

Gist of EPW September Week 3, 2021

The Economic and Political Weekly (EPW) is an important source of study material for [IAS](#), especially for the current affairs segment. In this section, we give you the gist of the EPW magazine every week. The important topics covered in the weekly are analyzed and explained in a simple language, all from a [UPSC](#) perspective.

Introduction

- Indian public procurement constitutes about 25% of the gross domestic product when the global average is 10%–15%.
- The public procurement or extended Government-funded procurement through state governments in India is outside the purview of the [World Trade Organisation](#).
- India has not signed the Agreement on Government Procurement and public procurement in India is therefore governed by the national laws.
- Registration of vendors is a standard practice, which is now being extended to the bidders from countries sharing land borders with India.

Indian Experience

- India is one of the very few countries in the world which does not have legislation on public procurement.
- A wide range of policy decisions and practices was adopted by the Indian bureaucracy on public procurement during the pandemic.
- The governing rules come from the General Financial Rules, revised in 2017 and the Manual for Procurement of Goods, 2017.
- It allows for direct procurement without quotation, by the purchase committee, and single tender inquiry.
- The provisions also allow for drawing advance cash for procurement and postponing accounts and vouchers to be submitted after the purchase.
- **General Financial Rules, 2017**
 - The GFR Rule 166 provides for single tender inquiry (with consent from a competent authority).
 - Under GFR Rule 194, the government can select the goods/services by directly nominating or negotiating during an emergency.
 - The government released a memorandum in March 2020, which triggered the emergency provisions of public procurement in the General Financial Rules, 2017, whereby the concerned ministries were allowed to invoke Rule 166 (procurement from a single source in an emergency) and Rule 204 (procurement by simple nomination).
 - But this memorandum was valid only at the central level, only for some select ministries, and most tellingly, valid only for a month.
 - The government had restricted procurement of essential supplies by mandating it only through the government e-marketplace COVID-19 portal that had major supply limits.

- The National Disaster Management Plan, 2019 empowers the [National Disaster Management Authority](#) to authorise emergency procurement of materials for rescue and relief in threatening disasters.
- Some states have also enacted state-specific legislations that add to complexities.
- The rules of procurement differ across departments too, like railways, defence, electronics, telecommunication, renewable energy, and micro-, small- and medium-scale enterprises.

Procurement Shifts during the Pandemic

- Bureaucratic decisions on procurement like removing the profitability requirement from the bidder, or removing the requirement of taking prior approval for supplies from countries sharing land borders with India have been praiseworthy.
- There have been divergences in various state-level initiatives.
- Kerala had a relatively impressive performance given its decentralised institutions and management of the pandemic.
- In Telangana, the government offered several relaxations in procuring medical supplies up to a certain value, and even allowed limited tendering.
- The state-level decentralised offices of state medical corporations responsible for procurement functions at the state level are also praiseworthy.
- The second wave of the pandemic was disastrous in India and is often attributed to the lack of medical oxygen for COVID-19 patients and public procurement was at the heart of it.
- **Oxygen Case**
 - Despite the need for ramping up the supply of medical oxygen in the first wave being clear in April 2020, bureaucrats invited bids for setting up oxygen plants in 162 hospitals across various cities only in October, eight months later.
 - Investigations revealed classic coordination problems. Firms and hospitals blamed each other for their responsibilities.

Technology

- The government's launch of the COVID-19 platform on the [Government e-Marketplace](#) was commendable.
- The registration and listing process of COVID-19-relevant suppliers on the portal was eased and fast-tracked.
- The bidding time was reduced from a usual frame of two weeks to three days.
- The delivery period for essential commodities was reduced to two days.
- Buyers were allowed to filter sellers based on their lead time inputs.
- Data on the portal shows that for the one year starting in March 2020, the orders inflated, with almost 15,000 unique sellers and 25,000 unique products on the portal.
- Intriguingly, there is a wide disparity amongst states for the procurement values on the portal.
- The flexibility was allowed only for small-value orders.

- Despite all the steps, the government did not make any special provision in its categorical and process-based rules during the pandemic, except reducing bidding time.

Chinese Experience

- China was able to suppress the spread of the virus with an aggressive disease containment strategy.
- The Chinese strategy was of extensive decentralisation. The central government encouraged local policy innovation and apolitical experimentation.
- With policy objectives being decided by the centre, and implementation decisions given to the local governments, there is considerable local flexibility.
- Chinese public procurement laws carry procurement flexibility but not relating to the pandemic.
- The Chinese government gave two orders which worked out fine for the pandemic crisis.
- **Two Orders Promulgation**
 - The first one mandated procurement of all pandemic-related goods, projects and services under the so-called “Green Channels,” which allowed state institutions to not comply with methods and procedures of procurement as mandated in the laws and proceed without approvals (even for imported materials).
 - The second order suspended or postponed all non-urgent procurement activities if they cannot be either carried out due to the pandemic or cannot adhere to the prescribed timelines, and on-site purchase of non-urgent items was advised to be done through online and telephonic sources. Corresponding notices were published at the provincial (state) level too.

Conclusion

- Disasters often expose the regulatory and institutional cracks in the systems and India's public procurement systems need reform.
- The limited scale of flexibility in the practice of public procurement in India reflects a huge degree of mistrust and anxiety between the parties in the line of interaction.
- The procurement practice in India is highly centralised and the present times reflect the need for a shift.

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