Dipstick Impact Assessment

For

Government e-Marketplace
(GeM)

18th January 2017

Pradeep Valsangkar
Wg. Cdr. (retd)
(Senior Consultant World Bank)
Reviewed By
Prof Surinder Batra (Senior Faculty Information Services)
Institute of Management Technology
EXECUTIVE SUMMARY ................................................................. 3
ABOUT GOVERNMENT E-MARKETPLACE (GEM) .............................. 5
OBJECTIVES OF GEM ..................................................................... 6
GOVERNMENT PROCUREMENT PROCESS RE-ENGINEERING
UNDERTAKEN TO IMPLEMENT GEM ........................................... 7
TECHNOLOGY IMPLEMENTATION .................................................... 9
PERFORMANCE INDICATORS ......................................................... 11
IMPACT OF GEM ON GOVERNMENT PROCUREMENT ................... 13
OFFICERS CONTACTED (APPENDIX ‘A’) ....................................... 15
QUESTIONNAIRE DATA (APPENDIX ‘B’) ....................................... 16
RULE 141’A’ (AMENDMENT TO GFR 2005) (APPENDIX ‘C’) ........... 17
Executive Summary

Director General of Supplies & Disposal (DGS&D) has been the nodal government agency for creating rate contracts for common user goods so as to facilitate easy government buying. However, the whole process of creating rate contracts went through several cycles of verification and price discovery for these goods, before DGS&D could provide such a standardized list to the departments. Also, the departments did not always find what they wished to purchase in such a rate contracted list of DGS&D. All this lead to enormous delays in Government procurement. This not only delayed Government procurement but also lead to poor Governance and hence poor performance of several Government sectors.

With a view to expedite the Government procurement process as well as bring in complete transparency in the process of procurement, Government of India initiated the process of creating a Government e-Marketplace (GeM). The idea behind GeM was to create an electronic market place where Sellers could come and easily display their Goods and Government Buyers could easily sieve through such a displayed list and affect the purchase as per the laid down rules of the government. The entire bureaucratic process of rate contracting and short listing has been done away with as a result of creating the GeM portal.

Such an initiative of the Government of India was ably supported by National e-Governance Department of the Ministry of IT. In a short period of time they helped build such a portal and the portal went live in August 2016 after undergoing the necessary security audit by STQC.

Since its going live 768 buyers have successfully created their profiles on the portal. 2119 sellers have registered themselves on GeM and 630 orders amounting to nearly Rs.100crore worth of business has been transacted on the portal. These figures are changing rapidly and more and more buyers are now coming to GeM portal for making routing procurements of the government of India. The idea of making routine goods procurement using GeM is also proliferating across the states.

A quick survey was conducted from amongst the Buyers and sellers. 5 questions were asked to each selected buyer and seller from amongst the buyer & Seller community. They were asked to rate the parameter on a scale of 5. Exact analysis of this quick survey is placed at chapter 6 of this report. Most of the
Buyers and sellers found the GeM portal very easy to use and agreed that the portal helped bring in transparency in the Government procurement process. The buyers agreed that the portal also helped create a competition for a quick competitive bidding process thereby reducing the cycle time of procurement substantially. Easy price discovery was another factor appreciated by the Buyer community. Although the sellers were somewhat skeptical about the portal impacting their business either in terms of volume or value in any big way. Given that the portal has gone live only for four months, these values of Buyer & Seller responses are likely to change and a detailed survey proposed to be undertaken during the course of the full Impact Assessment is likely to throw up more insight in to Buyer and seller behavior on the GeM portal.

GeM portal is seen to usher in a paradigm shift in the way Government has been managing its procurement function hitherto. It is seen to drastically reduce the cycle time of procurement as also bring in complete transparency in the procurement process. The initiative of creating the GeM portal is in line with the Digital Transformation initiatives of the current Government.

Continued use of GeM is likely to have a profound impact on not only the way the Government makes bulk purchases but also the underlying Governance function itself. Success of the GeM portal is likely to make such Digital Transformation initiatives pan across other activities of the Government like Project Procurement, Land Acquisition etc. All this is likely to free a lot of Government time, otherwise consumed in the procurement process, thereby positively impacting the Government efficiency and hence its productivity. In the long run this shall also help impact the growth rate of the Indian economy.
### About Government e-Marketplace (GeM)

Director General of Supplies and Disposal is tasked with Creating Rate Contracts for various common user items for the government departments. These items include regular office stationary, Computers and peripherals, Air Conditioners and other commonly used office equipment.

While DGS&D creates the rate contracts where in the government departments can directly place orders on the designated suppliers, the entire process of demand creation, procurement, ordering, fulfillment and payments against the goods received took exceedingly long time.

With a view to hasten the process of procurement as well as make it transparent and cost effective, government of India decided to create a Government e-Marketplace. Government e-Marketplace (GeM) is a result of this decision of the central government.

As a result of this decision by the government of India, National e-Governance Division has built the GeM portal and the same went live on the 9th of August 2016.

Since its going live 768 buyers have successfully created their profiles on the portal. 2119 sellers have registered themselves on GeM and 630 orders amounting to nearly Rs.100crore worth of business has been transacted on the portal.
# Objectives of GeM

The main objectives of the GeM portal were to make it very convenient for the buyers and sellers to come to a common electronic marketplace and conduct the business of government public procurement in a seamless and transparent manner. Such a process is expected to bring advantages to both the buyers and the sellers. The advantages and Objectives as listed on the GeM portal for the buyers and sellers is as given below:

## 3.1 Advantages & Objectives For Buyers

- Rich listing of products for individual categories of Goods/Services
- Search, Compare, Select and Buy facility
- Buying Goods and Services online, as and when required.
- Transparent and ease of buying
- Continuous vendor rating system
- User-friendly dashboard for Buying and monitoring supplies and payments
- Easy Return policy

(Courtesy GeM Portal)

## 3.2 Advantages & Objectives 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

(Courtesy GeM Portal)
To enable the Central and state government departments to make purchases through the GeM portal, the Government Financial regulations of 2005 were amended to include purchasing through the Government e-marketplace portal. Such an amendment was brought out through Rule 141 ‘A’.

### 4.1 Procurement Process Re-Engineering

GFR 2005 amended with Rule 141 ‘A’: Rule 141 ‘A’ states that all government departments will be able to purchase any item listed on the GeM portal, up to an amount of Rs. 50,000 without having to fulfil any other procurement formalities. The rule also provides for procurement of goods beyond Rs 50,000 through quick bidding amongst selected suppliers on the portal and assertion of price and quality by the competent authority.

The above amendment has substantially reduced the time for procurement of goods of routine nature for government department. This also got reflected in the quick survey conducted for the purpose. Rule 141 ‘A’ is placed for easy reference at Appendix ‘C’ of this report.

### 4.2 Payment Process Re-Engineering

Similarly, the Payment & Receipt Rule of 1983 have been amended through an office memorandum to include online payments to all the suppliers. Thus the designated Payment officers (DDOs) in all the departments will now be able to make direct payments to the suppliers online, thereby substantially reducing the payment time against supplies made.
The payment life cycle as shown below is now completely automated. This has not only reduced the cycle time for payments but also brought about transparency in the payment process.
5 Technology Implementation.

GeM portal has been developed through an “Agile Process” of system development. Detailed design and requirements specifications were gathered simultaneously as the portal was built. While MySQL has been used for the data storage, PHP is the predominant choice of portal programming for GeM. While the portal did undergo testing, detailed integrated testing through proven methods was skipped in favour of urgency to go live.

Detailed Process for Expansion Needed to be put in place now. A document detailing the software development and implementation Life cycle as a standard to be followed for GeM was put in place. All development work at Gem now follows this standard methodology. Tools used for development include TestLink for unit and integration testing (Capturing step by step testing before deployment to Live server); Dot Project is being used for Project management of all new development at GeM and the development team is migrating to ‘JIRA’ for the purpose. Use of such tools ensures that all future development happens through a stringent process of testing and controlled project management. All this ensures that the new development is streamlined and conforms to the laid down standards of GeM development.

Since the time of publication of the Standards manual as brought out in the para above all new development takes place through a process of software requirement specification gathering and signoff by the users.

STQC certification for the portal was undertaken before the portal went live. Since then all the security issues as brought out by the audit report have been fixed. All new development is instantaneously security audited through a process of onsite security audit by an auditor positioned at GeM by STQC. Such an arrangement ensures that all newly developed code is fully secured before being deployed on to the portal.

Such an agile process of development using latest tools and technologies ensures seamless software development and secured implementation on to the GeM portal.
6 Performance Indicators

With a view to get a quick feedback from the actual users of the GeM portal a short questionnaire was circulated amongst a limited number of users. The responses to the questions are as placed in appendix ‘D’ to this report.

6.1 Buyers Feedback

Buyers feedback to the GeM portal has been very enthusiastic. Most of the buyers have responded favourably to all the questions posed to them.

The portal has been seen as very easy to use (4.2 / 5) and is seen to substantially reduce the time for procurement. (4.36 /5). The portal is found to be very easy to set up quick competitive bidding process (4.36 /5) to complete a procurement above the set limit of Rs 50,000. GeM has also been found to reduce the price of procurement (4.06 / 5). While the buyers found most of the regularly used products on the portal (3.54 /5), the list of products needs to increase to cater to the buyer needs. This quick assessment amongst the buyer community provides a glimpse in to the buyer behaviour on GeM. Coupled with a fast growing procurement happening through the GeM portal (Rs 100 crore in a short initial period of 5 months), shows that GeM is likely to become the first port of call for all government buyers undertaking procurement of common goods for use in government departments.

6.2 Sellers Feedback

As compared to the buyers feedback the sellers feedback for the GeM portal was found to be more subdued. While most of the sellers accepted that the GeM portal was very easy to use (4.32 / 5) and shall bring in transparency in the government procurement process (4.12 /5), they were found to be more restrained in their response to other questions on the efficacy of the GeM portal. Sellers were found to be restrictive in their opinion on GeM making the process of selling less cumbersome (reducing the physical interactions with the government 2.94 /5), reducing the red tape and hence enhancing the volume of their government business (2/5) and positively impacting their profitability through
GeM (2.32 /5). Given a very short period of time since GeM has been operational (4 months), such restrained response from the selling community is understandable. However, DGS&D needs to take notice of the low scores on the above counts and address the concern of the sellers to make the process of selling on GeM more seamless and profitable to the sellers. This alone is likely to increase the volume of sale on GeM.
Impact of GeM on Government Procurement

A quick dipstick impact assessment of the GeM portal was carried out by Wg. Cdr. Pradeep Valsangkar (Retd) to ascertain the immediate outcomes as achieved through implementation of the GeM portal. The impact assessment exercise was undertaken through the process of interactions with the officials of DGS&D, NeGD; Technical assessment of the GeM portal through actual usage and scanning of the technical documents, quick survey of the buyers and sellers on GeM as well as study of similar portals elsewhere in the world. Following points have emerged during the quick dipstick assessment of the portal:

1. **Making Procurement Process Easy**: Development and implementation of the portal shall make the entire process of government procurement easy. This was not only obvious through monitoring the process of buying and selling on the portal but also substantiated by the buyer and seller community through the survey conducted for the purpose.

2. **Making Procurement Process Transparent**: Given that the entire procurement shall happen online it is visible to all the stakeholders, and hence very transparent. The same is also corroborated by the seller community during the survey feedback.

3. **Responsibility shift from DGS&D centric Purchases to Departmental Centric Purchases**. In the earlier physical process a lot of responsibility was vested with the DGS&D in shortlisting the products, finding out prices and ensuring that the vendors have adequate capacity to fulfill the buyer requirements. Such a responsibility now shifts to the buyer departments who shall be called upon to ascertain soundness of the sellers through a competitive process easily completed on the GeM portal.

4. **Ease of Price Discovery**. Given that every vendor can see the price of different products, there is complete transparency in the pricing process and hence the price discovery of the products is very easy for the buyers.

5. **Highly Reduced Cycle Times**. Given that the entire process is automated the cycle time for procurement has come down substantially. This is substantiated by the response of the buyers where an average score of 4.36 / 5 was scored by the parameter on cycle time reduction.

6. **GeM leading to Digital Governance through streamlining Government Procurement**. Given that a fairly large part of various departments of the government involves one or the other kind of procurement, complete and seamless automation of the government procurement process shall lead to higher efficiency in the procurement process thereby leading to streamlining the procurement function.

7. **Enhanced Transparency leading to changed Government mindset towards procurement**. Automation of the complete procurement life
cycle, transparency in price discovery and visibility of large procurement across the entire organization is likely to impact the entire procurement function in the government. This is likely to enhance the efficiency and substantially reduce malpractices in Government Procurement.

8. **Digital Governance leading to highly improved efficiency of government operations, leading to higher growth.** Emphasis of the current government on digital transformation of every government function shall get a major Philip through the Government e-marketplace. Implementation of such an e-marketplace shall send a strong signal across all functions in regard to the intent of the government to make the governance process transparent, efficient and corruption free.

9. **Sustainable GeM operations leading to better leadership and standards of governance.** Over a period of time transparency and hence efficient procurement is likely to positively impact the Government Leadership. This will uplift the standards of governance in the country.

10. **Addition of Project Procurement, Land Acquisition and real estate management leading to complete automation of Government Operations.** Successful operation of GeM in procurement of standard goods is likely to lead to use of similar portals for procurements of projects, services and other government functions. Digital transformation of the important government function of Land Acquisition may also not be ruled out in the time to come.

11. **Standardization of Services Through GeM:** Currently Transport services are being commissioned using the GeM portal. In future all services including Facility Management, Security Services, Digitization services etc could be procured using GeM thereby making it very efficient and of higher quality.
8  Officers Contacted  (Appendix ‘A’) 

- Mr. Binoy Kumar  Director general (DGS&D)
- Mrs. Radha Chauhan  CEO (GeM)
- Mr. Vishal Singh  Addl. Dir(GeM)
- Mr. Karupaiyya  Addl (DG) (DGS&D)
- Mr. K. C .Jha  DDG (Q&A) (DGS&D)
- Mr. Rajesh Gupta  R&I (DGS&D)
- Mr. Manish Mathur  P&C (DGS&D)
- Mr. A. K Jain  Registration. (DGS&D)
- Mr. V. K Verma  Seller Registration (DGS&D)
- Mr. RS Pande  Services (DGS&D)
- Mr. P. Singhal  Technical Services (DGS&D)
- Mr. A K Rai  Payment Process (DGS&D)
- Mr. Y K Pathak  Services (DGS&D)
- Mr. Suresh Verma  3i Consulting  (His Team)
- Mrs. Pooja Gandhi  GeM
- Survey Conducted List Placed at Appendix 'B' of this report
Kindly Refer to the Attached Excel Sheet
No.F.26/4/2016-PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

516, Lok Nayak Bhawan,
New Delhi.
Dated the, 3rd May, 2016.


This Department has received the proposal from Ministry of Commerce and Industry, Department of Commerce (DOC) regarding creation of Government eMarketplace (GeM) by Directorate General Supply and Disposal (DGS&D). In order to facilitate the same, it is decided to insert new Rule 141A in General Financial Rules (GFR), 2005 on the proposed GeM as per Annexure to this O.M.

2. Alt Central Government Ministries/ Departments are requested to bring this amendment to the notice of all their Attached and Subordinate offices for their information.

3. This OM is also available on our website www.finmin.nic.in Departments---Expenditure Procurement Policy Division.

(Vinaya T Likhar)
Under Secretary

Telefax: 01 1-24631305 vinayak.likhar@nic.in To, Secretaries & Financial Advisers of all Ministries/Departments of the Government of India.
Insertion of Rule 141 A after Rule 141 in GFR-2005 pursuant to the proposed One Stop Government e-Marketplace (GeM) by Directorate General of Supplies & Disposal (DGS&D), Department of Commerce, Ministry of Commerce & Industry.

Government e-Marketplace (GeM): DG&D will host an online Government e-Marketplace (GeM) for common use Goods and Services. The GeM would be dynamic, self sustaining and user friendly. DGS&D will ensure adequate publicity including periodic advertisements in newspapers of the GeM and the items to be procured through GeM for the prospective suppliers. The procuring authorities will satisfy themselves that the price of the selected offer is reasonable. GeM may be utilized by Government buyers (at their option) for direct on-line purchases as under:

(a) Upto Rs.50,000/- through any of the available suppliers on the GeM, meeting the requisite quality, specification and delivery period;
(b) Above Rs.50,000/- through the supplier having lowest price amongst the available suppliers on the GeM, meeting the requisite quality, specification and delivery period. GeM will also provide tools for online bidding and online reverse auction which can be used by the Purchaser. The above monetary ceiling is applicable only for purchases made through GeM. For all other purchases, GFR Rule 145, 146, 150 and 151 will apply.

************