

Public Procurement (Preference to Make in India) Order, 2017

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In news : Recently, the government has amended the Public Procurement (Preference to Make in India) Order, 2017

Key amendments

- The recent amendment enables nodal Ministries/ Departments to notify higher minimum local content requirements for Class-I & Class-II local suppliers which was earlier fixed at 50% and 20% respectively.
- **Participation:** As per the Order, entities of countries which do not allow Indian companies to participate in their Government procurement for any item, shall not be allowed to participate in Government procurement in India for all items related to that nodal Ministry/ Department, except for the list of items published by the Ministry/ Department permitting their participation.
- **Practices against local suppliers:** Specifying foreign certifications/ unreasonable technical specifications/ brands/ models in the bid document is restrictive and discriminatory practice against local suppliers.
- **Certification:** Foreign certification, if required, shall be stipulated only with the approval of the Secretary of the Department concerned.
- **Procurement limit:** All administrative Ministries/Departments whose procurement exceeds Rs. 1000 Crore per annum shall notify their procurement projections for the next 5 years on their respective website.
- An upper threshold value of procurement beyond which foreign companies shall enter into a joint venture with

an Indian company to participate in government tenders shall be notified.

About Public Procurement (Preference to Make in India) order 2017

- The Government of India has issued this order vide the Department for Promotion of Industry and Internal Trade (DPIIT) to encourage 'Make in India' and to promote manufacturing and production of goods, services and works in India with a view to enhancing income and employment.
- Subject to the provisions of this Order and to any specific instructions issued by the Nodal Ministry or in pursuance of this Order, purchase preference shall be given to local suppliers in all procurements undertaken by procuring entities in the manner specified. As per the order the minimum local content shall ordinarily be 50%.
- The Nodal Ministry may prescribe a higher or lower percentage in respect of any particular item and may also prescribe the manner of calculation of local content.
- Under the Public Procurement (Preference to Make in India) Order, it was envisaged that all central government departments, their attached or subordinate offices and autonomous bodies controlled by the Government of India should ensure that purchase preference will be given to domestic suppliers.

Salient features of the order

- The Order is applicable for procurement by the Ministry / Department / attached / subordinate office of, or autonomous body controlled by, the Government of India and includes Government companies as defined in the Companies Act.
- In procurement of all goods, services or works in

respect of which the Nodal Ministry/ Department has communicated that there is sufficient local capacity and local competition, only 'Class-I local supplier', as defined under the Order, shall be eligible to bid irrespective of purchase value.

- The margin of purchase preference shall be 20%. 'margin of purchase preference' means the maximum extent to which the price quoted by a local supplier may be above the L1 for the purpose of purchase preference.

Classification of suppliers(as per revised norms)

Classes of Local Suppliers based on local content as per the revised PPP-MII Order dated 04.06.2020 issued by the Department for Promotion of Industry and Internal Trade (DPIIT) are as under:

- **Class-I Local supplier** – a supplier or service provider, whose goods, services or works offered for procurement, has **local content equal to or more than 50%**.
- **Class-II Local supplier** – a supplier or service provider, whose goods, services or works offered for procurement, has **local content more than 20% but less than 50%**.
- **Non-Local supplier** – a supplier or service provider, whose goods, services or works offered for procurement, has **local content less than or equal to 20%**.
- **Only 'Class-I local supplier' and 'Class-II local supplier'** shall be eligible to bid in procurement of all goods, services or works, and with estimated value of purchases less than Rs. 200 crore. Earlier, only local suppliers were allowed to bid for procurement orders worth less than Rs 50 lakh.

What is local content?

It refers to the amount of value added in India, which shall be the total value of the item procured (excluding net

domestic indirect taxes) minus the value of imported content in the item (including all customs duty) as a proportion of the total value, in percent.