

F No. 16/1/2016-PPD  
Government of India  
Ministry of Finance  
Department of Expenditure  
Procurement Policy Division

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516, Lok Nayak Bhawan, New Delhi.

Dated the 4<sup>th</sup> August, 2016.

**OFFICE MEMORANDUM**

Subject: - Recommendation of Expenditure Management Commission (EMC) –  
regarding

The Government of India had constituted EMC in September, 2014 to look into various aspects of Expenditure reforms to be undertaken by the Government. The Committee was headed by Dr. Bimal Jalan, eminent economist and public policy experts.

2. In this context it is noted that EMC has recommended following related to Public Procurement.

**Recommendation No.48 (September, 2015)**

*"Government should also consider going in for arrangements such as use of buy-back facility for standard furniture like tables, chairs, cupboards, compactors and partition cubicles. Items such as photocopiers can be taken on lease basis with payment made on per copy basis. Apart from reduction in initial cash outgo, this also obviates the need for expensive Annual Maintenance Contracts."*

3. In this regard it is stated that Rule 162 of the GFR related to buy-back facility already facilitates buying of items like tables, chairs, cupboards, compactors, partition cubicles etc. on buy-back basis. Further Rules 178 to 185 of GFR related to "Outsourcing of Services" also enables taking items such as photocopiers on lease basis with the payment on per copy basis.

4. All Ministries/ Departments are requested to consider and implement the EMC recommendation.

*Pijush Mohanta*  
(Pijush Mohanta)  
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1. Secretaries/ All Ministries & Departments.
2. Financial Advisors/ All Ministries & Departments.

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2. In this context it is noted that EMC has recommended following related to Public Procurement:

**Recommendation No.71 (December, 2015)**

***Qualifying criteria for bidders*** – While defining qualification criteria for selecting bidders, experience for execution for similar works and total turnover of bidder is generally defined. However solvency/ financial capacity of the bidder and liquidity of the bidder do not generally form a part of the criteria for large projects other than PPP projects. EMC is of the view that solvency of the bidder and liquidity are important criteria to determine the capacity of the contractor, especially for large value contracts. It is recommended that the bid document for large value projects should also include the requirement of a viable financial model to explain how the contractor proposes to fund the execution of the project.

3. In this regard, it is noted that the Rule 160 (i) (a) of GFR, 2005 already stipulates that bidding document should contain criteria for eligibility and qualifications to be met by the bidders including their financial position.

4. All Ministries/ Departments are requested to consider and implement the EMC recommendation.

  
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516, Lok Nayak Bhawan,  
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The Government of India had constituted EMC in September, 2014 to look into various aspects of Expenditure reforms to be undertaken by the Government. The Committee was headed by Dr. Bimal Jalan, eminent economist and public policy experts.

2. In this context, it is noted that EMC has recommended following related to Public Procurement.

**Recommendation No.76 (December, 2015)**

*"Payments delays impact the bid value as this is factored into the bid by way of an increase in interest carry cost. It is learnt that Delhi Metro Rail Corporation has instituted a system whereby 75 percent of all running bills are released within 7 days of submission, without a detailed check on the claim. The balance is released after the claims are scrutinised as per procedure. This system is stated to have helped both in getting more competitive bids and in speedier execution, as cash flow is a critical requirement in a project. It is recommended that this practice of releasing a specified proportion of the running milestone payments, within a week of the bill being submitted, could be instituted in other large projects as well. If required an enabling provision may be incorporated in the Special Conditions of Contract."*

3. All Ministries / Departments are advised to examine the recommendation of EMC and take appropriate action on the same.

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2. In this context it is noted that EMC has recommended following related to Public Procurement.

**Recommendation No.77 (December, 2015)**

**Variation Clauses** – Delays are also often witnessed during the post-contractual period when a variation is required to be exercised in the contract. It is recommended that a time schedule for critical decisions (such as approval of variations) during the post contractual period should be included in the contract document. This would impart certainty to decision making during project execution.

3. During the meeting of Department of Expenditure with major procuring Departments, it is noted that the proposed system of fixing time schedule for critical decisions such as approval of variations during post contractual period is already in place.

4. All Ministries/ Departments are requested to consider and implement the EMC recommendation.

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2. In this context it is noted that EMC has recommended following related to Public Procurement.

**Recommendation No.78 (December, 2015)**

***Building capacity*** – There is an urgent need to build internal capacities in Government for handling procurement and project management. A critical input for improving the process of public procurement and reducing time/cost overruns is the quality of manpower handling for process. It is understood that Department of Expenditure has commenced certain training programmes on procurement for administrative personnel. It is recommended that such programmes be scaled up and made mandatory for persons engaged in procurement. The Government may also tie up with professional training institutes for this purpose.

3. In this context, it may be recalled that Department of Expenditure (DoE) in collaboration with National Institute of Financial Management (NIFM) is already conducting training programs for officers engaged in Public Procurement since January, 2015. The details of this programme has been already communicated to all Departments vide DoE O.M. No.F.26/6/2014-PPD dated 23.1.2015 and 22.12.2015. The complete cost of training including boarding/lodging is borne by DoE. Soon NIFM will also be starting to conduct these training programmes at locations other than Faridabad in collaboration with other training institutes/ organisations. Ministries/Departments are encouraged to make use of these training programs initiated by this Department. They are also requested to arrange similar programmes at their own level in their Ministries/ Departments to supplement these efforts.

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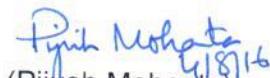
2. In this context it is noted that EMC has recommended following related to Public Procurement.

#### Recommendation No.79 (December 2015)

*Interactions with experts from industry and representatives from various Ministries/Departments indicated that there is a direct correlation between an empowered project team and the success of the project. This is also borne out by large disparities in execution within the same system. The success stories, some of which have been highlighted above, had the benefit of dedicated and competent project teams. It is recommended that empowered project teams are put in place for all large value projects and that these teams are tasked only with project execution and not given other operational duties.*

3. During the meeting with major procuring Departments, it is noted that this system of nominating empowered project teams is already in place for all large value projects.

4. All Ministries/ Departments are requested to consider and implement the EMC recommendation.

  
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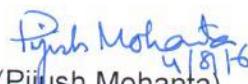
2. In this context it is noted that EMC has recommended following related to Public Procurement.

#### Recommendation No.87 of December, 2015

***Identification of likely sources:*** Rule 168 specifies identification of likely sources for consultancy. The provisions of limited tender should be extended for procurement of services through consultancy firms.

3. In this regard it is noted that Rule 168 of the GFR already permits that when the estimated cost of the consulting services is upto Rs.25 lakhs, the preparation of the list of potential consultants may be done on the basis of formal or informal inquires from other Ministries/ Departments or involved in similar activities. chamber of commerce & industry, association of consulting firms etc. Hence, provision of limited tender for buying the consultancy service upto Rs.25 lakh is already available.

4. All Ministries/ Departments are requested to make use of these provisions. Further in order to facilitate Ministries/ Departments. Department of Expenditure is also in process of revising Manual on Procurement of Consultancy Services.

  
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2. In this context, it is noted that EMC has recommended following related to Public Procurement.

**Recommendation No.89 (December, 2015)**

*"Rule 197(of GFR) describes modes of disposal of surplus and unserviceable goods. Experience shows that in many Departments the disposal of unserviceable goods does not take place as the process is cumbersome. It is learnt that Ministry of Railways uses e-auction for disposal of stores. This system can be used by other Government Departments also for speedy disposal of surplus and unserviceable goods."*

3. In this regard, it is stated that Ministry of Railways vide their letter no 2010/RS (G)/779/10COPP dated 27.07.2016 has agreed to offer its e-auction services to other Ministries.

4. All Ministries/ Departments are requested to consider using e-auction services of Ministry of Railways for speedy disposal of surplus and unserviceable goods. Ministries/Departments may also mutually decide terms and conditions for the same with Ministry of Railways.

  
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