

F.No C 30013/17/2016-Ad.IVA (Pt.I)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs

5th Floor, HUDCO Vishala Bldg,
Bhikaji Cama Place, New Delhi,
Dated, the 13th October, 2016

To

All the Chief Commissioners/Directors General under CBEC

Subject: Recommendations of Expenditure Management Commission.

Sir/Madam,

I am directed to enclose herewith copies of O.Ms. F.No.16/1/2016-PPD dated 24.08.2016 received from Ministry of Finance, Department of Expenditure on the subject mentioned above for taking necessary action on the following recommendations:

- (i) Recommendation No.75: Strengthening of initiatives towards e-procurement.
- (ii) Recommendation No. 76: Payment of Bills.
- (iii) Recommendation No. 89: Disposal of surplus and unserviceable goods.

2. Further, the copies of O.Ms No. F.26/4/2016 PPD dated 20.09.2016 and No. F.20/2/2014-PPD(Pt.) dated 20.09.2016 are also forwarded for taking necessary action.

Encl: As above

Yours faithfully,


(B. Ginkhan Mang)

Under Secretary to the Govt of India
Tel. No. 011-26162673

516, Lok Nayak Bhawan,
New Delhi.
Dated:- 24th 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.75 (December, 2015)

"While e-procurement has some obvious advantages such as savings in time and cost, the concerns relating to security and transparency need to be adequately addressed. It is recommended that initiatives towards e-procurement be strengthened and made more robust and that the features of e-procurement portals are duly certified/ audited as per the guidelines of Department of Electronics & Information Technology (DeitY). All e-procurement system should be certified by Standardization Testing and Quality Certification (STQC) for compliance with DeitY Guidelines 31st August, 2011."

3. It may be recalled that the instructions were issued to all Ministries/ Departments by Department of Expenditure OM No. 10/3/2012-PPC dated 30.03.2012 that Ministries/ Departments which do not have a large volume of procurement or carry out procurements required only for day to day running of offices and also have not initiated e-procurements through any other solution provider may use the e-procurement solution developed by National Informatics Center (NIC). Ministries/ Departments with large volume of procurement other than of the nature covered as above may either use the e-procurement solution developed by NIC or engage any other service provider following the due process.

4. In view of all above, it is once agin requested that all Ministries/Departments to certify their e- procurement systems from STQC for compliance with DeitY Guidelines dated 31st August, 2011. It is also requested that all the Ministries/Departments should also ensure that valid Audit Certificate issued by STQC is displayed on the Home-Page of all e-procurement websites being used by them.


(Vinayak T. Likhkar)
Under Secretary to Govt of India
Tele/Fax No.24621305
vinayak.likhar@nic.in

1. Secretaries/ All Ministries & Departments.
2. Financial Advisors/ All Ministries & Departments.

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

516, Lok Nayak Bhawan,
New Delhi.
Dated:- 24th 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.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 the claim. The balance is released after the claims are scruinised 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.


(Vinayak T. Likhari)
Under Secretary to Govt of India
Tele/Fax No.24621305
vinayak.likhar@nic.in

1. Secretaries/ All Ministries & Departments.
2. Financial Advisors/ All Ministries & Departments.

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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.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 Railway 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.


(Vinayak T. Likhkar)
Under Secretary to Govt of India
Tele/Fax No.24621305
vinayak.likhar@nic.in

1. Secretaries/ All Ministries & Departments.
2. Financial Advisors/ All Ministries & Departments.

No. F.26/4/2016.PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

516, Lok Nayak Bhawan,
New Delhi Dated 20th September, 2016.

OFFICE MEMORANDUM

DS(F)EA Subject: Procedures for payments to Sellers / Suppliers in Government e-
Marketplace (GeM) reg.
DS(F)DPS

Ref.: OM No. F.26/4/2016.PPD dated 26th May 2016 on above subject.

In supersession of the above referred OM dated 26.05.2016 and pursuant to Rule No. 141-A of GFR 2005, the following procedures are prescribed for making payments to the Sellers / Suppliers in GeM which shall be complied and adhered to by all concerned

2. The Government Buyer i.e. the concerned Programme Division or Administrative Unit in a Ministry/ Department will place the Contract / Supply Order /Purchase Order online after taking prior approval of the Competent Authority for procuring a particular Good or Service. Inter-alia, the Contract/ Supply Order /Purchase Order form will also contain the following fields including fields required for payment related processes:

- Administrative approval of the Competent Authority indicating the designation of the approving authority,
- Approval of Competent Financial Authority indicating designation of the officer; Whether IFD concurrence required? (Yes/No)
- If yes, then IFD Diary No.& Date
- Budget Head of Account and Year, Major/Minor/Sub-head/Detailed Head/Object Head as in Detailed Demands for Grants.
- Budget availability as on date (Yes/No)
- Amount (Contract Value): Rs.. (Budget to be blocked)
- If expenditure is committed for more than a year, the year-wise details - (portal should generate a Liability Register for recording multi-year payment commitments, the format for which is prescribed in Rule 53 of the GFR)

3. When these fields are duly captured, the Buyer will be in a position to place the Order online. The GeM portal will generate a Sanction Order and the Contract Agreement/Supply Order/Purchase Order which will be digitally/e-signed by the Buyer. These documents duly digitally/e-signed by the Buyer will be made available online to the concerned DDO (applicable in PFMS), PAO (applicable in PFMS), Paying Authority (applicable in Payment System of Railways/Defence/Posts/Others

Handwritten notes and stamps on the left margin:
- A large signature at the top left.
- "23/9" and "91-24/2016" written vertically.
- "All DS/PAO" written diagonally.
- A signature "Raj" with date "22/9/16".
- "23.9.16" written vertically.
- "USCJ (FC) - III" written vertically.
- "US (IFU-FC)" written vertically.
- "MBS/Dir Gen. FC" written vertically.
- "23.9.16" written vertically.
- A circular stamp at the bottom left with the text "Ministry of Finance, North Block, New Delhi" and "22/9/16".

including PSUs, Municipalities, Educational Institutions, Autonomous Institution, State Government, etc) and Seller/ Supplier. The DDO and PAO/Paying Authority shall have access to the Contract Agreement/Supply Order/Purchase Order online in order to ensure that the Bill is generated at the stage of payment in accordance with the contractual provisions.

4. The GeM portal will send the Sanction Order details to PFMS/Payment System of Railways/ Defence/Posts/Others (Others mean various Government Bodies including PSUs, Municipalities, Educational Institutions, Autonomous Institution, State Government, etc).

5. On issue of Sanction order and placing the Contract/Supply Order/Purchase Order, the amount required from the relevant Budget Head gets blocked in the PFMS/ Budget Accounting System of Railways/ Defence/Posts/Others.

6. Should it be necessary to amend the Contract, such Contract/Supply Order / Purchase Order with due approval of the Competent Authority and acceptance of the Seller/Supplier shall be made available to the Supplier/DDO/PAO/Paying Authority on the GeM portal.

7. Similarly, in the event of complete / partial cancellation of the Contract/Supply Order/Purchase Order the information would be made available to the Seller/Supplier, DDO and PAO/Paying Authority on the GeM portal. In that event, funds so blocked earlier would be released to the extent of cancelled amount.

8. The Programme Division/Administrative Unit in the Ministries/Departments shall periodically review the blocked budget to ensure that funds are utilized within the same financial year.

9. The performance security (if any) under Rule 158 of General Financial Rule 2005, would be obtained from the Seller/Supplier as per Contract/Supply Order/Purchase Order, and their details would be reflected on the GeM portal by the Buyer.

10. On dispatch/delivery of Goods and/or Services, the Seller/Supplier shall prepare an electronic Invoice, digitally/e-signed, on GeM portal and shall submit the same on-line to the Buyer. Gem portal will send an SMS/ email alert to the Buyer, on submission of Invoice. This Invoice will contain mode of dispatch of goods, dispatched/delivered quantity with date and all inclusive price claimed based on digitally/e-signed Contract/Supply Order/Purchase Order data. In case Services are procured, the required data as per Contract/Supply Order/Purchase Order may be incorporated in the Invoice.

11. The Buyer/consignee receives the Goods/Services and issues an online Provisional Receipt Certificate (PRC), within 48 hours, on 'said to contain basis' on the GeM portal with his/her digital signature, mentioning the date of Receipt (From

this date of receipt mentioned in PRC, the period of ten (10) days for consignee's/buyer's right of rejection and return policy would be applicable).

12. After verification including assessment of quality and quantity and satisfactory installation of machinery and equipment wherever necessary, the Consignee will issue on-line digitally/e-signed Consignee's Receipt & Acceptance Certificate (CRAC) within 10 days of date of receipt indicated in PRC. The CRAC would clearly indicate the Order quantity, rejected quantity (if any, with reasons for rejection including shortages/damaged/unaccepted quality), quantity accepted and cleared for payment. However, if the consignee does not issue CRAC within 10 days, on 11th day from the date of receipt indicated in PRC, GeM System/Portal would auto generate unsigned CRAC which, backed with digitally/e-signed PRC for the corresponding quantity shall be taken as deemed acceptance for payments in lieu of the requirement of digitally/e-signed CRAC. This will be made available on GeM to the Buyer/ Seller and also the concerned DDO (if applicable) and PAO/Paying Authority. The GeM portal would generate a unique serial number for CRAC relating to concerned DDO (if applicable) & PAO/Paying Authority, so that the payments are made *seriatim*.

13. After generation of CRAC, the Buyer shall prepare 'Payment advice' on GeM Portal, as under:

(A) For Payment through PFMS requiring DDO functionality:

After generation of CRAC, the Buyer shall prepare 'Payment advice' on GeM Portal, indicating any contractual deductions such as penalties for violation of Service Level Agreement (as applicable)/Liquidated Damages for delayed supplies etc. which will be used by GeM portal to compute the net amount payable for the accepted quantity after factoring in the contractual deduction(s) and generate claims for payments digitally/e-signed by the Buyer. This claim for payment shall be made available to the DDO on GeM Portal and the requisite data will also be pushed online in the PFMS. DDO will log into PFMS and generate the Bill against the said claims and forward the same to the PAO/Paying Authority for payment, after deducting any statutory deductions including TDS as applicable. The DDO shall also be responsible for issuing TDS certificate (as per Income Tax Act, 1961 amended from time to time) to the Seller after release of the payment to the Seller/Supplier.

(B) For Payment through Payment Systems other than PFMS, not requiring DDO functionality:

After generation of CRAC, the Buyer shall prepare 'Payment advice' on GeM Portal, indicating any contractual deductions such as penalties for violation of Service Level Agreement (as applicable)/Liquidated Damages for delayed

supplies and also statutory deductions including TDS as applicable. The same will be used by GeM portal to compute the net amount payable for the accepted quantity and generate claims for payments digitally/e-signed by the Buyer. This claim for payment shall be made available to the PAO/Paying Authority on GeM Portal for payment, after deducting any statutory deductions including TDS as applicable.

In case the Buying organisation allows direct online payment through the payment gateway integrated with Bank(s) available on GeM Portal, the concerned PAO/Paying Authority shall log into the GeM Portal to process and advice for release of online payment to the Seller /Supplier through the available payment gateway. However, in case the PAO/Paying Authority operates through its own online Payment System, the requisite data will be pushed online in the Payment System of the Buying organisation. PAO/Paying Authority shall log into the Payment System to process the payment advice for release of online payment to the Seller /Supplier. The Buyer shall also be responsible for issuing TDS certificate.

14. After online pre-check of all relevant documents, PAO/Paying Authority shall debit the Government account, releasing the corresponding payment through PFMS /the Payment System of Railways/Defence/Posts/Others to be credited into the bank account of the Seller/Supplier. The payment so released shall be credited to the Seller/Supplier's account within 24 hours (excluding public holidays), by the Bank. SMS alerts shall be sent to the Seller and Buyer after the payment is authorized by PAO/Paying Authority and also after the confirmation of the payment by the Bank. The payment authorization as well as payment confirmation details shall be shared by PFMS /Payment System of Railways/ Defence/Posts/Others on the GeM portal. The PAO/Paying Authority and DDO shall comply with the provisions of General Financial Rules for budget implementation.

(b) In case of return of Bill, if necessary by PAO/Paying Authority, it should be made online with all queries/discrepancies/reasons for rejections indicated in one go with the approval of competent authority, to the DDO/Buyer for the needful corrections at their end.

15. In terms of the provisions of the Information Technology Act 2000 as amended from time to time, digitally/e-signed online documents generated on GeM shall be treated at par with ink-signed documents for release of payment to the Seller/Supplier and no ink signed paper/documents shall be demanded/insisted

16. It is obligatory for payments to be made without any delay for purchases made on GeM. In no case should it take longer than the prescribed timelines. The timelines after Consignee Receipt and Acceptance Certificate (CRAC) issued on-line and digitally/e-signed by consignee, will be two (2) working days for Buyer, one (1) working day for concerned DDO and two (2) working days for concerned

PAO/Paying Authority for triggering payment through PFMS/the Payment System of Railways/Defence/Posts/Others and Banks for crediting to the supplier's account. In case of return of Bills by PAO/Paying authority, the discrepancies should be addressed by concerned Buyer/DDO within one working day and thereafter on re-submission of Bill the PAO / Paying Authority should also not take more than one (1) working day for triggering payment to the supplier/Seller. Any matter needing a resolution will be escalated to the next higher level in each agency (Buyer, DDO and PAO/Paying Authority) where the matter should be resolved within 24 hours. In the entire process, time taken for payment should not exceed ten (10) days including holidays.

17. GeM System/Portal would also have on-line provisions for generating supplementary Invoice(s) for claim/refund of statutory changes in Duties and taxes, if any, as above. A provision for all types of refunds/claims should be available on-line through PFMS /the Payment System of Railways/Defence/Posts/Others.

18. The multi-year liabilities so created as referred to in Para 2(h) above shall be reviewed regularly by the Programme Division/Administrative unit in consultation with the Financial Adviser. The consolidated information on the total committed liabilities, year-wise, shall be submitted by the Financial Adviser to the Budget Division, Department of Economic Affairs, Ministry of Finance for suitably reflecting in the Budget Estimates for the relevant financial year and in the Medium Term Expenditure Framework (MTEF).

19. The above procedures and time lines shall be strictly adhered by the Ministries/Departments.

20. This issues with the approval of Secretary (Expenditure).


2019/16
(Vinayak T. Likhari)

Under Secretary to the Govt. Of India
Tel:-24621305

To,

All the Secretaries and Financial Advisers to Government of India

Copy to:

1. CGA, CGDA, FC/ Railway Board- for information and necessary action.
2. Secretary/Department of Public Enterprises with a request to issue appropriate instructions to Public Sector Undertakings in this regard.
3. Internal circulation: AS (PF-I), JS(FA), JS (Pers.) and JS (PF-II).

No.F.20/2/2014-PPD(Pt.)
Ministry of Finance
Department of Expenditure
Procurement Policy Division

516, Lok Nayak Bhawan, New Delhi
Dated the 20th September, 2016

OFFICE MEMORANDUM


Subject: Relaxation of Norms for Startups Medium Enterprises in Public Procurement regarding Prior Experience - Prior Turnover criteria.

The undersigned is directed to refer to this Department O.M. of even number dated 25th July, 2016, wherein it was clarified that all Central Ministries/ Departments may relax condition of prior turnover and prior experience in public procurement to all Start-ups [whether Micro & Small Enterprises (MSEs) or otherwise] subject to meeting of quality and technical specifications in accordance with the relevant provisions of GFR, 2005.

2. A doubt has arisen if it makes optional for Central Ministries/ Departments to relax condition of prior experience and prior turnover in public procurement to Startups. In this regard, it is again clarified that normally for all public procurement, the Central Ministries/ Departments have to ensure that criteria of prior turnover and prior experience for all Startups is relaxed subject to their meeting of quality and technical specifications.

3. However, there may be circumstances (like procurement of items related to public safety, health, critical security operations and equipments, etc.) where procuring entities may prefer the vendors to have prior experience rather than giving orders to new entities. For such procurements, wherever adequate justification exists, the procuring entities may not relax the criteria of prior experience/ turnover for the Startups.

4. This issues with the approval of Finance Secretary.


(Vinayak T. Likhari)
Under Secretary (PPD)
Tel/Fax – 24621305
E-mail – vinayak.likhar@nic.in

The Secretaries of all Central Government Ministries/ Departments.

Copy to: -

- (i) Financial Advisors of all Central Government Ministries/ Departments.
- (ii) The Secretary, Department of Public Enterprises, Room No.305, Block No.14, CGO Complex, New Delhi-110 003 with a request to issue appropriate instructions to Central Public Sector Undertakings (CPSUs) to implement #5 of "Action Plan for Startup India".



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All DS/
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July
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