accountability
6. Value for money (Efficient, economic use of resources)
7. Major procurement organisations to have their own procurement manual
8. Ethical behaviour

Six R's of public procurement

1. Right quantity
2. Right quality
3. Right Time [Reasonable else delay, claims & disputes]
4. Right price [Life cycle cost/ Total Cost of Ownership/ Whole life cost]
5. Right place
6. Right source [financial capacity & technical capability; past performance]

Procurement cycle

1. Need Recognition:

1. Quantity: neither too less nor too much
2. Replace existing or new?;
3. Domestic or global procurement

2. Specifications

3. Discovery of the right price & the right vendor

1. Determine the tendering process to be adopted
2. Preparation of the bid documents, including standard contract
3. Invitation of bids
4. Bid evaluation

4. Return security money

Procurement cycle

5. Purchase order
6. Delivery of items
7. Acceptability: inspection – where? At vendor's or buyer's place
8. Payment
9. Contract management (3 – 8)
10. Inventory management
11. Get the file audited
12. Close the file

Modes of procurements

S No	Cost ceilings	Mode of procurement
1	Up to Rs 25,000 (R-154)	Without quotation subject to a certificate
2	Above Rs 25,000 but up to Rs 2,50,000 (R-155)	Local Purchase Committee subject to a certificate
3	Up to Rs 25,00,000 (R-162)	Limited Tender Enquiry
4	Beyond Rs 25,00,000 (R-161)	Advertised tender enquiry
5	Propriety items (R-166)	Single tender enquiry

Mandatory to procure from GeM (GFR-149)

1-5 only if the item/service NOT available on GeM

Government e-Market place (GeM) (R-149)

- Online common use goods and service
- **Mandatory** to procure from GeM
- Credential of suppliers certified by DGS&D [now GeM SPV]
- Procuring authority to certify reasonability of rates
- Not available on GeM?
 - Full powers to Departments of make own arrangements

GeM Rs 25,000 [R-149 (i)] (Direct purchase)

- Up to Rs.25,000 through any of the available suppliers on the GeM
- Meeting the requisite quality, specification and delivery period

GeM > Rs 25,000 & upto Rs 5,00,000 [R-149 (ii)] (L1 purchase)

- Seller having lowest price amongst the available sellers, of at least three different manufacturers, on GeM
- Meeting the requisite quality, specification and delivery period
- The tools for online bidding and online reverse auction available on GeM can be used by the Buyer if decided by the competent authority
- Automobiles: Ceiling is Rs 30,00,000

GeM 5 lakh plus [R-149(iii)] (Bid/RA purchase)

- using online bidding or reverse auction tool provided on GeM
- through the supplier having lowest price
- Meeting the requisite quality, specification and delivery period
- After mandatorily obtaining bids
 - Online bidding or reverse auction
- Annual procurement plan
- Business Analytic tool

Electronic Reverse Auction [R-167]

- On-line real time procurement technique to select successful bid
- Involves presentation by bidders of successively more favourable bids during a scheduled period of time; and
- automatic evaluation of bids

Statistics

S No	Details	14.06.2018	04.04.'20
1	Buyer Organisations	23,707	44,644
2	Sellers & Service Providers	115,749	356,760
3	Products	308,511	21,79,248
4	Service offerings	2,167	24,907
5	Orders	498,141	3,82,30,935
6	Value of the Orders (in Crores of Rupees)	8583	51,712

- Organisation & Post hierarchy
- User type and functions they can perform after successful registration
- Three levels:
 1. Competent authority
 2. Verifying authority
 3. Primary User
 4. Secondary users

Source: 1-3.0-Buyer_Registration_V1.2

Roles played by secondary users

- 1. **Buyer:** Buyer will select the item for purchase and will place the order on behalf of his organization*
- 2. **Consignee:** Consignee will receive the item and will generate the PRC and CRAC certificate*
- 3. **DDO (only for PFMS payment mode users):** DDO will forward the bill to PAO of PFMS*
- 4. **Paying Authority/PAO (for other than PFMS payment mode users):** Paying Authority/PAO will make the payment to supplier/vendor*

Other features in GeM

1. Bunching
2. Bundling
3. Multi-carting

Specifications

- By competent body
- To meet end-users' requirements
- Avoid brand names
- Neither too high nor too generic
- Performance characteristics
- No non-essential features

Modes of tendering

1. Global Competitive bidding & Local Competitive bidding
2. Open tender
3. Limited tender
4. Single tender / Nomination:
 1. Proprietary items
 2. Emergency procurement
 3. Compatible standardization of machinery & spare parts
 4. No response (even after several rounds of tendering)
5. Spot purchase / tender [without quotation & by Local Purchase Committee]

Some terms of contract

- Ernest money deposit
- Performance security
- Advance payments
- Delivery period
- Terms of payment
- Other terms of contract

Consulting Services

- Non-physical project specific, intellectual and procedural processes (Professional, intellectual, training and advisory services)
- Outcomes / deliverables vary from consultant to consultant
- Any other service classified or declared by the orgn.
- Not to include direct engagement of retired Govt. servant (can be engaged through competitive process)
- Expert strategic advise / management consultant/ feasibility studies/policy consultants/ communication consultants/ engineering services/finance. accounting, taxation services, training and development, etc.

Non-Consulting Service

- Non-Consulting Services: Any service with physical, measurable deliverables/outcomes
- Performance standards can be defined

Examples:

- Maintenance, hiring of vehicle, outsourcing of support services, security, photocopy work, office errand services

Contract management

1. Legality of person signing the contract
2. What the contractor has to do
3. When, where & to whose satisfaction
4. What the procurement entity has to do
5. Payment to whom, method & the basis
6. Competent authority to permit variation / modification
7. Method of settling dispute
8. Procuring entity's right to cancel (must be fair & equitable)

Thank You!