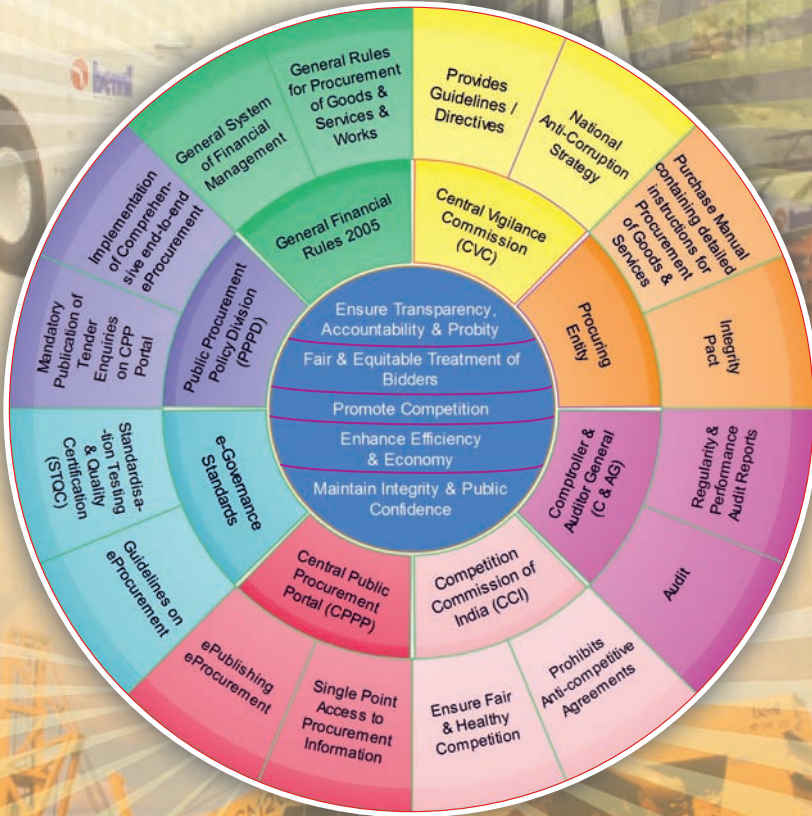


## Public Procurement



## Vigilance Awareness Week - 2012

29-10-2012 to 03-11-2012

# VIG-KIRAN Ver.2

Theme : Transparency in Public Procurement



Vigilance Department

Includes CD containing a compendium of  
Rules, Guidelines, Directives & Standards  
governing  
Public Procurement  
+  
e-Procurement

## PLEDGE



**WE, THE PUBLIC SERVANTS OF INDIA, DO HEREBY SOLEMNLY PLEDGE THAT WE SHALL CONTINUOUSLY STRIVE TO BRING ABOUT INTEGRITY AND TRANSPARENCY IN ALL SPHERES OF OUR ACTIVITIES. WE ALSO PLEDGE THAT WE SHALL WORK UNSTINTINGLY FOR ERADICATION OF CORRUPTION IN ALL SPHERES OF LIFE. WE SHALL REMAIN VIGILANT AND WORK TOWARDS THE GROWTH AND REPUTATION OF OUR ORGANIZATION. THROUGH OUR COLLECTIVE EFFORTS, WE SHALL BRING PRIDE TO OUR ORGANIZATIONS AND PROVIDE VALUE BASED SERVICE TO OUR COUNTRYMEN. WE SHALL DO OUR DUTY CONSCIENTIOUSLY AND ACT WITHOUT FEAR OR FAVOUR.**



**PRADEEP KUMAR**



केन्द्रीय सतर्कता आयुक्त  
केन्द्रीय सतर्कता आयोग

Central Vigilance Commissioner  
Central Vigilance Commission

## MESSAGE

The Public Procurement in India is estimated to constitute about 15 to 20 percent of the budget. As large sums of money and conflicting claims by several private entities are involved, this area is prone to corruption and complaints. The process adopted for award of some high value government concessions/contracts have been attracting huge public attention in the recent past. It is essential that besides four basic principles of procurement which are right quantity, right quality, right price and right time; the aspects of equity, fairness and transparency need to be well addressed where public contracts are involved. The use of technology can play an effective role in curbing the subjectivity and arbitrariness in the decision making process to make it more fair and transparent. Recognizing the importance of transparency in public procurement, the Central Vigilance Commission has decided to adopt the theme 'Transparency in Public Procurement' during the year 2012.

I am happy to note that BEML Limited is bringing out a special journal titled 'VIG-KIRAN' during the Vigilance Awareness Week-2012. This journal contains some of the good practices adopted by BEML in their procurements besides some of the case studies. Initiatives taken in BEML towards implementation of E- Procurement methods have also been included on this publication. I am sure that this journal will go a long way towards BEML efforts for continual improvement. I wish it all the success.

  
(Pradeep Kumar)

Satarkta Bhawan, GPO complex, Block A, INA, New Delhi 110 023.



**R. SRI KUMAR**



सत्यमेव जयते

सतर्कता आयुक्त  
केन्द्रीय सतर्कता आयोग  
Vigilance Commissioner  
Central Vigilance Commission


## MESSAGE

The Central Vigilance Commission is observing the Vigilance Awareness Week from 29<sup>th</sup> October to 3<sup>rd</sup> November 2012. This year, the theme of observing Vigilance Awareness Week is "Transparency in Public Procurement". Public procurement encompasses procurement of goods, works and services by all public organizations. Public procurement is an activity vulnerable to corruption. Lack of transparency in public procurement can lead to violation of laid down procedures and promote corruption.

I am happy to know that the Vigilance Department of BEML Ltd, is bringing out a special journal named "VIG-KIRAN Ver.2" focusing on the theme "Transparency in Public Procurement".

To curb corruption, the "VIG-KIRAN Ver.2" on the theme "Transparency in Public Procurement" will be a great support for the vigilance functionaries and employees of the BEML to know the rules and will turn into a tool for ensuring fair competition and objectivity in selection assuring value for money.

With Best Wishes,

  
(R. Sri Kumar)



सत्यमेव जयते

सचिव (रक्षा उत्पादन)  
Secretary (Defence Production)

## MESSAGE

The "Vigilance Awareness Week" for the year 2012 is being observed with the theme as "Transparency in Public Procurement". Since a significant proportion of Government money spent is through Public Procurement and the Public Procurement constitute a major portion of Country's GDP, transparency, fairness and probity are of vital importance in any Public Procurement.

I am glad to note that BEML Ltd. is publishing a special journal "VIG-KIRAN Ver.2", to commemorate the Vigilance Awareness Week - 2012. This will create awareness amongst vigilance functionaries and other employees of BEML about "Public Procurement" and help in contributing towards the ultimate goal of public welfare.

My best wishes,

  
(R K Mathur)



**K D TRIPATHI**



सत्यमेव जयते

सचिव  
केन्द्रीय सतर्कता आयोग

Secretary

Central Vigilance Commission

## MESSAGE

I am very happy that BEML is bringing out a special journal named "VIG-KIRAN Ver.2" on the theme "Transparency in Public Procurement", to mark the observance of Vigilance Awareness Week-2012.

Transparency, competitiveness and fairplay are the hallmarks of public procurement. BEML and all its stakeholders should imbibe ethical values and good governance practices in its day-to-day operations.

I convey my greetings to BEML and its employees on the occasion of Vigilance Awareness Week, 2012.

*K D Tripathi*  
**(K D Tripathi)**



**P DWARAKANATH**



## MESSAGE

I am happy to note that BEML Vigilance Department is bringing its second edition of "VIG-KIRAN", a hand book on Vigilance matters, coinciding with the observance of Vigilance Awareness Week from 29th October to 3rd November 2012, pursuant to the directives of the Central Vigilance Commission. The theme for this year is "Transparency in Public Procurement".

We incur substantial expenses in procurement of goods and hence any saving in procurement would directly contribute to improving our bottom line.

All of us know that procurement plays a very important role and absolute transparency is necessary in this sphere. In this direction, we have already put in place a detailed Purchase Manual, which conforms to the various directives received from the Government and other statutory policies. Our Company's Purchase Manual has been modified to incorporate various changes in the business environment and have introduced measures like - on line registration of vendors, e-Tenders, e-Reverse auction, e-Payment to vendors etc.

I take this opportunity to congratulate CVO and her team for their continuous endeavor in making recommendations for improving the systems and procedures and their quick response in dealing with issues related to Vigilance Administration and external agencies.

I convey my best wishes for bringing out the second edition of “VIG-KIRAN” and also for the successful observance of Vigilance Awareness Week, which is scheduled to be observed between 29th October to 3rd November 2012.

With best wishes,



**(P Dwarakanath)**

Chairman and Managing Director  
BEML Limited.

## *From CVO's Desk*



VIG-KIRAN steps into the second year and in version control has become “VIG-KIRAN Ver.2”. While an act to regulate public procurement in India is still on the anvil as ‘Public Procurement Bill 2012’, “VIG-KIRAN Ver.2” reflects a concerted effort to put together the institutional framework governing the Public Procurement Process to mark the observance of the Vigilance Awareness Week 2012 with the theme ‘Transparency in Public Procurement’. Beginning with the General Financial Rules 2005 embodying the basic tenets of public buying namely, *‘every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement’* (GFR 137), all regulations, guidelines, standards, governing the process of public procurement as well as e-procurement has been digitized in a CD and appended to “VIG-KIRAN Ver.2” constituting its USP. The back cover of “VIG-KIRAN Ver.2” vividly captures this.

BEML Ltd. being a leading multi-technology and multi-location, 'Miniratna-Category-1' company under the Ministry of Defence, has been in the forefront for major initiatives in ICT (Information & Communication Technology) in compliance with the CVC guidelines to leverage technology for greater transparency through effective use of website. The ICT initiatives @ BEML for procurement, the strategies adopted in implementing them, their operational benefits etc. have been delineated in "VIG-KIRAN Ver.2" as a measure of experience sharing. There are two important procurement processes which are part of BEML's e-procurement, e-Bidding and e-Auction, also called Reverse Auction. The BEML experience in e-Bidding and e-Auction has been shared for the benefit of all.

A meet with the Vendors of BEML to engage them in the reform process of Public Procurement, in which they have an equal stake, was considered fitting during the Vigilance Awareness Week 2012, particularly, in view of the theme, being 'Transparency in Public Procurement'. Vendor meet was organised in three divisions of BEML, Bangalore, Mysore and KGF with great success. A questionnaire was designed and circulated to the Vendors present at the meet and to all other vendors via the e-mail to elicit their response regarding the transparency of the procurement processes adopted by BEML and their awareness of them. They were asked to rate their experience with the e-procurement system at BEML Ltd on a scale of 0 to 5, with 0 representing 'least transparent' and 5 representing 'most transparent'. The finding of the survey of 84 Vendors who participated in the Vendor Meet and responded to the questionnaire has been featured in "VIG-KIRAN Ver.2".

A precursor to the theme of 'Transparency in Public Procurement' during the Vigilance Awareness week 2012, was the workshop on 'e-Procurement & Reverse Auction'

organized by BEML Vigilance Department in association with the Central Vigilance Commission and Ministry of Defence. This was in response to the priority flagged by the Central Vigilance Commissioner at the Annual Sectoral Review Meeting with the CVOs of Defence Sector held on 18.07.2012 at Bangalore, for the need to improve the knowledge base in the use of e-procurement tools like Reverse Auction, in the Defence PSEs. Vigilance Commissioner, CVC, Shri. R. Sri Kumar delivered the Inaugural address. 34 participants, comprising Chief Vigilance Officers and Senior Executives dealing with Procurement, from nine Defence PSEs located all over India and OFB attended the workshop. The highlight of the workshop, which added value, was a 'Go Live' demo session of the Reverse Auction process. The screens of the auction cockpit and two bidding firms were projected simultaneously on three screens in a simulation of a 'live' Reverse Auction process and was well-received by the participants. In addition, two Experts addressed the participants on 'e-procurement and reverse auction in the Indian Railways' and 'Managing Risks in e-procurement Applications', as part of the workshop. In the session on sharing of PSU experiences, BEML, BDL & HAL made presentations sharing their experience on E-Procurement and Security Audit. Photographs and press footage of this workshop have been presented in "VIG-KIRAN Ver.2". A booklet compiled by the CTEO, Central Vigilance Commission, titled 'Transparency in Public Procurement-Some Focal Points' was circulated during the workshop & is featured in "VIG-KIRAN Ver.2".

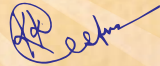
Shri. Jitendra Kohli, one of the foremost experts in e-procurement globally and a member of Transparency International India, has specially penned for "VIG-KIRAN Ver.2" an article on how DIT's e-procurement Guidelines dated 31st August 2011 have taken cognizance of the various Red Flags in e-procurement, which he has identified. This has been featured along with his solutions to Government/Public- Sector Procuring

Entity in drafting suitable 'Technical/ Functional Specifications' and Eligibility Criteria' while inviting 'Request for Proposal (RFP)' for e-procurement software/services under the title 'DIT's Guidelines dated 31<sup>st</sup> August 2011 vis-a-vis Red Flags in e-procurement' and 'Solutions to the Government/Public- Sector Procuring Entity in inviting RFPs for e-Procurement Software/Services' respectively, both of which have tremendous utility value.

In the battle to ensure transparency and equity in procurement I had help from unexpected quarters! This I have shared under the heading 'Interesting Case Study'. A SCM 'Crossword' that exercises the brain cells is also featured.

Other important features include, 'Risks of Corruption in Procurement Process', 'The Public Procurement Bill 2012-What is envisaged', 'Dos and Don'ts' in procurement for Employees/Executives, and for Vendors/Bidders'. As before a detailed User Guide to the CD attached has been provided.

I do hope "VIG-KIRAN Ver.2". will plug the knowledge gap in public procurement measures and aid in setting up a sound Public Procurement System.



**(Kavitha Kestur)**  
Chief Vigilance Officer

## ICT (Information & Communication Technology) Initiatives @ BEML for Procurement

### Strategy & Benefits

BEML Ltd. is a leading multi-technology and multi-location, 'Miniratna-Category-1' company under the Ministry of Defence. BEML supplies high-quality products for diverse sectors of economy such as Defence, Metro & Railways, Mining, Construction, Aviation, Coal, Steel, Cement, Power, Irrigation and Road Building. It has nine manufacturing units located at Bangalore, Kolar Gold Fields (KGF), Mysore, Palakkad and Subsidiary-Vignyan Industries Ltd, in Chikmagalur District.

Considering the diversity of products and spread of the manufacturing units and in compliance with the CVC guidelines to leverage technology for greater transparency through effective use of website, BEML has undertaken major initiatives in ICT (Information & Communication Technology). The ICT initiatives in the procurement process include:

2008	Integrating the Supply Chain – through Supplier Network Collaboration (Inventory Collaboration Hub)
2009	Automation of procurement process – e-Procurement through Supplier Relationship Management

### **SUPPLY CHAIN MANAGEMENT (SCM) – SUPPLIER NETWORK COLLABORATION (SNC):**

Supplier Network Collaboration (SNC) is an Internet-based solution connecting business partners (suppliers / customers) on a shared (inventory information / real time data), easy-to-use platform. It is designed to enhance visibility, collaborate more effectively with suppliers and increase the overall speed, accuracy, and adaptiveness of supply network.

#### **SCM Implementation at BEML:**

With the implementation of SCM, BEML can monitor the inventory levels of its supplies with its customers, with their permission and initiate supply action when the levels fall below an agreed limit. It also enables active collaboration of the vendors and customers with the company.

#### **Benefits of SNC:**

##### **For the Manufacturer / Customer :**

- Complete transparency on the stock situation.
- Alerts on stock-out situation, triggering replenishment process.
- Simplifying internal processes.
- Reducing safety stock.
- Reducing delivery times.
- Increased sales turnover.
- Lower administrative costs.

##### **For the Supplier :**

- Reduced stock.
- Reduced delivery times.
- Reduced supply risks.
- Reduced down time and overtime.
- Reduced transportation costs through possible transport consolidation.
- Improved order fulfillment rate.
- Lower administrative costs.
- Improved service.

#### **Operational Benefits :**

- Purchase orders seen online immediately after approval.
- Acceptance of purchase orders done online.
- Online challan creation and no hardcopy to be attached.
- Report of dispatches seen by suppliers/ customers.
- Report of late dispatches can be enabled.
- Overall cycle time reduced significantly.

### **SUPPLIER RELATIONSHIP MANAGEMENT (SRM):**

SRM is a Web based application involving processes like e-procurement, reverse auction, supplier registration etc. Provides electronic bidding capability for procurement processes. Enables to carry out processes like e-bidding, online reverse auction, vendor registration, etc.

#### **e-Procurement:**

e-Procurement (electronic procurement) is the B2B or B2C or B2G purchase and sale of supplies, work and services through the Internet as well as other information and networking systems, such as EDI and ERP.

#### **SRM implementation at BEML:**

The value of purchases made by BEML amount to around Rs. 1500 Crore annually. The items procured are of diverse nature ranging from regular low-value maintenance items like nuts & bolts to sophisticated high-value machinery &



equipment. The suppliers of BEML are spread across the entire globe. With the objective of optimizing the procurement processes across the company, working closely with the vendor pool for mutual benefit and gaining long-term benefits from supplier relationships, BEML decided to implement Supplier Relationship Management (SRM), a new-dimensional add-on module of SAP. SRM is a web based package that provides integrated sourcing and procurement platform for carrying out procurement related activities online without the need for manual paper work. Having already successfully implemented SAP ECC 6.0 for all the major modules, implementation of SRM was a natural choice as it can take the basic data from SAP ECC 6.0 for carrying out procurement related activities in SRM.

**Strategies Adopted:**

- Customizations were carried out in the e-Procurement module by BEML to suit organizational needs.
- Tight Integration was ensured with the ERP system.
- e-Bidding to get bids online from the bidders before the specified due-date.
- Supports multi-stage bidding coupled with government laid procedures.
- Reverse Auctions are conducted for certain items where competitive prices can be obtained.
- Approvals made available in e-Procurement system.
- Integration of Digital Signature to comply with IT Act 2000.

**Following are the salient points of the implementation:**

- The implementation work started in the month of November 2008.
- Successfully achieved the 'Go-Live' target of 30.03.2009.
- All the business processes are mapped in the e-Procurement system.
- During the last three years of implementation of e-Procurement module in BEML, about 18000 e-Bidding Tenders and 229 Reverse Auctions were processed. Around 1250 vendors submitted bids in the e-Procurement system with their Digital Signatures.
- Threshold value for e-mode procurement revised from the initial Rs. 10 lakhs to Rs. 1 lakh recently to cover more procurement through e-mode.
- Class 3 Digital Signatures, which ensure highest security, are used by the Procuring entities and Vendors.
- All types of tenders - Single, Proprietary, Limited and Open - are processed on the e-Procurement system.
- Single-Stage Bidding and also Two-Stage Bidding are processed in the system.
- System is customized to generate Comparative Statement for Landed Cost considering all the applicable charges and taxes & duties.
- Approvals process made available in the e-Procurement system, which reduces the procurement time considerably.
- 'Online Vendor Registration' and 'Online Vendor Payment Tracking' provided on the e-Procurement site.
- Implementation of e-Procurement system resulted in active participation of the vendors in the tenders (as they found the same easy and convenient to use) while at the same time ensuring transparency and compliance to CVC Guidelines.

### Financial and Strategic Benefits:

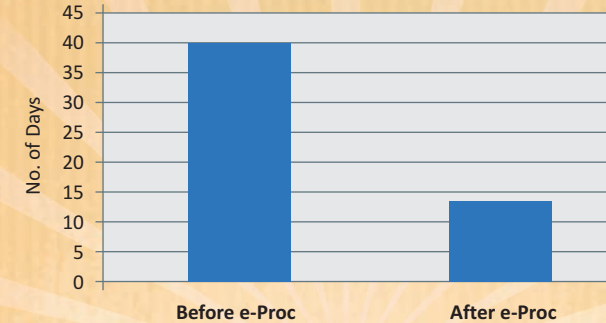
As of date BEML has carried out more than 18,000 e-bidding processes and 229 reverse auctions, which has yielded the following benefits:

- Reduction in tendering time and cost of tendering by 40%.
- Reverse auction has been very effective and has helped achieve cost reductions to the tune of Rs.6 to Rs.7 crore. The savings has been computed with reference to the previous year's price and the savings in one year has been about 3% to 4% over the previous year's prices.
- Few reverse auctions have yielded cost reductions greater than 15% to 20%.
- The savings on account of reverse auctions & e-bidding will be recurring.
- Automated and simplified the procurement process.
- Significantly reduced procurement cycle time.
- Reduced administrative work.
- Enabled vendors to access documents/drawing and view status of bid submission online.
- Improved transparency in the bidding process through live auctions.
- Increased competition leading to better prices in reverse auctions.
- Savings on charges otherwise paid to reverse auction service providers.
- Enabled paperless office.

### Operational Benefits:

- Increased Buyer's reach.
- Increase in Vendor Satisfaction.
- Reduction in procurement cycle time by 65% to 80%.

### Procurement Cycle Time Reduction



- Employee Productivity increased by 20%.
- Direct cost reduction.
- Buyer able to undertake more professional, value added activities beyond traditional negotiations.
- Considerable reduction in material cost due to competitive reverse auctioning process.
- Ability to meet material requirement for increased business.

In conclusion, it may be said that the ICT initiatives have automated and simplified the entire BEML procurement process while achieving improved operational efficiency, increased productivity and total transparency.

## e-Bidding & e-Auction

### ---The BEML Experience

There are two important procurement processes which are part of BEML e-Procurement, e-Bidding and e-Auction (also called as Reverse Auction).

#### e-Bidding:

e-Bidding is the electronic equivalent of traditional manual tendering process. In e-Bidding, the Bid Invitations (tenders) are published by the procuring entities of BEML to bidders online and the bidders can submit their bids online till the submission deadline. The bids submitted by the bidders will be available for display to the authorized persons only after the opening date and time are reached for further processing.

#### Salient features of e-Bidding in BEML:

- Class-3 Digital Signatures, which ensure highest security, are used by the procuring entities for publishing of the tenders. Similarly, the bidders also have to use Class-3 Digital Signature for submission of bid against BEML e-tender.
- All the documents of the tender related to specifications, standards, drawings, terms & conditions, are attached to the Collaboration Folder (C Folder) in the system.
- Any amendments after the initial publishing of the e-tender can be incorporated in the system itself and all the vendors considered for the e-tender will get communication about the amendments.

- The bidders will also be able to upload any bid documents as attachments.
- Unlike in a manual system, bidder will be able to modify the bid already submitted and resubmit the bid any number of times till the closing date and time of the tender.
- All types of tenders - Single, Proprietary, Limited and Open - are processed on the e-Procurement system.
- Single-Stage Bidding and also Two-Stage Bidding are processed in the system.
- Approval process is configured in the system which avoids manual paper work and enables reduction in cycle time for procurement.

#### Experience of BEML with e-Bidding:

- About 18,000 e-Bidding Tenders have been published and processed so far across various divisions.
- As e-Bidding eliminates manual administrative work and enables speedier processing, a reduction of 65% to 80% in procurement cycle time has been achieved, productivity of the employees has increased by 20% and direct reduction in tendering cost to the tune of 40% has been achieved.
- Due to ease of use and elimination of paper work, vendors of BEML have found e-submission of bids convenient and time-saving. About 1250 vendors have registered on-line for submission of bids in the e-procurement system against e-Bidding Tenders.
- Generation of Comparative Statement for Landed Cost by the system duly considering all the applicable charges & taxes & duties has helped in faster decision making of the procuring entities facilitating quicker release of purchase orders.

### Reverse Auction:

e-Auction or Reverse Auction is the process in which all the selected bidders are logged to the BEML SRM e-Procurement System during the designated time on a designated day and will be submitting multiple bids for the item(s) for procurement. Each bid of any bidder shall be lower than his previous bid. The rank status during the reverse auction process is dynamically displayed to the bidders as '1' or '-'. Rank '1' means the bid is the lowest and rank '-' means the bid is not the lowest. As the rank status is displayed dynamically to the bidders, the bidders whose bids are not the lowest reduce their bids to the extent possible which in turn generates further competition.

A bidder in the BEML reverse auction process will not be aware of the number of other participating bidders or their names. Also, during the reverse auction, a bidder will be able to see only his own bids submitted and his own rank status. A bidder will not be able to see the details of the bids submitted by the other vendors. Reverse Auction can be conducted with a Start Price or without a Start Price. i.e. Start Price is optional.

A bid received during the last 5 minutes of the bid close time will trigger auto-extension of auction time of 5 minutes for all the bidders ensuring equitable treatment of all bidders.

The process of reverse auction is very much transparent as bidders get to know their status dynamically during the course of the reverse auction.

### Reverse Auction experience in BEML Limited:

Since June 2009 BEML Limited has been conducting Reverse Auctions on BEML SRM e-Procurement platform for procurement of some selected items.

229 Reverse Auctions have been conducted on BEML SRM platform so far for a total procurement value of Rs. 212.24 Crore as detailed below:

### Details of Reverse Auctions Done on SRM by the Procuring Entities (As on 29.10.2012)

Sl. No.	Procuring Entities	No. of Reverse Auctions	Total Value (in Rs. Crore)
1	Mining & Construction	75	37.73
2	Rail	146	154.76
3	Defence	2	18.47
4	HQ	6	1.28
	<b>Total</b>	<b>229</b>	<b>212.24</b>

Over the three years of conducting reverse auctions, BEML Limited has gathered ample experience in determining the advantages and disadvantages of reverse auctions and the circumstances under which reverse auctions will yield profitable results. The salient points of BEML's experience with reverse auctions are listed below:

- Reverse Auctions will be successful for items where the specifications are well defined, where there are at least three vendors and where the current market trend indicates that there is scope for competitive bidding.
- In BEML SRM system, Start Price was initially mandatorily to be given. Since there was difficulty in arriving at a proper Start Price for most of the items, some reverse auctions used to fail. After conducting reverse auctions with Start Price initially for a period of around one year, BEML through a development in the system, made the Start Price requirement as optional. From then on, reverse auctions are being conducted without any Start Price and depending on the competition and the market trends, the final bid prices are being obtained. Since Start Price is to be

arrived after duly considering various factors, where there was difficulty in working out the Start Price, BEML found it advantageous to conduct the reverse auctions without Start Prices.

- Proper decrement is to be given for reverse auctions. 'Decrement' is the minimum amount by which a bidder should reduce the bid amount compared to his previous bid. The decrement amount is to be decided based on type of item. For some small value item, decrement may be as less as Re 1 whereas for some high value items, it may range from Rs. 100 to Rs. 1000. It is seen that if decrement is not given, some bidders reduce their bids by very low amounts which unnecessarily results in auto extensions of the auction timings & also puts to inconvenience other genuine bidders.
- In cases where there is wide variation in the bid prices noted in earlier procurements, conducting reverse auction with the same vendors may prove counter-productive. This is because in reverse auction, the bidders will be submitting their bids with gradual reduction in the amounts and the bidder who can actually offer still lower bid amount may stop bidding at a higher bid amount as he is already having rank 1 status and the other bidders may not be competitive enough in reaching his bid amount level.

#### **Savings achieved through Reverse Auction:**

BEML has achieved cost savings of around Rs.6. to Rs.7 Crore by resorting to reverse auctions for procurement of some items. The savings has been computed with reference to the previous year's price and the savings in one year has been about 3% to 4% over the previous year's prices. Few reverse auctions have yielded cost reductions greater than 15% to 20%. The cost saving will be recurring.

Main categories of items where savings were realized are as below:

- |                              |                           |
|------------------------------|---------------------------|
| ▪ Hardware items             | ▪ Aluminium/Copper Cables |
| ▪ Welding Wires / Electrodes | ▪ Steel Tubes             |
| ▪ Personal Computers         | ▪ PVC Sheets              |

- |                                |                                 |
|--------------------------------|---------------------------------|
| ▪ Tooling Items                | ▪ MS Rounds                     |
| ▪ Seat Screws and Joint Plates | ▪ Fabrication & Machining Items |
| ▪ Seal Plates                  | ▪ HDPE Chute Assembly           |

The use of e-procurement tools like e-bidding and e-auction have undoubtedly garnered the following paybacks for BEML Limited:

- Automated and simplified the procurement process.
- Reduced administrative work.
- Improved transparency in the procurement process.
- Increased satisfaction of vendors
- Class 3 Digital Signatures, which ensure highest security, are used by the Procuring entities and Vendors.
- All types of tenders - Single, Proprietary, Limited and Open - are processed on the e-Procurement system.
- Single-Stage Bidding and also Two-Stage Bidding are processed in the system.
- About 1250 vendors have already submitted bids in the e-Procurement system.
- System is customized to generate Comparative Statement for Landed Cost considering all the applicable charges and taxes & duties.
- Reduction of 65% to 80% achieved in procurement cycle time.
- Employee Productivity increased by 20%.
- Direct Reduction of 40% in Tendering Cost achieved.
- Considerable reduction in material cost due to competitive reverse auctioning process (About Rs 7 Crores so far and will be on recurring basis)

## VENDOR MEET – AN ANALYSIS

A meet with the Vendors of BEML to engage them in the reform process of Public Procurement, in which they have an equal stake, was considered fitting during the Vigilance Awareness Week 2012, particularly, in view of the theme, being 'Transparency in Public Procurement'. Vendor's meet was organised in three divisions of BEML, Bangalore, Mysore and KGF with great success. A questionnaire was designed and circulated to the Vendors present at the meet and also to rest of the registered vendors via the e-mail to elicit their response as regards the transparency of the procurement processes adopted by BEML and their awareness of them. They were asked to rate their experience with the e-procurement system at BEML Ltd on a scale of 0 to 5, with 0 representing 'least transparent' and 5 representing 'most transparent'. The finding of the survey of 84 Vendors who participated in the Vendor Meet and responded to the questionnaire has been analysed below. The finding from the e-mail survey, responses for which are still coming in, will be separately shared.

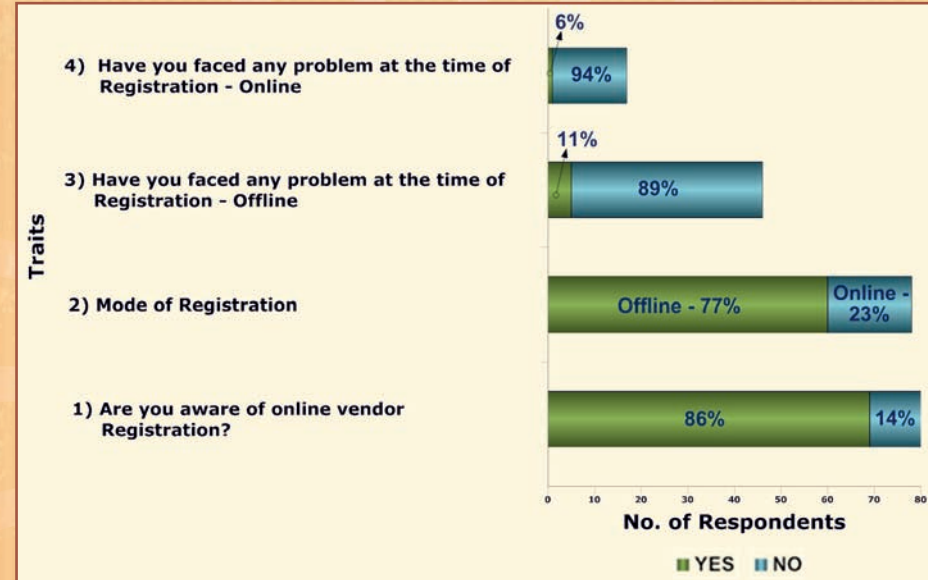
In the analysis, the responses sought have been broadly classified under seven main headings as follows, each of which will graphically reveal the transparency trait at each stage of the procurement process:

1. Transparency in vendor registration
2. Transparency in NIT(Notice Inviting Tender)
3. Transparency in e-Procurement
4. Post tender transparency
5. Transparency in payment
6. Transparency in Anti – Corruption Measures
7. Transparency rating of e-Procurement



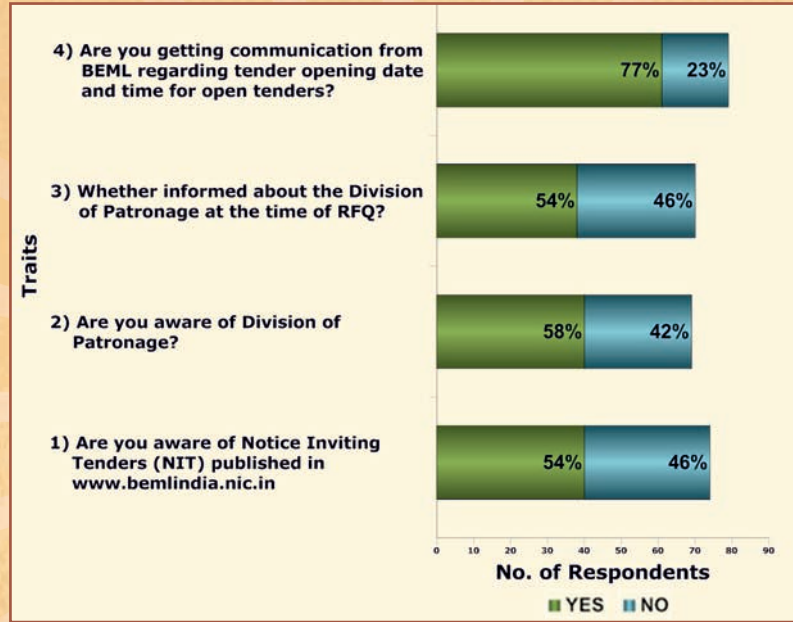
Vendor Meet at Bangalore Complex along with IEMs Shri H. J. Dora, IPS (Retd) & Dr. G. S. Rajagopal, IPS (Retd)

## Transparency in Vendor Registration



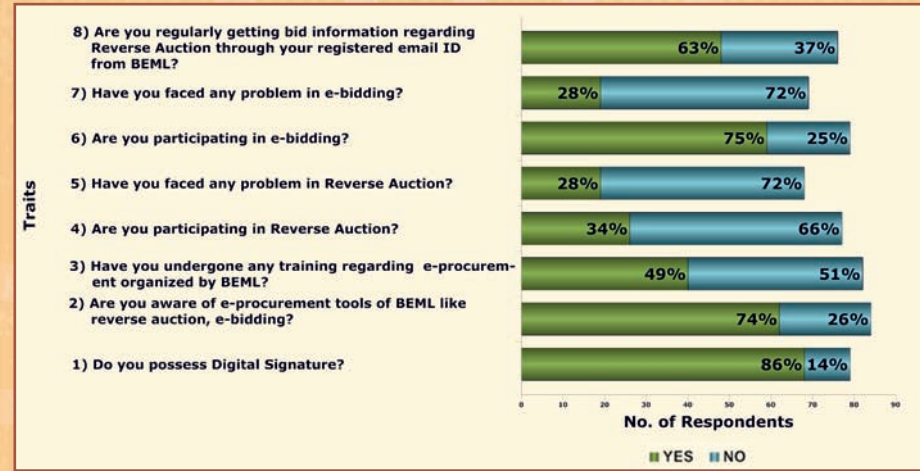
A whopping 86% of the respondents gave a thumb-up to the transparency of the procurement process at the entry level, namely, Vendor Registration and in particular online registration. As high as 94% of the respondents had not faced any problem in online registration.

### Transparency in NIT(Notice Inviting Tender)



More than 50% of the respondents have confirmed they are accessing the NITs from BEML website [www.bemlindia.nic.in](http://www.bemlindia.nic.in), 77% have confirmed they are receiving regular communication of tender opening date and time for open tender. 58% of the respondents were aware of the division of patronage practice being followed by BEML and almost equal percentage of respondents have confirmed they were informed about it at the time of RFQ (Request For Quote) thereby confirming the existence of a transparent process in the NIT stage.

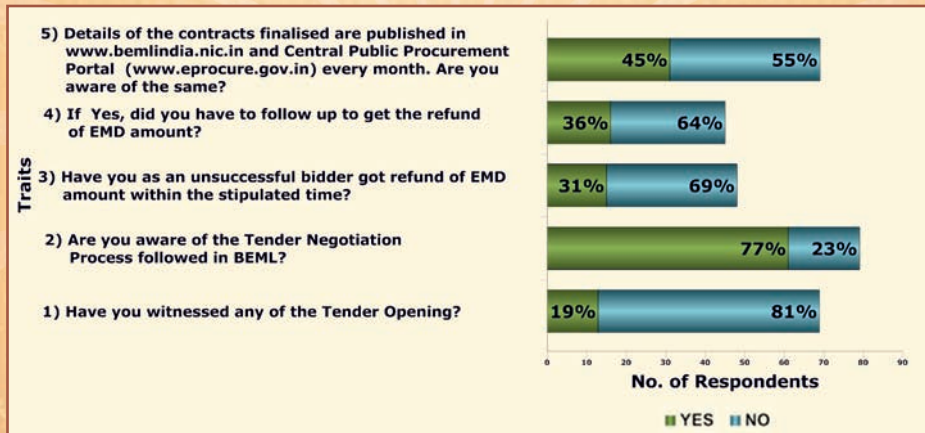
### Transparency in e-Procurement



As many as 68 vendors out of a total of 79 vendors, who had responded to this query in the survey, possessed the digital signature which enabled them to participate in e-Bidding and e-auction which are the two important processes of BEML's e-Procurement. The increasing popularity of the e-Procurement tools of e-bidding and reverse auction became apparent with 74% of the respondents affirming their knowledge of e-Procurement tools. While 75% of the respondents had participated in e-Bidding and without facing any problem (72%), the percentage of participation in reverse auction was however, limited to 34. This may be mainly because the number of reverse auctions held has been limited as compared to e-bidding. Also reverse auction

has certain limitations in as much as a minimum number of three bidders are necessary to make it successful, also certain selected items only are amenable to reverse auction, etc. Twice the number of vendors who had participated in reverse auction, however, confirmed they were regularly getting bidding information regarding reverse auction through their registered e-mail id from BEML. Since only 50% of the respondents had undergone training in e-Procurement organised by BEML, it was decided to provide an online tutorial in the use of e-Procurement tools.

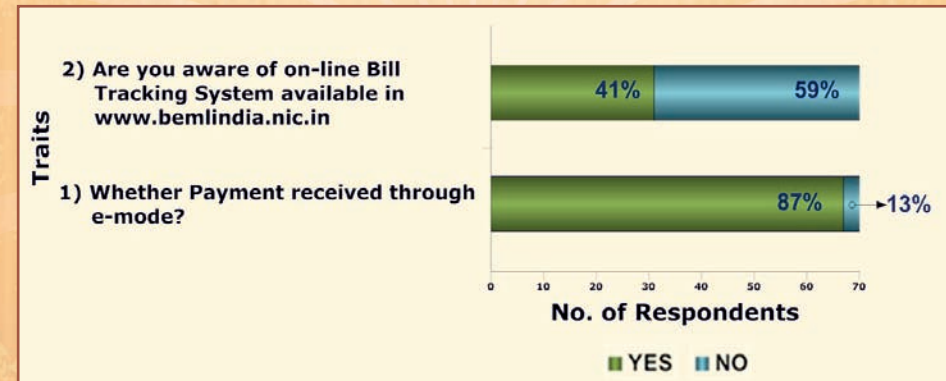
### Post Tender Transparency



The SRM (Supplier Relationship Management) is a web based application involving processes like e-Procurement, Reverse Auction, Supplier Registration, etc. and the current SRM application of BEML which is integrated with SAP-ECC 6.0 does not

feature the online public tender opening event. This became apparent with as much as 81% of the respondents indicating that they had not witnessed any of the tender openings. This limitation in the transparency of the process is being overcome with the upgrading of the system to version 7.0. 69% of the respondents indicated that EMD of a failed bid was not returned within the stipulated time. 64% of the respondents also indicated they did not have to follow up to get the refund of EMD amount which is an indication that no malafide or use of corrupt practices is being followed. Almost 50% of the respondents knew that the finalised contract was being uploaded on BEML website and the Central Public Procurement portal.

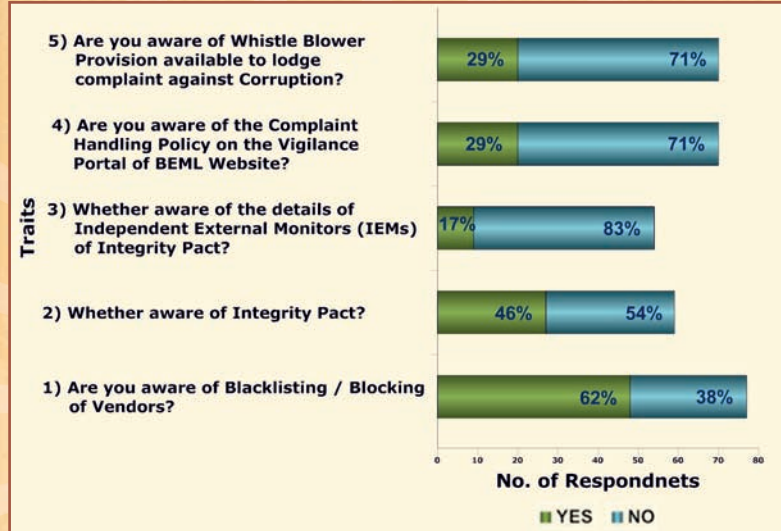
### Transparency in Payment



87% of the respondents had received payment through electronic mode clearly establishing transparency in payment. Further there was increasing awareness of the bill tracking system available on [www.bemlindia.nic.in](http://www.bemlindia.nic.in). For those who were not aware screen shots of the same and how to navigate were presented during the 'Open Forum' of the meet.



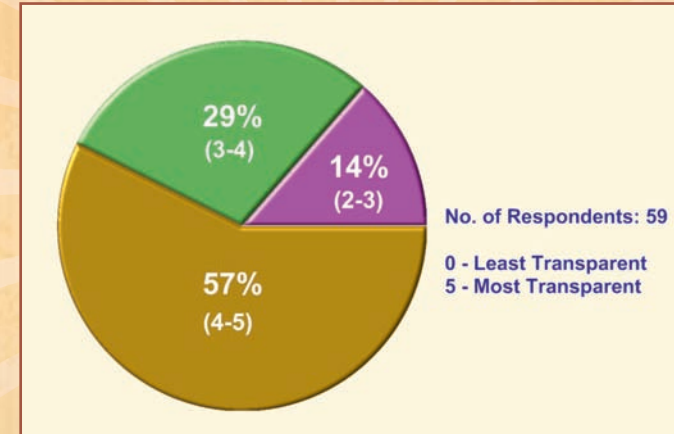
### Transparency in Anti – Corruption Measures



Awareness of penalties such as black listing / blocking for indulging in corrupt practices, etc., was fairly wide spread with 62% of the respondents affirming with a YES. Awareness of the Integrity Pact was, however, limited to 46% of the respondents and main reason for this could be the fact the threshold value for signing of the Integrity Pact is for contracts above Rs.20 Crores and not many vendors may have transacted procurements above Rs.20 Crores. As a corollary to this only 17% of the respondents were aware of the Independent External Monitors and their role in the Integrity Pact. What was unexpected, however, was the lack of awareness of the complaint handling policy and whistle blower provision which was as high as 71%. This is despite the fact

that both have been displayed prominently on BEML website [www.bemlindia.nic.in](http://www.bemlindia.nic.in). One probable reason may be that the vendors had no reason to complain and as such had not accessed the website for the same. Detailed information on BEML’s complaint handling policy and the whistle blower provision was given to the vendors at the meet as a first step in increasing the awareness level. More publicity regarding the same, however, needs to be provided to increase the percentage of awareness to all.

### Transparency Rating of e-Procurement



Finally the vendors at the meet were asked to rate their overall experience with the e-Procurement system at BEML Limited on a scale of 0 to 5 with 0 representing ‘least transparent’ and 5 representing ‘most transparent’. 59 vendors have rated their experience, of them 34 have rated it between 4 to 5, 17 vendors have rated it between 3 to 4 and 8 vendors have rated it between 2 to 3, affirming thereby, that the e-Procurement system at BEML Limited is closer to being ‘most transparent’.



## Risks of Corruption in the Procurement Process

The Public Procurement process is rife with opportunities for corruption. Some sectors are generally more prone to corruption. However, there are significant risks and opportunities for corruption in all sectors.

### The chance of corruption in all sectors generally increases with:

- Larger contracts, as bribes are often percentages of total contract worth.
- Complex technology without a clear “market price”.
- Greater discretion for procurement officials.
- Inadequately trained procurement officials.
- A lack of financial controls, poor oversight or insufficient accountability.
- Inadequate transparency or restricted access to information.
- Funding schemes such as direct budget support or sector wide approaches.
- Urgency or emergency, when there is less time for review and oversight.
- Increased social acceptance of corrupt practices.
- Conflicts of interest between an official’s public duties and private interests.

Corruption will manifest in different forms depending on what part of the procurement process it occurs. The following are the major corruption risks associated with each stage of the procurement cycle.

### Pre-tendering risks :

#### Needs assessment -

- Needs assessment is insufficient due to alleged:
  - ◆ Shortage of time.
  - ◆ Lack of capacity.
  - ◆ Lack of competence.
- Purchase is unnecessary or of little public value and demand is inflated.
- Political or diplomatic pressure compromises the objectivity of the appraisal.

#### Planning and budgeting -

- Planning and budgeting of purchases are insufficient and/or unrealistic.
- Goods and services desired diverge with the overall investment plan of the government.

#### *Definition of requirements -*

- Bidding documents or specifications are tailored to benefit one company.
- Bidding documents or specifications are unnecessarily complex in order to hide corrupt actions and to make monitoring complicated.
- Selection and award criteria are:
  - ◆ Not objectively defined
  - ◆ Unclear
  - ◆ Not established in advance
- Firms are short listed or pre-qualify due to bribery rather than qualifications.
- Firms provide falsified documentation, such as quality assurance certificates.

#### *Choice of procedure -*

- Procedures are non-competitive or unclear without justification.
- Legal exceptions are manipulated to allow for non-competitive procedures:
  - ◆ Contract is split so as to remain below the competitive bidding limit.
  - ◆ Emergency or urgency of a situation is exaggerated.
  - ◆ Existing contracts are extended rather than retendered.
- The timeframe is not consistently applied for all bidders.
- Relevant information is not shared with all bidders.

#### **Tendering Risks :**

##### *Invitation to tender -*

- Public notices for bids are published with very limited time for response, allowing only pre-informed firms to prepare tender documents.
- The criteria for selecting the winner are not made public.
- Lack of competition leads to an unreasonably high price.
- Competitors conspire to artificially raise the bid price.
- Firms offer bribes in order to gain confidential information about tendering, the evaluation process or competitors' bids.
- Non-existent front companies, representing blacklisted or otherwise unqualified companies, submit bids to make the process appear more competitive or to allow an unqualified favoured bidder to receive an award.

#### *Evaluation -*

- Decision makers are biased due to corruption in the evaluation process.
- Unclear definitions of the selection criteria allow for a subjective evaluation.

#### *Award -*

- Decision makers are biased towards a favoured firm in the award process.
- The records of the award procedure are not accessible.

#### **Risks after the contract is awarded :**

##### *Contract Management -*

- Poorer quality or higher priced goods and services than those contracted are used to cover the price of bribes.
- Contract revisions allow for more time, decreased outputs or higher prices.
- New assets are stolen before delivery or before being recorded.
- Poor supervision allows substandard work to go undetected.
- Sub-contractors are not selected in a transparent manner or are not kept accountable for their work.

##### *Order and payment -*

- Claims are filed for goods and services that were not supplied.
- Corrupt supervisors justify false claims.
- A lack of separation of financial duties and supervision results in false accounting, cost misallocations and false invoicing.
- Renegotiation of contract is allowed, resulting in substantial changes to the contract.

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*(Extract from the Draft Manual for Examination of Public Procurement Contracts for IEMs/Public Procurement Officers, circulated by Transparency International India at the National Workshop on Integrity in Procurement and Whistle Blower Protection in India)*

## PUBLIC PROCUREMENT BILL 2012 – WHAT IS ENVISAGED?

A Bill to regulate public procurement with the objective of ensuring transparency, accountability and probity in the procurement process, fair and equitable treatment of bidders, promoting competition, enhancing efficiency and economy, maintaining integrity and public confidence in the public procurement process and for matters connected therewith or incidental thereto.

Bill No. 58 of 2012

- **The Bill seeks to -**
  - Codify the basic norms
  - Lay down a code of integrity
  - Lay down the general principles
  - Provide adequate flexibility
  - Provide for greater transparency and accountability
  - Provide for a grievance redressal system
  - Enable building of expertise through professional standards
  - Make provisions for offences and penalties
- **Once enacted by Parliament – May be called the Public Procurement Act 2012 -**
  - Shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

- Act to apply to all procuring entities like:
  - Ministry or Department of Central Government or a unit or its attached or subordinate office who procure.
  - Any Central Public Sector Enterprise or Undertaking.
- **Act to apply to all procuring entities like:**
  - Any company in which more than fifty percent of the paid-up share is held by Central Government.
  - Any body established or constituted under the Constitution whose expenditure is met from the Consolidated Fund of India.
  - Any body, board, authority, society, trust, autonomous body established or constituted under the Act of Parliament owned or controlled by Central Government.
- **Act shall not apply to :**
  - Any procurement whose estimated cost or value is less than fifty lakh rupees or such higher value as the Central Government may specify in notification.
  - Emergency procurement for management of any disaster, as defined in Disaster Management Act, 2005.
  - Procurement for the purposes of national security or strategic considerations.



**Workshop on e-Procurement and Reverse Auction**

*Some Moments*



**The New Indian Express  
Dt. 13.10.2012**

# TRANSPARENCY IN PUBLIC PROCUREMENTS

## SOME FOCAL POINTS

### 1. Identification of Need

- Need inescapable
- Factors to be taken into account:
  - Obsolescence
  - Shelf Life
  - Life cycle period
  - Availability of existing stocks
  - Availability of substitutes which can be used in lieu
  - Availability of funds
  - Approval of Competent Authority

### 2. Technical Specifications

Do/ Ensure	Don't / Avoid
• Generic	• Restrictive
• Product available in market	• Over specify-Best always not the Best
• Meets Requirements	• Superfluous and non-essential features

### 3. Estimation of Costs

Do/ Ensure	Don't / Avoid
• Should be based on Standard Schedule of Rates as far as possible	• Inflated due to unjustified reasons
• Based on market survey	• Hypothetical budgetary quotes

### 4. Qualification Requirement

- Neither too stringent nor too lax
- Non restrictive
- Unambiguous/Objective
- Able to generate fair competition and attract established players.

### 5. Preparation of Tender Document

Do/ Ensure	Don't / Avoid
• Order of precedence of tender documents clearly spelt out	• Conditions conflicting with the existing rules/ regulations/guidelines
• Right procedure for arithmetic corrections, difference in rates in figures and words etc.	• Ambiguous price format or tax liabilities on either party to the contract
• Complete & Unambiguous Evaluation criteria - take care of all foreseeable eventualities.	• Conditions difficult to implement at execution stage.
• Well defined Inspection Methodology. • Scope of work - Well defined.	• Instructions to Bidders ambiguous
• Condition to prevent substantial post contract deviations/ substitutions	

- Type and Conditions of Contract, if contract concluded

### 6. Pre-bid Conference :

- Representations critically examined - Ensure level playing field.
- Amendments required notified to all bidders who purchased bid document and in subsequent copies to prospective bidders - Substantial amendments to be notified in press.
- Decisions taken to be deliberated in evaluation report.

## 7. Bids Opening

- o e-Tendering
- o Sound methodology to prevent bid tampering, authenticate of corrections/overwriting, if bids received physically.

## 8. Evaluation

- o Transparent and time bound
- o As per terms of tender document
- o Well deliberated
- o Reasonableness of rates ensured
- o Time of delivery/Milestones/Quality aspects etc.

## 9. Award/Contract

- o Acceptance within bid validity
- o As per bid conditions and agreed changes, no unilateral clauses
- o Signed by the competent authority

## 10. Post Award

- o Quality as per contract specifications
- o Effective supervision—Time essence of contract
- o Proper accountability mechanism for delays
- o Avoid large and avoidable deviations/ substitutions
- o Insurance/ Guarantees/tax compliance as per contract

## 11. Use of Integrity Pact as a Tool to build Transparency

## 12. Awareness of RTI Act, 2005

*Compiled by : CTEO, Central Vigilance Commission and circulated during workshop on e-Procurement and Reverse Auction.*

## DIT'S GUIDELINES DT. 31<sup>ST</sup> AUGUST 2011 vis-a-vis RED FLAGS IN e-PROCUREMENT.

Red Flags	Sections of DIT Guidelines where the related Issues have been addressed
(Red Flag # 1) In most e-procurement systems, the 'Bid sealing/ Bid-encryption' methodology is poor/flawed. Specifically, where PKI is used for bid encryption, clandestine copies of bids can be stolen through spy ware and secretly decrypted before the Online Public Tender Opening Event, resulting in compromise of confidentiality. Similarly, confidentiality can be compromised where the 'main bid-encryption' is done at database level, and only SSL encryption is done during the transit phase from bidder's system to the e-procurement portal.	Mainly Annexure-I (section 2.0, and section 3.0). Section 2.0 Concerns relating to implementation of e-Procurement systems using PKI based Bid-Encryption. Section 3.0 Concerns relating to situations where bids before being transmitted from the bidder's computer are protected with only SSL Encryption and Database level Encryption is done before the bid is stored in the Database Server In addition, some parts of sections like 1.2, 3.1, etc and relevant portions of Annexure-II, III, IV also have relationship with these issues.
(Red Flag # 2) In most e-procurement systems, instead of 'Online Public Tender Opening Event', there is only a rudimentary 'Online Tender Opening'. Merely opening bids 'online', and then separately making them available for display to the bidders subsequently, and/ or from a different location/ screen (ie user interface) without the simultaneous online presence of bidders, does not fulfill the requirements of a proper and transparent online Public TOE. The transparency related significance of opening bids in 'Public', and carrying out various activities such as 'countersigning' of each opened	Mainly Annexure-I (section 6.3), and also relevant portions in other sections of Annexure-I. Section 6.3 Cryptographic controls Regulation of cryptographic controls In addition, relevant portions of Annexure-II, III, IV also have relationship with these issues.

<p>bid by the TOE officers in the simultaneous presence of the bidders has been given done away with. e-Procurement systems where online TOE is conducted in this non-transparent fashion, without the simultaneous online presence of the bidders, gives rise to the possibility of bid-data tampering.</p>	
<p>(Red Flag # 3)</p> <p>Most e-Procurement systems, do not have the functionality to accept 'encrypted (i.e. sealed) detailed bids'. Some systems 'do not encrypt the technical bid at all', i.e. neither the electronic template of the technical bid, nor the detailed technical bid. In such systems, typically 'only summarized financial data in electronic templates' is encrypted. This is against the established practices of ensuring confidentiality of technical bids.</p>	<p>Mainly Annexure-I (section 2.5), and also relevant portions in other sections of Annexure-I (eg 6.1, 6.2, etc).</p> <p>Section 2.5 Capacity Management A 10.3.1</p> <p>The use of resources shall be monitored, tuned, and projections made of future capacity requirements to ensure the required system performance. In addition, relevant portions of Annexure-III, IV also have relationship with these issues</p>
<p>(Red Flag # 4)</p> <p>Many e-procurement systems do not have the functionality for digital signing of important electronic records which are part of the e-Procurement application. As a result, such e-Procurement systems are not in full compliance of the IT Act 2000, and certain guidelines of the CVC.</p>	<p>Mainly Annexure-I (section 6.), and also relevant portions in other sections of Annexure-I.</p> <p>Section 6 Some other functionality/ Security/ Transparency related requirements of a Manual Tendering System and Conformance its Availability in the offered e-Tendering system.</p> <p>In addition, some parts of sections like 3.1, 4.1etc, and relevant portions of Annexure-II, III, IV also have relationship with these issues.</p>
<p>(Red Flag # 5)</p> <p>In most e-Procurement systems, functionality of the e-Tendering system is limited [eg all types of bidding methodologies are not supported]. In some cases only 'single-stage single-envelope' bidding is supported. Similarly many systems do not support the submission of</p>	<p>Mainly Annexure-I (section 6.1), and also relevant portions in other sections of Annexure-I.</p> <p>Section 6.1 Cryptographic Controls. Regulation of Cryptographic controls. A. 12.3 A.12.3.1</p> <p>A policy on the use of cryptographic controls for protection of information shall be developed and implemented.</p>

<p>'supplementary bids (viz. modification, substitution and withdrawal)' after final submission, but before elapse of deadline for submission]. This is against the established practices of manual tendering.</p>	<p>A.12.3.2</p> <p>Key management shall be in place to support the organization's use of cryptographic techniques A 15.1.6</p> <p>Cryptographic controls shall be used in compliance with all relevant agreements, laws, and regulations. In addition, some parts of sections like 3.1, 4.1 etc, and relevant portions of Annexure-II, III, IV also have relationship with these issues.</p>
<p>(Red Flag # 6)</p> <p>'Entry Barriers' are being created in many RFPs for e-Procurement, on the entry of new players on the basis of 'unjustified eligibility criteria', and by insisting on 'irrelevant experience'. CAUTION: It must not be forgotten that e-Procurement is an emerging technology, and if entry barriers are created, apart from discouraging competition, the Government will NOT HAVE the BENEFIT of BETTER and more RELIABLE e-Procurement systems. Furthermore, experience of tenders conducted using 'rudimentary e-Procurement software' would not only be irrelevant but MISLEADING.</p>	<p>Annexure-I.</p> <p>In addition, some parts of sections like 3.2, 4.1 etc, and relevant portions of Annexure- III also have relationship with these issues.</p> <p>Annexure-I - Risks of e-Procurement Systems and related ISO 27001 controls</p>
<p>(Red Flag # 7)</p> <p>Many e-Procurement systems are such that it results in abdication of powers of the concerned officers of the Government Purchase department. Furthermore, in some situations it results in handing over the private keys (PKI) of the concerned officers to others, which is a violation of s-42(1) of the IT Act.</p>	<p>Mainly Annexure-I (section 5.), and also relevant portions in other sections of Annexure-I.</p> <p>Section 5 Concerns/ clarifications based on s42(1) of the IT Act 2000 relating to Digital Signatures, a User Organization's Administrative Hierarchy, and some related aspects.</p> <p>In addition, some parts of sections like 4.1 etc, and relevant portions of Annexure- II, III, IV also have relationship with these issues.</p>



(Red Flag #8)

There is lack of clarity about where e-Reverse Auction is to be used. It is obvious that the Government does intend to replace sealed-bid tendering with e-Reverse Auction. Also there are guidelines about 'not negotiating' after the financial bids are opened, except possibly with L1 (which is contrary to the concept of reverse auction). At the same time, reverse-auction could be useful in some situations, eg. commodity purchases. In such a scenario it is important to clarify where reverse auction can be resorted to.

While there is indirect mention of this in Annexure-I [section 2.0 (iv)] and Annexure-II, essentially the required clarity has not been provided.

Section 2.0 Concerns relating to Implementation of e-Procurement systems using PKI based Bid-Encryption

(Other issues)

Most of the certificates that vendors often boast of are minimum qualifications and should be treated as necessary but not sufficient requirements. But many a times, they are taken as certificates of excellence. Security Tests like Cert-In, STQC, OWASP etc. are useful but general in nature, and do not have anything specific to address the intricacies of e-Procurement. 'e-Procurement Certification' related Govt guidelines (as mentioned in CVC Circular no. 23/06/010 dtd 23rd June, 2010) are still awaited.

DIT's Guidelines on e-Procurement (dtd. 31/8/2011) is a move in that direction.

In addition, under section 5.2 with subsections having titles – Application Functional Testing, Application Security Testing etc should address these issues once such certification testing is developed by STQC and implemented.

## Solutions to Government / Public-Sector Procuring-Entity in framing RFPs for e-Procurement Software/Services.

One of the dilemmas faced by a Government/ Public-Sector procuring-entity while inviting 'Request for Proposal (RFP)' for e-procurement software/ services is in drafting suitable 'Technical/ Functional Specifications' and 'Eligibility Criteria'. e-Procurement being a new area globally, the existing knowledge-base within the procuring-entity may be very limited, and certainly the 'professional consulting firms' also have limited knowledge as till now they have not involved themselves in any direct Research & Development in this field. Picking up old tender-documents or RFPs for e-Procurement services (and using these as reference for creating new ones with some editing) would not be of much help either as most of the earlier/ existing e-procurement systems require major re-engineering/ overhaul to plug the security loopholes and deficient functionality offered by these systems. 'DIT's e-Procurement Guidelines dated 31st August 2011' should therefore serve as a beacon. These e-procurement guidelines of DIT also encompass the relevant guidelines issued by the Central Vigilance Commission (CVC) in the years 2009 and 2010, the requirements of the General Financial Rules (GFR) of the Government of India and the IT Act 2000.

While the procuring entity is ultimately responsible for framing the technical functional specifications and the eligibility criteria, some salient aspects are being summarized below for the benefit of the delegates. These aspects can be kept in view by the concerned procuring-entity while drafting their RFPs for e-Procurement software/ services.

### Eligibility Criteria:

In this context, some relevant prescriptions of 'DIT's e-Procurement Guidelines dated 31st August 2011' are as follows:

(Ref: Annexure-I, section-8 of the Guidelines)

QUOTE: References may be given of various clients who have used the e-Tendering/e-Procurement software before the date of submission of bids. Such references should state whether or not the e-Tendering software supplied to each reference client was capable of handling each of the following requirements: composite technical & financial bids (single stage- single envelope); technical and financial bids in separate envelopes (single stage- two envelope); single stage- two envelope preceded by pre-qualification; and various security and transparency related concerns outlined in this Annexure-I, Annexure-II (which is based on CVC Guidelines).

The solution should be assessed in respect of various security and transparency related concerns outline in these Guidelines, and its scope of Capability should be in public domain, ie the functionality claimed should have references. This will discourage monopolizing a particular vendor and solution and will encourage new entrants from offering such systems thereby affecting the competitiveness of procurement of systems. To encourage new entrants, while there should be no compromise on security, transparency and crucial functionality related concerns highlighted herein, the eligibility criteria in respect of 'number of tenders', 'revenue criteria from e-Procurement', etc should be minimum. UNQUOTE Keeping in view Annexure-I (section 8) the DIT Guidelines, the Eligibility Criteria could be drafted as follows:

References should be given of various clients who have used the e-tendering/ e-Procurement software before the date of submission of bids. Such references should state whether or not the e-Tendering software supplied to each reference client was capable of handling each of the following requirements:

**A)** Composite technical & financial bids (single stage- single envelope); technical and financial bids in separate envelopes (single stage- two envelope); single stage two envelope preceded by pre-qualification; and various security and transparency related concerns outlined in DIT's e-Procurement Guidelines dated 31<sup>st</sup> August 2011 [Annexure-I, Annexure-II (which is based on CVC Guidelines)].

**IMPORTANT:** Demo of the offered software should be given to the purchasing entity by the e-procurement software/ services vendor at the technical qualification stage to check if the software is compliant with DIT's e-Procurement Guidelines dated 31<sup>st</sup> August 2011. Specifically, the purchasing entity will confirm that the Bid-Encryption [Ref: Annexure-I (sections 2, 3, 4) of DIT's e-Procurement Guidelines dated 31<sup>st</sup> August 2011] and Online Public Tender Opening Event [Ref: Annexure-I (section 6.3) of DIT's e-Procurement Guidelines dated 31<sup>st</sup> August 2011 ] are in full compliance with the Guidelines. Only those bidders whose software is compliant with the guidelines (and the same software has been offered to the references also) will be considered eligible for Financial Bid opening.

**B)** The solution/ software offered should have been used for at least Twenty (20) tenders since 31<sup>st</sup> August 2011, conducted for a Govt. of India PSU or Department or State Government with functionality which is compliant with DIT's e-Procurement Guidelines dated 31<sup>st</sup> August 2011, especially with regard to Bid-Encryption [Ref: Annexure-I (sections 2,3,4) of DIT's e-Procurement Guidelines dated 31<sup>st</sup> August 2011] and Online Public Tender Opening Event [Ref: Annexure-I (section 6.3) of DIT's e-Procurement Guidelines dated 31<sup>st</sup> August 2011].

A few key Technical/Functional Specifications to ensure – 'Security' (including prevention of Cyber Crime) and 'Transparency':

**A)** [Bid-Sealing (i.e. Bid Encryption)]: Bids should be securely sealed electronically (i.e. encrypted) at bidder-end, before submission to the e-procurement portal. Encryption should be done with symmetric or asymmetric keys as outlined in DIT's e-Procurement Guidelines dated 31<sup>st</sup> August 2011. Vendors offering e-Procurement software using symmetric encryption must give detailed explanation of how they are addressing points given in Annexure-I (section 4) of DIT's e-Procurement guidelines; and vendors offering e-Procurement software using asymmetric encryption must give detailed explanation of how they are addressing points given in Annexure-I

(section 2) of DIT's e-Procurement Guidelines dated 31st August 2011. DIT's e-Procurement Guidelines do NOT allow e-Procurement systems where only SSL encryption is done at the bidder-end, and final encryption of bids is done at the database level.

NOTE: These explanations given by the vendors should be verified by the procuring entity at the time of technical bid evaluation (i.e. before opening the financial bids), and backed up with 'specific compliance certificate from STQC'.

**B) [Ensuring Security (i.e. Non-Tampering) of Important Tendering related Electronic records (i.e. Documents/Postings)]:**

In accordance with Annexure-I (sections 6.1, 6.2) of the DIT's e-procurement Guidelines, the RFP should clearly specify that - All important/sensitive electronic records should be digitally signed by the concerned authorized users, with facility also provided for verification of such digital signatures by the recipient/person viewing the record.

Such digital-signing of electronic records should encompass:

All bid- submission related documents such as - electronic-forms/ templates, detailed bids for each bid-part, modification-bid, substitution-bid, withdrawal-bid, signed-copy of tender documents - Submission of queries/ clarifications to tender-documents by prospective bidders and corresponding response of the procuring-entity-Tender Notice and its Amendments (i.e. Corrigenda) posted by the procuring-entity - Tender-Documents and its Amendments (i.e. Addenda) uploaded by the procuring entity - The authorized tender-opening officers digitally signing (i.e. counter-signing) copies of all opened bids during online public tender opening event (online public TOE) in the simultaneous online presence of participating bidders, minutes of the online public TOE, et al.

**C) [Public Online Tender Opening Event]:**

A properly conducted Public Tender Opening Event is the backbone of transparency in public procurement. The e-procurement system should have a corresponding online event in the simultaneous online presence of bidders without compromising any aspect of security and transparency. It may please be noted that 'merely opening bids online is NOT the same as having a proper Online Public Tender Opening Event'.

In accordance with Annexure-I (sections 6.3) of the DIT's e-procurement Guidelines, the RFP should clearly specify that –

It must be ensured that e-Tendering/ e-procurement has comprehensive functionality for a transparent Public Online Tender Opening Event (Public OTOE). Well established practices of manual tender opening (with legal and transparency related significance) should have corresponding electronic equivalents for transparent e-Tendering/ e-procurement. Some relevant processes of a fair and transparent online public TOE should include:

- i. Opening of the bids in the simultaneous online presence of the bidders with proper online attendance record of the authorized representatives of the bidders. Merely opening bids online, and then subsequently displaying some results to the bidders does not fulfill the requirements of a transparent Online Public Tender Opening Event.
- ii. Security Checks to assure bidders of non-tampering of their bids, et al during the online TOE itself.
- iii. One-by-one opening of the sealed bids in the simultaneous online presence of the bidders.
- iv. Online verification of the digital signatures of bidders affixed to their respective bids.

- v. Reading out, i.e. allowing bidders to download the electronic version of the salient points of each opened bid (opened in the simultaneous online presence of the bidders)
- vi. There should be a procedure for seeking clarifications by the TOE officers during online Public TOE from a bidder in the online presence of other bidders, and recording such clarifications.
- vii. Digital counter-signing (by all the tender opening officers) of each opened bid, in the simultaneous online presence of all participating bidders.
- viii. Preparation of the 'Minutes of the Tender Opening Event' and its signing by the concerned officers in the simultaneous online presence of the bidders. While bidders should be welcome to be present physically during the TOE, it should not be mandatory for them to do so. All the above should be achieved online in a user-friendly manner.

**NOTES:**

- As soon as a bid is opened, participating bidders should be able to simultaneously download the salient points (i.e. the summary information) of the opened bid.
- Where a bid is to be returned unopened (as in manual process), keeping in view the nature of the internet such bids may be archived unopened.
- In cases where some bidders have bid offline (i.e. manually), and this has been allowed by the procuring entity, then the following should be ensured:

That the offline bids are opened first and their salient points entered into the e-Procurement system before the online bids are opened. This is all done in the presence of the online bidders who are simultaneously witnessing this exercise. The compiled/ integrated data of the both the online and offline bidders should be made available in the form of an online comparison chart to all the participants.

## **Do's and Don'ts in Procurement** **– For Employees / Executives**

**Do's :**

1. Do make sure budgetary approval is obtained for goods or services required.
2. Do make sure you follow the Financial Regulations and Procurement Guidelines when purchasing goods / services.
3. Do make sure you use the approved suppliers wherever possible.
4. Do maintain proper filing system containing all the documents relevant to the procurement.
5. Do consider available stocks / outstanding supplies, past consumption pattern and average life of the equipments / items etc. before initiating procurement to avoid excessive, fraudulent and infructuous purchases.
6. Do clubbing of requirements of various units/divisions so as to get the most competitive and best prices.
7. Do ensure that the bidding documents are prepared properly to safeguard the interest of the organization and to enable evaluation of bids on equitable and fair basis and in a transparent manner.
8. Do specify the evaluation/loading criteria in unambiguous terms in the tender documents with respect to the important terms like payment terms, delivery period, performance bank guarantee, etc. having financial implications so that the evaluation of bids after tender opening could be made in a transparent manner without any subjectivity.
9. Do ensure that the amount of Earnest Money Deposit (EMD) stipulated in the tender document is sufficient to protect the organization's interest in case of breach committed by the bidder.

11. Don't keep on exchanging correspondence with the supplier even after expiry of delivery schedule stipulated in the contract as this may result in serious legal complications if it is intended to cancel the contract.
12. Do not keep the screen idle for a long time as this will result in expiry of the session. Log off and continue later by logging in again to the system.
13. Do not give price conditions for quoting which are not relevant to the item of the e-Tender.
14. Do not give very short gap in End Date and Opening Date timings as it will be difficult to take action for extension of the tender date in the short time available.
15. Do not float e-Tender without approved Purchase Requisition for the requirement.
16. Do not use spaces and special characters when naming the files for uploading as attachments in the Collaboration Folder in the system.
17. Do not upload files as attachments in the Collaboration Folder without scanning with Antivirus Software.
18. Do not upload very large size files as attachments in the Collaboration Folder as the same will be difficult for the bidders to download.
19. Do not get any bid documents out of the system (manually) except some bulk documents which cannot be uploaded in the system due to very large size and which do not contain significant technical/price details.
20. Do not disclose details of bidders considered for the e-Tender to one another before the due date of the tender which may allow them to manipulate the prices or form a cartel.
21. Do not delay approval process after extending the date for e-Tender as the bidders will lose track of the tender.
22. Do not delay publishing of a public tender in the system after the newspaper advertisement appears.

## **Do's and Don'ts in Procurement**

### **- For Vendors/Bidders**

#### **Do's:**

- 1) Do ensure that the instructions given in the Tender Document with regard to submission of bid are complied with (sealed covers, proper superscriptions, separate Technical Bid and Commercial Bid against Two-Bid Tenders, etc.)
- 2) Do ensure that complete tender documents are received by you with regard to instructions, specification and terms & conditions.
- 3) Do ensure that the bid is submitted well in advance of the closing date and time for the tender. Waiting till the last date and closing time may result in non-submission of the bid due to any unforeseen circumstances.
- 4) Do ensure that documents like DDs for Tender Fee & EMD, Bank Guarantees, etc. as stipulated in the Tender Documents are also submitted along with the Bid to avoid disqualification of the bid.
- 5) Do ensure that there are no overwritings/corrections in the bid documents.
- 6) Do ensure that the bid documents submitted are complete in all respects with regard to technical specification, prices and terms & conditions.
- 7) Do ensure that you have a valid Class-3 Digital Signature in case of e-tenders and take timely action for renewal if required.
- 8) Do ensure that high speed internet connection (with data speed above 3.0 Mbps) is used for participating in e-Procurement tenders/reverse auctions. This is to avoid slow processing and breaking of connection while submitting bids in the system.
- 9) Do ensure that proper training with demo event is obtained before participating in the online reverse auction event.
- 10) Do ensure that Purchase Order received is clear in all respects.
- 11) Do maintain the delivery schedules as stipulated in the Purchase Order.

10. Do work out the estimated prices in a realistic and objective manner on the basis of prevailing market rates, last purchase prices, economic indices for the raw material/labour, other input costs, etc. This will enable properly establishing the reasonableness of the prices quoted and will avoid acceptance and payment of higher prices to the firms.
11. Do make sure five rights of purchasing are considered: the right supplier, the right quality, the right quantity, the right price and the right delivery.
12. Do a diligence check of the Bank Guarantees for Advance, Security Deposit, Performance Bank Guarantee, etc. received from the vendors.
13. Do ensure that the Digital Signature being used for e-Tenders is valid. In case the validity is going to expire, take advance action for renewal.
14. Do ensure that all the documents relevant to the e-Tender (drawings, specification details, terms & conditions, etc.) are attached in the system.
15. Do provide the contact details for clarification on the e-tender and also the contact details for guidance on submission of the bid against e-Tender.
16. Do give proper name to the Bid Invitation (e-Tender) relevant to the item(s) of the tender as the same appears against the number of the tender on the initial screen to the bidders.
17. Do specify the End Date and Opening Date timings for the e-Tender properly considering the fact that the timings are in 24 hr. format. Giving End Date time of 02:00:00 Hrs. instead of 14:00:00 Hrs. for 2.00 PM will make the End Date time close at 2.00 AM instead of at 2.00 PM.
18. Do ensure that part numbers data and vendors data are properly maintained in SRM system before floating the e-Tender.
19. Do give instruction in the e-Tender to the bidders to refer to the e-Bidding manual available on BEML web-site for guidance on submission of the bid.

20. Do make internal notes and approval notes properly in the e-Tender in the system with regard to the requirement.
21. Do consider all the notes/remarks entered by the bidders when processing the bids submitted.
22. Do properly maintain the fields related to e-Procurement when releasing Purchase Order in the ERP system so as to enable generation of e-Procurement reports correctly.
23. Do select the type of e-Tendering - e-Bidding or Reverse Auction - properly for the requirement.

**Don'ts :**

1. Don't commit the expenditure without an approved purchase order.
2. Don't tell the supplier the budget.
3. Don't accept gifts or gratifications from suppliers as a promise to do business with them.
4. Don't use other suppliers when there is already an approved supplier.
5. Don't play one supplier/vendor against another by disclosing one's price and inviting the other to beat it.
6. Don't release Purchase Order without linking the same to approved Purchase Requisition.
7. Don't accept goods or services unless there is a purchase order reference on the delivery note.
8. Don't accept any shipment/delivery of items that do not have a "Receiving Report" for that item.
9. Don't request supplies, services or equipment that will be used for personal or non-Company purposes.
10. Don't make advance payments without receipt of bank guarantee for equal value with sufficient validity and without bearing interest.

- 12) Do ensure that the all the relevant documents as per the Purchase Order are submitted when materials are supplied.
- 13) Do ensure that prompt action is taken for rectification/replacement of rejected material.

**Don'ts:**

- 1) Don't submit bids with ambiguous and conditional terms.
- 2) Don't submit the bid in sealed cover personally to anybody in the organization. Drop it only in the designated tender box.
- 3) Don't send bid document by fax/e-mail.
- 4) Don't send unsolicited bids (i.e. bids against tenders wherein you were not included).
- 5) Don't submit unsigned bids.
- 6) Don't submit bids without considering all the corrigendum issued subsequent to initial issue of the tender.
- 7) Don't send bid after the due-date. Also, don't send bids which are expected to be received after the due-date only.
- 8) Don't share your password for e-Procurement site with anybody else except with the authorized personnel of your organization.
- 9) Don't share your Digital Signature for e-tenders with anybody else.
- 10) Don't submit wrong bids by mistake/oversight in online reverse auction events as the bid once submitted cannot be taken back and will affect the ranking status of all the vendors.
- 11) Don't supply material with quantity in excess of that stipulated in the Purchase Order.
- 12) Don't despatch material/execute service without proper Purchase Order/Work Order.

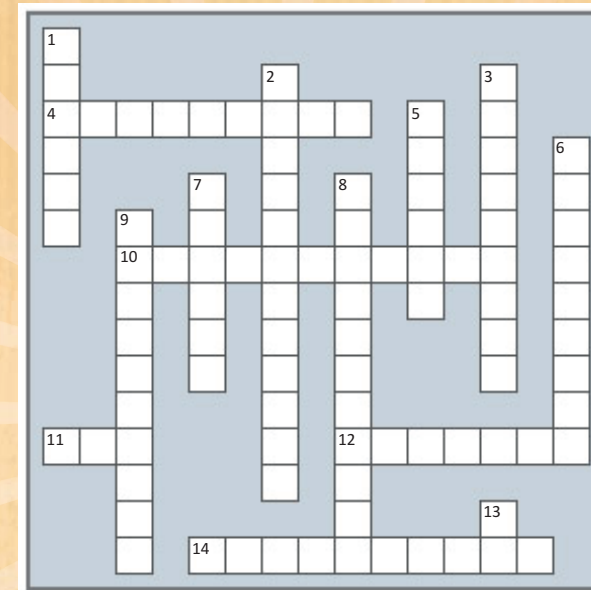
## Interesting Case Study

An unsigned complaint was received. What made the complaint interesting was that the complaint was not against any individual in the Organization but against one clause in the Tender Notice published! The complainants called themselves 'Team of the RTI Activists in Bangalore (On behalf of the social justice to every Indian Citizen & to respect every Indian Citizen's Tax Payers money)'. They had reviewed a Tender Notice, which was published for rate contract of supply of Cartridges & CDs and objected to one clause in the Tender Notice.

- ✦ The Clause (no.10) read as follows-'The order will be placed on the total package (i.e. all items from Sl.no.1 to 50). L1 will be arrived on the total package basis'.
- ✦ They found the said clause to be 'incorrect' because the items were ranging from stationery items to hardware items e.g. Stationery items, Dot Matrix printer ribbon, toner cartridges, CDs and other consumables, hardware items e.g. Print heads, keyboards, mouse, spike busters etc.
- ✦ Their logic, stationery items are fast-moving while hardware items are non-fast moving.
- ✦ The supplier will keep more margins for the fast-moving items and under quote for the slow moving items.
- ✦ E.g. Input cost of one Epson Toner may be Rs.2500/- which is fast moving, so the dealer may keep Rs. 300/- margin on the same. Input cost of one print head may be Rs.3500/-, not fast-moving so dealer may under quote minus Rs. 300/- for the same.
- ✦ Result-If 50 toners are bought dealer will make margin of Rs.15000/- and if 5 Print Heads are bought he will lose Rs1500/-. He will still be making overall margin of Rs.13500/-.

- ✦ If individual item pricing is considered the margin will be uniform and realistic.
- ✦ The clause was giving opportunity for the suppliers to do mischief and clause was clearly supporting their misdeed.
- ✦ Called for equal justice and rights to every supplier.
- ✓ The response of Management to this complaint:
- ✓ As there was no holding store in corporate office bulk procurement was not possible.
- ✓ Package arrangement had been adopted for operational benefit rather than cost benefit.
- ✓ Earlier experience had been that L1 Vendor did not supply items which were less in quantity.
- ✓ Finding on review, if Item-wise L1 is adopted for the contract, saving of Rs.1.25 lakhs on tendered quantity and saving of Rs.60838/- on procured quantity was envisaged.
- It was re-tendered on e-mode. A first in BEML for that contract.
- Commercial bids were returned to the bidders unopened.

## SCM Crossword



### Across

4. Stock of material
10. Goods or material for delivery
11. Outsourced logistics service
12. In movement
14. Verification or checking of goods

### Down

1. Japanese term for continuous improvement
2. Classifying items
3. Movement of people, material and goods
5. Excess stock to eliminate shortages
6. Schematic representation
7. Supplier
8. Produce goods or material
9. Planning and allocation of resources
13. Commitment to buy

Answers at Page #64  
(Source : [www.scmzone.8m.com](http://www.scmzone.8m.com))



## CD USER GUIDE

### 1. General Financial Rules 2005

[http://finmin.nic.in/the\\_ministry/dept\\_expenditure/gfrs/GFR2005.pdf](http://finmin.nic.in/the_ministry/dept_expenditure/gfrs/GFR2005.pdf)  
(Refer Chapter 5 & 6 – Page 25 – 35)

### 2. Central Vigilance Commission <http://cvc.nic.in>

Guidelines on Procurement  
[http://cvc.nic.in/cte\\_menu.htm](http://cvc.nic.in/cte_menu.htm)

### 3. Ministry of Defence <http://mod.nic.in>

Guidelines on Procurement  
<http://mod.nic.in/dpm/welcome.html>  
DPP-2011-Revised Offset Guidelines  
i) DPP-2011-Revised Offset Guidelines  
ii) Defence Production Policy  
iii) Defence Procurement Procedure -2011  
iv) Defence Procurement Manual 2009 Amendment - I  
v) Defence Procurement Manual -2009

### 4. BEML Ltd <http://www.bemlindia.nic.in>

Purchase Manual  
[http://www.bemlindia.nic.in/documents/purchase/purchase\\_manual.pdf](http://www.bemlindia.nic.in/documents/purchase/purchase_manual.pdf)

### 5. Public Procurement Policy Division (PPPD)

[http://finmin.nic.in/the\\_ministry/dept\\_expenditure/ppcell](http://finmin.nic.in/the_ministry/dept_expenditure/ppcell)  
i) Mandatory Publication of Tender Enquiries on CPP Portal  
[http://finmin.nic.in/the\\_ministry/dept\\_expenditure/GFRS/Pub\\_tender\\_Enq\\_CPPPortal.pdf](http://finmin.nic.in/the_ministry/dept_expenditure/GFRS/Pub_tender_Enq_CPPPortal.pdf)  
ii) Implementation of Comprehensive end-to-end e-procurement  
[http://finmin.nic.in/the\\_ministry/dept\\_expenditure/ppcell/OM\\_Comp\\_endtoend\\_eprocure.pdf](http://finmin.nic.in/the_ministry/dept_expenditure/ppcell/OM_Comp_endtoend_eprocure.pdf)  
iii) Public Procurement Bill 2012 (as introduced in Lok Sabha)  
[http://finmin.nic.in/the\\_ministry/dept\\_expenditure/ppcell/index.asp](http://finmin.nic.in/the_ministry/dept_expenditure/ppcell/index.asp)

### 6. Central Public Procurement Portal (CPPP) <http://eprocure.gov.in/cppp>

- i) e-Publication of Tenders  
<http://eprocure.gov.in/epublish/app>
- ii) Single Point Access on Procurement Information  
<http://eprocure.gov.in/eprocure/app>

### 7. e-Governance Standards [www.egovstandards.gov.in](http://www.egovstandards.gov.in)

- i) e-Procurement Guidelines - Standardization Testing & Quality Certification (STQC)  
<http://egovstandards.gov.in/guidelines/guidelines-for-e-procurement/e-Procurement%20Guidelines.pdf/view>  
[http://www.stqc.gov.in/sites/upload\\_files/stqc/files/e-Procurement%20Final%20%285.8.2011%29\\_2.pdf](http://www.stqc.gov.in/sites/upload_files/stqc/files/e-Procurement%20Final%20%285.8.2011%29_2.pdf)
- ii) Guidelines for Digital Signature  
<http://egovstandards.gov.in/guidelines/Guidelines%20for%20Digital-signature/view>  
<http://egovstandards.gov.in/guidelines/Guidelines%20for%20Digital-signature/digitalsignaturecertificateinteroperability.pdf/view>
- iii) Information Technology Act 2000 <http://deity.gov.in/content/information-technology-act> Information Technology (Amendment) Act, 2008  
[http://deity.gov.in/sites/upload\\_files/dit/files/downloads/itact2000/it\\_amendment\\_act2008.pdf](http://deity.gov.in/sites/upload_files/dit/files/downloads/itact2000/it_amendment_act2008.pdf)

### 8. Competition Commission of India <http://www.cci.gov.in>

The Competition Act 2002 [http://www.cci.gov.in/images/media/competition\\_act/act2002.pdf?phpMyAdmin=QuqXb-8V2yTtoq617iR6-k2VA8d](http://www.cci.gov.in/images/media/competition_act/act2002.pdf?phpMyAdmin=QuqXb-8V2yTtoq617iR6-k2VA8d)

### 9. Other Links

<http://saiindia.gov.in>  
<http://www.cbi.gov.in>

You may e-mail your feedback to Vigilance Department, BEML Ltd., at [bemlvig@beml.co.in](mailto:bemlvig@beml.co.in)

## Answers to the Crossword

### Across

4. Inventory
10. Consignment
11. 3PL
12. Transit
14. Inspection

### Down

1. Kaizen
2. Codification
3. Logistics
5. Buffer
6. Flowchart
7. Vendor
8. Manufacture
9. Scheduling
13. PO

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