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E.No.8(5)/E.II(A)/2006
Ministry of Finance
Department of Expenditure

New Delhi, the January 10th, 2007

OFFICE MEMORANDUM

Subject: Introduction of mandatory e-procurement

1. Reference is invited to this Department's OM no.8(5)/E.II(A)/2006 dated July 05, 2006 conveying the directions on the above subject of the Apex Committee chaired by the Cabinet Secretary on various Mission Mode Projects (MMPs) of e-governance.
2. On the basis of the responses received from the Ministries, this matter has been further reviewed and the following is brought to the notice of all concerned for information and necessary action.
3. There is a need to develop an advanced government wide IT enabled system, after re-engineering existing business processes where necessary, covering all aspects of government procurement, which may include the following:
 - i. Development of an e-Government Procurement (e-GP) portal providing links to various stakeholders in the e-GP for services such as registration of vendors, accessing details of procurement made, tenders awarded, tenders advertized etc.
 - ii. Development of an IT enabled "exchange" linking the various Government agencies in need of procurement of goods and services on the one hand and the vendors/service providers and the e-procurement service providers on the other akin to the Stock Exchange linking companies, investors and market intermediaries.
4. Creation of a government wide e-procurement system as envisaged above requires development of comprehensive e-procurement capability within each Ministry / Department. We propose to prepare a Detailed Project Design Guideline for the e-procurement MMP that would set out the minimum services and service levels, implementation modalities, milestones and timelines that will need to be adhered to by all e-procurement systems deployed at all Ministries / Departments.
5. Until the development of comprehensive e-procurement system by Ministries / Departments in conformity with the Detailed Project Design Guideline proposed above, it is necessary that Ministries create an environment conducive for the adoption of a full-fledged e-Procurement system. With this object in view, it is considered expedient that the Ministries / Departments build on existing capabilities and switchover to the electronic mode in a phased manner as follows:
 - i. In respect of all goods covered under the rate contracts (RC) concluded by the Director General (Supplies and Disposal) (DGS&D), the Ministries should commence placing orders through the website of DGS&D as soon as feasible. This practice would become mandatory for supply orders to be placed w.e.f. April 1, 2007. DGS&D is making all necessary arrangements for assisting the

- procurement officials in this regard and they would be issuing more detailed guidelines in this matter.
- ii. In respect of other goods, as also for procurement of works and services, the Ministries/Departments may make their own arrangements for switching over to mandatory e-procurement beyond identified threshold limits w.e.f. April 1, 2007 with the following minimum compliance norms:
- (a) All communications between indenting officers and potential vendors / suppliers / service providers shall be conducted 100% electronically, using e-mail and standardized formats and templates to be used uniformly within each ministry. At appropriate stage of tendering process, this communication shall be placed in the public domain with digital access.
 - (b) More specifically, as minimum acceptable disclosure norms, all tender notices, tender documents/enquiries and information regarding award of contracts/acceptance of tenders must be placed on the website for information of general public.
 - (c) An electronic database of all the suppliers shall be created, by requiring all the suppliers already registered with the Ministry/ Department, to furnish their details online at the web-site
- iii. The following precautions need to be taken:
- (a) Adequate operational procedures for ensuring system security and compliance to audit norms including provision for secure audit trail/system logs and proper authentication (digital certificates or biometrics-based) of users
 - (b) Adequate operational procedures for data back-up, recovery and archival.
 - (c) Instructions and advisories issued by Department of Information technology from time to time
- iv. The common regulatory framework with decentralized procurement as provided by the General Financial Rules, 2005 has to be maintained.
- v. Besides the above minimum requirements, the Ministries/Departments are encouraged to review, appropriately modify and digitize their detailed operating procedures concerning different stages of procurement process such as assessment of stock deficiencies, identification of suppliers with due diligence in tendering process or through rate contracts, placement of timely orders, follow up on execution of orders, dealing with deficiencies and due and timely payment to suppliers.
- vi. Payment to suppliers through electronic mode is a desirable feature of e-procurement system, which enables the management and audit authorities to track the trail from authorization to payment and ensure that the payment made conforms to the approved bid/indent. However, this may also be developed as

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part of overall Government Payment system as an adjunct to the e-procurement system and integrated later on.

- vii. During the transition period when all concerned become familiar with the mechanism outlined under (ii) above, it may be necessary to allow provision for manual receipt of tenders etc as e-procurement should not lead to exclusion of vendors not equipped to transact business through e-procurement system. However, from July 1, 2007 onwards, manual tenders may not be accepted at all.
 - viii. Both the Director General (Supplies and Disposal) and the Director General, National Informatics Centre have volunteered to assist the Ministries/Departments in e-procurement in respect of items not covered under the rate contract. Both the organizations are creating help desks and nominating local officers and detailed operational guidelines from them are under issue.
 - ix. Additionally, Ministries and Departments with sufficiently large procurements can develop or procure and customize their own platforms for e-procurement which should conform to the requirements spelt out in the Detailed Project Design Guideline (referred to at Para 4 above).
6. The Ministries/Departments are requested to send monthly progress reports indicating the action taken on the above to this Department. The first report would be due on February 5, 2007.
 7. It may please be noted that the progress of this Mission Mode Project is being monitored at the highest level.

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