

A Shop for the Government

The new government e-commerce portal could generate savings at least equivalent to half of the MGNREGA budget for 2016-17, writes **Dinesh Narayanan**

Every Wednesday morning two chartered buses wait near the central secretariat in Delhi to transport groups of government officials to the lush green campus of the National Institute of Financial Management 35 km away in Faridabad. At the Institute, the officials, who work in different central government ministries and departments, undergo a day-long crash course on online purchase of goods and services.

The officials are being prepped to use Government e-Marketplace, or GeM, a clone of Amazon or Flipkart but meant exclusively for government procurement. GeM would eventually offer hundreds of products such as laptop computers and photocopiers and services such as cab hiring and housekeeping to government departments which currently buy them through rate contracts or yearly tenders handed out to vendors and service providers after competitive bidding.

More than three months after its launch in early August, the shopping portal offers 3,100 products in 56 categories. It also has a cab hailing service. GeM has already done a business of ₹38 crore and as more and more products get added, the volumes are expected to match some of the private e-commerce biggies. The GeM currently has 1,129 registered government buyers;

including 469 heads of departments, 1,247 sellers and 56 service providers.

An office in the commerce ministry recently bought a photocopier for ₹ 97,000 on GeM which cost ₹1,52,250 under rate contract, a saving of nearly 57%. Similarly, a car hired on a monthly contract through GeM cost ₹28,000 a month instead of ₹32,500 on rate contract, a saving of over 16%.

Huge Savings

Though no one has an exact figure, officials guess that between 10% and 20% of any government department's routine expenditure is on sundry supplies and services. The Centre's non-Plan expenditure for this fiscal year is about ₹16 lakh crore. That would mean a market of ₹1.5 crore at the low end of the estimate. According to Internet and Mobile Association of India and IMRB, India's entire e-commerce market at the end of December 2015 was worth ₹1.25 lakh crore. A cost reduction of about 15% could save the government nearly ₹20,000 crore which is equivalent to half the 2016-17 budget for the national job guarantee scheme.

Until now, the government used to purchase its supplies through the Directorate General of Supplies and Disposal (DGS&D), a division that traces its origins to 1866 when the then British government set up India Stores Department in London

for centralized buying. It was replaced by the Central Purchase Organization post-Independence as the nodal agency for all government procurements. In 1991, other departments were allowed ad-hoc purchases but items common to all users—about 145—remained with the DGS&D.

GeM owes its genesis to the recommendations of two groups of secretaries to the prime minister in January. The group of secretaries for "Innovative Budgeting and Effective Implementation" recommended that the DGS&D set up a dedicated e-market for goods and services for governments and state-owned enterprises. Another group of secretaries on "Good Governance Challenges and Opportunities", recommended procurement reforms in the form of a Central public procurement platform for end-to-end procurement of goods, services and work contracts along with reforming the DGS&D.

"The prime minister wanted to see a proof of concept within two months, at least for a couple of items," commerce secretary Rita Teotia told ET. That was a stiff deadline for something that had never been attempted before. "We un-

derstood procurement but we needed IT support. It looked impossible."

As commerce ministry and DG&SD officials brainstormed, one official asked, "Why can't we have a Flipkart for government?" The idea caught on. DGS&D officials went back to the drawing board to conceptualise an end to end solution and process flows. Government procurement involves a number of procedures, requirements as well as authorisations. The platform had to incorporate all of them.

To engage a private company with experience in building such a platform would have been the easiest way out. But the deadline was tight. That is where the national e-Governance Division of the IT ministry came in.

A team of about a dozen young IT professionals built an electronic marketplace that looked and felt like an Amazon or a Flipkart. They built in a series of authentication and compliance measures at the back end to make sure online purchases were in line with the government rulebook and left clear audit trails. Yet, what the NeGD team built was a truer market place than those run by even private play-

ers. "Unlike Amazon or Shopclues, we don't manage inventory or logistics. We just register vendors and buyers on the platform," Vishal Singh, additional director, NeGD told ET.

They presented the proof of concept with a car hiring service on the platform to the prime minister. But there was still a problem. Government rules called General Financial Rules, or GFR, did not allow payment until it was approved by the designated authority.

"DGS&D's key activity of concluding rate contracts had limitations and needed to be in sync with modern technological and IT advances," Binoy Kumar, director general, DGS&D, told ET. "GeM addresses this problem and is a more transparent and efficient system with minimum human interface."

Graft Check

On May 3, the finance ministry amended the GFR to enable GeM users to buy goods and services up to ₹50,000. The users would get 10 days after receipt of the goods to inspect and approve following which, if the goods are not rejected, the

payment would be automatically credited to the vendor. Prompt payment was important as this is where the system was open to corruption. "Personal negotiations always have a question mark," a senior commerce ministry official who did not wish to be named told ET.

One recent Wednesday as the GeM training progressed at NIFM and the payment mechanism was explained, some participants were visibly unnerved by the impersonal nature of the process. "Can the buyer have any discretion?" one official asked. "None at all," said Professor Brajesh Kumar who conducted the session. "Not even under special circumstances," the official insisted. "No."

"What if we follow all norms and still there is an audit issue?" asked another official.

"The entire trail is available to view and print out," Kumar assured them.

The senior commerce ministry official said vendors' payments were frequently held to ransom by unscrupulous officials. Often vendors also bribed officials to fix contracts for favourable rates and specifications. He said it also restricted the vendor base as it was difficult for those far from the capital to break into the government system.

Piyush Jain, whose UNEECOPS Technologies has been selling IT software and hardware to different government departments for over two decades, says he is happy with the new system because it is more transparent and he does not need to liaison as much with officials as he had to earlier. Jain also does not mind lower margins because the payment is prompt and assured.

Binoy Kumar says GeM has a geographically wider vendor base and potential for many products and services in contrast with rate contracts (contracts where the rate of a product is fixed for a year through bidding) which were any ways declining over the years.

How GeM works

