

To Make in India, govt approves Buy in India

Cabinet clears procurement policy that gives preference to locally made goods and services

BY ASIT RANJAN MISHRA

asit.m@livemint.com

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To promote its flagship Make In India programme, the Narendra Modi government has cleared its own version of the US's Buy American policy through a national government procurement policy, giving preference to locally made goods and services.

Titled "Government procurement preference to Make In India order, 2017", the new policy, cleared by the Union cabinet on Wednesday, is expected to give a substantial boost to local manufacturing and services sectors, thereby creating jobs. "It will also stimulate the flow of capital and technology into domestic manufacturing and services... (and) provide a further thrust towards manufacture of parts, components, sub-components etc. of these items, in line with the vision of 'Make in India'," a cabinet statement said.

The policy involves purchases of at least Rs2 trillion a

year and also covers autonomous bodies, government companies and entities under the government's control.

Mint first reported on 28 February that the government was considering such a proposal.

The government has defined local goods and services as those where at least 50% of the value addition has been done in India.

Small purchases of less than Rs500,000 are exempt from

the policy; procurement of goods and services worth Rs50 lakh or less, where the nodal ministry determines that there is sufficient local capacity and local competition, can be made only from local suppliers.

For procurement of orders worth more than Rs50 lakh, or where there is insufficient local capacity or competition, local suppliers will get a 20% margin of purchase preference. This means that the local

supplier will be given an opportunity to match the lowest bid if its own bid is not more than 20% higher.

"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," a cabinet statement said.

The policy also requires that specifications in tenders must not be restrictive for local suppliers and the procedure for verification of local content should be based on self-certification. "There will be penal consequences for false declarations. In some cases, verification by statutory/cost auditors etc. will be required," the statement added.

A standing committee in the 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.

Keval Doshi, partner at EY India, said the decision is unlikely to be controversial as it doesn't make a distinction based between foreign or domestic ownership and, rather, focuses on local manufacturing.

"This will make India more competitive as more foreign companies manufacture in India and choose to export from India," he added.