



MSME Umbrella Programme

Policies and Programmes

Volume V

Public Procurement Policy

- **Public Procurement Policy MSE 2012: Handbook for Public Sector Procurers**
- **Enabling effective implementation of Public Procurement Policy for MSE: Status , Challenges and Way forward**
- **MSE Public Procurement Policy: Summary of the Stakeholder Consultation Workshops**

Public Procurement Policy MSE 2012: Handbook for Public Sector Procurers



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Abbreviations:

I. Background and Purpose

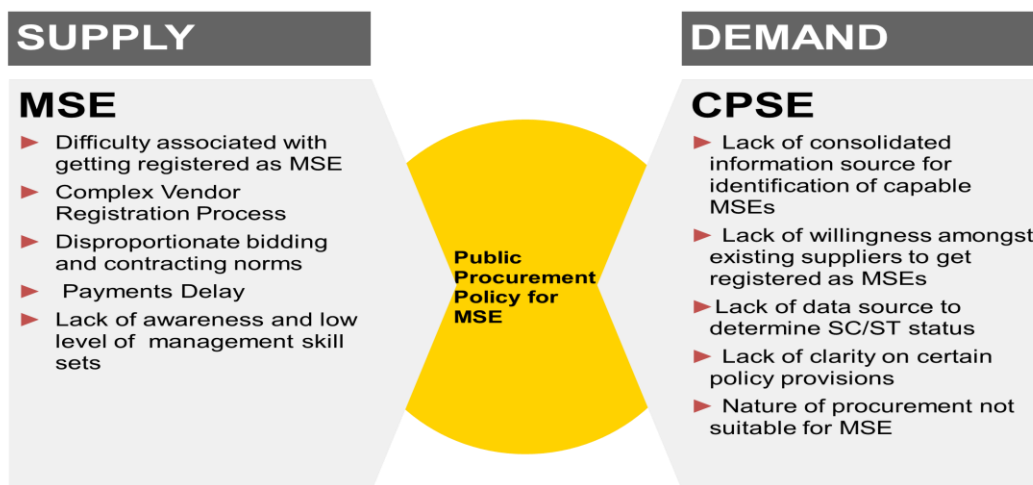
It is estimated that in India (as is the case world-wide), the public procurement market holds significant potential and has strategic importance for the growth of overall economy including the Micro and Small Enterprise (MSE) sector. The Public Procurement policy for MSE 2012 mandates that all the Central Ministries, Departments and Central Public Sector enterprises (CPSE's) shall procure a minimum of 20% of their goods and services from MSEs in FY 2015 and onwards.

An effective implementation of the policy requires a significant build-up of knowledge and institutional capacity, nurtured over time to address the ever growing challenges of public procurement for MSEs, CPSEs and other concerned stakeholders. To enable this, the Office of DC MSME, Ministry of MSME and GIZ who jointly implement the MSME Umbrella Programme (MSME-UP), have initiated technical support for the effective implementation of the Public Procurement Policy for MSEs.

faced currently or likely to be faced in future by CPSEs & MSEs and to deliberate on the way forward to ensure effective implementation of the public procurement policy for MSE's, a total of 25 CPSEs and 5 Central Ministries from diverse industry sectors along with 23 MSE associations were contacted for data collection through questionnaires, personal interactions and written responses. Additionally, a series of half-day consultation workshops were also organized at 6 locations across the country in major metropolitan areas with high concentration of CPSEs and supply side players. An extensive secondary research on national and international best practices to promote procurement from MSE's, was conducted to supplement the findings from primary data collection.

Basis the stakeholder consultations and research, a range of key issues and challenges faced by both sides i.e. MSEs and public sector procurers were identified; as illustrated and outlined below:

In an effort to understand the challenges being



MSEs are small in size and are constrained in managerial capacity. Even the relatively organised MSEs also face the problems related to information asymmetry, complex vendor registration process, short tender notice period, disproportionate qualification criteria and difficulty in meeting certification requirements while accessing the public procurement market. These challenges coupled with the general perception that MSEs are not equipped to offer quality and timely supply to public procurers, limit the accessibility of MSEs to public procurement market.

On the other hand, CPSE's and other public procurement authorities also find it challenging to identify and engage with suppliers in the MSE sector. Many of the procurers are still in the process of developing a sound understanding of the several provisions of the public procurement policy and are accordingly putting in place the most appropriate systems and processes for achieving procurement targets.

This handbook is being prepared for all the concerned stakeholders responsible for managing procurement (strategy and execution) within central ministries, departments and CPSEs. The handbook aims at enhancing the understanding of the policy provisions and offers practical suggestions and recommendations to improve the procurement systems and processes of the concerned CPSEs/Central Ministries/Departments so as to enhance their engagement with MSEs and enable them achieve the 20% procurement target. As explained earlier, these suggestions and recommendations have been developed basis the inputs from several stakeholder consultations (MSE, CPSE representatives, industry associations) and review of national and international best practices.

It is envisaged that this handbook will serve as a guide for all the relevant demand side entities which are impacted by the public procurement notification and guide them in achieving their targets.

II. Introduction to Public Procurement Policy for MSE 2012

The Public Procurement Policy for Micro and Small Enterprises was notified in March 2012 and the notification is available on www.dcmsme.gov.in. The Policy is mandatory as notified under the MSMED Act 2006. Some of the important elements of the policy are presented in this section for immediate reference.

Principle

The Policy rests on the core principles of competitiveness, adhering to sound procurement practices and execution of orders for supply of goods / services in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

Procurement Goal

Every Central Ministry / Department / PSE has to set an annual goal for procurement from MSEs at the beginning of every financial year, with a view to procure a minimum of 20% of the overall total annual purchases of products produced / services rendered by MSEs in a period of three years. After 3 years, i.e. **from 01. 04. 2015**, overall procurement goal of minimum 20% will become **mandatory**. Of the 20% target of annual procurement from MSEs, a **sub-target of 4%** is earmarked for procurement from MSEs owned by Scheduled Caste (SC) I Scheduled Tribe (ST) entrepreneurs. **It must be noted that this is 4% of total procurement and not 4% out of 20% target.** However, in event of failure of such MSEs to participate in tender process or meet tender requirements and L1 price, 4% sub-target for procurement earmarked for MSEs

owned by SC/ ST entrepreneurs can be met from other MSEs.

All expenditure incurred on purchases, whether capital (on fixed assets) or revenue (recurring) in nature, is to be considered while calculating the minimum amount of demand @20% of total procurement of goods and services to be raised from MSEs. The total procurement would also include all items purchased-indigenous or imported.

Micro and Small Enterprise

Category	Investment in plant and Machinery	
	Manufacturing	Service
Micro	≤ 25 Lakhs	≤10 lakhs
Small	≤ 5 Crore	≤ 2 Crore
Medium	≤ 10 Crore	≤ 5 Crore

The MSEs registered with any of the following six public agencies i.e. District Industries Centers (DICs)/ Khadi & Village Industries Commission (KVIC)/ Khadi & Village Industries Board (KVIB)/ Coir Board/ National Small Industries Corporation / Directorate of Handicrafts and Handloom, or any other body specified by Ministry of Micro, Small & Medium

Enterprises (MoMSME), are eligible under the Public Procurement Policy.

MSEs will be considered as owned by SC/ST entrepreneurs, as per the following definition:

Type of MSE	Criteria
Proprietary	Proprietor is SC/ST
Partnership	SC/ST partners holds at least 51% share of the units
Private limited companies	At least 51% share is held by the SC/ST promoters

Procurement Coverage:

The Public Procurement Policy is applicable to all the Ministries I Departments I and Central PSEs under the Govt of India, irrespective of their volume or nature of procurement. The only exception to this notification is the Ministry of Defence. Defence armament imports are not included in computing the 20% procurement goal for the Ministry of Defence. Further, defence equipment like weapon systems, missiles, etc. are also beyond the purview of the policy. The monitoring of goals set under the policy will be done, in so far as they relate to the Defence sector, by Ministry of Defence itself in accordance with suitable procedures to be established by them.

This policy is strictly restricted to the procurement of **goods produced** and **services rendered** by MSEs alone. It does not include trading activities. The 358 items currently reserved for purchase from the MSE sector will continue to be reserved for MSE.

Requests for exemption:

CPSEs/central ministries/departments may request the Review Committee for exemption in the purchase of goods that are not considered suitable for supply by MSEs. The Review Committee may consider such requests for exemption from the 20% target on a case to case basis and will monitor achievements under the Policy.

Price match-making facility

If the L1 price by a non-MSE is the lowest, participating MSEs quoting a price within a band of L1+15% will be allowed to bring down their price to match L1 price. Such MSEs are allowed to supply up to 20% of total tendered value. In case there is more than one such MSE, the supply will be shared proportionately (to tendered quantity). In case the tender item is non-split-able or non-divisible, an MSE quoting a price within the price band L1+15% may be awarded full or complete supply of total tendered value, if it matches the L1 price.

Earnest Money Exemptions

MSEs must be provided tender sets free of cost, and are exempted from payment of earnest money.

Sub-contracting

Public procurement policy states that “Annual goal of procurement also includes sub-contracts to MSE units by large enterprises and consortia of MSE formed by NSIC”. In case of any such sub-contractual arrangement entered into with an MSE, the payments made on account of the sub-contract to the MSE by the contractor for the

purpose of execution of PSEs' contract will be considered a part of the PSEs' annual procurement expenditure on MSEs.

Subcontracting is an important tool made available under the policy. This provision can be effectively used by procurement authorities to meet its MSE procurement target in a situation where the nature of procurement (turnkey projects, special requirements etc) can be fulfilled only by large companies. To allow flexibility to the procuring agency, the policy has not prescribed any specific roadmap or tool for implementing and measuring MSE procurement through sub contracting mode. Therefore each agency is free to devise its own mechanism. However, adoption of following processes is likely to ensure a systematic approach:

- Identification of procurement area where sub contracting is feasible and practical
- Preparation of Tender / Request for proposal documents: At the time of drafting the bid documents – clauses pertaining to “MSE subcontracting” should be added with full details on “who can be considered an MSE”, “requirement of documentation from main suppliers” etc. In the technical evaluation parameters/criteria – additional points/ weightage can be allotted for inclusion of MSE as subcontractor.
- Monitoring and Reporting: Responsibility of ensuring that subcontractor is MSE
 - ✓ Procurement Potential and annual Procurement Plan

should be allocated to main contractor with clear contractual provisions.

Rate Contracts

Rate contract is an effective mechanism adopted by the many procuring organizations to manage fast procurement process and also to bring in cost reduction. MSE Public procurement policy encourages usage of rate contracts wherever applicable.

Vendor Development Programmes

Limited information, low skill sets, cumbersome registration /bidding/contracting procedures, payment delays are the major access barriers to public procurement market by MSE. Therefore, in addition to the procurement goal, the policy also advises procuring organizations to take actions (vendor development programme, buyer-seller meets, and outreach activities) which enhance MSE's ability to participate in public procurement.

Though, this is being undertaken by most of the organizations in different formats and with varying degree of impact. There is a need for adoption of more systemic approach as mentioned below:

- Enhance coordination between procurement and vendor division
- Well prepared detailed content with experienced resource
- Content should include
 - ✓ Understanding Vendor Registration Processes

- ✓ E procurement and Digital Signature
- ✓ Preparing Bids and Common mistakes made by MSE's
- ✓ Grievance Redressal Mechanism

Monitoring, Review and Grievance Redressal mechanism

Every Central Ministry/departments/PSU is to report goals set with respect to procurement to be met from MSEs and achievement made thereto in their respective annual reports.

A Review Committee has been constituted under chairmanship of Secretary, MSME for the monitoring and review of Public Procurement Policy for MSEs. The Ministry of MSME will review and/or modify the composition of the Committee as and when required.

A 'Grievance Cell' has been set up in the office of DC MSME, Ministry of MSME for redressing grievances of MSEs in the process of Government procurement. This cell would be responsible for all issues pertaining to Government procurement raised by MSEs with Departments / agencies concerned, including imposition of unreasonable conditions in tenders floated by Government Departments / agencies that put MSEs at a disadvantage. The cell is supervised by Director (MA). Contact details are:

Mr. U.C Shukla

Phone: 011-23063363

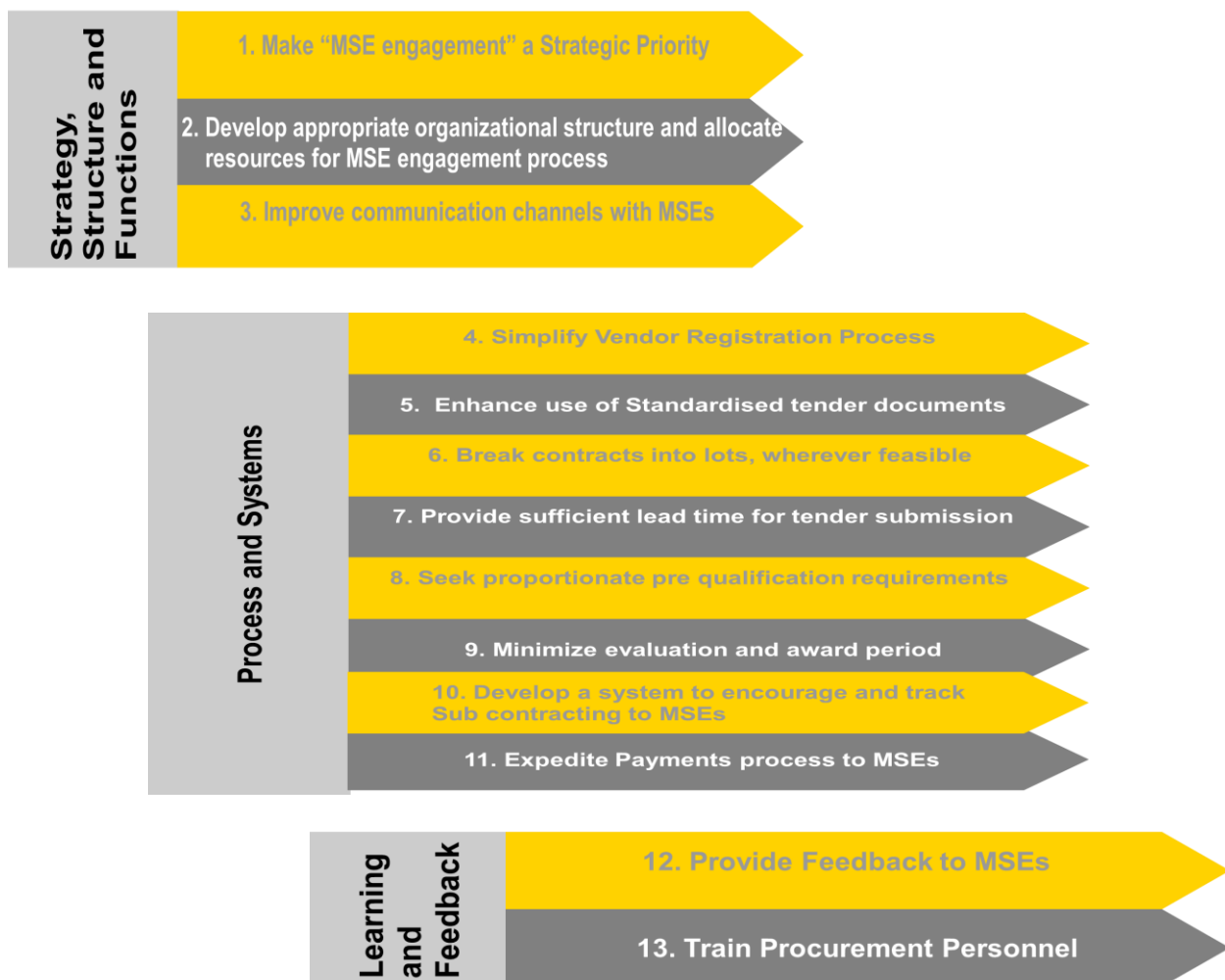
Fax: 23060536 ; Email:

umeshshukla.msme@gmail.com

For additional details and clarity regarding the policy provisions, please also refer Annexure D: Frequently Asked Questions on Public Procurement Policy.

III. Practical Recommendations and Good Practices for Implementation

Taking into account the common challenges faced by Micro and Small Enterprises in accessing public procurement market and the policy mandate to achieve minimum 20% procurement target; there is an urgent need to change and redesign the systems and processes at every stage of procurement life cycle. Based on the suggestions and feedback received from MSEs, CPSEs and taking into account the international best practices, following 13 steps are being suggested for implementation by the public procurement authorities (CPSEs, Central Ministries and Departments).



A. Strategy, Structure and functions

1. Make 'MSE engagement' a strategic priority

The first and foremost step to achieve the mandated 20% procurement from MSE has to start with making it a strategic priority by the top management. Engaging MSE's as suppliers can also bring additional benefits to large organizations like flexibility, innovation and customized solutions and lower costs. In order to overcome the resistance to change, negative perceptions about MSE capability and fear of additional administrative burden at the operational level; supplier diversity and MSE engagement initiatives should be integrated in a company's vision, policies and strategies at the top level. The performance incentive of the concerned departments (procurement, vendor development) can be linked with achievement of target i.e. minimum of 20% procurement from CPSEs.

2. Develop appropriate organizational structure and allocate resources

MSEs are small in size, lack market information and are constrained in managerial human resource capacity to identify, communicate and comply with the complex vendor registration and procurement processes. Many a times, the time available to respond to tenders is not sufficient for them to prepare and submit appropriate bids; adversely affecting their chances of winning.

To overcome the barriers faced by MSEs and achieve the 'MSE engagement strategy and procurement goal', a dedicated organization structure (e.g. MSE cell) and resources should be put in place by the procuring organizations to bring necessary changes in the existing procurement systems and processes. The key functions to be undertaken by the dedicated structure to make the organizations more accessible to MSEs would include:

- Identification of procurement opportunities from MSEs: An annual procurement plan detailing all the goods and services which are likely to be procured from MSEs be prepared and shared with prospective vendors. The plan could also mention the procurement processes (rate contract, restricted tender, open tender etc.) likely to be followed.
- Champion the cause of MSE engagement internally and externally: Understand the perspectives of both the procurement departments and MSEs and identify workable solutions with least lead time. Improve coordination among various departments and facilitate the re-engineering of procurement process and systems wherever necessary.
- Organize MSE engagement and training programmes
- Monitor the procurement targets, manage the MSE grievance redressal; and learning and feedback mechanisms. Please refer Annexure A for the suggested M&E information fields and formats.

3. Improve communication channels with MSEs

To reduce MSE's constraints of information asymmetry in accessing public procurement market, procuring organisations should improve their communication and outreach channel. Since, the website is the first point of information for MSEs, the design and content of the websites should be adapted to the needs and skill set level of MSEs. The website must have a dedicated section for the MSE's— prominently displayed on home page.

The Annual Procurement Plan should also be proactively disseminated amongst MSEs through the network of MSE support institutions,

and the industry associations. Information on forthcoming tenders should also be prepared and communicated on a quarterly basis so that MSEs can get the information about potential supply opportunities well in advance.

The procurers must frequently organise events such as buyer and seller meets, vendor development programmes in order to pro-

actively engage with MSEs. This would help to de-mystify the tendering process for the suppliers and give an opportunity to both the buyers and suppliers to identify areas in which they can do business together. The public procurers may look at providing information in the following areas (please refer Annexure B for details):

-
- | | |
|---------------------------------------|---------------------------------|
| • Vendor registration forms | • Vendor development programmes |
| • E-procurement guidelines | • Annual procurement plan |
| • Purchase manual/systems/procedures | • MSE exemption policies |
| • Tenders floated | • Vendor grievance mechanism |
| • Presentation of tender information | • E-procurement/vendor training |
| • List of tenders/contracts concluded | • List of registered vendors |
-

B. Process and Systems

4. Simplify vendor registration process

The foremost requirement for participating in public procurement is to seek vendor registration with CPSEs, however the current vendor registration process is considered to be cumbersome and complex by MSEs. The lack of data synchronization among the different several procurement divisions/units within a CPSE burdens the MSEs with repeating the entire cycle process when registering with a different plant/division of the same CPSE. Following steps will enable larger number of MSEs to get registered as vendor:

- Separate vendor registration for MSE and further simplification of vendor registration form for low value items. Forms must be easy to comprehend and fill, devoid of unnecessary complexities.
- Since e-procurement is mandatory only for purchases more than INR 25 Lakh, CPSEs should also accept

physical copies of vendor registration forms in their respective offices especially in case of goods of lower value.

- Once a vendor is registered at a particular location/unit or for a particular class of goods or services, they must not be required to seek registration at other locations/units. Instead the procurers must maintain a central repository of registered vendors for administrative convenience of MSEs.
- The contact details of designated official for clarifications of doubts and for further assistance in getting registered to be provided to MSEs.

5. Enhance use of standardised tender documents

The improvements in design of tender documents can lead to reduction in excess administrative burden encountered by MSEs in complying with tender norms. The procurers need to use standardised tender documents specifying uniform general conditions with only specific conditions varying as per the underlying

contract requirements. This will allow bidders to become familiar with the tender specifications, documents to be submitted and other formalities to be completed.

Since the onerous conditions, questions and tedious paperwork for tenders discourage small enterprises from bidding in the tendering process, stipulating conditions and accompanying documentary evidence demanded from MSE suppliers must account for external and internal constraints and be in line with necessary contract requirements. Further, tender documents must use simple and clear language which is free of jargon and does not confuse or discourage prospective suppliers.

6. Break contracts into smaller lots, wherever feasible

The procurers can make contracts more accessible by dividing them into smaller 'lots' wherever it is practical and feasible. This helps both MSEs in overcoming production capacity constraints with lower quantities required to be delivered and also the procurers who are able to benefit from the specialized expertise of multiple bidders and diverse suppliers. This is also an internationally recognized and most frequently cited best practice to enhance MSE's share in the public procurement market.

7. Provide sufficient lead time for tender submission

All public sector purchases are notified to the public mostly through tenders advertised in newspapers, trade journals, departmental publications, notice boards, websites /internet. The MSEs should be given sufficient lead time to check the advertisements and complete their tender submissions and accompanying documentation.

8. Seek proportionate pre-qualification requirements

The public procurers must ensure that financial and technical capacity related conditions specified in a contract are proportionate, justifiable and commensurate to the size and subject-matter of the contract. A few

recommendations which could be taken into account while designing the tender documents to enable higher participation rate by MSE's are:

- Design the safety provisions related to insurance, indemnity, performance guarantees, and security deposits, etc. which are commensurate to the risks involved and are not overtly restrictive to MSE vendors. The requirement of performance and financial bank guarantees may be exempted in case of MSEs especially in case of low value contracts.
- Ensure that the financial (turnover) and technical capacity conditions specified in a contract are proportionate, justifiable and is commensurate to the size and subject-matter of the contract. For example, a requirement that only experience acquired in dealing with the public sector will be taken into account is, as such, irrelevant and limits competition.¹
- Reduce the procurement cycle timelines and include a price variation clause especially in case of long-term contracts (defined as over one year) so that MSEs can adjust to price fluctuation in the input raw material
- Flexible payment terms i.e. advance payment, phased payment linked to delivery of various stages of the contract since those MSEs which otherwise have the capability to deliver quality products are limited in size/ability to obtain credit
- Ensure that the contractual conditions compensate/ do not unfairly treat the vendors in case the delay in start or completion of works is due to CPSE/Central Ministry side. For e.g. payment of interest on performance guarantee in case of delay
- Ensure that any of the tendering specifications or procedures do not violate MSE's intellectual property rights and confidentiality
- Pre-specify time period (maximum) required for inspection of goods/services supplied by MSEs so as to avoid delay in issuance of acceptance certificate and payments

¹http://ec.europa.eu/internal_market/publicprocurement/docs/sme_code_of_best_practices_en.pdf last accessed on November 19, 2013

- Acceptance of bids via not only the e-procurement systems (where it's not mandatory as per the current regulatory provisions) but also through physical media such as courier, post or by hand especially in case of MSEs with limited access to technology

9. Minimize evaluation and award time period

Minimize the time period between the submission of bid and award of contract and the bid validity period so as to reduce the effect of market fluctuation on raw material cost.

10. Develop a system to encourage and track sub-contracting to MSEs

As per the policy provisions, annual goal of procurement also include subcontracts to Micro and Small Enterprises. In those cases where the nature of procurement is not at all suitable for direct award to MSEs, tenders and award criteria may contain clauses that encourage subcontracting work to MSEs, for e.g. extra points may be awarded to those contractors who propose to subcontract to MSEs.

In many EU countries, to encourage subcontracting, bidders have to submit information about supplier diversity at both the pre-qualification questionnaire (PQQ) and invitation to tender (ITT) stage and this feature in the scoring mechanism.

The CPSEs can also play an important role in ensuring that the prime contractors offer equal terms and conditions to the sub-contractors. Internationally, several examples of provisions to encourage sub-contracting include a) the standard tender documents include a provision requesting the contracting authority to pay directly to the sub contractor in case of a payment delay by the main contractor. The amount paid to the sub – contractor is deducted from the amount due to the main contractor b) declaration from the prime contractor that the offered price to sub-contractors meets the requirement of a minimum labour charge– in case of works contract. The CPSEs can also ask their suppliers to publish sub-contracting opportunities on their website with preference to MSEs.

11. Expedite payment process to MSEs

MSEs face liquidity problems due to lack of availability of ample funds whether owned fund or bank credits as well as unwarranted delays in payment. It is extremely crucial to expedite release of payment to MSEs by simplifying the conditions stipulated for release of payment such as timely issue of inspection/ completion certificate. The inspection formalities must not be used as a delaying tactic and contract may stipulate partial release of payment.

The procurers can also make use of the IT systems for release of payments especially in case of units located at diverse geographical locations. Further reasonable time limits must be specified in the contract such as release of payment within 30 days of completion of work along with sufficient provisions for partial release of payments. Regular internal checks and third-party audits should be conducted to ensure that the CPSEs are making the payments in time.

C. Learning and Feedback

12. Provide feedback to MSEs

The provision of feedback from public procurers on the reasons for failure of suppliers to win contracts provides a key learning opportunity for MSEs. An objective and honest feedback will help participating MSEs identify their strengths and reflect on areas which could be further improved.

13. Train procurement personnel

The standard procurement processes typically put enormous administrative burden on MSEs, many a times forcing them not to even bid. Therefore, enhancing procurement from MSEs will require 're-engineering of certain procurement processes and systems' to reduce the access barriers and cater to the needs of their small sized operations. All the personnel involved in managing procurement processes should be sensitized about the policy provisions and trained on managing the procurement life cycle – to make it more accessible to MSEs.

There is also a need to continuously update the employee skill-set as per the requirements of new procurement policy regime through structured induction and refresher courses,

designed specifically for senior policy makers, auditors, engineers and procurement officials. The training should encompass following key areas (please refer Annexure C for details):

-
- | | |
|--|--|
| • Principles and concepts of public procurement policy | • Negotiating contracts |
| • Application of evaluation criteria | • Vendor management |
| • Basics of writing specification/scope of work | • Preparing management information reports |
| • Specifying contract terms | • Sub-contract management |
| • Appraising contract performance | • Use of information technology |
| • Handling supply chain | • Inventory management |
| • Supplier Diversity | • Establishing product/contract standards |
| | • Quality evaluation |
-

IV. ANNEXEURES

A. Monitoring and Reporting Formats

The M&E related information to be maintained and shared by all demand side constituents is recommended to have following information fields:

Type of Information	Key Information Fields*
Vendor Database	<ul style="list-style-type: none"> Basic information of all the vendors including the registered MSE vendors (min past 3 years data) such as <ul style="list-style-type: none"> Name of the enterprise and EM Registration Number Manufacturing/Service Activity (as per the NIC code in EM certificate) Registered Products for supply to a CPSE (mapped to ASICC/ITC HS code) Category of Enterprise: Micro, Small, Medium or others Special Status: SC/ST, Women Led Enterprises
Tender Database	<ul style="list-style-type: none"> Tender-wise information (min 3 years data) <ul style="list-style-type: none"> Volume of the tender Type of Tender: Goods supplied, Work contract, Services Contract Type of Products/Services (mapped to ASICC/ITC HS code) and their volumes required Channels used to disseminate tender information: Print, Central Public Procurement Portal, CPSE's individual website, Tender Information Portal (http://tenders.gov.in/), others Time given to respond to a tender Details of bids received
Contract Database	<ul style="list-style-type: none"> Contract-wise information (min 3 years data) <ul style="list-style-type: none"> Contract Award Procedure- Direct, Open, Limited Details of tender (Mapped to tender database as described above) Details of selected vendors (Mapped to vendor database as described above) including the sub-contractors (if any) Type of Products/Services (mapped to ASICC/ITC HS code) and their volumes Planned vs actual completion of contract and reasons there of Planned vs actual payment schedule and reasons there of Details of other terms & conditions e.g. Performance Guarantee/Security Deposits involved in the contract Details of disputes, if any
MSME Promotion Activities Database	<ul style="list-style-type: none"> Details of awareness and capacity building activities (minimum 3 years data) <ul style="list-style-type: none"> Participants (Demand side, Supply side, Intermediaries) Outcomes (Vendors registration, Contractual linkages, Consulting) Details of training of Procurement Officers (min 5 years data)- No of participants and areas of training Details of grievance received (minimum 5 years data) <ul style="list-style-type: none"> Number of grievances Nature of grievances (general, registration, bid selection, contractual-payment, timeline or other etc) Status (resolved, pending or rejected) and reasons thereof Details of action taken for resolution
Procurement Processes Checklist	<ul style="list-style-type: none"> Prepare a checklist of all the best practices related to procurement to promote MSME vendor participation with focus on following: <ul style="list-style-type: none"> Vendor registration procedures Payment terms Reasons for rejection for MSE bids

**The information fields suggested are indicative and minimalistic. The CPSEs have the flexibility to customize and maintain more comprehensive databases for monitoring and review purpose.*

The above information fields can be used to generate customized M&E reports at a consolidated level.
Following are some of the key templates suggested for reference:

i. Overall Procurement Data and Projections (minimum last 5 years)

Type of Enterprise		Product/ Service Description	ITC HS Code	Procurement Amount (In INR)						
				Y-4	Y-3	Y-2	Y-1	Y	Y+1	Y+2
Micro	General									
	SC/ST Led									
	Women Led									
Small	General									
	SC/ST Led									
	Women Led									
Medium/ Others	General									
	SC/ST Led									
	Women Led									

ii. Procurement Items Summary

Category	ITC HS Code	Volume required (Y)	Volume Supplied (Y/Y-1/Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

iii. Vendors Summary

a. By Type of Enterprise

Type of enterprise		# of registered Vendors	# of vendors with existing or completed contracts	Volume of existing or completed contracts	Median ticket size of the existing or completed contracts
Micro	General				
	SC/ST Led				
	Women Led				

Small	General				
	SC/ST Led				
	Women Led				
Medium/ Others	General				
	SC/ST Led				
	Women Led				

b. By Type of Procurement Item

Category	ITC HS Code	# of registered vendors	Number of registered vendors (Y/ Y-1/ Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

iv. Bid Summary

a. By Volume of Tender

Volume of Tender (Bands)	# of tenders	Number of bids received(Y/ Y-1/ Y-2)								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

b. By Type of Procurement Item

Category	ITC HS Code	# of tenders	Number of bids received (Y/ Y-1/ Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

c. By Type of Channel

Type of enterprise		Number of bids received from vendors (Y/ Y-1/ Y-2) via		
		Online (CPSE's website)	NIC Portal	Offline Mode
Micro	General			
	SC/ST Led			
	Women Led			
Small	General			
	SC/ST Led			
	Women Led			
Medium/ Others	General			

	SC/ST Led			
	Women Led			

v. Contracts Summary

a. By volume of contract (total number of contracts)

Volume of Contract (Bands)	# of ongoing or completed contracts	# of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

b. By volume of contract (total value of contracts)

Volume of Contract (Bands)	Total Value of ongoing or completed contracts	Total value of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

c. By Type of Procurement Item

Category	ITC HS Code	Total Value of ongoing or completed supply	Total Value of ongoing or completed supply								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

d. By Mode of Contracting (total number of contracts)

Mode of contracting	# of ongoing or completed contracts	# of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Direct Award										
Limited Tendering										
Open Contracts										

e. By Mode of Contracting (total value of contracts)

Mode of contracting	Total Value of ongoing or	Total value of ongoing or completed contracts								
		Micro			Small			Medium/Others		

[illegible]

B. Capacity Building Programmes for MSEs

The capacity building programmes as organized by public sector procurers for MSEs which aim to enhance their awareness and skill sets should include following fields (not limited to):

- **Procurement Plan and Process**
 - Annual procurement plan
 - Procurement norms
- **Understanding Vendor Registration Processes**
 - Steps to obtain vendor registration
 - Details of Standard Documents to be submitted
 - Expected turnaround time for registration
 - Contact details of help desk for resolving queries/ complaints
- **Getting Digital Signature**
 - Steps to obtain Digital Signature
 - Documents required for the same
 - Certifying Agencies
 - Importance of Digital Signature
- **Filling in Tender Documents**
 - General instructions in filling up the Tender Bids
 - Supporting Documents to be submitted
 - Process of opening up of technical and price bids
 - Contact Details in case of any queries in filling or contract award results
- **Grievance Redressal Mechanism**
 - Type of queries/ complaints that can be raised
 - Contact Details of the personnel in the Grievance Redressal Cell along with Escalation Matrix
 - Feedback from MSEs pertaining to procurement procedures, tender bidding, contract execution, payment release etc.

C. Training Areas for Procurement Staff

The broad topics suggested to be covered in the training of procurement personnel are:

- I. **Procurement Planning**
 - Preparing Annual procurement plan.
 - Setting performance parameters
- II. **Adhering to Procurement Principles & processes**
 - Writing Tender Notices, bids, product specifications
 - Writing effective terms of reference(TOR)
 - Vendor Communication
 - Supplier Negotiation
 - Enhancing procurement efficiency to reduce the overall costs.
 - Practising ethics, integrity and transparency in procurement
 - Vendor Performance monitoring
 - Vendor Dispute management
 - Costs & Benefit Analysis while evaluating purchase options
 - Use of Information Technology
- III. **Processes related to supplier development, alliances and supply chain management**
 - Execute effective contract development and management processes
 - Communicate effectively with clients, suppliers and other stakeholders
 - Conduct Vendor Development Programmes
 - Adapt best international procurement practices
- IV. **Sensitizing procurement staff on Public Procurement Policy for MSE 2012 and its key provisions**

D. Frequently Asked Questions

Q. No. 1 What is the share of procurement from MSEs out of the total procurement made by Central Government Ministries / Departments / Public Sector Undertakings?

Ans. Under Public Procurement Policy for MSEs, a minimum 20 per cent share out of the total procurement by Central Government Ministries / Departments / Public Sector Undertakings are to be made from MSEs.

Q. No. 2 Whether there is any reservation for MSEs owned by SC/ST entrepreneurs?

Ans. Yes, out of 20% target of annual procurement from MSEs, a sub-target of 4% is earmarked for procurement from MSEs owned by Scheduled Caste (SC) / Scheduled Tribe (ST) entrepreneurs. However, in event of failure of such MSEs to participate in tender process or meet tender requirements and L1 price, 4% sub-target for procurement earmarked for MSEs owned by SC / ST entrepreneurs will be met from other MSEs.

Q.No. 3. Who is eligible for availing benefits under the Public Procurement Policy?

Ans.. The MSEs those are registered with District Industries Centers (DICs) / Khadi & Village Industries Commission (KVIC) / Khadi & Village Industries Board (KVIB) / Coir Board / NSIC / Directorate of Handicrafts and Handloom or any other body specified by Ministry of Micro, Small & Medium Enterprises (MoMSME) are eligible for availing benefits under the Public Procurement Policy.

Q.No. 4 What is the date of implementation of this Policy ?

Ans. The policy is applicable with effect from 1.4.2012.

Q.No. 5 Whether Policy is transparent, competitive and cost effective ?

Ans. The Policy rests upon core principles of competitiveness, adhering to sound procurement practices and execution of orders for supply of goods / services in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

Q.No. 6 Whether the Policy is implemented in parts or fully from its inception?

Ans. Every Central Ministry / Department / PSU has to set an annual goal for procurement from MSEs at the beginning of every financial year, with the objective of achieving an overall procurement of minimum 20 per cent of total annual purchases of products produced / services rendered by MSEs in a period of three years. After 3 years, i.e. from 1.4. 2015, overall procurement goal of minimum 20% shall be made mandatory.

Q.No. 7 Whether there is any monitoring system for assessing the Government procurement from MSEs?

Ans. Data on Government procurements from MSEs is vital for strengthening the Policy. Towards this, every Central Ministry / Department / PSU is to report goals set with respect to procurement to be met from MSEs and achievement made thereto in their respective Annual Reports.

Q.No.8. Whether there is price match making facility for procurement from MSEs over large scale?

Ans. In tender, participating MSEs quoting price within band of L1+15% shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than an MSE. Such MSEs shall be allowed to supply up to 20% of total tendered value. In case of more than one such MSE, the supply will be shared proportionately (to tendered quantity).

Q.No. 9. What steps are to be taken by the Government Ministries / Departments / CPSUs to develop MSE Vendors so as to achieve their targets for MSE procurement?

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

Q.No. 10. What steps are to be taken by the Government Ministries / Departments / CPSUs to develop vendors from MSEs owned by SC/ST entrepreneurs?

Ans. For enhancing participation of MSEs owned by SCs / STs in Government procurement, Central Government Ministries / Departments / PSUs have to take following steps:

- i. Special Vendor Development Programmes / Buyer-Seller Meets would be conducted by Departments / PSUs for SCs / STs;
- ii. Outreach programmes will be conducted by NSIC to cover more and more MSEs from SCs / STs under its schemes of consortia formation; and
- iii. NSIC would open a special window for SCs / STs under its Single Point Registration Scheme (SPRS).

Q.No. 11. What are the other benefits/ facilities to the MSEs available under the Policy ?

Ans. To reduce transaction cost of doing business, MSEs will 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.

Q.No. 12. Whether there is any review mechanism for monitoring and review of the Policy?

Ans. A Review Committee has been constituted under chairmanship of Secretary, MoMSME for monitoring and review of Public Procurement Policy for MSEs. MoMSME will review and/or modify the composition of the Committee as and when required. This Committee will, inter alia, review list of 358 items reserved for exclusive purchase from MSEs on a continuous basis, consider requests from Departments / PSUs for exemption from 20% target on a case to case basis and monitor achievements under the Policy.

Q.No. 13. What is the grievance redressal mechanism in case of non-compliance of the Policy by any Government Department ?

Ans. A 'Grievance Cell' would be set up in MoMSME for redressing grievances of MSEs in Government procurement. This cell would take up issues related to Government procurement raised by MSEs with Departments / agencies concerned, including imposition of unreasonable conditions in tenders floated by Government Departments / agencies that put MSEs at a disadvantage.

Q.No. 14. Whether there is any kind of purchases that have been kept out of the purview of the Procurements under the Policy and if yes, how monitoring of the goal set will be done ?

Ans. Given their unique nature, defence armament imports will not be included in computing 20% goal for MoDefence. In addition, Defence Equipments like weapon systems, missiles, etc. will remain out of purview of such policy of reservation. Monitoring of goals set under the policy will be done, in so far as they relate to the Defence sector, by Ministry of Defence itself in accordance with suitable procedures to be established by them.

Q.No.15. From where the detail of the Policy can be obtained?

Ans. Policy details are available on the website of this office- www.dcmsme.gov.in.

Q. No. 16. Whether this Policy is mandatory under any Act?

Ans. Yes, The Policy is mandatory and notified under the MSMED Act,2006.

Q.No.17. How many items are reserved for exclusive purchase from MSEs?

Ans. 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.

Q.No.18. Whether this policy is applicable for works / trading activities also?

Ans. Policy is meant for procurement of only goods produced and services rendered by MSEs.

Q.No.19. Whether policy is applicable for MSEs registered with NSIC?

Ans. Policy is applicable to MSEs registered with DIC/KVIC/KVIB/Coir Board/NSIC/Directorate of Handicrafts and Handloom or any other body specified by Ministry of MSME.

Q.No.20. Whether policy provides benefits for exemption from Security Deposits to MSEs?

Ans. No. Policy provides benefits to supply tender set at free of cost and exemption from payment of earnest money etc.

Q.No.21. Whether MSE quoting price within price band $L1 + 15\%$ could be given complete supply to tender in case tender item is non-splitable / non-dividable?

Ans. In case of tender item is non-splitable or non-dividable, etc. MSE quoting price within price band $L1+15\%$ may be awarded for full / complete supply of total tendered value to MSE, considering spirit of policy for enhancing the Govt. procurement from MSE.

Q.No.22.Which are MSEs owned by SC / ST enterprises?

Ans. 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.

Q.No.23. Whether Government Ministries / Departments / CPSUs those have meager value of total procurement may be exempted from policy?

Ans. Policy is applicable to all the Govt. Ministries / Departments / CPSUs in irrespective of volume and nature of procurement.

Q.No24. Whether policy has provision for exemption from 20%age procurement target?

Ans. No. However, Review Committee may consider any request of Ministries / Departments / CPSUs for exemption from 20% age procurement targets on case to case basis.

V. References

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3. European Code of best practices facilitating access by SMEs to Public procurement(2008)
4. Buying innovation – the 10 step guide to smart procurement and SME access to public contracts- Department of enterprise , trade and employment
5. Are tenders on your radar – Promoting SME participation in public contracts- best practice guide- Enterprise Europe Network
6. Best Practice Guide for successful SME engagement – Institute for sustainability and Enterprise Europe Network

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Public Procurement Policy MSE 2012

Handbook for Public Sector Procurers

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Abbreviations

A Standard Industrial Commodity Classification	ASICC
Bharat Earth Movers Limited	BEML
Bharat Electronics Ltd.	BEL
Bharat Heavy Electricals Ltd	BHEL
Centennial Development Advisory Services	CDAS
Central Public Sector Enterprises	CPSEs
Competition Commission of India	CCI
Consumer Unity & Trust Society	CUTS
Defence Research & Development Organisation	DRDO
Development Institutes	DI
Director General	DG
District Industries Center	DIC
Entrepreneurs Memorandum	EM
Financial Year	FY
Frequently asked questions	FAQ
Gas Authority of India Limited	GAIL
Gross Domestic Product	GDP
Hindustan Aeronautics Ltd.	HAL
Hindustan Latex Limited	HLL
Hindustan Paper Corporation Ltd	HPCL
Human Resources	HR
Indian Institute of Entrepreneurship	IIE
Indian Oil Corporation	IOC
Indian Space Research Organization	ISRO
Indian Trade Clarification based on Harmonized System	ITC HS
Information and communications technology	ICT
Information Technology	IT
Invitation to Tender	ITT
Khadi & Village Industries Board	KVIB

Abbreviations

Khadi & Village Industries Commission	KVIC
Micro and Small Enterprise	MSE
Micro, Small and Medium Enterprises	MSME
Ministry of Micro, Small and Medium Enterprises	MoMSME
Monitoring and Evaluation	M&E
MSME Development	MSMED
MSME Umbrella Programme	MSME-UP
National Aluminium Company Limited	NALCO
National Industrial Classification	NIC codes
National Institute for Entrepreneurship and Small Business Development	NIESBUD
National Institute for Micro, Small and Medium Enterprises	NIMSME
National Small Industries Corporation	NSIC
National Thermal Power Corporation	NTPC
National Thermal Power Corporation Limited	NTPC
Neyveli Lignite Corpn. Ltd.	NLC
Office of Development Commissioner	O/o DC
Oil and Natural Gas Corporation	ONGC
Organization for Economic Cooperation and Development	OECD
Pre-qualification questionnaire	PQQ
Public Sector Unit	PSU
Rajasthan Electronics & Instruments Ltd	REIL
Research & Development	R&D
Scheduled Caste/ Scheduled Tribe	SC/ST
Standing Conference of Public Enterprises	SCOPE
Steel Authority of India	SAIL
Testing Center	TC
Testing Station	TS
United Nations Procurement Capacity Development Centre	UNPCDC
Vendor Development Programme	VDP
World Trade Organization	WTO



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Background and Purpose



Background and Purpose

It is estimated that in India (as is the case world-wide), the public procurement market holds significant potential and has strategic importance for the growth of overall economy including the Micro and Small Enterprise (MSE) sector. The Public Procurement policy for MSE 2012 mandates that all the Central Ministries, Departments and Central Public Sector enterprises (CPSE's) shall procure a minimum of 20% of their goods and services from MSEs in FY 2015 and onwards.

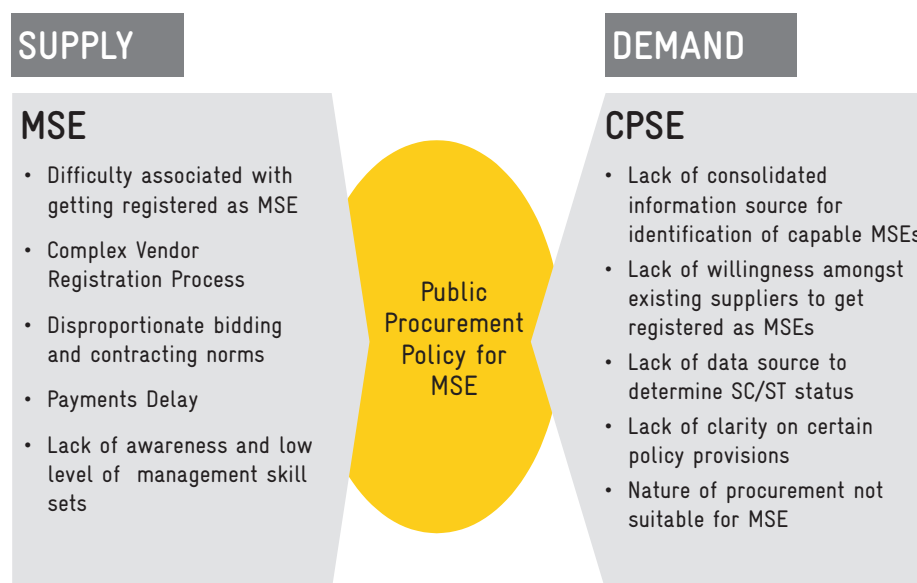
An effective implementation of the policy requires a significant build-up of knowledge and institutional capacity, nurtured over time to address the ever growing challenges of public procurement for MSEs, CPSEs and other concerned stakeholders. To enable this, the Office of DC MSME, Ministry of MSME and GIZ who jointly implement the MSME Umbrella Programme (MSME-UP), have initiated technical support for the effective implementation of the Public Procurement Policy for MSEs.

In an effort to understand the challenges being faced currently or likely to be faced in future by CPSEs & MSEs and to deliberate on the way forward to ensure effective implementation of the public procurement policy for MSE's, a total of 25 CPSEs and 5 Central Ministries from diverse industry sectors along with 23 MSE associations were contacted for data collection through questionnaires, personal interactions and written responses. Additionally, a series of half-day consultation workshops were also organized at 6 locations across the country in major metropolitan areas with high concentration of CPSEs and supply side players. An extensive secondary research on national and international best practices to promote procurement from MSE's, was conducted to supplement the findings from primary data collection.





Basis the stakeholder consultations and research, a range of key issues and challenges faced by both sides i.e. MSEs and public sector procurers were identified; as illustrated and outlined below:



MSEs are small in size and are constrained in managerial capacity. Even the relatively organised MSEs also face the problems related to information asymmetry, complex vendor registration process, short tender notice period, disproportionate qualification criteria and difficulty in meeting certification requirements while accessing the public procurement market. These challenges coupled with the general perception that MSEs are not equipped to offer quality and timely supply to public procurers, limit the accessibility of MSEs to public procurement market.

On the other hand, CPSE's and other public procurement authorities also find it challenging to identify and engage with suppliers in the MSE sector. Many of the procurers are still in the process of developing a sound understanding of the several provisions of the public procurement policy and are accordingly putting in place the most appropriate systems and processes for achieving procurement targets.

This handbook is being prepared for all the concerned stakeholders responsible for managing procurement (strategy and execution) within central ministries, departments and CPSEs. The handbook aims at enhancing the understanding of the policy provisions and offers practical suggestions and recommendations to improve the procurement systems and processes of the concerned CPSEs/Central

Ministries/Departments so as to enhance their engagement with MSEs and enable them achieve the 20% procurement target. As explained earlier, these suggestions and recommendations have been developed basis the inputs from several stakeholder consultations (MSE, CPSE representatives, industry associations) and review of national and international best practices.

It is envisaged that this handbook will serve as a guide for all the relevant demand side entities which are impacted by the public procurement notification and guide them in achieving their targets.



2 Introduction to Public Procurement Policy for MSE 2012



Introduction to Public Procurement Policy for MSE 2012

The Public Procurement Policy for Micro and Small Enterprises was notified in March 2012 and the notification is available on www.dcmsme.gov.in. The Policy is mandatory as notified under the MSMED Act 2006. Some of the important elements of the policy are presented in this section for immediate reference.

Principle

The Policy rests on the core principles of competitiveness, adhering to sound procurement practices and execution of orders for supply of goods I services in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

Procurement Goal

Every Central Ministry I Department I PSE has to set an annual goal for procurement from MSEs at the beginning of every financial year, with a view to procure a minimum of 20% of the overall total annual purchases of products produced I services rendered by MSEs in a period of three years. After 3 years, i.e. from 01. 04. 2015, overall procurement goal of minimum 20% will become mandatory. Of the 20% target of annual procurement from MSEs, a **sub-target of 4%** is earmarked for procurement from MSEs owned by Scheduled Caste (SC) I Scheduled Tribe (ST) entrepreneurs. It must be noted that this is **4% of total procurement and not 4% out of 20% target**. However, in event of failure of such MSEs to participate in tender process or meet tender requirements and L1 price, 4% sub-target for procurement earmarked for MSEs owned by SC/ ST entrepreneurs can be met from other MSEs.

All expenditure incurred on purchases, whether capital (on fixed assets) or revenue (recurring) in nature, is to be considered while calculating the minimum amount of demand @20% of total procurement of goods and services to be raised from MSEs. The total procurement would also include all items purchased-indigenous or imported.





Micro and Small Enterprise

Category	Investment in plant and Machinery	
	Manufacturing	Service
Micro	25 Lakhs	10 lakhs
Small	5 Crore	2 Crore
Medium	10 Crore	5 Crore

The MSEs registered with any of the following six public agencies i.e. District Industries Centers (DICs)/ Khadi & Village Industries Commission (KVIC)/ Khadi & Village Industries Board (KVIB)/ Coir Board/ National Small Industries Corporation / Directorate of Handicrafts and Handloom, or any other body specified by Ministry of Micro, Small & Medium Enterprises (MoMSME), are eligible under the Public Procurement Policy.

MSEs will be considered as owned by SC/ST entrepreneurs, as per the following definition:

Type of MSE	Criteria
Proprietary	Proprietor is SC/ST
Partnership	SC/ST partners holds at least 51% share of the units
Private limited companies	At least 51% share is held by the SC/ST promoters

Procurement Coverage:

The Public Procurement Policy is applicable to all the Ministries | Departments | and Central PSEs under the Govt of India, irrespective of their volume or nature of procurement. The only exception to this notification is the Ministry of Defence. Defence armament imports are not included in computing the 20% procurement goal for the Ministry of Defence. Further, defence equipment like weapon systems, missiles, etc. are also beyond the purview of the policy. The monitoring of goals set under the policy will be done, in so far as they relate to the Defence sector, by Ministry of Defence itself in accordance with suitable procedures to be established by them.

This policy is strictly restricted to the procurement of **goods produced** and **services rendered** by MSEs alone. It does not include trading activities. The 358 items currently reserved for purchase from the MSE sector will continue to be reserved for MSE.

Requests for exemption:

CPSEs/central ministries/departments may request the Review Committee for exemption in the purchase of goods that are not considered suitable for supply by

MSEs. The Review Committee may consider such requests for exemption from the 20% target on a case to case basis and will monitor achievements under the Policy.

Price match-making facility

If the L1 price by a non-MSE is the lowest, participating MSEs quoting a price within a band of L1+15% will be allowed to bring down their price to match L1 price. Such MSEs are allowed to supply up to 20% of total tendered value. In case there is more than one such MSE, the supply will be shared proportionately (to tendered quantity). In case the tender item is non-split-able or non-divisible, an MSE quoting a price within the price band L1+15% may be awarded full or complete supply of total tendered value, if it matches the L1 price.

Earnest Money Exemptions

MSEs must be provided tender sets free of cost, and are exempted from payment of earnest money.

Sub-contracting

Public procurement policy states that "Annual goal of procurement also includes sub-contracts to MSE units by large enterprises and consortia of MSE formed by NSIC". In case of any such sub-contractual arrangement entered into with an MSE, the payments made on account of the sub-contract to the MSE by the contractor for the purpose of execution of PSEs' contract will be considered a part of the PSEs' annual procurement expenditure on MSEs.

Subcontracting is an important tool made available under the policy. This provision can be effectively used by procurement authorities to meet its MSE procurement target in a situation where the nature of procurement (turnkey projects, special requirements etc) can be fulfilled only by large companies. To allow flexibility to the procuring agency, the policy has not prescribed any specific roadmap or tool for implementing and measuring MSE procurement through sub contracting mode. Therefore each agency is free to devise its own mechanism. However, adoption of following processes is likely to ensure a systematic approach:

- Identification of procurement area where sub contracting is feasible and practical
- Preparation of Tender / Request for proposal documents: At the time of drafting the bid documents – clauses pertaining to "MSE subcontracting" should be added with full details on "who can be considered an MSE", "requirement of documentation from main suppliers" etc. In the technical evaluation parameters/criteria – additional points/ weightage can be allotted for inclusion of MSE as subcontractor.

- Monitoring and Reporting: Responsibility of ensuring that subcontractor is MSE should be allocated to main contractor with clear contractual provisions.

Rate Contracts

Rate contract is an effective mechanism adopted by the many procuring organizations to manage fast procurement process and also to bring in cost reduction. MSE Public procurement policy encourages usage of rate contracts wherever applicable.

Vendor Development Programmes

Limited information, low skill sets, cumbersome registration /bidding/contracting procedures, payment delays are the major access barriers to public procurement market by MSE. Therefore, in addition to the procurement goal, the policy also advises procuring organizations to take actions (vendor development programme, buyer-seller meets, and outreach activities) which enhance MSE's ability to participate in public procurement.

Though, this is being undertaken by most of the organizations in different formats and with varying degree of impact. There is a need for adoption of more systemic approach as mentioned below:

- Enhance coordination between procurement and vendor division
- Well prepared detailed content with experienced resource
- Content should include ü
 - ✓ Procurement Potential and annual Procurement Plan
 - ✓ Understanding Vendor Registration Processes
 - ✓ E procurement and Digital Signature
 - ✓ Preparing Bids and Common mistakes made by MSE's
 - ✓ Grievance Redressal Mechanism

Monitoring, Review and Grievance Redressal mechanism

Every Central Ministry/departments/PSU is to report goals set with respect to procurement to be met from MSEs and achievement made thereto in their respective annual reports.

A Review Committee has been constituted under chairmanship of Secretary, MSME for the monitoring and review of Public Procurement Policy for MSEs. The Ministry of MSME will review and/or modify the composition of the Committee as and when required.

A 'Grievance Cell' has been set up in the office of DC MSME, Ministry of MSME for redressing grievances of MSEs in the process of Government procurement. This cell would be responsible for all issues pertaining to Government procurement raised by MSEs with Departments / agencies concerned, including imposition of unreasonable conditions in tenders floated by Government Departments / agencies that put MSEs at a disadvantage. The cell is supervised by Director (MA). Contact details are:

Mr. U.C Shukla

Phone: 011-23063363

Fax: 23060536

Email: umeshshukla.msme@gmail.com

For additional details and clarity regarding the policy provisions, please also refer Annexure D: Frequently Asked Questions on Public Procurement Policy.



3 Practical Recommendations and Good Practices for Implementation



Practical Recommendations and Good Practices for Implementation

Taking into account the common challenges faced by Micro and Small Enterprises in accessing public procurement market and the policy mandate to achieve minimum 20% procurement target; there is an urgent need to change and redesign the systems and processes at every stage of procurement life cycle. Based on the suggestions and feedback received from MSEs, CPSEs and taking into account the international best practices, following 13 steps are being suggested for implementation by the public procurement authorities (CPSEs, Central Ministries and Departments).

Strategy, Structure and Functions	1. Make "MSE engagement" a Strategic Priority
	2. Develop appropriate organizational structure and allocate resources for MSE engagement process
	3. Improve communication channels with MSEs
Process and Systems	4. Simplify Vendor Registration Process
	5. Enhance use of Standardised tender documents
	6. Break contracts into lots, wherever feasible
	7. Provide sufficient lead time for tender submission
	8. Seek proportionate pre qualification requirements
	9. Minimize evaluation and award period
	10. Develop a system to encourage and track Sub contracting to MSEs
	11. Expedite Payments process to MSEs
Learning and Feedback	12. Provide Feedback to MSEs
	13. Train Procurement Personnel





A. Strategy, Structure and functions

1. Make 'MSE engagement' a strategic priority

The first and foremost step to achieve the mandated 20% procurement from MSE has to start with making it a strategic priority by the top management. Engaging MSE's as supplier scan also bring additional benefits to large organizations like flexibility, innovation and customized solutions and lower costs. In order to overcome the resistance to change, negative perceptions about MSE capability and fear of additional administrative burden at the operational level; supplier diversity and MSE engagement initiatives should be integrated in a company's vision, policies and strategies at the top level. The performance incentive of the concerned departments (procurement, vendor development) can be linked with achievement of target i.e. minimum of 20% procurement from CPSEs.

2. Develop appropriate organizational structure and allocate resources

MSEs are small in size, lack market information and are constrained in managerial human resource capacity to identify, communicate and comply with the complex vendor registration and procurement processes. Many a times, the time available to respond to tenders is not sufficient for them to prepare and submit appropriate bids; adversely affecting their chances of winning.

To overcome the barriers faced by MSEs and achieve the 'MSE engagement strategy and procurement goal', a dedicated organization structure (e.g. MSE cell) and resources should be put in place by the procuring organizations to bring necessary changes in the existing procurement systems and processes. The key functions to be undertaken by the dedicated structure to make the organizations more accessible to MSEs would include:

- Identification of procurement opportunities from MSEs: An annual procurement plan detailing all the goods and services which are likely to be procured from MSEs be prepared and shared with prospective vendors. The plan could also mention the procurement processes (rate contract, restricted tender, open tender etc.) likely to be followed.
- Champion the cause of MSE engagement internally and externally: Understand the perspectives of both the procurement departments and MSEs and identify workable solutions with least lead time. Improve coordination among various departments and facilitate the re-engineering of procurement process and systems wherever necessary.
- Organize MSE engagement and training programmes
- Monitor the procurement targets, manage the MSE grievance redressal; and learning and feedback mechanisms. Please refer Annexure A for the suggested M&E information fields and formats.

3. Improve communication channels with MSEs

To reduce MSE's constraints of information asymmetry in accessing public procurement market, procuring organisations should improve their communication and outreach channel. Since, the website is the first point of information for MSEs, the design and content of the websites should be adapted to the needs and skill set level of MSEs. The website must have a dedicated section for the MSE's—prominently displayed on home page.

The Annual Procurement Plan should also be proactively disseminated amongst MSEs through the network of MSE support institutions, and the industry associations. Information on forthcoming tenders should also be prepared and communicated on a quarterly basis so that MSEs can get the information about potential supply opportunities well in advance.

The procurers must frequently organise events such as buyer and seller meets, vendor development programmes in order to pro-actively engage with MSEs. This would help to de-mystify the tendering process for the suppliers and give an opportunity to both the buyers and suppliers to identify areas in which they can do business together. The public procurers may look at providing information in the following areas (please refer Annexure B for details):

-
- | | |
|---------------------------------------|---------------------------------|
| • Vendor registration forms | • Vendor development programmes |
| • E-procurement guidelines | • Annual procurement plan |
| • Purchase manual/systems/procedures | • MSE exemption policies |
| • Tenders floated | • Vendor grievance mechanism |
| • Presentation of tender information | • E-procurement/vendor training |
| • List of tenders/contracts concluded | • List of registered vendors |
-

B. Process and Systems

4. Simplify vendor registration process

The foremost requirement for participating in public procurement is to seek vendor registration with CPSEs, however the current vendor registration process is considered to be cumbersome and complex by MSEs. The lack of data synchronization among the different several procurement divisions/units within a CPSE burdens the MSEs with repeating the entire cycle process when registering with a different plant/division of the same CPSE. Following steps will enable larger number of MSEs to get registered as vendor:

- Separate vendor registration for MSE and further simplification of vendor registration form for low value items. Forms must be easy to comprehend and fill, devoid of unnecessary complexities.
- Since e-procurement is mandatory only for purchases more than INR 25 Lakh, CPSEs should also accept physical copies of vendor registration forms in their respective offices especially in case of goods of lower value.
- Once a vendor is registered at a particular location/unit or for a particular class of goods or services, they must not be required to seek registration at other locations/units. Instead the procurers must maintain a central repository of registered vendors for administrative convenience of MSEs.
- The contact details of designated official for clarifications of doubts and for further assistance in getting registered to be provided to MSEs.

5. Enhance use of standardised tender documents

The improvements in design of tender documents can lead to reduction in excess administrative burden encountered by MSEs in complying with tender norms. The procurers need to use standardised tender documents specifying uniform general conditions with only specific conditions varying as per the underlying contract requirements. This will allow bidders to become familiar with the tender specifications, documents to be submitted and other formalities to be completed.

Since the onerous conditions, questions and tedious paperwork for tenders discourage small enterprises from bidding in the tendering process, stipulating conditions and accompanying documentary evidence demanded from MSE suppliers must account for external and internal constraints and be in line with necessary contract requirements. Further, tender documents must use simple and clear language which is free of jargon and does not confuse or discourage prospective suppliers.

6. Break contracts into smaller lots, wherever feasible

The procurers can make contracts more accessible by dividing them into smaller 'lots' wherever it is practical and feasible. This helps both MSEs in overcoming production capacity constraints with lower quantities required to be delivered and also the procurers who are able to benefit from the specialized expertise of multiple bidders and diverse suppliers. This is also an internationally recognized and most frequently cited best practice to enhance MSE's share in the public procurement market.

7. Providesufficient lead time for tender submission

All public sector purchases are notified to the public mostly through tenders advertised in newspapers, trade journals, departmental publications, notice boards, websites/internet. The MSEs should be given sufficient lead time to check the advertisements and complete their tender submissions and accompanying documentation.

8. Seek proportionate pre- qualification requirements

The public procurers must ensure that financial and technical capacity related conditions specified in a contract are proportionate, justifiable and commensurate to the size and subject-matter of the contract. A few recommendations which could be taken into account while designing the tender documents to enable higher participation rate by MSE's are:

- Design the safety provisions related to insurance, indemnity, performance guarantees, and security deposits, etc. which are commensurate to the risks involved and are not overtly restrictive to MSE vendors. The requirement of performance and financial bank guarantees may be exempted in case of MSEs especially in case of low value contracts.
- Ensure that the financial (turnover) and technical capacity conditions specified in a contract are proportionate, justifiable and is commensurate to the size and subject-matter of the contract. For example, a requirement that only experience acquired in dealing with the public sector will be taken into account is, as such, irrelevant and limits competition.¹
- Reduce the procurement cycle timelines and include a price variation clause especially in case of long-term contracts (defined as over one year) so that MSEs can adjust to price fluctuation in the input raw material
- Flexible payment terms i.e. advance payment, phased payment linked to delivery of various stages of the contract since those MSEs which otherwise have the capability to deliver quality products are limited in size/ability to obtain credit
- Ensure that the contractual conditions compensate/ do not unfairly treat the vendors in case the delay in start or completion of works is due to CPSE/Central Ministry side. For e.g. payment of interest on performance guarantee in case of delay

¹http://ec.europa.eu/internal_market/publicprocurement/docs/sme_code_of_best_practices_en.pdf last accessed on November 19, 2013

- Ensure that any of the tendering specifications or procedures do not violate MSE's intellectual property rights and confidentiality
- Pre-specify time period (maximum) required for inspection of goods/services supplied by MSEs so as to avoid delay in issuance of acceptance certificate and payments
- Acceptance of bids via not only the e-procurement systems (where it's not mandatory as per the current regulatory provisions) but also through physical media such as courier, post or by hand especially in case of MSEs with limited access to technology

9. Minimize evaluation and award time period

Minimize the time period between the submission of bid and award of contract and the bid validity period so as to reduce the effect of market fluctuation on raw material cost.

10. Develop a system to encourage and track sub-contracting to MSEs

As per the policy provisions, annual goal of procurement also include subcontracts to Micro and Small Enterprises. In those cases where the nature of procurement is not at all suitable for direct award to MSEs, tenders and award criteria may contain clauses that encourage subcontracting work to MSEs, for e.g.extra points may be awarded to those contractors who propose to subcontract to MSEs.

In many EU countries, to encourage subcontracting, bidders have to submit information about supplier diversity at both the pre-qualification questionnaire (PQQ) and invitation to tender (ITT) stage and this feature in the scoring mechanism.

The CPSEs can also play an important role in ensuring that the prime contractors offer equal terms and conditions to the sub-contractors. Internationally, several examples of provisions to encourage sub-contracting include a) the standard tender documents include a provision requesting the contracting authority to pay directly to the sub contractor in case of a payment delay by the main contractor. The amount paid to the sub – contractor is deducted from the amount due to the main contractor b) declaration from the prime contractor that the offered price to sub-contractors meets the requirement of a minimum labour charge– in case of works contract. The CPSEs can also ask their suppliers to publish sub-contracting opportunities on their website with preference to MSEs.

11. Expedite payment process to MSEs

MSEs face liquidity problems due to lack of availability of ample funds whether owned fund or bank credits as well as unwarranted delays in payment. It is extremely crucial to expedite release of payment to MSEs by simplifying the

conditions stipulated for release of payment such as timely issue of inspection/ completion certificate. The inspection formalities must not be used as a delaying tactic and contract may stipulate partial release of payment.

The procurers can also make use of the IT systems for release of payments especially in case of units located at diverse geographical locations. Further reasonable time limits must be specified in the contract such as release of payment within 30 days of completion of work along with sufficient provisions for partial release of payments. Regular internal checks and third-party audits should be conducted to ensure that the CPSEs are making the payments in time.

C. Learning and Feedback

12. Provide feedback to MSEs

The provision of feedback from public procurers on the reasons for failure of suppliers to win contracts provides a key learning opportunity for MSEs. An objective and honest feedback will help participating MSEs identify their strengths and reflect on areas which could be further improved.

13. Train procurement personnel

The standard procurement processes typically put enormous administrative burden on MSEs, many a times forcing them not to even bid. Therefore, enhancing procurement from MSEs will require 're-engineering of certain procurement processes and systems' to reduce the access barriers and cater to the needs of their small sized operations. All the personnel involved in managing procurement processes should be sensitized about the policy provisions and trained on managing the procurement life cycle – to make it more accessible to MSEs. There is also a need to continuously update the employee skill-sets per the requirements of new procurement policy regime through structured induction and refresher courses, designed specifically for senior policy makers, auditors, engineers and procurement officials. The training should encompass following key areas (please refer Annexure C for details):

-
- | | |
|--|--|
| • Principles and concepts of public procurement policy | • Negotiating contracts |
| • Application of evaluation criteria | • Vendor management |
| • Basics of writing specification/scope of work | • Preparing management information reports |
| • Specifying contract terms | • Sub-contract management |
| • Appraising contract performance | • Use of information technology |
| • Handling supply chain | • Inventory management |
| • Supplier Diversity | • Establishing product/contract standards |
| | • Quality evaluation |
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4 Annexure



A. Monitoring and Reporting Formats

The M&E related information to be maintained and shared by all demand side constituents is recommended to have following information fields:

Type of Information	Key Information Fields*
Vendor Database	<ul style="list-style-type: none"> Basic information of all the vendors including the registered MSE vendors (min past 3 years data) such as <ul style="list-style-type: none"> Name of the enterprise and EM Registration Number Manufacturing/Service Activity (as per the NIC code in EM certificate) Registered Products for supply to a CPSE (mapped to ASICC/ITC HS code) Category of Enterprise: Micro, Small, Medium or others Special Status: SC/ST, Women Led Enterprises
Tender Database	<ul style="list-style-type: none"> Tender-wise information (min 3 years data) <ul style="list-style-type: none"> Volume of the tender Type of Tender: Goods supplied, Work contract, Services Contract Type of Products/Services (mapped to ASICC/ITC HS code) and their volumes required Channels used to disseminate tender information: Print, Central Public Procurement Portal, CPSE's individual website, Tender Information Portal (http://tenders.gov.in/), others Time given to respond to a tender Details of bids received
Contract Database	<ul style="list-style-type: none"> Contract-wise information (min 3 years data) <ul style="list-style-type: none"> Contract Award Procedure- Direct, Open, Limited Details of tender (Mapped to tender database as described above) Details of selected vendors (Mapped to vendor database as described above) including the sub-contractors (if any) Type of Products/Services (mapped to ASICC/ITC HS code) and their volumes Planned vs actual completion of contract and reasons there of Planned vs actual payment schedule and reasons there of Details of other terms & conditions e.g. Performance Guarantee/Security Deposits involved in the contract Details of disputes, if any

Type of Information	Key Information Fields*
MSME Promotion Activities Database	<ul style="list-style-type: none"> • Details of awareness and capacity building activities (minimum 3 years data) <ul style="list-style-type: none"> o Participants (Demand side, Supply side, Intermediaries) o Outcomes (Vendors registration, Contractual linkages, Consulting) • Details of training of Procurement Officers (min 5 years data)– No of participants and areas of training • Details of grievance received (minimum 5 years data) <ul style="list-style-type: none"> o Number of grievances o Nature of grievances (general, registration, bid selection, contractual– payment, timeline or other etc) o Status (resolved, pending or rejected) and reasons thereof o Details of action taken for resolution
Procurement Processes Checklist	<ul style="list-style-type: none"> • Prepare a checklist of all the best practices related to procurement to promote MSME vendor participation with focus on following: <ul style="list-style-type: none"> o Vendor registration procedures o Payment Terms o Reasons for rejection for MSE bids

*The information fields suggested are indicative and minimalistic. The CPSEs have the flexibility to customize and maintain more comprehensive databases for monitoring and review purpose

The above information fields can be used to generate customized M&E reports at a consolidated level. Following are a few key suggested templates for reference:

I. Overall Procurement Data and Projections (minimum last 5 years)

Type of Enterprise		Product/ Service Description	ITC HS Code	Procurement Amount (In INR)							
				Y-4	Y-3	Y-2	Y-1	Y	Y+1	Y+2	
Micro	General										
	SC/ST Led										
	Women Led										
Small	General										
	SC/ST Led										
	Women Led										
Medium/ Others	General										
	SC/ST Led										
	Women Led										

II. Procurement Items Summary

Category	ITC HS Code	Volume required (Y)	Volume Supplied (Y/Y-1/Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

III. Vendors Summary

a. By Type of Enterprise

Type of enterprise		# of registered Vendors	# of vendors with existing or completed contracts	Volume of existing or completed contracts	Median ticket size of the existing or completed contracts
Micro	General				
	SC/ST Led				
	Women Led				
Small	General				
	SC/ST Led				
	Women Led				
Medium/ Others	General				
	SC/ST Led				
	Women Led				

b. By Type of Procurement Item

Category	ITC HS Code	# of registered vendors	Number of registered vendors (Y/ Y-1/ Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

IV. Bid Summary

a. By Volume of Tender

Volume of Tender (Bands)	# of tenders	Number of bids received(Y/ Y-1/ Y-2)								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

b. By Type of Procurement Item

Category	ITC HS Code	# of tenders	Number of bids received (Y/ Y-1/ Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

c. By Type of Channel

Type of enterprise		Number of bids received from vendors (Y/ Y-1/ Y-2) via		
		Online (CPSE's website)	NIC Portal	Offline Mode
Micro	General			
	SC/ST Led			
	Women Led			
Small	General			
	SC/ST Led			
	Women Led			
Medium/ Others	General			
	SC/ST Led			
	Women Led			

V. Contracts Summary

a. By volume of contract (total number of contracts)

Volume of Contract (Bands)	# of ongoing or completed contracts	# of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

b. By volume of contract (total value of contracts)

Volume of Contract (Bands)	Total Value of ongoing or completed contracts	Total Value of ongoing or completed supply								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

c. By Type of Procurement Item

Category	ITC HS Code	Total Value of ongoing or completed supply	# of ongoing or completed contracts								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

d. By Mode of Contracting (total number of contracts)

Mode of contracting	# of ongoing or completed contracts	# of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Direct Award										
Limited Tendering										
Open Contracts										

e. By Mode of Contracting (total value of contracts)

Mode of contracting	Total Value of ongoing or completed contracts	Total value of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Direct Award										
Limited Tendering										
Open Contracts										

B. Capacity Building Programmes for MSEs

The capacity building programmes as organized by public sector procurers for MSEs which aim to enhance their awareness and skill sets should include following fields (not limited to):

- **Procurement Plan and Process**
 - Annual procurement plan
 - Procurement norms
- **Understanding Vendor Registration Processes**
 - Steps to obtain vendor registration
 - Details of Standard Documents to be submitted
 - Expected turnaround time for registration
 - Contact details of help desk for resolving queries/ complaints
- **Getting Digital Signature**
 - Steps to obtain Digital Signature
 - Documents required for the same
 - Certifying Agencies
 - Importance of Digital Signature
- **Filling in Tender Documents**
 - General instructions in filling up the Tender Bids
 - Supporting Documents to be submitted
 - Process of opening up of technical and price bids
 - Contact Details in case of any queries in filling or contract award results
- **Grievance Redressal Mechanism**
 - Type of queries/ complaints that can be raised
 - Contact Details of the personnel in the Grievance Redressal Cell along with Escalation Matrix
 - Feedback from MSEs pertaining to procurement procedures, tender bidding, contract execution, payment release etc.

C. Training Areas for Procurement Staff

The broad topics suggested to be covered in the training of procurement personnel are:

- I. **Procurement Planning**
 - Preparing Annual procurement plan.
 - Setting performance parameters
- II. **Adhering to Procurement Principles & processes**
 - Writing Tender Notices, bids, product specifications
 - Writing effective terms of reference(TOR)
 - Vendor Communication
 - Supplier Negotiation
 - Enhancing procurement efficiency to reduce the overall costs.
 - Practising ethics, integrity and transparency in procurement
 - Vendor Performance monitoring
 - Vendor Dispute management
 - Costs & Benefit Analysis while evaluating purchase options
 - Use of Information Technology
- III. **Processes related to supplier development, alliances and supply chain management**
 - Execute effective contract development and management processes
 - Communicate effectively with clients, suppliers and other stakeholders
 - Conduct Vendor Development Programmes
 - Adapt best international procurement practices
- IV. **Sensitizing procurement staff on Public Procurement Policy for MSE 2012 and its key provisions**

D. Frequently Asked Questions

Q.No. 1 What is the share of procurement from MSEs out of the total procurement made by Central Government Ministries / Departments / Public Sector Undertakings?

Ans. Under Public Procurement Policy for MSEs, a minimum 20 per cent share out of the total procurement by Central Government Ministries / Departments / Public Sector Undertakings are to be made from MSEs.

Q.No. 2 Whether there is any reservation for MSEs owned by SC/ST entrepreneurs?

Ans. Yes, out of 20% target of annual procurement from MSEs, a sub-target of 4% is earmarked for procurement from MSEs owned by Scheduled Caste (SC) / Scheduled Tribe (ST) entrepreneurs. However, in event of failure of such MSEs to participate in tender process or meet tender requirements and L1 price, 4% sub-target for procurement earmarked for MSEs owned by SC / ST entrepreneurs will be met from other MSEs.

Q.No. 3. Who is eligible for availing benefits under the Public Procurement Policy?

Ans. The MSEs those are registered with District Industries Centers (DICs) / Khadi & Village Industries Commission (KVIC) / Khadi & Village Industries Board (KVIB) / Coir Board / NSIC / Directorate of Handicrafts and Handloom or any other body specified by Ministry of Micro, Small & Medium Enterprises (MoMSME) are eligible for availing benefits under the Public Procurement Policy.

Q.No. 4 What is the date of implementation of this Policy ?

Ans. The policy is applicable with effect from 1.4.2012.

Q.No. 5 Whether Policy is transparent, competitive and cost effective ?

Ans. The Policy rests upon core principles of competitiveness, adhering to sound procurement practices and execution of orders for supply of goods / services in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

Q.No. 6 Whether the Policy is implemented in parts or fully from its inception?

Ans. Every Central Ministry / Department / PSU has to set an annual goal for procurement from MSEs at the beginning of every financial year, with the objective of achieving an overall procurement of minimum 20 per cent of total annual purchases of products produced / services rendered by MSEs in a period of three years. After 3 years, i.e. from 1.4. 2015, overall procurement goal of minimum 20% shall be made mandatory.

Q.No. 7 Whether there is any monitoring system for assessing the Government procurement from MSEs?

Ans. Data on Government procurements from MSEs is vital for strengthening the Policy. Towards this, every Central Ministry / Department / PSU is to report goals set with respect to procurement to be met from MSEs and achievement made thereto in their respective Annual Reports.

Q.No.8. Whether there is price match making facility for procurement from MSEs over large scale?

Ans. In tender, participating MSEs quoting price within band of L1+15% shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than an MSE. Such MSEs shall be allowed to supply up to 20% of total tendered value. In case of more than one such MSE, the supply will be shared proportionately (to tendered quantity).

Q.No.9. What steps are to be taken by the Government Ministries / Departments / CPSUs to develop MSE Vendors so as to achieve their targets for MSE procurement?

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

Q.No.10. What steps are to be taken by the Government Ministries / Departments / CPSUs to develop vendors from MSEs owned by SC/ST entrepreneurs?

Ans. For enhancing participation of MSEs owned by SCs / STs in Government procurement, Central Government Ministries / Departments / PSUs have to take following steps:

- i. Special Vendor Development Programmes / Buyer-Seller Meets would be conducted by Departments / PSUs for SCs / STs;
- ii. Outreach programmes will be conducted by NSIC to cover more and more MSEs from SCs / STs under its schemes of consortia formation; and
- iii. NSIC would open a special window for SCs / STs under its Single Point Registration Scheme (SPRS).

Q.No. 11. What are the other benefits/ facilities to the MSEs available under the Policy ?

Ans. To reduce transaction cost of doing business, MSEs will 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.

Q.No. 12. Whether there is any review mechanism for monitoring and review of the Policy?

Ans. A Review Committee has been constituted under chairmanship of Secretary, MoMSME for monitoring and review of Public Procurement Policy for MSEs. MoMSME will review and/or modify the composition of the Committee as and when required. This Committee will, inter alia, review list of 358 items reserved for exclusive purchase from MSEs on a continuous basis, consider requests from Departments / PSUs for exemption from 20% target on a case to case basis and monitor achievements under the Policy.

Q.No. 13. What is the grievance redressal mechanism in case of non-compliance of the Policy by any Government Department ?

Ans. 'Grievance Cell' would be set up in MoMSME for redressing grievances of MSEs in Government procurement. This cell would take up issues related to Government procurement raised by MSEs with Departments / agencies concerned, including imposition of unreasonable conditions in tenders floated by Government Departments / agencies that put MSEs at a disadvantage.

Q.No. 14. Whether there is any kind of purchases that have been kept out of the purview of the Procurements under the Policy and if yes, how monitoring of the goal set will be done ?

Ans. Given their unique nature, defence armament imports will not be included in computing 20% goal for MoDefence. In addition, Defence Equipments like weapon systems, missiles, etc. will remain out of purview of such policy of reservation. Monitoring of goals set under the policy will be done, in so far as they relate to the Defence sector, by Ministry of Defence itself in accordance with suitable procedures to be established by them.

Q.No.15. From where the detail of the Policy can be obtained?

Ans. Policy details are available on the website of this office- www.dcmsme.gov.in.

Q.No. 16. Whether this Policy is mandatory under any Act?

Ans. Yes, The Policy is mandatory and notified under the MSMED Act,2006.

Q.No.17. How many items are reserved for exclusive purchase from MSEs?

Ans. 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.

Q.No.18. Whether this policy is applicable for works / trading activities also?

Ans. Policy is meant for procurement of only goods produced and services rendered by MSEs.

Q.No.19. Whether policy is applicable for MSEs registered with NSIC?

Ans. Policy is applicable to MSEs registered with DIC/KVIC/KVIB/Coir Board/NSIC/Directorate of Handicrafts and Handloom or any other body specified by Ministry of MSME.

Q.No.20. Whether policy provides benefits for exemption from Security Deposits to MSEs?

Ans. Policy provides benefits to supply tender set at free of cost and exemption from payment of earnest money etc.

Q.No.21. Whether MSE quoting price within price band L1 + 15 % could be given complete supply to tender in case tender item is non-splitable / non-dividable?

Ans. In case of tender item is non-splitable or non-dividable, etc. MSE quoting price within price band L1+15% may be awarded for full / complete supply of total tendered value to MSE, considering spirit of policy for enhancing the Govt. procurement from MSE.

Q.No.22. Which are MSEs owned by SC / ST enterprises?

Ans. 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.

Q.No.23. Whether Government Ministries / Departments / CPSUs those have meager value of total procurement may be exempted from policy?

Ans. Policy is applicable to all the Govt. Ministries / Departments / CPSUs in irrespective of volume and nature of procurement.

Q.No.24. Whether policy has provision for exemption from 20%age procurement target?

Ans. No. However, Review Committee may consider any request of Ministries / Departments / CPSUs for exemption from 20% age procurement targets on case to case basis.



5 References



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5. Are tenders on your radar – Promoting SME participation in public contracts- best practice guide- Enterprise Europe Network
6. Best Practice Guide for successful SME engagement – Institute for sustainability and Enterprise Europe Network





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Enabling Effective Implementation of Public Procurement Policy for MSEs Status, Challenges and Way forward

Prepared by: MSME Umbrella Programme

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Abbreviations

A Standard Industrial Commodity Classification	ASICC
Bharat Earth Movers Limited	BEML
Bharat Electronics Ltd.	BEL
Bharat Heavy Electricals Ltd	BHEL
Centennial Development Advisory Services	CDAS
Central Public Sector Enterprises	CPSEs
Competition Commission of India	CCI
Consumer Unity & Trust Society	CUTS
Defence Research & Development Organisation	DRDO
Development Institutes	DI
Director General	DG
District Industries Center	DIC
Entrepreneurs Memorandum	EM
Financial Year	FY
Frequently asked questions	FAQ
Gas Authority of India Limited	GAIL
Gross Domestic Product	GDP
Hindustan Aeronautics Ltd.	HAL
Hindustan Latex Limited	HLL
Hindustan Paper Corporation Ltd	HPCL
Human Resources	HR
Indian Institute of Entrepreneurship	IIE
Indian Oil Corporation	IOC
Indian Space Research Organization	ISRO
Indian Trade Clarification based on Harmonized System	ITC HS
Information and communications technology	ICT
Information Technology	IT
Invitation to Tender	ITT
Khadi & Village Industries Board	KVIB

Abbreviations

Khadi & Village Industries Commission	KVIC
Micro and Small Enterprise	MSE
Micro, Small and Medium Enterprises	MSME
Ministry of Micro, Small and Medium Enterprises	MoMSME
Monitoring and Evaluation	M&E
MSME Development	MSMED
MSME Umbrella Programme	MSME-UP
National Aluminium Company Limited	NALCO
National Industrial Classification	NIC codes
National Institute for Entrepreneurship and Small Business Development	NIESBUD
National Institute for Micro, Small and Medium Enterprises	NIMSME
National Small Industries Corporation	NSIC
National Thermal Power Corporation	NTPC
National Thermal Power Corporation Limited	NTPC
Neyveli Lignite Corpn. Ltd.	NLC
Office of Development Commissioner	O/o DC
Oil and Natural Gas Corporation	ONGC
Organization for Economic Cooperation and Development	OECD
Pre-qualification questionnaire	PQQ
Public Sector Unit	PSU
Rajasthan Electronics & Instruments Ltd	REIL
Research & Development	R&D
Scheduled Caste/ Scheduled Tribe	SC/ST
Standing Conference of Public Enterprises	SCOPE
Steel Authority of India	SAIL
Testing Center	TC
Testing Station	TS
United Nations Procurement Capacity Development Centre	UNPCDC
Vendor Development Programme	VDP
World Trade Organization	WTO



1 Introduction



Introduction

The MSME sector is of strategic importance to India and is viewed as the key agent to drive economic growth in the country. The Prime Minister's Task Force on MSMEs tasked with identifying the major issues affecting growth and development of MSMEs and drawing up an agenda for action thereof, has suggested several measures to promote sustained growth for the sector. Among the key recommendations, a significant emphasis has been laid on the implementation of the public procurement policy which was also envisaged in MSME Development Act 2006.

Accordingly, the Government of India introduced the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 and notified it under MSME Development Act 2006. The policy mandates all Central Ministries/Departments/Central Public Sector Enterprises (CPSEs) to set an annual procurement target from the MSE sector. The Policy aims to achieve a minimum 20% of overall procurement of the total annual purchases value by CPSE's from products/services rendered by MSEs.

An effective implementation of the policy requires a significant build-up of knowledge and institutional capacity, nurtured over time to address the ever growing challenges of public procurement for MSEs, CPSEs and other concerned stakeholders. To enable this, the Office of DC MSME (Ministry of MSME) and GIZ which are jointly implementing the MSME Umbrella Programme (MSME-UP), have initiated a number of technical support measures for the effective implementation of the Public Procurement Policy for MSEs.





The key components of the ongoing assistance comprise:

- **Market Estimation and Demand-Supply Profiling:** Analysis of overall potential for MSEs with respect to public procurement market opportunity, Existing procurement norms and mechanisms of 30 PSUs/Central Ministries, Profile of goods and services obtained from MSEs, Key challenges faced by the CPSEs in procuring from MSEs and constraints (operational, technical, financial) faced by MSEs when dealing with CPSEs at all stages of procurement life-cycle.
- **Institutional Mechanism:** Identification of Institutional arrangements and mechanisms necessary for effective implementation including monitoring of policy and support thereof
- **Information and Communication:** Information material e.g. best practices, guidelines, checklists, FAQs etc for creating awareness and disseminating information

In an effort to understand the challenges which are currently or likely to be faced by CPSEs & MSEs and to deliberate on the way forward to ensure effective implementation of the public procurement policy for MSE's, a total of 25 CPSEs and 5 Central Ministries from diverse industry sectors along with 23 MSE associations have been contacted for data collection through questionnaires, personal interactions and written responses. Additionally, a series of half-day consultation workshops were also organized at 6 locations across the country in major metropolitan areas with high concentration of CPSEs and supply side players. An extensive secondary research, on national and international best practices to promote procurement from MSE's, was conducted to supplement the findings from primary data collection. The primary data has been corroborated with information obtained from secondary sources i.e. CPSE Annual Reports of past five years i.e. FY 2008 to 2012.



2 Policy Overview



Policy Overview

The 'Public Procurement Policy for Micro and Small Enterprises (MSEs)' was notified by the Central Government through an order dated March 23, 2012 (under Section 11 of the MSMED Act, 2006) and came into force with effect from April 1, 2012. The main objective is to

- Facilitate promotion of MSEs and reduce barriers for accessing public procurement market
- Build capacities and promote competitiveness of MSEs
- Ensure public procuring authorities benefit from cost-effective and competitive supply chains

Policy Principles

The several policy provisions and mechanisms to achieve the policy objectives rest upon the following core principles:

- Fairness
- Equity
- Transparency
- Competition and
- Cost effectiveness

The policy applies to the Micro and Small Enterprises (as defined in MSMED Act, 2006) which are registered with District Industries Centers (DICs)/ Khadi & Village Industries Commission (KVIC)/ Khadi & Village Industries Board (KVIB)/ Coir Board/ National Small Industries Corporation/ Directorate of Handicrafts and Handloom or any other body specified by MoMSME.





Policy Features

- i. Every Central Ministry or Department or Public Sector Undertaking (PSU) shall set an annual goal of procurement from MSEs from the financial year 2012-13 and onwards, with the objective of achieving an overall procurement of minimum of 20 per cent, of total annual purchases of products produced and services rendered by MSEs in a period of three years. After a period of three years i.e. from 1st April 2015, the overall procurement goal of minimum of 20 per cent shall become mandatory.
- ii. The Policy has earmarked 4% of the 20% Procurement from MSEs owned by SC/ST entrepreneurs.
- iii. Every Central Government Ministry/Department/PSU will report on the procurement targets and the achievement made thereto in their Annual Reports.
- iv. In tender, participating MSEs quoting price within price band of L1+15 per cent shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a MSE and such MSE shall be allowed to supply up to 20 per cent of total tendered value.
- v. To reduce transaction cost of doing business, MSEs will 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.
- vi. The Central Ministry/Department/PSU will continue to procure 358 items from MSEs, which have been reserved for exclusive purchase from them.
- vii. The Central Ministries/ Departments/PSUs have to take necessary steps to develop appropriate vendors by organizing Vendor Development Programmes/ Buyer-Seller Meets and entering into Rate Contract with MSEs for a specified period in respect of periodic requirements.
- viii. Given their unique nature, Defence Armament imports will not be included in computing the 20% goal for Ministry of Defence. In addition, Defence Equipments like weapon systems, missiles, etc. will remain out of purview of such policy of reservation.

- ix. A Review Committee has been constituted under the chairmanship of Secretary, at the Ministry of MSME to monitor and review the Public Procurement Policy for MSEs. MoMSME will exercise discretion on further reviews and/or modification of the Committee and matters pertaining to the same. This Committee will, inter alia, review list of 358 items reserved for exclusive purchase from MSEs on a continuous basis, consider requests from Departments / PSUs for exemption from 20% target on a case to case basis and monitor achievements under the Policy.
- x. In addition, a 'Grievance Cell' has been set up in the Ministry of MSME for redressing the grievances of MSEs in Government procurement.



3 Procurement from MSEs



Procurement from MSEs

3.1 Market Potential

In India as across the world, the government (including central, state, local bodies or public sector owned enterprises) is known to be the significant buyer of goods and services for consumption as well as the largest investor. Despite the enormous potential, there is limited availability of reliable and comprehensive statistical data on the public procurement market size especially in emerging economies. However, based on crucial national and international trends, a few key studies that have attempted to approximate the size of public procurement market, mostly as a percentage of Gross Domestic Product (GDP), are tabulated below:

Source	Year of publication	Public Procurement market size as % of GDP (estimated)	Public Procurement Market Size in absolute terms (estimated)
Procurement Market Size (World-wide)			
OECD Publishing ¹	OECD Publishing	13% on average in OECD countries	NA
United Nations Procurement Capacity Development Centre (UNPCDC) ²	Feb 2012	25% to 30% in developing & emerging economies	NA
Procurement Market Size (India)			
Planning Commission ³	Sep'11	15% - 20%	INR 1,200,000- 1,500,000 crore
CUTS report ⁴	Oct'12	25% to 30%	INR 1,530,000 crore (2010-11)
Central Vigilance Commission ⁵	Aug'12	28%	INR 1,200,000 crore (~ in 2008-09)
WTO ⁶	Oct'11	28%	NA

¹OECD (2011), Government at a Glance 2011, OECD Publishing, Paris

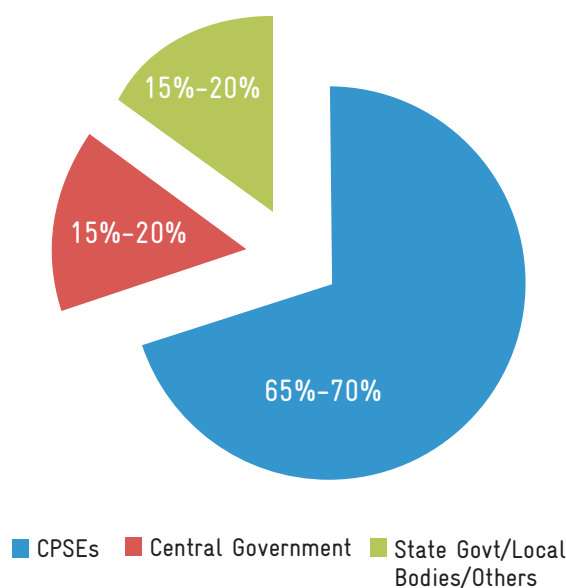
²<http://www.unpcdc.org/home/service/news/global/new-briefing-note-from-unep-and-pcdc-on-sustainable-public-procurement.aspx>





As per the Competition Commission of India (CCI)⁷ and CUTS⁸ report, among the diverse players in the public procurement market, it is estimated that CPSEs contribute to the largest share (65%–70%) followed by Central (15%–20%) and other state governments/local bodies/others (15%–20%).

Dis-aggregating Public Procurement Market



Thus, the overall market potential under the 'Public Procurement Policy for MSEs' which includes only the CPSEs and Central Ministries is estimated to be 80%–85% of the overall public procurement market in India.

³Public Procurement Bill 2011, Prepared by Planning Commission of India, available at <http://www.infrastructure.gov.in/pdf/public-procurment-bill.pdf> last accessed on June 24, 2013

⁴Government Procurement in India, Domestic Regulations & Trade prospects available at http://www.cuts-citee.org/pdf/Government-Procurement-in-India_Domestic-Regulations-Trade-Prospects.pdf last accessed on June 24, 2013

⁵http://cvc.nic.in/tii_30082012.pdf last accessed on June 24, 2013

⁶www.wto.org/english/news_e/news11_e/gpa_bg_sep11_e.doc, Background note on the WTO's Government Procurement Agreement (GPA)

⁷<http://cci.gov.in/images/media/ResearchReports/Bid%20Rigging%20in%20Public%20Procurement.pdf>

⁸Government Procurement in India, Domestic Regulations & Trade prospects available at http://www.cuts-citee.org/pdf/Government-Procurement-in-India_Domestic-Regulations-Trade-Prospects.pdf last accessed on June 24, 2013

There are approximately 220 PSEs working under 35 ministries or departments as per Public Sector Enterprises Survey 2010-11⁹. The Competition Commission of India (CCI)¹⁰ estimates that within the Central Government, departments like Defence, Railways and Telecom spend about 50% of their budget on procurement while the health ministry spends about 26 % of its budget on procurement. Thus, even in the absence of accurate data, all the above estimates clearly suggest that in India (as is the case world-wide), the public procurement market holds significant potential and has a strategic importance for the growth of overall economy including the MSE sector.

3.2 Current Status

The PM Task Force¹¹ pegs the share of MSEs in the overall public procurement market at 4%-5% of the overall market, indicating a significant gap between the policy targets and the current procurement levels from MSEs.

The MSE Procurement policy has provided for a three year enabling period (FY 2013 - FY2015) for all stakeholders to prepare themselves to achieve the target of 20% mandatory procurement from MSE in FY 2016. Thus, since Apr'2012, the Ministry of MSME has been making significant efforts to reach out to all the demand side players (or the procuring entities as tabulated below) and also increase the awareness amongst MSEs.

Table 1: Number of Procurement Authorities

Procurement Entities	Number
Central Ministries	51
Central Departments	46
Total CPSEs	277
Sick CPSEs	44
Functional CPSEs	233

The marketing division, at the office of DC MSME office has also been regularly communicating with CPSEs and providing advice, clarification and information regarding compliance with the policy provisions. Based on the responses received till date, the current status can be summarized as:

⁹http://dpe.nic.in/publications/pesurvey_2010-11/volume2/cpses last accessed on June 26, 20

¹⁰<http://cci.gov.in/images/media/ResearchReports/Bid%20Rigging%20in%20Public%20Procurement.pdf>

¹¹http://www.dcmsme.gov.in/Final_Report.pdf

Particulars	Statistics (2011-12)	Statistics (2012-13)	Statistics (2013-14)
Data received from	103 CPSEs	108 CPSEs	83 CPSEs
Total Procurement done by CPSEs	INR 100270.1cr	INR 84162.3cr	INR 81114.3cr
Total procurement done by CPSEs from MSEs (including MSEs owned by SCs/STs)	INR 14406.7cr (14.4%)	INR 12867.7cr (15.29%)	INR 12264.6cr (15.12%)
Total procurement by CPSEs from MSEs owned by SC/STs	INR 399.5cr (0.4%)	INR 419.9cr (0.5%)	INR 79.8cr (0.1%)
CPSEs - which have procured >= 20% from MSEs	28	36	32
CPSEs which have procured >= 4% from SC/ ST	3	3	1
Appointment of Procurement Nodal Officer	NA	15 Central Ministries 120 CPSEs	NA
Number of Vendor Development Programmes	309	403	NA

The current status of procurement is detailed in Annexure B.

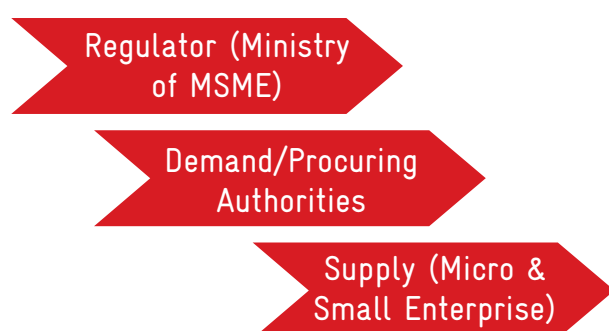
3.3 Challenges and Constraints

In an effort to understand the challenges faced/ likely to be faced by CPSEs and MSEs and to deliberate on way forward to ensure effective implementation of the policy, a series of half-day consultation workshop were also organized at six locations across the country in major metropolitan areas with high concentration of CPSEs and supply side players.

Location	Date	Number of CPSE	Number of Associations
New Delhi	12th Nov	7	4
Kolkata	27th Nov	6	7
Mumbai	3rd Dec	7	3
Hyderabad	9th Dec	1	9
Chennai	10th Dec	7	8
Bangalore	11th Dec	6	6

In addition to CPSEs, industry associations, representatives from NSIC, Development Institutes and MSMEs also attended the workshop.

The findings derived from primary interaction and secondary research (Annexure D and E) were deliberated and validated in these workshops. Based on the inputs received from the 3 key categories of stakeholders (depicted below), the key issues and challenges impacting the policy implementation are described in the next few sections:



3.3.1 Regulatory Side:

The Ministry of MSME is the nodal ministry which plays the role of regulator cum enabler for the implementation of the Public Procurement Policy for MSEs. Though the Ministry has initiated various steps for an effective roll out of the policy, it continues to face challenges and constraints as listed below:

- Difficulty in M&E due to non-availability of information from CPSEs
- Weak institutional structure for policy implementation
- Limited manpower and field level presence to cater to the needs of MSEs
- Lack of ICT support systems

3.3.2 Supply side:

Difficulties associated with getting registered as an MSE

There is a lack of clarity and awareness with respect to need/usefulness for registration as an MSE. The Entrepreneurs Memorandum (EM) format is considered to be very complex for service sector (especially for the relatively low value added work such as cleaning, servicing, security etc). In addition, since the enterprises registering for the single point registration scheme of National Small Industries Corporation (NSIC) need to be already registered with DICs, there is no distinct advantage seen in getting registered under the NSIC single point registration scheme for MSEs.

Cumbersome registration process of CPSEs

The vendor registration process with CPSEs is in most cases similar for both high and low value items and is found to be complex and cumbersome by MSEs. The lack of data synchronization and sharing among the several procurement divisions/units within a CPSE burdens the MSEs with repeating the entire process when registering with a different plant/division of the same CPSE. Further, there is no dedicated information section for the MSE vendors on the CPSE websites.

Bidding and Contracting procedures are not MSE friendly

The tender processes and documents are found to be too complex for MSEs to comply with. The tough and unreasonable pre-qualification requirements (high turnover compared to bid value, experience etc), complex e-procurement system, inadequate and unrealistic timelines to participate in a bid, and delays in procurement decisions are some of the common challenges faced by MSE when accessing the public procurement market.

The opacity in provisions pertaining to earnest money deposit, high cost of getting the digital signature from a certifying authority, extensive use of limited tendering, and lack of communication/information/feedback on reasons for rejection of bids also result in low coverage of MSEs.

The long timelines associated with the procurement cycle adversely impact the ability of MSE's to participate in the process as the prices of input raw material are subject to significant fluctuations in the period intervening the bid submission and execution.

Delays in payment/performance guarantees

The delay in payment to MSE's was highlighted as the single most crucial challenge for MSEs when dealing with CPSEs. The procurement guidelines as per MSMED act stipulate T+45 days for payment. However, T is decided as per the date of acceptance of goods/services by CPSEs. CPSEs tend to take a long time for inspecting material supplied to them causing a substantial delay in payments. In many cases, the delays in payment have been reported even after the issue of acceptance certificate and completion of all procedural formalities.

Due to the delays in the commencement of works, performance guarantees are often not released in time leading to a loss of interest to MSEs. The recovery of performance bank guarantee from CPSEs, after its expiry, is a difficult task especially in the case of niche technology products. Often, the conditionality imposed by the CPSEs also complicates the matter for example retention of performance guarantees unless maintenance is ensured for life.

Lack of awareness and low level of skill sets

The lack of awareness and inadequate skills sets necessitate the need for systematic capacity building of MSEs. The capacity building includes but is not restricted to following areas: requirements as per CPSE tenders, offline and online application procedures (in the event of CPSEs having mandated the use of e-procurement channel) and manufacturing of items as per import substitution list.

3.3.3 Demand Side:

Lack of consolidated information for identification of capable MSE vendors:

The lack of a comprehensive database of registered MSEs and limited accessibility to the already registered enterprises database which is maintained by the District Industries Centre (DIC) constrain CPSE's when attempting to reach out to MSEs. As per CPSEs, most of the MSE units do not meet the eligibility criteria when open tenders are floated. Further, the lack of information to identify the MSE's production capacity is also a key limitation.

Difficulty in determination of MSE and SC/ST status:

The EM Form 2 does not mention any validity period which makes it difficult for the CPSEs to determine status (Micro or Small) of an enterprise. In the event of an MSE being delisted, there is no mechanism for the CPSEs to ascertain the same. This may lead to an MSE getting unduly benefitted from the policy provisions. The EM2 acknowledgement does not mention if any particular MSE unit is owned by an SC/ST entrepreneur which makes it eligible for certain special exemptions. The Ministry of MSME is in the process of reviewing and resolving this issue. However, the lack of a comprehensive database of SC/ST owned enterprises continues to be a challenge.

Lack of willingness amongst MSEs to get registered:

Many vendors who provide services to CPSEs are reluctant to register themselves as MSEs despite being eligible for an MSE status. This is especially true for contracts of longer period made by CPSEs prior to issue of Policy. For such entities, MSE registration document can be insisted upon only when the contract comes up for renewal.

Lack of clarity on certain policy provisions

The CPSEs sought clarifications on following policy provisions and implementation challenges:

- a. **Implication of the Clause 4 (4% out of 20% reserved for SC/ST owned enterprises)** i.e. if $4\% \times 20\% \times \text{Total Procurement} = 0.08\%$ of total procurement or if $20\% \text{ of } 20\% = 4\%$ of total procurement is reserved for SC/ST owned enterprises.
- b. **Sub contracting and sourcing through 'Aggregators or Dealers':** Many MSE vendors instead of supplying directly to CPSEs, supply through dealer traders/aggregators (especially in case of small value purchases such as spares and other hardware items). In such cases, would indirect purchases made by PSEs from traders/aggregators/dealers via sub-contracting qualify as MSE procurement? There is also a concern regarding the verification and monitoring of sub-contracting, joint consortia and other such arrangements so as to minimize frauds, ensure transparency and maintain correct accounting procedures.
- c. **Reserved Items:** Detailed specification of 358 articles required for ease of operation. There was a call for creation and up-dating the centralised database.
- d. **Clause 6:** Eligibility criterion of a bidding entity who is in-turn sub-contracting to MSEs. For eg. the accrual of benefits under clause 6 (i.e. quoting price within price band of $L1+15\%$ percent) to such entities and the extent.

Status of ancillary Policy vis-à-vis Public Procurement Policy:

There appeared to be some degree of uncertainty over the status of an earlier ancillary policy. Many CPSEs continue to follow the system of ancillary units (which are also MSEs) and provide certain benefits that non-ancillary MSEs do not get.

Nature of procurement not suitable for MSEs:

The nature of procurement as in the case of oil and gas enterprises makes it difficult to achieve the 20% target for many CPSEs. Also, a few CPSEs raised concerns on the feasibility of meeting the target on an annual basis due to varying product mix of the materials and suggested to use an average basis for achieving the 20% target over a period of three years.



4 Way Forward – Ministry of MSME



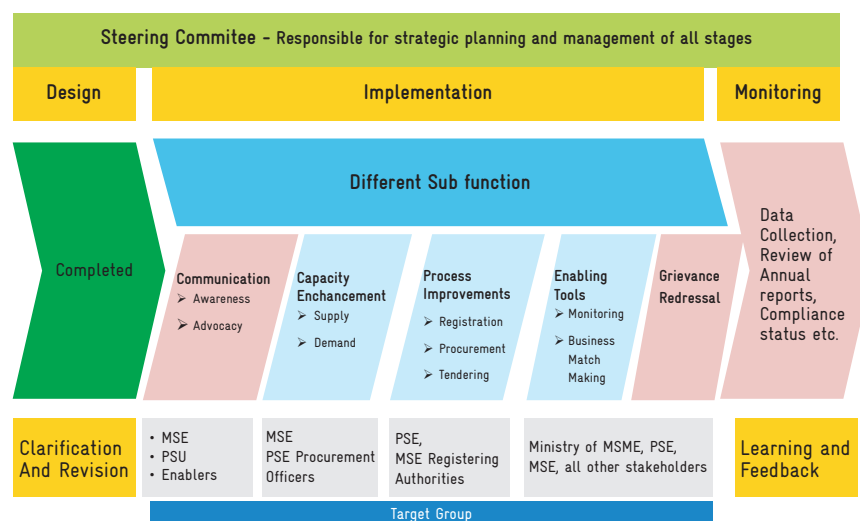
Way Forward – Ministry of MSME

Any policy is likely to remain only as an idea if necessary and sufficient steps are not undertaken to ensure its effective implementation. Taking into account the current status of implementation and challenges faced by different stakeholders, there is a need for coordinated efforts and collaborative action by all stakeholders to realize the intended objectives of the public procurement policy for MSEs. The introduction of any new policy necessitates changes involving the concerned stakeholders and the implementation depends on the ability to effectively address the complexities that arise in the process of change management. When stakeholders are required to cope with the resistance and barriers to change, they need to equip themselves with certain skills to manage the change. This is the case with all policy changes and holds particularly true for the MSE public procurement policy- wherein a large number of stakeholders are involved. The key to ensure effective implementation of the policy lies in setting up the institutional mechanism which facilitates the easy adoption of the changes and address the challenges (as highlighted in the above section) at several stages of policy implementation.





The key stages of policy development & implementation process and the main activities involved in different stages are described below:



The Office of DC-MSME, Ministry of MSME which is the nodal agency for the Public Procurement Policy for MSEs has taken a number of steps to facilitate the policy implementation (Annexure A) and has established the institutional structure as outlined in the policy notifications. The institutional mechanisms responsible for some of the functions outlined above are already in place. However, in order to ensure a more systemic approach to policy implementation, there is a need to undertake additional measures to address the several challenges at different phases of policy implementation and define clear role and responsibilities of the different organizations under Ministry of MSME as well as of other stakeholders.

The following section of the report outlines 9 key measures and associated action points to be undertaken by the Ministry of MSME, Office of DC MSME and its organizational networks such as MSME Development Institutes, Training Institutions, etc.

4.1 Strengthen the institutional structure

The different activities pertaining to policy implementation are currently being spearheaded by the Ministry of MSME mainly through a following broad structural arrangement:

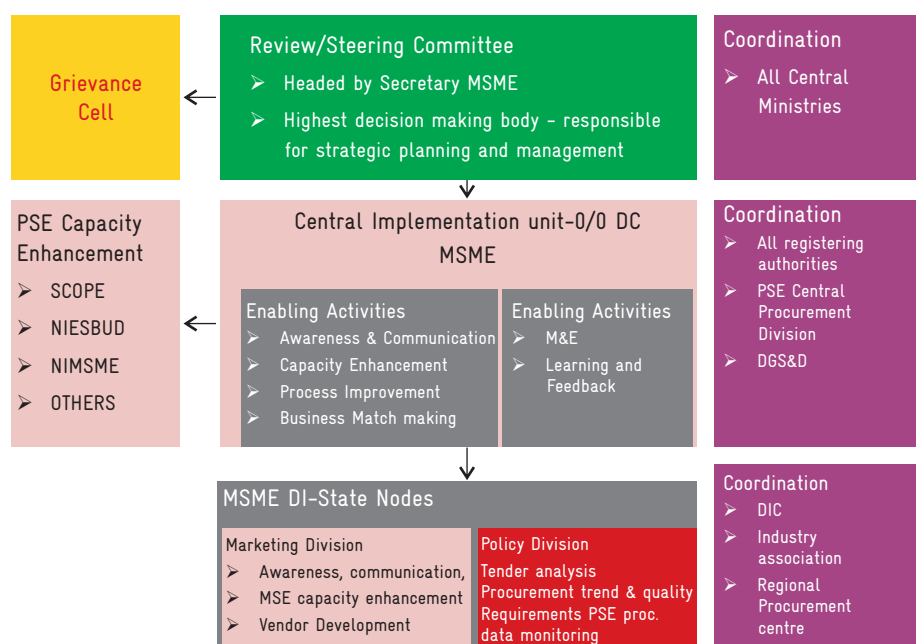


In addition to this, the MSME DIs carry out activities to create awareness, enhance capacities, and provide matchmaking avenues through vendor development programmes.

Taking into account the challenges and constraints identified above, the need to define clearer roles and responsibilities assumes significance. Taking into account the need to coordinate and collaborate with large number of stakeholders, the structure being proposed requires the MSME DI to play the role of state level nodes and support the functioning of the central implementation unit as described below:

The desired features of institutional mechanism which would ensure effective policy implementation are:

- Clearly defined roles and functions to manage all stages of policy implementation
- Centralized coordination to encourage consolidation, maintain coherence and avoid duplicity
- Adequate level of field presence and decentralization of responsibility to improve accessibility
- Single point of contacts defined for Supply and Demand Side Players
- Effective linkages and advocacy with other intermediaries and other governance bodies
- Work closely with all stakeholders (demand and supply side) to facilitate policy implementation



4.2 Clarify policy provisions and communicate

The 'Public Procurement Policy for MSEs' has already been notified by the Central Government through an order dated March 23, 2012. However, several stakeholders have raised concerns regarding limited clarity with respect to following policy provisions & metrics:

- **Clause 6- Price quotation in tenders**
 - Eligibility of a bidding entity, which is in-turn sub-contracting to MSEs, to claim benefits under Clause 6 (i.e. quoting price within price band of L1+15%) and to what extent.
 - Whether an MSE, quoting price within price band L1 + 15 % could be given complete supply to tender in case the tender item is non-splitable or non-divisible
 - Clarification regarding implication of the word 'proportionately' in Clause 6- Price quotation in tenders. (1) In tender, participating Micro and Small Enterprises quoting price within price band of L1+15 per cent shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a Micro and Small Enterprise and such Micro and Small Enterprise shall be allowed to supply up to 20 per cent of total tendered value. (2) In case of more than one such Micro and Small Enterprise, the supply shall be shared **proportionately (to tendered quantity)**
- **Sourcing through dealers:** In a situation where the purchases made by CPSEs are from traders/aggregators/dealers (who have procured the same from MSE vendors), would the procurement qualify as 'MSE' procurement under sub contracting.
- **Subcontracting/Joint consortia procedures:** The CPSEs need clarity regarding their role and responsibilities vis a vis a main vendor to monitor the bids and contracts made via subcontracting, joint consortia and other such arrangements which are allowed under the policy so as to minimize frauds, ensure transparency and maintain correct accounting procedures.
- **358 reserved articles for MSEs:**
 - Since the description of the reserved items is generic in nature, precise specifications of items in the list of 358 items would enable CPSEs to comply with the intent and requirements of the law and reduce administrative time. For example, the term 'Pumps' in the list could be anything from small water cooler pumps to large hydraulic pumps used in oil rigs.

- **Implication of Clause 4 (the 4% out of 20% reserved for SC/ST owned enterprises)**
i.e. if $4\% \times 20\% \times \text{Total Procurement} = 0.08\%$ of Total Procurement or if $20\% \times 20\% \times \text{Total Procurement} = 4\%$ of Total Procurement is reserved for SC/ST owned enterprises.
- **Status of Ancillary Policy:** Since the CPSE's are unclear on the earlier ancillary policy, they continue to provide distinct benefits to ancillary units to which the non-ancillary MSEs are not entitled. Thus, clarifications are solicited with respect to :
 - whether the ancillary policy is in place or defunct
 - whether the Public Procurement Policy over-rules the ancillary policy
 - whether any of the processes in CPSEs as per the ancillary policy need to be modified appropriately so as to not be in contradiction with the Public Procurement Policy objectives

#1 Action Point

The O/o DC-MSME has made available FAQ (<http://dcmsme.gov.in/faq.pdf>) to address several concerns with respect to policy provisions. The same should be revised and updated with clarifications on above matters and integrated with national and international best practices in a handbook format.

4.3 Improve awareness through proactive and regular communication

Given the fact that the policy is in a nascent stage and capacities of concerned stakeholders are also limited, there exist significant information gaps in the ecosystem. These are mostly in the area of:

- **Policy and its provisions:** Limited awareness about the policy, its key provisions and its benefits, existing information sources (Guidelines, FAQs, Circulars etc as available at O/o DC-MSME website) to know more about the policy
- **Registration as an MSE:** Benefits of registration and the related procedures
- **Procurement opportunities and norms:** Tender and procurement opportunities, quality norms, procurement trends, eligibility criteria, vendor registration process, vendor database, product requirements, bid procedures, other procurement processes etc

- **Support schemes and institutions:** Available for enhancing MSE competitiveness

#2 Action point

Central Implementation unit – Office of DC MSME is recommended to:

- Prepare and disseminate documents and reference tools/guides such as hand book on public procurement policy for MSEs; and Best Practices for CPSEs
- Train all the field institutions (DI, TC, TS) on the provisions of public procurement policy and make MSME DIs as the state level nodes for policy implementation and monitoring.
- Leverage the reach and network of industry associations, build their capacities and establish formal linkages (through several support schemes) with them to reach out to MSEs
- Develop and execute a communication campaign focused on building awareness around the public procurement policy and related areas for a defined time period using several media options

MSME DIs are recommended to:

Develop sector/CPSE specific intelligence on 'tender, procurement norms, vendor empanelment process, quality and certification requirements of CPSE, procurement trends' and disseminate this through networking with industry associations, DICs and direct interaction with industry on a regular basis. This is in addition to existing activities (VDP, Awareness workshops etc.).

4.4 Institutionalize capacity development measures

Since the public procurement policy has recently been notified in 2012 and is fairly nascent, relevant actors are still in the process of gearing up their internal systems and processes to meet the targets as laid down by the policy in the desired time frame. As has been highlighted before, the critical capacity constraints facing stakeholders pertain to HR and process issues.



#3 Action Points

Training on 'Procurement from MSE' - Customized training programmes should be developed for procurement officers of CPSEs to sensitize them on the challenges faced by MSE and ways to overcome these through improvements in procurement processes. The national training institutions (NIESBUD, NIMSME, IIE) in partnership with SCOPE, Centre for Development can carry out these programmes on a regular basis.

Training on 'How to access public procurement market'- In addition to the existing vendor development programs, DIs should provide training to MSEs in areas such as a) Technical and managerial capacities to meet supply side requirements b) Understand the procurement procedures c) Apply for procurement opportunities d) Access the procurement systems of CPSEs e) E-procurement and Digital Signature. The training should be organized in partnership with CPSEs.

4.5 Develop enabling ICT tools

The identification of quality and adequately capacitated MSE vendors continues to be a key challenge for most CPSE's. On the other hand, the MSEs struggle to keep themselves updated with procurement opportunities and process requirements. Given the above challenges, 'business matchmaking'- which is primarily a market driven mechanism has been identified a priority area for public intervention. The use of technology and the provision of user-friendly online platforms can play a big role in addressing the challenges related to administrative burden. The O/o DC-MSME is already in process of setting up a National Portal which would include a functional module for business matchmaking. The O/o DC-MSME has already developed such a business matchmaking module (copyright with the O/o DC-MSME) wherein all the suppliers and buyers are intended to be mapped to the specific product categories- as defined by the ITC HS code- this code will act as the common backbone to enable search of corresponding business partners. Additionally, in order to promote sub-contracting opportunities, online platforms can also be developed for large contractors (who have been awarded the public contract) to subcontract to MSEs. For example: a similar system in United States- <http://www.sba.gov/content/sub-net>.

#4 Suggested Features to be integrated in National Portal /IT infrastructure

- ✓ **Business Matchmaking and Subcontracting Database:** The O/o DC-MSME has already developed such a business matchmaking module (copyright with the O/o DC-MSME) wherein all suppliers and buyers would be mapped to the specific product categories as per ITC HS code ; which could act as the common backbone to enable search of corresponding business partners. In order to promote sub contracting opportunities, access to this match making platform should also be offered to large contractors (which get the public contracts) e.g. similar system in United States exists <http://www.sba.gov/content/sub-net> .

- ✓ **Linkages with other IT platforms:** Seamless linkage or integration with the e-procurement related information and system of all demand side entities (CPSEs, Central Ministries etc), NSIC (single point registration) , Tenders Portal (<http://tenders.gov.in/>), Central Public Procurement Portal, e-biz portal (<https://www.ebiz.gov.in/home>), and other relevant IT systems as maintained by other stakeholders
- ✓ **Monitoring and Grievance Redressal:** Online monitoring system wherein the CPSEs can update their procurement statistics & performance, Online Grievance Redressal Systems for both demand and supply side stakeholders and Online system for Public Private Dialogue, stakeholder consultations and feedback
- ✓ **Technology Offers & Requests:** A database which contains technology offers and requests from companies and R&D and technical institutions. For e.g. (similar system in European Union - <http://www.enterprise-europe-network.ch/marketplace/index.php?file=bbs-search.php>)

4.6 Improve MSE registration process and data consolidation

There is a need to address the challenges arising out of the multiplicity of registering authorities (6 in number) such as different formats of registration certificates and lack of data consolidation. The EM Formats are more suited for manufacturing sector resulting in complexities/unnecessary information for service sector firms. Absence of validity period (except in the case of NSIC), and the ownership type (SC/ST/Women/Disadvantaged) on registration certificate makes it difficult for the CPSEs to determine their current status and category.

The capability of MSE to supply quality goods in a timely manner is often cited as a main reason for complex vendor registration as well as tender qualification norms.

#5 Action Points

Central Implementation Unit – DC MSME

Standardization and simplification of registration certificate: All registering authorities should be brought on board to adopt a standardized registration certificate format and should include data pertaining to type of ownership i.e. SC/ST, Women and product classifications based on ITC HS Code for new registration. For existing registered MSE enterprises, new certificates should be issued within a specified time period. The simplification of EM registration form for service sector enterprises should also be undertaken.

Consolidation of registered MSE data base: The integrated mission mode project – eBiz portal (<https://www.ebiz.gov.in/home/>) spearheaded by Department of Industrial Planning and Promotion aims to provide all enterprise related services (registration, licenses, permits etc) provided by central and state authorities at a single point. MoMSME should explore the feasibility of using this as a single point online repository of all data on registered enterprises received from all 6 MSE registering authorities.

Capacity Grading /rating mechanism: Except NSIC, no other registering authority certifies the capacity and capability limit of MSEs. There is need to further strengthen and broad base the capacity grading/rating mechanism of MSEs and link the information with web based match making platform at a single point. Similar systems involving single point vendor registration procedures are being implemented in US (systems for award management – SAM) – https://www.sam.gov/sam/SAM_Guide/SAM_User_Guide.htm#_Toc330768976) and Singapore (GeBiz Trading Partner) <http://app.mof.gov.sg/data/cmsresource/For%20Businesses/Govt%20Procurement%20Guide%20SME%20ver2%20Apr2006.pdf>

4.7 Carry out continuous monitoring and data analysis

Standardized M&E template and metrics should be developed and disseminated by the office of DC MSME to track the performance of demand side players; which should be made available online over a period of time. The suggested M&E metrics for demand side are provided in Annexure C.

The efforts undertaken by ministry should be complemented by MSME DIs which should be responsible for defining the baseline and review the performance of all demand side constituents as per policy objectives through secondary research (annual reports and disclosures of CPSEs etc). The procurement procedures and practices being adopted by several demand side constituents should be understood to identify the best practices, success stories, achievements and challenges (if any) on the demand side. DIs should provide regular feedback and data to the central implementation unit.

4.8 Establish responsive grievance redressal system

The Grievance Redressal Mechanism (as also laid down in the policy) is crucial to ensure effective implementation of the policy. Given the size of MSE sector and volume of contracts in the public procurement space, following would be needed to ensure the efficacy and efficiency of this mechanism:

- **Adequate field level presence**, manpower and other resources (online systems) to handle the large volume of grievances

- **Trained manpower** with the ability to address the diverse nature of grievances from both demand and supply side stakeholders
- **Provision of online systems** to reduce the administrative inefficiencies and wherein the stakeholders can apply and track the status of their complaint
- **Effective liaison** with Chief Vigilance Commission, Department of Administrative Reforms and Public Grievances, Right To Information and other concerned bodies to address the grievances



5

Recommendations for Public . Sector Procurers (CPSEs, Central Ministries and Departments)



Recommendations for Public Sector Procurers (CPSEs, Central Ministries and Departments)

Taking into account the common challenges faced by Micro and Small Enterprises in accessing public procurement market and the policy mandate to achieve minimum 20% procurement target; there is an urgent need of change in systems, processes at every stage of procurement life cycle. Based on the suggestions and feedback received from MSEs, CPSEs and taking into account the international best practices, following 13 steps are being suggested for implementation by public procurement authorities (CPSEs, Central Ministries and Departments).

Strategy, Structure and functions	1. Make "MSE engagement" a Strategic Priority
	2. Develop appropriate organizational structure and allocate resources for MSE engagement process
	3. Improve communication channels with MSEs
Process and Systems	4. Simplify Vendor Registration Process
	5. Enhance use of Standardised tender documents
	6. Break contracts into lots, wherever feasible
	7. Provide sufficient lead time for tender submission
	8. Seek proportionate pre qualification requirements
	9. Minimize evaluation and award period
	10. Develop a system to encourage and track Sub contracting to MSEs
	11. Expedite Payments process to MSEs
Learning and Feedback	12. Provide Feedback to MSEs
	13. Train Procurement Personnel





A. Strategy, Structure and Functions

Make 'MSE engagement' a Strategic Priority

The first and foremost step to achieve the mandated 20% procurement from MSE has to start with making it a strategic priority by the top management. Engaging MSE's as suppliers can also bring additional benefits to large organizations like flexibility, innovation and customized solutions and lower costs. In order to overcome the resistance to change, negative perceptions about MSE capability and fear of additional administrative burden at the operational level; supplier diversity and MSE engagement initiatives should be integrated in a company's vision, policies and strategies at the top level. The performance incentives of the concerned departments (procurement, vendor development) can be linked with achievement of target i.e. minimum of 20% procurement from CPSEs.

Develop appropriate organizational structure and allocate resources

MSEs are small in size, lack market information and are constrained in managerial human resource capacity to identify, communicate and comply with the complex vendor registration and procurement processes. Many a times, the time available to respond to tenders is not sufficient for MSEs to prepare and submit appropriate bids; adversely affecting their chances of winning.

To overcome the barriers faced by MSEs and achieve the 'MSE engagement strategy and procurement goal', a dedicated organization structure (e.g. MSE cell) and resources should be put in place by procuring organizations to bring necessary changes in the existing procurement systems and processes. The key functions to be undertaken by the dedicated structure to make the organizations more accessible to MSEs would include:

- **Identification of procurement opportunities from MSEs:** An annual procurement plan detailing all the goods and services which are likely to be procured from MSEs can be prepared and shared with prospective vendors. The plan could also mention the procurement processes (rate contract, restricted tender, open tender etc.) likely to be followed.
- **Champion the cause of MSE engagement internally and externally:** Understand the perspectives of both the procurement departments and MSEs and identify workable solutions with least lead time. Improve coordination among various departments and facilitate the re-engineering of procurement process and systems wherever necessary.

- **Organize MSE engagement and training programmes**
- Monitor the procurement targets, manage the MSE grievance redressal and learning and feedback mechanisms

Improve communication channels with MSEs

To reduce MSE's constraints of information asymmetry in accessing public procurement market, procuring organisations should improve their communication and outreach channel. Since, the website is the first point of information for MSEs, the design and content of the websites should be adapted to the needs and skill set level of MSEs. The website must have a dedicated section for the MSE's– prominently displayed on home page.

The Annual Procurement Plan should also be proactively disseminated amongst MSEs through the network of MSE support institutions, and the industry associations. The information on forthcoming tenders should also be prepared and communicated on a quarterly basis so that MSEs can get the information about potential supply opportunities well in advance.

In order to pro-actively engage with MSEs, the procurers must frequently organise events such as buyer and seller meets, vendor development programmes. This would help to de-mystify the tendering process for the suppliers and give an opportunity to both buyers and suppliers in identifying areas in which they can do business together. The public procurers may look at providing information in the following areas:

- Vendor registration forms
- E-procurement guidelines
- Purchase manual/systems/procedures
- Tenders floated
- Presentation of tender information
- List of tenders/contracts concluded
- Vendor development programmes
- Annual procurement plan
- MSE exemption policies
- Vendor grievance mechanism
- E-procurement/vendor training
- List of registered vendors

B. Process and Systems

Simplify vendor registration process

The foremost requirement for participating in public procurement is to seek vendor registration with CPSEs, however the current vendor registration process is considered to be cumbersome and complex by MSEs.. The lack of data synchronization among the several procurement divisions/units within a CPSE burdens the MSEs with repeating the entire cycle process when registering with a different plant/division of the same CPSE. Following steps will enable larger number of MSEs to get registered as vendor:

- Separate vendor registration for MSE and further simplification of vendor registration form for low value items. Forms must be easy to comprehend and fill, devoid of unnecessary complexities.
- Since e-procurement is mandatory only for purchases more than Rs 25 lakh, CPSEs should also accept physical copies of vendor registration forms in their respective offices especially in case of goods of lower value.
- Once a vendor is registered at a particular location/unit or for a particular class of goods or services, they must not be required to seek registration at other locations/units. Instead, the procurers must maintain a central repository of registered vendors for administrative convenience of MSEs.
- The contact details of designated officials for clarifications of doubts and for further assistance in getting registered to be provided to MSEs.

Enhance use of standardized tender documents

The improvements in design of tender documents can lead to reduction in excess administrative burden encountered by MSEs in complying with tender norms. The procurers need to use standardised tender documents specifying uniform general conditions with only specific conditions varying as per the underlying contract requirements. This will allow bidders to become familiar with the tender specifications, documents to be submitted and other formalities to be completed.

Since the onerous conditions, questions and tedious paperwork discourage small enterprises from bidding in the tendering process, stipulating conditions and accompanying documentary evidence demanded from MSE suppliers must account for external and internal constraints and be in line with necessary contract requirements. Further, tender documents must use simple and clear language which is free of jargon and does not confuse or discourage prospective suppliers.

Break contracts into smaller lots, wherever feasible

The procurers can make contracts more accessible by dividing them into smaller 'lots' wherever it is practical and feasible. This not only helps the MSEs in overcoming production capacity constraints with lower quantities required to be delivered but also the procurers who are able to benefit from the specialized expertise of multiple bidders and diverse suppliers. This is also an internationally recognized and most frequently cited best practice to enhance MSE's share in the public procurement market.

Provide sufficient lead time for tender submission

All public sector purchases are notified to the public mostly through tenders advertised in newspapers, trade journals, departmental publications, notice boards, websites /internet. The MSEs should be given sufficient lead time to check the advertisements and complete their tender submissions and accompanying documentation.

Seek proportionate pre- qualification requirements

The public procurers must ensure that financial and technical capacity related conditions specified in a contract are proportionate, justifiable and commensurate to the size and subject-matter of the contract. A few recommendations which could be taken into account while designing the tender documents to enable higher participation rate by MSE's are:

- Design the safety provisions related to insurance, indemnity, performance guarantees, and security deposits, etc. which are commensurate to the risks involved and are not overtly restrictive to MSE vendors. The requirement of performance and financial bank guarantees may be exempted in case of MSEs especially in case of low value contracts.
- Ensure that the financial (turnover) and technical capacity conditions specified in a contract are proportionate, justifiable and is commensurate to the size and subject-matter of the contract. For example, a requirement that only experience acquired in dealing with the public sector will be taken into account is, as such, irrelevant and limits competition¹².

¹²http://ec.europa.eu/internal_market/publicprocurement/docs/sme_code_of_best_practices_en.pdf last accessed on November 19, 2013

- Reduce the procurement cycle timelines and include a price variation clause especially in case of long-term contracts (defined as over one year) so that MSEs can adjust to price fluctuation in the input raw material
- Flexible payment terms i.e. advance payment, phased payment linked to delivery of various stages of the contract since those MSEs which otherwise have the capability to deliver quality products are limited in size/ability to obtain credit
- Ensure that the contractual conditions compensate/ do not unfairly treat the vendors in case the delay in start or completion of works is due to CPSE/Central Ministry side. For e.g. payment of interest on performance guarantee in case of delay
- Ensure that any of the tendering specifications or procedures do not violate MSE's intellectual property rights and confidentiality
- Pre-specify time period (maximum) required for inspection of goods/services supplied by MSEs so as to avoid delay in issuance of acceptance certificate and payments
- Acceptance of bids via not only the e-procurement systems (where it's not mandatory as per the current regulatory provisions) but also through physical media such as courier, post or by hand especially in case of MSEs with limited access to technology

Minimize evaluation and award time period

Minimize the time period between the submission of bid and award of contract; and the bid validity period so as to reduce the effect of market fluctuation on raw material cost.

Develop a system to encourage and track sub- contracting to MSEs

As per the policy provisions, the annual goal of procurement also include subcontracts to Micro and Small Enterprises. In those cases where the nature of procurement is not at all suitable for direct award to MSEs, tenders and award criteria may contain clauses that encourage subcontracting work to MSEs, for e.g. extra points may be awarded to those contractors who propose to subcontract to MSEs.

In many EU countries, to encourage subcontracting, bidders have to submit information about supplier diversity at both the pre-qualification questionnaire (PQQ) and invitation to tender (ITT) stage and this feature in the scoring mechanism.

The CPSEs can also play an important role in ensuring that the prime contractors offer equal terms and conditions to the sub-contractors. Internationally, several examples of provisions to encourage sub-contracting include a) the standard tender documents include a provision requesting the contracting authority to pay directly to the sub contractor in case of a payment delay by the main contractor. The amount paid to the sub – contractor is deducted from the amount due to the main contractor b) declaration from the prime contractor that the offered price to sub-contractors meets the requirement of a minimum labour charge– in case of works contract. The CPSEs can also ask their suppliers to publish sub-contracting opportunities on their website with preference to MSEs.

Expedite payments process to MSEs

MSEs face liquidity problems due to lack of availability of ample funds whether owned fund or bank credits as well as unwarranted delays in payment. It is extremely crucial to expedite release of payment to MSEs by simplifying the conditions stipulated for release of payment such as inspection/ completion certificate. The inspection formalities must not be used as a delaying tactic and contract may stipulate partial release of payment.

The procurers can also make use of the IT systems for release of payments especially in case of units located at diverse geographical locations. Further reasonable time limits must be specified in the contract such as release of payment within 30 days of completion of work along with sufficient provisions for partial release of payments.

C. Learning and Feedback

Provide feedback to MSEs

The provision of feedback from public procurers on the reasons for failure of suppliers to win contracts provides a key learning opportunity for MSEs. An objective and honest feedback will help participating MSEs to identify their strengths and reflect on areas which could be further improved.

Train procurement personnel

The standard procurement processes typically put enormous administrative burden on MSEs, many a times forcing them not to even bid. Therefore, enhancing procurement from MSEs will require 're-engineering of certain procurement processes and systems' to reduce the access barriers and cater to the needs of their small sized operations. All the personnel involved in managing procurement processes should be sensitized about the policy provisions and trained on managing the procurement life cycle – to make it

more accessible to MSEs. There is also a need to continuously update the employee skill-set as per the requirements of new procurement policy regime through organizing structured induction and refresher courses designed specifically for senior policy makers, auditors, engineers and procurement officials. The training should encompass:

- Principles and concepts of public procurement policy
- Application of evaluation criteria
- Basics of writing specification/scope of work
- Specifying contract terms
- Appraising contract performance
- Handling supply chain
- Supplier Diversity
- Negotiating contracts
- Vendor management
- Preparing management information reports
- Sub-contract management
- Use of information technology
- Inventory management
- Establishing product/contract standards
- Quality evaluation



6 Conclusion

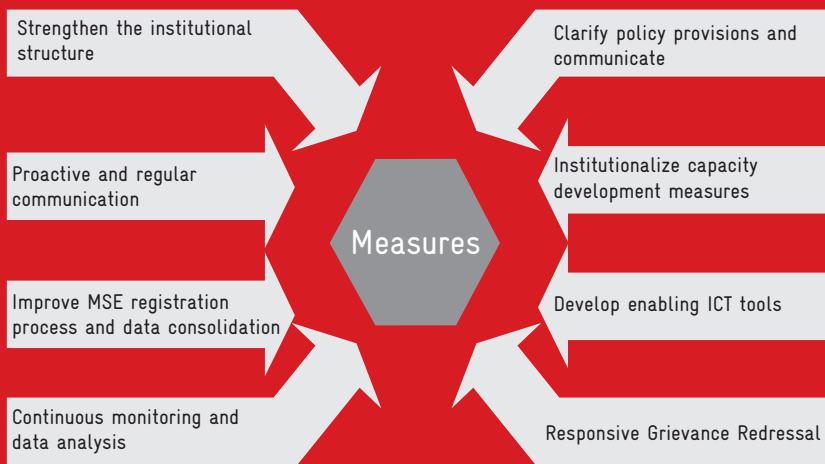


Conclusion

The MSE sector is of paramount significance for economic growth and job creation. The sector's low labour to capital ratio in MSMEs compared to large industries and its geographic distribution provides an opportunity for inclusive and equitable growth in India. Hence, the public procurement policy for MSEs has the potential to provide further impetus to this sector without compromising on transparency and cost effectiveness. If implemented in its full essence, the policy could substantially address the issue of limited access to market by MSEs.

However, the preparedness of the existing ecosystem to address the challenges emanating from policy implementation is still underway. There are significant changes that are required in CPSEs, administrative and institutional levels and enhancing the ability of MSEs to respond to the markets. Thus a paradigm shift is required in the ecosystem covering all stakeholders.

Section 4 of this report outlines measures and action points to be undertaken by the Ministry of MSME as a regulator and enabler of the policy. The graphic below provides a quick recap of the same.





There is need for a strong coordination mechanism among the Ministry of MSME and other stakeholders to deal with bottlenecks and hurdles and ensure the success of policy guided by effective implementation. Regular communication among CPSEs and MSEs/ MSE associations on one hand and DC MSME, State DICs, MSME Development Institutes and State Directorate of Industries on the other hand, will help in early identification and resolution of challenges.

Further it is equally imperative to monitor the progress made by the CPSEs and departments in this regard on half yearly basis. This is to ascertain the progress achieved on different milestones such as the percentage of procurement made from MSEs, upload of annual procurement goals, number of MSE complaints received and resolved by Grievance cell, number and efficacy of vendor development programmes conducted, etc. In case of non-compliance with the mandated policy, the responsible ministry may be involved for remedial action.

The current state of MSE registration reveals unwillingness on part of small units to seek registration as an MSE unit due to procedural complexities and issues in applicability of laws post registration. The MSE sector will need handholding support not only from CPSEs but also other stakeholders like large vendors in order to augment capacities and ensure preparedness for availing the benefits of the procurement policy. It would be pertinent to note here that that some of the challenges that the MSEs face in maximizing their productivity go beyond responding to the public procurement market and into other areas of business continuity .

The procurement policy does open up a huge window of opportunity for the MSE sector and creates a degree of level playing field with larger enterprises. At the same time, it also enables CPSEs to develop alternative and sustainable supply chain. However, if continuous and systematic implementation plan are not put in place by all the stakeholders, then the desired and intended benefits of the policy may not realize and it may relegate to being one among the many other policies devised for the growth and development of this sector. The effective implementation of the policy does offer the opportunity to transform the MSE sector and accelerate socio economic growth in the country.



7 Annexure



A. Brief overview of actions undertaken by Ministry of MMSE

Awareness and Communication

- The policy has been circulated on 25.4.2012 by Secretary (MSME) to all the Central Ministries / Departments / CPSUs for effective and successful implementation
- Follow up letter issued on 24.5.2012, reminders on 13.6.2012, 18.7.2012, 3.10.2012, 3.1.2013, 17.1.2013, 28.03.2013 26.4.2013 25.10.2013 2.12.2013, and 18.12.2013 to Secretaries of Ministries / Departments and CPSUs.
- As and when Ministries/Departments/CPSUs have asked clarifications / doubts /inquiries / interpretation on the provisions prescribed in the policy, reply was sent to them in time.
- Meetings with representative of CPSUs on different occasions have been taken place from time to time for clarification on the provisions prescribed in the Public Procurement Policy for MSEs.
- A Frequently Asked Questions (FAQ) on Public Procurement Policy for MSEs has been prepared and uploaded in official web site of DC-MSME.
- Definition of MSEs owned by SC / ST has been clarified and published through the PIB press release on 25.6.2013.
- One to one meetings of the Secretary (MSME) with Chairman / Directors of IOCL, SAIL, Railways and HMT in the first and second week of August 2014
- Six Consultation Workshops on policy organized by the Ministry of MSME with GIZ at New Delhi (12.11.2013), Kolkata(27.11.2013), Mumbai(3.12.2013), Hyderabad(9.12.2013), Chennai(10.12.2013) and Bangalore(11.12.2013) to enhance awareness through consultation on policy provisions, obligations and challenges faced/likely to be faced by CPSUs, improve the collaboration, create the ownership amongst the CPSUs and ensure effective implementation.
- Directions from DPE to all the Ministries / Departments for issuing instructions to all CPSUs under their administrative control for effective implementation of the policy sent on 16 Aug 2013
- Clarifications on the policy communicated to Ministries / Departments / CPSUs- uploaded on website time to time <http://dcmsme.gov.in/pppm.htm>

Capacity Building

- Detailed evaluation of the current procurement details, norms and mechanism with 25 identified CPSUs.
- In the year 2012-13, 48 National Vendor Development Programmes(VDP) and 297 State Vendor Development Programmes focussed on implementation of Public Procurement Policy have been conducted by the field offices, MSME-DIs and 7 VDPs for MSEs owned by SC/ST conducted by NSIC and 317 VDP by CPSUs.
- 18 vendor development programmes for the MSEs owned by SC / ST during the year 2013-14 have been planned to be conducted by NSIC at the different allocations throughout the country
- The O/o DC-MSME is already in process of setting up a National Portal which would include a functional module for business matchmaking. The O/o DC-MSME has already developed such a business matchmaking module (copyright with the O/o DC-MSME) wherein all the suppliers and buyers are intended to be mapped to the specific product categories- as defined by the ITC HS code- this code will act as the common backbone to enable search of corresponding business partners.
- The action at large has been taken for enhancing Government procurement from MSE owned by SC/ST Entrepreneurs in accordance with provisions prescribed in the policy such as conducting outreach programmes by NSIC to cover more and more MSE owned by SC/ST under its scheme of consortia formation and opening a special window for SC/ST by NSIC with providing 20% special concession on the registration fee by NSIC, apart from vendor development programmes organized by various Ministries /Department/CPSUs for promoting MSE owned by SC/ST so as to increase their participation in the Government Procurement.

- As a part of follow up action on the policy, a Concept Paper on Public Procurement Policy for MSEs has been prepared.- <http://dcmsme.gov.in/CONCEPT%20PLAN.pdf>

Enabling Regulatory Frameworks

- Letter issued by hon'ble Minister MSME to 19 Ministries (Minister of Civil Aviation, Minister of State (IC) for Coal, Minister of State (IC) for Commerce & Industry, Minister of Communications & Information Technology, Minister of Defence, Minister of State (IC) for Development of North Eastern Region, Minister of Finance, Minister of Health & Family Welfare, Minister of Heavy Industries & Public Enterprises, Minister of Home Affairs, Minister of State (IC) for Petroleum & Natural Gas, Minister of State (IC) for Power, Minister of Railways, Minister of State (IC) for Science & Technology, Minister of Chemicals & Fertilizers, Minister of State for Atomic Energy, Minister of State (IC) for Textiles, Minister of Steel, Minister of Social Justice & Empowerment) to ensure policy implementation and periodic review in Departments and CPSEs under the respective Ministries
- A letter has been issued to KVIC and Coir Board to issue similar registration certificate as issued by DICs indicating category of MSEs owned by SC/ST.
- Imitation has been taken in mentioning all categories of MSEs on the registration certificate
- Hon'ble Minister, MSME has also requested Chief Ministers of all the State Governments on 23.5.2012 for formulating similar policy in their State as per provision under section 11 of MSMED, Act 2006.
- Public Procurement Policy and all related correspondence letter's from Secretary (MSME) to Ministries / Departments / CPSEs, follow up letters and letter from Hon'ble Central Minister to all Chief Ministers for formulating the similar policy in their State etc. have been up-loaded on the website of this office.

Monitoring and Evaluation

- A meeting was held on 11/7/2013 with the nodal officers of 10 identified CPSEs and Head of the Team, Centennial Development Advisory Services (CDAS) India (P) Ltd. to review the progress made by them for implementation of the policy
- As a part of regular follow-up, Department of Public Enterprises has also sent the directions to all the administrative ministries for issuing further instructions to all the CPSEs working under their control for effective implementation of the policy and set up an appropriate monitoring mechanism to review its implementation. In pursuance of their instructions, all CPSEs have been requested by this office to confirm the action taken by them in this regard.
- A D.O. letter from Secretary, MSME has been issued to the concerned Secretaries of the Ministry to ensure that the Procurement data from MSEs is placed in the Annual report (s) and followed by reminder.
- Hon'ble Minister of MSME has reviewed the Implementation progress of the Policy made by CPSEs of Andhra Pradesh during a meeting at Hyderabad on 21.12.2013.

Grievance Mechanism

- A Grievance cell has been constituted for the redressal of the grievances for MSEs and uploaded on the office Website- http://dcmsme.gov.in/ppp_Constitution.pdf

Learning and Feedback

- To review the progress and for inviting the suggestions for effective implementation of the policy, a meeting for National Board for MSEs was conducted on 11.12.2013 under the Chairmanship of Hon'ble Minister of MSME

B. Current status of public procurement from MSEs

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs (including MSEs owned by SC/ST) (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)				% of procurement from only MSEs owned by SC / ST (C/A)				Total number of VDPs conducted for MSEs			
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
1	Andrew Yule & Company Limited, Kolkata	84.9	97.5	140.4	21.6	27.3	64.3				25.4%	28.0%	45.8%	0.0%	0.0%	0.0%				1	2	
2	Air India Ltd			157.4			33.3															
3	Antrix Corporation Limited, Bangalore	73.6	2.4		0.0	0.2					0.0%	9.1%		0.0%	0.0%							
4	Artificial Limbs Manufacturing Corporation of India Kanpur	33.5	55.3	70.2	23.4	38.7	49.1				70.0%	70.0%	70.0%	0.0%	0.0%	0.0%						
5	Balmer Lawrie & Co Ltd. Kolkata	48.4	42.1	2175.3	31.6	31.8	20.0				65.3%	75.7%	0.9%	0.0%	0.0%	0.0%				36	15	
6	Bank of Baroda, Baroda	269.7	392.2		12.8	11.7					4.7%	3.0%		0.0%	0.0%					4	8	
7	BBJ Construction Company Ltd			12.0			4.1															
8	BEML Limited, Bangalore,	2556.5	1163.7	1476.9	600.8	137.0	98.6	0.02	1.1	0.8	23.5%	11.8%	6.7%	0.0%	0.1%	0.0%				2	4	
9	Bengal Chemicals and Pharmaceuticals Ltd. Kolkata	32.1	17.4		10.2	4.4			0.1	0.05	31.7%	25.5%		0.2%	0.3%					1	1	

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	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
10	Bharat Dynamics Limited,Kanchanbagh, Hyderabad	1574.0	2071.0	1099.0	167.4	301.2	261.8				10.6%	14.5%	23.8%	0.0%	0.0%	0.0%	16	21	
11	Bharat Electronics Limited (BEL), Bangalore, Karnataka	4971.0	2575.0	2368.0	18.5	33.0	112.0	1.8	0.0		0.4%	1.3%	4.7%	0.0%	0.1%	0.0%	43	59	
12	Bharat Heavy Electricals Ltd., New Delhi	27600.0	21257.0	18341.2	5812.0	3820.0	3463.7				21.1%	18.0%	18.9%	0.0%	0.0%	0.0%	1	4	
13	Bharat Heavy Plates & Vessels Ltd. Viskhapatnam	81.2	73.2		8.3	9.0		0.02	0.03		10.3%	12.3%		0.0%	0.0%	0.0%	1	1	
14	Bharat Immunologicals and Biological Corporation Ltd. Bulandsahar.	54.5	163.4		0.4	0.2					0.7%	0.1%		0.0%	0.0%	0.0%	0	1	
15	Bhartiya NabhiKiya Vidyit Nigam Ltd			101.4			18.2												
16	Bharat Petroleum corporation Limited	5807.0	5135.0	7889.0	2740.0	2775.0	1899.4	323.6	313.2	0.02	47.2%	54.0%	24.1%	5.6%	6.1%	0.0%	1	1	
17	Bharat Pumps and Compressors Limited, Allahabad		53.7		-	17.6						32.8%			0.0%		0	2	
18	Bharat Refractories Limited, Bokarao,	247.9	185.0		10.9	12.8					4.4%	6.9%		0.0%	0.0%	0.0%	0		

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		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
19	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
19	BIECCO LAWRIE Ltd.	25.0	21.0		6.1	4.5					24.4%	21.4%		0.0%	0.0%				
20	BrahamPutra Crackers & Polymer Ltd		22.5				3.9												
21	BrahamPutra Valley Fertilizer Corpn Ltd			27.5			15.0												
22	Braithwaite & CO Limited, Calcutta	208.9	286.7	181.4	9.8	21.7	17.5	0.0	0.1	0.0	4.7%	7.6%	9.6%	0.0%	0.0%	0.00			
23	Bridge & Roof Corpn (India) Ltd		559.3			52.5													
24	Burn Standard	103.0	133.0		15.4	19.9					15.0%	15.0%		0.0%	0.0%		0		
25	Cement corporation of India Ltd. (CC)	22.7	19.1		5.5	3.0					24.5%	15.9%		0.0%	0.0%		3		
26	Central Coal Fields Ltd. Ranchi	116.2	162.0		15.7	12.6					13.5%	7.8%		0.0%	0.0%		3		
27	Central Cottage Industries Corporation of India Ltd			29.0			13.1												
28	Central Electronics Ltd			80.0			20.0												
29	Central Mine Planning & Design Institute Ltd			35.2		7.8	7.8												
30	Chennai Petroleum Corporation Limited, Chennai	200.1	242.2	85.6	7.9	6.5	19.3				3.9%	2.7%	22.6%	0.0%	0.0%	0.00			

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	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14			
31	Coal India Ltd			4104.3			374.3															
32	Cochin Shipyard Ltd			300.5			11.1			6.5												
33	Corporation Bank, Mangalore	15.4	16.5		5.8	6.4		0.4	0.6					37.6%	38.9%		2.9%	3.7%				
34	Eastern Coalfields Limited, West Bengal	183.7	238.1		22.0	21.2								11.9%	8.9%		0.0%	0.0%				
35	EDCIL (India) Ltd. Noida	1.3	0.9	2.9	0.1	0.0	0.6							5.5%	3.4%	20.0%	0.0%	0.0%	0.00		5	
36	Electronics Corporation of India Ltd. Hyderabad	646.7	671.5	753.0	52.0	93.4	120.6	2.7	1.1	0.0				8.0%	13.9%	16.0%	0.4%	0.2%	0.00			
37	Engineers India Limited New Delhi	3407.4	562.2	860.8	47.0	31.7	39.9							1.4%	5.6%	4.6%	0.0%	0.0%	0.00			
38	Export Credit Guarantee corporation of India Ltd, Mumbai,	0.1	0.1	0.1	0.0	0.0	0.0	0.0008	0.003	0.01				3.1%	5.3%	28.6%	1.1%	3.0%	0.14		1	
39	FCI Aravali Gypsum and Minerals India Ltd, Jodhpur,(Raj.)	3.3	9.4	10.6	0.0	0.2	0.2							0.0%	1.6%	2.0%	0.0%	0.0%	0.00			
40	Ferro Scrap Nigam Limited, New Delhi	32.5	37.0	38.2	1.9	2.0	1.8							5.8%	5.5%	4.6%	0.0%	0.0%	0.00			
41	Fertilisers and chemicals Travancore ltd, Udyougamandal,	278.0	246.0	195.7	5.3	12.8	5.1							1.9%	5.2%	2.6%	0.0%	0.0%	0.00			

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	Financial Year	2011-12	2012-13	2013-14		2011-12	2012-13	2013-14		2011-12	2012-13	2013-14		2011-12	2012-13	2013-14		2011-12	2012-13	2013-14		2011-12	2012-13	2013-14	
42	GAIL India Ltd. New Delhi	8128.3	5061.9	2079.5	75.5	80.6	179.7	10.0					0.9%	1.6%	8.6%					0.00					
43	Garden Reach Shipbuilders and Engineers Ltd. Kolkata	770.0	587.0	695.5	67.0	44.0	125.9						8.7%	7.5%	18.1%			0.0%	0.0%	0.00	1	2			
44	Goa Shipyard Limited, Goa	189.0	640.0	308.2	1.2	3.7	4.5						0.6%	0.6%	1.5%			0.0%	0.0%	0.00	2	3			
45	Handicrafts & Handloom Exports Corporation of India			28.5			10.0								35.2%					0.00					
46	Heavy Engineering Corporation Ltd. Ranchi.	71.7	109.3		13.8	27.2							19.3%	24.8%				0.0%	0.0%		1				
47	Hindustan Aeronautics Limited, Bangalore	868.5	1196.9	1243.4	107.2	145.0	176.7	0.2	0.1	0.04			12.3%	12.1%	14.2%			0.0%	0.0%	0.00	1	9			
48	Hindustan Copper Ltd. Balaghat	104.0	169.1	218.2	22.0	26.7	28.6						21.2%	15.8%	13.1%			0.0%	0.0%	0.00		1			
49	Hindustan Fluorocarbons Ltd.	19.0	13.9		0.1	0.1							0.5%	0.8%				0.0%	0.0%		7	28			
50	Hindustan Insecticides Limited	112.7	126.3		24.8	34.1							22.0%	27.0%				0.0%	0.0%						
51	Hindustan Newsprint Ltd			9.5			1.0																		
52	Hindustan Organic Chemicals Ltd. Kochi.	325.0	321.0		4.7	6.0							1.4%	1.9%				0.0%	0.0%						

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		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
53	Hindustan Organic Chemicals Ltd. Rasayani Mumbai	97.1	158.7		0.5	1.1					0.5%	0.7%		0.0%	0.0%		1		
54	Hindustan Paper Corporation Limited, Kolkata	281.9	223.3	147.2	90.3	46.6	48.6	3.2	7.4	4.7	32.0%	20.9%	33.0%	1.1%	3.3%	0.03			
55	Hindustan Petroleum Corporation Ltd, Mumbai	4704.0	4739.8	5908.8	102.4	113.4	888.8			36.0	2.2%	2.4%	15.0%	0.0%	0.0%	0.01	5		
56	Hindustan Salts Ltd			1.8			0.1												
57	Hindustan Shipyard Ltd. Vishakhapatnam	141.9	218.7	107.7	25.3	22.3	5.0			0.0	17.8%	10.2%	4.7%	0.0%	0.0%	0.00	1		
58	Hindustan Steelworks Costn Ltd		0.6			0.1						20.0%							
59	HLL Lifecare limited, Thiruvananthapuram	200.0	350.0	351.3	21.0	25.8	33.4			0.2	10.5%	7.4%	9.5%	0.0%	0.0%	0.00	1	1	
60	HPCL Biofuels Ltd			35.3			9.8						27.8%						
61	HMT Limited, Bangalore	217.2	165.8		49.2	40.0					22.7%	24.1%		0.0%	0.0%				
62	IFCI Limited	10.5	12.4		1.9	1.3					18.5%	10.4%		0.0%	0.0%				
63	Indian Medicines			21.8			3.8												
64	India Trade Promotion Organization			0.4			0.1												
65	India Tourism Development corporation	22.3	20.9		0.0	0.0					0.1%	0.2%		0.0%	0.0%				

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Financial Year		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
66	Indian Drugs and Pharmaceuticals Ltd. Gurgaon	232	28.9		2.9	3.2					12.5%	11.1%		0.0%	0.0%				
67	Indian Oil Corporation Ltd., New Delhi	6063.2	6677.3	5933.9	999.7	1226.4	1924.4			21.5	16.5%	18.4%	32.4%	0.0%	0.0%	0.0%			
68	Indian Overseas Bank, Chennai	413.3	475.2		293.5	370.7		67.5	92.7		71.0%	78.0%		16.3%	19.5%				
69	Indian Railway Catering and Tourism Corporation Ltd, New delhi	100.3	97.4		4.5	6.7					4.5%	6.8%		0.0%	0.0%		11	16	
70	Indian Rare earth Ltd. Mumbai		90.0	80.0	46.1	2.4	2.6	0.8				2.7%	3.3%	1.7%	0.0%	0.0%			0.00
71	Instrumentation Limited, Kota	13.4	4.9		0.2	0.9					1.2%	18.2%		0.0%	0.0%				
72	Irrigation & Water Resources Finance Corpn Ltd			0.8			0.0												
73	ITI Limited Bangalore	317.1	238.8		2.8	23.5					0.9%	9.8%		0.0%	0.0%				
74	Karnataka Antibiotics & Pharmaceuticals Limited	132	15.6	13.0	0.0	0.0	0.1				0.3%	0.3%	0.5%	0.0%	0.0%	0.0%	4	10	
75	KIOCL Limited	25.3	12.3		6.1	3.2					23.9%	25.9%		0.0%	0.0%		4	4	
76	Konkan Railway Corporation Limited, Navi Mumbai.	28.0	84.1	40.1	15.4	21.1	13.8	0.01			55.0%	25.1%	34.4%	0.0%	0.0%	0.0%	6	10	
77	Krishak bharti Co-operative Ltd.		253.5			67.9						26.8%			0.0%				

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	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
78	Madhya Pradesh Ashok Hotel Corpn Ltd			0.7			0.0			0.0									
79	Madras Fertilizers Limited Chennai	54.7	22.3		19.8	11.9					36.2%	53.5%		0.0%	0.0%				
80	Mahanadi Coalfields Limited, Odhisa	130.0	135.0	100.3	15.4	23.7	22.5				11.8%	17.6%	22.5%	0.0%	0.0%	0.0%	1	2	
81	Mangalore Refineries and Petrochemicals Ltd., Karnataka	236.0	285.8	273.4	4.9	3.3	5.3				2.1%	1.2%	1.9%	0.0%	0.0%	0.0%			
82	Mazagon Dock Limited, Mumbai	2621.6	2346.2	445.4	210.1	107.6	48.5				8.0%	4.6%	10.9%	0.0%	0.0%	0.0%			
83	Mineral Exploration Corporation Limited, Seminary Hills, Nagpur		10.8	17.1		3.0	3.6					27.5%	21.3%	0.0%	0.0%	0.0%	6	9	
84	Mishra Dhatu Nigam Limited, Hyderabad	390.0	291.0	268.2	7.9	11.8	26.7				2.0%	4.1%	10.0%	0.0%	0.0%	0.0%	2	4	
85	MOIL Ltd. Nagpur.	56.6	76.4	90.3	7.6	21.8	21.8				13.5%	28.5%	24.1%	0.0%	0.0%	0.0%	3	3	
86	NALCO	1719.0	1795.0	1526.3	302.0	336.0	294.4				17.6%	18.7%	19.3%	0.0%	0.0%	0.0%	7	12	
87	National Fertilizer Ltd. Noida	166.0	139.1	102.2	10.4	7.9	9.7				6.2%	5.7%	9.5%	0.0%	0.0%	0.0%			
88	National Handloom Development Corporation Ltd. (NHDC), Lucknow	1101.1	1375.5	12.1	332.4	674.0	0.4				30.2%	49.0%	3.3%	0.0%	0.0%	0.0%			

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Financial Year		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
89	National Informatics Centre Services Inc. New Delhi	375.0			3.8						1.0%			0.0%					
90	National Seeds Corporation Ltd, Pusha Complex, New Delhi	12.8	13.1	23.8	0.3	1.7	10.9				2.4%	12.7%	45.7%	0.0%	0.0%	0.00			
91	National Small Industries Corporation Limited, New Delhi	6.3	8.2	22.9	4.0	5.5	17.3	0.01	0.02	0.1	63.6%	66.5%	75.6%	0.2%	0.3%	0.01			
92	National Textile Corporation Limited, New Delhi	52.5	59.1	149.7	9.5	20.4	36.2				18.1%	34.5%	24.2%	0.0%	0.0%	0.00	2		
93	NEPA Ltd. Burhanpur		6.6	7.9		1.2	1.7				18.8%	21.5%		0.0%	0.0%	0.00			
94	NERAMAC GUWAHATI	94.4	32.9		0.1	0.1		0.01	0.01		0.1%	0.3%		0.0%	0.0%				
95	Neyveli Lignite Corporation Ltd, Chennai	238.2	351.1	250.6	30.0	95.3	57.7				12.6%	27.1%	23.0%	0.0%	0.0%	0.00			
96	NHPC Ltd. Faridabad	201.6	75.1	284.3	2.2	1.3	11.7				1.1%	1.7%	4.1%	0.0%	0.0%	0.00			
97	NMDC Hyderabad	307.1	304.4	321.6	10.8	16.7	23.8				3.5%	5.5%	7.4%	0.0%	0.0%	0.00			
98	North Eastern Electric Power Corporation Limited, Shillong	25.3	26.7	50.5	0.0	0.0	0.1				0.1%	0.0%	0.1%	0.0%	0.0%	0.00	2	2	
99	Northern Coal Fields Ltd. Singrauli, Indore	452.5	260.7	989.3	19.9	27.4	26.8				4.4%	10.5%	2.7%	0.0%	0.0%	0.00	10	15	

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs owned by SC/ST (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement from only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs		
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
100	NTPC Ltd.	1485.3	1457.4	1451.1	91.2	118.4	113.0				6.1%	8.1%	7.8%	0.0%	0.0%	0.00			
101	Nuclear Power Corporation of India Limited, Mumbai,	5162.9	4252.3	649.1	58.4	44.3	62.4				1.1%	1.0%	9.6%	0.0%	0.0%	0.00			
102	Numaligarh Refinery Ltd.	714.3	958.4	7541.3	12.0	16.2	22.4				1.7%	1.7%	0.3%	0.0%	0.0%	0.00	102	112	
103	Oil India Limited (OIL)	184.4	199.1		35.7	42.6					19.3%	21.4%		0.0%	0.0%		5	4	
104	Orissa drugs & chemicals ltd.	5.5	7.7		0.8	1.2					13.9%	14.9%		0.0%	0.0%				
105	PNB				0.4	0.5		0.1	0.1		0.01	0.02		19.0%	21.0%		3.2%	3.8%	
106	Power Finance Corporation Ltd,Delhi	2.6	2.8	3.1	0.5	0.5	0.7				19.9%	17.9%	23.4%	0.0%	0.0%	0.00	22	13	
107	PFC Consulting Ltd			0.3			0.1												
108	Rail Vikash Nigam				0.2	0.2		0.1	0.1					34.4%	35.6%		0.0%	0.0%	
109	RAILTEL Corporation of India Ltd. Gurgaon			71.0	140.9		12.2	15.9					17.2%	11.3%		0.0%	0.00		
110	Rajasthan Drugs & Pharmaceuticals Limited, Jaipur	0.1	0.1	30.0	0.1	0.1	5.2				96.1%	91.5%	17.3%	0.0%	0.0%	0.00			
111	Rajasthan Electronics & Instruments Limited, Jaipur	160.3	162.2	142.8	43.5	34.2	32.2	0.04	0.1		27.2%	21.1%	22.6%	0.0%	0.0%	0.00			

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs owned by SC/ST (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs		
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
112	Rashtriya Chemicals & Fertilizers Ltd. Sion, Mumbai	3525.0	2730.0	318.4	10.5	12.4	62.2				0.3%	0.5%	19.5%	0.0%	0.0%	0.00			
113	Rashtriya Ispat Nigam Ltd. Vishakapatnam	1933.0	2113.7	2422.5	233.0	226.2	260.6				12.1%	10.7%	10.8%	0.0%	0.0%	0.00			
114	Sambhar Salts Ltd			2.5			0.1						5.7%			0.00			
115	SJVN Limited, New Shimla	5.2	73.6	56.1	0.2	7.0	5.0				3.6%	9.6%	8.9%	0.0%	0.0%	0.00			
116	South Eastern Coal Fields Ltd., Bilaspur	629.1	516.7		98.2	123.0					15.6%	23.8%		0.0%	0.0%				
117	Sponge Iron Limited (NMDC)	3.4	4.0		0.3	0.5					7.5%	11.2%		0.0%	0.0%				
118	State bank of Hyderabad, Hyderabad	46.2	59.4		1.2	1.9		0.2	0.2		2.6%	3.1%		0.4%	0.3%				
119	State Farms corporation of India Ltd. (OI - Okhla)	17.1	21.8		8.5	14.4					49.3%	66.0%		0.0%	0.0%				
120	Steel Authority of India Ltd. Lodhi Road New Delhi	4782.0	4142.0	3862.7	1132.0	942.0	789.6				23.7%	22.7%	20.4%	0.0%	0.0%	0.00			
121	Telecommunications Consultants India Ltd. (TCIL), New Delhi	159.0	116.9	0.6	3.7	6.3	0.4				2.3%	5.4%	71.0%	0.0%	0.0%	0.00			
122	THDC India Limited, Rishikesh	25.9	27.2		1.4	3.7					5.2%	13.4%		0.0%	0.0%				

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs owned by SC/ST (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs		
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
123	The Braithwaite Burn and Jessop construction company ltd. Kolkata	15.5	8.7		2.2	1.5					13.9%	17.6%		0.0%	0.0%				
124	The Handicrafts & Handlooms Export Corporation of India Ltd. Noida	26.0	27.2		15.2	13.9					58.4%	51.2%		0.0%	0.0%				
125	Tirveni Structural Ltd. Allahabad	0.063	0.009		0.008	0.009					13.1%	100.0%		0.0%	0.0%		4	4	
126	Tyre Corporation of India Ltd. Kolkata	9.2	2.7		8.0	0.7					86.5%	26.2%		0.0%	0.0%				
127	Union bank of India, Mumbai	47.6	82.7		4.3	2.9					9.1%	3.5%		0.0%	0.0%				
128	United bank of India, Kolkata	25.6	23.5		24.1	20.1	1.6	1.6			94.4%	85.5%		6.1%	6.8%				
129	Uranium Corporation Of India Ltd. Jharkhand	225.0	215.0	175.1	9.5	12.1	11.4				4.2%	5.6%	6.5%	0.0%	0.0%	0.00			
130	Western Coalfields Ltd. Nagpur.		1178.2	881.9	1080.4	37.0	34.7	83.7			0.01	3.1%	3.9%	7.7%	0.0%	0.0%	0.00		
	Total	100270	84162.3	81114.3	14406.7	12875.5	12264.6	399.5	419.9	79.8	14.4%	15.30%	15.1%	0.40%	0.50%	0.00	309	403	NA

C. Monitoring and Reporting Formats

The M&E related information to be maintained and shared by all demand side constituents is recommended to have following information fields:

Type of Information	Key Information Fields*
Vendor Database	<ul style="list-style-type: none"> Basic information of all the vendors including the registered MSE vendors (min past 3 years data) such as <ul style="list-style-type: none"> Name of the enterprise and EM Registration Number Manufacturing/Service Activity (as per the NIC code in EM certificate) Registered Products for supply to a CPSE (mapped to ASICC/ITC HS code) Category of Enterprise: Micro, Small, Medium or others Special Status: SC/ST, Women Led Enterprises
Tender Database	<ul style="list-style-type: none"> Tender-wise information (min 3 years data) <ul style="list-style-type: none"> Volume of the tender Type of Tender: Goods supplied, Work contract, Services Contract Type of Products/Services (mapped to ASICC/ITC HS code) and their volumes required Channels used to disseminate tender information: Print, Central Public Procurement Portal, CPSE's individual website, Tender Information Portal (http://tenders.gov.in/), others Time given to respond to a tender Details of bids received
Contract Database	<ul style="list-style-type: none"> Contract-wise information (min 3 years data) <ul style="list-style-type: none"> Contract Award Procedure- Direct, Open, Limited Details of tender (Mapped to tender database as described above) Details of selected vendors (Mapped to vendor database as described above) including the sub-contractors (if any) Type of Products/Services (mapped to ASICC/ITC HS code) and their volumes Planned vs actual completion of contract and reasons there of Planned vs actual payment schedule and reasons there of Details of other terms & conditions e.g. Performance Guarantee/Security Deposits involved in the contract Details of disputes, if any

Type of Information	Key Information Fields*
MSME Promotion Activities Database	<ul style="list-style-type: none"> • Details of awareness and capacity building activities (minimum 3 years data) <ul style="list-style-type: none"> o Participants (Demand side, Supply side, Intermediaries) o Outcomes (Vendors registration, Contractual linkages, Consulting) • Details of training of Procurement Officers (min 5 years data)- No of participants and areas of training • Details of grievance received (minimum 5 years data) <ul style="list-style-type: none"> o Number of grievances o Nature of grievances (general, registration, bid selection, contractual- payment, timeline or other etc) o Status (resolved, pending or rejected) and reasons thereof o Details of action taken for resolution
Procurement Processes Checklist	<ul style="list-style-type: none"> • Prepare a checklist of all the best practices related to procurement to promote MSME vendor participation with focus on following: <ul style="list-style-type: none"> o Vendor registration procedures o Payment Terms o Reasons for rejection for MSE bids

*The information fields suggested are indicative and minimalistic. The CPSEs have the flexibility to customize and maintain more comprehensive databases for monitoring and review purpose

The above information fields can be used to generate customized M&E reports at a consolidated level. Following are a few key suggested templates for reference:

I. Overall Procurement Data and Projections (minimum last 5 years)

Type of Enterprise		Product/ Service Description	ITC HS Code	Procurement Amount (In INR)						
				Y-4	Y-3	Y-2	Y-1	Y	Y+1	Y+2
Micro	General									
	SC/ST Led									
	Women Led									
Small	General									
	SC/ST Led									
	Women Led									
Medium/ Others	General									
	SC/ST Led									
	Women Led									

II. Procurement Items Summary

Category	ITC HS Code	Volume required (Y)	Volume Supplied (Y/Y-1/Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

III. Vendors Summary

a. By Type of Enterprise

Type of enterprise		# of registered Vendors	# of vendors with existing or completed contracts	Volume of existing or completed contracts	Median ticket size of the existing or completed contracts
Micro	General				
	SC/ST Led				
	Women Led				
Small	General				
	SC/ST Led				
	Women Led				
Medium/ Others	General				
	SC/ST Led				
	Women Led				

b. By Type of Procurement Item

Category	ITC HS Code	# of registered vendors	Number of registered vendors (Y/ Y-1/ Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

IV. Bid Summary

a. By Volume of Tender

Volume of Tender (Bands)	# of tenders	Number of bids received(Y/ Y-1/ Y-2)								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

b. By Type of Procurement Item

Category	ITC HS Code	# of tenders	Number of bids received (Y/ Y-1/ Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

c. By Type of Channel

Type of enterprise		Number of bids received from vendors (Y/ Y-1/ Y-2) via		
		Online (CPSE's website)	Central Public Procurement Portal	Offline Mode
Micro	General			
	SC/ST Led			
	Women Led			
Small	General			
	SC/ST Led			
	Women Led			
Medium/ Others	General			
	SC/ST Led			
	Women Led			

V. Contracts Summary

a. By volume of contract (total number of contracts)

Volume of Contract (Bands)	# of ongoing or completed contracts	# of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

b. By volume of contract (total value of contracts)

Volume of Contract (Bands)	ITC HS Code	Total Value of ongoing or completed supply	Total value of ongoing or completed contracts								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

c. By Type of Procurement Item

Category	ITC HS Code	Total Value of ongoing or completed supply	# of ongoing or completed contracts								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

d. By Mode of Contracting (total number of contracts)

Mode of contracting	# of ongoing or completed contracts	# of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Direct Award										
Limited Tendering										
Open Contracts										

e. By Mode of Contracting (total value of contracts)

Mode of contracting	Total Value of ongoing or completed contracts	Total value of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Direct Award										
Limited Tendering										
Open Contracts										

D. CPSEs and Central Ministries (Sample Size and Responses)

Sl. No.	Type	Industry Sector	CPSE/Central Ministry/Department	Ministry	Geographical Spread
1.	CPSE	Others	Indian Railways	Ministry of Railways	North
2.	CPSE	Mechanical and Mechatronics	Hindustan Aeronautics Ltd.	Ministry of Defence	South
3.	CPSE	Electronic Services	Bharat Electronics Ltd. (BEL)		South
4.	CPSE	Defence (related to both Inland and Homeland Security)	Canteen Stores Department		West
5.	Department of Defence (R&D)	Defence	DRDO		North
6.	Department of Defence Production	Defence	DG of Ordnance Factory		East
7.	CPSE	Defence	Bharat Earth Movers Ltd.		South
8.	CPSE	Defence	Garden Reach Shipbuilders Ltd.		East
9.	CPSE	Defence	Bharat Dynamics Ltd.		South
10.	CPSE	Electronic Services	Rajasthan Electronics and Instruments Ltd.	Ministry of Heavy Industry and Public Enterprise	North
11.	CPSE	Mechanical and Mechatronics	Heavy Engineering Corporation India Ltd.		North
12.	CPSE	Electronic Services	Bharat Heavy Electricals Ltd.		North
13.	CPSE	Others	Hindustan Paper Corporation		East/Northeast
14.	CPSE	Mechanical and Mechatronics	Steel Authority of India (SAIL)	Ministry of Steel	North
15.	CPSE	Others	Rashtriya Ispat Nigam Ltd.		South
16.	CPSE	IT & IT Enabled Units	Bharat Sanchar Nagar Ltd.	Ministry of Communications and Information Technology	North
17.	Department of Space	IT & IT Enabled Units	ISRO	Ministry of Science & Technology (Dept. of Space)	South
18.	Dept. of Scientific and Industrial Research	Electronic Services	Central Electronics Ltd.		North
19.	CPSE	Others	Coal India Ltd.	Ministry of Coal	East
20.	CPSE	Others	Neyveli Lignite Corporation Ltd		South

Sl. No.	Type	Industry Sector	CPSE/Central Ministry/Department	Ministry	Geographical Spread
21.	CPSE	Others	Bharat Petroleum	Ministry of Petroleum and Natural Gas	West
22.	CPSE	Others	ONGC		North
23.	CPSE	Others	Indian Oil Corporation		North
24.	CPSE	Others	GAIL		North
25.	CPSE	Others	Engineers India Ltd.		North
26.	CPSE	Mechanical and Mechatronics	NALCO	Ministry of Mines	East
27.	Department of Ayush	Chemical and Pharmaceuticals	Indian Medicine & Pharmaceuticals Ltd.	Ministry of Health and Family Welfare	North
28.	CPSE	Chemical and Pharmaceuticals	HLL Life Care Ltd.		South
29.	CPSE	Others	NTPC Ltd	Ministry of Power	North
30.	CPSE	Chemical and Pharmaceuticals	Rashtriya Chemicals & Fertilizers Ltd.	Ministry of Chemicals and Fertilizers	West

E. MSME Associations (Sample Size and Responses)

Among the 23 associations contacted for the survey, only 10 responded with following details.

Sl. No.	Name of the Association	Total Members	Members registered under MSE Development Act 2006	Number of Members supplying goods/services to Central PSEs/ Departments/ Ministries	Units owned by SC/ST	Vendor Development Program
1	Sidcul Manufacturers Association of Uttarakhand	560	100	50	7 ST	Conducted 4 VDPs
2	Association of Pharmaceutical Manufacturer, Haridwar	35	NA	25	NA	NA
3	Federation of Tiny & Small Industries of India, Ludhiana	300	NA	50	NA	Na
4	Indian Industries Association, Lucknow	5550	NA	200	NA	Yes, but no detailed information provided
5	Tamilnadu Small and Tiny Industries Association (TANSTIA)	2262	NA	150	NA	Conducted 3 programmes to update knowledge among the members
6	Karnataka Small Scale Industries Association (KASSIA)	NA	NA	NA	NA	NA
7	Consortium of Electronic Industries of Karnataka (CLIK)	600	NA	300	NA	Conducted 1 vendor development Program
8	Indian Council of Small Industries, Kolkata	637	20	NA	NA	Conducted one vendor development programme in 2011-12
9	North Eastern Small Scale Industries Association, Guwahati	676	210	35	110	Conducted vendor development programme at state and national level
10	Federation of Industry & Commerce of North East Region, Guwahati	Direct 300 Indirect 100	NA	NA	NA	Conducted buyers-sellers meet

F. Contact Details of O/o DC-MSME

Head Office

Sl. No.	State	Office	Address	Telephone no./email	Web Address
1	New Delhi	Headoffice	Sh. Ramesh K Pandey Joint Development Commissioner & CVO	Ph : 011-23061091 Fax : 011-23061726 ramesh.pandey@nic.in	http://dcmsme.gov.in/
			Sh. U.C. Shukla Director	Ph : 011- 23063363 umeshshukla.msme@gmail.com	http://dcmsme.gov.in/

MSME Development Institutes

Sl. No.	State	Office	Address	Telephone no./email	Web Address
1	Andhra Pradesh	MSME-DI	Narsapur Cross Roads, Bala Nagar, Hyderabad-500 037	Ph :040-23078857 Fax :040-23078131/32/33 dcdi-hyd@dcmsme.gov.in	www.msmehyd.ap.nic.in/
		BR.MSME-DI	F-19-22,Blockd Ida, Autonagar, Vishakhapatnam-530012	Ph : 0891-2517942 brdcdi-vish@dcmsme.gov.in	
		MSME-TS	Opp. State Bank of India, Industrial Estate Hyderabad-500018	040-23704371 dcts-hyd@dcmsme.gov.in	
2	Arunachal Pradesh	BR.MSME-DI	Apidfc Building 'C' Sector, Itanagar -791111.	0360-2291176 brsisiitanagar@yahoo.co.in	
3	Andaman & Nicobar Islands	BR.MSME-DI	Vip Road, Jungle Ghat, Post Box No.547, Portblair-744103	Ph : 03192-252308	
4	Assam	MSME-DI	Industrial Estate Bamuni Maidam, Guwahati -781021	Ph :0361-2550052, 2550073 Fax :0361-2550298 dcdi-guwahati@dcmsme.gov.in	www.sisiguwahati.nic.in
		BR.MSME-DI	Link Road Point, N.S.Avenue, Silchar-788006	03842-247649 brdcdi-silc@dcmsme.gov.in	
		BR.MSME-DI	Darrang College Road, Tezpur-784001	03712-221084 brdcdi-tezp@dcmsme.gov.in	
		BR.MSME-DI	Amalepatti, Diphu-782460 Karbi Anglong (dist)	03761-272549 brdcdi-diph@dcmsme.gov.in	
5	Bihar	MSME-DI	Institute,Goshala Road, P.O. Ramna, Muzaffarpur -842 002.	Ph :0621-2282486 Fax: 2284425 dcdi-mzfpur@dcmsme.gov.in	www.msmedipatna.bih.nic.in
		MSME-DI	Patilputra Industrial Estate, Patna -800 013.	Ph :0612-2262719, 0612-2262186, 0612- 2262208 Fax :0612-2261677 dcdi-patna@dcmsme.gov.in	
6	Chhattisgarh	MSME-DI	Near Urkura Railway Station,Bhanpuri Industrial Area, Raipur(C.G)-493221	Ph: 0771-2427719 Fax: 0771-2422312 dodi-raipur@dcmsme.gov.in	www.msmediraipur.gov.in
7	Dadra & Nagar Haveli	BR.MSME-DI	Masat Industrial Estate, Silvassa-396230	0260-2640933,2643103 brdcdi-silv@dcmsme.gov.in	

Sl. No.	State	Office	Address	Telephone no./email	Web Address
8	Delhi	MSME-DI	Okhla Industrial Estate New Delhi-110 020	Ph : 011-26847223, 26838118/269 Fax :011-26838016 dcdi-ndelhi@dcmsme.gov.in	www.msmedinewdelhi.gov.in
		MSME E.C	Balsahyog Cannaught Circus, New Delhi-110001	011-23411950 brdcdi-ecnd@dcmsme.gov.in	
		MSME-TC	Capt. Shahid Gaur Marg, Okhla Industrial Area, New Delhi	Ph :26847973, 26314616	
9	Goa	MSME-DI	Opp. Konkan Railway Station. (Kepem Road), P.O. Box 334, Margao-403 601.	Ph :0832- 2705092/93,2725979 Fax :0832-2705094 dcdi-go@dcmsme.gov.in	www.msmedigoa.gov.in
10	Gujarat	MSME-DI	Harsiddh Camber, 4thFloor, Ashram Road,(Gujarat), Ahmedabad-380 014.	Ph :079-27540619, 079-7544248, 079-7543147 dcdi-ahmbad@dcmsme.gov.in	d.gov.in
		BR.MSME-DI	1/5, Jaganath Plot, Rajkot-360001	0281-2465585 brdcdi-raj@dcmsme.gov.in	
11	Haryana	MSME-DI	Industrial Development Colony, Near Iti, Kunjpur Road Karnal-132 001	Ph :0184-2230910 Fax :0184-2231862 dcdi-karnal@dcmsme.gov.in	www.msmedikarnal.gov.in
		BR.MSME-DI	Iti Campus, Hansi Road, Bhiwani-125021	01664-242236 brdcdi-bhiw@dcmsme.gov.in	
12	Himachal Pradesh	MSME-DI	CHAMBAGHAT, Solan -173213.	Ph :01792-230766 Fax :01792-230265 dcdi-solan@dcmsme.gov.in	www.msmedihimachal.nic.in
13	Jammu & Kashmir	MSME-DI	36, B/C, Gandhi Nagar, Jammu -180 004	Ph :0191-2431077 Fax :0191-2450035 dcdi-jammu@dcmsme.gov.in	www.msmedijammu.gov.in
		BR.MSME-DI	Industrial Estate Digiane, Jammu tawi-180010		
14	Jharkhand	MSME-DI	Kokar Industrial Estate, Ranchi -834001	Ph :0651-2544161/392 Fax :0651-2544743 dcdi-ranchi@dcmsme.gov.in	www.sisiranchi.nic.in
		BR.MSME-DI	Katras Road, Matkura, Dhanbad-826001	0326-2303769/380 brdcdi-dhan@dcmsme.gov.in	
15	Karnataka	MSME-DI	Rajaji Nagar, Industrial Estate Bangalore -560 044.	Ph :080-23151540/582/583 Fax :080-23144506 dcdi-bang@dcmsme.gov.in	
		MSME-DI	Industrial Estate, Gokul Road, Hubli -580 030	Ph :0836-2332334/2330589/ 2335634 Fax :0836-2330389 dcdi-hubli@dcmsme.gov.in url	
		BR.MSME-DI	L-11, Indl.Estate, Yeyyadi, Mangalore-575008	0824-2217936 /96 brdcdi-mang@dcmsme.gov.in	
		BR.MSME-DI	C-122, Industrial Estatem.S.K. Mill Road, Gulbarga- 585102	Ph :08472-420944	
		MSME-TS	Sisi Campus, Rajaji Nagar. Bangaluru-560014	080-3202540/3351581 dctc-banga@dcmsme.gov.in	
16	Kerala	MSME-DI	Kanjany Oad, Ayyanthole, Thrissur -680 003.	Ph :0487-2360216/686 Fax :0487-2360216 dcdi-thrissur@dcmsme.gov.in	www.msmeti.gov.in

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		MSME-TI	MSME Training Institute Manjadi P.O. Thiruvalla-689 105	Ph 0469-2701336 Fax :0469 2738465 msmetithiruvalla@yahoo.in	
		MSME-TI	MSME Training Institute Industrial Estate Ettumanur-686 631	Ph 0481-2535533 Fax :0481-2535563 msmeti-ettu@dcmsme.gov.in	
		MSME-TS	MSME Training Institute Industrial Estate Ettumanur-686 631	Ph 0481-2532718 Fax :0481-2535563 msmeti-ettu@dcmsme.gov.in	
17	Lakshadweep	NUCLEUS CELL	Nucleus Cell, Amini Island, Lakshadweep-682552	04897-273345 brdcdi-laks@dcmsme.gov.in	
18	Madhya Pradesh	MSME-DI	10, Industrial Estate Polo Ground, Indore-452 003	Ph :0731-2420723 dcdi-indore@dcmsme.gov.in	www.msmeindore.nic.in
		BR.MSME-DI	7,Indl.Estate, Tansen Road,, Gwalior -474004.	Ph :0751/2422590 brdcdi-gwal@dcmsme.gov.in	
		BR.MSME-DI	Udyog vihar, Chorhatta, Rewa -486001	Ph :07662/222448 brdcdi-reva@dcmsme.gov.in	
		MSME-TS	Shed No.W.47e, Indl.Area Govindpura, Bhopal-462023	Ph: 0755-2586075 dcts-bhopal@dcmsme.gov.in	
19	Maharashtra	MSME-DI	Kurla Andheri Road, Sakinaka, Mumbai-4000072	Ph: 91-22-28576090/3091//4305 Fax : 91-22-28578092 dcdi-mumbai@dcmsme.gov.in	
		MSME-DI	C- Block, C.G.O. Complex, Seminary Hill, Nagpur -440 006	Ph :0712-2510352/0046 Fax: 0712-2511985 dcdi-nagpur@dcmsme.gov.in	
		BR.MSME-DI	32-33,Midc,Indl.Area, Chikal Thana, Aurangabad-431210	Ph :0240-2485430 Fax :0240-2484204 brdcdi-aura@dcmsme.gov.in	
		MSME-TC	Kurla Andheri Road, Saki Naka, Mumbai 4000072	Ph :022-28576090/28573091/ 28579092, Fax:022-28570663 dcdi-mumbai@dcmsme.gov.in	
		MSME-TS	P-31,Midc Indl. Area Shiroli.Kolhapur-416122	Ph-Fax :0230-2469366	
20	Manipur	MSME-DI	C-17/18, Takyelpat Industrial Estate, Imphal -795 001	Ph :0385-2449096 / 2449096(fax) dcdi-imphal@dcmsme.gov.in	www.msme-diimphal.nic.in
21	Meghalaya	BR.MSME-DI	Lower Lachimiere, Shilong-793001	0364 2223349 brdcdi-shil@dcmsme.gov.in	
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22	Mizoram	BR.MSME-DI	Upper Republic Road, Aizwal	0389-2323448 brdcdi-aizw@dcmsme.gov.in	
23	Nagaland	BR.MSME-DI	Industrial Estate, Dimapur-795001, Nagaland	03862-248552 brdcdi-dima@dcmsme.gov.in	
24	Odisha	MSME-DI	Vikas Sadan, College Square, Cuttack -753 003.	Ph :0671-2548006 / 077 / 049 fax :0671-2611958 dcdi-cuttack@dcmsme.gov.in	www.msmedicuttack.gov.in
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26	Rajasthan	MSME-DI	22, Godown, Industrial Estate, Jaipur -302 006.	Ph :0141-2212098/3099/ 0553 Fax :0141-2210553 dcdi-jaipur@dcmsme.gov.in	www.msmedijaipur.gov.in
		MSME-TS	Laboratory Building 22,Godown, Jaipur-302006	Ph : 0141/2212090 dcts-jaipur@dcmsme.gov.in	
27	Sikkim	MSME-DI	Tadong Housing Colony, P.O. Tadong, Gangtok -737102	Ph :03592-231262 /880 Fax :03592-231262 dcdi-gangtok@dcmsme.gov.in	www.sikkim.nic.in/msme-di
28	Tamil Nadu	MSME-DI	65/1,G.S.T. Road, Guindy, P.B. 3746, Chennai -600 032.	Ph :044-22501011, 044-22501475, 044-22501785, Fax :044-22341014 dcdi-chennai@dcmsme.gov.in	www.msmedi-chennai.gov.in
		MSME-TC	65/1, Gst Road, Guindy, Chennai	044-22500634,22500284	
		BR.MSME-DI	386, Patel Road, Ram Nagar, Coimbatore	0422 2233956 (tele fax) brdcdi-coim@dcmsme.gov.in	
		BR.MSME-DI	Plot no. 76, Cge Colony, Trichender Road, Tuticorin-628003	0461-2375345	
		MSME-TS	Indl. State, Thattachavadi. Puducherry-635009	0431-2248110 dcto-pondi@dcmsme.gov.in	
29	Tripura	MSME-DI	21,Harish Thakur Road, Agartala -799001	Ph :0381-2322640 Fax :0381-2326570 dcdi-agartala@dcmsme.gov.in	www.msmedi-agartala.nic.in
30.	Uttar Pradesh	MSME-DI	107, Industrial Estate, Kalpi Road, Kanpur -208 012.	Ph :0512-2295070, 0512-2295071, 0512-2295073 Fax :0512-2220831 dcdi-kanpur@dcmsme.gov.in	www.msmediagra.gov.in
		MSME-DI	34, Industrial Estate, Nunhai, (U.P.), Agra -282 006.	Ph :0562-2280879 Fax :0562-2280882 dcdi-agra@dcmsme.gov.in	
		MSME-DI	E-17/18, Industrial Estate, Naini, Allahabad -211 009	Ph :0532-2697468/6810 Fax :0532-2696809 dcdi-allbad@dcmsme.gov.in	
		BR.MSME-DI	Chandpur Industrial Estate, Varanasi -221106	Ph :0542-2370621 brdcdi-vara@dcmsme.gov.in	
31	Uttaranchal	MSME-DI	Kham Bungala Campis, Kaladungi Road, Haldwani -263139	Ph :05946-228353 Fax :05946-221053 dcdi-haldwani@dcmsme.gov.in	www.msmedihaldwani.gov.in
32	West Bengal	MSME-DI	111&112,B.T.Road,> Kolkata -700035.	Ph :033-25770595/598 Fax :033-25775531 dcdi-kolkatta@dcmsme.gov.in	www.msmedikolkata.gov.in
		MSME-TC	111&112, BT Road, Kolkata	033-25771353	
		BR.MSME-DI	Station More,P.O.Suri, Birbhum -731101	Ph :03462-2554402 brdcdi-birb@dcmsme.gov.in	
		BR.MSME-DI	3&4,Industrial Estate, Sevoke Road, Siliguri -734001	Ph :0353/2542487 brdcdi-sili@dcmsme.gov.in	
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Enabling Effective Implementation of Public Procurement Policy for MSEs Status, Challenges and Way forward

Prepared by: MSME Umbrella Programme

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Abbreviations

A Standard Industrial Commodity Classification	ASICC
Bharat Earth Movers Limited	BEML
Bharat Electronics Ltd.	BEL
Bharat Heavy Electricals Ltd	BHEL
Centennial Development Advisory Services	CDAS
Central Public Sector Enterprises	CPSEs
Competition Commission of India	CCI
Consumer Unity & Trust Society	CUTS
Defence Research & Development Organisation	DRDO
Development Institutes	DI
Director General	DG
District Industries Center	DIC
Entrepreneurs Memorandum	EM
Financial Year	FY
Frequently asked questions	FAQ
Gas Authority of India Limited	GAIL
Gross Domestic Product	GDP
Hindustan Aeronautics Ltd.	HAL
Hindustan Latex Limited	HLL
Hindustan Paper Corporation Ltd	HPCL
Human Resources	HR
Indian Institute of Entrepreneurship	IIE
Indian Oil Corporation	IOC
Indian Space Research Organization	ISRO
Indian Trade Clarification based on Harmonized System	ITC HS
Information and communications technology	ICT
Information Technology	IT
Invitation to Tender	ITT
Khadi & Village Industries Board	KVIB

Abbreviations

Khadi & Village Industries Commission	KVIC
Micro and Small Enterprise	MSE
Micro, Small and Medium Enterprises	MSME
Ministry of Micro, Small and Medium Enterprises	MoMSME
Monitoring and Evaluation	M&E
MSME Development	MSMED
MSME Umbrella Programme	MSME-UP
National Aluminium Company Limited	NALCO
National Industrial Classification	NIC codes
National Institute for Entrepreneurship and Small Business Development	NIESBUD
National Institute for Micro, Small and Medium Enterprises	NIMSME
National Small Industries Corporation	NSIC
National Thermal Power Corporation	NTPC
National Thermal Power Corporation Limited	NTPC
Neyveli Lignite Corpn. Ltd.	NLC
Office of Development Commissioner	O/o DC
Oil and Natural Gas Corporation	ONGC
Organization for Economic Cooperation and Development	OECD
Pre-qualification questionnaire	PQQ
Public Sector Unit	PSU
Rajasthan Electronics & Instruments Ltd	REIL
Research & Development	R&D
Scheduled Caste/ Scheduled Tribe	SC/ST
Standing Conference of Public Enterprises	SCOPE
Steel Authority of India	SAIL
Testing Center	TC
Testing Station	TS
United Nations Procurement Capacity Development Centre	UNPCDC
Vendor Development Programme	VDP
World Trade Organization	WTO



1 Introduction



Introduction

The MSME sector is of strategic importance to India and is viewed as the key agent to drive economic growth in the country. The Prime Minister's Task Force on MSMEs tasked with identifying the major issues affecting growth and development of MSMEs and drawing up an agenda for action thereof, has suggested several measures to promote sustained growth for the sector. Among the key recommendations, a significant emphasis has been laid on the implementation of the public procurement policy which was also envisaged in MSME Development Act 2006.

Accordingly, the Government of India introduced the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 and notified it under MSME Development Act 2006. The policy mandates all Central Ministries/Departments/Central Public Sector Enterprises (CPSEs) to set an annual procurement target from the MSE sector. The Policy aims to achieve a minimum 20% of overall procurement of the total annual purchases value by CSPE's from products/services rendered by MSEs.

An effective implementation of the policy requires a significant build-up of knowledge and institutional capacity, nurtured over time to address the ever growing challenges of public procurement for MSEs, CPSEs and other concerned stakeholders. To enable this, the Office of DC MSME (Ministry of MSME) and GIZ which are jointly implementing the MSME Umbrella Programme (MSME-UP), have initiated a number of technical support measures for the effective implementation of the Public Procurement Policy for MSEs.





The key components of the ongoing assistance comprise:

- **Market Estimation and Demand-Supply Profiling:** Analysis of overall potential for MSEs with respect to public procurement market opportunity, Existing procurement norms and mechanisms of 30 PSUs/Central Ministries, Profile of goods and services obtained from MSEs, Key challenges faced by the CPSEs in procuring from MSEs and constraints (operational, technical, financial) faced by MSEs when dealing with CPSEs at all stages of procurement life-cycle.
- **Institutional Mechanism:** Identification of Institutional arrangements and mechanisms necessary for effective implementation including monitoring of policy and support thereof
- **Information and Communication:** Information material e.g. best practices, guidelines, checklists, FAQs etc for creating awareness and disseminating information

In an effort to understand the challenges which are currently or likely to be faced by CPSEs & MSEs and to deliberate on the way forward to ensure effective implementation of the public procurement policy for MSE's, a total of 25 CPSEs and 5 Central Ministries from diverse industry sectors along with 23 MSE associations have been contacted for data collection through questionnaires, personal interactions and written responses. Additionally, a series of half-day consultation workshops were also organized at 6 locations across the country in major metropolitan areas with high concentration of CPSEs and supply side players. An extensive secondary research, on national and international best practices to promote procurement from MSE's, was conducted to supplement the findings from primary data collection. The primary data has been corroborated with information obtained from secondary sources i.e. CPSE Annual Reports of past five years i.e. FY 2008 to 2012.



2 Policy Overview



Policy Overview

The 'Public Procurement Policy for Micro and Small Enterprises (MSEs)' was notified by the Central Government through an order dated March 23, 2012 (under Section 11 of the MSMED Act, 2006) and came into force with effect from April 1, 2012. The main objective is to

- Facilitate promotion of MSEs and reduce barriers for accessing public procurement market
- Build capacities and promote competitiveness of MSEs
- Ensure public procuring authorities benefit from cost-effective and competitive supply chains

Policy Principles

The several policy provisions and mechanisms to achieve the policy objectives rest upon the following core principles:

- Fairness
- Equity
- Transparency
- Competition and
- Cost effectiveness

The policy applies to the Micro and Small Enterprises (as defined in MSMED Act, 2006) which are registered with District Industries Centers (DICs)/ Khadi & Village Industries Commission (KVIC)/ Khadi & Village Industries Board (KVIB)/ Coir Board/ National Small Industries Corporation/ Directorate of Handicrafts and Handloom or any other body specified by MoMSME.





Policy Features

- i. Every Central Ministry or Department or Public Sector Undertaking (PSU) shall set an annual goal of procurement from MSEs from the financial year 2012-13 and onwards, with the objective of achieving an overall procurement of minimum of 20 per cent, of total annual purchases of products produced and services rendered by MSEs in a period of three years. After a period of three years i.e. from 1st April 2015, the overall procurement goal of minimum of 20 per cent shall become mandatory.
- ii. The Policy has earmarked 4% of the 20% Procurement from MSEs owned by SC/ST entrepreneurs.
- iii. Every Central Government Ministry/Department/PSU will report on the procurement targets and the achievement made thereto in their Annual Reports.
- iv. In tender, participating MSEs quoting price within price band of L1+15 per cent shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a MSE and such MSE shall be allowed to supply up to 20 per cent of total tendered value.
- v. To reduce transaction cost of doing business, MSEs will 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.
- vi. The Central Ministry/Department/PSU will continue to procure 358 items from MSEs, which have been reserved for exclusive purchase from them.
- vii. The Central Ministries/ Departments/PSUs have to take necessary steps to develop appropriate vendors by organizing Vendor Development Programmes/ Buyer-Seller Meets and entering into Rate Contract with MSEs for a specified period in respect of periodic requirements.
- viii. Given their unique nature, Defence Armament imports will not be included in computing the 20% goal for Ministry of Defence. In addition, Defence Equipments like weapon systems, missiles, etc. will remain out of purview of such policy of reservation.

- ix. A Review Committee has been constituted under the chairmanship of Secretary, at the Ministry of MSME to monitor and review the Public Procurement Policy for MSEs. MoMSME will exercise discretion on further reviews and/or modification of the Committee and matters pertaining to the same. This Committee will, inter alia, review list of 358 items reserved for exclusive purchase from MSEs on a continuous basis, consider requests from Departments / PSUs for exemption from 20% target on a case to case basis and monitor achievements under the Policy.
- x. In addition, a 'Grievance Cell' has been set up in the Ministry of MSME for redressing the grievances of MSEs in Government procurement.



3 Procurement from MSEs



Procurement from MSEs

3.1 Market Potential

In India as across the world, the government (including central, state, local bodies or public sector owned enterprises) is known to be the significant buyer of goods and services for consumption as well as the largest investor. Despite the enormous potential, there is limited availability of reliable and comprehensive statistical data on the public procurement market size especially in emerging economies. However, based on crucial national and international trends, a few key studies that have attempted to approximate the size of public procurement market, mostly as a percentage of Gross Domestic Product (GDP), are tabulated below:

Source	Year of publication	Public Procurement market size as % of GDP (estimated)	Public Procurement. Market Size in absolute terms (estimated)
Procurement Market Size (World-wide)			
OECD Publishing ¹	OECD Publishing	13% on average in OECD countries	NA
United Nations Procurement Capacity Development Centre (UNPCDC) ²	Feb 2012	25% to 30% in developing & emerging economies	NA
Procurement Market Size (India)			
Planning Commission ³	Sep'11	15% - 20%	INR 1,200,000- 1,500,000 crore
CUTS report ⁴	Oct'12	25% to 30%	INR 1,530,000 crore (2010-11)
Central Vigilance Commission ⁵	Aug'12	28%	INR 1,200,000 crore (~ in 2008-09)
WTO ⁶	Oct'11	28%	NA

¹OECD (2011), Government at a Glance 2011, OECD Publishing, Paris

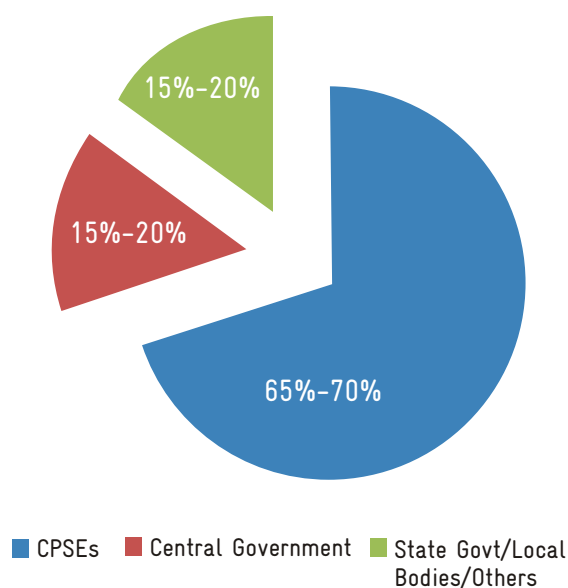
²<http://www.unpcdc.org/home/service/news/global/new-briefing-note-from-unep-and-pcdc-on-sustainable-public-procurement.aspx>





As per the Competition Commission of India (CCI)⁷ and CUTS⁸ report, among the diverse players in the public procurement market, it is estimated that CPSEs contribute to the largest share (65%–70%) followed by Central (15%–20%) and other state governments/local bodies/others (15%–20%).

Dis-aggregating Public Procurement Market



Thus, the overall market potential under the 'Public Procurement Policy for MSEs' which includes only the CPSEs and Central Ministries is estimated to be 80%–85% of the overall public procurement market in India.

³Public Procurement Bill 2011, Prepared by Planning Commission of India, available at <http://www.infrastructure.gov.in/pdf/public-procurment-bill.pdf> last accessed on June 24, 2013

⁴Government Procurement in India, Domestic Regulations & Trade prospects available at http://www.cuts-citee.org/pdf/Government-Procurement-in-India_Domestic-Regulations-Trade-Prospects.pdf last accessed on June 24, 2013

⁵http://cvc.nic.in/tii_30082012.pdf last accessed on June 24, 2013

⁶www.wto.org/english/news_e/news11_e/gpa_bg_sep11_e.doc, Background note on the WTO's Government Procurement Agreement (GPA)

⁷<http://cci.gov.in/images/media/ResearchReports/Bid%20Rigging%20in%20Public%20Procurement.pdf>

⁸Government Procurement in India, Domestic Regulations & Trade prospects available at http://www.cuts-citee.org/pdf/Government-Procurement-in-India_Domestic-Regulations-Trade-Prospects.pdf last accessed on June 24, 2013

There are approximately 220 PSEs working under 35 ministries or departments as per Public Sector Enterprises Survey 2010-11⁹. The Competition Commission of India (CCI)¹⁰ estimates that within the Central Government, departments like Defence, Railways and Telecom spend about 50% of their budget on procurement while the health ministry spends about 26 % of its budget on procurement. Thus, even in the absence of accurate data, all the above estimates clearly suggest that in India (as is the case world-wide), the public procurement market holds significant potential and has a strategic importance for the growth of overall economy including the MSE sector.

3.2 Current Status

The PM Task Force¹¹ pegs the share of MSEs in the overall public procurement market at 4%-5% of the overall market, indicating a significant gap between the policy targets and the current procurement levels from MSEs.

The MSE Procurement policy has provided for a three year enabling period (FY 2013 - FY2015) for all stakeholders to prepare themselves to achieve the target of 20% mandatory procurement from MSE in FY 2016. Thus, since Apr'2012, the Ministry of MSME has been making significant efforts to reach out to all the demand side players (or the procuring entities as tabulated below) and also increase the awareness amongst MSEs.

Table 1: Number of Procurement Authorities

Procurement Entities	Number
Central Ministries	51
Central Departments	46
Total CPSEs	277
Sick CPSEs	44
Functional CPSEs	233

The marketing division, at the office of DC MSME office has also been regularly communicating with CPSEs and providing advice, clarification and information regarding compliance with the policy provisions. Based on the responses received till date, the current status can be summarized as:

⁹http://dpe.nic.in/publications/pesurvey_2010-11/volume2/cpses last accessed on June 26, 20

¹⁰<http://cci.gov.in/images/media/ResearchReports/Bid%20Rigging%20in%20Public%20Procurement.pdf>

¹¹http://www.dcmsme.gov.in/Final_Report.pdf

Particulars	Statistics (2011-12)	Statistics (2012-13)	Statistics (2013-14)
Data received from	103 CPSEs	108 CPSEs	83 CPSEs
Total Procurement done by CPSEs	INR 100270.1cr	INR 84162.3cr	INR 81114.3cr
Total procurement done by CPSEs from MSEs (including MSEs owned by SCs/STs)	INR 14406.7cr (14.4%)	INR 12867.7cr (15.29%)	INR 12264.6cr (15.12%)
Total procurement by CPSEs from MSEs owned by SC/STs	INR 399.5cr (0.4%)	INR 419.9cr (0.5%)	INR 79.8cr (0.1%)
CPSEs - which have procured >= 20% from MSEs	28	36	32
CPSEs which have procured >= 4% from SC/ ST	3	3	1
Appointment of Procurement Nodal Officer	NA	15 Central Ministries 120 CPSEs	NA
Number of Vendor Development Programmes	309	403	NA

The current status of procurement is detailed in Annexure B.

Particulars	Number
Complete Data received from CPSEs	103
Responded CPSEs but without data	12
CPSEs - who have procured more than 20% from MSE	32
CPSEs with nil procurement from MSEs	49
Response from CPSEs awaited	15
CPSEs have achieved more than 4% from SC/ ST	3
Appointment of Procurement Nodal Officer	10 PSU & 71 Departments

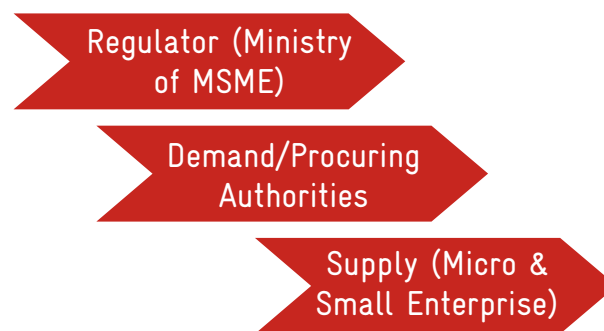
3.3 Challenges and Constraints

In an effort to understand the challenges faced/ likely to be faced by CPSEs and MSEs and to deliberate on way forward to ensure effective implementation of the policy, a series of half-day consultation workshop were also organized at six locations across the country in major metropolitan areas with high concentration of CPSEs and supply side players.

Location	Date	Number of CPSE	Number of Associations
New Delhi	12th Nov	7	4
Kolkata	27th Nov	6	7
Mumbai	3rd Dec	7	3
Hyderabad	9th Dec	1	9
Chennai	10th Dec	7	8
Bangalore	11th Dec	6	6

In addition to CPSEs, industry associations, representatives from NSIC, Development Institutes and MSMEs also attended the workshop.

The findings derived from primary interaction and secondary research (Annexure D and E) were deliberated and validated in these workshops. Based on the inputs received from the 3 key categories of stakeholders (depicted below), the key issues and challenges impacting the policy implementation are described in the next few sections:



3.3.1 Regulatory Side:

The Ministry of MSME is the nodal ministry which plays the role of regulator cum enabler for the implementation of the Public Procurement Policy for MSEs. Though the Ministry has initiated various steps for an effective roll out of the policy, it continues to face challenges and constraints as listed below:

- Difficulty in M&E due to non-availability of information from CPSEs
- Weak institutional structure for policy implementation
- Limited manpower and field level presence to cater to the needs of MSEs
- Lack of ICT support systems

3.3.2 Supply side:

Difficulties associated with getting registered as an MSE

There is a lack of clarity and awareness with respect to need/usefulness for registration as an MSE. The Entrepreneurs Memorandum (EM) format is considered to be very complex for service sector (especially for the relatively low value added work such as cleaning, servicing, security etc). In addition, since the enterprises registering for the single point registration scheme of National Small Industries Corporation (NSIC) need to be already registered with DICs, there is no distinct advantage seen in getting registered under the NSIC single point registration scheme for MSEs.

Cumbersome registration process of CPSEs

The vendor registration process with CPSEs is in most cases similar for both high and low value items and is found to be complex and cumbersome by MSEs. The lack of data synchronization and sharing among the several procurement divisions/units within a CPSE burdens the MSEs with repeating the entire process when registering with a different plant/division of the same CPSE. Further, there is no dedicated information section for the MSE vendors on the CPSE websites.

Bidding and Contracting procedures are not MSE friendly

The tender processes and documents are found to be too complex for MSEs to comply with. The tough and unreasonable pre-qualification requirements (high turnover compared to bid value, experience etc), complex e-procurement system, inadequate and unrealistic timelines to participate in a bid, and delays in procurement decisions are some of the common challenges faced by MSE when accessing the public procurement market.

The opacity in provisions pertaining to earnest money deposit, high cost of getting the digital signature from a certifying authority, extensive use of limited tendering, and lack of communication/information/feedback on reasons for rejection of bids also result in low coverage of MSEs.

The long timelines associated with the procurement cycle adversely impact the ability of MSE's to participate in the process as the prices of input raw material are subject to significant fluctuations in the period intervening the bid submission and execution.

Delays in payment/performance guarantees

The delay in payment to MSE's was highlighted as the single most crucial challenge for MSEs when dealing with CPSEs. The procurement guidelines as per MSMED act stipulate T+45 days for payment. However, T is decided as per the date of acceptance of goods/services by CPSEs. CPSEs tend to take a long time for inspecting material supplied to them causing a substantial delay in payments. In many cases, the delays in payment have been reported even after the issue of acceptance certificate and completion of all procedural formalities.

Due to the delays in the commencement of works, performance guarantees are often not released in time leading to a loss of interest to MSEs. The recovery of performance bank guarantee from CPSEs, after its expiry, is a difficult task especially in the case of niche technology products. Often, the conditionality imposed by the CPSEs also complicates the matter for example retention of performance guarantees unless maintenance is ensured for life.

Lack of awareness and low level of skill sets

The lack of awareness and inadequate skills sets necessitate the need for systematic capacity building of MSEs. The capacity building includes but is not restricted to following areas: requirements as per CPSE tenders, offline and online application procedures (in the event of CPSEs having mandated the use of e-procurement channel) and manufacturing of items as per import substitution list.

3.3.3 Demand Side:

Lack of consolidated information for identification of capable MSE vendors:

The lack of a comprehensive database of registered MSEs and limited accessibility to the already registered enterprises database which is maintained by the District Industries Centre (DIC) constrain CPSE's when attempting to reach out to MSEs. As per CPSEs, most of the MSE units do not meet the eligibility criteria when open tenders are floated. Further, the lack of information to identify the MSE's production capacity is also a key limitation.

Difficulty in determination of MSE and SC/ST status:

The EM Form 2 does not mention any validity period which makes it difficult for the CPSEs to determine status (Micro or Small) of an enterprise. In the event of an MSE being delisted, there is no mechanism for the CPSEs to ascertain the same. This may lead to an MSE getting unduly benefitted from the policy provisions. The EM2 acknowledgement does not mention if any particular MSE unit is owned by an SC/ST entrepreneur which makes it eligible for certain special exemptions. The Ministry of MSME is in the process of reviewing and resolving this issue. However, the lack of a comprehensive database of SC/ST owned enterprises continues to be a challenge.

Lack of willingness amongst MSEs to get registered:

Many vendors who provide services to CPSEs are reluctant to register themselves as MSEs despite being eligible for an MSE status. This is especially true for contracts of longer period made by CPSEs prior to issue of Policy. For such entities, MSE registration document can be insisted upon only when the contract comes up for renewal.

Lack of clarity on certain policy provisions

The CPSEs sought clarifications on following policy provisions and implementation challenges:

- a. Implication of the Clause 4 (4% out of 20% reserved for SC/ST owned enterprises) i.e. if $4\% \times 20\% \times \text{Total Procurement} = 0.08\%$ of total procurement or if 20% of 20% = 4% of total procurement is reserved for SC/ST owned enterprises.
- b. Sub contracting and sourcing through 'Aggregators or Dealers': Many MSE vendors instead of supplying directly to CPSEs, supply through dealer traders/aggregators (especially in case of small value purchases such as spares and other hardware items). In such cases, would indirect purchases made by PSEs from traders/aggregators/dealers via sub-contracting qualify as MSE procurement? There is also a concern regarding the verification and monitoring of sub-contracting, joint consortia and other such arrangements so as to minimize frauds, ensure transparency and maintain correct accounting procedures.
- c. Reserved Items: Detailed specification of 358 articles required for ease of operation. There was a call for creation and up-dating the centralised database.
- d. Clause 6: Eligibility criterion of a bidding entity who is in-turn sub-contracting to MSEs. For eg. the accrual of benefits under clause 6 (i.e. quoting price within price band of $L1+15\%$ percent) to such entities and the extent.

Status of ancillary Policy vis-à-vis Public Procurement Policy:

There appeared to be some degree of uncertainty over the status of an earlier ancillary policy. Many CPSEs continue to follow the system of ancillary units (which are also MSEs) and provide certain benefits that non-ancillary MSEs do not get.

Nature of procurement not suitable for MSEs:

The nature of procurement as in the case of oil and gas enterprises makes it difficult to achieve the 20% target for many CPSEs. Also, a few CPSEs raised concerns on the feasibility of meeting the target on an annual basis due to varying product mix of the materials and suggested to use an average basis for achieving the 20% target over a period of three years.



4 Way Forward – Ministry of MSME



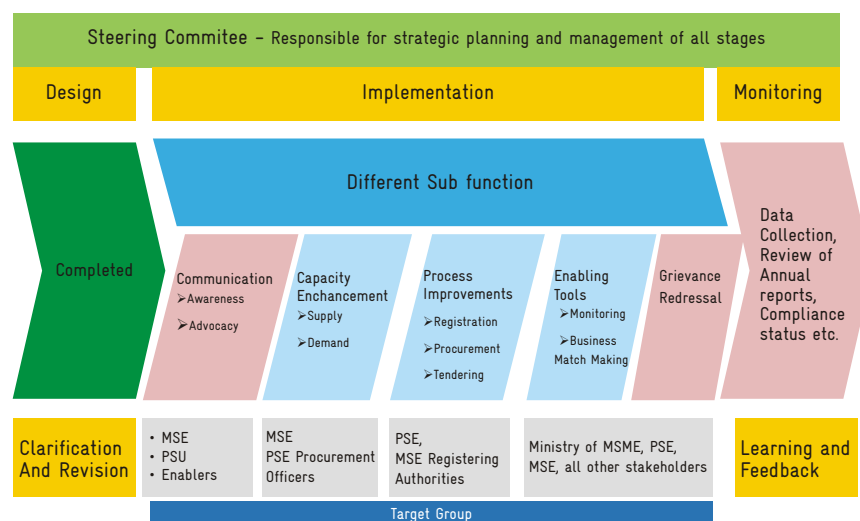
Way Forward – Ministry of MSME

Any policy is likely to remain only as an idea if necessary and sufficient steps are not undertaken to ensure its effective implementation. Taking into account the current status of implementation and challenges faced by different stakeholders, there is a need for coordinated efforts and collaborative action by all stakeholders to realize the intended objectives of the public procurement policy for MSEs. The introduction of any new policy necessitates changes involving the concerned stakeholders and the implementation depends on the ability to effectively address the complexities that arise in the process of change management. When stakeholders are required to cope with the resistance and barriers to change, they need to equip themselves with certain skills to manage the change. This is the case with all policy changes and holds particularly true for the MSE public procurement policy- wherein a large number of stakeholders are involved. The key to ensure effective implementation of the policy lies in setting up the institutional mechanism which facilitates the easy adoption of the changes and address the challenges (as highlighted in the above section) at several stages of policy implementation.





The key stages of policy development & implementation process and the main activities involved in different stages are described below:



The Office of DC-MSME, Ministry of MSME which is the nodal agency for the Public Procurement Policy for MSEs has taken a number of steps to facilitate the policy implementation (Annexure A) and has established the institutional structure as outlined in the policy notifications. The institutional mechanisms responsible for some of the functions outlined above are already in place. However, in order to ensure a more systemic approach to policy implementation, there is a need to undertake additional measures to address the several challenges at different phases of policy implementation and define clear role and responsibilities of the different organizations under Ministry of MSME as well as of other stakeholders.

The following section of the report outlines 9 key measures and associated action points to be undertaken by the Ministry of MSME, Office of DC MSME and its organizational networks such as MSME Development Institutes , Training Institutions, etc.

4.1 Strengthen the institutional structure

The different activities pertaining to policy implementation are currently being spearheaded by the Ministry of MSME mainly through a following broad structural arrangement:

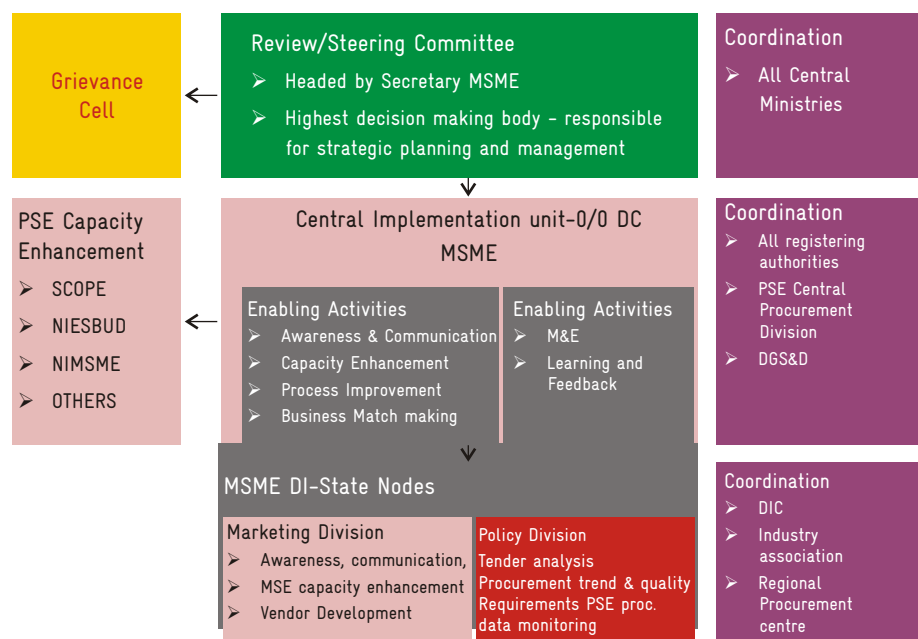


In addition to this, the MSME DIs carry out activities to create awareness, enhance capacities, and provide matchmaking avenues through vendor development programmes.

Taking into account the challenges and constraints identified above, the need to define clearer roles and responsibilities assumes significance. Taking into account the need to coordinate and collaborate with large number of stakeholders, the structure being proposed requires the MSME DI to play the role of state level nodes and support the functioning of the central implementation unit as described below:

The desired features of institutional mechanism which would ensure effective policy implementation are:

- Clearly defined roles and functions to manage all stages of policy implementation
- Centralized coordination to encourage consolidation, maintain coherence and avoid duplicity
- Adequate level of field presence and decentralization of responsibility to improve accessibility
- Single point of contacts defined for Supply and Demand Side Players
- Effective linkages and advocacy with other intermediaries and other governance bodies
- Work closely with all stakeholders (demand and supply side) to facilitate policy implementation



4.2 Clarify policy provisions and communicate

The 'Public Procurement Policy for MSEs' has already been notified by the Central Government through an order dated March 23, 2012. However, several stakeholders have raised concerns regarding limited clarity with respect to following policy provisions & metrics:

- Clause 6- Price quotation in tenders
 - Eligibility of a bidding entity, which is in-turn sub-contracting to MSEs, to claim benefits under Clause 6 (i.e. quoting price within price band of L1+15%) and to what extent.
 - Whether an MSE, quoting price within price band L1 + 15 % could be given complete supply to tender in case the tender item is non-splitable or non-divisible
 - Clarification regarding implication of the word 'proportionately' in Clause 6- Price quotation in tenders. (1) In tender, participating Micro and Small Enterprises quoting price within price band of L1+15 per cent shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a Micro and Small Enterprise and such Micro and Small Enterprise shall be allowed to supply up to 20 per cent of total tendered value. (2) In case of more than one such Micro and Small Enterprise, the supply shall be shared proportionately (to tendered quantity)
- Sourcing through dealers: In a situation where the purchases made by CPSEs are from traders/aggregators/dealers (who have procured the same from MSE vendors), would the procurement qualify as 'MSE' procurement under sub contracting.
- Subcontracting/Joint consortia procedures: The CPSEs need clarity regarding their role and responsibilities vis a vis a main vendor to monitor the bids and contracts made via subcontracting, joint consortia and other such arrangements which are allowed under the policy so as to minimize frauds, ensure transparency and maintain correct accounting procedures.
- 358 reserved articles for MSEs:
 - Since the description of the reserved items is generic in nature, precise specifications of items in the list of 358 items would enable CPSEs to comply with the intent and requirements of the law and reduce administrative time. For example, the term 'Pumps' in the list could be anything from small water cooler pumps to large hydraulic pumps used in oil rigs.

- Implication of Clause 4 (the 4% out of 20% reserved for SC/ST owned enterprises) i.e. if $4\% \times 20\% \times \text{Total Procurement} = 0.08\%$ of Total Procurement or if $20\% \times 20\% \times \text{Total Procurement} = 4\%$ of Total Procurement is reserved for SC/ST owned enterprises.
- Status of Ancillary Policy: Since the CPSE's are unclear on the earlier ancillary policy, they continue to provide distinct benefits to ancillary units to which the non-ancillary MSEs are not entitled. Thus, clarifications are solicited with respect to :
 - whether the ancillary policy is in place or defunct
 - whether the Public Procurement Policy over-rules the ancillary policy
 - whether any of the processes in CPSEs as per the ancillary policy need to be modified appropriately so as to not be in contradiction with the Public Procurement Policy objectives

#1 Action Point

The O/o DC-MSME has made available FAQ (<http://dcmsme.gov.in/faq.pdf>) to address several concerns with respect to policy provisions. The same should be revised and updated with clarifications on above matters and integrated with national and international best practices in a handbook format.

4.3 Improve awareness through proactive and regular communication

Given the fact that the policy is in a nascent stage and capacities of concerned stakeholders are also limited, there exist significant information gaps in the ecosystem. These are mostly in the area of:

- Policy and its provisions: Limited awareness about the policy, its key provisions and its benefits, existing information sources (Guidelines, FAQs, Circulars etc as available at O/o DC-MSME website) to know more about the policy
- Registration as an MSE: Benefits of registration and the related procedures
- Procurement opportunities and norms: Tender and procurement opportunities, quality norms, procurement trends, eligibility criteria, vendor registration process, vendor database, product requirements, bid procedures, other procurement processes etc

- Support schemes and institutions: Available for enhancing MSE competitiveness

#2 Action point

Central Implementation unit – Office of DC MSME is recommended to:

- Prepare and disseminate documents and reference tools/guides such as hand book on public procurement policy for MSEs; and Best Practices for CPSEs
- Train all the field institutions (DI, TC, TS) on the provisions of public procurement policy and make MSME DIs as the state level nodes for policy implementation and monitoring.
- Leverage the reach and network of industry associations, build their capacities and establish formal linkages (through several support schemes) with them to reach out to MSEs
- Develop and execute a communication campaign focused on building awareness around the public procurement policy and related areas for a defined time period using several media options

MSME DIs are recommended to:

Develop sector/CPSE specific intelligence on 'tender, procurement norms, vendor empanelment process, quality and certification requirements of CPSE, procurement trends' and disseminate this through networking with industry associations, DIs and direct interaction with industry on a regular basis. This is in addition to existing activities (VDP, Awareness workshops etc.).

4.4 Institutionalize capacity development measures

Since the public procurement policy has recently been notified in 2012 and is fairly nascent, relevant actors are still in the process of gearing up their internal systems and processes to meet the targets as laid down by the policy in the desired time frame. As has been highlighted before, the critical capacity constraints facing stakeholders pertain to HR and process issues.



#3 Action Points

Training on 'Procurement from MSE' – Customized training programmes should be developed for procurement officers of CPSEs to sensitize them on the challenges faced by MSE and ways to overcome these through improvements in procurement processes. The national training institutions (NIESBUD, NIMSME, IIE) in partnership with SCOPE, Centre for Development can carry out these programmes on a regular basis.

Training on 'How to access public procurement market'– In addition to the existing vendor development programs, DIs should provide training to MSEs in areas such as a) Technical and managerial capacities to meet supply side requirements b) Understand the procurement procedures c) Apply for procurement opportunities d) Access the procurement systems of CPSEs e) E-procurement and Digital Signature. The training should be organized in partnership with CPSEs.

4.5 Develop enabling ICT tools

The identification of quality and adequately capacitated MSE vendors continues to be a key challenge for most CPSE's. On the other hand, the MSEs struggle to keep themselves updated with procurement opportunities and process requirements. Given the above challenges, 'business matchmaking'– which is primarily a market driven mechanism has been identified a priority area for public intervention. The use of technology and the provision of user-friendly online platforms can play a big role in addressing the challenges related to administrative burden. The O/o DC-MSME is already in process of setting up a National Portal which would include a functional module for business matchmaking. The O/o DC-MSME has already developed such a business matchmaking module (copyright with the O/o DC-MSME) wherein all the suppliers and buyers are intended to be mapped to the specific product categories– as defined by the ITC HS code– this code will act as the common backbone to enable search of corresponding business partners. Additionally, in order to promote sub-contracting opportunities, online platforms can also be developed for large contractors (who have been awarded the public contract) to subcontract to MSEs. For example: a similar system in United States– <http://www.sba.gov/content/sub-net>.

#4 Suggested Features to be integrated in National Portal /IT infrastructure

- ✓ The O/o DC-MSME has already developed such a business matchmaking module (copyright with the O/o DC-MSME) wherein all suppliers and buyers would be mapped to the specific product categories as per ITC HS code ; which could act as the common backbone to enable search of corresponding business partners. In order to promote sub contracting opportunities, access to this match making platform should also be offered to large contractors (which get the public contracts) e.g. similar system in United States exists <http://www.sba.gov/content/sub-net>.

- ✓ Linkages with other IT platforms : Seamless linkage or integration with the e-procurement related information and system of all demand side entities (CPSEs, Central Ministries etc), NSIC (single point registration) , Tenders Portal (<http://tenders.gov.in/>), Central Public Procurement Portal, e-biz portal (<https://www.ebiz.gov.in/home>), and other relevant IT systems as maintained by other stakeholders
- ✓ Monitoring and Grievance Redressal : Online monitoring system wherein the CPSEs can update their procurement statistics & performance, Online Grievance Redressal Systems for both demand and supply side stakeholders and Online system for Public Private Dialogue, stakeholder consultations and feedback
- ✓ Technology Offers & Requests: A database which contains technology offers and requests from companies and R&D and technical institutions. For e.g. (similar system in European Union - <http://www.enterprise-europe-network.ch/marketplace/index.php?file=bbs-search.php>)

4.6 Improve MSE registration process and data consolidation

There is a need to address the challenges arising out of the multiplicity of registering authorities (6 in number) such as different formats of registration certificates and lack of data consolidation. The EM Formats are more suited for manufacturing sector resulting in complexities/unnecessary information for service sector firms. Absence of validity period (except in the case of NSIC), and the ownership type (SC/ST/Women/Disadvantaged) on registration certificate makes it difficult for the CPSEs to determine their current status and category.

The capability of MSE to supply quality goods in a timely manner is often cited as a main reason for complex vendor registration as well as tender qualification norms.

#5 Action Points

Central Implementation Unit – DC MSME

Standardization and simplification of registration certificate: All registering authorities should be brought on board to adopt a standardized registration certificate format and should include data pertaining to type of ownership i.e. SC/ST, Women and product classifications based on ITC HS Code for new registration. For existing registered MSE enterprises, new certificates should be issued within a specified time period. The simplification of EM registration form for service sector enterprises should also be undertaken.

Consolidation of registered MSE data base: The integrated mission mode project – eBiz portal (<https://www.ebiz.gov.in/home/>) spearheaded by Department of Industrial Planning and Promotion aims to provide all enterprise related services (registration, licenses, permits etc) provided by central and state authorities at a single point. MoMSME should explore the feasibility of using this as a single point online repository of all data on registered enterprises received from all 6 MSE registering authorities.

Capacity Grading /rating mechanism: Except NSIC, no other registering authority certifies the capacity and capability limit of MSEs. There is need to further strengthen and broad base the capacity grading/rating mechanism of MSEs and link the information with web based match making platform at a single point. Similar systems involving single point vendor registration procedures are being implemented in US (systems for award management – SAM) –

https://www.sam.gov/sam/SAM_Guide/SAM_User_Guide.htm#_Toc330768976

and Singapore (GeBiz Trading Partner)

<http://app.mof.gov.sg/data/cmsresource/For%20Businesses/Govt%20Procurement%20Guide%20SME%20ver2%20Apr2006.pdf>

4.7 Carry out continuous monitoring and data analysis

Standardized M&E template and metrics should be developed and disseminated by the office of DC MSME to track the performance of demand side players; which should be made available online over a period of time. The suggested M&E metrics for demand side are provided in Annexure C.

The efforts undertaken by ministry should be complemented by MSME DIs which should be responsible for defining the baseline and review the performance of all demand side constituents as per policy objectives through secondary research (annual reports and disclosures of CPSEs etc). The procurement procedures and practices being adopted by several demand side constituents should be understood to identify the best practices, success stories, achievements and challenges (if any) on the demand side. DIs should provide regular feedback and data to the central implementation unit.

4.8 Establish responsive grievance redressal system

The Grievance Redressal Mechanism (as also laid down in the policy) is crucial to ensure effective implementation of the policy. Given the size of MSE sector and volume of contracts in the public procurement space, following would be needed to ensure the efficacy and efficiency of this mechanism:

- Adequate field level presence, manpower and other resources (online systems) to handle the large volume of grievances
- Trained manpower with the ability to address the diverse nature of grievances from both demand and supply side stakeholders
- Provision of online systems to reduce the administrative inefficiencies and wherein the stakeholders can apply and track the status of their complaint
- Effective liaison with Chief Vigilance Commission, Department of Administrative Reforms and Public Grievances, Right To Information and other concerned bodies to address the grievances



5

Recommendations for Public . Sector Procurers (CPSEs, Central Ministries and Departments)



Recommendations for Public Sector Procurers (CPSEs, Central Ministries and Departments)

Taking into account the common challenges faced by Micro and Small Enterprises in accessing public procurement market and the policy mandate to achieve minimum 20% procurement target; there is an urgent need of change in systems, processes at every stage of procurement life cycle. Based on the suggestions and feedback received from MSEs, CPSEs and taking into account the international best practices, following 13 steps are being suggested for implementation by public procurement authorities (CPSEs, Central Ministries and Departments).

Strategy, Structure and functions	1. Make "MSE engagement" a Strategic Priority
	2. Develop appropriate organizational structure and allocate resources for MSE engagement process
	3. Improve communication channels with MSEs
Process and Systems	4. Simplify Vendor Registration Process
	5. Enhance use of Standardised tender documents
	6. Break contracts into lots, wherever feasible
	7. Provide sufficient lead time for tender submission
	8. Seek proportionate pre qualification requirements
	9. Minimize evaluation and award period
	10. Develop a system to encourage and track Sub contracting to MSEs
	11. Expedite Payments process to MSEs
Learning and Feedback	12. Provide Feedback to MSEs
	13. Train Procurement Personnel





A. Strategy, Structure and Functions

Make 'MSE engagement' a Strategic Priority

The first and foremost step to achieve the mandated 20% procurement from MSE has to start with making it a strategic priority by the top management. Engaging MSE's as suppliers can also bring additional benefits to large organizations like flexibility, innovation and customized solutions and lower costs. In order to overcome the resistance to change, negative perceptions about MSE capability and fear of additional administrative burden at the operational level; supplier diversity and MSE engagement initiatives should be integrated in a company's vision, policies and strategies at the top level. The performance incentives of the concerned departments (procurement, vendor development) can be linked with achievement of target i.e. minimum of 20% procurement from CPSEs.

Develop appropriate organizational structure and allocate resources

MSEs are small in size, lack market information and are constrained in managerial human resource capacity to identify, communicate and comply with the complex vendor registration and procurement processes. Many a times, the time available to respond to tenders is not sufficient for MSEs to prepare and submit appropriate bids; adversely affecting their chances of winning.

To overcome the barriers faced by MSEs and achieve the 'MSE engagement strategy and procurement goal', a dedicated organization structure (e.g. MSE cell) and resources should be put in place by procuring organizations to bring necessary changes in the existing procurement systems and processes. The key functions to be undertaken by the dedicated structure to make the organizations more accessible to MSEs would include:

- Identification of procurement opportunities from MSEs: An annual procurement plan detailing all the goods and services which are likely to be procured from MSEs can be prepared and shared with prospective vendors. The plan could also mention the procurement processes (rate contract, restricted tender, open tender etc.) likely to be followed.
- Champion the cause of MSE engagement internally and externally: Understand the perspectives of both the procurement departments and MSEs and identify workable solutions with least lead time. Improve coordination among various departments and facilitate the re-engineering of procurement process and systems wherever necessary.

- Organize MSE engagement and training programmes
- Monitor the procurement targets, manage the MSE grievance redressal and learning and feedback mechanisms

Improve communication channels with MSEs

To reduce MSE's constraints of information asymmetry in accessing public procurement market, procuring organisations should improve their communication and outreach channel. Since, the website is the first point of information for MSEs, the design and content of the websites should be adapted to the needs and skill set level of MSEs. The website must have a dedicated section for the MSE's– prominently displayed on home page.

The Annual Procurement Plan should also be proactively disseminated amongst MSEs through the network of MSE support institutions, and the industry associations. The information on forthcoming tenders should also be prepared and communicated on a quarterly basis so that MSEs can get the information about potential supply opportunities well in advance.

In order to pro-actively engage with MSEs, the procurers must frequently organise events such as buyer and seller meets, vendor development programmes. This would help to de-mystify the tendering process for the suppliers and give an opportunity to both buyers and suppliers in identifying areas in which they can do business together. The public procurers may look at providing information in the following areas:

- Vendor registration forms
- E-procurement guidelines
- Purchase manual/systems/procedures
- Tenders floated
- Presentation of tender information
- List of tenders/contracts concluded
- Vendor development programmes
- Annual procurement plan
- MSE exemption policies
- Vendor grievance mechanism
- E-procurement/vendor training
- List of registered vendors

B. Process and Systems

Simplify vendor registration process

The foremost requirement for participating in public procurement is to seek vendor registration with CPSEs, however the current vendor registration process is considered to be cumbersome and complex by MSEs. The lack of data synchronization among the several procurement divisions/units within a CPSE burdens the MSEs with repeating the entire cycle process when registering with a different plant/division of the same CPSE. Following steps will enable larger number of MSEs to get registered as vendor:

- Separate vendor registration for MSE and further simplification of vendor registration form for low value items. Forms must be easy to comprehend and fill, devoid of unnecessary complexities.
- Since e-procurement is mandatory only for purchases more than Rs 25 lakh, CPSEs should also accept physical copies of vendor registration forms in their respective offices especially in case of goods of lower value.
- Once a vendor is registered at a particular location/unit or for a particular class of goods or services, they must not be required to seek registration at other locations/units. Instead, the procurers must maintain a central repository of registered vendors for administrative convenience of MSEs.
- The contact details of designated officials for clarifications of doubts and for further assistance in getting registered to be provided to MSEs.

Enhance use of standardized tender documents

The improvements in design of tender documents can lead to reduction in excess administrative burden encountered by MSEs in complying with tender norms. The procurers need to use standardised tender documents specifying uniform general conditions with only specific conditions varying as per the underlying contract requirements. This will allow bidders to become familiar with the tender specifications, documents to be submitted and other formalities to be completed.

Since the onerous conditions, questions and tedious paperwork discourage small enterprises from bidding in the tendering process, stipulating conditions and accompanying documentary evidence demanded from MSE suppliers must account for external and internal constraints and be in line with necessary contract requirements. Further, tender documents must use simple and clear language which is free of jargon and does not confuse or discourage prospective suppliers.

Break contracts into smaller lots, wherever feasible

The procurers can make contracts more accessible by dividing them into smaller 'lots' wherever it is practical and feasible. This not only helps the MSEs in overcoming production capacity constraints with lower quantities required to be delivered but also the procurers who are able to benefit from the specialized expertise of multiple bidders and diverse suppliers. This is also an internationally recognized and most frequently cited best practice to enhance MSE's share in the public procurement market.

Provide sufficient lead time for tender submission

All public sector purchases are notified to the public mostly through tenders advertised in newspapers, trade journals, departmental publications, notice boards, websites /internet. The MSEs should be given sufficient lead time to check the advertisements and complete their tender submissions and accompanying documentation.

Seek proportionate pre- qualification requirements

The public procurers must ensure that financial and technical capacity related conditions specified in a contract are proportionate, justifiable and commensurate to the size and subject-matter of the contract. A few recommendations which could be taken into account while designing the tender documents to enable higher participation rate by MSE's are:

- Design the safety provisions related to insurance, indemnity, performance guarantees, and security deposits, etc. which are commensurate to the risks involved and are not overtly restrictive to MSE vendors. The requirement of performance and financial bank guarantees may be exempted in case of MSEs especially in case of low value contracts.
- Ensure that the financial (turnover) and technical capacity conditions specified in a contract are proportionate, justifiable and is commensurate to the size and subject-matter of the contract. For example, a requirement that only experience acquired in dealing with the public sector will be taken into account is, as such, irrelevant and limits competition¹².

¹²http://ec.europa.eu/internal_market/publicprocurement/docs/sme_code_of_best_practices_en.pdf last accessed on November 19, 2013

- Reduce the procurement cycle timelines and include a price variation clause especially in case of long-term contracts (defined as over one year) so that MSEs can adjust to price fluctuation in the input raw material
- Flexible payment terms i.e. advance payment, phased payment linked to delivery of various stages of the contract since those MSEs which otherwise have the capability to deliver quality products are limited in size/ability to obtain credit
- Ensure that the contractual conditions compensate/ do not unfairly treat the vendors in case the delay in start or completion of works is due to CPSE/Central Ministry side. For e.g. payment of interest on performance guarantee in case of delay
- Ensure that any of the tendering specifications or procedures do not violate MSE's intellectual property rights and confidentiality
- Pre-specify time period (maximum) required for inspection of goods/services supplied by MSEs so as to avoid delay in issuance of acceptance certificate and payments
- Acceptance of bids via not only the e-procurement systems (where it's not mandatory as per the current regulatory provisions) but also through physical media such as courier, post or by hand especially in case of MSEs with limited access to technology

Minimize evaluation and award time period

Minimize the time period between the submission of bid and award of contract; and the bid validity period so as to reduce the effect of market fluctuation on raw material cost.

Develop a system to encourage and track sub- contracting to MSEs

As per the policy provisions, the annual goal of procurement also include subcontracts to Micro and Small Enterprises. In those cases where the nature of procurement is not at all suitable for direct award to MSEs, tenders and award criteria may contain clauses that encourage subcontracting work to MSEs, for e.g. extra points may be awarded to those contractors who propose to subcontract to MSEs.

In many EU countries, to encourage subcontracting, bidders have to submit information about supplier diversity at both the pre-qualification questionnaire (PQQ) and invitation to tender (ITT) stage and this feature in the scoring mechanism.

The CPSEs can also play an important role in ensuring that the prime contractors offer equal terms and conditions to the sub-contractors. Internationally, several examples of provisions to encourage sub-contracting include a) the standard tender documents include a provision requesting the contracting authority to pay directly to the sub contractor in case of a payment delay by the main contractor. The amount paid to the sub – contractor is deducted from the amount due to the main contractor b) declaration from the prime contractor that the offered price to sub-contractors meets the requirement of a minimum labour charge– in case of works contract. The CPSEs can also ask their suppliers to publish sub-contracting opportunities on their website with preference to MSEs.

Expedite payments process to MSEs

MSEs face liquidity problems due to lack of availability of ample funds whether owned fund or bank credits as well as unwarranted delays in payment. It is extremely crucial to expedite release of payment to MSEs by simplifying the conditions stipulated for release of payment such as inspection/ completion certificate. The inspection formalities must not be used as a delaying tactic and contract may stipulate partial release of payment.

The procurers can also make use of the IT systems for release of payments especially in case of units located at diverse geographical locations. Further reasonable time limits must be specified in the contract such as release of payment within 30 days of completion of work along with sufficient provisions for partial release of payments.

C. Learning and Feedback

Provide feedback to MSEs

The provision of feedback from public procurers on the reasons for failure of suppliers to win contracts provides a key learning opportunity for MSEs. An objective and honest feedback will help participating MSEs to identify their strengths and reflect on areas which could be further improved.

Train procurement personnel

The standard procurement processes typically put enormous administrative burden on MSEs, many a times forcing them not to even bid. Therefore, enhancing procurement from MSEs will require 're-engineering of certain procurement processes and systems' to reduce the access barriers and cater to the needs of their small sized operations. All the personnel involved in managing procurement processes should be sensitized about the policy provisions and trained on managing the procurement life cycle – to make it

more accessible to MSEs. There is also a need to continuously update the employee skill-set as per the requirements of new procurement policy regime through organizing structured induction and refresher courses designed specifically for senior policy makers, auditors, engineers and procurement officials. The training should encompass:

- Principles and concepts of public procurement policy
- Application of evaluation criteria
- Basics of writing specification/scope of work
- Specifying contract terms
- Appraising contract performance
- Handling supply chain
- Supplier Diversity
- Negotiating contracts
- Vendor management
- Preparing management information reports
- Sub-contract management
- Use of information technology
- Inventory management
- Establishing product/contract standards
- Quality evaluation



6 Conclusion



Conclusion

The MSE sector is of paramount significance for economic growth and job creation. The sector's low labour to capital ratio in MSMEs compared to large industries and its geographic distribution provides an opportunity for inclusive and equitable growth in India. Hence, the public procurement policy for MSEs has the potential to provide further impetus to this sector without compromising on transparency and cost effectiveness. If implemented in its full essence, the policy could substantially address the issue of limited access to market by MSEs.

However, the preparedness of the existing ecosystem to address the challenges emanating from policy implementation is still underway. There are significant changes that are required in CPSEs, administrative and institutional levels and enhancing the ability of MSEs to respond to the markets. Thus a paradigm shift is required in the ecosystem covering all stakeholders.

Section 4 of this report outlines measures and action points to be undertaken by the Ministry of MSME as a regulator and enabler of the policy. The graphic below provides a quick recap of the same.





There is need for a strong coordination mechanism among the Ministry of MSME and other stakeholders to deal with bottlenecks and hurdles and ensure the success of policy guided by effective implementation. Regular communication among CPSEs and MSEs/ MSE associations on one hand and DC MSME, State DICs, MSME Development Institutes and State Directorate of Industries on the other hand, will help in early identification and resolution of challenges.

Further it is equally imperative to monitor the progress made by the CPSEs and departments in this regard on half yearly basis. This is to ascertain the progress achieved on different milestones such as the percentage of procurement made from MSEs, upload of annual procurement goals, number of MSE complaints received and resolved by Grievance cell, number and efficacy of vendor development programmes conducted, etc. In case of non-compliance with the mandated policy, the responsible ministry may be involved for remedial action.

The current state of MSE registration reveals unwillingness on part of small units to seek registration as an MSE unit due to procedural complexities and issues in applicability of laws post registration. The MSE sector will need handholding support not only from CPSEs but also other stakeholders like large vendors in order to augment capacities and ensure preparedness for availing the benefits of the procurement policy. It would be pertinent to note here that that some of the challenges that the MSEs face in maximizing their productivity go beyond responding to the public procurement market and into other areas of business continuity .

The procurement policy does open up a huge window of opportunity for the MSE sector and creates a degree of level playing field with larger enterprises. At the same time, it also enables CPSEs to develop alternative and sustainable supply chain. However, if continuous and systematic implementation plan are not put in place by all the stakeholders, then the desired and intended benefits of the policy may not realize and it may relegate to being one among the many other policies devised for the growth and development of this sector. The effective implementation of the policy does offer the opportunity to transform the MSE sector and accelerate socio economic growth in the country.



7 Annexure



A. Brief overview of actions undertaken by Ministry of MSME

Awareness and Communication

- The policy has been circulated on 25.4.2012 by Secretary (MSME) to all the Central Ministries / Departments / CPSUs for effective and successful implementation
- Follow up letter issued on 24.5.2012, reminders on 13.6.2012, 18.7.2012, 3.10.2012, 3.1.2013, 17.1.2013, 28.03.2013 26.4.2013 25.10.2013 2.12.2013, and 18.12.2013 to Secretaries of Ministries / Departments and CPSUs.
- As and when Ministries/Departments/CPSUs have asked clarifications / doubts /inquiries / interpretation on the provisions prescribed in the policy, reply was sent to them in time.
- Meetings with representative of CPSUs on different occasions have been taken place from time to time for clarification on the provisions prescribed in the Public Procurement Policy for MSEs.
- A Frequently Asked Questions (FAQ) on Public Procurement Policy for MSEs has been prepared and uploaded in official web site of DC-MSME.
- Definition of MSEs owned by SC / ST has been clarified and published through the PIB press release on 25.6.2013.
- One to one meetings of the Secretary (MSME) with Chairman / Directors of IOCL, SAIL, Railways and HMT in the first and second week of August 2014
- Six Consultation Workshops on policy organized by the Ministry of MSME with GIZ at New Delhi (12.11.2013), Kolkata(27.11.2013), Mumbai(3.12.2013), Hyderabad(9.12.2013), Chennai(10.12.2013) and Bangalore(11.12.2013) to enhance awareness through consultation on policy provisions, obligations and challenges faced/likely to be faced by CPSUs, improve the collaboration, create the ownership amongst the CPSUs and ensure effective implementation.
- Directions from DPE to all the Ministries / Departments for issuing instructions to all CPSUs under their administrative control for effective implementation of the policy sent on 16 Aug 2013
- Clarifications on the policy communicated to Ministries / Departments / CPSUs- uploaded on website time to time <http://dcmsme.gov.in/pppm.htm>

Capacity Building

- Detailed evaluation of the current procurement details, norms and mechanism with 25 identified CPSUs.
- In the year 2012-13, 48 National Vendor Development Programmes(VDP) and 297 State Vendor Development Programmes focussed on implementation of Public Procurement Policy have been conducted by the field offices, MSME-DIs and 7 VDPs for MSEs owned by SC/ST conducted by NSIC and 317 VDP by CPSUs.
- 18 vendor development programmes for the MSEs owned by SC / ST during the year 2013-14 have been planned to be conducted by NSIC at the different allocations throughout the country
- The O/o DC-MSME is already in process of setting up a National Portal which would include a functional module for business matchmaking. The O/o DC-MSME has already developed such a business matchmaking module (copyright with the O/o DC-MSME) wherein all the suppliers and buyers are intended to be mapped to the specific product categories- as defined by the ITC HS code- this code will act as the common backbone to enable search of corresponding business partners.
- The action at large has been taken for enhancing Government procurement from MSE owned by SC/ST Entrepreneurs in accordance with provisions prescribed in the policy such as conducting outreach programmes by NSIC to cover more and more MSE owned by SC/ST under its scheme of consortia formation and opening a special window for SC/ST by NSIC with providing 20% special concession on the registration fee by NSIC, apart from vendor development programmes organized by various Ministries /Department/CPSUs for promoting MSE owned by SC/ST so as to increase their participation in the Government Procurement.

- As a part of follow up action on the policy, a Concept Paper on Public Procurement Policy for MSEs has been prepared.- <http://dcmsme.gov.in/CONCEPT%20PLAN.pdf>

Enabling Regulatory Frameworks

- Letter issued by hon'ble Minister MSME to 19 Ministries (Minister of Civil Aviation, Minister of State (IC) for Coal, Minister of State (IC) for Commerce & Industry, Minister of Communications & Information Technology, Minister of Defence, Minister of State (IC) for Development of North Eastern Region, Minister of Finance, Minister of Health & Family Welfare, Minister of Heavy Industries & Public Enterprises, Minister of Home Affairs, Minister of State (IC) for Petroleum & Natural Gas, Minister of State (IC) for Power, Minister of Railways, Minister of State (IC) for Science & Technology, Minister of Chemicals & Fertilizers, Minister of State for Atomic Energy, Minister of State (IC) for Textiles, Minister of Steel, Minister of Social Justice & Empowerment) to ensure policy implementation and periodic review in Departments and CPSEs under the respective Ministries
- A letter has been issued to KVIC and Coir Board to issue similar registration certificate as issued by DICs indicating category of MSEs owned by SC/ST.
- Imitation has been taken in mentioning all categories of MSEs on the registration certificate
- Hon'ble Minister, MSME has also requested Chief Ministers of all the State Governments on 23.5.2012 for formulating similar policy in their State as per provision under section 11 of MSMED, Act 2006.
- Public Procurement Policy and all related correspondence letter's from Secretary (MSME) to Ministries / Departments / CPSUs, follow up letters and letter from Hon'ble Central Minister to all Chief Ministers for formulating the similar policy in their State etc. have been up-loaded on the website of this office.

Monitoring and Evaluation

- A meeting was held on 11/7/2013 with the nodal officers of 10 identified CPSUs and Head of the Team, Centennial Development Advisory Services (CDAS) India (P) Ltd. to review the progress made by them for implementation of the policy
- As a part of regular follow-up, Department of Public Enterprises has also sent the directions to all the administrative ministries for issuing further instructions to all the CPSUs working under their control for effective implementation of the policy and set up an appropriate monitoring mechanism to review its implementation. In pursuance of their instructions, all CPSUs have been requested by this office to confirm the action taken by them in this regard.
- A D.O. letter from Secretary, MSME has been issued to the concerned Secretaries of the Ministry to ensure that the Procurement data from MSEs is placed in the Annual report (s) and followed by reminder.
- Hon'ble Minister of MSME has reviewed the Implementation progress of the Policy made by CPSUs of Andhra Pradesh during a meeting at Hyderabad on 21.12.2013.

Grievance Mechanism

- A Grievance cell has been constituted for the redressal of the grievances for MSEs and uploaded on the office Website- http://dcmsme.gov.in/ppp_Constitution.pdf

Learning and Feedback

- To review the progress and for inviting the suggestions for effective implementation of the policy, a meeting for National Board for MSEs was conducted on 11.12.2013 under the Chairmanship of Hon'ble Minister of MSME

B. Current status of public procurement from MSEs

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs (including MSEs owned by SC/ST) (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement from only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs		
		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
1	Andrew Yule & Company Limited, Kolkata	84.9	97.5	140.4	21.6	27.3	64.3				25.4%	28.0%	45.8%	0.0%	0.0%	0.00	1	2	
2	Air India Ltd	157.4			33.3														
3	Antrix Corporation Limited, Bangalore	736	2.4		0.0	0.2					0.0%	9.1%		0.0%	0.0%				
4	Artificial Limbs Manufacturing Corporation of India Kanpur	335	55.3	70.2	23.4	38.7	49.1				70.0%	70.0%	70.0%	0.0%	0.0%	0.00			
5	Balmer Lawrie & Co Ltd. Kolkata	48.4	42.1	2175.3	31.6	31.8	20.0				65.3%	75.7%	0.9%	0.0%	0.0%	0.00	36	15	
6	Bank of Baroda, Baroda	269.7	392.2		12.8	11.7					4.7%	3.0%		0.0%	0.0%		4	8	
7	BBJ Construction Company Ltd			12.0			4.1												
8	BEML Limited, Bangalore,	2556.5	1163.7	1476.9	600.8	137.0	98.6	0.02	1.1	0.8	23.5%	11.8%	6.7%	0.0%	0.1%	0.00	2	4	
9	Bengal Chemicals and Pharmaceuticals Ltd. Kolkata	32.1	17.4		10.2	4.4		0.1	0.05		31.7%	25.5%		0.2%	0.3%		1	1	

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs owned by SC/ST (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement from only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs		
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
10	Bharat Dynamics Limited,Kanchanbagh, Hyderabad	1574.0	2071.0	1099.0	167.4	301.2	261.8				10.6%	14.5%	23.8%	0.0%	0.0%	0.0%	16	21	
11	Bharat Electronics Limited (BEL), Bangalore, Karnataka	4971.0	2575.0	2368.0	18.5	33.0	112.0	1.8	0.0		0.4%	1.3%	4.7%	0.0%	0.1%	0.0%	43	59	
12	Bharat Heavy Electricals Ltd., New Delhi	27600.0	21257.0	18341.2	5812.0	3820.0	3463.7				21.1%	18.0%	18.9%	0.0%	0.0%	0.0%	1	4	
13	Bharat Heavy Plates & Vessels Ltd. Viskhapatnam	81.2	73.2		8.3	9.0		0.02	0.03		10.3%	12.3%		0.0%	0.0%		1	1	
14	Bharat Immunologicals and Biological Corporation Ltd. Bulandsahar.	54.5	163.4		0.4	0.2					0.7%	0.1%		0.0%	0.0%		0	1	
15	Bhartiya NabhiKiya Vidyit Nigam Ltd			101.4			18.2												
16	Bharat Petroleum corporation Limited	5807.0	5135.0	7889.0	2740.0	2775.0	1899.4	323.6	313.2	0.02	47.2%	54.0%	24.1%	5.6%	6.1%	0.0%	1	1	
17	Bharat Pumps and Compressors Limited, Allahabad		53.7		-	17.6						32.8%			0.0%		0	2	
18	Bharat Refractories Limited, Bokarao,	247.9	185.0		10.9	12.8					4.4%	6.9%		0.0%	0.0%		0		

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs (including MSEs owned by SC/ST) (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement from only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs		
Financial Year		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
19	BIECCO LAWRIE Ltd.	25.0	21.0		6.1	4.5					24.4%	21.4%		0.0%	0.0%				
20	BrahamPutra Crackers & Polymer Ltd			22.5			3.9												
21	BrahamPutra Valley Fertilizer Corpn Ltd			27.5			15.0												
22	Braithwaite & CO Limited, Calcutta	208.9	286.7	181.4	9.8	21.7	17.5	0.0	0.1	0.0	4.7%	7.6%	9.6%	0.0%	0.0%	0.00			
23	Bridge & Roof Corpn (India) Ltd		559.3			52.5													
24	Burn Standard	103.0	133.0		15.4	19.9					15.0%	15.0%		0.0%	0.0%		0		
25	Cement corporation of India Ltd. (CC)	22.7	19.1		5.5	3.0					24.5%	15.9%		0.0%	0.0%		3		
26	Central Coal Fields Ltd. Ranchi	116.2	162.0		15.7	12.6					13.5%	7.8%		0.0%	0.0%		3		
27	Central Cottage Industries Corporation of India Ltd			29.0			13.1												
28	Central Electronics Ltd			80.0			20.0												
29	Central Mine Planning & Design Institute Ltd			35.2		7.8	7.8												
30	Chennai Petroleum Corporation Limited, Chennai	200.1	242.2	85.6	7.9	6.5	19.3				3.9%	2.7%	22.6%	0.0%	0.0%	0.00			

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs (including MSEs owned by SC/ST) (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement from only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs		
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
31	Coal India Ltd			4104.3			374.3												
32	Cochin Shipyard Ltd			300.5			11.1			6.5									
33	Corporation Bank, Mangalore	15.4	16.5		5.8	6.4		0.4	0.6		37.6%	38.9%		2.9%	3.7%				
34	Eastern Coalfields Limited, West Bengal	183.7	238.1		22.0	21.2					11.9%	8.9%		0.0%	0.0%				
35	EDCIL (India) Ltd. Noida	1.3	0.9	2.9	0.1	0.0	0.6				5.5%	3.4%	20.0%	0.0%	0.0%	0.00		5	
36	Electronics Corporation of India Ltd. Hyderabad	646.7	671.5	753.0	52.0	93.4	120.6	2.7	1.1	0.0	8.0%	13.9%	16.0%	0.4%	0.2%	0.00			
37	Engineers India Limited New Delhi	3407.4	562.2	860.8	47.0	31.7	39.9				1.4%	5.6%	4.6%	0.0%	0.0%	0.00			
38	Export Credit Guarantee corporation of India Ltd, Mumbai,	0.1	0.1	0.1	0.0	0.0	0.0	0.0008	0.003	0.01	3.1%	5.3%	28.6%	1.1%	3.0%	0.14		1	
39	FCI Aravali Gypsum and Minerals India Ltd, Jodhpur,(Raj.)	3.3	9.4	10.6	0.0	0.2	0.2				0.0%	1.6%	2.0%	0.0%	0.0%	0.00			
40	Ferro Scrap Nigam Limited, New Delhi	32.5	37.0	38.2	1.9	2.0	1.8				5.8%	5.5%	4.6%	0.0%	0.0%	0.00			
41	Fertilisers and chemicals Travancore ltd, Udyougamandal,	278.0	246.0	195.7	5.3	12.8	5.1				1.9%	5.2%	2.6%	0.0%	0.0%	0.00			

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs (including MSEs owned by SC/ST) (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement from only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs				
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14		
42	GAIL India Ltd. New Delhi	8128.3	5061.9	2079.5	75.5	80.6	179.7			10.0				0.9%	1.6%	8.6%			0.00		
43	Garden Reach Shipbuilders and Engineers Ltd. Kolkata	770.0	587.0	695.5	67.0	44.0	125.9							8.7%	7.5%	18.1%	0.0%	0.0%	0.00	1	2
44	Goa Shipyard Limited, Goa	189.0	640.0	308.2	1.2	3.7	4.5							0.6%	0.6%	1.5%	0.0%	0.0%	0.00	2	3
45	Handicrafts & Handloom Exports Corporation of India			28.5			10.0									35.2%			0.00		
46	Heavy Engineering Corporation Ltd. Ranchi.	71.7	109.3		13.8	27.2								19.3%	24.8%		0.0%	0.0%		1	
47	Hindustan Aeronautics Limited, Bangalore	868.5	1196.9	1243.4	107.2	145.0	176.7	0.2	0.1	0.04				12.3%	12.1%	14.2%	0.0%	0.0%	0.00	1	9
48	Hindustan Copper Ltd. Balaghat	104.0	169.1	218.2	22.0	26.7	28.6							21.2%	15.8%	13.1%	0.0%	0.0%	0.00		1
49	Hindustan Fluorocarbons Ltd.	19.0	13.9		0.1	0.1								0.5%	0.8%		0.0%	0.0%		7	28
50	Hindustan Insecticides Limited	112.7	126.3		24.8	34.1								22.0%	27.0%		0.0%	0.0%			
51	Hindustan Newsprint Ltd			9.5			1.0														
52	Hindustan Organic Chemicals Ltd. Kochi.	325.0	321.0		4.7	6.0								1.4%	1.9%		0.0%	0.0%			

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs owned by SC/ST (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs		
		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
53	Hindustan Organic Chemicals Ltd. Rasayani Mumbai	97.1	158.7		0.5	1.1					0.5%	0.7%		0.0%	0.0%		1		
54	Hindustan Paper Corporation Limited, Kolkata	281.9	223.3	147.2	90.3	46.6	48.6	3.2	7.4	4.7	32.0%	20.9%	33.0%	1.1%	3.3%	0.03			
55	Hindustan Petroleum Corporation Ltd, Mumbai	4704.0	4739.8	5908.8	102.4	113.4	888.8			36.0	2.2%	2.4%	15.0%	0.0%	0.0%	0.01	5		
56	Hindustan Salts Ltd			1.8			0.1												
57	Hindustan Shipyard Ltd. Vishakhapatnam	141.9	218.7	107.7	25.3	22.3	5.0		0.0		17.8%	10.2%	4.7%	0.0%	0.0%	0.00	1		
58	Hindustan Steelworks Costn Ltd		0.6			0.1						20.0%							
59	HLL Lifecare limited, Thiruvananthapuram	200.0	350.0	351.3	21.0	25.8	33.4		0.2		10.5%	7.4%	9.5%	0.0%	0.0%	0.00	1	1	
60	HPCL Biofuels Ltd			35.3			9.8						27.8%						
61	HMT Limited, Bangalore	217.2	165.8		49.2	40.0					22.7%	24.1%		0.0%	0.0%				
62	IFCI Limited	10.5	12.4		1.9	1.3					18.5%	10.4%		0.0%	0.0%				
63	Indian Medicines			21.8			3.8												
64	India Trade Promotion Organization			0.4			0.1												
65	India Tourism Development corporation	22.3	20.9		0.0	0.0					0.1%	0.2%		0.0%	0.0%				

Sl. No.	Name of the CPSU	Total annual procurement (A) (INR Crore)			Total procurement from MSEs owned by SC/ST (B) (INR Crore)			Total procurement from MSEs owned by SC/ST (c) (INR Crore)			% of procurement from MSE (including MSEs owned by SC / ST) (B/A)			% of procurement from only MSEs owned by SC / ST (C/A)			Total number of VDPs conducted for MSEs			
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	
66	Indian Drugs and Pharmaceuticals Ltd. Gurgaon	232	28.9		2.9	3.2					12.5%	11.1%		0.0%	0.0%					
67	Indian Oil Corporation Ltd., New Delhi	6063.2	6677.3	5933.9	999.7	1226.4	1924.4		21.5		16.5%	18.4%	32.4%	0.0%	0.0%	0.0%				
68	Indian Overseas Bank, Chennai	413.3	475.2		293.5	370.7		67.5	92.7		71.0%	78.0%		16.3%	19.5%					
69	Indian Railway Catering and Tourism Corporation Ltd, New delhi	100.3	97.4		4.5	6.7					4.5%	6.8%		0.0%	0.0%		11	16		
70	Indian Rare earth Ltd. Mumbai		90.0	80.0	46.1	2.4	2.6	0.8				2.7%	3.3%	1.7%	0.0%	0.0%	0.00			
71	Instrumentation Limited, Kota	13.4	4.9		0.2	0.9					1.2%	18.2%		0.0%	0.0%					
72	Irrigation & Water Resources Finance Corpn Ltd			0.8			0.0													
73	ITI Limited Bangalore	317.1	238.8		2.8	23.5					0.9%	9.8%		0.0%	0.0%					
74	Karnataka Antibiotics & Pharmaceuticals Limited	132	156	130	0.0	0.0	0.1				0.3%	0.3%	0.5%	0.0%	0.0%	0.00	4	10		
75	KIOCL Limited	25.3	12.3		6.1	3.2					23.9%	25.9%		0.0%	0.0%		4	4		
76	Konkan Railway Corporation Limited, Navi Mumbai.	28.0	84.1	40.1	15.4	21.1	138	0.01			55.0%	25.1%	34.4%	0.0%	0.0%	0.00	6	10		
77	Krishak bharati Co-operative Ltd.		253.5			67.9						26.8%								

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		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2013-14
78	Madhya Pradesh Ashok Hotel Corpn Ltd		0.7				0.0			0.0										
79	Madras Fertilizers Limited Chennai	54.7	22.3		19.8	11.9					36.2%	53.5%		0.0%	0.0%					
80	Mahanadi Coalfields Limited, Odhisa	130.0	135.0	100.3	15.4	23.7	22.5				11.8%	17.6%	22.5%	0.0%	0.0%	0.0%	1	2		
81	Mangalore Refineries and Petrochemicals Ltd., Karnataka	236.0	285.8	273.4	4.9	3.3	5.3				2.1%	1.2%	1.9%	0.0%	0.0%	0.0%				
82	Mazagon Dock Limited, Mumbai	2621.6	2346.2	445.4	210.1	107.6	48.5				8.0%	4.6%	10.9%	0.0%	0.0%	0.0%				
83	Mineral Exploration Corporation Limited, Seminary Hills, Nagpur		10.8	17.1		3.0	3.6					27.5%	21.3%	0.0%	0.0%	0.0%	6	9		
84	Mishra Dhatu Nigam Limited, Hyderabad	390.0	291.0	268.2	7.9	11.8	26.7				2.0%	4.1%	10.0%	0.0%	0.0%	0.0%	2	4		
85	MOIL Ltd. Nagpur.	56.6	76.4	90.3	7.6	21.8	21.8				13.5%	28.5%	24.1%	0.0%	0.0%	0.0%	3	3		
86	NALCO	1719.0	1795.0	1526.3	302.0	336.0	294.4				17.6%	18.7%	19.3%	0.0%	0.0%	0.0%	7	12		
87	National Fertilizer Ltd. Noida	166.0	139.1	102.2	10.4	7.9	9.7				6.2%	5.7%	9.5%	0.0%	0.0%	0.0%				
88	National Handloom Development Corporation Ltd. (NHDC), Lucknow	1101.1	1375.5	12.1	332.4	674.0	0.4				30.2%	49.0%	3.3%	0.0%	0.0%	0.0%				

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Financial Year		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
89	National Informatics Centre Services Inc. New Delhi	375.0			3.8			1.0%			0.0%								
90	National Seeds Corporation Ltd, Pusha Complex, New Delhi	12.8	13.1	23.8	0.3	1.7	10.9				2.4%	12.7%	45.7%	0.0%	0.0%	0.00			
91	National Small Industries Corporation Limited, New Delhi	6.3	8.2	22.9	4.0	5.5	17.3	0.01	0.02	0.1	63.6%	66.5%	75.6%	0.2%	0.3%	0.01			
92	National Textile Corporation Limited, New Delhi	52.5	59.1	149.7	9.5	20.4	36.2				18.1%	34.5%	24.2%	0.0%	0.0%	0.00	2		
93	NEPA Ltd. Burhanpur		6.6	7.9		1.2	1.7				18.8%	21.5%		0.0%	0.0%	0.00			
94	NERAMAC GUWAHATI	94.4	32.9		0.1	0.1		0.01	0.01		0.1%	0.3%		0.0%	0.0%				
95	Neyveli Lignite Corporation Ltd, Chennai,	238.2	351.1	250.6	30.0	95.3	57.7				12.6%	27.1%	23.0%	0.0%	0.0%	0.00			
96	NHPC Ltd. Faridabad	201.6	75.1	284.3	2.2	1.3	11.7				1.1%	1.7%	4.1%	0.0%	0.0%	0.00			
97	NMDC Hyderabad	307.1	304.4	321.6	10.8	16.7	23.8				3.5%	5.5%	7.4%	0.0%	0.0%	0.00			
98	North Eastern Electric Power Corporation Limited, Shillong	25.3	26.7	50.5	0.0	0.0	0.1				0.1%	0.0%	0.1%	0.0%	0.0%	0.00	2	2	
99	Northern Coal Fields Ltd. Singrauli, Indore	452.5	260.7	989.3	19.9	27.4	26.8				4.4%	10.5%	2.7%	0.0%	0.0%	0.00	10	15	

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	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
100	NTPC Ltd.	1485.3	1457.4	1451.1	91.2	118.4	113.0				6.1%	8.1%	7.8%	0.0%	0.0%	0.00			
101	Nuclear Power Corporation of India Limited, Mumbai,	5162.9	4252.3	649.1	58.4	44.3	62.4				1.1%	1.0%	9.6%	0.0%	0.0%	0.00			
102	Numaligarh Refinery Ltd.	714.3	958.4	7541.3	12.0	16.2	22.4				1.7%	1.7%	0.3%	0.0%	0.0%	0.00	102	112	
103	Oil India Limited (OIL)	184.4	199.1		35.7	42.6					19.3%	21.4%		0.0%	0.0%		5	4	
104	Orissa drugs & chemicals ltd.	5.5	7.7		0.8	1.2					13.9%	14.9%		0.0%	0.0%				
105	PNB				0.4	0.5		0.1	0.1		0.01	0.02		19.0%	21.0%		3.2%	3.8%	
106	Power Finance Corporation Ltd,Delhi	2.6	2.8	3.1	0.5	0.5	0.7				19.9%	17.9%	23.4%	0.0%	0.0%	0.00	22	13	
107	PFC Consulting Ltd			0.3			0.1												
108	Rail Vikash Nigam				0.2	0.2		0.1	0.1					34.4%	35.6%		0.0%	0.0%	
109	RAILTEL Corporation of India Ltd. Gurgaon			71.0	140.9		12.2	15.9					17.2%	11.3%		0.0%	0.00		
110	Rajasthan Drugs & Pharmaceuticals Limited, Jaipur	0.1	0.1	30.0	0.1	0.1	5.2				96.1%	91.5%	17.3%	0.0%	0.0%	0.00			
111	Rajasthan Electronics & Instruments Limited, Jaipur	160.3	162.2	142.8	43.5	34.2	32.2	0.04	0.1		27.2%	21.1%	22.6%	0.0%	0.0%	0.00			

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	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
112	Rastriya Chemicals & Fertilizers Ltd. Sion, Mumbai	3525.0	2730.0	318.4	10.5	12.4	62.2				0.3%	0.5%	19.5%	0.0%	0.0%	0.0%			
113	Rastriya Ispat Nigam Ltd. Vishakapatnam	1933.0	2113.7	2422.5	233.0	226.2	260.6				12.1%	10.7%	10.8%	0.0%	0.0%	0.0%			
114	Sambhar Salts Ltd			2.5			0.1						5.7%			0.0%			
115	SJVN Limited, New Shimla	5.2	73.6	56.1	0.2	7.0	5.0				3.6%	9.6%	8.9%	0.0%	0.0%	0.0%			
116	South Eastern Coal Fields Ltd., Bilaspur	629.1	516.7		98.2	123.0					15.6%	23.8%		0.0%	0.0%				
117	Sponge Iron Limited (NMDC)	3.4	4.0		0.3	0.5					7.5%	11.2%		0.0%	0.0%				
118	State bank of Hyderabad, Hyderabad	46.2	59.4		1.2	1.9		0.2	0.2		2.6%	3.1%		0.4%	0.3%				
119	State Farms corporation of India Ltd. (DI - Okhla)	17.1	21.8		8.5	14.4					49.3%	66.0%		0.0%	0.0%				
120	Steel Authority of India Ltd. Lodhi Road New Delhi	4782.0	4142.0	3862.7	1132.0	942.0	789.6				23.7%	22.7%	20.4%	0.0%	0.0%	0.0%			
121	Telecommunications Consultants India ltd. (TCIL), New Delhi	159.0	116.9	0.6	3.7	6.3	0.4				2.3%	5.4%	71.0%	0.0%	0.0%	0.0%			
122	THDC India Limited, Rishikesh	25.9	27.2		1.4	3.7					5.2%	13.4%		0.0%	0.0%				

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Financial Year		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
123	The Braithwaite Burn and Jessop construction company ltd. Kolkata	15.5	8.7		2.2	1.5					13.9%	17.6%		0.0%	0.0%				
124	The Handicrafts & Handlooms Export Corporation of India Ltd. Noida	26.0	27.2		15.2	13.9					58.4%	51.2%		0.0%	0.0%				
125	Tirveni Structural Ltd. Allahabad	0.063	0.009		0.008	0.009					13.1%	100.0%		0.0%	0.0%		4	4	
126	Tyre Corporation of India Ltd. Kolkata	9.2	2.7		8.0	0.7					86.6%	26.2%		0.0%	0.0%				
127	Union bank of India, Mumbai	47.6	82.7		4.3	2.9					9.1%	3.5%		0.0%	0.0%				
128	United bank of India, Kolkata	25.6	23.5		24.1	20.1		1.6	1.6		94.4%	85.5%		6.1%	6.8%				
129	Uranium Corporation Of India Ltd. Jharkhand	225.0	215.0	175.1	9.5	12.1	11.4				4.2%	5.6%	6.5%	0.0%	0.0%	0.00			
130	Western Coalfields Ltd. Nagpur.		1178.2	881.9	1080.4	37.0	34.7	83.7			0.01	3.1%	3.9%	7.7%	0.0%	0.0%	0.00		
Total		100270	84162.3	81114.3	14406.7	12875.5	12264.6	399.5	419.9	79.8	14.4%	15.30%	15.1%	0.40%	0.50%	0.00	309	403	NA

C. Monitoring and Reporting Formats

The M&E related information to be maintained and shared by all demand side constituents is recommended to have following information fields:

Type of Information	Key Information Fields*
Vendor Database	<ul style="list-style-type: none"> Basic information of all the vendors including the registered MSE vendors (min past 3 years data) such as <ul style="list-style-type: none"> Name of the enterprise and EM Registration Number Manufacturing/Service Activity (as per the NIC code in EM certificate) Registered Products for supply to a CPSE (mapped to ASICC/ITC HS code) Category of Enterprise: Micro, Small, Medium or others Special Status: SC/ST, Women Led Enterprises
Tender Database	<ul style="list-style-type: none"> Tender-wise information (min 3 years data) <ul style="list-style-type: none"> Volume of the tender Type of Tender: Goods supplied, Work contract, Services Contract Type of Products/Services (mapped to ASICC/ITC HS code) and their volumes required Channels used to disseminate tender information: Print, Central Public Procurement Portal, CPSE's individual website, Tender Information Portal (http://tenders.gov.in/), others Time given to respond to a tender Details of bids received
Contract Database	<ul style="list-style-type: none"> Contract-wise information (min 3 years data) <ul style="list-style-type: none"> Contract Award Procedure- Direct, Open, Limited Details of tender (Mapped to tender database as described above) Details of selected vendors (Mapped to vendor database as described above) including the sub-contractors (if any) Type of Products/Services (mapped to ASICC/ITC HS code) and their volumes Planned vs actual completion of contract and reasons there of Planned vs actual payment schedule and reasons there of Details of other terms & conditions e.g. Performance Guarantee/Security Deposits involved in the contract Details of disputes, if any

Type of Information	Key Information Fields*
MSME Promotion Activities Database	<ul style="list-style-type: none"> • Details of awareness and capacity building activities (minimum 3 years data) <ul style="list-style-type: none"> o Participants (Demand side, Supply side, Intermediaries) o Outcomes (Vendors registration, Contractual linkages, Consulting) • Details of training of Procurement Officers (min 5 years data)- No of participants and areas of training • Details of grievance received (minimum 5 years data) <ul style="list-style-type: none"> o Number of grievances o Nature of grievances (general, registration, bid selection, contractual- payment, timeline or other etc) o Status (resolved, pending or rejected) and reasons thereof o Details of action taken for resolution
Procurement Processes Checklist	<ul style="list-style-type: none"> • Prepare a checklist of all the best practices related to procurement to promote MSME vendor participation with focus on following: <ul style="list-style-type: none"> o Vendor registration procedures o Payment Terms o Reasons for rejection for MSE bids

*The information fields suggested are indicative and minimalistic. The CPSEs have the flexibility to customize and maintain more comprehensive databases for monitoring and review purpose

The above information fields can be used to generate customized M&E reports at a consolidated level. Following are a few key suggested templates for reference:

I. Overall Procurement Data and Projections (minimum last 5 years)

Type of Enterprise		Product/ Service Description	ITC HS Code	Procurement Amount (In INR)						
				Y-4	Y-3	Y-2	Y-1	Y	Y+1	Y+2
Micro	General									
	SC/ST Led									
	Women Led									
Small	General									
	SC/ST Led									
	Women Led									
Medium/ Others	General									
	SC/ST Led									
	Women Led									

II. Procurement Items Summary

Category	ITC HS Code	Volume required (Y)	Volume Supplied (Y/Y-1/Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

III. Vendors Summary

a. By Type of Enterprise

Type of enterprise		# of registered Vendors	# of vendors with existing or completed contracts	Volume of existing or completed contracts	Median ticket size of the existing or completed contracts
Micro	General				
	SC/ST Led				
	Women Led				
Small	General				
	SC/ST Led				
	Women Led				
Medium/ Others	General				
	SC/ST Led				
	Women Led				

b. By Type of Procurement Item

Category	ITC HS Code	# of registered vendors	Number of registered vendors (Y/ Y-1/ Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

IV. Bid Summary

a. By Volume of Tender

Volume of Tender (Bands)	# of tenders	Number of bids received(Y/ Y-1/ Y-2)								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

b. By Type of Procurement Item

Category	ITC HS Code	# of tenders	Number of bids received (Y/ Y-1/ Y-2)								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

c. By Type of Channel

Type of enterprise		Number of bids received from vendors (Y/ Y-1/ Y-2) via		
		Online (CPSE's website)	Central Public Procurement Portal	Offline Mode
Micro	General			
	SC/ST Led			
	Women Led			
Small	General			
	SC/ST Led			
	Women Led			
Medium/ Others	General			
	SC/ST Led			
	Women Led			

V. Contracts Summary

a. By volume of contract (total number of contracts)

Volume of Contract (Bands)	# of ongoing or completed contracts	# of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

b. By volume of contract (total value of contracts)

Volume of Contract (Bands)	ITC HS Code	Total Value of ongoing or completed supply	Total value of ongoing or completed contracts								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women

c. By Type of Procurement Item

Category	ITC HS Code	Total Value of ongoing or completed supply	# of ongoing or completed contracts								
			Micro			Small			Medium/Others		
			General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Goods											
Services											
Works											

d. By Mode of Contracting (total number of contracts)

Mode of contracting	# of ongoing or completed contracts	# of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Direct Award										
Limited Tendering										
Open Contracts										

e. By Mode of Contracting (total value of contracts)

Mode of contracting	Total Value of ongoing or completed contracts	Total value of ongoing or completed contracts								
		Micro			Small			Medium/Others		
		General	SC/ST	Women	General	SC/ST	Women	General	SC/ST	Women
Direct Award										
Limited Tendering										
Open Contracts										

D. CPSEs and Central Ministries (Sample Size and Responses)

Sl. No.	Type	Industry Sector	CPSE/Central Ministry/Department	Ministry	Geographical Spread
1.	CPSE	Others	Indian Railways	Ministry of Railways	North
2.	CPSE	Mechanical and Mechatronics	Hindustan Aeronautics Ltd.	Ministry of Defence	South
3.	CPSE	Electronic Services	Bharat Electronics Ltd. (BEL)		South
4.	CPSE	Defence (related to both Inland and Homeland Security)	Canteen Stores Department		West
5.	Department of Defence (R&D)	Defence	DRDO		North
6.	Department of Defence Production	Defence	DG of Ordnance Factory		East
7.	CPSE	Defence	Bharat Earth Movers Ltd.		South
8.	CPSE	Defence	Garden Reach Shipbuilders Ltd.		East
9.	CPSE	Defence	Bharat Dynamics Ltd.		South
10.	CPSE	Electronic Services	Rajasthan Electronics and Instruments Ltd.	Ministry of Heavy Industry and Public Enterprise	North
11.	CPSE	Mechanical and Mechatronics	Heavy Engineering Corporation India Ltd.		North
12.	CPSE	Electronic Services	Bharat Heavy Electricals Ltd.		North
13.	CPSE	Others	Hindustan Paper Corporation		East/Northeast
14.	CPSE	Mechanical and Mechatronics	Steel Authority of India (SAIL)	Ministry of Steel	North
15.	CPSE	Others	Rashtriya Ispat Nigam Ltd.		South
16.	CPSE	IT & IT Enabled Units	Bharat Sanchar Nagar Ltd.	Ministry of Communications and Information Technology	North
17.	Department of Space	IT & IT Enabled Units	ISRO	Ministry of Science & Technology (Dept. of Space)	South
18.	Dept. of Scientific and Industrial Research	Electronic Services	Central Electronics Ltd.		North
19.	CPSE	Others	Coal India Ltd.	Ministry of Coal	East
20.	CPSE	Others	Neyveli Lignite Corporation Ltd		South

Sl. No.	Type	Industry Sector	CPSE/Central Ministry/Department	Ministry	Geographical Spread
21.	CPSE	Others	Bharat Petroleum	Ministry of Petroleum and Natural Gas	West
22.	CPSE	Others	ONGC		North
23.	CPSE	Others	Indian Oil Corporation		North
24.	CPSE	Others	GAIL		North
25.	CPSE	Others	Engineers India Ltd.		North
26.	CPSE	Mechanical and Mechatronics	NALCO	Ministry of Mines	East
27.	Department of Ayush	Chemical and Pharmaceuticals	Indian Medicine & Pharmaceuticals Ltd.	Ministry of Health and Family Welfare	North
28.	CPSE	Chemical and Pharmaceuticals	HLL Life Care Ltd.		South
29.	CPSE	Others	NTPC Ltd	Ministry of Power	North
30.	CPSE	Chemical and Pharmaceuticals	Rashtriya Chemicals & Fertilizers Ltd.	Ministry of Chemicals and Fertilizers	West

E. MSME Associations (Sample Size and Responses)

Among the 23 associations contacted for the survey, only 10 responded with following details.

Sl. No.	Name of the Association	Total Members	Members registered under MSE Development Act 2006	Number of Members supplying goods/services to Central PSEs/ Departments/ Ministries	Units owned by SC/ST	Vendor Development Program
1	Sidcul Manufacturers Association of Uttrakhand	560	100	50	7 ST	Conducted 4 VDPs
2	Association of Pharmaceutical Manufacturer, Haridwar	35	NA	25	NA	NA
3	Federation of Tiny & Small Industries of India, Ludhiana	300	NA	50	NA	Na
4	Indian Industries Association, Lucknow	5550	NA	200	NA	Yes, but no detailed information provided
5	Tamilnadu Small and Tiny Industries Association (TANSTIA)	2262	NA	150	NA	Conducted 3 programmes to update knowledge among the members
6	Karnataka Small Scale Industries Association (KASSIA)	NA	NA	NA	NA	NA
7	Consortium of Electronic Industries of Karnataka (CLIK)	600	NA	300	NA	Conducted 1 vendor development Program
8	Indian Council of Small Industries, Kolkata	637	20	NA	NA	Conducted one vendor development programme in 2011-12
9	North Eastern Small Scale Industries Association, Guwahati	676	210	35	110	Conducted vendor development programme at state and national level
10	Federation of Industry & Commerce of North East Region, Guwahati	Direct 300 Indirect 100	NA	NA	NA	Conducted buyers-sellers meet

F. Contact Details of O/o DC-MSME

Head Office

Sl. No.	State	Office	Address	Telephone no./email	Web Address
1	New Delhi	Headoffice	Sh. Ramesh K Pandey Joint Development Commissioner & CVO	Ph : 011-23061091 Fax : 011-23061726 ramesh.pandey@nic.in	http://dcmsme.gov.in/
			Sh. U.C. Shukla Director	Ph : 011- 23063363 umeshshukla.msme@gmail.com	http://dcmsme.gov.in/

MSME Development Institutes

Sl. No.	State	Office	Address	Telephone no./email	Web Address
1	Andhra Pradesh	MSME-DI	Narsapur Cross Roads, Bala Nagar, Hyderabad-500 037	Ph :040-23078857 Fax :040-23078131/32/33 dcdi-hyd@dcmsme.gov.in	www.msmehyd.ap.nic.in/
		BR.MSME-DI	F-19-22,Blockd Ida, Autonagar, Vishakhapatnam-530012	Ph : 0891-2517942 brdcdi-vish@dcmsme.gov.in	
		MSME-TS	Opp. State Bank of India, Industrial Estate Hyderabad-500018	040-23704371 dcts-hyd@dcmsme.gov.in	
2	Arunachal Pradesh	BR.MSME-DI	Apidfc Building 'C' Sector, Itanagar -791111.	0360-2291176 brsisiitanagar@yahoo.co.in	
3	Andaman & Nicobar Islands	BR.MSME-DI	Vip Road, Jungle Ghat, Post Box No.547, Portblair-744103	Ph : 03192-252308	
4	Assam	MSME-DI	Industrial Estate Bamuni Maidam, Guwahati -781021	Ph :0361-2550052, 2550073 Fax :0361-2550298 dcdi-guwahati@dcmsme.gov.in	www.sisiguwahati.nic.in
		BR.MSME-DI	Link Road Point, N.S.Avenue, Silchar-788006	03842-247649 brdcdi-silc@dcmsme.gov.in	
		BR.MSME-DI	Darrang College Road, Tezpur-784001	03712-221084 brdcdi-tezp@dcmsme.gov.in	
		BR.MSME-DI	Amalepatti, Diphu-782460 Karbi Anglong (dist)	03761-272549 brdcdi-diph@dcmsme.gov.in	
5	Bihar	MSME-DI	Institute,Goshala Road, P.O. Ramna, Muzaffarpur -842 002.	Ph :0621-2282486 Fax: 2284425 dcdi-mzfpur@dcmsme.gov.in	www.msmedipatna.bih.nic.in
		MSME-DI	Patilputra Industrial Estate, Patna -800 013.	Ph :0612-2262719, 0612-2262186, 0612- 2262208 Fax :0612-2261677 dcdi-patna@dcmsme.gov.in	
6	Chhattisgarh	MSME-DI	Near Urkura Railway Station,Bhanpuri Industrial Area, Raipur(C.G)-493221	Ph: 0771-2427719 Fax: 0771-2422312 dodi-raipur@dcmsme.gov.in	www.msmediraipur.gov.in
7	Dadra & Nagar Haveli	BR.MSME-DI	Masat Industrial Estate, Silvassa-396230	0260-2640933,2643103 brdcdi-silv@dcmsme.gov.in	

Sl. No.	State	Office	Address	Telephone no/email	Web Address
8	Delhi	MSME-DI	Okhla Industrial Estate New Delhi-110 020	Ph : 011-26847223, 26838118/269 Fax :011-26838016 dcdi-ndelhi@dcmsme.gov.in	www.msmedinewdelhi.gov.in
		MSME E.C	Balsahyog Cannaught Circus, New Delhi-110001	011-23411950 brdcdi-ecnd@dcmsme.gov.in	
		MSME-TC	Capt. Shahid Gaur Marg, Okhla Industrial Area, New Delhi	Ph :26847973, 26314616	
9	Goa	MSME-DI	Opp. Konkan Railway Station. (Kepem Road), P.O. Box 334, Margao-403 601.	Ph :0832- 2705092/93,2725979 Fax :0832-2705094 dcdi-go@dcmsme.gov.in	www.msmedigoa.gov.in
10	Gujarat	MSME-DI	Harsiddh Camber, 4thFloor, Ashram Road,(Gujarat), Ahmedabad-380 014.	Ph :079-27540619, 079-7544248, 079-7543147 dcdi-ahmbad@dcmsme.gov.in	d.gov.in
		BR.MSME-DI	1/5, Jaganath Plot, Rajkot-360001	0281-2465585 brdcdi-raj@dcmsme.gov.in	
11	Haryana	MSME-DI	Industrial Development Colony, Near Iti, Kunjpura Road Karnal-132 001	Ph :0184-2230910 Fax :0184-2231862 dcdi-karnal@dcmsme.gov.in	www.msmedikarnal.gov.in
		BR.MSME-DI	Iti Campus, Hansi Road, Bhiwani-125021	01664-242236 brdcdi-bhiw@dcmsme.gov.in	
12	Himachal Pradesh	MSME-DI	CHAMBAGHAT, Solan -173213.	Ph :01792-230766 Fax :01792-230265 dcdi-solan@dcmsme.gov.in	www.msmedihimachal.nic.in
13	Jammu & Kashmir	MSME-DI	36, B/C, Gandhi Nagar, Jammu -180 004	Ph :0191-2431077 Fax :0191-2450035 dcdi-jammu@dcmsme.gov.in	www.msmedijammu.gov.in
		BR.MSME-DI	Industrial Estate Digiane, Jammu tawi-180010		
14	Jharkhand	MSME-DI	Kokar Industrial Estate, Ranchi -834001	Ph :0651-2544161/392 Fax :0651-2544743 dcdi-ranchi@dcmsme.gov.in	www.sisiranchi.nic.in
		BR.MSME-DI	Katras Road, Matkuria, Dhanbad-826001	0326-2303769/380 brdcdi-dhan@dcmsme.gov.in	
15	Karnataka	MSME-DI	Rajaji Nagar, Industrial Estate Bangalore -560 044.	Ph :080-23151540/582/583 Fax :080-23144506 dcdi-bang@dcmsme.gov.in	
		MSME-DI	Industrial Estate, Gokul Road, Hubli -580 030	Ph :0836-2332334/2330589/ 2335634 Fax :0836-2330389 dcdi-hubli@dcmsme.gov.in url	
		BR.MSME-DI	L-11, Indl.Estate, Yeyyadi, Mangalore-575008	0824-2217936 /96 brdcdi-mang@dcmsme.gov.in	
		BR.MSME-DI	C-122, Industrial Estatem.S.K. Mill Road, Gulbarga- 585102	Ph :08472-420944	
		MSME-TS	Sisi Campus, Rajaji Nagar. Bangaluru-560014	080-3202540/3351581 detc-banga@dcmsme.gov.in	
16	Kerala	MSME-DI	Kanjany Oad, Ayyanthole, Thrissur -680 003.	Ph :0487-2360216/686 Fax :0487-2360216 dcdi-thrissur@dcmsme.gov.in	www.msmeti.gov.in

Sl. No.	State	Office	Address	Telephone no/email	Web Address
		MSME-TI	MSME Training Institute Manjadi P.O. Thiruvalla-689 105	Ph 0469-2701336 Fax :0469 2738465 msmetithiruvalla@yahoo.in	
		MSME-TI	MSME Training Institute Industrial Estate Ettumanur-686 631	Ph 0481-2535533 Fax :0481-2535563 msmeti-ettu@dcmsme.gov.in	
		MSME-TS	MSME Training Institute Industrial Estate Ettumanur-686 631	Ph 0481-2532718 Fax :0481-2535563 msmeti-ettu@dcmsme.gov.in	
17	Lakshadweep	NUCLEUS CELL	Nucleus Cell, Amini Island, Lakshadweep-682552	04897-273345 brdcdi-laks@dcmsme.gov.in	
18	Madhya Pradesh	MSME-DI	10, Industrial Estate Polo Ground, Indore-452 003	Ph :0731-2420723 dcdi-indore@dcmsme.gov.in	www.msmeindore.nic.in
		BR.MSME-DI	7,Indl.Estate, Tansen Road,, Gwalior -474004.	Ph :0751/2422590 brdcdi-gwal@dcmsme.gov.in	
		BR.MSME-DI	Udyog vihar, Chorhatta, Rewa -486001	Ph :07662/222448 brdcdi-reva@dcmsme.gov.in	
		MSME-TS	Shed No.W.47e, Indl.Area Govindpura, Bhopal-462023	Ph: 0755-2586075 dcts-bhopal@dcmsme.gov.in	
19	Maharashtra	MSME-DI	Kurla Andheri Road, Sakinaka, Mumbai-4000072	Ph: 91-22-28576090/3091//4305 Fax : 91-22-28578092 dcdi-mumbai@dcmsme.gov.in	
		MSME-DI	C- Block, C.G.O. Complex, Seminary Hill, Nagpur -440 006	Ph :0712-2510352/0046 Fax: 0712-2511985 dcdi-nagpur@dcmsme.gov.in	
		BR.MSME-DI	32-33,Midc,Indl.Area, Chikal Thana, Aurangabad-431210	Ph :0240-2485430 Fax :0240-2484204 brdcdi-aura@dcmsme.gov.in	
		MSME-TC	Kurla Andheri Road, Saki Naka, Mumbai 4000072	Ph :022-28576090/28573091/ 28579092, Fax:022-28570663 dcdi-mumbai@dcmsme.gov.in	
		MSME-TS	P-31,Midc Indl. Area Shiroli.Kolhapur-416122	Ph-Fax :0230-2469366	
20	Manipur	MSME-DI	C-17/18, Takyelpat Industrial Estate, Imphal -795 001	Ph :0385-2449096 / 2449096(fax) dcdi-imphal@dcmsme.gov.in	www.msme-diimphal.nic.in
21	Meghalaya	BR.MSME-DI	Lower Lachimiere, Shilong-793001	0364 2223349 brdcdi-shil@dcmsme.gov.in	
		BR.MSME-DI	Hawakhana, P.O. Tura, West-Garo Hills-794001	003651-222569 brdcdi-tura@dcmsme.gov.in	
22	Mizoram	BR.MSME-DI	Upper Republic Road, Aizwal	0389-2323448 brdcdi-aizw@dcmsme.gov.in	
23	Nagaland	BR.MSME-DI	Industrial Estate, Dimapur-795001, Nagaland	03862-248552 brdcdi-dima@dcmsme.gov.in	
24	Odisha	MSME-DI	Vikas Sadan, College Square, Cuttack -753 003.	Ph :0671-2548006 / 077 / 049 fax :0671-2611958 dcdi-cuttack@dcmsme.gov.in	www.msmedicuttack.gov.in
		BR.MSME-DI	C-9,Indl.Estate, Rourkela -769004	Ph :0661-2507492 brdcdi-rour@dcmsme.gov.in	
		BR.MSME-DI	New Colony, Rayagada -765004	ph :06852-222268 brdcdi-raya@dcmsme.gov.in	

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26	Rajasthan	MSME-DI	22, Godown, Industrial Estate, Jaipur -302 006.	Ph :0141-2212098/3099/ 0553 Fax :0141-2210553 dcdi-jaipur@dcmsme.gov.in	www.msmedijaipur.gov.in
		MSME-TS	Laboratory Building 22,Godown, Jaipur-302006	Ph : 0141/2212090 dcts-jaipur@dcmsme.gov.in	
27	Sikkim	MSME-DI	Tadong Housing Colony, P.O. Tadong, Gangtok -737102	Ph :03592-231262 /880 Fax :03592-231262 dcdi-gangtok@dcmsme.gov.in	www.sikkim.nic.in/msme-di
28	Tamil Nadu	MSME-DI	65/1,G.S.T. Road, Guindy, P.B. 3746, Chennai -600 032.	Ph :044-22501011, 044-22501475, 044-22501785, Fax :044-22341014 dcdi-chennai@dcmsme.gov.in	www.msmedi-chennai.gov.in
		MSME-TC	65/1, Gst Road, Guindy, Chennai	044-22500634,22500284	
		BR.MSME-DI	386, Patel Road, Ram Nagar, Coimbatore	0422 2233956 (tele fax) brdcdi-coim@dcmsme.gov.in	
		BR.MSME-DI	Plot no. 76, Cge Colony, Trichender Road, Tuticorin-628003	0461-2375345	
		MSME-TS	Indl. State, Thattachavadi. Puducherry-635009	0431-2248110 dcto-pondi@dcmsme.gov.in	
29	Tripura	MSME-DI	21,Harish Thakur Road, Agartala -799001	Ph :0381-2322640 Fax :0381-2326570 dcdi-agartala@dcmsme.gov.in	www.msmedi-agartala.nic.in
30.	Uttar Pradesh	MSME-DI	107, Industrial Estate, Kalpi Road, Kanpur -208 012.	Ph :0512-2295070, 0512-2295071, 0512-2295073 Fax :0512-2220831 dcdi-kanpur@dcmsme.gov.in	www.msmediagra.gov.in
		MSME-DI	34, Industrial Estate, Nunhai, (U.P.), Agra -282 006.	Ph :0562-2280879 Fax :0562-2280882 dcdi-agra@dcmsme.gov.in	
		MSME-DI	E-17/18, Industrial Estate, Naini, Allahabad -211 009	Ph :0532-2697468/6810 Fax :0532-2696809 dcdi-allbad@dcmsme.gov.in	
		BR.MSME-DI	Chandpur Industrial Estate, Varanasi -221106	Ph :0542-2370621 brdcdi-vara@dcmsme.gov.in	
31	Uttanchal	MSME-DI	Kham Bungala Campis, Kaladungi Road, Haldwani -263139	Ph :05946-228353 Fax :05946-221053 dcdi-haldwani@dcmsme.gov.in	www.msmedihaldwani.gov.in
32	West Bengal	MSME-DI	111&112,B.T.Road,> Kolkata -700035.	Ph :033-25770595/598 Fax :033-25775531 dcdi-kolkatta@dcmsme.gov.in	www.msmedikolkata.gov.in
		MSME-TC	111&112, BT Road, Kolkata	033-25771353	
		BR.MSME-DI	Station More,P.O.Suri, Birbhum -731101	Ph :03462-2554402 brdcdi-birb@dcmsme.gov.in	
		BR.MSME-DI	3&4,Industrial Estate, Sevoke Road, Siliguri -734001	Ph :0353/2542487 brdcdi-sili@dcmsme.gov.in	
		BR.MSME-DI	Durgapur Industrial Estate, J.P Avenue, Durgapur -713212.	Ph :0343-2557129 brdcdi-durg@dcmsme.gov.in	



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MSME Umbrella Programme

MSE Public Procurement Policy: Stakeholder Consultation Workshops

Discussion Paper for Enhanced understanding and Necessary Action

Nov 12, 2013 - Dec 11, 2013

Objectives

Series of ½ day consultation workshop was organized by office of DC MSME in partnership with GIZ to enhance awareness on public procurement policy provisions, obligations; understand the challenges faced/ likely to be faced by CPSEs , MSEs and to deliberate on way forward to ensure effective implementation of the policy. Key objectives of the stakeholder consultation workshops:

- To enhance awareness through consultation on public procurement policy provisions
- To understand challenges faced/ likely to be faced by the CPSEs and MSEs
- To improve collaboration and create ownership amongst CPSEs
- To strengthen and enhance the capacity of DIs, CPSEs, associations and other stakeholders so that they can undertake similar interventions in future

Programme Locations

The workshops were organized at 6 locations across the country in the major metropolitan areas with high concentration of CPSEs and supply side players.

Location	Date	Number of CPSE	Number of Associations
New Delhi	12 th Nov	7	4
Kolkata	27 th Nov	6	7
Mumbai	3 rd Dec	7	3
Hyderabad	9 th Dec	1	9
Chennai	10 th Dec	7	8
Bangalore	11 th Dec	6	6

In addition to CPSE and Associations, representative from NSIC, Development Institutes and MSME attended the workshop.

Workshop Design

In the first half of the workshop, the representatives from O/o DC-MSME, GIZ and the consultant team shared with participants a) the several provisions and statistics related to the policy b) market research and analysis which have been under-taken by O/o DC-MSME and c) the proposed mechanism to enable effective implementation of the policy. The second half of the workshop was divided in two interactive sessions i.e. Demand Side and Supply Side wherein the participants shared their perspectives, discussed challenges and provided feedback on the recommended measures. In addition, 2 hand-outs on 'FAQ- Public Procurement Policy 2012' and 'Proposed measures to be implemented by PSEs' were circulated among all CPSEs for their feedback and comments.

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A. Demand Side (CPSE) Perspectives

Challenges

- 1. Identification of MSE vendors:** a) Lack of a comprehensive database of MSEs. b) Limited accessibility to the already registered enterprises database as maintained with DIC. c) Limited awareness w.r.t. enterprises registered under NSIC registration scheme.
- 2. Determination of MSE status:** No validity period is mentioned in EM2 which makes it difficult for the CPSEs to determine current status i.e. Micro/Small of an enterprise. If an MSE is delisted for any reason, there is no mechanism for CPSEs to know that. Hence, majority of the PSEs suggested that registration procedures be revised and streamlined by the concerned regulatory authorities.

For the time being, the group discussions resulted **following alternative options** A) Independent and regular assessment by PSUs using means such as latest balance-sheet or CA Certificate. However, the same also results in adding to the administrative burden for PSUs and transparency issues. B) Use of NSIC certificate. However, the same adds to the cost and administrative burden for MSEs who are registered with DICs. C) It was also clarified that the latest EM2 has a disclaimer that if certain prescribed conditions listed down in the certificate are not met, it will not be valid. However, MSEs are not aware w.r.t. procedure for re-validation. D) The CPSEs were also informed that there is additional period of 3 years given to MSEs even after they exceed the threshold investment limit in plant and machinery.

- 3. Determination of SC/ST status:** EM2 acknowledgement does not mention if an MSE unit is SC/ST owned. It was informed to the participants that the ministry is in the process of reviewing and resolving this issue. However, lack of comprehensive database of SC/ST owned enterprises continues to be a challenge.
- 4. Lack of willingness amongst MSEs to get registered:** Many vendors who provide services to CPSEs are not willing to register despite falling in the MSE category. (Please refer next section i.e. Supply side Perspectives for issues related to registration.) It was also mentioned that this is especially true for contracts of larger period prior to issue of Policy. For such entities, MSE registration document can be insisted upon only when the contract comes up for renewal.

Policy Metrics: The CPSEs sought clarifications on following policy provisions and implementation challenges:

- 5. Implication of the 4% reservation for SC/ST owned enterprises** i.e. if $4\% \times 20\%$ Total Procurement = 0.08% of Total Procurement reserved for SC/ST owned enterprises or its 4%.
- 6. Sourcing through Dealers:** A query was raised that many MSE vendors do not supply directly to CPSEs, but choose to supply through dealer traders/aggregators (especially in the case of small purchase of spares and other hardware items). In such a case, would indirect purchases made by PSEs from traders/aggregators/dealers via sub-contracting to MSEs qualify as MSE procurement? It was desired that a clarification should be provided by Office of DC, MSME.

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7. **Reserved Items:** Detailed specification of 358 articles required for ease of operation. Need for creation and up-dating of a centralised database
8. **Service Sector:** Clarity needed on type of MSE service sector firms which are eligible to get benefits under the policy (especially for the relatively low value added work such as cleaning, servicing, security trading, aggregator etc)
9. **Lack of clarity w.r.t. Clause 6:** The CPSEs wanted to understand if a bidding entity who is in-turn sub-contracting to MSEs, is eligible to get the benefit Clause 6 (i.e. quoting price within price band of LI+15 percent) and to what an extent.
10. **Ancillary Policy vis-à-vis Public Procurement Policy:** There appeared to be confusion with reference to the status of earlier ancillary policy. Many PSEs are still following the system of ancillary units (which are also MSEs) and provide certain benefits that non-ancillary MSEs do not get. The question raised was whether:
 - a separate ancillary policy is being followed by PSUs
 - whether the ancillary policy is defunct
 - whether the Public Procurement Policy over-rules the ancillary policy
 - How does the processes in PSUs work with respect to ancillary units vis-a-vis MSE units and if there are any contradictions or is it moving in the same direction.It was suggested that a clarification regarding continuation of ancillary policy should be issued by Ministry of MSME.
11. **Nature of Procurement:** CPSE representatives raised concerns regarding the nature of procurement (e.g. in case of oil and steel CPSEs) which makes it difficult to achieve the 20% target. A few CPSEs suggested developing specific formats for calculating 20% procurement depending on the type of industry the PSE operates in. The participants were informed to directly get in touch with the grievance cell for case by case analysis and special exemptions. Also, a few CPSEs raised concerns on meeting the target on year on year basis due to varying product mix of the materials and suggested to use an average basis for achieving the 20% target over a period of 2-3 years.
12. **Subcontracting/Joint consortia guideline:** The CPSEs also expressed detailed regulatory guidelines to verify and monitor sub-contracting, joint consortia and other such arrangements so as to minimize frauds, ensure transparency and maintain correct accounting procedures.
13. **Information on capability of MSEs:** As per the CPSEs, most of the MSE units do not achieve eligibility criteria when open tenders are floated. Also, identification of production capabilities etc. of MSEs is not clear. The feedback was taken from the CPSE and MSE participants on the proposed capacity grading scheme to be done by third-party technically qualified agencies. Most of the CPSE and MSE participants did not see the need for a separate MSME Grading agency/existing NSIC-Single Registration Scheme and suggested the same to be done by CPSEs themselves since items are particular to procuring PSEs with specific requirements.
14. **Other Proposed Institutional Mechanisms:** Erstwhile practice of Facilitation Council—Plant Level Committee which was a mechanism for engagement of major stakeholders to resolve issues at the local level must be re-instituted. It was suggested that involving the Institute of Material Management, a pan Indian organization would enable all procurers to come together on one platform.

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B. Supply Side (Industry Associations) Perspectives:

1. Registration as an MSME

- There is a lack of clarity and awareness w.r.t. need/usefulness for registration with DIC or/and NSIC, with no particular advantage being seen in the NSIC registration. It was clarified that there are 6 registering authorities notified in the policy and a certificate issued by any one of them is acceptable.
- Since, many PSUs follow independent registration procedures, so the usefulness of registering with NSIC- Single point registration is not clear
- Also, the NSIC registration fee is not affordable, especially for Dalit members – a number of MSE units are not willing to register with NSIC because of the registration fee which is seen as a large sum
- EM formats to be standardized for all DICs
- The EM formats to be customized and simplified for service sector. Additionally, need for clarity and spreading awareness w.r.t. the kind of service sector firms (especially for the relatively low value added work such as cleaning, servicing, security trading, aggregator etc) which can be registered as an MSE to avail the benefits of policy
- The labor policies such as provision of ESIC/PF act as a deterrent for registration. Majority of the MSEs workers are informally employed and hence are not covered by ESIC, PF, etc. Hence, suggestion for a 'Novice Act' at an introductory level so that they are covered by insurance if not PF.
- Reforms in Central Excise Taxation needed to improve registration

2. Registration process with CPSEs

- Decentralized procedures: If registration is sought for another unit (for e.g. at a different geographical location) by the same vendor, the entire process has to be repeated
- Registration Process is same for both high and low value items- scope for simplification for low value items
- Need to have a separate area for MSEs on PSEs website
- Lack of awareness about e-procurement procedures
- Many PSUs follow independent registration procedures, so the usefulness of registering with NSIC- Single point registration is not clear
- Many enterprises expressed that the registration process be better handled directly by PSUs instead of a third-party (as may be in the case of capacity grading scheme) or NSIC
- Lack of awareness among CPSEs about exemptions/waivers under the policy

3. Delays in payment/performance guarantees

- Highlighted as the most crucial challenge for MSEs when dealing with CPSEs
- The procurement guidelines stipulate T+90 days for payment. However, T is decided as per the date of acceptance of goods/services by CPSEs. CPSEs tend to take a long time for inspection of material that is supplied to them and this leads to delay in payments.
- PSUs do not make an advance payment especially at the time of procuring high technology products; the concept of milestone payment does not exist
- Many a times Performance Guarantees are not released due to delay in start of works resulting in loss of interest.

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- Recovering performance bank guarantee from PSEs after its expiry is a difficult task especially in the case of niche technology products, PSE end users are not willing to be trained in usage/maintenance. Sometimes, they also lay down conditions such as unless maintenance is ensured for life, performance guarantees will be retained.
- Many a times, the time taken to release a performance guarantee by bank is T+90 which is same for declaring an asset as a NPA- scope for reduction (further validation and analysis needed by the consultant)
- It was also suggested that a penalty may be imposed on PSEs for delayed payments. It was suggested that the Commissioner may be given additional powers on the lines of Commissioner Excise, Income Tax etc.
- Auditors of PSEs are required to send Form 3CD letters to confirm status of units/vendors. These letters are usually prepared to complete a formality and may not be despatched to vendors, thus giving false information in the balance sheet that no payments above the prescribed time limit is outstanding.

4. Bid procedures

- Tender process/ documents too complex for MSEs to comply with. Need to simplify and standardise these documents where benefits to MSE must be mentioned clearly
- Opacity in provisions pertaining to Earnest Money Deposit.
- High cost of getting a digital signature from a certifying authority when applying through online platform- can be subsidized through a government scheme
- Problem of rigged tenders abounds. Need for an effective grievance mechanism to handle rigged tenders.
- Tender documents may be published in regional languages to ensure better participation from MSEs who may not be proficient in English. Also, there is need for following a multi-lingual approach when designing any online or offline systems and processes involving MSEs
- Extensive use of limited tendering results in low coverage of MSEs
- Reasons for rejection of bids are not provided. Need for a systematic debriefing procedure. Unsuccessful bidders have a right to know why they have been rejected so that they can prepare better for future bids.
- PSEs must put up a complete picture of the procurement process flow chart on their websites for greater transparency.
- GFR/CVC guidelines allow for scope of negotiation with L1 bid resulting in lack of clarity. There is also a need for a detailed review of already existing guidelines so that they are not in conflict with public procurement policy provisions

5. Contracting procedures

- Procurement cycle timelines must be reduced as there can be significant price fluctuation in the input raw material price during the intervening period of bid submission and contract execution
- Alternatively, there must be a provision of adjusting contracted prices to reflect upward market increases in prices
- Price variation clause must be compulsory for long-term contracts (defined as over one year) so that MSEs do not suffer losses due to circumstances beyond their control

6. Vendor Development

MSME Umbrella Programme

- Lack of awareness and need for capacity building of MSEs regarding the PSU requirements, tenders, other information and application procedures using online (since some CPSEs have made use of e-procurement channel compulsory for all) and offline procedures
- Import substitution list to be put up on websites of PSEs so that MSEs are aware of requirements
- Manufacturing activities are not being facilitated. Trading or at best assembling units are preferred over manufacturing.
- Storage facilities are not adequate for small units, especially when large quantities of finished goods need to be stored prior to inspection. Also, need for developing common facilities like testing labs etc.
- MSME sector does not have a platform to promote their products.
- Need for more awareness creation regarding subcontracting/joint consortia procedures to avail benefit of policy
- Need for handholding/capacity building in areas such as raw material control and management

7. Policy Metrics

- Policy metrics not clear w.r.t. exemption of security deposit
- Reporting of CPSE targets and achievements to be made on quarterly basis
- Lack of awareness among CPSEs w.r.t. several exemptions/waivers under the policy
- It was suggested that non-specialized simple item requirements of defence be included within the scope of this policy. Currently, there is an exemption for defence procurement
- Reservation for women owned enterprises

C. Public Procurement Policy: Provisions, Responsibility and Obligations

The broad features of the policy along with the genesis for laying down the significant policy provisions were explained to the participants by ministry representatives. These included its mandatory applicability to all CPSEs and Central government ministries/ departments by virtue of its notification in the statute and the three years waiting period to enable sufficient preparation by key stakeholders. Several measures undertaken by the Ministry for policy implementation along with information on current status were also shared with the stakeholders.

CPSEs and Associations were informed that increased collaboration and engagement is essential for effective implementation of the policy and therefore in case of any difficulty, the PSEs should have a direct consultation with MSME ministry. The Office of DC MSME regularly issues necessary clarifications on the policy and uploads them on its website. It responds very quickly to redress problems/ queries as raised by government agencies/other bodies has already initiated following actions.

MSME Umbrella Programme

- The list of 358 items exclusively reserved for purchase from MSEs are being reviewed and detailed out. The National Web portal is also being developed to enable matchmaking of buyers and suppliers. An oracle based software being developed by MSME ministry to match demand and supply components by converting ordinary product name to ITC HS codes.
- MSME ministry is compiling the data in respect of all PSEs with respect to current status of adherence to public procurement policy and has set up a committee to review the PSEs' performance w.r.t. implementation of the policy. The report of the Committee as prepared for PSEs ministry wise will be forwarded to the Cabinet Secretary. Based on the response received so far, current status is

Functional CPSEs	179
Complete Data received from CPSEs	103
Responded CPSEs but without data	12
CPSEs have procured more than 20%	32
CPSEs with nil procurement from MSEs	49
Response from CPSEs awaited	15
CPSEs have achieved more than 4% from SC/ ST	3
Appointment of Nodal Officer	10 PSU 71 Departments

It was emphasized that CPSEs are under statutory obligation to report on the current status of procurement and give information to MSME ministry. ***However, many CPSEs are yet to start the process of measuring how much they are procuring from MSEs. There is an urgent need to put the system in place.***

Vendor Development programmes is the essential enabling framework for implementation of policy and CPSEs need to carry out such programme to further compliment the efforts of Mo MSME. Continuous Interactions, active engagements with MSE through vendor development programmes can help reduce information asymmetries. Vendor Development programmes as organised by all CPSE i.e. 299 are significantly lower in comparison to the 345 programmes organised by MSME ministry and therefore there is need to significantly enhance this. The CPSE Procurement officers can use schemes such as Lean Manufacturing policy, Design Clinics, Cluster Development for enhancing the capacity of MSEs.

D. Best Procurement practices being followed in CPSEs

- **MSME facilitation cell** at plant level headed by GM (Materials) with following functions:
 - Collection and study of periphery industries
 - Interaction with NSIC, SSI associations, Directorate of MSE
 - Dissemination of information to prospective entrepreneurs
 - Providing technical guidance to entrepreneurs
 - Grievance handling of MSEs
 - Regular Inspection of registered MSE units by CPSE
 - Conducting training programs exclusively for MSEs
 - E-Procurement Procedures
- **Vendor Registration Procedures:**

MSME Umbrella Programme

- Centralised registration process for vendors
- No restriction/upper limit on number of vendors
- Participate in various buyers-sellers meets
- Participate in industrial exhibitions
- Goods which can be supplied by MSEs are uploaded on websites
- Regular Interaction with local vendors
- Organise special interactions for SC/ST owned MSEs
- **Procurement Strategy:**
 - Target of 20% given at each unit level with Nodal officer at the central level
 - The Balanced Scorecard System for its procurement staff for achievement of targets and linked it to KRA for performance bonus
 - Statutory auditor may be asked to certify compliance with policy in Annual report of PSEs (proposed measure)
- **Vendor Development:**
 - Identification of special products which can be supplied by MSEs
 - Development orders/ trial orders by helping MSEs with designs and technology. In case products match the quality requirement vendor is registered
 - Technical knowhow and managerial guidelines
 - Help to get critical raw materials
 - A permanent display hall of items which can be supplied by MSEs indicating: Material of construction, Last Purchase Price, Yearly requirements
 - Guidance on design, manufacturing equipment, quality control etc.
- **Benefits to ancillary unit/MSE vendors**
 - Reduction in transaction cost- Exemption from payment of tender fee & EMD, Payment made by electronic fund transfer(EFT)
 - Ensured payment within 30 days of material acceptance
 - Payment made by electronic fund transfer(EFT)
 - Up to 40% reserved for ancillary units
 - Assist and subsidize MSEs in procurement of raw materials and infrastructure
 - Reduced payment timelines (T + 30) for MSEs
- **E-Procurement Procedures:**
 - ERP implementation to follow uniform material code classification on internal coding structure
 - A special web portal for MSE vendors
- **Bid Selection:** To avoid formation of cartels and curb unfair practices, some PSEs identify 'abnormally low bids' (broadly defined as 20% below last purchase point) and scrutinize these separately, sometimes in a committee



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