

(e-14538)

F.No. 1(3)/2018-MA, Part-III  
Government of India  
Office of Development Commissioner  
(Micro, Small & Medium Enterprises)  
(Public Procurement Policy)

Dated: 27<sup>th</sup> January, 2022  
Nirman Bhavan, New Delhi


**OFFICE MEMORANDUM**

**Subject: Revised FAQs in respect of Public Procurement Policy for MSEs Order, 2012-reg.**

This office has been receiving a number of enquiries/ issues/ questions/ interpretation on the provisions of the Public Procurement Policy for MSEs Order, 2012 from the Ministries/ Departments/ CPSUs/ Industry Associations/ MSEs. In this connection, frequently asked questions and their answers have been prepared and circulated hereby for effective implementation of the policy. This is in supersession of previous FAQs issued vide O.M.No.22 (1)/2012 dated 24<sup>th</sup> October, 2016 by this Ministry in this regard.

This issues with the approval of Hon'ble Minister (MSME).

Encl.: As above

  
(Nitisha Mann)  
Dy. Director  
(Public Procurement Policy)

To,

1. All the Concerned Secretaries of Ministries/ Departments
2. Chairman-Cum-Managing Director, all the Central Public Sector Undertakings
3. Sh.SanjayAggarwal, Economic Advisor, Department of Expenditure, M/o Finance New Delhi
4. Asstt. Director, Senet of the O/o DC (MSME) with request to upload the same on the DC (MSME) website under Public Procurement Policy section.
5. All the Director incharge, MSME-DIs.

**FREQUENTLY ASKED QUESTIONS  
ON  
PUBLIC PROCUREMENT POLICY FOR MSEs, ORDER 2012**

Dated: 27<sup>th</sup> January, 2022

**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 amended Public Procurement Policy for MSEs, Order 2012 a minimum 25 percent share out of the total annual procurement by Central Government Ministries / Departments / Public Sector Undertakings are to be made from MSEs.P

**Q. No.2: Is there any reservation for MSEs owned by SC/ST/ Women entrepreneurs?**

Ans. Yes, out of 25% target of annual procurement from MSEs (**Not in the specific tender**), a sub-target of 4% (within the 25%) of annual procurement from MSEs is earmarked for procurement from MSEs owned by Scheduled Caste (SC) / Scheduled Tribe (ST) entrepreneurs and 3% (within the 25%) of annual procurement from MSEs is earmarked for procurement from MSEs owned by women entrepreneur. 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 and 3% earmarked to women entrepreneur will also be met from other MSEs.

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

Ans. As mentioned in Section 7(4) of Ministry of MSME's Notification No. S.O2119(E) dated 26th June, 2020, an enterprise registered with any other organization under the Ministry of MSME shall register itself under Udyam Registration. With effect from 01.07.2020, MSEs registered under Udyam Registration are eligible to avail the benefits under the Policy. MSEs registered under Udyog Aadhaar Memorandum (UAM), validity of which is till 31.03.2022, are also eligible to avail the benefits under the Policy.

**Q.No.4: What is the date of implementation of the policy?**

Ans. The policy is applicable with effect from 1.4.2012 and became mandatory with effect from 1.4.2015 onwards.

**Q.No.5: Is the Policy 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 and services in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

**Q.No.6: Is the policy implemented in parts or fully from its inception?**

Ans. As per Gazette Notification(S.O. 5670(E) dated 8<sup>th</sup> November, 2018, it is mandatory for all Central Government Ministries / Departments/ CPSUs to procure at least 25% of their annual procurement from MSEs including 4% (within the 25%) from MSEs owned by SC/ST entrepreneur and 3% (within the 25%) from MSEs owned by women entrepreneur.

**Q.No.7: Is there any monitoring system for assessing the Government procurement from MSEs?**

Ans. To monitor the progress of procurement by Central Government Ministries/ Departments and CPSUs from MSEs, Ministry of MSME has launched the **MSME Sambandh Portal** on 8<sup>th</sup> December, 2018 for uploading procurement details by all CPSUs on a monthly and an annual basis which is regularly monitored by the Ministry.

**Q.No.8: Is there a price matching facility for procurement from MSEs over large scale?**

Ans. In tender, participating MSEs quoting price within the 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 at least 25% of total tendered value.

In case L1 is not an MSE and there is more than one MSE within the range of L1+15%, only the lowest MSE shall be considered for 25% order in case of divisible item (**or 100% in case order quantity is not divisible**), subject to matching the L1 prices. Only on refusal of such lowest MSE to accept L1 price, second lowest MSE within the range of L1+15%, shall be considered. This process shall be continued till a MSE in the range accepts the L1 price or the MSEs in the L1+15% range are exhausted. In case no MSE accepts the L1 price or there is no MSE available, in L1+15% range, then the order shall be placed without applying this principle.

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

Ans. The Central Government Ministries/ Departments/ Public Sector Undertakings shall take necessary steps to develop appropriate vendors by organizing Vendor Development Programmes (VDPs) or Buyer-Seller Meets focused on developing MSEs for procurement through the GeM Portal.

In order to develop vendors belonging to MSEs for Public Procurement Policy, the Ministry of MSME is regularly organizing State Level VDPs and National Level VDPs under the Procurement and Marketing Support Scheme.

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

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

- i. Special Vendor Development Programmes/ Buyer-Seller Meets would be conducted by Departments/ CPSUs for SC/STs and Women.
- ii. Outreach programmes will be conducted by National Small Industries Corporation (NSIC) to cover more and more MSEs from SC/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).
- iv. A National SC/ST hub scheme was launched in October, 2016, for providing handholding support to SC/ST entrepreneur which is being coordinated / implemented by the NSIC under this Ministry.

**Q.No.11: What are the other benefits /facilities available to the MSEs 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 deposit, adopting e-procurement to bring in transparency in tendering process. However, exemption from paying of Performance Bank Guarantee is not covered under the policy. MSEs may also be given relaxation in prior turnover and prior experience criteria during the tender process.

**Q.No.12: Is there any review mechanism for monitoring and reviewing of the policy?**

Ans. A Review Committee has been constituted under the Chairmanship of Secretary, Ministry of MSME for monitoring and reviewing of Public Procurement Policy for MSEs. M/O MSME will review and/or modify the composition of the Committee as and when required. This Committee will, inter alia, review the list of 358 items reserved for exclusive purchase from MSEs on a continuous basis, consider requests from Central Government Departments, CPSUs for exemption from 25% 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. To redress the grievances of MSEs related to non-compliance of the Policy a Grievance Cell named "CHAMPION Portal" has been set up in the Ministry of MSME.

**Q. No.14: Whether there is any kind of purchase that has been kept out of the purview of procurement under the Policy? If yes, how is the monitoring of the set goal done?**

Ans. Given their unique nature, Defense armament imports will not be included in computing 25% goal for M/o Defense. In addition, Defense 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 Defense sector, by Ministry of Defense itself in accordance with suitable procedures to be established by them.

**Q.No.15: From where can the details of the Policy be obtained?**

Ans. Policy details are available on the website of this office at [www.dcmsme.gov.in](http://www.dcmsme.gov.in).

**Q.No.16: Is this policy 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.

**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. However, traders/ distributors/ sole agent/ Works Contract are excluded from the purview of Public Procurement Policy for MSEs Order,2012.

**Q.No.19: Whether the Policy is applicable for MSEs registered with NSIC?**

Ans. The Policy is applicable for all MSEs registered under Udyam Registration and Udyog Aadhar Memorandum (valid till 31.03.2022).

**Q.No.20: Whether the Policy provides benefits for exemption from Security Deposit/ Performance Bank Guarantee to MSEs?**

Ans. No, there is no exemption on Security Deposit/ Performance Bank Guarantee under the Policy.

**Q.No.21: Can MSEs quoting a price within the band L1+15% be given complete supply to tender in case tender item cannot be split /divided?**

Ans. In case of tender item cannot be split or divided, etc. the MSE quoting a price within the band L1+15% may be awarded for full/ complete supply of total tendered value to MSE, considering the spirit of the Policy for enhancing Govt. Procurement from MSEs.

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

Ans. The 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: Can the Central Government Ministries/ Departments/ CPSUs who have a meagre value of total procurement be exempted from the Policy?**

Ans. The Policy is applicable to all the Central Government Ministries / Departments / CPSUs, irrespective of the volume and nature of procurement.

**Q.No.24: Does the Policy have a provision for exemption from 25% procurement target?**

Ans. The Review Committee may consider any request of Ministries / Departments / CPSUs for exemption from the present 25% procurement targets on a case to case basis.

**Q.No.25: Does laminated paper Gr. I, II and III fall under the paper conversion product (SI.No.202) and is a reserved item for exclusive procurement from MSEs?**

Ans. As per Policy Circular No. 21(6)/2016-MA dt. 26th May, 2016, it is clarified that only paper bags, envelopes, ice-cream cups, paper cups and saucers and paper plates are covered under the head "Paper Conversion products" at SI. No. 202 of the list of reserved items under the Public Procurement Policy for MSEs Order-2012. Accordingly, the description of SI. No. 202 as indicated in the English version of the Reserved List will be applicable.

**Q.No.26: Are MSEs having Udyam Registration Certificate eligible for availing benefits under the PP Policy?**

Ans. Yes, Udyog Aadhar has been replaced with Udyam Registration Certificate w.e.f 01.07.2020. Udyam Registered MSMEs can avail the benefits under the Public Procurement Policy. The UAM will also remain valid till 31.03.2022.

**Q.No.27: Does the Ministry give any certificate for MSEs having Udyam Registration?**

Ans. The Erstwhile Udyog Aadhaar Memorandum (UAM valid till 31.03.2022) has been replaced by Udyam Registration Certificate (w.e.f. 01.07.2020). As part of ease of doing business, Udyam Registration Certificate (URC) has been introduced through a dedicated portal on self certification basis. An acknowledgement of URC is generated online instantly which is accepted by all Central Government Ministries / Departments / CPSUs and State Govts.

**Q.No.28: Is the Public Procurement Policy applicable to State Governments/ State Departments/ State PSUs?**

Ans. The Public Procurement Policy for MSEs Order, 2012 is applicable to Central Government Ministries/ Departments and CPSUs. This Policy is not applicable to State Government Ministries/ Departments/ PSUs.

**Q.No.29: Are the benefits of Public Procurement Policy applicable to MSEs who are not registered for the tendered items?**

Ans. The benefits of the Policy in respect of a particular item should be given only to those MSEs which are registered for that item group (NIC code) under Udyam Registration or UAM, the validity of which is till 31st March, 2022.

**Q.No.30: Can the relaxation of norms for start ups and MSEs in Public Procurement Policy in prior experience and prior turnover criteria be given to all MSEs?**

Ans. It is clarified that all Central Government Ministries/ Departments/ Central Public Sector Undertakings may relax conditions of prior turnover and prior experience with respect to Micro and Small Enterprises in all public procurement, subject to meeting of quality and technical specifications (*In exercise of Para 16 of Public Procurement Policy for Micro and Small Enterprises, Order 2012*).

However, there may be circumstances (like procurement of items related to public safety, health, critical security operations and equipment, etc.) where procuring entity may prefer the vendor to have prior experience rather than giving orders to new entities (**O.M.No.F.20/2/2014-PPD(Pt.)dated 20.09.2016 issued by DoE**).

**Q.No.31: Has the Ministry clarified the sub target of procurement from SC/STs/Women entrepreneurs under amended Public Procurement Policy for MSEs, Order 2012?**

Ans. It is clarified that sub-targets of 4% (within 25% of annual procurement target) and 3% (within 25% of annual procurement target) have been earmarked for procurement from MSEs owned by SC&ST and Women entrepreneurs, respectively under the amended Public Procurement Policy for MSEs Order, 2012.

**Q.No.32: Are Works Contracts a part of Services? What is the difference between Works and Services?**

Ans. Works Contracts are not covered under the purview of Public Procurement Policy for MSEs. The definition is available in **GFR Rules 130, 143, 177 & 197**.

**Q.No.33: Is there any provision to take action against the defaulting MSEs under the Policy?**

Ans. There is no such provision under the Policy. The procuring entity may take appropriate action as per terms and conditions (T&C) of the tender documents and/or as per GFR Rules.

**Q.No.34: Are financial institutions/ autonomous bodies included in the PP Policy?**

Ans. The Policy is applicable for all Central Government Ministries/ Departments and CPSUs.

**Q.No.35: Can the Ministry take action against the procuring agency for Delay in return of the Security Deposit of the MSEs?**

Ans. There is no such provision under the Policy. The matter can be referred to the department concerned for taking appropriate action in the interest of the MSE complainant.

**Q.No.36: Is it mandatory for MSEs to disclose their status as SC/ST/Women in Udyam Registration Certificate (URC)?**

Ans. Yes, it is mandatory to disclose the status as SC/ST/Women for in Udyam Registration.

**Q.No.37: Have the State Governments been asked to frame a Public Procurement Policy for MSEs?**

Ans. Yes, all the State Governments have been requested to frame the Public Procurement Policy on similar lines.

**Q.No.38: Have all the CPSUs been uploading their monthly and annual procurement details, on MSME SAMBANDH Portal?**

Ans. Most of the CPSUs are uploading their procurement details on the portal.

**Q.No.39: Is there any provision to take action against the procuring agency for non-compliance of PPP-MSE under the Policy?**

Ans. No, there is no such provision in the Policy.

**Q.No.40: What is the objective of the Policy?**

Ans. The objective of the Policy is to promote Micro and Small Enterprises (MSEs) by improving their market access and competitiveness through:-

- Increased participation in Government purchase.
- Encouraging relationship (including product development) between MSEs and Public Sector Undertaking (PSUs).
- Increased share of supplies of MSEs to Central Government Ministries/ Departments and CPSUs.
- Increased share of supplies of MSEs to Central Government Ministries/ Departments and CPSUs.

**Q.No.41: What are the items or goods which can be procured from MSEs to achieve the target of 25% from MSEs ?**

Ans. To achieve the target Government / CPSUs they can procure

- i. The items from the list of 358 items reserved for procurement from MSEs.
- ii. Items which are being manufactured by MSEs, besides reserved items.



**Q.No.42: How is the status of Enterprises as MSEs be verified?**

Ans. The status of enterprises as MSEs can be verified through their Udyam Registration Certificate or UAM certificate, which is valid till 31st March, 2022. As per notification No. S.O. 2119(E) dated 26.06.2020, in case of any discrepancy or complaint, the General Manager of the District Industries Centre of the District concerned shall undertake an inquiry for verification of the details of Udyam Registration/UAM submitted by the enterprise and thereafter forward the matter with necessary remarks to the Director or Commissioner or Industry Secretary concerned of the State Government who after issuing a notice to the enterprise and after giving an opportunity to present its case and based on the findings, may amend the details or recommend to the Ministry of MSME, Government of India, for cancellation of the Udyam Registration Certificate/UAM.

**Q.No.43: Can sub-contracting be considered under the procurement target from MSE?**

Ans. Yes, if subcontract is given to MSEs, it will be considered as procurement from MSEs.

**Q.No.44: If MSEs participate in tender but the procuring agency denies providing benefits under the Policy, how can the problem be addressed?**

Ans. The problem can be resolved through the Grievance Cell constituted to tackle such situations and the matter may be referred to the procuring agency concerned to redress the problem.

**Q.No.45 What are the steps taken by the Ministry of MSME to promote marketing through GeM portal for supply of Goods or rendering services from MSEs to Government Departments and CPSUs?**

Ans:

- CEO, GeM has been requested to make a provision in the GeM portal for procurement of goods and services from MSEs through linking URC.
- Udyam Registration Portal has a facility through which an entrepreneur can opt for linking itself with Government e-market (GeM) place by selecting an option on Udyam Portal. The enterprise will be linked to GeM portal and flow of information will start between these two portals. With this facility, MSEs can link themselves with the Government's procurement system and can participate in Government's mandatory procurement programme from MSEs
- All CPSUs have been requested to procure goods and services from MSEs, through GeM portal only.
- The Ministry of MSME has signed an MOU with CEO, GeM, for mobilizing MSEs for onboarding themselves on the GeM portal for supply of goods & services from MSEs.
- All UAM holders had been requested to register themselves on GeM portal for supply of goods and services through GeM portal.

**Q.No.46: What is the difference between PPP-MII Order, 2017 and PPP-MSE Order, 2012?**

Ans. The Public Procurement Policy for MSEs Order, 2012 is a delegated legislation deriving authority from the Act of Parliament. PPP-MII, Order, 2017 is an executive Order.

**Q.No.47: Can Joint Ventures take the benefits of the Public Procurement Policy for MSEs Order, 2012?**

Ans. No, Under Udyam Registration (and earlier under UAM), there is no provision of registration of Joint Ventures. As mentioned in S. No. 3 above, benefits of the Public Procurement Policy for MSEs Order, 2012 can be availed by those MSEs which are registered on the Udyam Registration portal.

**Q.No.48: Can Consortiums with Foreign Company takes the benefits of the Public Procurement Policy for MSEs Order, 2012?**

Ans. No, Under Udyam Registration (and earlier under UAM), there is no provision of registration of Consortium. As mentioned in S. No. 3 above, benefits of the Public Procurement Policy for MSEs Order, 2012 can be availed by those MSEs which are registered on the Udyam Registration portal.

**Q.No.49: Can trader benefits from Public Procurement Policy, for MSEs Order, 2012?**

Ans. No, as mentioned in O.M. No. 5/2(2)/2021-E/P & G/Policy dated 02.07.2021, Retail and Wholesale traders can register on Udyam Registration Portal for the purpose of Priority Sector Lending (PSL) only.

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