Public Procurement Reforms
We want our companies to shine as MNCs. We are ready to stand as facilitators.

- Hon'ble Prime Minister
  Narendra Modi
Introduction

The importance of public procurement as a policy tool arises primarily due to the large size of expenditures incurred by Governments worldwide. According to the World Bank, the size of public procurement spending in India is estimated to be around 20% of the GDP. As per a Central Public Procurement Platform (CPPP) Report, e-tenders worth Rs 20 lakh crore (approx) were invited on NIC e-tendering platform in 2019-20. These represent only a part of the total procurement.

To promote domestic value addition in public procurement, the Public Procurement (Preference to Make in India) Order, 2017 (referred as PPP-MII Order) was issued on 15th June, 2017 pursuant to Rule 153 (iii) of the General Financial Rules, 2017. Based on experience and evolving circumstances, the order has been modified in 2018, 2019 and 2020. It is applicable for procurement of goods, services and works (including turnkey works) by a Central Ministry/Department, their attached / subordinate offices, autonomous bodies controlled by the Government of India and Government companies as defined in the Companies Act.

Under the PPP-MII Order, a Standing Committee, headed by Secretary, DPIIT has been constituted to review its implementation. A Public Procurement Cell has been created in the DPIIT to monitor the grievances received for violation of this order. 19 Nodal Departments have been designated for notifying minimum local content for the relevant product.

“**We welcome procurement policy that brings more transparency and ensures payment within 30 days.**”

VK Bhandari  
Chairman & MD,  
Supertron Electronics Pvt Ltd (SEPL)

“**Gem of an idea. This is just the beginning. We still have a long way to go. It will lead to efficiency & transparency in the procurement.**”

PK Sinha  
Cabinet Secretary
Need for Reform

The Government of India has been taking various initiatives to promote manufacturing in the country through initiatives such as Make in India, Ease of Doing Business, Foreign Direct Investment reforms, investor facilitation, new infrastructure creation and various outreach programmes. The proposed outcome of these measures is to increase the share of manufacturing to 25% of Gross Domestic Product (GDP) and to create 100 million additional jobs.

To implement a public procurement policy by providing preference for manufacture of domestic goods and use of services, the PPP –MII Order was issued in 2017 in pursuance of a recommendation of the Group of Secretaries on Commerce and Industry to the Hon’ble PM. The objective behind this recommendation was to encourage “Make in India” Policy and to ensure that domestic manufacturing is not put to any disadvantageous position on account of restrictive/prohibitive qualifications.

The Department of Expenditure introduced an enabling provision under Rule 153 (iii) of General Financial Rules, 2017 to promote domestic value addition in public procurement and it has made it binding to adhere to the notifications issued under this Rule.

It is expected that usage of Made in India products would promote local manufacturing thereby enhancing income and job opportunities for local people.

The changes in the PPP-MII Order in 2020 have been enforced keeping in mind the imperative need to further encourage domestic manufacturing base, facing severe constraint due to the pandemic situation globally, establishment of more joint ventures within the country and for India to take a lead as an important player in the global and domestic supply chain.
Public Procurement (Preference to Make in India), Order

The Public Procurement (Preference to Make in India), Order has evolved since 2017. The main features of the PPP MII Order being implemented at present are given below.

a) No Global Tender Enquiry (GTE) to be invited for tenders up to Rs. 200 crore except in exceptional cases, wherein competent authority for relaxation is Secretary (Coordination), Cabinet Secretariat (amended on 04.06.2020).

b) Unless global bids are invited, only Class-I local suppliers (suppliers offering items with more than 50% local content) and Class-II local suppliers (suppliers offering items with 20-50% local content) have been made eligible to bid (amended on 04.06.2020).

c) Only Class-I local suppliers have been made eligible to bid for procurement of items, where there is sufficient local capacity and local competition, irrespective of purchase value (amended on 04.06.2020).

d) Purchase preference is given to Class-I local suppliers over Class-II local suppliers and Non local suppliers (amended on 04.06.2020).

e) Minimum local content requirement for a bidder to qualify as ‘Class-I local supplier’/ ‘Class-II local supplier’ has been fixed at 50%/20% respectively, uniformly for all items. However, nodal ministries have been authorized to notify higher minimum local content requirement on item specific, (amended on 16.09.2020).

f) Administrative action authorized against officers who are found responsible to include restrictive or discriminatory conditions against domestic suppliers in bid documents, (amended on 29.05.2019).

g) Restrictive and discriminatory clauses against domestic suppliers cannot be included.

h) The Order is also applicable to all Central Schemes (CS)/Central Sector Schemes (CSS) for the procurement made by States and local bodies, if project or scheme is fully or partially funded by GoI.

i) A Standing Committee in Department for Promotion of Industry and Internal Trade, under the chairmanship of Secretary, DPIIT, oversee the implementation of this order and addresses issues arising therefrom, and make recommendations to Nodal Ministries and procuring entities.

j) No impact on cost and quality of goods procured.
Impact

a) Tenders for procurement of over Rs. 40,000 crores worth of goods/works/services have been modified to provide level playing field to domestic manufacturers and suppliers by removing restrictive or discriminatory conditions.

b) The requirement of prior turnover and prior experience has been relaxed to encourage startups to participate in tenders. Further, startups have been exempted from the requirement of earnest money deposit.

c) ‘GeM Startup Runway’ has been launched for startups to sell products and services to the Government. As of 7th September 2020, 6,678 DPIIT recognized startups have registered on Government e-Marketplace (GeM).

d) 39,270 orders have been placed with startups. The value of orders served by startups is to the tune of Rs. 1413 crores, as of 7th September 2020.

e) Additionally, Startups can now register and participate in all public orders on Central Public Procurement Portal and get exemptions on prior experience, prior turnover and earnest money deposit requirements.

f) GeM has relaxed the requirement of approved Trademark certificate for DPIIT Recognized Startups. An application for trademark will be sufficient.

g) More than 1100 grievances for alleged violation of PPP-MII Order received and examined. The complaints have been taken up with the respective Departments/ Agencies by DPIIT.

Future Plan

The Government of India is seeking the implementation of the PPP-MII Order by the States. To implement the Public Procurement Order in the States, requests have been made by the Hon’ble Commerce & Industry Minister, Cabinet Secretary and Principal Secretary to Prime Minister. Manipur, Nagaland and Himachal Pradesh have adopted the PPP-MII Order in their States. Others are in different stages of adoption. DPIIT has been following up the matter with the State Governments.