



Cabinet

# Cabinet approves policy for providing preference to 'Make in India' in Government procurements

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved a policy for providing preference to 'Make in India' in government procurements. The new policy will give a substantial boost to domestic manufacturing and service provision, thereby creating employment. It will also stimulate the flow of capital and technology into domestic manufacturing and services. It will also provide a further thrust towards manufacture of parts, components, sub-components etc. of these items, in line with the vision of 'Make in India'.

The new policy is the reflection of the Government of India to encourage 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment. Procurement by the Government is substantial in amount and can contribute towards this policy objective. Local content can be increased through partnerships, cooperation with local companies, establishing production units in India or Joint Ventures (JV) with Indian suppliers, increasing the participation of local employees in services and by training them.

## Details:

The policy will be implemented through an Order pursuant to Rule 153(iii) of the General Financial Rules, 2017 to provide purchase preference (linked with local content) in Government procurements. Under the policy, preference in Government procurement will be given to local suppliers. Local suppliers are those whose goods or services meet prescribed minimum thresholds (ordinarily 50%) for local content. Local content is essentially domestic value addition.

In procurement of goods for Rs. 50 lakhs and less, and where the Nodal Ministry determines that there is sufficient local capacity and local competition, only local suppliers will be eligible.

For procurements valued at more than Rs. 50 lakhs (or where there is insufficient local capacity/ competition) if the lowest bid is not from a non-local supplier, the lowest-cost local supplier who is within a margin of 20% of the lowest bid, will be given the opportunity to match the lowest bid. If the procurement is of a type that the order can be divided and given to more than one supplier, the non-local supplier who is the lowest bidder will get half of the order and the local supplier will get the other half if it agrees to match the price of the lowest bid. If the procurement cannot be divided, then the lowest cost local supplier will be given the order if it agrees to match the lowest bid.

Small purchases of less than Rs.5 lakhs are exempted. The order also covers autonomous bodies, government companies/ entities under the government's control.

The policy also requires that specifications in tenders must not be restrictive e.g. should not require proof of supply in other countries or proof of exports in respect of previous experience. They must not result in unreasonable exclusion of local suppliers who would otherwise be eligible, beyond what is essential for ensuring quality or creditworthiness of the supplier.

The policy lays down a procedure for verification of local content relying primarily on self-certification. There will be penal consequences for false declarations. In some cases, verification by statutory / cost auditors etc. will be required.

A Standing Committee in Department of Industrial Policy and Promotion will oversee the implementation of this order and issues arising therefrom, and make recommendations to Nodal Ministries and procuring entities.

The policy has been developed keeping in view the core principles of procurement including competitiveness and adhering to sound procurement practices and execution of orders. The policy would continue to maintain the balance between promoting 'Make in India' and ensuring timely, value-for-money products for the procuring entities.

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