

Startup Guide to Public Procurement

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1. Why should startups participate in Public Procurement?

Government is the largest buyer of any kind of goods and services in the country. Public procurement accounts for a significant level of public expenditure all over the world. It constitutes about 15 percent or more of the gross domestic product (GDP) for countries across the world. In 2013, the estimated public procurement was 29 percent in the OECD countries (OECD, 2016) while it is estimated to be around 25 percent of the GDP in India. The Government thus serves the largest and best possible market for startups to sell their products and services. As the largest procurer of goods and services, the Government can be a very lucrative client.

The Government has time and again taken steps to boost the procurement from smaller enterprises. Some benefits offered to startups in Government procurement to simplify and boost participation by startups include:



Exempt from paying EMD mentioned in the tender document



Relaxation in the requisite prior experience criteria¹



Relaxation under the Prior Turnover Criteria²

2. Understanding Public Procurement

2.1 Identify relevant opportunities

The first step in participating in a tender is identifying a relevant opportunity for your business.

a) CPPP:

To ease the connect and to centralize the procurement process, the central government introduced the Central Public Procurement Portal in the year 2011. This Portal hosts all tenders above the value of Rs. 2,00,000 by Central Government Ministries, Departments and PSU's. The portal allows govt buyers and private sellers to register on the portal for releasing and applying for tenders. Sellers can register on the platform and apply for relevant tenders. All tenders related information including tender documents, corrigendum's, results etc. can be accessed through this platform. The portal can be accessed through the below given link:

¹ Relaxation under the Prior Turnover and Prior Experience criteria is granted by the procuring authority subject to satisfaction of technical specifications laid under the tender. It is at the discretion of the procuring authority to grant such relaxations. Startups are advised to read the tender document carefully for exemptions granted under the tenders.

² Kindly refer to note 1.

<https://eprocure.gov.in/cppp/>

Tenders for central government organisations, Central/State Public Enterprises and State Governments can be accessed through the below given link:

<https://eprocure.gov.in/cppp/relatedlinks>

To register on CPPP, the bidders must create a bidder account on the portal by using the “online bidder enrollment” option on the home page. The bidder must also possess a Digital Signature Certificate (DSC) to be mapped to the account. A bidder registration manual consisting of step by step instructions can be found on the below given link:

<https://eprocure.gov.in/eprocure/app?page=BiddersManualKit&service=page>

After completing the registration process, the bidder can search for tenders online through the “Active tenders” tab and apply for the same.

b) GeM:

GeM is an online platform which facilitates procurement of common use goods & services by various Government Ministries and Departments. It is an ecommerce portal for procurement and selling of goods and services. It acts as a catalyst to bring together the buyer and seller on one platform and provides the liberty to the buyer to choose from the wide range of products and services available on the platform. It also provides the tools of e-bidding, reverse e-auction and demand aggregation to facilitate the government users, achieve the best value for their money.

Gem has so far witnessed transactions worth **Rs. 36,917** Crores with a total order no. of **26,34,168** out of which **50.42%** have been placed in favour of Small and Medium Enterprise suppliers.³

GeM has also launched the GeM Startup Runway Programme to further ease procurement dedicatedly from startups. GeM Startup Runway provides a ready market for startups to demonstrate their innovative capabilities and sell products/services without incurring any additional costs. Startups can register themselves with GeM and start selling their products to Government buyers at a much greater ease now.

Registration link:

<https://mkp.gem.gov.in/registration/signup#!/seller>

Startup Runway:

https://gem.gov.in/startup_runway

For Startup queries on GeM, please write to:

Startup-gem@gem.gov.in

CPPP tenders through GeM:



<https://gem.gov.in/cppp>

³ As per the data available on www.gem.gov.in on Nov 04, 2019

2.2 Understanding the Types of Procurement

Procurement by Central Government organisations and attached offices is guided by the rules laid under General Financial Rules, 2017 (GFR) and the respective procurement policy of the procuring organization. Procurement can be of two types i.e. Goods and Services. Services are further divided into two heads under the GFR, 2017 i.e. Consulting and Non-consulting services. The meaning of goods and services is as given below:

Procurement

 Goods	 Services
<p>Goods: All articles, material, commodity, livestock, furniture, fixtures, raw material, spares, instruments, machinery, equipment, industrial plant, vehicles, aircraft, ships, medicines, railway rolling stock, assemblies, subassemblies, accessories, a group of machineries comprising of an integrated production process or such other category of goods or intangible products like software, technology transfer, licenses, patents or other intellectual properties purchased or otherwise acquired for the use of Government but excludes books, publications, periodicals, etc. for a library.</p>	<p>Consulting: non-physical project-specific, intellectual and procedural processes where outcomes/ deliverables would vary from one consultant to another) including professional, intellectual, training and advisory services or any other service classified or declared as such by a procuring entity.</p> <p>Non-Consulting: Physical, measurable deliverables/ outcomes, where performance standards can be clearly identified and consistently applied</p>

The broad categories and monetary limits laid under the General Financial Rules, 2017 for procurement of goods are summarized below:

Types of Procurement	Goods	Consultancy Services	Other Services
Direct Procurement	Up to Rs. 25k through GeM or through direct contact for products not available on GeM	-	
Limited Tender	Through GeM- Up to Rs. 5L with minimum 3 bids	Identification and preparation of list of likely sources-	Identification and preparation

	Through Local Purchase Committee- Up to Rs. 2.5L	Up to Rs. 25L	of list of likely sources- Up to Rs. 10L
	Through Registered Vendors- Up to Rs. 25L		
Advertised/Open Tender	Through GeM- Above Rs. 5L For products not available on GeM- Above Rs. 25L	By releasing an Expression of Interest/Request for Proposal- Above Rs. 25L	By releasing an Expression of Interest/Request for Proposal- Above Rs. 10L
Single Tender	Only under specified circumstances pertaining to emergency or proprietary items or continuation of services		
CPPP	All tenders by Central Government and attached offices of the value of Rs. 2L and above are published on the Central Public Procurement Portal i.e. the CPPP		
GeM	Also please note that all Central Govt and attached offices procure goods and services through GeM, if the required good/service is available on GeM		
States	Procurement by State Govt. organisations is guided by the rules laid by the respective state governments		

2.3 Understanding the Key Terms:

1. Request for Proposal (RFP):

RFP is the document issued by the Ministry/Department for obtaining offers from the market for the required product/service (quotation in case of a product where the document issued is a Request for quotation (RFQ)). The RFP is issued to the shortlisted organisations to seek their technical and financial proposals. It contains all relevant information pertaining to the goods/services at demand including the following:

- Letter of invitation
- Terms of Reference (TOR) or the Scope of work
- Eligibility and/or Pre-qualification Criteria (PQC)
- Manner and formats of submission

It is advised to read the contents of the RFP carefully before submitting a proposal. The manner and contents for submission mentioned in the RFP must be strictly followed.

2. Earnest Money Deposit (EMD):

EMD is the Bid Security amount requested by the procuring authority to protect its interest from the bidder withdrawing or altering its bid. It is refunded to the unsuccessful bidders after the award of tender to the successful bidder.

Startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) and Micro and small enterprises as per the Department for MSME are exempt from depositing EMD in Govt. tenders.

Read the RFP carefully for clarification on exemption of EMD for startups. It is advised to get the EMD (mostly in the form of Demand Draft) amount ready well in time before the close of the tender for all other organisations.

3. Performance Security:

Performance Bank Guarantee is the Performance security (generally 5-10% of the value of the contract; mostly in the form of Performance Bank Guarantee) obtained by the procuring authority from the successful bidder to safeguard its interest against insufficient performance.

4. Pre-Bid Meeting:

A Pre-bid meeting/conference is a meeting organized by the procuring organization for clarification of doubts or issues with the prospective bidders. It is held before the close of the tender submission timeline. The proceedings of the meeting are recorded by the tendering authority and released after the date of the meeting.

It is advised to attend the pre-bid meeting if you are planning to apply for a tender. The meeting date and time are mentioned in the RFP document. You may clarify all doubts during the meeting. The technical plan or financial details are not be discussed/disclosed.

5. Single/Two-Bid System:

Single-Bid System

For procurement of simple goods/services where the nature of the said product/service is standard in nature, the procuring authority may ask only for one bid i.e. the financial proposal.

Two-Bid System

Under this system, mostly adopted for products/services of complex nature, the procuring authority may ask for two separate bids i.e. the technical Bid containing the technical details and the Financial Bid containing the cost components. Both the proposals must always be packed and submitted separately. Electronic portals have provision for separate submission of technical and financial bid.

2.4 Methods of Evaluation

The Method and manner of evaluation of a tender is mostly mentioned in the Tender document. There are two popular methods for evaluation of tenders for proposals that qualify the pre-qualification criteria. They are as given below:

Least Cost System	Quality Cost Based System
<p>Least Cost Selection (LCS) as the name suggests refers to the method of selection wherein the proposal with the lowest cost will be selected among those that qualify the minimum technical score.</p> <p>The solution with the least cost is called L1. 2nd best is called L2 and so on so forth.</p>	<p>In QCBS selection, minimum qualifying marks (normally 75-80 out of maximum 100 marks) are set as benchmark for quality of the technical proposal. These are indicated in the RFP along with a scheme for allotting marks for various technical criteria/ attributes.</p> <p>This method is adopted for evaluation of proposals where quality of goods/services is of utmost importance.</p> <div><p>Total Score = (Technical Score*Weightage given to technical criteria) + (Financial Score*Weightage given to financial criteria)</p></div>

2.5 Do's and Don'ts

Given below are some general DO's and DON'Ts to be kept in mind while applying for Govt. Tenders:

Do's and Dont's	
DO's	DONT'S
<ul style="list-style-type: none">• Stick to the formats given in the RFP/EOI for submission of information• Submit the documents in the manner mentioned in the RFP/EOI (Electronic or Physical)• Attend the Pre-Bid Meeting and seek clarifications• Read the contract carefully before entering into one. Seek legal opinion, if required	<ul style="list-style-type: none">• Do not submit too much irrelevant information.• Do not share bids or any price sensitive information over email.• Do not submit lengthy and difficult presentations. Keep it simple.• Do not submit the technical and financial proposal together in tow-bid system. Follow the instructions in the RFP.

2.6 TREDIS

To ease out the working capital requirements for Micro and Small Enterprises, the Receivables Exchange of India has introduced the Trade Receivables Discounting System (TReDS). It is a scheme for setting up and operating the institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporate and other buyers, including Government Departments and Public Sector Undertakings (PSUs), through multiple financiers. TReDS allows MSEs to receive money upfront against invoices which helps them to resolve their working capital problems, creating room for a more productive and financially sound business environment. All sellers who are MSE's as defined under Section 7 of the Micro, Small and Medium Enterprises Development Act, 2006 supplying goods and / or services to buyers are eligible to register on the platform.

For more information on TREDIS, follow the below link:

<https://www.rxil.in/Home/Index>

To register on TREDIS, follow the below link:

<https://www.rxil.in/OtherPages/ContactUs>