



Restrictions on Public Procurement

Why in News

Recently, the Government of India **imposed restrictions on public procurement from bidders of countries that share a land border with India**, citing grounds of defence and national security.

- This was done by amending the **General Financial Rules 2017**.
- Earlier the Central government has made it mandatory for sellers on the [Government e-Marketplace \(GeM\)](#) portal to clarify the country of origin of goods when registering new products.
- The government also amended [Foreign Direct Investment \(FDI\)](#) rules mandating prior approval for investment by entities in countries that share land borders with India.

Key Points

▪ Reason:

- According to experts, this decision has been taken to **prevent the influx of Chinese products and investments** into India, following the [clashes between Indian and Chinese troops](#) in Galwan Valley.
- To push for [Atmanirbhar Bharat](#) (self-reliant India).

▪ New Order:

- Bidders from these countries will be eligible only if they are **registered with the Registration Committee (Competent Authority)** constituted by the **Department for Promotion of Industry and Internal Trade (DPIIT)**.
 - For national security reasons, the Registration Committee shall not be required to give reasons for rejection/cancellation of registration of a bidder.
- Bidders will also be required to take **mandatory political and security clearance from the ministries of External Affairs and Home respectively**.
- The order will be applicable for public sector banks and financial institutions, Autonomous Bodies, Central Public Sector Enterprises (CPSEs) and Public Private Partnership projects receiving financial support from the Government or its undertakings.
- The **order will not apply to procurement by the private sector**.

▪ Order Mandatory for State Governments:

- The Central government has invoked the provisions of **Article 257(1) of the Constitution**, directing the state governments to implement this order for all public procurement.

- For State government procurement, the Competent Authority will be constituted by the states but political and security clearance from Central government ministries will remain necessary.

▪ Relaxations:

- Relaxation will be provided for procurement of [Covid-19](#) medical supplies till 31st

December 2020.

- The order for prior registration **will not apply for countries** to which India extends **lines of credit** or **provides development assistance**, even if they share a land border with India.
 - India shares its border with China, Nepal, Bhutan, Pakistan, Bangladesh, Afghanistan and Myanmar.
 - As per official data, out of these, the government has extended lines of credit to **Bangladesh, Nepal, Myanmar.**
 - India also provides various developmental assistance to **Bhutan and Afghanistan.**

Article 257(1)

- It states that the **executive power of every State** shall be so exercised as **not to impede or prejudice** the exercise of the executive power of the Union.
- It also authorises the Union to give such directions to a State as may appear to the Government of India to be necessary for that purpose.
- In case **if the state failed to comply** with (or to give effect to) any directions given by the Centre under Article 257(1), it will be lawful for the President to impose **President's rule** under Article 356.

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