

MINISTRY OF MSME
THE OFFICE OF DEVELOPMENT COMMISSIONER (MSME)

BACK GROUND NOTE ON PUBLIC PROCUREMENT POLICY FOR MSEs
(For COS on 22.01.2014)

The Public Procurement Policy for Micro and Small Enterprises was notified on March 26, 2012. It came into force on 1st of April, 2012 and would become mandatory by 1st of April, 2015. Thus, three years have been given for put in this policy in place. The policy follows the best practices of affirmative action globally (such as purchases from socially disadvantaged groups in the US). It mandates the Government Departments and Public Sector Enterprises to procure 20% of their requirement of products and services from the micro and small enterprises. It also provides for a sub-reservation of 20% of this reservation (i.e. 4%) of the total to be procured from Scheduled Caste / Scheduled Tribe owned enterprise.

2. The Ministry took proactive action for implementing this policy. This includes a series of letters and meetings to clarify and effectively implement the policy in the implementation phase of three years. The details of the steps taken are mentioned at **Annexure-I**.

3. The total number of Central Government Ministries / Departments are 51 and 46 respectively and the total number of functional CPSUs are 179.

4. The strategic action plan adopted for effective implementation of the policy had the following salient features: -

- (i) A concept plan on implementation of Public Procurement Policy was prepared and circulated for internal discussions within the Office of DC (MSME) with field officers. This was subsequently shared with PSUs and their advice taken. The Short Concept Plan is placed at **Annexure-II**

- (ii) Each CPSU and Central Government Department was requested to appoint a nodal officer to facilitate the implementation of the policy. Till now 71 CPSUs have appointed their nodal officers. 15 Ministries and Departments have also appointed their nodal officers. The list of Ministries / Departments who have appointed their nodal officers is placed at **Annexure - III** and the list of nodal officers appointed by CPSUs is at **Annexure – IV**.

Several CPSUs raised various queries regarding implementation of this policy. These queries were answered and simultaneously posted on the website www.dcsmse.gov.in, Public Procurement Policy MSE-2012 as FAQ.

Status:

The FAQs are placed at **Annexure – V**.

- (iii) To collect from the PSUs and the Government Departments, their procurement profile and, wherever available the procurement profile as well as product profile from micro and small enterprises (MSEs) and procurement profile from the MSEs owned by SC / ST owners. Till now 54 PSUs have given more than two lakh products from vendors;

Status:

13 Ministries / Departments have responded till now about their data. Out of the 179 functional CPSUs, 108 CPSUs have responded with their procurement data.

- (iv) To organize Vendor Development Programmes across the country, to bring the CPSUs / Government Departments together with vendors on the same platform. Last year, the Office of DC (MSME) organized a total of 345 National and

State Vendor Development Programmes. In addition, NSIC a Public Sector Unit of Ministry of MSME has also organized Vendor Development Programmes for MSEs in the year 2012-13 in which 167 SC / ST entrepreneurs participated .

- (v) To create an IT enabled data base which would enable the CPSUs to identify suppliers in the MSE universe for their specific product (the product profile ranges from various simple components to complex engineering assemblies).

This would enable breaking down of the silos from demand side, so that CPSUs can add their existing data base of vendors to include other MSE suppliers;

- (vi) To develop a software which would enable a CPSU to locate suppliers of a product across the country and the suppliers to locate the purchasers amongst CPSUs for their products;

Status:

The SRS of the software was prepared and is placed at **Annexure – VI**. The software has been developed and is now in trial phase.

- (vii) To identify a complete, drill down detailed product profile procurement from 25 identified largest procurers, evaluate their current procurement details, study their current procurement norms and mechanisms to strategize on increasing their vendor base. Professionals were engaged (M/s.Centennial Development Advisory Services (CDAS) India Ltd.) who engaged with the identified CPSUs.

Status:

The first report has been received and is annexed at **Annexure – VII**.

- (viii) To put in place a system for steep and credible capacity rating of vendors, and built it into a data base mentioned above (at v) to enable CPSUs and Central Government Departments to reach out to various vendors of the same product.

Status:

The Scheme is under development and would be put up for SFC approval shortly.

Areas of concern:

- (i) There is obvious resistance to change. The policy challenges the domain of the Vendor Development arm of the CPSU. This resistance can be overcome only by persistence from the Ministry of MSME along with a top to down pressure from the Head of the CPSU and their Administrative Ministry.
- (ii) The problem of incompleteness of data from CPSUs has also been noticed.
- (iii) Most CPSUs do not have a sub-category of SC / ST entrepreneurs in their vendor format. Only 31 CPSUs reported that their procurement data and procurement requirements have been uploaded. This list is placed at **Annexure – VIII**. Others have not responded.
- (iv) Railways are one of the largest procurement agencies in the country. They have not come on board for the procurement policy as yet, in spite of the best efforts. They have also put in

place respective policies such as decentralized security deposits or performance security deposits which effectively ensure that micro and small enterprise cannot participate in tenders which come out.

In conclusion, Ministry of MSME through Office of the Development Commissioner, MSME has been making an intensive effort to implement a Public Procurement Policy. This policy provides for a very welcome market for the micro and small enterprises for their products. It would also enable them to upgrade themselves technically and the Ministry is sanguine that the goals mentioned in the policy would be attained well within time.
