**Ministry of Finance**

**Procurement Policy of Government of India – Exploring Alternative to traditional L1 System**

**Relevant to Institutional Sales Team of all Mahindra Businesses**

The procurement Policy Division of the Department of Expenditure, Ministry of Finance issued a notification for General Instructions on Procurement and Project Management was issued on 29th October 2021. Main objective was to improve procurement and project management rules and procedures, to update them to present day needs, and to empower those who are implementing those projects to take better decisions, while adhering to probity and fairness.

The draft of the guidelines was prepared under the aegis of the Central Vigilance Commission (CVC) after a detailed consultative process involving experts from various fields of public procurement and project management. The Department of Expenditure (DoE), Ministry of Finance, was nominated to issue the guidelines after soliciting and detailed consideration of the comments of Ministries/ Departments.

**Key features:**

* Strict timelines for the payments has been devised when due. Ad-hoc payments of not less than 75 per cent of eligible running account bill/ due stage payment to be paid within 10 working days of the submission of bills. The remaining payment has also to be paid within 28 working days of submission of bill by the contractor. Written explanation has to be submitted within 3 working days if payment is not made within the stipulated time. There is a provision of interest for late payment against the bills submitted.
* There is an online system for monitoring the bills submitted by the contractor if the aggregate payment is more than 100 crore.
* Electronic Measurement Books have been prescribed as a means of recording progress of works.
* **Alternative methods for selection of contractors have been permitted, which can improve speed and efficiency in execution of projects. In appropriate cases, quality parameters can be given weightage during evaluation of the proposal in a transparent and fair manner, through a Quality cum Cost Based Selection (QCBS), as an alternative to traditional L1 system.**
* Information technology enabled project management system to be in place to improve efficiency, transparency and aid faster decision making in execution of projects.
* Single bid for a project shall be considered if the procurement was satisfactorily advertised and sufficient time was given for submission of bids, the qualification criteria was not unduly restrictive, and prices are reasonable in comparison to market values.
* There should be graded authority structure for granting extension of time for completion of project.
* For dispute resolution, the parties may opt for mutual discussion, mediation, and conciliation before resorting to arbitration/ litigation.
* Arbitration/ court awards should be critically reviewed. In case there is a decision against Government/public sector enterprise, the decision to appeal should not be taken in a routine manner, but only when the case genuinely merits going for the appeal and there are high chances of winning in the court/higher courts.
* The incentive structure for all the key stakeholders of public procurement ought to be such that the system itself will ensure timely delivery of projects/works in a qualitative manner with approved cost.

**Conclusion:**

* Executing public projects on time, within the approved cost and with good quality has always been a challenge. As the pace of economic development steps up careful examination of procedures and rules is essential to ensure unwarranted roadblocks are removed and new innovations utilized for increasing value for money of the taxpayer.
* These guidelines attempt to incorporate into the realm of Public Procurement in India, innovative rules for faster, efficient and transparent execution of projects and to empower executing agencies to take quicker and more efficient decision in public interest.
* As part of Government’s Digital thrust, Electronic Measurement Books have been prescribed as a means of recording progress of works. This system, along with other IT based solutions, proposed in the guidelines, will help in realising the dream of efficient Digital India, facilitate faster payments to contractors and reduce disputes.
* Alternative methods for selection of contractors have been permitted, which can improve speed and efficiency in execution of projects.

The detailed notification can be accessed at:

<https://doe.gov.in/sites/default/files/General%20Instructions%20on%20Procurement%20and%20Project%20Management.pdf>