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Government of India
Ministry of Micro, Small and Medium Enterprises (MSME)
Office of the Development Commissioner (MSME)
(NB & AC Division)

7th Floor, "A" Wing
Nirman Bhawan, New Delhi – 108
Dated 16th October 2007

Subject: Minutes of the second meeting of the National Board for Micro, Small and Medium Enterprises (NBMSME) held on 18th September 2007 (Tuesday), New Delhi at 1100hrs.

A copy of the minutes of the second meeting of the National Board for Micro, Small and Medium Enterprises (NBMSME) held on 18th September 2007 (Tuesday) in Vigyan Bhawan Annexe (Committee Room No. 'A'), New Delhi (together with Hindi version) is enclosed.

Encl.: a/a

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(Jawhar Sircar)
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To

- 1. All the Members, NBMSME**
- 2. Chairman KVIC/Chairman Coir Board/CMD NSIC**
- 3. Special invitees [(i) Sh. Vinod Rai, Secretary (Financial Services) M/o Finance, Government of India; (ii) Sh. L.D. Jha, Secretary (Industries), Government of J & K; (iii) Dr. R.V. Singh, Secretary (Planning), Government of Orissa; and (iv) Sh. Ram Krishna, IAS (Retd.), H.No.3/315, Vishal Khand - III, Gomti Nagar, Lucknow (U.P.)]**
- 4. AS&FA/EA/JS(PK)/JS(SKP)/JS&ADC/ADC(Plg)/ADC&EA/IA(SMA)/AEA/AIAs / JDCs**

MINUTES OF THE SECOND MEETING OF THE NATIONAL BOARD FOR MICRO, SMALL & MEDIUM ENTERPRISES (NBMSME) HELD ON 18 SEPTEMBER 2007 AT 11:00 A.M. IN THE CONFERENCE ROOM, VIGYAN BHAWAN ANNEXE, NEW DELHI

The second meeting of the National Board for Micro, Small & Medium Enterprises (NBMSME) constituted vide Notification No. SO 766(E) dated 15.05.2007 was held in the Conference Room, Vigyan Bhawan Annexe, New Delhi on 18 September 2007. The list of participants is at **Annex-‘A-1’**.

2. In his opening remarks, the Minister (MSME) welcomed the participants on the occasion of the second meeting of the NBMSME. He highlighted the fact that during the first meeting of the National Board held on 20 June 2007, certain issues for the promotion and development of micro and small enterprises notably relating to the credit availability had been focused on. He added that the Agenda Note sent to Members included an Action Taken Report (ATR) on major decisions taken during the meeting and issues raised by the Members. He informed that for the second meeting of the National Board, a topic of great relevance to the micro and small enterprises has been chosen, which is related to the according of preference in procurement of goods produced and services rendered by the micro and small enterprises in purchases made by the Government of India through its Ministries, Departments and Central Public Sector Undertakings. He stated that marketing is a major issue of concern to the micro and small enterprises and that preference in purchases by the Government is extended in many countries of the world, including the United States of America. He explained that currently we have a Purchase and Price Preference Policy for micro and small enterprises, which is non-statutory. He added that many of the Associations and micro and small enterprises have

been complaining that some of the Central Public Sector Undertakings do not follow this policy whole-heartedly. He informed that Sector 11 of the Micro, Small and Medium Enterprises Development Act, 2006 enables the Central Government and the State Governments to frame such policies for procurement preference for micro and small enterprises. Accordingly, a draft policy has been attempted for consultation with the stakeholders. He added that the proposed draft policy includes special provision for enterprises owned by the disadvantaged section of the society.

3. Commencing the meeting, Member Secretary briefed the Members with the Minutes of the first meeting of the NBMSME held on 20 June 2007 circulated on 12 July 2007. He added that since no suggestions were received from any of the Members seeking amendments to the Minutes, the same may be treated as final. However, Mr. Joginder Kumar, President, Federation of Tiny & Small Industries (FOTSI) stated that in Decision No. 2 (at Page 1 of the Minutes), the word 'Micro' in SME needs to be inserted. He emphasized the point that the overwhelming majority of micro enterprises should not be left out of the purview of the NBMSME. Mr. Raksh Pal Abrol, President, Bombay Small Scale Industries Association, also raised the problem of the State Government of Maharashtra not issuing acknowledgement for Entrepreneurs Memorandum Part-II without production of NOC from the Pollution Control Board. With the support of several other Members including the Presidents of IIA, AICOSMIA, Shri Devi Dayal and others, it was decided that Members who want to comment on the Minutes might send in their comments within two weeks for necessary changes. Minister (MSME) accepted the suggestion of the President of CITU, Mr. M.K. Pandhe that the next meeting of the

NBMSME would be held for a longer duration with a forenoon and an afternoon session so that the agenda could be discussed threadbare.

4. On the request of Member Secretary, JS&ADC made a power point presentation (**Annex-‘A-2’**) on the Draft Policy for Procurement Preference under Section 11 of the MSME Act, 2006 for the consideration of the NBMSME.

5. Vice Chairperson (Member, Planning Commission), Dr. Syeda Hameed, complimented the Minister (MSME) on the thoroughness of the Action Taken Report (ATR) received with the Agenda and the timely calling of the meeting of the NBMSME within three months of the first meeting. She reiterated the commitment of the Planning Commission in supporting the Ministry of MSME towards the promotion and development of MSMEs for attainment of faster and more equitable growth during the XI Five Year Plan, during which, she confirmed, the budgetary allocation for the Ministry of MSME would be higher than the earlier allocations during the X Five Year Plan. She complimented the Minister (MSME) for selecting the topic of procurement preference for MSEs during the second meeting of the NBMSME. She emphasized the role played by the MSEs towards the development of the economy. She added that the MSEs do not seek any compromise on quality for their procurement by the Government agencies. Complimenting the Ministry of MSME for proposing reservation for disadvantaged sections of the society including the enterprises owned/managed by Scheduled Castes, Scheduled Tribes and women, she requested the Minister to consider reservation for enterprises owned by minorities, in line with the Prime Minister’s declared programme and the Sachar Committee’s recommendations. She requested for upscaling the proposed

10 per cent reservation in purchases from enterprises owned/managed by women, if possible, to underline the commitment of the Government to gender equality.

6. The Chairman, Coir Board, Mr. A.C. Jose welcomed the introduction of a statutory policy for procurement preference for MSEs. He was of the opinion that the policy should be extended to the States as well, since the States do not come forward to support procurement preference to MSEs. Referring to the issue relating to the initial hesitation on the part of large purchase organizations like Railways, Communications, etc., he was of the opinion that such Ministries/Departments/purchasing agencies cannot avoid the issue by saying that it is complicated in nature. He advised that the Development Commissioner should advertise the issue for fulfilling the requirement of the Ministry of Defence and the automobile sector where the Micro and Small Enterprises can provide quality material for purchase. He also observed that while the Central Public Sector Undertakings have a price preference available to them, such price preference should also be extended to the Micro and Small Enterprises in the proposed policy. He went a step further to state that the large Central Public Sector Undertakings actually do not require price preference.

7. Minister of Rural & Small Scale Industries, Government of Tamil Nadu, Shri Pongalur N. Palanisamy, complimented the Minister (MSME) on the initiative. He added that the Government of Tamil Nadu would shortly announce a new policy for the promotion of Micro and Small Enterprises, which inter alia, would include capital subsidy in backward regions, etc. He informed that Tamil Nadu Government is contemplating to enhance the development of MSEs to higher level, as growth of MSMEs contributes significantly to the GDP, employment generation and export both at

the State and National level. He added that the Tamil Nadu Government offers preference to Micro and Small Enterprises. He added that the Tamil Nadu Government has also enacted a Transparency Act of 1998/2001, which besides offering 100 per cent transparency, allows 15 per cent price preference. The State legislation ensures that a representative of the Commerce and Industry Department is a Member in all the Screening Committees of the different Departments to represent the voice of Micro and Small Enterprises. He added that 13 per cent of the country's Micro and Small Enterprises (highest in the country) numbering about 5.42 lakh with an investment of Rs.17356 crore in plant and machinery and providing employment to 37 lakh persons are functioning in Tamil Nadu. He stated that the 15 per cent price preference available under the existing policy of Government of India should be continued. He appreciated the proposal for extending 20 per cent reservation for Government procurement from MSEs. He further complimented the draft proposal for reservation provided for enterprises owned/managed by SCs/STs and women. While appreciating the effort of fixing 20 per cent reservation for MSEs out of the annual procurement and sub-target for SCs/STs and women, he suggested to increase the reservation upto 35 per cent with 10 per cent sub-target allocated for the first time supplier. He added that registration with NSIC should not be the sine qua non for offering these benefits to Micro and Small Enterprises. According to him, this restriction would bring in another form of Inspector Raj.

8. Minister Incharge of MSME, Government of Gujarat, Shri Anilbhai Patel, while complimenting the Minister (MSME) for calling this meeting on the subject cited in the Agenda, stated that the 15 per cent price preference extended in the currently prevalent

policy need not be obliterated. He was of the view that this percentage of price preference may not be static and could vary from 5 to 15 per cent to enable Micro and Small Enterprises to compete with large units. He also stated that registration with the NSIC should not be mandatory and that registration with States identified agencies should also be equivalent for the purpose. He added that while the draft policy provides reservation for SCs, STs & women, it does not provide for reservation for OBCs. On the issue of making 20 per cent of the Government purchases from Micro and Small Enterprises, he was of the view that the Government policy should go a step beyond and provide for reservation for procurement from MSEs by large suppliers to the Government to the extent of 10-20 per cent as provided for in Federal Procurement for Small Business in USA. He was of the view that e-procurement could also be beneficial for MSEs. He suggested that exemption from all kinds of security deposits may not be granted and that 50 per cent of the normal deposit may be emphasized for tenders of size exceeding Rs.5 crore or 10 crore, to ensure that the supplier MSE is committed for timely supply. He was of the view that the State Governments could refine the implementation of the policy further in the respective States. He further communicated his view that while the reserved items could be deleted, MSEs could be extended price preference to prevent them from being ejected altogether by large enterprises. He was also of the view that consortia/federations of Micro and Small Enterprises should also be offered same benefits for procurement by the Government as Micro and Small Enterprises. He added that while it would be difficult for NSIC to register service enterprises, the Government could provide for large contractors, for example working for the NHAI, to ensure that 20 per cent of their sub-suppliers/sub-contractors are from Micro and Small Enterprises. He

also suggested that the next meeting of the NBMSME should again focus on the issues relating to availability of credit to MSEs.

9. The President of Centre of Indian Trade Unions (CITU), Mr. M.K. Pandhe referred to the need to evaluate and ascertain the reasons why the present price preference policy is being violated. It could be because of the fact that it is non-statutory, but other reasons need to be ascertained. He added that in the current phase of liberalization and globalization, the Micro Enterprises have suffered the most and need to be assisted by the Government. The waiver of quantity restrictions and lowering of tariff barriers and the placing of most of the items on OGL has hurt the Micro Enterprises the most. He referred to the fact cited in the presentation that the database relating to purchases from Micro and Small Enterprises is very weak. He was of the view that since the DGS&D has procured 56 per cent of its total purchases from the Micro and Small Enterprises last year, the Government need not restrict the percentage of purchases from the MSEs to only 20 per cent of the purchases as proposed. He was of the view that the reservation of the products proposed in the earlier policy should be continued and made statutory. He suggested caution while proposing reservation for women owned/managed enterprises on the grounds that in the name of women entrepreneurs large industries should not corner benefits of the proposed policy. He also proposed the extension of similar benefits to co-operative societies, etc.

10. Dr. J.S. Juneja from PHD Chamber of Commerce & Industry (PHDCCI) complimented the Draft Policy for Procurement Preference and made two suggestions – (i) addition of ‘quality’ in addition to ‘quantity’ and (ii) continuing the reserved list for two years and then analyzing the impact of the proposed policy. He also requested for

holding a meeting of the NBMSME on marketing issues. He also requested the Minister of MSME to constitute the Technology Mission expeditiously, as promised in the Package for Promotion of Micro and Small Enterprises announced by him in the Parliament.

11. Shri Devi Dayal expressed his opinion that instead of effecting purchases to the extent of 20 per cent from the products manufactured by the MSEs by each Ministry/Department/CPSU as proposed in the draft policy, the prescription should be 100 per cent or a minimum of 50 per cent of the products manufactured by MSEs. Agreeing with the recommendation of the Vice Chairperson, he recommended the inclusion of 10 per cent reservation for enterprises owned/managed by minorities. On price preference, he expressed his view that the 15 per cent price preference in the existing policy should be retained, even if 50 per cent of the order is to be given at this higher price to the MSE concerned. He also proposed the retention of the items reserved for manufacture by the Micro and Small Enterprises. He also expressed his view that in addition to the suppliers like NSIC, all registered societies, Industrial Co-operatives or registered industrial societies should be included in the list of beneficiaries. On the question of accountability, he was of the view that in addition to the mandatory disclosure in the Annual Report, a Regulatory Authority could be constituted with a provision for penalty for violation. He also wanted the proposed policy to delineate the benefits to be extended to the 'supplier' equivalent to the CPSUs, in greater detail. He also expressed the desire to provide higher representation to Micro Enterprises in exhibitions, both international and domestic, as against the preponderance of the Small

Enterprises, which avail the facility of exposure. He was also of the view that Ministry should organize domestic exhibitions not only in Delhi and other metropolitan cities but in Track II and smaller towns.

12. Shri Praveen Sadana from Indian Industries Association (IIA) welcomed the proposed deletion of the minimum turnover limit prescribed by some of the purchase agencies. However, he cautioned that other surrogate limits like technical conditions prescribing minimum previous supplies, etc., should also be deleted. He was also of the view that a specific percentage of the overall 20 per cent purchase from MSEs could be reserved only for Micro Enterprises.

13. Mr. A.P.M. Abdul Rahim, President, Kerala State Small Industries Association (KSSIA), stated that the State of Kerala has no purchase preference policy from MSEs and that a mandatory policy needs to be promulgated for them.

14. Ms. Revathi Venkatraman, Secretary, Association of Women Entrepreneurs of Karnataka (AWAKE), informed that Associations of women entrepreneurs are seldom informed about the organization of exhibitions or marketing incentives or facilities provided by the Government. She expressed the desire that a specific policy for promotion and development of enterprises owned by women entrepreneurs also needs to be announced.

15. The representative of Bengal National Chamber of Commerce & Industries (BNCCI) expressed his view that the 358 items reserved for exclusive purchase from Micro and Small Enterprises are relevant for self-employment, like naphthalene balls, etc. He expressed the view that these items should be retained for some time to come.

16. Shri G.P. Dalmia, President, Jharkhand Small and Tiny Industries Association, expressed his view that none of the existing facilities offered in the present policy should be withdrawn, particularly the policy of reservation. He emphasized that since Dr. S.P. Gupta Study Group had recommended purchase to the extent of 33 per cent from Micro and Small Enterprises, the current proposal of reserving 20 per cent is repugnant to the earlier Report. He was of the view that even after giving a statutory status to the proposed policy, without a machinery for its implementation, the Micro and Small Enterprises would need to approach the Courts day in and day out for enforcement. He advocated the retention of the reserved items, particularly after the de-reservation of most of the items reserved for exclusive manufacture. He added that many of the States have still not constituted the Micro and Small Enterprises Facilitation Centres (MSEFCs) and that Minister of MSME should write to the Ministers in State Governments for expeditious constitution.

17. The representative of the Madhya Pradesh Laghu Udyog Sangh was critical of the fact that only about 2000 units out of the large universe of Micro and Small Enterprises in India are able to get the benefit because of the low registration of MSEs with NSIC. He also expressed caution that while the proposed deletion of turnover limits is a welcome step, purchasing agencies increasingly refer to preference guarantees to circumvent such provisions. To take care of such problems, he advocated the preparation of a draft tender document deleting any special condition, which could be followed by all purchase organizations. He also cited the fact that purchase organizations ask for sundry deposits like electronic signatures charges, etc., from Micro and Small Enterprises and not only the earnest money deposit. He emphasized the fact that the Micro and Small Enterprises

do not need any price preference but require the Government to implement its policy scrupulously. He also requested the Minister of MSME to have Open House sessions in each State to popularize the policy and to ask the Micro and Small Enterprises to avail of its benefits.

18. Mr. De. Ramakrishnan, President, Industrial and Financial Reconstruction Association for Small and Tiny Enterprises (IFRASTE), proposed that the policy of procurement preference should indicate 35 per cent of the purchases from MSEs instead of the proposed 20 per cent. He was of the view that the reservation of 22.5 per cent and 10 per cent for SC/ST or women owned/managed enterprises respectively should not lapse and that in the absence of available MSEs it could be offered to the others. He advocated the continuation of price preference of upto 15 per cent. He also expressed his view that the transparency requirements outlined in CVC guidelines should not pose a problem for offering price preference to MSEs. He reiterated the view of other participants to state that State Industrial Development Corporations, etc., should also be allowed to register MSEs in addition to NSIC. While advocating the promulgation of a Transparency in Tenders Act, he expressed his view that only manufacturing/service enterprises should be allowed to avail the benefits of the policy and not traders, etc. He also negated the views of large buyers organizations like Railways, Ministry of Communications, etc., that MSEs might not be able to quality products within the specified time. He was of the view that the purchase figures approved by DGS&D for last year expressing 56 per cent purchases from MSEs seem to be an aberration and that in reality in most of the purchase organizations this does not happen.

19. The Commerce Secretary, Shri G.K. Pillai welcomed the proposed policy and said that the Department of Commerce would whole-heartedly support it. He, however, suggested that when the policy paper is circulated, it could clarify the following issues:-

- (i) While citing the minimum purchase of 20 per cent, the products/services manufactured/rendered by MSEs would need to be specified since some of the purchase/procurement agencies like Food Corporation of India or the State Trading Corporation might not be able to fulfill this stipulation.
- (ii) Unnecessary categorization would also need to be avoided to have a simple policy that could be well understood by the perspective beneficiary and the implementing agency.
- (iii) The definition of enterprises owned and/or managed by specified categories needs to be very clearly defined to avoid any misuse or diversion.

He added that specific conditions in the proposed policy could be incorporated in the rate contracts of DGS&D also for effective implementation.

20. Secretary, Ministry of Labour & Employment, Mrs. Sudha Pillai, while stating that the proposed policy has no labour related issues, suggested that the State Governments' Secretaries, Incharge of Store Purchase Departments, need to be specifically addressed to ensure that non-refundable charges, etc., are not asked from MSEs. She also advocated the incorporation of their policy stipulations in DGS&D guidelines as well.

21. Additional Secretary, Department of Revenue, Shri K. Mohandas, while expressing support to the proposed policy, suggested that caution needs to be exercised

while proposing reservations for enterprises owned/managed by specific categories to prevent the misuse of the offered facilities in the special dispensation.

22. Shri Rama Kant Bhardwaj of Laghu Udyog Bharti stated that the ancillaries developed by PSUs in backward areas should be deemed to have been registered under the Single Point Registration Scheme of the NSIC. He was of the view that now PSUs have made it mandatory to re-tender after 3 to 5 years. He expressed his view that the ancillaries developed by the PSUs should be allowed 15 per cent price preference for 50 per cent of the order for about one year before such instructions are followed by the PSUs.

23. Ms. Rama Devi, President, Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP) pointed out that CPSUs are not paying heed to MSEs in their tenders. She was of the view that safeguards should be created for the MSEs by drafting a single tender with total transparency. She also advocated paying greater attention towards Micro Enterprises located in rural areas in Government procurement.

24. The representative of North East Women Entrepreneurs Association (NEWEA) advocated that the geographical condition of the North East region should be kept in mind in the proposed policy and that Tea industry should also be taken care of. She cited the vast havoc caused by the floods in Assam to emphasize the point that natural disasters and difficult terrain leave the enterprises located at North East at a tremendous disadvantage.

25. Shri M.C.R. Shetty, President, Karnataka Small Scale Industries Association (KASSIA) expressed his Association's view that the DGS&D should have a special cell for promotion of Micro and Small Enterprises and the inclusion of a separate chapter on

purchases from MSEs by the DGS&D. He advocated that the proposed policy, besides being mandatory for all Government of India organizations, should also be made mandatory at the State level.

26. The representative from CII cited that it advocates the purchase policy for companies and is also taking steps for affirmative action. While expressing support for the proposed policy, she advocated the improvement of marketing components including promotion of branding, etc.

27. Shri Rakshpal Abrol, President, Bombay Small Scale Industries Association, cited the fact that registered number of units with NSIC is very low and the coverage needs to be improved. He also expressed the desire that the policy should cater to the requirements of Micro Enterprises as well.

28. Member Secretary, thanking the Members for their valuable observations, stated that the Minutes on Agenda No. 2 would be grouped according to issues – not verbatim.*

29. Concluding the meeting, Minister of MSME thanked the participants for their views on the proposed policy and added that the Government could take on board their views while proposing a policy for consultation with other Ministries/Departments of the Government of India. He also announced that the meetings of the NBMSME in future would be for a longer duration covering two extensive forenoon and afternoon sessions.

30. The meeting ended with thanks to all present.

* - It would find reflection in ATN/ATR.

LIST OF PARTICIPANTS

No.	Name, designation and address
1.	Shri Mahabir Prasad, Hon'ble Minister of MSME, GoI, Udyog Bhawan, New Delhi
2.	Dr. Syeda Hameed, Member, Planning Commission, Yojana Bhawan, New Delhi
3.	Shri A.C. Jose, Chairman, Coir Board, Kochi, Kerala
4.	Shri Pongalur N. Palanisamy, Minister of Rural & Small Scale Industries, Govt. of Tamilnadu, Secretariat, Fort St. George, Chennai – 600009.
5.	Shri Rajeev Ranjan, Commissioner (Ind.) Govt. of Tamilnadu.
6.	Shri Anilbhai Patel, Minister Incharge of MSME Sachivalaya, Gandhi Nagar (Guj)
7.	Shri Atanu Chakraborty, Secretary (Industries), Government of Gujarat.
8.	Shri H. S. Pabla, Additional Secretary (Ind.), Govt. of Punjab
9.	Shri M. Iftikharuddin, Commissioner cum Director of Industries, Govt. of UP
10.	Shri K. Mohandas, Additional Secretary (Revenue), North Block, New Delhi
11.	Shri Gopal Krishna Pillai, Secretary Deptt of Commerce, Government of India
12.	Smt. Sudha Pillai Secretary, MoL&E, Shram Shakti Bhawan, New Delh
13.	Shri R. C. Ray, Advisor (L&E), MoL&E, Shram Shakti Bhawan, New Delhi
14.	Shri S. S. Acharya, Executive Director, NABARD, Mumbai.
15.	Shri G. S. Menon, Chief General Manager, NABARD, Mumbai
16.	Shri R. M. Malla, CMD, SIDBI, 15, Ashok Marg, Lucknow.
17.	Shri V. P. Sharma, Indian Banks Association, Mumbai
18.	Shri H. R. Khan, Regional Director, RBI, Mumbai
19.	Shri Surjit Kumar, Dy. D.G. O/o DG S&D, New Delhi
20.	Shri I. S. Garg, Addl. D.G. O/o DG S&D, New Delhi
21.	Ms. K. Rama Devi, President, Association of Lady Entrepreneurs of Andhra Pradesh, H.NO.8-2-677/B/1. Road No.12. 3rd Right, Beside Banjara Castle, Banjara Hills, Hyderabad-500034
22.	Ms. Revathi Venkatraman, Secretary, Association of women Entrepreneurs of Karnataka (AWAKE), No-B-76, behind KSSIDC Office, Industrial Estate, Rajajinagar, Bangalore –44
23.	Ms. Kiron Bora, North East Women Entrepreneurs Association (NEWEA), Red Cross Road, Sibsagar, Assam-785640
24.	Shri G.P.Dalmia, President, Jharkhand Small and Tiny Industries Association, Shaheed Ashram Road, Baidyanath, Deoghar, Jharkhand – 814112
25.	Shri Joginder Kumar. President, Federation of Tiny & Small Industries, B-189 Industrial Estate, Ludhiana (Punjab)
26.	Shri Sudarshan Sareen, President, All India Confederation of small & micro industries associations (AICOSMIA), DCM buliding, 11th floor, 16, Barakhamba Road, New Delhi-110001
27.	Shri M. C. R. Shetty, President, Karnataka Small Scale Industries Association (KASSIA), 2/106, 17th Cross, Magadi Chord Road, Vijayanagar, Bangalore-560040

28.	Shri Raksh Pal Abrol, President, Bombay Small Scale Industries Assn. Madhu Compound, 2nd Floor, Sonawala Cross Road No.2, Goregaon (E), Mumbai-400063
29.	Shri Atul D. Kapasi, President, Gujarat State Small Industries Federation, 4 th Floor, 407, Nirman House, Near Times of India, Ashram Road, Post Box no. 4215, Ahmedabad – 380009
30.	Shri Radha Sharan Goswami, President, Madhya Pradesh Laghu Udyog Sangh, E-2/30, Mahavir Nagar, Bhopal-462023
31.	Shri A.P.M. Abdul Rahim, President, Kerala State Small Industries Association, Veekay Towers, 2nd floor, Beerankunju Road, Cochin-682018
32.	Shri Praveen Sadana, President, Indian Industries Association, IIA Bhavan, Vibhuti Khand, Phase-II, Near Apna Bazar, Gomti Nagar, Lucknow – 226010
33.	Shri DE. Ramakrishnan, President, Industrial and Financial Reconstruction Association for Small and Tiny Enterprises (IFRASTE),Paramount Gardens, Arcot Road,Saligramam, Chennai-600 093
34.	Shri K. K. Navada, Sr. Vice President, Bengal National Chamber of Commerce & Industries, 23 Sir R. N. Mukherjee Road, Kolkata-700 001.
35.	Shri S. Rajagopal, President, Federation of Association of Small Industries of India (FASII), Laghu Udyog Kuteer, 23/B/2, Guru Govind Singh Marg, New Rohtak Road, New Delhi – 110005
36.	Shri Ajoy Borthakur, Chairman, MSME Committee, FINER, Shahid Dilip Chakraverty path (Behind Ice factory), R.G.Baruah Road, Guwahati- 781005
37.	Shri R. K. Bharadwaj, Laghu Udyog Bharti (LUB), 1E/11, Swami Ram Tirath Nagar,Jhandewalan Extn.,New Delhi-110055, Tel: 011-23625064
38.	Ms. Sarita Nagpal, Dy. Director General, CII, New Delhi.
39.	Dr. J. S. Juneja, PHD Chamber of Commerce & Industry, PHD House, 4/2,Siri Institutional Area, August Kranti Marg, New Delhi-110016
40.	Shri Devi Dayal, IAS (Retd.), B-192A, Sector-44, Noida (UP)
41.	Shri Ram krishna, IAS (Retd.), Vibhuti Khand – III, Gomti Nagar, Lucknow.
42.	Shri M. K. Pandhe, President, Centre of Indian Trade Union, Central Office B T Ranadive Bhawan, 13-A Rouse Avenue, New Delhi - 110 001
43.	Shri Jawhar Sircar, Additional Secretary & Development Commissioner (MSME), MoMSME, GoI, Nirman Bhawan, New Delhi
44.	Shri N. Gokulram, AS & FA, Ministry of MSME, Udyog Bhawan, Government of India
45.	Shri S. K. Sinha, Director, NSIC Bhawan, Okhla Industrial Area, New Delhi
46.	Shri Pravir Kumar, Joint Secretary (MSME), Udyog Bhawan, New Delhi
47.	Shri Sesh Kumar Pulipaka, Joint Secretary (MSME), Udyog Bhawan, New Delhi
48.	Shri R. K. Manchanda, Economic Adviser, Ministry of MSME
49.	Shri P. K. Padhy, Additional Development Commissioner & Economic Adviser, Office of the Development Commissioner (MSME), Ministry of MSME, Government of India
50.	Shri Sanjeev Kaushal, Joint Secretary & Additional Development Commissioner, Office of the Development Commissioner (MSME), Ministry of MSME, Government of India

51.	Shri S. M. Ahuja, Industrial Advisor, Office of the Development Commissioner (MSME), Ministry of MSME, Government of India.
52.	Shri C. K. Vishwanathan, Addl. Industrial Advisor, Office of the Development Commissioner (MSME), Ministry of MSME, Government of India
53.	Shri Praveen Mahto, Additional Economic Adviser, Office of the Development Commissioner (MSME), Ministry of MSME, Government of India
54.	Shri B. K. Sinha, Joint Development Commissioner (MSME), Office of the Development Commissioner (MSME), Ministry of MSME, Government of India
55.	Shri Niranjan Naik, Additional Industrial Advisor, Office of the Development Commissioner (MSME), Ministry of MSME, Government of India
56.	Shri Satish Chander, Addl. Industrial Advisor, Office of the Development Commissioner (MSME), Ministry of MSME, Government of India
57.	Shri Rajpal, Director (MSME), Udyog Bhawan, New Delhi
58.	Shri Rajat Bansal, Director, Ministry of MSME, Udyog Bhawan, New Delhi
59.	Shri A. Ganguly, Dy. Secretary, Ministry of MSME, Udyog Bhawan, New Delhi
60.	Shri B. N. Singh, Director (NB&AC), Office of the Development Commissioner (MSME), Ministry of MSME, Government of India
61.	Shri Deepak Goyal, Director, O/o DC-MSME, New Delhi
62.	Shri S. Muthusamy, Director, O/o DC-MSME, New Delhi
63.	Shri Suresh Yadvendra, Director, MSMEDI Okhla, New Delhi
64.	Shri Harish Anand, Director (Pub.), Office of the Development Commissioner (MSME), Ministry of MSME, Government of India
65.	Shri R. R. Sharma, ZGM, NSIC, Okhla, New Delhi
66.	Dr. Avinash kumar Mishra, Pr. Resident Commissioner, Govt. of Arunachal Pradesh.
67.	Shri Anil K. Mohan, GM, NSIC Ltd., Okhla, New Delhi
68.	G.P. Borah, DGM, RBI, Mumbai

**DRAFT POLICY OF THE GOI FOR
PROCUREMENT PREFERENCE
UNDER SECTION 11 OF THE
MSMED ACT, 2006**

Present Policy:

Facilities extended to MSEs by GOI Ministries/Departments/CPSUs :

- (i) Issue of tender sets free of cost, exemption from payment of earnest money, waiver of Security Deposits up to the monetary limit for which unit is registered with NSIC;**
- (ii) Price preference of up to 15% over the quotation of large scale units;**
and
- (iii) Reservation of 358 items for exclusive purchase from SSI sector.**

Need For A New Policy

- The present policy is non-statutory in nature.
- Some of the Departments, CPSUs, etc., do not adhere to the provisions of this policy wholeheartedly.
- The state governments follow different policies (and some do not indicate such preferences) for procurement preference for MSEs.
- The current policy does not indicate any preference for the services rendered by MSEs in government procurement, nor for disadvantaged MSEs.
- Price preference is seldom extended.
- Database of purchases from MSEs very weak

Legal Framework for New policy:

Section 11 of Micro, Small and Medium Enterprises Development (MSMED) Act-2006

“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.”

Draft Procurement Preference Policy

I. 20% of annual value of purchases from MSEs

- The Central Government Ministries, its departments, its aided Institutions and Public Sector Enterprises to procure at least 20% of the value of their total annual purchases from MSEs for the products or services produced and provided by such enterprises or other suppliers (as defined in Section 2 (n) of the MSMED Act, 2006).

II. Reservation for Disadvantaged (SCs/ STs/ Women)

- At least 22.5% of the value of total annual procurement of goods and services from MSEs to be procured from MSEs owned/managed by Scheduled Castes/ Scheduled Tribes.
- At least 10% of the value of total annual procurement of goods and services from MSEs to be procured from MSEs owned/managed by women.

III. Preference for Quality Certification

- Other factors like quality, pricing and product specifications remaining the same, the micro and small enterprises holding the Quality Certification from approved certifying authorities like ISI mark, and ISO-9000 certification to be given preference over other MSEs for placing orders.

IV. Preference to MSEs on Price Matching

- MSEs quoting price higher (up to 15%) than the lowest eligible price bid, to be given preference for procuring at least 50% of the required quantity, in case such enterprise agrees in writing to match the lowest eligible price.

V. Preference to PSUs

- The benefit of Purchase Preference Policy of the Government of India for purchases from Public Sector Undertakings, to be made available to eligible suppliers under this procurement policy.

VI. Single Point Registration Scheme

- The Central Government and the State Governments, its Ministries or Departments, or its aided Institutions and Public Sector Enterprises to extend the following benefits to MSEs registered with NSIC under its Single Point Registration Scheme and to other suppliers as defined in Section 2 (n) of MSMED Act, 2006.
 - Issue of tender sets free of cost,
 - Exemption from payment of earnest money,
 - Waiver of security deposit up to the monetary limit.

VII. General Policies

- Central Government Ministries, its Departments, its aided institutions and Public Sector Enterprises, should confirm in their Annual Reports about the status of compliance of these provisions.
- Eligibility clause of 'minimum turnover limit' not to be imposed by Government buying organizations in the tenders for the procurement of goods or services from MSEs.

VIII. Marketing Promotion & Research Programme

(i) Government to facilitate MSEs for :

- Participation in International & National Exhibitions and Trade Fairs to showcase the technologies of MSEs.
- Organizing Buyer-Seller meets by involving bulk buyers and large companies.
- Holding of intensive campaigns and seminars to disseminate/propagate information about various programmes of the Government

(ii) Promoting export of products produced by MSEs through;

- Identification of markets and product range with potential in international markets.
- Identification of MSEs producing similar projects / products /services.
- Conducting feasibility studies and preparation of project reports.
- Organizing technology expositions abroad, along with relevant machinery and equipment to acquaint the foreign buyers with the capability of Indian MSEs.

(iii) Other measures:

- Development of new products / projects.
- Development of Display Centres and Show Windows for promoting products of micro and small enterprises.
- Preparation and Upgradation of exporters' directories.
- Conducting market research.

Consultation with Stakeholders:

- Draft discussed in a meeting of the Principal Secretaries / Secretaries to the State Governments on 18.10.2006.
- Consultation with the representatives of prominent MSE Associations on 15.03.2007.
- Consultation with the representatives of some Ministries / Departments/Purchase Agencies of GOI on 16.05.2007.

Issues raised by Associations:

- The 358 reserved items should be retained
- The price preference of 15% should be retained
- Effective monitoring & support required

Issues raised by Purchase Agencies:

- Proposal not Practicable—Limited products, Ministries like Civil Aviation, Defence, Railways, etc., may not be able to fulfil the obligatory purchase
- Concerns on quality and reliability of timely supply by MSEs

Other Issues:

- Price matching may run foul of CVC guidelines prohibiting negotiation with anyone except L1
- Poor database
- Fluctuating purchases through DGSD
- Low registration with NSIC
- States support needed
- Definition of MSEs owned/managed by disadvantaged sections needs to be finalised

The National Board for

MSME may consider the

proposed draft

Procurement Preference Policy

Data as per Third Census (2001-02)

	Regd. SSI units	Unregd. SSI units	<u>Total</u>
Women Enterprises	137534 (10%)	926187 (10.13%)	1063721 (10.1%)
Managed by SCs	107934 (7.85%)	943969 (10.32%)	1051903 (10%)
Managed by STs	48560 (3.53%)	474271 (5.18%)	522831 (4.96%)
Managed by OBCs	529406 (38.5%)	3811372 (41.67%)	4340778 (41.26%)
Total	1374974	9146216	10521190

Purchases by DG(S&D) on purchases from MSEs

<u>Year</u>	2002-03	2003-04	2004-05	2005-06	2006-07
SSI	178	202.19	107	933	2113
Large scale Ind.	2083	2337	2405	2120	1610
Total Indigenous	2261	2539.19	2512	3053	3723
% of SSI to total	7.8	7.96	4.66	30.56	56.75