

No.F. 1/15/2018-PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

Room.No.516, Lok Nayak Bhawan,
New Delhi dated the 4th June, 2018.

OFFICE MEMORANDUM

**Sub: Committee of Secretaries (CoS) recommendations on implementation of
“Public Procurement (Preference to Make in India) Order (PPP-MII), 2017”**

The undersigned is directed to inform that a meeting of CoS was held on 21.05.2018 on Public Procurement (Preference to Make in India) Order (PPP-MII Order), 2017 under the chairmanship of Cabinet Secretary at Cabinet Secretariat, New Delhi and *it has been decided that all Central Ministries/ Department may specify in their guidelines that for all Central Scheme (CS)/ Central Sector Schemes (CSS), for which procurement is made by States and Local Bodies, would come within the purview of PPP-MII Order, if that project or scheme is fully or partially funded by Government of India.* A copy of the minutes is attached.

2. Circulars or guidelines issued by your Ministry/Department in this regard may be copied to the Department of Expenditure, Procurement Policy Division.
3. This issues with the approval of Secretary, Expenditure.


(K Narayana Reddy)

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To

Secretaries of All Central Government Ministries/ Departments

CABINET SECRETARIAT
RASHTRAPATI BHAWANMINUTES OF THE MEETING OF COMMITTEE OF SECRETARIESDoc. No. 38/ 2018-CA.IVCopy No. 27 of 27

Venue: Committee Room, Cabinet Secretariat, Rashtrapati Bhawan

Date of meeting: Monday, the 21st May, 2018

Time of Meeting: 3:15 p.m.

PRESENT

Shri P.K. Sinha, Cabinet Secretary
 Dr. Inder Jit Singh, Secretary (Coordination), Cabinet Secretariat
 Shri R.N. Choubey, Secretary, M/o Civil Aviation
 Shri Jai Priye Prakash, Secretary, D/o Pharmaceuticals
 Shri Ramesh Abhishek, Secretary, D/o Industrial Policy & Promotion
 Dr. Aruna Sharma, Secretary, M/o Steel
 Dr. A.R. Sihag, Secretary, D/o Heavy Industry
 Shri A.N. Jha, Secretary, D/o Expenditure
 Shri S.C. Garg, Secretary, D/o Economic Affairs
 Shri Gopal Krishna, Secretary, M/o Shipping
 Shri A.K. Bhalla, Secretary, M/o Power
 Shri A.P. Sawhney, Secretary, M/o Electronics & Information Technology
 Shri Anand Kumar, Secretary, M/o New & Renewable Energy
 Shri A.K. Singh, Secretary, M/o Textiles
 Shri P. Raghavendra Rao, Secretary, D/o Chemicals & Petro-chemicals
 Shri Ajay Kumar, Secretary, D/o Defence Production
 Dr. S.C. Pandey, Special Secretary FA, D/o Heavy Industry
 Shri N. Sivasailam, Special Secretary, D/o Telecommunications
 Shri A. Giridhar, Additional Secretary, Cabinet Secretariat
 Ms. Leena Nandan, Additional Secretary, M/o Road Transport & Highways
 Ms. Radha S Chauhan, CEO, Government e-Marketplace
 Shri Akhil Aggarwal, DG (S&T), M/o Railways
 Shri Rajiv Aggarwal, Joint Secretary, D/o Industrial Policy & Promotion
 Shri Anil Kumar Nayak, Joint Secretary, M/o Mines
 Shri Sandeep Poundrik, Joint Secretary, M/o Petroleum & Natural Gas
 Shri Mukund Kumar Sinha, Joint Secretary, M/o Housing & Urban Affairs
 Shri Kanwalpreet, DRS, M/o Railways
 Shri Alok Tiwari, Deputy Secretary, Cabinet Secretariat

Subject: Public Procurement (Preference to Make in India) Order – 2017.

A meeting of Committee of Secretaries (CoS) was held under the chairmanship of Cabinet Secretary on 21.05.2018 at 03.15 PM in the Committee Room, Cabinet Secretariat, Rashtrapati Bhawan, to consider Note No.P-45021/2/2017-PP(BE-II) dated 16.05.2018 of D/o Industrial Policy and Promotion (DIPP), on the subject mentioned above.

2. Secretary, DIPP informed that Public Procurement (Preference to Make in India) [PPP-MII] Order, 2017 was issued on 15.06.2017, and thereafter, three meetings of Standing Committee on Public Procurement have already been held. The Order provides preference to domestic suppliers in public procurement of goods, services or works by all Central Ministries/Departments and their subordinate offices, autonomous bodies, Government companies, JVs and SPVs. Secretary, DIPP apprised that Minimum Local Content requirement should ordinarily be 50%, but can be varied by Nodal Ministry. He further apprised that restrictive and discriminatory clauses against domestic suppliers cannot be included in procurement conditions. Further, CVC has directed all CVOs to exercise oversight on all contracts over Rs.5 crore so as to ensure that restrictive and discriminatory clauses against domestic suppliers are not included in the tender documents which must be in sync with PPP – MII Order, 2017. Further, items which meet the local content requirement may also be marked on GeM portal. Moreover, GeM portal should provide for automated comparison with purchase preference and without purchase preference and for obtaining consent of local supplier in those cases where purchase preference is to be exercised. Secretary, DIPP cited some examples of discriminatory conditions being imposed on domestic suppliers, in tenders by Government organizations, such as Railways.

3. Secretary, DIPP stated that Nodal Ministries/Departments are required to undertake certain actions under PPP-MII Order. Minimum Local Content requirement has to be notified in accordance with PPP-MII Order. Foreign suppliers, from a country where Indian suppliers are not allowed to participate in public procurement, should not be allowed to participate in Indian public procurement. Further, Phased Manufacturing Program (PMP) should be notified and implemented by all Ministries / Departments. Secretary, DIPP stated that Nodal Departments / Ministries should ensure that no discriminatory clauses against a domestic supplier are included in tender conditions. Further, a periodic review may be undertaken to increase the coverage and extent (percentage) of minimum local content requirement, apart from verifying adherence to PMP. Secretary, DIPP stated that Nodal Ministries / Departments / procuring agencies should take steps to resolve grievances in respect of violation of PPP-MII Order, received on Central Public Procurement Portal (CPPP), as forwarded by DIPP/Department of Expenditure (DoE). The Department-wise progress is given at **Annexure**.

4. Secretary, DIPP informed that in a meeting held in PMO on 16.03.2018, it was decided that while international competitive bidding may be followed for procurements funded by multilateral / bilateral agencies, D/o Economic Affairs (DEA) should work with such agencies to ensure that no restrictive or discriminatory clauses against domestic suppliers are included in bidding documents. Secretary, DEA informed that attempts to convince multilateral agencies about minimum local content requirement and PMP have not borne fruit so far. In respect of bilateral agencies, Secretary, DEA informed that it is possible to insert provisions of minimum local content requirement and PMP for tied procurements while it is very difficult to do so in case of untied procurements, except for Japan International Cooperation Agency (JICA). It was suggested that DEA may continue to engage multilateral / bilateral agencies and convince them about the necessity of minimum local content requirement and PMP in the context

of a developing and industrializing country like India. It may also be examined whether such funding agencies can accept the condition requiring manufacturing in India by an Indian company or foreign company or a joint venture.

5. After detailed deliberations, it was recommended that:

- (i) All Procurement Officers may be required to certify compliance of PPP-MII Order before uploading tenders on CPPP. Ministries / Departments concerned may take action against those who insert restrictive tender conditions against domestic suppliers with a malafide intent, or otherwise flout the provisions of PPP-MII Order. PPP-MII Order may be modified to specify that flouting the provisions therein entails disciplinary action. ↓
- (ii) The notification requiring Minimum Local Content and Phased Manufacturing Program for public procurement under PPP-MII Order may be expedited by all Ministries / Departments. DIPP may provide necessary assistance in this regard.
- (iii) DIPP may examine whether the limit of Rs.50 lakhs in procurement value, such that only local suppliers are eligible for public procurement, provided that Nodal Ministry has communicated that there is sufficient local capacity and local competition, is appropriate or requires change.
- (iv) DoE may issue instructions to all IFAs to ensure compliance with PPP-MII Order. ↓
- (v) The decision to relax Local Content requirement due to non-availability of sufficient local capacity may be taken only by Standing Committee on Public Procurement and not by individual agencies / departments. PPP-MII Order may be modified to incorporate this provision.
- (vi) The mechanism of lodging grievances on Central Public Procurement Portal, in cases of violation of PPP-MII Order, may be widely publicized by DIPP. ✓
- (vii) DIPP and administrative Ministries concerned may obtain data about countries which discriminate against Indian suppliers in their public procurement and put in place retaliatory measures against them.
- (viii) DEA may continue to engage multilateral / bilateral agencies for inclusion of the Minimum Local Content requirement and PMP in the projects sanctioned with their funding. It may also be examined whether such funding agencies can accept the condition requiring manufacturing in India by an Indian company or foreign company or a joint venture.
- (ix) DIPP may thoroughly review the implementation of PPP-MII Order by M/o Railways, particularly minimum local content limits, timelines for RDSO approvals to the local suppliers, etc. and ensure their compliance with the order.

- (x) Central Ministries / Departments may specify in all CS/CSS that the procurement made by States and Local Bodies would come within the purview of PPP-MII Order, if that project / scheme is fully / partly funded by Government of India. ✓
- (xi) All Central Ministries/Departments may ensure that prior experience clause is not too restrictive to exclude all domestic companies.

S.No.	Name of Ministries/ Departments	Status update provided by DIPP	Response of the Department concerned
1.	Defence Production	<ul style="list-style-type: none"> ➤ 90 items identified. ➤ Draft circulated on 26.04.2018 for notifying the local content for number of items including communication equipment, explosives, furnaces, submarine parts etc. ➤ Final notification to be issued. 	Notification would be expedited.
2.	Power	<ul style="list-style-type: none"> ➤ Constituted a Committee in Central Electricity Authority for identifying items for domestic content. ➤ M/o Power to notify domestic content and PMP on priority. 	Notification on domestic content requirement and PMP would be expedited
3.	Telecommuni cation	<ul style="list-style-type: none"> ➤ Notification of domestic content for telecom related items is under consideration and the orders of the same will be issued shortly – awaited. 	Draft order for notifying domestic content and PMP is under submission and would be issued very soon.
4.	Information Technology	<ul style="list-style-type: none"> ➤ MeitY has issued Notification for 10 Electronic Products Minimum local content: Desktop PCs (45%), Laptop PCs (40%), Tablet PCs (45%), Dot Matrix Printers (55%), Contact and Contactless Smart Cards (65%-70%), LED Products (65%), Biometric Iris Sensors (45%), Servers (40%). ➤ The Phased Manufacturing Programme (PMP) has been notified for Cellular mobile handsets. ➤ To add more items. 	More electronics products / segments would be brought under the purview of Minimum local content requirement and PMP.
5.	Housing & Urban Affairs	<ul style="list-style-type: none"> ➤ MoHUA has issued the notification in respect of domestic contents, as well as phased manufacturing program for Metro Rail which includes rolling stock (40%, 50% after one year), telecom (40%, 50% in two years), signaling (30%, 40% in two years and 50% in five years), civil (60%) and electrical (50%). ➤ Margin of Purchase Preference : 10%. ➤ Minimum 75% of the tendered 	Rolling stock for Metro Rail Systems is being kept out of foreign funding arrangements so as to bring it within the provision of local content requirement and PMP.

		<p>quantity of the cars shall be manufactured indigenously with progressive increased indigenous content.</p> <ul style="list-style-type: none"> ➤ Issued standard eligibility criteria for procurement of Metro rolling stocks by all Metro Rail Corporations. 	
6.	Textiles	<ul style="list-style-type: none"> ➤ Identified the items and will notify domestic content by 15.05.2018 – awaited. 	Domestic content notification would be issued shortly.
7.	Railways	<ul style="list-style-type: none"> ➤ Minimum local content shall ordinarily be 50%. ➤ Principal HOD/ Chief HOD of procuring departments have been delegated power to vary the minimum local content below the prescribed level on case to case basis. ➤ Decision to reduce min. local content should be taken by Railway Board, and not GM/PHOD/CHOD. ➤ RDSO approvals mandatory for bidding restrictiveness may be examined. ➤ Notification should be item-wise (at least for major items), and not general. 	<p>Railways procure a very large number of items and it would be difficult to bring each proposal for variation in minimum local content requirement to Railway Board. It was suggested that the delegation of power to vary minimum local content to the Zonal Railways may be re-examined. It was further suggested that RDSO approvals for domestic manufacturers should be done in a timely fashion and the progress may be reviewed regularly by Chairman, Railway Board.</p>
8.	Pharmaceuticals	<ul style="list-style-type: none"> ➤ Local content in respect of medical devices in four major categories, viz. medical disposables & consumables (50%), implant (40%), Diagnostic Reagents/IVDs (25%) and Medical electronics, hospital equipment, surgical instruments (25%) notified. ➤ PMP – proposed increase indicated. ➤ DoP has to notify local content for 	Notification of local content requirement for pharmaceuticals would be expedited.

		pharmaceuticals also.	
9.	Heavy Industry	<ul style="list-style-type: none"> ➤ Automobile sector – domestic content notified (automobiles – 65%, automobile components – 60%); to be reviewed after 31.3.2019. ➤ Order for four items of textile machinery is under consideration and same will be issued shortly – awaited. 	Notification of local content requirement for textile machinery is under consideration and would be expedited.
10.	Road Transport & Highways	<ul style="list-style-type: none"> ➤ 80% procurement is domestic as items/works being procured are locally available from local contractors only. ➤ MoRTH to notify domestic content and PMP on priority. 	Domestic content requirement and PMP on procurement would be notified soon.
11.	Shipping	<ul style="list-style-type: none"> ➤ Guidelines for tenders for construction and repair of vessels for Govt. or own use: give preference to domestic Shipyards. ➤ To identify specific items/parts of large ships for notifying domestic content. 	Requisite Notification would be expedited.
12.	Industrial Policy & Promotion	<ul style="list-style-type: none"> ➤ Cement [5 types of cement] – 70%; Leather [12 items in leather sector] – 50%. ➤ Paper [Writing & Printing Paper, Copier paper, Art Paper, Kraft Paper, Paper Board & Newsprint] – 70%. 	---
13.	Steel	<ul style="list-style-type: none"> ➤ Notification for 11 Iron & Steel Items (15%); ➤ To notify PMP. 	PMP would be notified shortly.
14.	Civil Aviation	<ul style="list-style-type: none"> ➤ AAI has issued orders for domestic procurement; Air India identifying items. ➤ To notify domestic content & PMP on priority. 	Notification of domestic content requirement and PMP is being taken up on priority basis.
15.	New & Renewable Energy	<ul style="list-style-type: none"> ➤ Action Taken Report awaited 	Notification for minimum local content for wind energy and solar energy sectors would be issued within one month.
16.	Mines	<ul style="list-style-type: none"> ➤ Action Taken Report awaited 	Notification of domestic content requirement and PMP

			would be issued within a month.
17.	Defence	➤ Action Taken Report awaited	It was suggested that Action Taken Report may be sent to DIPP on a priority basis.