

9. Public Procurement Policy & E-Auction

Prelims Level: Investments, Investment Models

Mains Level: GS-III Effects of liberalization on the Economy, Changes in Industrial Policy and their effects on Industrial Growth.

Context:

- Public Procurement policy aims at incentivizing production linked through local content requirements, thereby encouraging domestic manufacturers' participation in public procurement activities over entities merely importing to trade or Assemble Items.
- Various Ministries and Departments have been designated as nodal for notifying minimum local content for the relevant product categories.
- The Government has notified Public Procurement Policy for Micro and Small Enterprises as well.
- Under this policy, 25% of annual procurement by Central Ministries/Departments/Public Sector Enterprises has to be made from Micro & Small enterprises.

What is Public Procurement?

- Public procurement refers to the process by which governments and state-owned enterprises purchase goods and services from the private sector.
- As public procurement utilises a substantial portion of taxpayers' money, governments are expected to follow strict procedures to ensure that the process is fair, efficient, transparent and minimises wastage of public resources.

How does this Promote MSEs?

- The Public Procurement Policy for MSMEs has mandated that every Central Ministry/Department/PSU shall set an annual goal of minimum 25 percent of the total annual purchases from the products or services produced or rendered by MSEs.
- Out of the total annual procurement from Micro and Small Enterprises, 3 percent from within the target shall be earmarked for procurement from Micro and Small Enterprises owned by women. A sub-target of 4% out of annual procurement is earmarked for procurement from MSEs owned by SC/ST entrepreneurs.

What is GeM?

- ✓ Government e-Marketplace (GeM) is a one stop portal to facilitate online procurement of common use Goods & Services required by various Government Departments / Organizations / PSUs.

- ✓ GeM aims to enhance transparency, efficiency and speed in public procurement. It provides the tools of e-bidding, reverse e-auction and demand aggregation to facilitate the government users achieve the best value for their money.

GeM Advantages For Buyers

- ✓ Offers rich listing of products for individual categories of Goods/Services
- ✓ Makes available search, compare, select and buy facility
- ✓ Enables buying Goods and Services online, as and when required.
- ✓ Provides transparency and ease of buying
- ✓ Ensures continuous vendor rating system
- ✓ Up-to-date user-friendly dashboard for buying, Monitoring Supplies and Payments
- ✓ Provision of Easy Return Policy

GeM Advantages for Sellers

- ✓ Direct access to all Government Departments.
- ✓ One-stop shop for marketing with Minimal Efforts
- ✓ One-stop shop for bids / reverse auction on products / services
- ✓ New Product Suggestion facility available to Sellers
- ✓ **Dynamic Pricing:** Price can be changed based on market conditions
- ✓ Seller friendly dashboard for selling, and monitoring of supplies and payments
- ✓ Consistent and uniform Purchase Procedures

How does GeM Portal help MSEs?

- ✓ **Reduce Transaction Costs:** Government e-Marketplace portal has reduced the transaction cost of the MSEs which are involved in the marketing and delivering of products to any public agency.
- ✓ **Transparency:** It had also made the public procurement process transparent, where there is an equal competition between various MSEs.
- ✓ **Reduce Time Taken:** The GeM portal has reduced the time taken for the public procurement process and the red tape involved with it.
- ✓ Public procurement worth Rs 50,000 crore is expected to take place through GeM during 2019-20, up from Rs 33,366 crore in 2018-19.

Difficulties faced by the MSEs in GeM

- ✓ **Delay in Payments:** The delay in payments for the goods or services purchased increases the business of the MSEs.

- ✓ **Minimum Requirements:** The certain criteria laid down by the buyers makes it difficult for the new entrants and other MSEs to comply and qualify, as they are of high standards.
- ✓ **Digital Hassles:** Different GeM versions were launched from time to time with improvements, where MSEs finds it difficult to shift from one online platform to Another.

What is “GeM StartUp Runway”?

- ✓ Launched in February 2019, it is a unique concept initiated by Government e Marketplace in partnership with Startup India, to promote entrepreneurship through innovation.
- ✓ It enables the Start Ups to offer products & services that are unique in- Concept, design, process, and functionality.
- The current system appears to be complex due to the operational hassles in the implementation.
- The system is moving towards transparency, accountability, and improved ease of doing business. In this time, the government needs a standardized procedures and rules, sufficient procurement professionals, and a robust grievance redressal mechanism to take it further.

