



## PUBLIC PROCUREMENT MEASURES SUPPORTING MICRO AND SMALL ENTERPRISES (MSEs) IN THE COUNTRY

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### Introduction

It is a verity that innovation, inventions and discoveries when commercialised bump up the number of products and services in the market and lead to widen the consumer choice that is coupled with a number of other factors like comfort level, quality and requirements to name some. The term 'goods' as an illustration covers all articles, material, commodity, livestock, furniture, fixtures, raw material, spares, instruments, machinery, equipment, industrial plant, vehicles, aircraft, ships, medicines, railway rolling stock, assemblies, subassemblies, accessories, a group of machineries comprising of an integrated production processor such other category of goods or intangible products like software, technology transfer, licenses, patents or other intellectual properties purchased or otherwise acquired for the use and others. The term 'goods' also includes works and services which are incidental or consequential to the supply of such goods, such as, transportation, insurance, installation, commissioning, training and maintenance. With the strengthening of producers of goods and service providers in the market, it is crucial to protect the micro and small enterprises in the country that turn out various goods and provide their services to a range of organisations including Government departments.

### Procurement Preference Policy

Section 11 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 lays down the stipulation on procurement Preference Policy of the Government of India. Accordingly, for facilitating promotion and development of micro and small enterprises, the Central Government or the State Government may, by order notify from time to time, preference policies in respect of procurement of goods and services, produced and provided by micro and small enterprises, by its Ministries or departments, as the case may be, or its aided institutions and public sector enterprises.

With a view to achieve above objectives of the MSMED Act, Government of India notified Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012. Public Procurement Policy for MSEs Order, 2012 has been notified under section 11 of MSMED Act, 2006. The policy is effective from 1<sup>st</sup> April 2012 (Gazette notification on 26<sup>th</sup> March 2012). The objective of policy is promotion and

development of Micro and Small Enterprises by supporting them in marketing of products produced and services rendered by them. The policy rests upon nucleus principle of competitiveness, adhering to perfect procurement practices and execution of supplies in accordance with a system which is fair, equitable, transparent, competitive and cost effective. The policy is mandatory and notified under the MSMED Act, 2006. The policy is meant for procurement of only goods produced and services rendered by MSEs. Traders are excluded from the purview of Public Procurement Policy. The policy is applicable only to all the Central Ministries/ Departments/CPSUs in irrespective of volume and nature of procurement. The State Governments may formulate similar kind of Public Procurement Policy suitable for their States.

### Salient features of the Public Procurement Policy for Micro and Small Enterprises (MSEs)

Each Central Ministry /Department / PSU shall set an annual target for 25 per cent procurement from MSE Sector [As per the notification of the Government of India, Ministry of Micro, Small and Medium Enterprises, New Delhi dated 9<sup>th</sup> November 2018, S.O. 5670(E)] (in place of earlier 20 per cent). The Government of India has amended the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 by the Public Procurement Policy for Micro and Small Enterprises (MSEs) Amendment Order, 2018. Salient features of the policy include the following:

- Annual goal of procurement also include subcontracts to Micro and Small Enterprises by large enterprises and consortia of Micro and Small Enterprises formed by National Small Industries Corporation. The Central Ministries, Departments and Public Sector Undertakings which fail to meet the annual goal shall substantiate with reasons to the Review Committee headed by Secretary (Micro, Small and Medium Enterprises), constituted in Ministry of Micro, Small and Medium Enterprises, under this Policy.
- Out of 25% target of annual procurement from MSEs 3 per cent (w.e.f 9<sup>th</sup> November 2018) shall be earmarked for procurement from Micro and Small Enterprises owned by women.

- A sub-target of 4% out of 25% target of annual procurement earmarked for procurement from MSEs owned by SC/ST entrepreneurs. Definition of MSEs owned by SC/ST is as given under:
  - (a) In case of proprietary MSE, proprietor(s) shall be SC/ST.
  - (b) In case of partnership MSE, the SC/ST partners shall be holding at least 51% shares in the unit.
  - (c) In case of Private Limited Companies, at least 51% share shall be held by SC/ST promoters.
- Reduction in transaction cost: To reduce transaction cost of doing business, Micro and Small Enterprises shall be facilitated by providing them tender sets free of cost, exempting Micro and Small Enterprises 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.
- Price quotation in tenders: MSEs quoting price within price band  $L-1 + 15\%$ , when L-1 is from someone other than MSE, shall be allowed to supply at least 25% of tendered value at L-1 subject to lowering of price by MSEs to L-1. In tender, participating Micro and Small Enterprises quoting price within price band of  $L+15$  percent shall also be allowed to supply a portion of requirement by bringing down their price to L-1 price in a situation where L-1 price is from someone other than a Micro and Small Enterprises and such Micro and Small Enterprises shall be allowed to supply up to 25 per cent of total tendered value. In case of more than one such Micro and Small Enterprise, the supply shall be shared proportionately (to tendered quantity).
- Reservation of specific items for procurement: To enable wider



Figure 1; MSME Sambandh Portal: A view

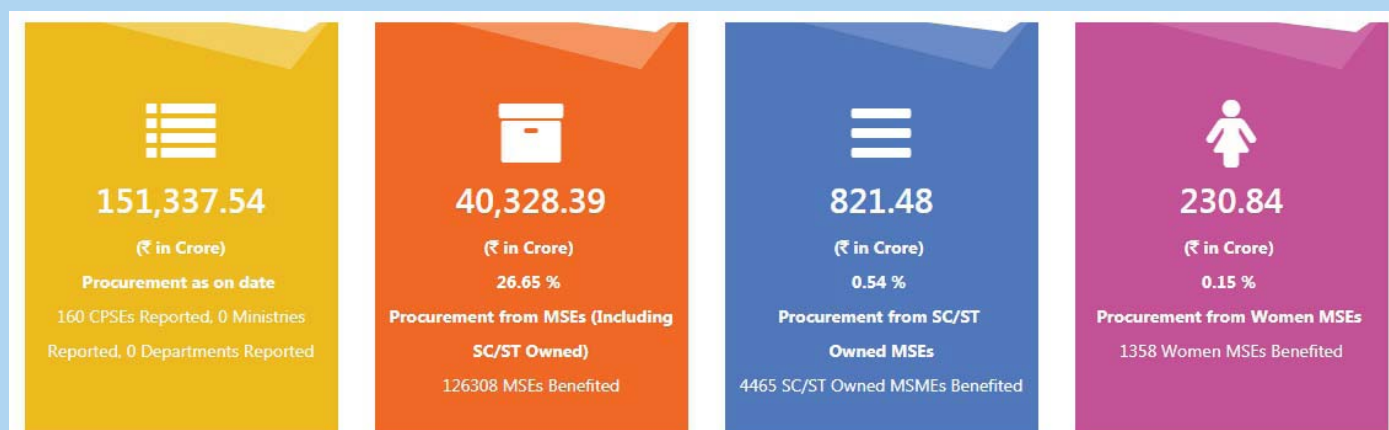


Figure 2: Procurement From Central Ministries / Departments / CPSEs For FY 2018-19 (as per MSME Sambandh Portal as on 27 May 2019)

#### MSME Sambandh Portal

A Public Procurement Portal 'MSME Sambandh' was launched by the Government of India on 8<sup>th</sup> December 2017 with an objective to monitor the implementation of the Public Procurement from MSEs by Central Public Sector Enterprises ([https://sambandh.msme.gov.in/PPP\\_Index.aspx](https://sambandh.msme.gov.in/PPP_Index.aspx)). Following figures portray assorted information made available on MSME Sambandh Portal.

dispersal of enterprises in the country, particularly in rural areas, the Central Government Ministries or Department or Public Sector Undertaking shall continue to procure 358 items from Micro and Small Enterprises, (At present) which have been reserved for exclusive purchase from them. This will help in promotion and growth of Micro and Small Enterprises including Khadi and village industries, which play a critical role in fostering inclusive growth in the country. There are 358 items reserved for exclusive purchase from MSE Sector and 21 items reserved for exclusive manufacturing in MSE Sector which is not concerned to the Public Procurement Policy.

- Ministry /Department/CPSUs shall prepare their annual procurement plan to be uploaded on their official website.
- Review Committee: A Review Committee has been constituted under the Chairmanship of Secretary, Ministry of Micro, Small and Medium Enterprises for monitoring and review of Public Procurement Policy for Micro and Small Enterprises vide Order No. 21(1)/2007-MA dated the 21<sup>st</sup> June 2010. This Committee shall, inter alia, review list of 358 items reserved for exclusive purchase from Micro and Small Enterprises on a continuous basis, consider requests of the Central Ministries or Departments or Public Sector Undertakings for exemption from 25 per cent target on a case to case basis and monitor achievements under the Policy.
- Special Provisions for Defence Procurements: Given their unique nature, defence armament imports shall not be included in computing 25 per cent goal for Ministry of Defence. In addition,

defence equipments like weapon systems, missiles, etc. Shall remain out of purview of such Policy of reservation.

- For enhancing participation of MSEs in government procurement, Ministry /Department/CPSUs shall conduct Vendor Development Programmes or Buyer Seller Meets for MSEs especially for SC/ST entrepreneurs. Outreach programmes will be conducted by NSIC to cover more and more MSEs from SC/STs under its schemes of consortia formation; and NSIC would open a special window for SCs/STs under its Single Point Registration Scheme (SPRS).
- The MSEs which are registered with District Industries Centers (DIGs)/ Khadi & Village Industries Commission (KVIC)/Khadi & Village Industries Board (KVIB)/Cair Board/NSIC/Directorate of Handicrafts and Handloom or any other body specified by Ministry of Micro, Small & Medium Enterprises are eligible for availing benefits under the Public Procurement Policy. With effect from 18.09.2015, MSEs registered under Udyog Aadhaar Memorandum(UAM) are also eligible to avail the benefits under Policy. ■

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