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SECRET

No. DPE/7(4)/2007-Fin.  
Government of India  
Ministry of Heavy Industries & Public Enterprises  
Department of Public Enterprises

Public Enterprises Bhawan  
Block No. 14, CGO Complex,  
Lodhi Road, New Delhi-110003

Dated 6<sup>th</sup> December, 2012

OFFICE MEMORANDUM

**Subject:- Effective Implementation of Public Procurement Policy for  
Micro & Small Enterprises(MSEs) Order, 2012**

The undersigned is directed to enclose herewith a copy of the D. O Letter No 21(1)/2011-M.A dated April, 2012 of the Ministry of Micro, Small & Medium Enterprises, on the above subject. All the Administrative Ministries / Departments are advised to direct all the CPSEs under their administrative control to take necessary steps for the implementation of the policy referred herein.

*V. K. Jindal*

(V. K. Jindal)  
Director  
Ph. 24362770

Encl: As above

1. All Secretaries of Administrative Ministries/Departments,

Copy to : Ministry of Micro, Small & Medium Enterprises (Kind Attention : Shri R. K. Mathur, Secretary) w.r. to D.O No. 21(1)/2011-M.A. dated 25<sup>th</sup> April, 2012

रा. कृ. माथुर, भा.प्र.से.

सचिव, भारत सरकार

R. K. MATHUR I.A.S.

Secretary to the Government of India



**MSME**  
MICRO, SMALL & MEDIUM ENTERPRISES  
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MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

UDYOG BHAWAN, NEW DELHI-110 011

Tel. : +91-11-23062107 Fax : 23063045

D.O. 21(1)/2011-M.A.

April 25, 2012

Dear Shri *Ranvir*,

In exercise of the powers conferred in section 11 of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006, the Government has notified a new Public Procurement Policy for Micro & Small Enterprises (MSEs) (copy enclosed) effective from 1<sup>st</sup> April, 2012. The Policy mandates that 20% of procurement of annual requirement of goods and services by all Central Ministries / Public Sector Undertakings will be from the micro and small enterprises. Government has also earmarked a sub target of 4% procurement of goods & services, out of the 20%, from MSEs owned by SC/ST Entrepreneurs. The policy has a time frame of three years beginning 2012-13 for implementation after which it will become mandatory. It is expected that the policy will help to promote MSEs by improving their market access and competitiveness through increased participation by MSEs in Government purchases and encouraging linkages between MSEs and large enterprises.

2. In brief the Policy entails:

- i) With effect from 2012-13 every Central Ministries/Departments/PSUs shall set an annual goal for procurement from the MSE sector at the beginning of the year, with the objective of achieving an overall procurement goal of minimum 20 per cent of the total annual purchases of the products or services produced or rendered by MSEs from the latter in a period of three years.
- ii) Out of 20% target of annual procurement from MSEs, a sub-target of 4% (i.e., 20% out of 20%) will be earmarked for procurement from MSEs owned by SC/ST entrepreneurs. However, in the event of failure of such MSEs to participate in the tender process or meet the tender requirements and the L1 price, the 4% sub-target for procurement earmarked for MSEs owned by SC/ST entrepreneurs will be met from other MSEs.
- iii) At the end of 3 years, (i.e. from 2015-16) the overall procurement goal of minimum 20% will be made mandatory. Non-conforming Departments will be required to provide reasons for the same to the Review Committee set up under the Policy.

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- iv) The participating MSEs in a tender, quoting price within the band of L1+15% may also be allowed to supply a portion of the requirement by bringing down their price to the L1 price, in a situation where L1 price is from someone other than an MSE. Such MSEs may be allowed to supply up to 20% of the total tendered value. In case of more than one such eligible MSE, the supply will be shared equally.
- v) With effect from 2012-13, every Central Government Ministries/Departments/PSUs will report the goals set with respect to procurement to be met from MSEs and the achievement made thereto in their respective Annual Reports.
- vi) The Central Ministries/Departments/Public Sector Undertakings will continue to procure 358 items from MSEs, which have been reserved for exclusive purchase from them (Details at Appendix of the Policy).
- vii) For enhancing the participation of SCs/STs in the Government procurement, the Central Government Ministries/Departments/PSUs will take necessary steps including organizing special Vendor Development Programmes, Buyer-Seller Meets etc.
- (viii) To reduce transaction cost of doing business, Micro and Small Enterprises shall be facilitated by providing them tender sets free of cost, exempting Micro and Small Enterprises from payment of earnest money, adopting e-procurement to bring in transparency in tendering process and setting up a Grievance Cell in the Ministry of Micro, Small and Medium Enterprises.
- ix) A 'Grievance Cell' would be set up in the Ministry of MSME for redressing the grievances of MSEs in Government procurement. In addition, a Review Committee under my Chairmanship shall periodically review implementation of this policy.

3. I would request you to kindly issue necessary instructions to your departments / statutory bodies / PSUs for taking necessary steps to implement this policy. In particular, following may be considered:

- (a) Preparation of an Annual Procurement Plan 2012-13 for purchases and uploading the same on official website, so that Micro and Small Enterprises may get advance information about requirement of procurement agencies.

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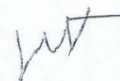
(b) Appointment of a nodal officer not below the rank of Joint Secretary for implementation of the Policy and for redressing grievances.

4. I look forward to your help and cooperation in effective implementation of the policy.

with regards,

Encl: As above

Yours sincerely,



(R.K.Mathur)

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Secretary,  
Department of Public Enterprises,  
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CGO Complex, Block No.14,  
Lodi Road,  
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