

Central Government through the Ministry of Micro, Small and Medium Enterprises issued **Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012** dated 23<sup>rd</sup> March, 2012 in respect of government purchases.

We give below the gist of this new Public Procurement Policy for Micro and Small Enterprises (MSEs):

- **Purchasers:**

The Central Government Ministries, Departments and Public Sector Undertakings (PSUs) shall procure minimum of 20% of their annual value of goods or services from MSEs;

- **Applicability:**

Public Procurement Policy shall apply to MSEs registered with-

1. District Industries Centers(DICs) ,or
2. Khadi and Village Industries Commission(KVIC), or
3. Khadi and Village Industries Board, or
4. Coir Board, or
5. National Small Industries Corporation(NSIC), or
6. Directorate of Handicrafts and Handloom, or
7. any other body specified by Ministry of Micro, Small and Medium Enterprises.

- **Commencement:**

The Order shall come into force with effect from 1<sup>st</sup> April 2012.

- **Mandatory Procurement:**

1. Every Central Ministry or Department or PSU shall set an annual goal of purchases from MSEs from the financial year 2012-13 and onwards, with the objective of achieving overall purchases of minimum of 20%, of total annual purchases of products produced and services rendered by MSEs in a period of three years.
2. Annual goal of procurement also include sub-contracts to MSEs by large enterprises and consortia of MSEs formed by NSIC.
3. After a period of three years, i.e. from 1<sup>st</sup> April 2015, overall procurement goal of minimum of 20% shall be made mandatory.

- **Failure to meet goal:**

If the Central Ministries, Departments and PSUs fail to meet the annual goal it shall substantiate with reasons to the Review Committee (constituted in Ministry of MSME, under this Policy).

- **Special Provision for SC/ST run MSEs:**

Out of 20% target of annual procurement from MSEs, a sub-target of 20%. i.e. 4% of 20%, shall be earmarked for procurement from MSEs owned by SC or ST entrepreneurs. In the event of failure of such MSEs to participate in

tender process or meet tender requirements and price, the said 4% sub-target shall be met from other MSEs.

- **Reporting of target in Annual Report:**

Every Central Ministry or Department or PSU shall report goals set with respect to procurement to be met from MSEs and achievement made thereto in their respective Annual Reports.

- **Price Quotation in Tenders:**

- i) In tender, participating MSEs quoting price within Price Band of L1+15% shall also be allowed to supply a portion of requirement by bringing down their price to L1 price, where L1 price is from someone other than a MSE and such MSE shall be allowed to supply up to 20% of total tendered value.
- ii) In case of more than one such MSE, the supply shall be shared proportionately to tendered quantity.

- **Developing MSE vendors:**

The Central Ministries or Departments or PSUs shall take necessary steps to develop appropriate vendors by organizing Vendor Development Programmes or Buyer-Seller Meets and entering into Rate Contract with MSEs for a specified period in respect of periodic requirements.

- **Annual Plan for Procurement from MSEs on Websites:**

The Ministries or Departments or PSUs shall prepare Annual Procurement Plan for purchases and upload the same on their official website so that MSEs may get advance information about requirement of procurement agencies.

- **Enhancing participation of MSEs including those owned by SC or ST in Govt. purchases:**

The Central Govt. Ministries, Departments and PSUs shall take following steps, viz.:-

- (a) Special Vendor Development Programmes or Buyer-Seller Meets shall be conducted by Department/PSUs for SC or ST;
- (b) Outreach Programmes shall be conducted by NSIC to cover more and more MSEs from SC or ST under its schemes of consortia formulation; and
- (c) NSIC shall open a special window for SC or ST under its Single Point Registration Scheme (SPRS)

- **Reduction in transaction cost:**

To reduce transaction cost of doing business, MSEs shall be facilitated by providing them tender sets free of cost, exempting MSEs from payment of earnest money, adopting e-procurement to bring in transparency in tendering process and setting up a Grievance Cell in the Ministry of Micro, Small and Medium Enterprises.

- **Reservation of Specific items for procurement:**  
The Central Govt. Ministries or Departments or PSUs shall continue to procure 358 items from MSEs, which have been reserved for exclusive purchase from them.
- **Review Committee:**  
Review Committee shall review list of 358 items on a continuous basis, consider requests of the Central Govt. Ministries or Departments or PSUs for exemption from 20% target on a case to case basis and monitor achievements under the Policy.
- **Setting up Grievance Cell:**  
In addition, a Grievance Cell will be set up in Ministry of MSMEs for redressing grievances of MSEs in Govt. procurement. This Cell shall take up issues related to Govt. procurement raised by MSEs with Departments or agencies concerned, including imposition of unreasonable conditions in tenders floated by Govt. Departments or agencies that put MSEs at a disadvantage.
- **Defense procurements:**  
Defense purchases will remain outside the purview of such Policy of reservation.